

2020/21 Quarter 2 Review - Delivery Program 2017-2021

File No: X025796

Summary

This report reviews the City's operating and capital results against budget for the 2020/21 financial year, and progress against the performance measures identified within the Operational Plan 2020/21, being the fourth year of the Delivery Program 2017-2021.

The Covid-19 pandemic, and the City's response to support its community through this crisis, has had a significant impact on the City's operations and adversely impacted its financial performance. At Quarter 2, the City's forecast financial performance for the full year remains ahead of a budget that was framed to account for the impact of the Covid-19 virus.

Unfortunately, the pandemic and its impacts upon the City, its businesses and community, have lasted longer than could be anticipated when the budget was adopted. As a result, a number of financial risks continue to evolve, and now include further anticipated reductions in commercial property income, venue hire and parking related income, along with changes to planned expenditure in a number of areas across council, as outlined within this report.

The uncertainty around the breadth and duration of the pandemic was considered when developing the 2020/21 budget, and as a result, the budget incorporated a significant CEO Contingency to provide for this risk. However, while the financial results for council's overall operations are just ahead of the adopted budget, individual business units with income budgets heavily impacted by the pandemic are under significant pressure and forecasting unfavourable results.

The City's forecast financial performance continues to be closely monitored, and at this stage, no further amendments are recommended to the adopted 2020/21 operational budget. However, should the forecast results, particularly in respect of our commercial property income indicate significant further downturn, it may yet be necessary to revise the budget later in the year, as proved necessary last year at the height of the pandemic.

Council's financial performance at Quarter 2 reflects an Operating Result of \$62.3M, against a YTD budget of \$44.0M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Council has achieved a YTD Net Surplus of \$31.9M against a YTD deficit budget of \$37.2M, results that incorporate the City's final contribution of \$40.9M to the NSW Government for the Light Rail. At Quarter 2, the full year forecast is for a favourable Net Surplus variance of \$54.6M, predominately reflecting favourable variances in operating expenditure, capital grants and contributions, a gain on sale of assets, partially offset by unfavourable operating income results. The major variances to the budget are discussed in the body of this report, with full details provided at Attachment A.

The Capital Works Program expenditure of \$129.9M compares to a YTD budget of \$148.8M. The annual forecast for the program has been revised to \$247.9M against a full year budget of \$290.4M. A summary of the 2020/21 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 \$9.7M, which is \$1.8M favourable when compared to the YTD budget, and a full year forecast of \$23.6M against the budget of \$21.1M, with a recommended increase to budget as outlined within the body of this report and detailed in Attachment B.

The Plant and Equipment expenditure at Quarter 2, net of disposals, was \$2.9M against a YTD budget of \$7.6M, with a full year forecast of \$13.9M in line with a budget of \$14.4M.

Property net divestments at Quarter 2 are \$42.1M, with a full year forecast divestment of \$76.3M at this stage, as outlined within this report.

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.

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 in Attachment D for information.

The Quarterly Environmental Sustainability progress report provides further details on the achievements against the targets in the Environmental Plan for both the local government area and the City's own operations. This is provided at Attachment E.

An update on the progress of the Community Recovery Plan is provided at Attachment F.

Recommendation

It is resolved that Council:

- (A) note the financial performance of Council for the second quarter, ending 31 December 2020, including the Quarter 2 Net Surplus of \$31.9M and the full year Net Surplus forecast of \$32.1M, as outlined within the report and summarised at Attachment A to the subject report;
- (B) note the Quarter 2 Capital Works expenditure of \$129.9M and a revised full year forecast of \$247.9M, and approve the proposed adjustments to the adopted budget, including bringing forward \$0.03M of future year's funds into 2020/21 and approve \$1.0M from the capital works contingency, as detailed at Attachment B to the subject report;
- (C) note the Information Services capital expenditure of \$9.7M (net of disposals), the full year forecast of \$23.6M, and approve the proposed adjustments to the adopted budget including bringing forward \$2.1M of future year's funds into 2020/21 and approve \$0.3M from the capital works contingency, as detailed at Attachment B to the subject report;
- (D) note the Quarter 2 Plant and Assets expenditure of \$2.9M, net of disposals, and the full year forecast of \$13.9M;
- (E) note the Quarter 2 net Property Divestment proceeds of \$42.1M, and the full year forecast net Property Divestment of \$76.3M;
- (F) note the operational performance indicators and Quarter 2 achievements against the Operational Plan 2020/21 objectives, as detailed at Attachment C to the subject report;
- (G) 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 2, as detailed at Attachment D to the subject report;
- (H) note the Environmental Sustainability Progress Report, as shown at Attachment E to the subject report; and
- (I) note the second quarter Community Recovery Plan report, as shown at Attachment F to the subject report.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** Second Quarter Operational Plan Report 2020/21
- Attachment D.** Second Quarter Supplementary Report 2020/21
- Attachment E.** Environmental Sustainability Progress Report
- Attachment F.** Second Quarter Community Recovery Plan Report 2020/21

Background

1. The City's 2017-2021 Delivery Program and 2020/21 Operational Plan, including the 2020/21 budgets, were adopted by Council on 29 June 2020.
2. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and six-monthly reports against the Operational Plan.
3. This report provides the second quarter (Q2) and full year forecast financial results for the 2020/21 financial year, and the achievements to date against the Operational Plan objectives.
4. A Q2 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 Q2, together with a summary of project expenditure, and proposed budget adjustments for 2020/21 and future years, are outlined within the body of this report and detailed at Attachment B.
6. 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 D for information.
7. The Quarterly Environmental Sustainability progress report provides further details on the achievements against the targets in the Environmental Plan for both the local government area and the City's own operations. This is provided at Attachment E.
8. The Community Recovery Plan progress report provides an update on the current state of the City, business and community confidence, and the activities undertaken in respect of the six agreed action areas.

2020/21 Operating Budget

9. The adopted 2020/21 budget projected operating income of \$591.4M and operating expenditure of \$500.8M, for an Operating Surplus of \$90.6M. After allowing for interest income of \$5.8M, capital grants and contributions of \$33.1M, depreciation expenses of \$102.9M, capital project related costs of \$8.0M and outgoing contribution for light rail of \$41.1M, Council budgeted for a Net Deficit of \$22.5M.

Second Quarter Operating Results

10. The Q2 Operating Surplus was \$62.3M against a YTD budget of \$44.0M, a favourable variance of \$18.3M. After allowing for interest income, capital grants and contributions, depreciation, capital project related costs and a gain on sale of assets, the Net Surplus was \$31.9M against a budget deficit of \$37.2M, a favourable variance of \$69.1M.
11. The Q2 YTD Net Surplus result includes favourable variances for operating expenditure of \$21.5M, capital grants and contributions of \$14.1M, and a net gain on sale of assets of \$43.3M, which are partially offset by unfavourable variances in operating income of \$3.2M, depreciation of \$5.3M and capital project related costs that do not lead to the creation of council assets of \$1.3M.
12. The full year forecast Operating Surplus is \$96.9M against a budget of \$90.6M, a favourable variance of \$6.3M. The Net Surplus is forecast to be \$32.1M against a budget deficit of \$22.5M, a favourable variance of \$54.6M.

13. The forecast Net Surplus predominantly reflects favourable variances in operating expenditure of \$20.9M, capital grants and contributions of \$7.0M, and net gains on the sale of assets of \$43.3M, partially offset by unfavourable operating income variances of \$14.6M.
14. The primary operating income variations to the budget are detailed in the table below:

Income Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Advertising Income	(\$0.2M)	(\$1.7M)	Banner pole income and advertising from street furniture is reduced due to the ongoing impacts of Covid-19.
Aquatic Facilities Income	\$0M	\$0.7M	The aquatic facilities contractor has provided an improved estimate on their anticipated revenue share.
Child Care Fees	(\$0.3M)	(\$0.7M)	Reduced fees, particularly in out of school hours services, as some families have kept their children at home. In addition, the State Government decision to support Covid-19 free fees for preschool care continues to the end of the calendar year, which is offset by an increase in grants and contributions income.
Commercial Properties	(\$0.7M)	(\$4.6M)	The unfavourable result reflects reduced income from tenants, in line with the Federal Government's Code of Conduct for commercial tenancies and New South Wales (NSW) government legislation. The lessee of the QVB has also recently revised their estimate for shared ground rent.
Community Properties	(\$1.3M)	(\$2.1M)	Reflects waiving of rent for Childcare accommodation grant tenants for July to September, and the postponement of an accommodation agreement with MOCA (Museum of Chinese in Australia) for the former Haymarket library.

Income Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Enforcement Income	\$2.1M	\$2.0M	Enforcement activity recovering as parking resumed in the City, while noting that fine collection is lower than normal as Revenue NSW paused their recovery of outstanding fines for a period of the pandemic.
Footway Licenses	(\$0.3M)	(\$0.9M)	Council resolved post budget to extend the waiver of footway license fees for the financial year.
Grants and Contributions	\$0.6M	\$2.5M	Increase in State Government Child Care subsidy for preschools to 31 December. Meals on Wheels income increased due to an expansion of these services. There were also unbudgeted contributions for the temporary 'pop up' cycleways from Transport for NSW.
Other Building Fees	\$1.0M	\$1.5M	Increased crane and hoarding fees as a result of increased building activity in CBD, particularly for Sydney Metro.
Parking Meter Income	(\$0.8M)	(\$1.5M)	Council resolved to extend free parking for essential workers to 31 March, and the impact from Covid-19 has exceeded budget allowances.
Parking Station Income	(\$1.2M)	(\$1.9M)	Council resolved to extend free parking for essential workers to 31 March, and the impact from Covid-19 has exceeded budget allowances.
Rates and Annual Charges	(\$0.5M)	(\$1.2M)	Changes in rating category from business to residential, internal rates, offset by additional waste charges arising from the ongoing bin audit.

Income Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Venue/Facility Income	(\$1.3M)	(\$6.5M)	Significant reduction reflects the temporary closure and restrictions within Council's venues, due to public health orders, and a slower than anticipated recovery as the pandemic and restrictions have continued.
Work Zone	\$0.8M	\$1.9M	Increased building activity in CBD and payment for temporary road closures and work-zones in LGA.

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

Expenditure Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Employee Related	\$5.8M	\$9.7M	Predominately relates to permanent vacancies (partially offset by an increase in agency used to backfill). Recruitment has slowed while the City navigates through the impacts of Covid-19 and financial recovery.
Enforcement and Infringement Costs	\$1.1M	\$1.5M	The revenue share agreement with the State (based on cash received), is lower than budgeted due to the impact of Covid-19, and Revenue NSW's decision to pause recovery of outstanding fines.
Event Related Expenditure	\$4.0M	\$4.5M	Ongoing impact of Covid-19 on many projects across the City, in particular, Sydney New Year's Eve and the Christmas events.

Expenditure Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Expenditure Recovered	\$0.1M	(\$1.9M)	Removal of the monorail will not take place this year.
Facility Management	\$1.0M	\$1.3M	The City's Aquatic Centres contractor has advised a lower than budgeted holding cost.
Grants, Sponsorships and Donations	\$1.4M	\$0.5M	Later timing of payments, including the affordable housing grant. The forecast relates the accommodation grant for Haymarket library will start later than expected, and there is no payment for the Business Event Sponsorship program in 2020/21.
Infrastructure Maintenance	\$1.9M	\$0.6M	The monorail station will not be removed this year. There is delayed timing of some works relating to parks, landscaping and street tree maintenance, increased road maintenance and changes to the costs of street furniture maintenance as we transition the contract.
IT Related	\$1.2M	\$1.5M	Reflects the timing for the commencement of the managed security services project.
Other Operating Expenditure	\$0.6M	\$0.7M	Predominately reduced bank charges from parking meters and stations, and reduced traffic management costs as the City's New Year's Eve event did not go ahead.
Property Related Expenditure	\$1.1M	\$0.0M	Timing for costs required for annual fire safety statements defects and remediation.

Expenditure Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Waste Disposal Charges	(\$0.9M)	(\$1.5M)	Waste generation tonnages and processing charges have increased in all categories from domestic bins, recycling, and general clean ups as more people have worked from home due to Covid-19.

Income Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Capital Grants and Contributions	\$14.1M	\$7.0M	The timing of contributions is always challenging, and the State has now deferred payments for Section 7.11 from construction to occupation certificate. However, these contribution variances relate to developments north and south of the Martin Place Metro Station, and works in kind for Epsom and Rosebery precincts.

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Depreciation	(\$5.3M)	\$0.0M	The unfavourable variance relates to the revaluations of some infrastructure asset classes at year end and changes to componentisation of several buildings. The forecasts are being reviewed throughout the year.

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Capital Project Related Costs	(\$1.3M)	(\$1.9M)	The variance reflects the timing of expenditure on works that cannot be capitalised (e.g. demolition costs and NSW Government owned traffic signals).

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Gain on Sale of Assets	\$43.3M	\$43.3M	The gain reflects the sale proceeds exceeding the asset book value of heritage floor space at Capitol Theatre, 90 Regent Street, the former Epsom Road depot, and a compulsory divestment of three parcels City-owned land at Observatory Hill to the NSW Department of Education.

16. The adopted 2020/21 operating budget was framed to account for the impact of the Covid-19 virus, with reductions to the budgeted income expected from many pandemic impacted operations including properties, parking related operations, and venue management. In addition, given the uncertainty as to when the pandemic would be finished and normal operations resumed, the budget incorporated a significant CEO Contingency to provide for this unquantifiable risk.
17. At Quarter 2 the City's forecast financial performance for the full year remains just ahead of the adopted budget, however, while the financial results for council's overall operations are favourable, there are some individual business units with income budgets more severely impacted by the pandemic than originally estimated that are under significant pressure and forecasting unfavourable results.
18. The Properties unit is currently forecasting an unfavourable result of \$8.3M due to the Federal Government's Code of Conduct for commercial tenancies and New South Wales (NSW) government legislation, which requires landlords to support qualifying tenants by waiving and deferring rent proportionate to their reductions in turnover, noting the ongoing impact of the pandemic has extended beyond the initial timeframes envisaged. The team continue to work with each individual tenant to provide ongoing support, which unfortunately is a lengthy process, with the current forecast reflecting their best estimates of the full year impact at this time.
19. In addition, the lessee of the QVB have recently advised the City that they have had to revise their preliminary estimates for their own tenancies, which will have a significant adverse impact on the City's budgeted share of the ground rent. The unit's income was also impacted by Council's resolution to extend the waiver of footway licences for the full year in support of the local businesses while they work to recover.
20. The Parking and Fleet Services unit are forecasting an unfavourable result of \$2.1M which reflects the extended impact of the pandemic on the parking meters and parking station operations, and Council's resolution to extend the free parking arrangement for essential workers until 31 March. The Venue Management unit have been heavily impacted by the public health orders, and the associated restrictions on attendance numbers, and as a result are forecasting an unfavourable operating result of \$3.3M.
21. All units continue to manage their operations within their adopted expenditure budgets, the unfavourable forecasts only reflect the Covid-19 impact on their income budgets which is outside of their control. At this stage, the Council's overall operational budgets are favourable, reflecting forecast operational expenditure savings and reliance on the CEO Contingency funds, to remain within the adopted Net Operating Result.

Capital Expenditure

22. The Capital Works program achieved expenditure of \$129.9M against a YTD budget of \$148.7M.
23. The full year forecast of the capital works program has been reduced from a budget of \$290.3M to \$247.9M following the latest review, which assessed the expected delivery of the projects and revised cost estimates for each individual project.

24. Capital Works projects that are finalised with savings may be utilised to offset the additional expenditure in programs requiring additional funds for project completion. Progress on a number of projects has also advanced beyond that included within the program budget projections for 2020/21. Approval is therefore sought to bring forward funds of \$0.03M from future years' capital works forward estimates and approve \$1.0M from capital works contingency and to reallocate funds from within relevant programs, into the 2020/21 budget to continue the progress on these projects.
25. There are also a number of changes proposed within the future years' forwards estimates. Full details are provided in Attachment B.
26. A number of projects are currently forecasting variances within the capital programs asset enhancement group for the 2020/21 financial year:
 - (a) Green Infrastructure:
 - (i) Renewable Energy Projects – Solar Panel: Program is nearing completion as most opportunities for installation of photovoltaic panels on existing City buildings are complete. The City now has 2.1 MWs for Solar PV in operation, four times the amount of any other council in the Sydney Metropolitan area.
 - (ii) Major Properties Efficiency Improvements: Contract variation endorsed by Council late 2020. Work scheduled to commence early 2021.
 - (b) Green Square Aquatic and Recreation Centre: Project completed. Practical completion signed 17 December 2020 starting 1 year of Defect Liability Period. Opening 1 February 2021.
 - (c) Properties - Community, Cultural and Recreational:
 - (i) George Street – Lend Lease Circular Quay VPA: Payment of contribution to business innovation space fit out now in line with preferred operator's construction program.
 - (d) Public Domain asset enhancement:
 - (i) McDonald Street Widening Works: Latent Condition required revised methodology. Work scheduled to commence early 2021.
 - (ii) Zetland Avenue (West) – Paul Street to Portman Street, Existing Streets (Portman Street) upgrade and Zetland Avenue – Mid (Joynton Avenue to Portman Street): Capital forecast reduction due to operational costs being delivered earlier than anticipated. No change to the overall project.
27. Significant variances are also forecast for a number of the 2020/21 capital programs asset renewal budgets and future years' forward estimates, including:
 - (a) Open Space and Parks renewal:
 - (i) Archibald Fountain and Water Stairs Waterproofing: Project investigative works will be completed this year. Works will be undertaken next year.
 - (ii) Hyde Park Tree Replacement & Other Works: forecast budget variance is based on rail authority requirements to finalise the project delivery.

- (b) Property Assets:
 - (i) Town Hall Arcade (Sydney Square) Waterproofing: Delay in consultant engagement and alignment of timing for access with interrelated projects.
- 28. 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.
- 29. Information Services capital expenditure, for internally developed projects, is \$9.7M against a budget of \$11.5M with a forecast of \$23.6M which is slightly above the full year budget of \$21.1M. Approval is sought to bring forward funds of \$2.1M from future years' forward estimates and approve \$0.3M from capital works contingency into the 2020/21 budget to continue progress on these projects.
- 30. The Plant and Equipment expenditure incurred during the year to date, net of disposals, was \$2.9M against a budget of \$7.6M due to timing of delivery, with only a slight underspend of \$0.5M forecast for the full year.
- 31. The Property Acquisitions and Divestments result at Q2 reflects the divestment of heritage floor space at Capitol Theatre, 90 Regent Street, and the former council depot at Epsom Road as endorsed by Council, along with a compulsory divestment to the Department of Education for three parcels of land at Observatory Hill. Settlement of the latter had been delayed awaiting new land surveys to address historic anomalies, and the Valuer General determination of market value for the freehold property owned by the City. These divestments were partially offset by the acquisition of land to ultimately create new open recreation space in Alexandria.

Operational Highlights

- 32. There were a number of operational highlights, including:
 - (a) The Martin Place Christmas tree was displayed in the CBD together with Pitt Street Mall canopy of light, Christmas pole decorations and a light curtain on the corner of George and Bathurst Streets. Christmas trees were also displayed throughout the villages including Glebe, Kings Cross, Taylor Square, Pyrmont, Surry Hills, Erskineville, Green Square and at Town Hall, Cathedral Square and Customs House. The City developed a free self-guided walking tour of Christmas lights, trees and shopping destinations across the local area. To ensure the safety of the community during the Covid-19 pandemic, programming during December included roving characters and musicians throughout the Sydney CBD and pop up music performances in the City's villages. This year's charity partner was OzHarvest.
 - (b) In September, the City announced that the NSW Government would take temporary custodianship of Sydney's New Year's Eve celebrations, due to the Covid-19 pandemic. The NSW Government kept New Year's Eve 2020 celebrations to a seven-minute pyrotechnic display at midnight. To keep residents and visitors safe, crowd numbers were strictly controlled by the NSW Government.

- (c) In December 2020, Council adopted the AI Fresco City program, a \$20M joint funding partnership with the NSW Government, including \$5M from the City and \$15M from the State Government, aimed at boosting the city centre economy, supporting businesses and creatives and inviting the public safely back into the city. This partnership and funding commitment align with the objectives of our Community Recovery Plan. The program includes the following initiatives: transforming the city into an outdoor summer cultural experience; creating a summer of outdoor dining; funding projects that enliven public spaces, venues, laneways with music, performance and public art; keeping Sydney's cultural institutions open into the evenings; and, working with Destination NSW to promote this activity to Sydney and interstate and local visitors. Activities underway to deliver the AI Fresco program include fast tracking footway dining applications and waiving associated fees until 31 October 2021, enlivening the city and supporting artists by commissioning four temporary art installations that reimagine underused city spaces, a CBD Activation Grants program supporting economic recovery by encouraging businesses and creatives to activate spaces in venues and the public domain with cultural programming, roving entertainment through the CBD at lunchtime and the installation of a temporary outdoor stage at Cathedral Square that will host Sunset Piazza, a series of Covid-safe concerts from January to March 2021. Additionally, in December 2020, the City in collaboration with NSW Police and NSW Health, hosted a "How to Deliver A Safe Event" seminar in Lower Town Hall which was attended by over 130 people both in person and online through a live stream.
- (d) In December 2020, the City opened a new \$6M skate park in Alexandria. Featuring the largest public flow bowl in Sydney, a beginner's bowl and an expansive skate plaza, the Sydney Park spaces cater for people of all abilities on skateboards, BMX bikes and scooters. The skate park has three distinct areas and features; an extensive plaza with obstacles for street-style technical tricks, including banks, rails, ledges, stairs, vertical wall and quarter pipe; a beginner's bowl; and, an international competition-standard large flow bowl with depths of up to 3.3 metres for advanced skaters and riders. Viewing areas, seats and trees are scattered throughout the skate park. New picnic areas and barbecues have been installed and a final piece of a path now connects the entire park.
- (e) The City was recently awarded the Australasian Project of the Year award at the 2020 International Association for Public Participation (IAP2) awards ceremony for Planning for 2050, the City's engagement program to inform the development of the forthcoming Sustainable Sydney 2050. This is the top Australasian award recognising community engagement. The project also received the Planning award. The awards recognise excellence in public participation and are judged on the IAP2 core values.
- (f) In October 2020, the City launched the three-part Reboot webinar series. This was developed as a direct response to what businesses told us they needed to help them adapt and be more resilient in this time of uncertainty. The Reboot series allowed local retail and hospitality, start-up entrepreneurs, creatives and professional services businesses to call on the expertise of some of Australia's fastest growing companies including Pilot, Vinomofu, TEDxSydney, Pedestrian.tv and Brighte.

- (g) The City's Food Scraps Recycling Trial has been running for around 17 months now. The trial has diverted 374 tonnes of food scraps from landfill and is available to more than 9,000 households across the city. Phase two of the trial commenced at the end of September. Since the trial started, 705 new houses and 10 new apartment buildings have joined the scheme. By the end of phase two, the trial will be available to more than 21,000 households as more apartment buildings are brought into the trial. The introduction of new properties has increased the average amount of food waste recycled each week from five tonnes to eight tonnes a week.
- (h) In November 2020, the City commenced trialling an on demand recycling pickup service for tricky items including clothes, soft plastics, small electronics and expanded polystyrene. The trial will help reduce waste sent to landfill, illegal dumping, and expand the items our residents can recycle. The aim of this service model is to make it more convenient for customers to recycle common items the City currently does not collect from the kerbside for recycling, in a manner that maximises recovery and minimises contamination. It also fills the gap for those residents who cannot wait or cannot travel to the City's next quarterly recycling drop-off event.
- (i) The Green Square Library and Plaza took out the Woods Bagot Award for Best Public Building at the 2020 Property Council of Australia / Rider Levett Bucknall Innovation and Excellence Awards. In addition, the Green Building Council has awarded the Green Square Library and Plaza a 6 Star Green Star rating under the As Built certification. The Green Star rating system is an independent assessment by the Green Building Council of Australia of the sustainability of a project at various stages of development. The As Built rating reflects the independent measurement of the project at the end of the construction phase. It determines the level of contribution this development makes to achieving a more sustainable environment for our community.
- (j) The Garden of Cloud and Stone in Sydney's Chinatown received the Award of Excellence in the Australian Institute of Landscape Architects 2020 National Landscape Architecture Awards. The collaborative project was recognised as "an elegant, cleverly curated place for the community". The artwork, based on Feng Shui principles, comprises a series of elements: 'Scholars Rocks', resembling naturally occurring rocks traditionally appreciated by Chinese scholars; a water feature and seating in natural stone; 'Moongate,' composed of 'flung' bronze components embedded in the paving at the intersection of Hay and Thomas Streets; and 'Cloud Gate', a series of circular shade sculptures hung, like floating clouds, above Thomas Street.

Financial Implications

- 33. Financial performance in all principal activities, as defined within the Delivery Program 2017-2021, continues to be satisfactory, while noting that integrated transport for a connected City's budget reflects the impact of Covid-19 on parking related operations.
- 34. At Quarter 2 the YTD Operating Result was \$62.3M, with a full year forecast Operating Surplus of \$96.9M against a budget of \$90.6M, a favourable variance of \$6.3M.
- 35. At Quarter 2 the YTD Net Surplus was \$31.9M, with a full year forecast Net Surplus of \$32.1M against a deficit budget of \$22.5M, a favourable variance of \$54.6M.

36. The 2020/21 year end cash position is forecast to be \$516.9M, which is \$207.8M favourable to the adopted budget, reflecting a higher opening cash balance than budgeted and changes to the properties acquisition program as we focus on the City's financial recovery.
37. In the current year, the Covid-19 pandemic continues to have a significantly adverse impact on a number of the City's key income streams, and the City has continued to expend significant sums in support of its local economy and community, including a number of additional grant programs and the 24-hour AI Fresco initiative in conjunction with the NSW Government. This poses some challenges to our annual operational budget and planned financial recovery, however, we have also tightly managed our operations, and at this stage the City is forecast to remain slightly ahead of our adopted budget.
38. Overall, the City remains in a strong financial position, in line with the financial targets published in its long term financial plan, underlining its capacity to deliver its operational and capital expenditure improvement commitments. Surplus funds not yet required for projects are generally being directed towards specific cash reserves (restrictions), in accordance with Council's resolution and the City's long term financial plan, while the majority of the unrestricted cash is required to fund those capital programs without a specific reserve.
39. As the challenging operating environment is expected to continue this financial year and beyond, Council has adopted a financial recovery plan and will continue to review its operational and capital programs regularly, and revise them as required, to ensure that they remain affordable in the current environment to ensure our long-term financial sustainability.

Relevant Legislation

40. 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.
41. 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

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

Public Consultation

43. The information contained within this report reflects Council's financial performance in the 2020/21 financial year.

BILL CARTER

Chief Financial Officer