

2019/20 Quarter 3 Review - Delivery Program 2017-2021**File No: S096187****Summary**

This report reviews the operating and capital results against budget for the 2019/20 financial year, and progress against the performance measures identified within the Operational Plan 2019/20, being the third year of the Delivery Program 2017-2021.

The City had been performing extremely well, and was forecast to be ahead of budget at year-end until the emergence of the Covid-19 virus. The pandemic, and the City's response to support its community through this crisis, has had an immediate effect on the City's operations and adversely impacted its financial performance, as set out in the report below.

In response to this rapidly evolving situation, in March 2020 Council resolved to undertake a range of support measures to assist the community and businesses across the City for six months to 30 September 2020, in line with Federal and State Government advice. The support packages estimated at a total value of \$72.5M, included the waiver of a number of fees, return of deposits for events that were unable to proceed, provision for commercial property rental abatement and flexible parking arrangements, new grants and donation programs, and a commitment to bring forward capital works that would directly support employment.

As the economic impact of the crisis, and the duration of government's social isolation directives to contain the spread of the virus remain uncertain, it is difficult to predict the full financial impact for the City. At this stage however, it is estimated that the City's revenue will be reduced by \$35M to \$40M per quarter, with some minor reductions in expenditure that will be offset by increased support to the community through grants, donations and services.

In response to the significant downturn in council's revenue sources, Council approved an increase to the CEO's Operating Contingency budget of \$35.0M to ensure adequate provision to fund the continuation of normal services. This effectively increases the Operating Expenditure budget for 2019/20, which in turn reduces the budgeted Operating Result from \$112.9M to \$77.9M, and the budgeted Net Surplus from \$36.5M to \$1.5M. In this report, Council's financial performance is measured against the adjusted Operating Result and Net Surplus.

Council's financial performance at Quarter 3 2019/20 reflected a YTD Operating Result of \$98.1M, against a YTD budget of \$84.0M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council achieved a YTD Net Surplus of \$77.0M against a YTD surplus budget of \$23.2M. The favourable YTD variance of \$53.8M predominately reflects favourable variances in operating expenditure, delayed payment of the contribution to the NSW Government for Light Rail and gains on sale of assets, partially offset by reduced operating income, depreciation and capital related costs.

Council's forecast full year Operating Result of \$93.1M, is favourable to the adjusted budget of \$77.9M, by \$15.2M reflecting operational savings and the additional CEO contingency, offset by a forecast reduction of \$42.6M in the City's original income budget. The Net Surplus is forecast to be \$23.1M against an adjusted budget of \$1.5M. The major variances are discussed within the body of this report, and full details are provided at Attachment A.

The Capital Works Program expenditure of \$115.2M compares to a YTD budget of \$198.3M. The annual forecast for the program has been revised to \$207.8M against a full year budget of \$291.0M. A summary of the 2019/20 capital project expenditure and forecast is outlined within the body of this report, and detailed at Attachment B.

The Information Services capital expenditure for projects developed internally was \$9.6M, which is \$5.0M favourable when compared to the YTD budget, and a full year forecast of \$14.7M, which is \$7.3M under the budget of \$22.0M.

The Plant and Equipment expenditure at Quarter 3, net of disposals, was \$9.1M against a YTD budget of \$14.0M, with a full year forecast of \$15.5M against a budget of \$19.4M.

Property Divestments of \$25.5M reflects the sale of two properties no longer required for operational purposes, while the net full year forecast result reflects the recent strategic acquisition of a property for the Town Hall Square project and the deferment of open space acquisitions as investigative work on the selection of suitable sites continue.

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 the integrated planning regulatory requirements. A number of operational achievements are highlighted within the body of this report.

The additional supplementary reports, which include details of contracts over \$50,000, major legal issues and the Quick Response, Banner Pole and Reduced Rate Grant Programs, are provided at Attachment C for information.

Recommendation

It is resolved that:

- (A) Council note the financial performance of Council for the third quarter, ending 31 March 2020, including the Quarter 3 Net Surplus of \$77.0M and the full year Net Surplus forecast of \$23.1M, as outlined in the subject report and summarised in Attachment A to the subject report;
- (B) the City provide casual employees who have no or limited useful work to do and have had their City of Sydney earnings impacted by the pandemic with the same access to the Job Retention Allowance provisions provided to permanent part-time employees as outlined in the Local Government (COVID-19) Splinter (Interim) Award 2020, with the Job Retention Allowance to be paid from the week commencing 1 June 2020;
- (C) Council note the Quarter 3 Capital Works expenditure of \$115.2M and a revised full year forecast of \$207.8M, and approve the proposed adjustments to the adopted budget, including bringing forward \$4.5M of funds into 2019/20 capital budget, as detailed in Attachment B to the subject report;
- (D) Council note the Information Services capital expenditure of \$9.6M, net of disposals, and a full year forecast of \$14.7M;
- (E) Council note the Quarter 3 Plant and Equipment expenditure of \$9.1M, net of disposals, and the full year forecast of \$15.5M; and approve a transfer of \$1.2M of unspent motor vehicle funds to be repurposed to various equipment purchases;
- (F) Council note the Quarter 3 Property Divestment proceeds of \$25.5M, and the full year forecast net Divestment of \$23.6M; and
- (G) Council note the supplementary reports, including contracts issued over \$50,000, major legal issues and the Quick Response, Banner Pole and Reduced Rate Grant Programs in Quarter 3, as detailed in Attachment C to the subject report.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** Third Quarter Supplementary Report 2019/20

Background

1. The City's 2017-2021 Delivery Program and 2019/20 Operational Plan, including the 2019/20 budgets, were adopted by Council on 24 June 2019.
2. In response to the Covid-19 pandemic, and its impact upon many of the City's major revenue streams, a revised Operating Budget was adopted at an extraordinary Council meeting on 30 March 2020 that increased the CEO's Contingency budget by \$35M to ensure adequate funding for continuity of services. This reduced the budgeted Operating Result from \$112.9M to \$77.9M and the budgeted Net Surplus from \$36.5M to \$1.5M.
3. A draft Revised Operational Plan 2019/20 was then exhibited including the proposed grants program and this revised budget for 2019/20, from 2 April 2020 to 29 April 2020, and this Revised Operational Plan is being brought back to Council for adoption in a separate report on this meeting agenda.
4. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and six monthly reports against the Operational Plan.
5. This report provides the third quarter (Q3) and full year forecast financial results for the 2019/20 financial year, measured against the adjusted Operating Result and Net Surplus budget results.
6. A Q3 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.
7. The Capital Expenditure results to Q3, together with a summary of project expenditure, and proposed budget adjustments for 2019/20 and future years, are outlined within the body of this report and detailed at Attachment B.
8. Additional reports, including expenditure against contingency funds, contracts over \$50,000, major legal issues and the Quick Response, Banner Pole and Reduced Rate Grant Programs, are also provided at Attachment C for information.

2019/20 Operating Budget

9. The adopted 2019/20 budget projected operating income of \$609.5M and operating expenditure of \$496.6M, for an Operating Surplus of \$112.9M. After allowing for interest income of \$14.3M, capital grants and contributions of \$68.0M, depreciation expenses of \$107.5M, capital project related costs of \$10.3M and outgoing contribution for light rail of \$40.9M, Council budgeted for a Net Surplus of \$36.5M.
10. As noted above, in response to the Covid-19 pandemic, Council resolved, at the 30 March Council meeting, to amend the 2019/20 Operating budget. The Operating Result has been reduced from \$112.9M to \$77.9M, with the Net Surplus reducing to \$1.5M following the increase in the CEO's Operating Contingency budget of \$35.0M.
11. The CEO's Operating Contingency budget is then being allocated as required, to Divisions that contain Business Units that have either experienced significant falls in revenue income (e.g. the Parking and Fleet Services Unit) or increases in expenditure (e.g. the Grants and Sponsorship Unit). As a result of these transfers, set out in the body of the report, all Divisions are forecast to remain within their amended Operating Budgets.

Third Quarter Operating Results

12. The Q3 Operating Surplus was \$98.1M against a budget of \$84.0M, a favourable variance of \$14.1M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the YTD Net Surplus was \$77.0M against a budgeted surplus of \$23.2M, a favourable variance of \$53.8M.
13. The result includes an operating income result which is unfavourable to budget of \$5.0M, a favourable variance to budget of \$19.0M for operating expenditure, a \$3.7M unfavourable variance for capital grants and contributions and an unfavourable variances of \$1.1M for depreciation and \$0.9M for capital project related costs not leading to the creation of a City of Sydney asset.
14. The primary operating income variations to the budget are detailed in the table below:

Income Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Advertising Income	\$1.1M	\$0.6M	YTD positive variance was driven mostly by the growth of digital advertising within the CBD from the current street furniture advertising contract.
Commercial Properties	\$2.0M	(\$11.5M)	The favourable result reflects higher rental returns than anticipated in the budget from a number of properties, while the full year forecast decrease includes a reduction in QVB profit share due to Covid-19 impacts, and estimates for the commercial portfolio rental relief program (catering to approx. 160 leases).
Enforcement Income	(\$3.6M)	(\$13.4M)	Factors contributing to the YTD decrease include, poor weather conditions, (smoke haze days and wet weather days). It is forecast that the trend will continue downward for the full year, with the full year forecast also reflecting the Covid-19 impacts where the City has taken a flexible approach to enforcement.

Income Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Grants and Contributions	(\$1.4M)	\$0.0M	Relates to the timing of the Federal Assistance Grant, 50% of the grant was paid in advance in June 2019 (FY19), Full year result anticipating a similar early payment this financial year.
Other Building Fees	\$0.3M	\$0.8M	Mostly relating to higher than anticipated crane fee income, an increase in the number of construction driveways applied for in the CBD, and the renewal of footway ramps.
Other Fees	(\$1.3M)	(\$2.1M)	Council resolved to accept additional granite paving in lieu of invoicing TfNSW for light rail street cleaning costs, after the budget was adopted.
Parking Meter Income	(\$1.5M)	(\$8.9M)	In part, YTD result reflects delays in the plan to install parking meters in Alexandria while alternative locations are being investigated. Full year forecast reflects the Covid-19 impacts which have resulted in lower demand as more people work from home, and the City's flexible approach to parking.
Parking Station Income	(\$0.8M)	(\$2.6M)	Due to reduced traffic volumes in the City from the completion of light rail works, a shift towards public transport and a downturn in economic activity in Kings Cross leading to reductions in trade and customers. Full year forecast reflects the Covid-19 impacts which have seen a reduction in vehicles in the City as more people are working from home, as well as the City of Sydney offering free parking to essential front-line workers.

Income Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Private Work Income	(\$0.6M)	(\$1.5M)	Impacted by transition to a new provider in Q2 and a review of works due to Covid-19.
Rates and Annual Charges	\$2.2M	\$2.5M	Favourable YTD result relates to an increase in domestic waste charges following the bin audit conducted as part of the introduction of the new contract. The full year forecast is being reviewed as the process is completed.
Venue/Facility Hire	(\$0.3M)	(\$3.2M)	Full year forecast reflect impact from Covid-19 with venues closed. It is anticipated no further revenue will be received in the current financial year.
Work Zone	(\$0.4M)	(\$1.4M)	Fewer CBD Work-zone applications in the first half of the year in the CBD. Work-zones have increased in suburban areas which attract a significantly lower fee, leading to the the full year forecast.

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

Expenditure Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Employee Related	\$2.6M	\$7.4M	The variance predominately relates to permanent vacancies, partially offset by an increase in agency used to backfill. The current environment will impact recruitment for roles as they become vacant.

Expenditure Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Consultancies	\$0.8M	\$0.7M	Minor delays across a range of different operating project initiatives.
Enforcement and Infringement Costs	\$0.7M	\$2.3M	Full year forecast reflects the City's decision to take a flexible approach to parking across the City, which has significantly reduced the number of infringements issued, and therefore processing costs.
Event Related Expenditure	\$1.8M	\$3.0M	Impacted by the cancellation of the events due to the Covid-19 pandemic.
Facility Management	(\$0.7M)	(\$1.3M)	YTD increase in costs reflects additional resources required for property asset management. Full year forecast impacted by increase in facility management fees associated with maintaining leisure assets closed due to Covid-19.
Government Authority Charges	\$1.6M	\$1.7M	A long-held provision for a 15% levy on commercial revenue generated on Crown Land, including Hyde Park, is no longer required as the State has recognised the costs incurred by council to maintain these lands.

Expenditure Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Grants, Sponsorships and Donations	\$0.6M	(\$6.8M)	Timing underspend in Environmental Grants, Festivals and Events. Full year forecast is an increase in spending relating to the Covid-19 Response Grants Programs and Accommodation Grants programs.
Infrastructure Maintenance	\$4.1M	\$4.6M	Relating mostly to monorail works which have not yet commenced, lower street furniture transition costs due to ongoing contract negotiations, and timing of works relating to condition assessments.
IT Related	\$2.1M	\$4.7M	Slight delays in some IT system development works, with full year forecast reflecting the Property MIS project work cost being lower than originally budgeted.
Other Operating Expenditure	\$2.8M	\$3.0M	The variance mainly relates to delays in Ausgrid's accelerated rollout of the LED lighting upgrade program, pending the need to implement new safe working methods.
Property Related Expenditure	(\$1.8M)	\$0.5M	YTD unfavourable variance relates to a spend in reactive property maintenance work. This is expected to slow significantly due to Covid-19 in final 3 months of the year, offset in part by a lift in planned property maintenance.

Expenditure Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Service Contracts	\$0.9M	\$0.6M	Favourable due to minor delays in a number of creative, safe city and sustainability programs
Utilities	\$0.7M	\$1.1M	Favourable result relates to reduced consumption YTD. Trend to continue downward which is reflected in the full year forecast.
Waste Disposal Charges	\$0.9M	\$1.4M	The budget anticipated significant increases to waste processing charges that did not all eventuate. Improved operational practices relating to the separation of waste at depots has also reduced processing costs.

Income Type	2019/20 YTD Budget Variance Favourable / (Unfavourable)	2019/20 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Capital Grants and Contributions	(\$3.7M)	(\$3.3M)	Reflects contributions from developers towards infrastructure assets. Contributions from CBD developments are favourable to budget while contributions, both cash and works in kind are lower than expected from the southern areas of the LGA. Timing of these large receipts is challenging to predict.

Expenditure Type	2019/20 YTD Budget Variance	2019/20 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Depreciation	(\$1.1M)	\$0.0M	Timing of projects transferred to fixed assets, following completion, has occurred earlier than originally anticipated in the budget.

16. Following the allocation of the CEO's operational contingency funds, all Divisions are forecasting an Operating Result within budget. At this stage, the contingency funds have been held centrally in each Division rather than allocated to the individual Operating Units, in order to identify the impact and financial consequences of the pandemic. A number of Units are therefore forecasting unfavourable operating results.
17. The Grants and Sponsorship Unit, within the City Life Division, is forecasting an unfavourable result due to increased Quick Response, Community Support and Small Business Grants program that has been increased to support the local economy. The City Rangers Unit is forecasting an unfavourable result due to a downturn in enforcement income. The Parking and Fleet Services Unit is forecasting an unfavourable result due a reduction in parking meter and station income. Venue Management is forecasting an unfavourable result due to the forced closure of venues. Finally, as was the case at Q2, the Cleansing & Waste Unit is also forecasting an unfavourable result, relating to a reduction in cleaning income due to a Council resolution to accept additional granite paving in lieu of invoicing Transport for NSW for light rail street cleaning costs.

Capital Expenditure

18. The Capital Works program achieved expenditure of \$115.1M against a YTD budget of \$198.3M.
19. The full year forecast of the capital works program has been reduced to \$207.8M following the latest review, which assessed the expected delivery of the projects and revised cost estimates for each individual project.
20. Capital Works projects that are finalised with savings may be utilised to offset the additional expenditure in programs requiring additional funds for project completion.
21. Progress on a number of projects has also advanced beyond that included within the program budget projections for 2019/20. Approval is therefore sought to bring forward funds of \$4.5M from future years' capital works forward estimates, and to reallocate funds from within relevant programs, into the 2019/20 budget to continue the progress on these projects.
22. There are also a number of changes proposed within the future years' forwards estimates. Full details are provided in Attachment B.

23. A number of projects are currently forecasting variances within the Significant Projects capital works group for the 2019/20 financial year:
- (a) Green Infrastructure:
 - (i) Renewable Energy Fund Projects - Solar Panel the 2019/20 budget allowed for PV installation on Perry Park Stage 2. This project has been re-tendered and the building is not likely to be ready for PV until FY 2020/21. Obtaining DAs for some projects is taking longer than originally anticipated.
 - (ii) Water Master Plan LGA - the George Street pipeline being installed by the Light Rail contractor was delayed along with the Light Rail project.
 - (b) Green Square Streets and Drainage:
 - (i) Green Square Trunk Drain Link to Alexandria Canal - Project completed, finalising allocation of assets between Sydney Water and the City.
 - (ii) Zetland Ave (West) – Paul Street to Portman Street - revised forecast following recent Quantity Surveyor estimate.
 - (iii) Zetland Avenue - East (Joynton Avenue to Victoria Park Parade) - Timing of risk and latent conditions.
 - (iv) Joynton Ave upgrade (Hansard Street to Elizabeth Street) - Requested additional funds for the construction of sewer, sewer connection, electrical pit and electrical underbore to service Gunyama Park Aquatic Recreation Centre.
 - (v) Green Square to Ashmore Connector - Ausgrid construction license not yet received for western section of works and may delay completion of the early works to next financial year.
 - (vi) McDonald Street Widening Works - forecast amended to reflect tender being released early 2020 with construction expected to commence mid-2020.
 - (c) Gunyama Park Aquatic and Recreation Centre - Project prolongation costs due to the contractor forecasting completion in September 2020.
 - (d) Johnsons Creek Masterplan and Harold Park Works:
 - (i) The Crescent Lands at Johnsons Creek - reduced forecast cost this financial year associated with the time required to mobilise an alternate head contractor.
24. Significant variances are also forecast for a number of the 2019/20 capital program budgets and future years' forward estimates, including:
- (a) Bicycle Related Works – Enhancement:
 - (i) Potts Point - The project scope was scaled back and timeframe pushed out to allow for the implementation of City Centre cycleway projects.
 - (ii) Castlereagh Street - North - Forecast based on updated cost estimate. Bring funds forward within bicycle related works program.

- (iii) Alexandria to Ashmore Precinct - Forecast based on updated cost estimate. Bring funds forward within bicycle related works program.
 - (iv) Pitt Street - The project budget forecast was adjusted to reflect an interim construction treatment to facilitate accelerated project delivery.
 - (v) Saunders and Miller Street - The additional community consultation necessary for Council approval resulted in a delay to the start of construction.
- (b) Open Space and Parks – Enhancement:
 - (i) Alexandria Park School - Budget increase required to mitigate impact on flood zone.
 - (ii) South Sydney Rotary Parks - The project has been cancelled.
- (c) Public Art LGA - Enhancement:
 - (i) The Distance of Your Heart - Final element of the project will be installed in 2021.
 - (ii) Monument for the Eora - DA has been lodged and is under assessment. Installation anticipated early 2021.
 - (iii) Redfern Terrace - Artist to be engaged by mid-2020, with concept for the Living Museum due late 2020 for community engagement and implementation to follow 2021/22.
- (d) Public Domain - Enhancement:
 - (i) Danks Street East - Greening works to commence 11 May. Commencement slightly delayed by community consultation. Will be completed in Q2 of 2020/2021.
- (e) Corporate and Investment Property Related – Renewal:
 - (i) Corporation Building - Façade, Roof, Window, Awning - Additional funding required for works based on forecast cost estimate.
 - (ii) 343 George Street - Façade remediation & Façade Lighting - Additional funding required to undertake construction works based on market response to Tender.
- (f) Open Space & Parks - Renewal:
 - (i) Lawrence Hargraves Reserve - Scoping Report Endorsed in March Council. Project progressing through Detailed Design.
- (g) Public Domain Renewal:
 - (i) Devonshire Street Planted Arbour - Concept design is being finalised for community consultation late 2020.

25. A financial summary of the Capital Works program, the proposed budget adjustments, and a status report on all active capital projects exceeding \$5.0M in value is provided at Attachment B.
26. Information Services capital expenditure, for internally developed projects, is \$9.6M against a budget of \$14.5M, with a forecast of \$14.7M which is below the full year budget of \$22.0M.
27. The Plant and Equipment expenditure incurred during the year to date, net of disposals, was \$9.1M against a budget of \$14.0M with an underspend forecast for the full year.
28. Approval is sought to reallocate unspent motor vehicle budgets, due to vehicle delivery delays, to a number of other urgent plant and equipment priorities. These include: the replacement of Kings Cross and Goulburn Street Parking Access Control Equipment \$0.7M, Installation of Replacement UPS & Battery Packs in the Security Data/CCTV Room \$0.1M, Gunyama Park Aquatic & Recreation Centre (Park & Swim Scheme) \$0.02M, Turf Aeration Equipment – 110hp Tractor and Shock Wave 2.2 \$0.1M, and CCTV Enhancements in Aquatic Centres \$0.2M.
29. The Property Acquisitions and Divestments results at Q3 reflect the sale of Stockton House and a former council depot site in Redfern, as resolved by Council, the latter to a community housing provider to promote affordable housing, offset by the purchase of the recent strategic acquisition of the Commonwealth Bank building in George Street for the Town Hall Square project. The full year forecast reflects that the timing of this acquisition was earlier than originally anticipated in the City's current approved Long Term Financial Plan, which is more than offset by the deferment of open space acquisitions as investigative work of on the selection of suitable sites continue.

Operational Highlights

30. There were a number of operational highlights, including:
 - (a) Sydney New Year's Eve 2019 included a highly choreographed show with fireworks, lighting and pylon projections set to an all-Aussie midnight soundtrack. A Calling Country ceremony welcomed the world to Gadigal land. The City of Sydney, ABC News and Red Cross Australia New Year's Eve fundraising drive raised \$13.3 million for the Red Cross Disaster Relief and Recovery Fund in the lead up to New Year's Eve and concluding on midnight 4 January, 2020. Reminders to donate to the bushfire appeal and tributes to our firefighters were projected onto the Harbour Bridge pylons and broadcast throughout the ABC's sensitive live coverage. The donations are on top of the \$620,000 the City has already donated to bushfire and drought relief and wildlife rescue.
 - (b) The City is chairing the Local Government Bushfire Recovery Support Group in partnership with the Office of Local Government, Local Government NSW and Sydney Resilience Office. The group assists council disaster recovery and support operations in local communities. The City worked closely with the Office of Emergency Management to match offers of assistance from non-bushfire affected councils to communities in need. The City supported communities across NSW recover from the recent bushfires when in February, we sent 15 staff members and seven vehicles to the Southern Highlands to help remove trees and clear sites in affected areas.

- (c) The 2020 Sydney Lunar Festival - Sydney's third largest event - was held from 25 January to 9 February and welcomed in the Year of the Rat. The festival this year included twelve giant zodiac artworks dotted around Circular Quay, the inaugural Lunar Lanes street party attracting more than 12,000 people to Chinatown, the largest Dragon Boat Races in the southern hemisphere at Cockle Bay, lion dancing from Town Hall to Green Square and Chinese, Korean and Vietnamese Lunar Gateways along the light rail corridor. The festival involved more than 100 events over the 16 days.
- (d) In January 2020, a smoke-free area was introduced within Sydney Square. Regulatory smoke-free signage will be installed on various infrastructure throughout the square and around Town Hall and Town Hall House. City Rangers will patrol the site to raise awareness and instruct smokers to either extinguish their cigarettes or leave the smoke-free area.
- (e) On 4 February 2020, the City, in partnership with Domestic Violence NSW, NSW Police Force, Wirringa Baiya Aboriginal Women's Legal Centre and the Women and Girls Emergency Centre, coordinated a Domestic and Family Violence Forum to increase skills and knowledge of sector workers and build their networks to improve collaboration and coordinated efforts to reduce domestic and family violence. Over 55 professionals attended the forum from a range of organisations.
- (f) On 18 February, the Homelessness unit coordinated their bi-annual street count of people sleeping rough in the City's local area. A total of 334 people were counted sleeping rough across the local area, 39 less than the amount counted in February 2019. Crisis and temporary accommodation beds were at 91 per cent occupancy, 3 per cent lower than at the same time last year.
- (g) The Sydney Gay and Lesbian Mardi Gras was held from 14 February to 1 March, with the Mardi Gras parade held on 29 February. The City was a major 2020 sponsor and has entered a float in the parade every year since 2005. The City provided approximately \$300,000 in cash and in-kind support to the Sydney Gay and Lesbian Mardi Gras organisation for its 2020 festivities. This year's Mardi Gras theme asked 'what matters?'.
- (h) Artwork Patchwork of Light by artist Lara Schnitger, was launched on 4 March 2020. The artwork is an array of 10 brightly coloured light boxes in Reiby Place. Detailing figures and phrases in the Sydney Aboriginal language and English, the artwork brings our city's Aboriginal, European, political and sporting histories to life. Inspired by the laneway's namesake, Mary Reiby (1777–1855), Schnitger channels Australian suffragists, communicating a message of female empowerment that is uniquely Australian.
- (i) The City's Meals on Wheels service supports older residents, and residents living with disability to maintain independence in their own homes and communities by providing nutritious meals and regular social contact. As part of the licencing requirements, the service is required to undertake regular on-site audits of its Food Safety Program. The February audit achieved the highest possible "A" rating for the tenth consecutive year.

- (j) The City has allocated a \$1 million grant to University of Technology Sydney to build a residential college for Aboriginal and Torres Strait Islander students – the first of its kind in Australia. The college is expected to open to students by 2025. The grant will go towards a 250 bed residential college for Aboriginal and Torres Strait Islander students and non-Indigenous students. Once completed, the college is expected to be one of the largest and most significant colleges of its type in the world.
- (k) To protect our staff, their families and the communities we live and work in during the Covid-19 pandemic, the City introduced precautionary measures in March. These include social distancing practices, temporary closure of some services and cancelling or postponing all non-essential City events. . The City's essential services remain open. The City has also implemented a range of measures and grants to support businesses and reduce the financial impact of Covid-19. A concierge service has been introduced to help grant applicants and small business during this time.
- (l) The Food Scraps Recycling Trial has been running for over six months and is now servicing up to 5,800 households across 69 apartment buildings and 324 houses. On average, 3.8 tonnes of food scraps are collected each week. Contamination remains very low, at approximately less than 5 per cent (by weight). So far the trial has diverted a total of 114 tonnes of food scraps from landfill. An evaluation of the first six months of the trial is being conducted.

Financial Implications

- 31. At Quarter 3, the Operating Result was \$98.1M, with a Net Surplus of \$77.0M, representing a favourable variance of \$53.8M against the YTD budget.
- 32. Financial performance in all principle activities, as defined within the Delivery Program 2017-2021, continues to be satisfactory against the amended budget.
- 33. The full year forecast projects an Operating Surplus of \$93.1M and a Net Surplus of \$23.1M, which is favourable to the adjusted budget by \$21.6M, as detailed within the body of this report.
- 34. The 2019/20 year end cash position is forecast to be \$561.2M, which is \$200.3M favourable to the revised adopted budget. The variance reflects the lower than budgeted Capital Works expenditure, and a timing delay in a significant purchase of land for open space, offset in part by the strategic acquisition of a property for the Town Hall Square project which occurred earlier than anticipated in the long term financial plan. The commitment to deliver the planned capital works and open space acquisition will require these funds to be carried forward into the 2020/21 budget.
- 35. The City is fortunately in a strong financial position to meet the financial challenges that are being experienced as a result of the Covid-19 pandemic. Our annual and long term financial plans have always considered realistic assessments of our future revenue projections, and planned our operational and capital programs to ensure the City has the financial capacity to deliver these plans, while maintaining adequate cash reserves to meet our external and internal restriction requirements.

36. However there will be significant adverse impacts on a number of the City's key revenue streams over the remainder of this year, and these are expected to continue well into the 2020/21 financial year. The City will therefore undertake a review of its operational and capital programs, and revise them as required, to ensure that they remain affordable in the current climate in order to ensure our long term financial sustainability.

Relevant Legislation

37. The Local Government Act 1993 and Local Government (General) Regulation 2005 require quarterly progress reports against the financial objectives and regular reports (at least six monthly) against the Operational Plan.
38. 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

39. The quarterly report is due to be submitted to Council within two months of the end of the respective quarter.

Public Consultation

40. The information contained within this report reflects Council's financial performance in the 2019/20 financial year.

BILL CARTER

Chief Financial Officer