

Item 8

Questions on Notice with Answers

1. City of Sydney Yes Vote Amounts

By Councillor Jarrett

Question

The City of Sydney committed funding both through grants and in-kind to the Yes23 movement (Australians for Indigenous Constitutional Recognition Ltd) throughout the constitutional referendum that was held on 14 October 2023.

1. What was the final amount that was pledged to the Yes23 movement for grants?
2. What was the final in-kind donation amount that was pledged to Yes23?
3. If there are any remaining funds pledged to the Yes23 movement, what will happen to those funds?

X086666

Answer by the Chief Executive Officer

The City of Sydney is required to submit a financial disclosure to the Australian Electoral Commission for its campaign in support of the yes vote. This report is currently being prepared and will be provided to Councillors via the CEO Update when finalised. This report will enable us to answer all the questions above.

2. Partnership with Lego

By Councillor Scott

Question

Channel 7 recently reported the City of Sydney "teamed up" with Lego.

1. Who made the decision to partner with this company? What payments were made, in kind or other? What promotion was offered, and the value of this?
2. Did this arrangement go through a tender process?
3. How does the City manage the governance of corporate arrangements with for profit entities for partnerships? What other partnerships does the City hold with for profit companies that involve promotion only?

X086668

Answer by the Chief Executive Officer

1. An application was received from Lego under the Council approved Retail Activation Program for Pitt Street Mall to celebrate their World Play Day. It was assessed by a panel of City staff according to the established criteria and guidelines for this program. The venue hire fee equivalent to \$24,750 was waived for the duration of the event. Lego paid an application fee of \$260 and the costs for use of power. Lego listed their event in the City's What's On event platform in accordance with the standard guidelines. There is no equivalent promotional value for this listing. The City was not involved in the instigation or production of the Channel 7 story.
2. Council resolved to endorse the Retail Activation Program for Pitt Street Mall (ROC 6.6 - 18 November 2019) which provides for the waiving of venue hire fees for eligible activations via an application process. This program is open to all event promoters/retailers to encourage and support new retail activities to drive pedestrian footfall to Pitt Street Mall and activate the city centre retail precinct. In delivery of the City's adopted Retail Action Plan, any event is required to provide entertainment and drive increased dwell time in the mall, and contribute to the liveliness and creativity of the city.
3. Corporate arrangements with for-profit entities are governed under this activation program, the City of Sydney's corporate sponsorship policy and the grants and sponsorship policy. There is one other application active under the Pitt Street Mall program.

3. Investment Policy

By Councillor Scott

Question

The City annually reviews our Investment Policy.

1. What income earning investments does the City hold?
2. Across all investments, what is the City's target asset allocation? How is this determined? What is the City's actual asset allocation? How is this monitored, and reported on to Council?
3. Across all investments, what is the City's liquidity ratio target? How is this determined? What is the City's actual liquidity? How is this monitored, and reported on to Council?
4. What benchmarks are used for returns, broken down by asset class? Please detail all asset classes including those not covered by the Investment Policy.
5. What benchmarks are used for liquidity, broken down by asset class. Please detail all asset classes including those not covered by the Investment Policy.
6. Why doesn't the City's Investment Policy cover all investment assets?

X086668

Answer by the Chief Executive Officer

1. The City holds financial investments and commercial property investments.
2. Councils do not plan for nor report in terms of target asset allocation in the same manner as fund managers and superannuation funds. Those organisations attract and accumulate capital, invest and grow their portfolios, and structure these portfolios with a diversified array of low and high growth assets to appeal to a range of investors with a range of risk appetites.

The City's strategic and operational plans are developed within the Integrated Planning and Reporting Framework, to identify and support the community's objectives as expressed in the Community Strategic Plan Delivering Sustainable Sydney 2030-2050 (CSP), the Delivery Program and the annual Operational Plan. These plans are supported by the City's Resourcing Plan including the Long Term Financial Plan, Asset Management Plan, the People Strategy, the Information and Technology Strategy and the Community Engagement Strategy.

The Long Term Financial Plan is a 10 year plan that identifies current and future financial capacity to act on aspirations of the Community Strategic Plan. It incorporates projections of future cashflows, including financial investment and commercial property returns, which in turn informs the City's cash and investment planning. The Asset Management Plan (AMP) guides infrastructure asset planning, including detailed physical asset conditions and status to ensure appropriate levels of maintenance and asset renewal for these properties.

The suite of Integrated Planning and Reporting documents are developed, reviewed and approved by Council annually, including the budgets and forward estimates that underpin each of the plans. Council is presented with reports on progress against the annual budget each quarter and progress against the services, programs and projects within the Operational Plan every six months.

Financial investment plans for the City are set out in the Cash and Investment Policy, Strategy, budget and forward estimates. As defined in the policy, cash and investments are financial products comprised of term deposits and bonds held with government (including NSW T-Corp and other government treasury bodies) and Authorised Deposit-taking Institutions (ADIs). Investment assets have maturities at the time of placement of 30 days or more.

The performance of this portfolio is reported monthly to Council. The mix between the types and duration of financial investment is determined by the City's short, medium and long term cash flow requirements and prevailing market conditions.

3. The City's liquidity ratio targets are based on our cash and financial investments, and the liquidity parameters for these financial investments are included within the Cash and Investment Policy. Cash requirements and portfolio liquidity are monitored daily and reported to Council as part of the monthly Investment Report. The Annual Financial Statements include a number of ratios that also assist with liquidity assessment. An example is the cash expense cover ratio which indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow, for which the City exceeds the industry benchmark.

Information on the liquidity of infrastructure assets is not gathered or reported as these assets are, by their nature, illiquid. The Report on Infrastructure Assets that is attached to the Annual Financial Statements is intended to assess at a high level, the condition and costs to maintain service standards of infrastructure assets. It includes ratios which show the rate at which these assets are being renewed relative to the required level of renewal identified in Council's Asset Management Plan and what proportion any infrastructure backlog is against the total value of a Council's infrastructure.

4. As noted in the Investment Strategy, the City uses the following benchmarks to measure financial investment performance, in relation to both current month and 12-month rolling returns, against its return/income objectives:
 - Bloomberg AusBond Bank Bill Index
 - 30 day Bank Bill Rate as published by the Reserve Bank of Australia

As noted above, the Annual Financial Statements include a number of ratios that also assist with liquidity assessment. These are externally audited and reported to Council annually.

Property assets are a subcategory within infrastructure assets, as set out in the AMP. Properties are further categorised into community and commercial property assets. In turn commercial property assets are split between strategic holdings and investment properties. Strategic property holding deliver operating income but are not held for the primary purpose of generating income but rather to advance the strategic intent of the Council. Strategic properties include those held to enable the future Town Hall Square project. They are not valued on a market basis but rather on a cost basis.

Investment properties are held for the primary purpose of generating income, they also have the potential to deliver capital growth, and annually are valued at on a market basis. Income generated by these properties can then be applied against their value to determine a yield. This income is identified in the Annual Financial Statements along with the latest independent market valuation of these properties.

5. Refer to the response to part 3 above.
6. The Investment Policy sets out the requirements for the management of the City of Sydney's ("the City's") cash and investment portfolio. It is a policy developed to guide the management of financial investments, in accordance with the requirements of the Local Government Act 1993. The term investment, in the context of the policy, is outlined in the definition section of the policy and its use is in line with the Office of Local Government Investment Policy Guidelines and Ministerial Investment Orders. Note that the Local Government Act 1993 states that 'Money may be invested only in a form of investment notified by order of the Minister published in the Gazette'.

4. Vacancy Rates

By Councillor Scott

Question

Charter Hall Direct CEO Steven Bennett, who oversees more than \$10 billion of Australian real estate, recently noted that the vacancy rate for industrial land currently stands at 0.6 per cent, the lowest in the developed world.

1. What is the vacancy rate on the City's investment property portfolio? How is this managed? Please detail the costs to the City annually for management of this portfolio? What are the KPIs for the management fees to be paid?
2. What vacancy rate does the City's long term financial plan and 2023/24 budget assume?
3. How are returns monitored?
4. What steps have been taken by the City to improve the leasing rate of our commercial properties? Please detail broken down via property.
5. Which properties are currently vacant? For how long has each been vacant, broken down by property.

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Answer by the Chief Executive Officer

1. The industrial land vacancy rate is not comparable to the investment property vacancy rate due to its location and primary use. The City's investment property portfolio primarily consists of B-grade office buildings with some retail, located in the CBD or close by. The appropriate comparative vacancy figure is the Property Council Australia (PCA) Sydney's CBD Commercial Property Vacancy Rate (B-Grade), with the latest average vacancy figure at 12.4 per cent as of July 2023. The City's current investment property portfolio average vacancy is 9.4 per cent, which is below the PCA comparative average.

The annual income and expenditure on the City's property portfolio is provided to Council each year as part of the Operational Plan and Budget. The details of all leases over \$500,000 per year, including returns and market valuations, are provided to Council for approval before each lease is entered into. Leases are often for an initial term of five years or more, with options well beyond that. The City also provides summary details of all leases entered into, under \$500,000 every three months as part of the Quarterly Report.

The management fees applicable were provided to Council in a detailed report on a contract variation with the City's property management agent on 19 September 2022. The fees are in line with industry standards.

2. The City reviews incomes and expenditure on the property portfolio each year as part of the budget review. Incomes are based on current leases, current vacancies, leases about to end, and estimated new leases given the current market conditions, market valuations and market incentives.

The 2023/24 budget is developed on a lease by lease basis rather than a 'global' vacancy percentage parameter. This information is then projected across the future years of the Long Term Financial Plan with allowance made for the impact of planned property acquisitions and disposals.

3. Income and expenditure on the City's property portfolio are reviewed on a monthly basis. A brief summary is provided to Council each quarter as part of the Quarterly Report income statement. Individual leases are managed on a daily basis and debt monitored on a monthly basis.
4. The City actively markets any vacant properties and regularly conducts inspections for potential tenants. The City has also actively undertaken investment initiatives to improve its commercial properties, e.g. the completed Pittway Arcade refurbishment and current asset and upgrade works at 343 George Street. Upgrade works are included in the Capital Works program submitted to Council for approval as part of the Operational Plan and Budget.
5. The City's land register is available on the City of Sydney website (see link below). The report which lists all City properties, leases and now includes vacancies is updated every six months. <https://www.cityofsydney.nsw.gov.au/council-governance-administration/open-access-information>

5. Bakery Park, Waterloo

By Councillor Scott

Question

1. Please detail the works the City is undertaking, and how community consultation will be undertaken?
2. Please detail when the works will be completed.

X086668

Answer by the Chief Executive Officer

1. The City has completed soil classification, service locations and survey and is currently undertaking an arboriculture assessment to inform designs. Designers have been engaged and are in the process of exploring options to improve access, plantings, lighting, seating and informal nature play. The site is not considered suitable for a formal playground due to the limited space available and potential impacts on existing trees. The draft concept will be reported to Council via a CEO Update in line with the 19 September 2022 Resolution of Council. Subsequent to the CEO Update, residents in the vicinity will be engaged to provide feedback on the preliminary designs. Consultation will be via letterbox drop, Sydney your Say and signage in the park.
2. Pending outcomes of design and consultation, works are currently planned to be completed in July 2024.

6. Closing the Gap

By Councillor Scott

Question

Building on the City's motion to support Closing the Gap, and noting the City is a signatory to Closing the Gap via the Australian Local Government Association (ALGA), please detail the progress made by the City, broken down by Closing the Gap target.

X086668

Answer by the Chief Executive Officer

A progress report on the Closing the Gap priority areas and targets is currently being prepared. The timing of this report is determined by availability of relevant data. We expect to be able provide a progress report in the first half of 2024.