

Relevant Information for Council

FILE: X084202 **DATE:** 25 October 2024

TO: Lord Mayor and Councillors

FROM: Scott McGill, A/Chief Financial Officer

THROUGH: Monica Barone PSM, Chief Executive Officer

SUBJECT: Information Relevant To Item 6.4 – Presentation of the 2023/24 Financial Statements and Audit Reports to Council

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Purpose

To explain the increased revenue from user fees and charges shown in the 2023/24 Financial Statements

Background

At the meeting of the Corporate, Finance, Properties and Tenders Committee on 28 October 2024, further information was sought on the increased revenue from user fees and charges.

The 2023/24 actual result for User Fees and Charges was \$163.2M compared to a 2023/24 User Fees and Charges budget of \$136.1M.

The favourable variance totalling \$27.1M is explained in Note B5-1 Material Budget Variations to the Financial Statements (page 28 of the General Purpose Financial Statements), summarised as follows:

User Fees and Charges were favourable to budget due to:

- recoverable public domain works costs undertaken by Council as part of the Sydney Metro project in Surry Hills (\$2.5M favourable);

- income from fees for regulatory functions (Planning and Building and Health Inspections) due to higher than anticipated activity (\$1.8M favourable);
- income from Workzone and Filming fees due to higher than anticipated activity (\$0.7M)
- higher than anticipated income from a catering contract at the City's venues (\$0.7M favourable);
- a significant property make good payment from a commercial tenant at the end of their lease (\$0.5M favourable);
- various other small variances (\$0.4M favourable); and
- recreation Facilities Hire income (\$20.5M favourable).*

* The \$20.5M income recorded shows as a favourable variance due to a year end accounting adjustment. The 2023/24 budget did not include an expected income amount for income from user fees at the City's Aquatic and Recreation centres. The City's usual practice is to not include expected income for these user fees in our annual budgets because:

- it is difficult to predict income from user fees for Aquatic and recreation centres, particularly given fluctuating demand in a post-Covid operating environment; and
- a "net" approach reflects our current agreement with the operator of the City's Aquatic and Recreation Centres, Belgravia Leisure.

The arrangement means the \$20.5M income is not actually received by the City of Sydney, and is instead offset against operating expenses by the operator. However, accounting standards require the City to account for the fees charged to users on our behalf.

Note that an adjustment of \$20.5M was also made to Materials and Services - Building and facilities management expense (unfavourable to budget), offsetting the income adjustment, to reflect the retention of user fees by Belgravia Leisure under the contract. This adjustment therefore had no impact on the City's Net Operating Result for the year.

Memo from Scott McGill, A/Chief Financial Officer

Prepared by: Scott McGill, A/Chief Financial Officer

Approved

P. M. Barone

MONICA BARONE PSM
Chief Executive Officer