

10.2. March 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 31 March 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 31 March 2025. Timing of creditor invoices received, and operational projects should be acknowledged in reviewing this report.
- The financial performance for March 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.
- It should be noted that as of 31 March 2025, 87.79% of budgeted revenue has been accounted for, while 71.37% 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: \$130.9m (Total Budget: \$148.26m)
 - Total Expenses from Continuing Operations: \$103.6m (Total Budget: \$144.05m)
 - Operating Result from Continuing Operations: \$27.3m (Budget: \$4.2m)
 - Net Operating results before capital grants and contributions: \$22.5m (Budget: \$-5.47m)

RECOMMENDATION:

1. **THAT** Council note the March 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 31 March 2025 highlights slight fluctuations in several income and expense categories within the allowed range.

Total expenses are 3.63% lower than the projected budget. This is slightly reduced compared to the last reporting period. The expectation is that this will reduce further 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 31 March 2025.

Income from Continuing Operations	March 2024/25 YTD Actual (\$'000)	2024/25 Budget (\$'000)	Variance (YTD Actuals vs Annual Budget) ('000)	% YTD Actual/Total Budget
Rates	\$62,133	\$62,080	\$53	100.09%
Annual Charges	\$18,253	\$18,247	\$7	100.04%
User charges and fees	\$23,150	\$31,803	(\$8,653)	72.79%
Other revenue	\$10,081	\$10,592	(\$511)	95.17%
Interest and Investment revenue	\$4,050	\$4,165	(\$114)	97.26%
Other income	\$5,007	\$5,887	(\$881)	85.04%
Grants and Contributions - Operating	\$3,436	\$5,802	(\$2,366)	59.22%
Grants and Contributions - Capital	\$4,833	\$9,683	(\$4,850)	49.91%
Total Income from Continuing Operations	\$130,942	\$148,260	(\$17,316)	88.32%
Employee benefits and on-costs	(\$36,605)	(\$53,337)	\$16,732	68.63%
Materials and services	(\$40,208)	(\$54,320)	\$14,112	74.02%
Borrowing costs	(\$1,750)	(\$2,537)	\$787	68.98%
Depreciation and amortisation	(\$21,251)	(\$28,795)	\$7,544	73.80%
Other Expenses	(\$3,919)	(\$4,783)	\$864	81.94%
Net Loss (Gain) from disposal of assets	\$134	(\$277)	\$411	-48.24%
Total Expenses from Continuing Operations	(\$103,599)	(\$144,049)	\$40,450	71.92%
Operating Result from Continuing Operations	\$27,343	\$4,211	\$23,134	
Net Operating results before capital grants and contributions	\$22,511	(\$5,472)	\$27,984	

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

31 March 2025, it is 75% 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 – \$100.1% of budgeted income has been accounted for as at 31 March 2025

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

User Charges and Fees – 72.79% of budgeted income has been accounted for as at 31 March 2025

On a straight-line basis, income is currently tracking slightly under budget,

The main contributors to the variance are work zone fees and plan temporary road closure fees. Together, these items have contributed to a \$0.9 million reduction in revenue. However, user charges and fees can be lumpy in nature, so this budget item will continue to be monitored before any budget adjustment is recommended.

Other Revenues – 95.17% of budgeted income has been accounted for as at 31 March 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 – 59.22% of budgeted income has been accounted for as at 31 March 2025

This is in line with the February 2025 results. The major reason for the variance is the timing of the Financial Assistance Grants receipt.

An additional \$90K was received in February for work performed by the Council related to the Emergency Services Fire Levy reform. This additional income will be realised within the March QBRS recommendations.

Grants and Contributions provided for Capital purposes – 49.91% of budgeted income has been accounted for as at 31 March 2025

This line includes Developer Contributions and Specific Purpose Capital Grants.

Income from Continuing Operations	2024/25 YTD Actual (\$'000)	2024/25 YTD Budget (\$'000)
Contributions (Capital)	\$4,044	\$3,000
Specific Purpose Grants (Capital)	\$789	\$6,683
Total	\$4,833	\$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 March is \$4.044m. Developer contributions have exceeded the budgeted amount over the past 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 – 97.26% of budgeted income has been accounted for as at 31 March 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 – 85.04% of budgeted income has been accounted for as at 31 March 2025

Other income includes rental income and other lease income.

Rental income is broadly in line with expectations.

The higher-than-expected income is due to a settlement payment of \$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. A recommendation will

be included in the March 2025 Quarterly Review to establish an internal reserve to restrict these funds for the Bradfield Park project.

Employee Costs – 68.63% of budgeted expenditures has been accounted for as at 31 March 2025

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

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 – 74.02% of budgeted expenditures has been accounted for as at 31 March 2025

The actual costs for Materials and Services are tracking within budget, with slightly lower-than-expected costs. 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 – 68.98% of budgeted expenditures has been accounted for as at 31 March 2025

Borrowing costs are in line with the payment schedule.

Depreciation – 73.80% of budgeted expenditures has been accounted for as at 31 March 2025

Depreciation remains within budget.

Other expenses - 81.94% of budgeted expenditures has been accounted for as at 31 March 2025

Although the year-to-date budgeted expenditure percentage is above 75%, the total annual costs remain within budget. The higher-than-expected expenses are primarily due to the timing of full-year contributions and subsidies made by Council to other organisations.

Loss/Gain on Disposal of Assets is –48.24%, representing a favourable variance compared to the budgeted loss as at 31 March 2025.

Favourable adjustments in losses from the disposal of plant and equipment are mainly due to:

- Delays in asset renewal as part of Council's liquidity improvement strategy.
- The timing of capitalisation of infrastructure projects, which may lead to partial disposal of the renewed assets.

Capital expenses

Council's current capital budget is \$86.997m. Year-to-date (YTD), \$28.4m has been spent on capital projects, leaving \$58.6m in the remaining capital budget. The underspending is primarily driven by:

- North Sydney Pool project – \$41.2m remaining.
- Open Space projects – \$3.78m remaining.
- Marine works, including seawall reconstruction – \$1.212m remaining;
- Streetscape works, including Young street plaza and Lightning upgrade – \$1.52m 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 March 2025, Council held \$142,315,621 in cash and investments. Most of this balance (\$74,219,144) is held in externally restricted reserves, while the remaining \$68,096,477 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.

Based on the continued slippage of the project program timeframe, it is anticipated that higher than expected internal reserves will be held as at 30 June 2025, which will result in a higher overall liquidity ratio. This improvement in forecast will be short-term pending completion of the NSOP project.

An additional \$10 million loan is budgeted for the North Sydney Olympic Pool project but will not be drawn until required.

Details of the cash restrictions are presented in the table on the next page.

External Restrictions and Internal Allocations	
External restrictions	
Developer contributions – general	\$46,502,068
Domestic waste management	\$14,121,963
Unexpended Special Rates	\$1,478,672
Unspent borrowings - North Sydney Olympic Pool redevelopment	\$7,193,696
Specific purpose grants	\$2,534,349
Other specific purpose contributions	\$2,388,396
Total external restrictions	\$74,219,144
Internal allocations	
Capital Works Reserve	\$6,910,451
Community Housing - Capital Purchases	\$1,010,101
Community Housing - Major Maintenance	\$490,657
Deposits, retentions, and bonds	\$14,846,295
Employees leave entitlement	\$7,127,000
Income Producing Projects	\$547,982
I.T. hardware and software	\$1,029,102
Olympic Pool Redevelopment	\$9,717,472
Plant and vehicle replacement	\$3,082,721
Total internal allocations	\$44,761,781
Total Restrictions and Allocations	\$118,980,925

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 March 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.