

Item 3.

2025/26 Quarter 2 Review – Delivery Program 2025-2029

File No: X115821

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 2 2025/26 reflects a year-to-date (YTD) Operating Result of \$53.3M marginally below the budget of \$53.8M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Net Operating Result is \$47.0M compared with a budget of \$33.3M.

As at quarter 2, the full year Net Operating Result is forecast to be a surplus of \$113.1M, representing a positive variance of \$4.2M. This variance reflects increased Capital Grants - Works in Kind (non-cash) and higher interest income. All major variances are outlined in the body of this report, with full details provided at Attachment A.

Capital Works expenditure was \$122.4M against a YTD budget of \$141.5M. The annual forecast for the program has been revised to \$278.3M against a full year budget of \$312.2M.

A summary of the 2025/26 capital project expenditure and forecast, with budget adjustments, are detailed at Attachment B.

Technology and Digital Services Capital Works YTD expenditure for projects developed internally was \$15.0M compared with a budget of \$18.4M. The full year forecast of \$30.0M is \$4.1M higher than the full year budget of \$25.9M. A budget adjustment is requested, as outlined in Attachment B.

Plant and Equipment YTD expenditure, net of disposals, was \$5.3M against a budget of \$11.5M, with a full year forecast of \$31.9M against a full year budget of \$32.3M.

Progress against the Delivery Program performance measures is generally satisfactory, with full details provided at Attachment C, and a number of operational achievements are highlighted within the body of this report.

Reports which contain supplementary information are provided at Attachment D.

Recommendation

It is resolved that:

- (A) Council note the financial performance of Council for the second quarter, ending 31 December 2025, including a Quarter 2 Operating Result (before interest, capital grants and contributions, depreciation and capital related costs) of \$53.3M and the full year forecast of \$115.6M and Net Operating Result of \$47.0M and a full year forecast of \$113.1M as outlined in the subject report and summarised in Attachment A to the subject report;
- (B) Council note the Quarter 2 Capital Works expenditure of \$122.4M and a revised full year forecast of \$278.3M, and approve the proposed adjustments to the adopted budget, including bringing forward \$5.5M of funds into the 2025/26 capital budget, the transfer of \$1.0M from the capital works contingency, 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 \$15.0M, and a full year forecast of \$30.0M and approve the proposed adjustments to the adopted budget, including bringing forward \$4.1M of funds into the 2025/26 capital budget, the transfer of \$1.3M from the capital works contingency, and to reallocate funds within relevant programs within capital budget as detailed in Attachment B to the subject report;
- (D) Council note the Quarter 2 Plant and Equipment expenditure of \$5.3M, net of disposals, and a revised full year forecast of \$31.9M;
- (E) Council note net Property Divestment of \$8.1M as at quarter 2, and the full year forecast for net Property Divestments of \$122.3M;
- (F) Council note the operational performance indicators and quarter 2 achievements against the Operational Plan 2025/26 objectives, as detailed in Attachment C to the subject report; and
- (G) Council note the supplementary reports, which detail the quick response, street banner and venue hire support grants and sponsorship programs, major legal issues and international travel in the second quarter, as detailed in Attachment D to the subject report.

Attachments

Attachment A. Financial Results Summary

Attachment B. Capital Expenditure Financial Results

Attachment C. Delivery Program 2025–2029 December 2025 Progress Report

Attachment D. Second Quarter 2025/26 Supplementary Reports

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 second quarter and full year forecast financial results for the 2025/26 financial year, and a number of operational highlights that occurred in the quarter.
4. A second quarter 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 quarter 2, together with a summary of project expenditure including significant variances 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 D for information.

2025/26 Operating Budget

7. 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.

Second Quarter Operating Results

8. The second quarter operating result was \$53.3M against a budget of \$53.8M, an unfavourable variance of \$0.5M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Net Operating Result is \$47.0M compared with a budget of \$33.3M.
9. The result includes favourable variances in employee benefits and on-costs of \$2.4M, operating expenditure of \$3.7M, capital grants and contributions of \$10.5M (noting that timing of receipts is inherently difficult to predict), interest income of \$1.8M and capital project related costs of \$1.2M, partially offset by unfavourable variances in operating income of \$6.6M.

10. 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
Commercial Property Income	(\$1.6M)	(\$2.5M)	A challenging leasing market and changing let up assumptions leading to lower than expected income.
Enforcement income	(\$2.3M)	(\$2.9M)	Longer than usual periods of inclement weather disrupted operations, resulting in fewer infringements.
Other income	\$4.0M	\$7.7M	Income relating to the delayed settlement of the Fig and Wattle property divestment.
Parking Meter Income	(\$0.8M)	(\$1.3M)	Parking meter revenue is up 8% year on year. However inclement weather and improved public transport options, have resulted in an unfavourable variance to budget.
Work zone	(\$1.9M)	(\$2.6M)	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.

11. 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	\$2.4M	\$0.9M	The forecast variance is 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	(\$0.7M)	(\$1.5M)	The budget assumed profit share arrangements with the NSW Government would cease in 2025/26. The finalisation of these arrangements remain under negotiation.
Event Related	\$1.2M	\$1.1M	The variance reflects savings from reduced spend on outdoor dining, banners, and major event related activities.
Property related expenditure	(\$2.7M)	(\$4.1M)	Largely driven by the lift in activity associated with reactive and preventative property maintenance.
Service Contracts	\$0.6M	(\$1.6M)	Additional resources to address higher than contracted clean-up and bulky waste volumes.
Waste Disposal Charges	\$0.9M	\$1.2M	Reduced expenditure due to lower residual waste and comingled recycling tonnages, plus a lower comingled recycling unit rate under the new processing contract.

12. 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	\$1.8M	\$2.9M	Higher actual interest rates on investments have been achieved compared to the budget assumption (4.25%). The lift in official interest rates by the Reserve Bank of Australia at their February meeting, driven by persistent inflation above the target range (2% - 3%), indicates rates will remain higher than anticipated.
Capital grants and contributions (Cash and WIK)	\$10.4M	\$2.3M	Larger receipt of Capital Grants - Works In Kind (non-cash) than anticipated in the budget.

Additional commentary on the second quarter operating result

13. 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 Planning, Development and Transport (noted 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.
14. The Chief Operations Office is forecasting an unfavourable operating result due to increased activity and costs associated with reactive and planned property maintenance, as well as a challenging commercial property leasing market.
15. City Planning, Development and Transport is forecasting an unfavourable operating result due to a decline in income from development applications.

Capital Expenditure

16. The Capital Works program achieved expenditure of \$122.4M against a YTD budget of \$141.5M.
17. The full year forecast of the capital works program has been reduced from a budget of \$312.2M to \$278.3M following the latest review, which assessed the expected delivery of projects and revised cost estimates for each individual project.

18. 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 \$5.0M from future years' capital works forward estimates, and to approve the transfer of \$1.0M from capital works contingency, and to reallocate funds from relevant programs within the capital budget to continue to progress projects as detailed at Attachment B.
19. Significant variances are forecast for some of the 2025/26 capital program budgets and future years' forward estimates. These variances are listed and explained at Attachment B.
20. 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.
21. Technology and Digital Services capital expenditure YTD, for internally developed projects, is \$15.0M against a budget of \$18.4M with a forecast of \$30.0M that is \$4.1M higher than the full year budget of \$25.9M. Approval is sought to bring funds forward of \$4.1M and approve the transfer of \$1.3M from the capital works contingency and to reallocate funds from relevant programs within the capital budget to continue to progress projects as detailed at Attachment B.
22. Plant and Equipment expenditure incurred YTD, net of disposals, was \$5.3M against a budget of \$11.5M with a full year forecast of \$31.9M against a full year budget of \$32.3M.
23. In the second quarter, Council finalised the divestment of 338 Botany Road, Alexandria (sold to St George Community Housing for affordable housing - approved by Council in 2017). The full-year forecast for net Divestments is \$122.3M.

Operational Highlights

24. During this quarter the operational highlights included:
 - (a) In October 2025 Wimbo Park in Surry Hills won the Parks and Open Space category of the 2025 National Landscape Architecture Awards for its simple, nature-focused setting, offering generous, relaxed green open space reflective of an engagement-led process. The update of Wimbo Park was completed in March 2025.
 - (b) Moon Festival events were held at Ultimo Community Centre on 2 October, Ron Williams Community Centre in Redfern on Friday 3 October, and Joynton Avenue Creative Centre on Tuesday 7 October. Activities across the centres included traditional Chinese music, afternoon tea with mooncakes, lantern-making crafts, games, lucky door prizes, Erhu and Tai Chi performances and a lantern parade at Matron Ruby Grant Park.
 - (c) The City's Sydney Streets program recommenced in November with Macleay Street in Potts Point on 1 November 2025 and Glebe Point Road in Glebe on 15 November. Local neighbourhood roads were closed for the free events which included pop-ups with market stalls, street shops, music, knick-knacks and alfresco dining.

- (d) More than 70 attendees representing 30 countries and 15 education institutions attended an International Student Career Panel held on 29 November 2025 at Town Hall House. The event was co-designed and delivered by international student leaders from the City of Sydney's International Student Leadership and Ambassador (ISLA) program. The event featured a structured program including a networking workshop, a career panel discussion and facilitated networking opportunities. The panel showcased ISLA alumni who have successfully established careers in Sydney.
- (e) City of Sydney partnered with ACON to deliver an event for trans and gender diverse Aboriginal and Torres Strait Islander people at 119 Redfern Street, Redfern on Sunday 30 November 2025. The event, attended by over 40 people provided a safe space for community to come together and remember those lost to transphobic violence and abuse and to celebrate trans euphoria.
- (f) In November 2025 the Lord Mayor's Welcome for International Students – held annually and presented in partnership with Study NSW, major universities and TAFE NSW – won the Industry Excellence Award category of the NSW International Education Awards 2025. The welcome fosters inclusion and community for international students arriving in Australia. The event brings together Sydney's vibrant multicultural community and supports students to set themselves up for success with access to support services and student integration. The event has grown significantly, from 500 attendees in 2023 to almost 950 in 2025, attracting students from more than 67 countries and 12 institutions.
- (g) A replica of the JOY statue - originally located for 18 months in 1995 on the corner of Stanley and Yurong Streets, Darlinghurst - was officially unveiled on 8 November 2025. The original artwork is believed to be the world's first statue of a sex worker. Artist Loui May (née Fraser) created the artwork out of cement and marble dust to pay tribute to sex workers in the area. The original artwork was removed in 1997 before being given to Macquarie University.
- (h) Works to replace the passenger lift and 4 escalators at Railway Square are now complete and the new lift and escalators are operational and open to the public. The new lift and escalator are accompanied by new electrical, hydraulic, mechanical, fire and security services, which will provide much improved reliability.
- (i) On 26 November 2025, the City in partnership with NSW Police and Counterpoint Community Services, hosted 'Cuppa with a Cop' for Waterloo social housing residents at the Factory Community Centre. The community safety event was held in response to requests from residents, via the Waterloo Wellbeing and Safety Action Group, for more opportunities to connect with the South Sydney Police Area Command. Approximately 55 people attended the event and were offered coffee and pastries, creating a warm and welcoming setting for conversations with Police and local service providers.

- (j) International Day of People with Disability is held annually on 3 December. It is a United Nations internationally observed day aimed at increasing public awareness, understanding and acceptance of people with disability. The City marked the day with events across its venues. Highlights included a business breakfast at Town Hall House on inclusive design, a neurodiversity workshop for community workers at Redfern, and a crafting session at Green Square where participants made sensory toys. A smartphone video workshop empowered people with disability and carers to create engaging content, while Glebe Library hosted bilingual storytime for d/Deaf and hearing preschoolers. Inclusive sports days at Perry Park offered safe, supportive activities for adults and young people. Celebrations concluded with *Are You Pulling My Leg?*, a comedy show at Lower Town Hall and Green Square Library, showcasing creativity and resilience.
- (k) Christmas celebrations this year included concerts, a fair and other activities. Community concerts were held between 29 November and 14 December at Pirrama Park, Pyrmont; Turruwul Park, Rosebery; Bicentennial Park, Glebe; Reg Bartley Oval, Rushcutters Bay; and Alexandria Park, Alexandria. The Surry Hills Christmas Fair was held on 13 December and included market stalls, live music, performances, games and other fun activities. The 25 metre tall Martin Place Christmas tree was officially lit on 27 November 2025, and it featured more than 110,000 LED lights, 350 oversized baubles, a three-and-a-half-metre star and over 15,000 native Australian flowers woven through its 800 branches. A Christmas Organ Concert was held at Sydney Town Hall on 17 December. The City also hosted 'Christmas in the City: an International Student Festive Walk', in the Marconi Room at Town Hall House with over 50 international students attending and/ or volunteering at the event. Activities included a Welcome to Country, Australian festive food, and a group walk to Martin Place to view the official lighting of the Christmas tree.
- (l) Sydney's New Year's Eve celebrations began with a smoking ceremony at 7.30 pm, followed by an 8.45 pm Calling Country ceremony and family fireworks at 9 pm. The midnight firework display was accompanied by a soundtrack from Jono Ma of Jagwar Ma. Fireworks and pyrotechnic shots were deployed from multiple CBD locations, including the Opera House, Harbour Bridge and city rooftops. Additional western-side launch sites this year expanded the viewing area for spectators. Custom digital projections of Australian flora and fauna, created by VANDAL using plant DNA combined with artificial intelligence, illuminated the bridge pylons, symbolising nature reclaiming the city. Shortly before 9 pm, the pylons were lit white with a dove and the word "Peace" to honour the victims of the Bondi Beach terror attack, with a further minute's silence held at 11 pm when the pylons were again lit white with a Menora. The bridge was illuminated blue at 10 pm to highlight the City's charity partner, Beyond Blue. The ABC's broadcast included a Welcome to Country by Gadigal Elder Auntie Joan Bell before the 9 pm fireworks.

Financial Implications

25. At quarter 2 the YTD Operating Result was \$53.3M, with a full year forecast Operating result of \$115.6M against a budget of \$117.1M, an unfavourable variance of \$1.5M. At quarter 2, the YTD Net Operating Result was \$47.0M, with a full year forecast of \$113.1M against a budget of \$108.9M, a favourable variance of \$4.2M.
26. As the evolving and challenging operating environment continues this financial year, the City will continue to closely monitor trends in forecast financial performance in detail against operational and capital programs within the long-term financial plan, and ensure that reviews of our plans maintain our long-term financial sustainability.
27. The City remains in a strong financial position with a YTD cash balance of \$687.0M at 31 December 2025, that 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.

Key Implications

Strategic Alignment - Sustainable Sydney 2030–2050 Continuing the Vision

28. 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.
29. 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 Delivering Sustainable Sydney 2030–2050. This report supports the implementation of all strategic directions and objectives.

Organisational Impact

Risks

30. 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 operating surpluses are the primary source of funds to renew our assets and our capital works program.

Relevant Legislation

31. The Local Government Act 1993 and Local Government (General) Regulation 2021 require quarterly progress reports against the financial objectives.
32. 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.
33. Section 406 of the Local Government Act 1993 requires councils to comply with the Integrated Planning and Reporting Guidelines, issued by the Chief Executive of the Office of Local Government. Essential element 4.9 of the Guidelines require regular reports (at least 6 monthly) against the Delivery Program.

Critical Dates / Time Frames

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

Public Consultation

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

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement