

2025/26 Quarter 1 Review – Delivery Program 2025-2029

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Summary

This report reviews the operating and capital results against budget for the 2025/26 financial year, and progress against the performance measures identified within the Operational Plan 2025/26, within the broader Delivery Program 2025-2029.

Council's financial performance at Quarter 1 2025/26 reflects a year-to-date (YTD) Operating Result of \$28.8M against a budget of \$28.1M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of \$21.9M against a budget of \$17.2M. At Quarter 1, Council is forecasting a favourable full year Net Operating Result of \$115.6M, a positive variance of \$6.7M, reflecting a favourable operating result, higher capital grants and contributions and interest income than budgeted. All major variances are outlined within the body of this report, and full details are provided at Attachment A.

Capital Works expenditure was \$58.9M against a YTD budget of \$66.2M. The annual forecast for the program has been revised to \$297.3M against a full year budget of \$311.3M. A summary of the 2025/26 capital project expenditure and forecast, with minor budget adjustments, are detailed at Attachment B.

Technology and Digital Services Capital Works YTD expenditure for projects developed internally was \$5.9M against a budget of \$9.7M. The annual forecast of \$29.8M is \$3.9M higher than the full year budget of \$25.9M. A budget adjustment is requested as at Quarter 1, as outlined at Attachment B.

Plant and Equipment YTD expenditure, net of disposals, was \$1.8M against a budget of \$4.9M, with a full year forecast remaining in line with the full year budget of \$32.3M.

This quarterly report focuses on the Council's financial performance and updates progress against the Capital Works Program. The detailed review of operational performance against the City's integrated plans are provided bi-annually after the December (Quarter 2) and June (Quarter 4) financial quarters, in line with integrated planning and reporting requirements.

Reports which contain supplementary information are provided at Attachment C.

Additional details on the cost summary of Notices of Motion, Lord Mayoral Minutes and Councillor Amendments are provided in Attachment D.

Recommendation

It is resolved that:

- (A) Council note the financial performance of Council for the first quarter, ending 30 September 2025, including a Quarter 1 Operating Result (before depreciation, interest, capital related costs and income) of \$28.8M and the full year forecast of \$115.7M and a Net Operating Result of \$21.9M and a full year forecast of \$115.6M as outlined in the subject report and summarised in Attachment A to the subject report;
- (B) Council note the Quarter 1 Capital Works expenditure of \$58.9M and a revised full year forecast of \$297.3M, and approve the proposed adjustments to the adopted budget, including bringing forward \$0.9M of funds into the 2025/26 capital budget, and to reallocate funds within relevant programs within capital budget as detailed in Attachment B to the subject report;
- (C) Council note the Technology and Digital Services Capital Works expenditure of \$5.9M, and a full year forecast of \$29.8M and approve bringing forward \$1.8M of funds into the 2026/27 and to reallocate funds within relevant programs within capital budget as detailed in Attachment B to the subject report;
- (D) Council note the Quarter 1 Plant and Equipment expenditure of \$1.8M, net of disposals, and a full year forecast of \$32.3M;
- (E) Council note the net Property Divestments forecast of \$122.3M as at Quarter 1, which is in line with budget;
- (F) Council note the supplementary reports, which detail the quick response, street banner and venue hire support grants and sponsorship programs, code of conduct, major legal issues and international travel in Quarter 1, as detailed in Attachment C to the subject report;
- (G) Council approve the write-off of a commercial property debt of \$183,509.39 (including GST), for GPSS Family Pty Ltd (formerly trading as Bullpen Café), as the company has been deregistered; and
- (H) Council note the information in Attachment D to the subject report, which outlines the Notices of Motion, Lord Mayoral Minutes and Councillor Amendments Cost summary.

Attachments

Attachment A. Financial Results Summary

Attachment B. Capital Expenditure Financial Results

Attachment C. First Quarter 2025/26 Supplementary Reports

Attachment D. Notice of Motion, Lord Mayoral Minutes and Councillor Amendments
Cost Summary

Background

1. The City's Resourcing Strategy 2025 and the 2025/26 Operational Plan, including the 2025/26 budgets, were adopted by Council on 23 June 2025.
2. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and 6-monthly progress reports against the Operational Plan aligned with the Delivery Program.
3. This report provides the first quarter (Q1) and full year forecast financial results for the 2025/26 financial year, and a number of operational highlights that occurred in Q1.
4. A Q1 Financial Results Summary, together with a detailed breakdown of income and expenditure items, and a separate report showing operating results by the principal activities identified within the Operational Plan, are provided at Attachment A.
5. The Capital Expenditure results to Q1, together with a summary of project expenditure and proposed budget adjustments for 2025/26 and future years, are at Attachment B.
6. Additional reports which contain supplementary information are also provided at Attachment C for information.
7. In August 2025, the Office of Local Government (OLG) revised the Quarterly Budget Review Statement (QBRs) Guidelines for Local Government and introduced revised standardised QBRs reporting templates. Councils are required to commence reporting the Q1 QBRs under the new Guidelines by no later than 30 November 2025.
8. Staff have developed the attached financial reports to reflect OLG requirements. The latest Guidelines also removed the requirement for councils to submit to council a quarterly contract spend report.
9. Additional details on the cost summary of Notices of Motion, Lord Mayoral Minutes and Councillor Amendments are provided in Attachment D.

2025/26 Operating Budget

10. The adopted 2025/26 budget projected operating income of \$748.5M and operating expenditure of \$631.4M, for an Operating Surplus of \$117.1M. After allowing for interest income of \$30.4M, capital grants and contributions of \$97.4M, depreciation expenses of \$129.0M and capital project related costs of \$7.1M, the City projected a budgeted Net Operating Result for the year of \$108.9M.

First Quarter Operating Results

11. The Q1 operating result was \$28.8M against a budget of \$28.1M, a favourable variance of \$0.7M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the City achieved a Net Operating Result for the quarter of \$21.9M against a budget of \$17.2M, a favourable variance of \$4.7M.
12. The result includes favourable variances in operating expenditure of \$4.6M, interest income of \$0.9M, capital grants and contributions of \$2.5M, depreciation of \$0.3M and capital project related costs of \$0.3M. These were partially offset by an unfavourable variance in operating income of \$3.9M.

13. The primary operating income variations to the budget are detailed in the table below:

Income Type	2025/26 YTD Budget variance	2025/26 full year forecast to budget variance	Comment
Enforcement income	(\$1.4M)	(\$2.1M)	Longer than usual periods of inclement weather disrupted operations, resulting in fewer infringements.
Other income	\$1.5M	\$3.1M	Income relating to the delayed settlement of the Fig and Wattle property divestment.
Work zone	(\$0.7M)	(\$1.5M)	The average value of work zone applications received are trending lower, and for shorter durations, as developers seek to reduce costs in a challenging economic environment.

14. The primary operating expenditure variances to the budget are detailed in the table below:

Expenditure Type	2025/26 YTD Budget variance	2025/26 full year forecast to budget variance	Comment
Employee benefits and on-costs	\$1.9M	\$3.2M	The forecast variance is 1.0% of full year budget and primarily due to permanent vacancies in a competitive labour market, partially offset by an increase in agency staff used to backfill essential roles.
Enforcement & infringement costs	(\$0.3M)	(\$2.1M)	The budget assumed profit share arrangements with the NSW Government would cease in 2025/26. The finalisation of these arrangements remain under negotiation.
Property related expenditure	(\$2.5M)	(\$2.9M)	Forecast increase largely driven by the lift in activity associated with reactive and preventative property maintenance.

15. The main variances which adjust the operating result to the net result are detailed in the table below:

Type	2025/26 YTD Budget variance	2025/26 full year forecast to budget variance	Comment
Interest income	\$0.9M	\$2.9M	Higher actual interest rates experienced (4.44% as per September investment report) compared to the budget assumption (4.25%). Interest rates are now expected to remain higher and for longer than anticipated in the budget.
Capital grants and contributions	\$2.5M	\$5.3M	Underlying capital grants and contributions are similar to budget. Forecast increase reflects faster-than-expected delivery of City heritage conservation projects, accelerating recognition of alternative heritage floor space allocation scheme funds.

Additional commentary on the Q1 Operating Result

16. Actual financial performance has generally been strong across Council year-to-date. Most divisions are forecasting full year results that are favourable to their annual operating result budgets for 2025/26, with the exception of Chief Operating Office and City Services mentioned below. There are some individual units that are currently forecasting to have unfavourable results due to specific increased operational demands, as summarised at Attachment A.
17. The Chief Operations Office are forecasting an unfavourable operating result due to increased activity and cost associated with reactive and property maintenance.

18. City Services division is also forecasting an unfavourable operating result. This is attributed to inclement weather unfavourably impacting enforcement income during Q1, as well as the forecast police profit share expense, which was not budgeted. The City wrote to the NSW Government advising our intention to exit the deeds of agreement that have been in place for more than two decades. Correspondence relating to the termination of the deed is continuing.
19. Minor budget reallocations between divisions (with no change to the City's total net result) have been incorporated in Q1 to better align financial ownership with service delivery responsibilities including:
 - (a) \$350K from Legal and Governance to City Services relating to vehicle insurance
 - (b) \$265K from Chief Operating Office to City Services relating to facility management for end of trip facilities
 - (c) Other allocations from CEO contingency outlined in Attachment A.

Capital Expenditure

20. The Capital Works program achieved expenditure of \$58.9M against a YTD budget of \$66.2M.
21. The full year forecast of the capital works program has been reduced from a budget of \$311.3M to \$297.3M following the latest review, which assessed the expected delivery of projects and revised cost estimates for each individual project.
22. Progress on a number of projects has advanced beyond that included within the program budget projections for 2025/26. Approval is therefore sought to bring forward funds of \$0.9M from future years' capital works forward estimates and to reallocate funds from relevant programs within the capital budget to continue to progress projects as detailed at Attachment B.
23. A financial summary of the Capital Works program, the proposed budget adjustments, and a status report on all commenced capital projects exceeding \$5.0M in value is also provided at Attachment B.
24. Technology and Digital Services capital expenditure YTD, for internally developed projects, is \$5.9M against a budget of \$9.7M with a forecast of \$29.8M that is \$3.9M over the full year budget of \$25.9M. Approval is sought to bring forward funds of \$1.8M to 2026/27, as detailed in Attachment B.
25. Plant and Equipment expenditure incurred YTD, net of disposals, was \$1.8M against a budget of \$4.9M with a full year forecast of \$32.3M, which is in line with the current full year budget.
26. There were no property acquisitions or divestments during the first quarter. The full year forecast for net divestments of \$122.3M remains in line with budget.

Commercial property debt write off

27. GPSS Family Pty Ltd leased Shop 45, located on Level 2 at 456 Kent Street, Sydney, where the tenant operated a café. The shop is situated between Town Hall Arcade, St Andrews, and Town Hall House, relying heavily on foot traffic from these locations.

28. During the Covid period, the tenant experienced a significant decline in revenue. With most office employees working from home and the absence of international tourists, foot traffic drastically decreased. The tenant subsequently chose to remain closed, citing insufficient foot traffic, rising costs of goods, staffing expenses, and ongoing rental obligations as reasons for the closure. The rental arrears were accumulated during the Covid-19 period when regulations were in place to protect tenants and this protection included a reasonable recovery period post the end of the Covid-19 period. The City and its previously outsourced property management contractor had made numerous attempts, within the bounds of the Covid-19 regulations, to recover the outstanding debt.
29. The City has become aware that GPSS Family Pty Ltd has been deregistered and as such, Australian Accounting Standards require that debts that are no longer recoverable must be removed from the City's accounting records, along with any associated provision for doubtful debt. Council's formal approval to write-off the balance of the \$183,509.39 (including GST) of this debt is required, as the value exceeds the upper limit delegated by Council to the Chief Executive Officer.
30. Given the history of this debt and the financial situation of the debtor, at 30 June 2025, the City had already made a full provision for the balance of this debt, after allowing for the City's right to reclaim the GST back from the Australian Taxation Office. The removal of both the debt and the provision from the City's balance sheet will therefore have no impact on the City's 2025/26 financial results.

Operational Highlights

31. During this quarter the operational highlights included:
 - (a) Throughout NAIDOC Week (6–13 July 2025), the City of Sydney supported cultural talks, exhibitions, and community events, including an exhibition of historic 1965 Freedom Ride photos and a children's art exhibition. Town Hall was lit nightly with First Nations artwork, and street banners featuring 'Jagun' by Bundjalung artist Kim Healy were displayed on streets including George Street and the light rail corridor. The 2025 NAIDOC in the City event, curated by We Are Warriors, featured a Smoking Ceremony, exhibitions, performances, and a free concert at Sydney Town Hall showcasing emerging First Nations artists. Celebrating 50 years of NAIDOC Week under the theme "The Next Generation: Strength, Vision & Legacy," the event highlighted Indigenous creativity and leadership.
 - (b) The new Oxford and Liverpool Street two-way separated cycleway opened for use on 25 July 2025, and an official opening event was held in August 2025. The cycleway runs from Taylor Square along Oxford Street and Liverpool Street, and connects the Bourke, College and Castlereagh Street cycleways.

- (c) National Tree Day (27 July 2025) led by Planet Ark, is Australia's largest annual tree-planting event. On Schools Tree Day (25 July 2025), 30 volunteers planted 1,000 native shrubs, grasses, groundcovers, and flowering herbs at Harold Park in Forest Lodge. The planting aimed to improve habitat structure, species diversity, and soil stability, with many plants sourced from an Aboriginal-owned nursery. On National Tree Day (27 July 2025), 150 volunteers gathered at Federal Park in Annandale to plant 4,000 native species, including shrubs, climbers, and groundcovers, enhancing the ecological value of the area. A smaller event on 30 July at Wentworth Park light rail stop saw Pymont Ultimo Landcare Group and 16 Ultimo Public School students plant 17 native plants to support insect and fauna habitats. Since 2010, over 5,880 volunteers have planted more than 50,000 native plants across the City, contributing to greener, healthier urban spaces.
- (d) Thirty finalists were selected from nearly 3,000 entries for the City of Sydney's Australian Life photography competition. Ten of the finalists were aged 13 to 17 for the second year running. Winners were announced on 31 July 2025 at Customs House Square. Photojournalist Carly Earl won the top prize with an image of young drovers on a Queensland stock route. In the youth category, 17-year-old Callum Poling won with February Boat Carnival, earning \$2,000 and an OM System camera bundle. Chloe Wiseman won the Little Sydney Lives competition with Home-made Mummy, while Zoe Morris was runner-up with Sibling Love. An online gallery showcased all finalist images, with public voting for a People's Choice award.
- (e) Cyclists commuting into Sydney's CBD now have access to a new secure and affordable facility, with the City of Sydney opening in September 2025 a purpose-built bike hub at Circular Quay. The hub, operated by Secure Parking, offers all-day parking for \$5 or a monthly membership for \$60. In addition to parking for up to 200 bikes, including larger cargo bikes, the facility includes 400 lockers and 28 showers (14 for women and 14 for men).
- (f) The replacement of passenger lift at Kings Cross Library has been completed with the new lift put into service on 3 September 2025. A full replacement of the existing passenger lift included all electrical, hydraulic, mechanical, fire and security services and new interior fittings. The new lift has improved access to the library.
- (g) On 2 September 2025 the upgraded Andrew Boy Charlton pool facility was officially reopened. The pool now features almost 50,000 new tiles and improved accessibility. New decking and timber seating have been installed, along with shade sails. Accessibility has also been improved, with a new lift making it easier for more people to enjoy the pool. Gas-powered heating and hot water systems have been replaced with efficient electric heat pumps, reducing emissions. The project also included repairing the concrete and steel structures, restoring the grandstand, and upgrading the plant room.
- (h) On 6 September 2025, the City of Sydney hosted Northcott Pet Day. This was the 15th Northcott Pet Day hosted at Ward Park in Surry Hills. Pet Days provide free pet health services while promoting responsible pet ownership and enhancing community connection and safety. Northcott Pet Day attracted over 400 residents and 207 companion animals including 150 dogs, 55 cats, and 2 rabbits.

- (i) Each year, the City of Sydney participates in History Week, a state-wide festival coordinated by the History Council of NSW. In 2025, the theme Water Stories (6–14 September) invited reflection on how water was valued, managed, and shared throughout history. The City hosted a range of creative and educational events, including jewellery and printmaking workshops using archival images of Sydney's water features at Darling Square Library, a guided bike tour tracing the history of Green Square's former wetlands and creeks with City Historian Laila Ellmoos and Pedal Set Go, and a panel discussion at Customs House exploring Sydney's hidden waterways with experts in history, engineering, and Indigenous knowledge. Participants also joined an art and history tour in Hyde Park to create a site-specific artist book inspired by the City's Walk on Water Culture Walks tour. These events highlighted the deep connections between water, place, and community in Sydney's past and present.
- (j) On 25 September 2025 the artwork 'Meeras Pavilion' in the forecourt of Customs House was launched. This is an interactive artwork that celebrates the power of art and creativity to strengthen the resilience of the Rohingya community and creates an opportunity for people to connect and build solidarity with the world's largest stateless people. Meeras Pavilion ran until 5 October.

Financial Implications

- 32. At Quarter 1 the YTD Operating Result was \$28.8M, with a full year forecast Operating result of \$115.7M against a budget of \$117.1M, an unfavourable variance of \$1.4M. At Quarter 1 the YTD Net Operating Result was \$21.9M, with a full year forecast of \$115.6M against a budget of \$108.9M, a favourable variance of \$6.7M.
- 33. The City's ledger cash balance of \$753.6M is projected to be utilised over the life of the long term financial plan to deliver and maintain the City's strategies, services, assets and infrastructure on behalf of its community.
- 34. The total investment and cash position in the Investments as at September 2025 report is \$752.6M. A reconciliation between these amounts is provided within the Investments report.

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

- 35. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress.
- 36. The Delivery Program, Operational Plan and Resourcing Strategy support the achievement of the desired social, cultural, environmental and economic outcomes contained within the Community Strategic Plan. This report supports the implementation of all strategic directions and objectives.

Risks

- 37. This approach is within the City's risk appetite, which states:
 - The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

- We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses. We prioritise the protection of our financial resources and our long-term financial sustainability. We strive to ensure that our financial decisions are well informed, based on sound financial analysis and are aligned with our strategic objectives.
- We assess our capacity to absorb financial losses and maintain sufficient financial resources to mitigate the impact of most unexpected events.
- We have minimal appetite for operating deficits as our positive operating results are the primary source of funds to renew our assets and our capital works program.

Relevant Legislation

38. The Local Government Act 1993 and Local Government (General) Regulation 2021 require quarterly progress reports against the financial objectives and regular reports (at least six monthly) against the Operational Plan.
39. In August 2025, the Office of Local Government issued revised Quarterly Budget Review Statement Guidelines under section 203 (3) of the Local Government (General) Regulation 2021. This requires all councils to report using the new format and to upload their finalised quarterly statements to the Office of Local Government (OLG) to monitor compliance, undertake performance reviews and risk assessments, and if required, undertake any necessary regulatory enforcement. Note that in previous quarters the City has forwarded our Quarterly Review reports to the OLG once adopted by Council.
40. Section 406 of the Act requires councils to comply with the Integrated Planning and Reporting Guidelines, issued by the Chief Executive of the Office of Local Government.

Critical Dates / Time Frames

41. The quarterly report is due to be submitted to Council within 2 months of the end of the respective quarter.
42. The information contained within this report reflects Council's financial performance in the current financial year.

Public Consultation

43. There is no requirement for public consultation for this report.

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement