

2020/21 Quarter 3 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 3, 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 continued to evolve, which include further 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 City's forecast financial performance continues to be closely monitored, and at this stage no further amendments are required to the adopted 2020/21 operational budget. However, while the financial results for council's operations are forecast to remain ahead of the adopted budget, a number of individual business units heavily impacted by the pandemic are under significant pressure and forecasting unfavourable results. This 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.

Council's financial performance at Quarter 3 reflects an Operating Result of \$93.0M, against a YTD budget of \$67.7M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Council has achieved a Net Surplus of \$79.5M against a YTD deficit budget of \$32.4M. The full year forecast is for a favourable Net Surplus of \$96.2M against a deficit budget of \$22.5M. The deficit budgets reflect the City's final contribution of \$41.1M to the NSW Government for the Light Rail project.

The forecast favourable variance of \$118.7M results predominately reflects favourable variances in operating expenditure, capital grants and contributions, recognition of heritage floorspace awarded, and gains on the sale of assets, partially offset by unfavourable operating income and depreciation expense 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 \$170.5M compares against a YTD budget of \$206.5M, while the annual forecast for the program has been revised to \$233.9M against a full year budget of \$294.4M. A summary of the 2020/21 capital works expenditure program and forecast is outlined within the body of this report, and detailed at Attachment B.

The Technology and Digital Services capital expenditure, for projects developed internally, was \$14.1M, with a full year forecast of \$21.6M against the budget of \$23.6M. A minimal increase of \$0.1M to the budget is outlined within the body of this report, and detailed in Attachment B.

The Plant and Equipment expenditure at Quarter 3, net of disposals, was \$4.7M, with a full year forecast of \$11.4M against a full year budget of \$14.4M.

Property net divestments at Quarter 3 are \$51.0M, with a full year forecast divestment of \$37.3M at this stage, as outlined within this report.

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.

An update on the progress of the City's Community Recovery Plan is provided at Attachment D.

Recommendation

It is resolved that Council:

- (A) note the financial performance of Council for the third quarter, ending 31 March 2021, including the Quarter 3 Net Surplus of \$79.5M and the full year Net Surplus forecast of \$96.2M, as outlined within the report and summarised at Attachment A to the subject report;
- (B) note the Quarter 3 Capital Works expenditure of \$170.5M and a revised full year forecast of \$233.9M, and approve the proposed adjustments to the adopted budget, including transferring \$0.1M from capital works contingency and bringing forward \$0.4M of future year's funds into 2020/21 as detailed at Attachment B to the subject report;
- (C) note the Technology and Digital Services capital expenditure of \$14.1M (net of disposals), the full year forecast of \$21.6M, and approve the proposed increase of \$0.1M to the adopted budget from the capital works contingency, as detailed at Attachment B to the subject report;
- (D) note the Quarter 3 Plant and Assets expenditure of \$4.7M, net of disposals, and the full year forecast of \$11.4M;
- (E) note the Quarter 3 net Property Divestment proceeds of \$51.0M, and the full year forecast net Property Divestment of \$37.3M;
- (F) 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; and
- (G) note the third quarter Community Recovery Plan report, as shown at Attachment D to the subject report.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** Third Quarter Supplementary Report 2020/21
- Attachment D.** Third 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 third quarter (Q3) and full year forecast financial results for the 2020/21 financial year, and the achievements to date against the Operational Plan objectives.
4. 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.
5. The Capital Expenditure results to Q3, 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 C for information.
7. The Community Recovery Plan progress report at Attachment D 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

8. 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.
9. In response to the impacts of Covid-19, the City entered into a joint plan to revitalise the city centre, with the state government committing up to \$15M and the City providing a further \$5M. The adopted budget was amended to reflect the additional income of \$9.2M in the current financial year and \$9.2M for the corresponding expenditure that would be delivered by the City. There was no net impact to the budgeted Operating Surplus.
10. The 2020/21 budgeted operating income therefore increased to \$600.6M and the operating expenditure to \$510.0M, leading to the same Operating Surplus of \$90.6M.

Third Quarter Operating Results

11. The Q3 Operating Surplus was \$93.0M against a YTD budget of \$67.7M, a favourable variance of \$25.2M. After allowing for interest income, capital grants and contributions, heritage floor space awarded, depreciation, capital project related costs and gains on the sale of assets, the Net Surplus was \$79.5M against a budget deficit of \$32.4M, a favourable variance of \$111.9M.

12. The Q3 YTD Net Surplus result includes favourable variances for operating expenditure of \$32.0M, capital grants and contributions of \$8.8M, heritage floorspace award of \$42.6M and a net gain on sale of assets of \$44.3M, which are partially offset by unfavourable variances in operating income of \$6.7M, depreciation of \$6.1M and capital project related costs of \$2.4M that do not lead to the creation of council assets.
13. The full year forecast Operating Surplus is \$113.9M against a budget of \$90.6M, a favourable variance of \$23.3M. The Net Surplus is forecast to be \$96.2M against a budget deficit of \$22.5M, a favourable variance of \$118.7M.
14. The forecast Net Surplus reflects favourable variances in operating expenditure of \$33.7M, capital grants and contributions of \$17.6M, heritage floorspace award of \$44.5M and net gains on the sale of assets of \$44.3M, partially offset by unfavourable operating income variance of \$10.4M and additional depreciation of \$10.1M.
15. 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	(\$0.8M)	(\$1.0M)	Banner pole income and advertising from street furniture is reduced due to the ongoing impacts of Covid-19.
Aquatic Facilities Income	\$0.1M	\$0.8M	The aquatic facilities contractor has provided an improved estimate on their anticipated revenue share.
Commercial Properties	(\$2.4M)	(\$3.6M)	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. Income relating to QVB is significantly reduced due to less foot traffic, specifically with international visitors (impact of Covid-19).
Community Properties	(\$2.2M)	(\$2.4M)	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	\$4.2M	\$4.6M	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	(\$0.6M)	(\$0.8M)	Council resolved post budget to extend the waiver of footway license fees for the financial year.
Grants and Contributions	\$1.3M	\$0.6M	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	\$0.8M	\$1.4M	Increased crane and hoarding fees as a result of increased building activity in CBD, particularly for Sydney Metro.
Parking Station Income	(\$1.2M)	(\$1.2M)	Council resolved to extend free parking for essential workers to 31 March. The forecast reflects parking back to pre Covid-19 levels.
Rates and Annual Charges	(\$0.9M)	(\$1.2M)	Changes in rating category from business to residential, internal rates, offset by additional waste charges arising from the ongoing bin audit.
Venue/Facility Income	(\$3.1M)	(\$5.9M)	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.

Income Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Work Zone	\$0.7M	\$0.9M	Increased building activity in CBD and payment for temporary road closures and work-zones in LGA.

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

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Employee Related	\$7.9M	\$11.0M	Predominately relates to permanent vacancies (partially offset by an increase in agency used to backfill). Recruitment slowed while the City navigates through the impacts of Covid-19 and financial recovery.
Enforcement and Infringement Costs	\$1.4M	\$1.6M	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	\$7.0M	\$8.4M	Impact of Covid-19 on many projects across the City, in particular, Sydney New Year's Eve, Lunar Festival and the Christmas events.
Expenditure Recovered	\$0.1M	(\$1.8M)	Removal of the monorail will not take place this year.
Facility Management	\$0.5M	\$1.6M	The City's Aquatic Centres contractor has advised a lower than budgeted holding cost.

Expenditure Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Grants, Sponsorships and Donations	(\$1.6M)	\$1.7M	<p>Timing of payments, including the affordable housing grant. The forecast reflects the accommodation grant for Haymarket library starting later than expected.</p> <p>One Childcare service provider received rent relief in line, in lieu of a subsidy with the Federal Government's Code of Conduct for commercial tenancies and New South Wales (NSW) government legislation.</p> <p>No payment for the Business Event Sponsorship program in 2020/21, as the agreement has been extended to next financial year.</p>
Infrastructure Maintenance	\$3.3M	\$2.4M	<p>The monorail station will not be removed this year.</p> <p>Slight timing delays in 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.</p>
IT Related	\$1.6M	\$2.0M	Reflects the timing for the commencement of the managed security services project, with some of the budget being supplied by agency.
Legal Fees	\$0.9M	\$0.6M	Less expenditure for debt recovery in relation to rates, and a positive outcome for the Telstra case.
Other Operating Expenditure	\$2.1M	\$1.9M	Predominately reduced bank charges from parking meters and stations, and reduced traffic management costs for the City's events.

Expenditure Type	2020/21 YTD Budget Variance Favourable / (Unfavourable)	2020/21 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Property Related Expenditure	\$2.3M	\$1.2M	<p>Fewer leasing activities due to current market conditions.</p> <p>Re-classification of some costs from due diligence to consultancies for Crown land management project.</p> <p>Offset by an increase in maintenance due to reactive jobs including façade works and costs required for annual fire safety statements remediation.</p>
Service Contracts	\$0.4M	(\$1.0M)	Additional contract costs relating to the Alfresco project, offset with savings from event related budget.
Stores and Materials	\$1.0M	\$1.2M	Minor savings across many areas. Reduced cleaning costs for automated public toilet cleaning due to low usage. Lower costs in Venue Management due to lower utilisation as a result of the pandemic
Utilities	\$0.9M	\$1.0M	Reduced water consumption due to the increased rain fall this year.
Waste Disposal Charges	(\$1.2M)	(\$1.6M)	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	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Capital Grants and Contributions	\$8.8M	\$17.6M	Contribution variances relate to developments north and south of the Martin Place Metro Station, and works in kind for Epsom and Rosebery precincts. In addition, recognising grants for the Pedestrianisation of George Street from the Commonwealth and State Government for this project.

Income Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Heritage Floorspace	\$42.6M	\$44.5M	Recognising the value of awarding Heritage floorspace for the QVB and Haymarket Library.

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Depreciation	(\$6.1M)	(\$10.1M)	Forecast to be unfavourable to budget largely due to greater than anticipated increases associated with asset revaluations, which lift the depreciable value of major asset classes (infrastructure and open space).

Expenditure Type	2020/21 YTD Budget Variance	2020/21 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Capital Project Related Costs	(\$2.4M)	(\$0.9M)	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	\$44.3M	\$44.3M	The gain reflects where sale proceeds exceed the asset book value of property including: 90 Regent Street, the former Epsom Road depot, a compulsory divestment of three parcels City-owned land at Observatory Hill to the NSW Department of Education, and the heritage floor space awarded for the Capitol Theatre, Haymarket Library and QVB.

17. 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.
18. At Quarter 3, the City's forecast financial performance for the full year remains 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.

19. The Properties unit is forecasting an unfavourable result of \$4.7M due to a reduction in commercial property income beyond that allowed in the budget. 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 has been followed by the City, 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 is unfortunately a lengthy process, with the current forecast reflecting their best estimates of the full year impact at this time.
20. In addition, the lessee of the QVB advised the City that they have had to revise their preliminary estimates for their own tenancies, which has had 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.
21. The other Unit, forecasting a significant unfavourable result is Venue Management which has 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 \$2.7M.

Capital Expenditure

22. The Capital Works program achieved expenditure of \$170.5M against a YTD budget of \$206.5M.
23. The full year forecast of the capital works program has been reduced from a budget of \$294.4M to \$233.9M 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 \$0.4M from future years' capital works forward estimates, approve \$0.1M 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. Significant variances are forecast for a number of the 2020/21 capital programs asset enhancement budgets and future years' forward estimates, including:
 - (a) Public Domain and Stormwater Drainage:
 - (i) McDonald Street Widening Works: Unexpected ground conditions impacted the construction methodology including timing and sequence of works.
 - (ii) Drainage improvement program: reduction in forecast contributing to fund the above 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) Open Space Renewal - Viaduct Area 4 wash away: Project is currently being reviewed to determine viability with land owners.
 - (b) Property Assets:
 - (i) Town Hall House - Hot Water Storage Tank Replacement: Additional environmental initiatives are investigated.
 - (ii) Portfolio Wide Air Conditioning Replacement Project: Options are under investigation.
 - (iii) Portfolio Chiller Replacement: Tender pending additional investigations.
 - (iv) Lift Upgrade/Replacement – Various Sites: Tender being prepared for market.
 - (v) Sydney Town Hall External Works Stage 3: Better than expected progress on Stone Façade remediation for the current financial year.
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 \$14.1M against a budget of \$15.4M with a forecast of \$21.6M within the full year budget of \$23.6M. Approval is sought to transfer \$0.1M 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 \$4.7M against a budget of \$11.2M due to the timing of vehicle delivery, and no expenditure for events as they were cancelled. A full year forecast of \$11.4M and an underspend of \$3.0M for the full year.
31. The Property Acquisitions and Divestments result at Q3 reflects the divestment of heritage floor space at Capitol Theatre, Haymarket Library and QVB; 90 Regent Street, 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) In mid-January 2021, the City installed four new temporary artworks in city laneways. These include Ever Sun - a suspended installation on Wilmot Street; Barlow Street Forest - a micro-forest made of native species to mirror a natural ecosystem on Barlow Street; We Are All Astonishingly Wise - an interactive fortune-telling installation off George Street; and Giant Badges - a series of provocative giant badges on lamp posts on Barrack Street. In addition to the new laneway artworks, a series of public art walking tours in the city have also been popular.
- (b) The City's Adapt and Advance webinar series kicked off in January covering topics from digital marketing, e-commerce and pop-up experiences, to understanding customers and content strategy. Local businesses looking to adapt and grow in the Covid-19 landscape had access to 26 free online sessions with expert advice, insights and guidance on how to refocus and reboot their operations. Key industry figures covered topics ranging from business strategy to customer experience and content, to help small businesses adapt to the challenges of operating in the current economic climate. The first series was targeted at the retail and hospitality sector and the second series was aimed at capacity building for local businesses of all kinds.
- (c) From late January to March, the Sunset Piazza program delivered 32 nights of Covid-safe live performances by local Sydney artists in an Italo-themed pop up outdoor performance venue located at Cathedral Square. Sunset Piazza was a key outcome from the NSW Government's Summer Summit and part of the City of Sydney's Al Fresco City initiative – a revitalisation project aimed at transforming the city into an outdoor cultural experience. The concert series was curated by Sydney Festival and spanned contemporary pop, comedy, hip hop and indie rock, with tickets to all events only \$25.
- (d) The Gunyama Park Aquatic and Recreation Centre at Green Square opened its doors in February 2021. It is the largest aquatic centre in the harbour city since the 2000 Olympics. Construction took two years at a cost of \$106 million. The centre features a 50-metre outdoor pool, 25-metre indoor pool, hydrotherapy pool, a large health fitness centre, a creche, 138 bicycle racks and a synthetic sports field. It also contains the largest moveable pool floor in the southern hemisphere. Another feature at the centre is "Bangala" (water carriers), a bronze sculpture modelled on handheld water carriers once used by Aboriginal communities along Australia's east coast. The artwork by Aboriginal Elder Aunty Julie Freeman and artist Jonathan Jones will be a permanent reminder of the enduring importance of Eora culture and the area's history.

- (e) In February, the start of the Sydney Lunar Festival was marked with the unveiling of two 2.4-metre-high illuminated ox lanterns at the gateway to Chinatown. Designed by Sydney-based Chinese artist Chrissy Lau, the 'hero lanterns' were part of a free outdoor exhibition of 12 larger-than-life lunar zodiac animals. Three large lunar gateway arches were also displayed in the QVB forecourt, Martin Place and Customs House forecourt. Additionally, a colourful lantern curtain was installed the length of the Dixon Street Mall to create an illuminated suspension of glowing paper lanterns. Entertainment during the event included roving street performances, and a Lunar Spectacular Show held on Saturday, February 13 at Town Hall. In total the City staged more than 80 events as part of the largest Lunar New Year festival outside Asia.
- (f) The biannual homeless street count was conducted on 23 February. The count found 272 people sleeping on the city's streets compared with 334 in February last year and 373 in 2019. The count also found 288 crisis and temporary accommodation beds were occupied compared with 505 in February last year. While fewer people were sleeping rough in NSW than at the same time last year, the number has crept up since the height of the covid pandemic when the state government was paying to house rough sleepers. The State government provided 3,732 rough sleeping households with temporary accommodation between April last year and the end of January this year. Of those, 893 had moved from temporary accommodation into long-term housing, including social housing, private rental assistance packages and the Together Home program where the state leases private rental properties for social housing.
- (g) In February and March, the City officially opened a number of upgraded and newly built parks. New parks include the new neighbourhood playground at Crete Reserve in Rosebery and the Rope Walk Park in O'Dea Avenue, Waterloo. The Crete Reserve park has colourful play equipment including swings, climbing platforms and a slide. The Rope Walk Park is made of 3 landscaped sections along Sing Sam Street and has garden beds, lawns, a plaza, playground and seating. Upgraded parks officially opened during the quarter include Ross Street Playground in Forest Lodge, Cardigan Street Reserve in Glebe, Shannon Reserve Playground in Surry Hills and Fig Lane Park Playground in Ultimo.
- (h) A rainbow flag was raised above Sydney Town Hall to mark the start of the 2021 Sydney Gay and Lesbian Mardi Gras. The City has entered a float in the parade every year since 2005. This year the City also supported OXTRAVAGANZA – a two-week festival that ran concurrently with Mardi Gras, focused on celebrating our LGBTQI community and heritage and creating opportunities for the many businesses in and around the Oxford Street, Darlinghurst area. Oxtravaganza featured events in-store and outside along Oxford Street and Oxford Square including live music, drag and special deals to enliven the shopping strip. Special hubs for eating, drinking and celebrating were set up in Stanley Street, Bourke Street, William Street and Darlinghurst Road.

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 3 the YTD Operating Result was \$93.0M, with a full year forecast Operating Surplus of \$113.9M against a budget of \$90.6M, a favourable variance of \$23.3M.

35. At Quarter 3 the YTD Net Surplus was \$79.5M, with a full year forecast Net Surplus of \$96.2M against a deficit budget of \$22.5M, a favourable variance of \$118.7M.
36. The 2020/21 year end cash position is forecast to be \$549.7M, which is \$247.3M favourable to the adopted budget, reflecting a higher opening cash balance than budgeted, the operating results detailed in this report 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 ahead of our adopted budget.
38. Overall, the City remains in a strong financial position and is working to align with the financial targets as 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