

## 2020/21 Quarter 4 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 long term financial performance. Following the onset of the pandemic back in March 2020, the City was forced to amend its publicly exhibited 2020/21 draft budget to reflect the anticipated reduction in operational income. While the Federal Government initially forecast the pandemic to last 6 months to September 2020, the operational and financial implications for the City's community and council have extended long beyond this assumption.

The City committed early to provide support to complement the Federal and State Government's assistance, and from the onset of the pandemic resolved two community support packages valued at \$72.5M focusing on local government responsibilities including fee waivers for footway dining, venue and banner hire, childcare services, parking services, rent relief in City-owned properties, grant funding for businesses and donations to support vulnerable communities. In October 2021, the City and NSW Government established a further \$20M CBD Revitalisation Fund to boost the local economy.

Unfortunately, the pandemic and its impacts upon the City continue to affect its businesses and community. Not only has it had a longer and deeper impact than we allowed when amending the reduced budget we resolved in June, it is also now having a significant impact on the City's 2021/22 operations and financial situation. As a result, a number of financial risks continue to evolve, including 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 referenced within this report.

Further detail on the continuing community support into the future was provided in a separate Council report in July 2021, however the uncertainty of the length and impact of the latest lockdowns, will require the City to again revisit its financial recovery plans.

In respect to the 2020/21 financial year, Council's financial performance at Quarter 4 reflects an Operating Result of \$125.1M, against a budget of \$90.6M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Council has achieved a Net Surplus of \$148.4M against a deficit budget of \$22.5M.

The favourable full year variance of \$170.9M includes two significant non-cash revenue categories, being the recognition of heritage floor space awarded to the City, and an increase in the value of the City's portfolio of investment properties. Operating expenditure was also reduced largely due to a range of Covid related impacts, and the result also includes gains on the sale of a number of assets, and increased levels of capital grants and contributions. 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 \$216.5M compares against a budget of \$294.6M. A summary of the 2020/21 capital works expenditure program and proposed budget net revote of funds to 2021/22 and future year forward estimates are outlined within the body of this report, and detailed at Attachment B.

The Technology and Digital Services capital expenditure, for projects developed internally, was \$17.6M, against a full year budget of \$23.7M.

The Plant and Equipment expenditure, net of disposals, was \$7.0M, against a full year budget of \$14.4M.

Property net divestments were \$53.9M, against a full year acquisition budget of \$121.4M.

This report presents the interim financial results against budget for the 2020/21 financial year. The financial results are still being finalised as part of the preparation of the annual financial statements, which are subject to external audit in August. It is anticipated that there may be some final adjustments to the results presented in this report. Any significant changes will be highlighted in the report covering the annual financial statements to be presented to Council in October 2021.

Progress against the Delivery Program performance measures is generally satisfactory, with full details provided in 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.

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 as provided at Attachment F.

## Recommendation

It is resolved that Council:

- (A) note the interim financial performance of Council for the 2020/21 financial year ending 30 June 2021, including the Net Surplus of \$148.4M as outlined within the report and summarised at Attachment A to the subject report;
- (B) note the full year Capital Works expenditure of \$216.5M for 2020/21, approve the proposed revote of \$17.1M and adjustments to future years forward estimates, to increase the adopted 2021/22 budget to \$243.6M to progress the planned capital works, as detailed in the Attachment B to the subject report;
- (C) note the Technology and Digital Services capital expenditure of \$17.6M (net of disposals) for 2020/21, and approve the proposed revote of \$6.5M and other adjustments to future years forward estimates, to increase the adopted 2021/22 budget to a net \$22.5M as shown in Attachment B in the subject report;
- (D) note the full year Plant and Assets expenditure of \$7.0M for 2020/21, net of disposals, and approve the proposed revote of \$5.3M to increase the adopted 2021/22 net budget to \$14.5M as show in Attachment B in the subject report;
- (E) note the full year net Property Divestment proceeds of \$53.9M;
- (F) note the operational performance indicators and quarter and full year achievements against the Delivery Program 2017-2021 objectives, as detailed in 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 4, as detailed in 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 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.** Fourth Quarter Operational Report 2020/21
- Attachment D.** Fourth Quarter Supplementary Report 2020/21
- Attachment E.** Environmental Sustainability Progress Report
- Attachment F.** Fourth 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 fourth quarter (Q4) financial results for the 2020/21 financial year, and the achievements to date against the Operational Plan objectives.
4. A Q4 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 for the 2020/21 year, together with a summary of project expenditure, and proposed budget revote and adjustments for 2021/22 and future years, are outlined within the body of this report and detailed at Attachment B.
6. A Quarter 4 progress report against the operational performance measures identified within the 2017-2021 Delivery Program Plan is provided within Attachment C.
7. 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.
8. Details on the progress of the City's environmental sustainability programs, and projects for the quarter, are provided at Attachment E.
9. The Community Recovery Plan progress report at Attachment F 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.
10. It is important to recognise the impact of the Covid 19 pandemic on the City. Following the onset of the pandemic back in March 2020, the City was forced to amend its publicly exhibited 2020/21 draft budget to reflect the anticipated reduction in operational income. The Federal Government initially forecast the pandemic to last six months to September 2020, however the operational and financial implications for the City's community and council have obviously extended long beyond this assumption.
11. The ongoing impact of the pandemic is evident throughout the body of this report. The City acted to quickly introduce two City business support packages, valued at \$72.5M, focusing on local government responsibilities including fee waivers for footway dining, venue and banner hire, childcare services, parking services, rent relief in City-owned properties, grant funding for businesses, donations to support vulnerable communities, and the acceleration of capital works to maintain employment.

12. The actual impact on the City's finances has also varied as the year progressed. Prior to the most recent lockdown, some aspects of the City's operations had begun to recover well and ahead of budget expectations, while other areas had experienced a far greater and longer impact including our commercial properties portfolio. Note that all variances set out in this report are against the budget, already adjusted down to reflect the anticipated effects of the pandemic, as adopted by Council in June 2020.
13. At this stage, the financial implications of the Covid 19 pandemic on revenue across the last two financial years through waived rents, fees and foregone income is estimated at over \$85.0M, with additional expenditure of \$22.9M, an overall net impact exceeding \$100M.

### **2020/21 Operating Budget**

14. 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.
15. The City later 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, with no net impact to the budgeted Operating Surplus.
16. 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.

### **Fourth Quarter Operating Results**

17. The interim Q4 Operating Surplus was \$125.1M against a budget of \$90.6M, a favourable variance of \$34.5M. 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 and investment properties values, the Net Surplus was \$148.4M against a budget deficit of \$22.5M, a favourable variance of \$170.9M

18. The primary operating income variations to the budget are detailed in the table below,

| Income Type              | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment   |
|--------------------------|--|---|
| Commercial Properties    | (\$3.4M)   | <p>The unfavourable result reflects reduced income from many tenants, in line with the Federal Government's Code of Conduct for commercial tenancies and New South Wales (NSW) government legislation, beyond the already reduced budget. The City has also provided additional waiver provisions, outside of the required period of the code, to provide support for its tenants impacted by the pandemic.</p> <p>The City's net income share from QVB has also significantly reduced reflecting dramatically less patronage including a lack of international visitors.</p> |
| Community Properties     | (\$2.9M)   | Reflects waiving of rent for Childcare accommodation grant tenants, and the postponement of an accommodation agreement with MOCA (Museum of Chinese in Australia) for the former Haymarket library.   |
| Enforcement Income       | (\$2.6M)   | Enforcement activity had started to recover as parking resumed in the City, however collection rates are lower than normal as Revenue NSW paused their recovery of outstanding fines for a period of the pandemic.  |
| Other Building Fees      | \$1.2M   | Increased crane and hoarding fees from increased building activity in CBD, particularly for Sydney Metro.   |
| Parking Meter Income     | \$1.8M   | Increased utilisation had started to return to pre-Covid levels in the final quarter of the year, above the rates anticipated in the COVID adjusted budget.   |
| Rates and Annual Charges | (\$2.3M)   | Lower rates from changes in property rating category, from business to residential, offset by increased charges from the domestic waste service review.   |

| Income Type           | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment  |
|-----------------------|--|--|
| Venue/Facility Income | (\$5.3M)   | Significant unfavourable variance 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 longer than expected. |

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

| Expenditure Type                   | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment   |
|------------------------------------|--|---|
| Employee Related                   | \$10.1M  | <p>Predominately relates to permanent vacancies (partially offset by an increase in agency used to backfill). Recruitment slowed while the City navigated through the impacts of Covid-19 and financial recovery.</p> <p>The above savings have been partially offset by an adjustment to our provision for workers compensation, reflecting the current value of potential claims in future years and the impact of lower long term bond rates.</p> <p>Note the reserves shows a reduction for workers compensation, which is due to the updated advice from the actuary that the prudential margin of 50% of the balance is no longer required for Government entities.</p> |
| Consultancies                      | \$1.0M   | Minor variances across many business units with some relating to projects now being delivered in next financial year.   |
| Enforcement and Infringement Costs | \$1.9M   | 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 active recovery of outstanding fines.  |

| Expenditure Type                   | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment  |
|------------------------------------|--|--|
| Event Related Expenditure          | \$8.8M   | 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              | (\$1.4M)   | Removal of the monorail did not take place this year, so costs that were to be included in the Infrastructure Maintenance category (see below) did not occur, and will not be recovered.   |
| Facility Management                | \$2.2M   | The City's Aquatic Centres contractor advised a lower than budgeted holding cost, to maintain the centres.   |
| Grants, Sponsorships and Donations | \$3.0M   | <p>Timing of payments and one childcare service provider received rent relief, 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         | \$3.4M   | <p>The monorail station was not 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                         | \$2.7M   | The variance generally reflects the timing for the commencement of the managed security services project, and a number of software and maintenance costs were lower than budgeted.   |
| Other Operating Expenditure        | \$2.5M   | Predominately due to delays in Ausgrid's rollout of the LED works, and reduced traffic management costs for the City's events.   |

| Expenditure Type             | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment  |
|------------------------------|--|--|
| Property Related Expenditure | \$3.8M   | <p>Reduced leasing activities due to the current market environment, and re-classification of some costs to consultancies for the Crown Land management project.</p> <p>The variance also reflects lower than anticipated cleaning services in regards to reduced night trading activities, and later than budgeted opening of the City of Sydney Creative Studios in Bathurst Street.</p> |
| Stores and Materials         | \$1.4M   | Minor savings across many areas. Reduced cleaning costs for automated public toilet cleaning due to low usage, and reduced costs in Venue Management due to lower utilisation as a result of the pandemic.   |
| Utilities                    | \$1.3M   | Reduced water consumption due to increased rain fall, and the ongoing program to identify and resolve water leaks. Reduced electricity usage due to facility closures relating to the pandemic.  |
| Waste Disposal Charges       | (\$1.1M)   | 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 the Covid pandemic and in accordance with health orders.  |

| Income Type                      | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment  |
|----------------------------------|--|--|
| Capital Grants and Contributions | \$22.2M  | <p>Contribution variances relate to developments north and south of the Martin Place Metro Station and David Jones Market street store.</p> <p>Additional works in kind were recognised within the Epsom and Rosebery precincts, and we have now recognised the Commonwealth and State Government grants towards the Pedestrianisation of George Street.</p> |
| Heritage Floorspace              | \$44.1M  | This unbudgeted non-cash variance reflects the recognition of the value of awarding Heritage floorspace for the QVB and Haymarket Library. The award is treated as inventory until sold and the proceeds are received.   |

| Expenditure Type | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment   |
|------------------|--|---|
| Depreciation     | (\$15.6M)  | This expense is greater than the budget provision, as greater than anticipated increases in the revaluation of assets, lifts the depreciable value of major asset classes (infrastructure and open space improvements). |

| Revenue Type                           | 2020/21 Full Year Budget Variance<br><br>Favourable / (Unfavourable) | Comment   |
|--|--|---|
| Gain on Sale of Assets                 | \$47.6M  | 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. |
| Gain on value of Investment Properties | \$39.1M  | This is another unbudgeted non-cash variance, representing a valuation gain (non-cash) recognised following the annual external revaluation of the City's investment properties.  |

20. The adopted 2020/21 operating budget was re-framed prior to adoption to account for the impact of Covid-19, with reductions to the budgeted income expected from many pandemic impacted operations including properties, parking related operations, and venue management. The budget also incorporated a significant CEO Contingency to provide for the risks arising from the uncertainty of resuming normal operations.
21. The City's financial performance for the full year was ahead of the adopted budget, however, while the financial results for council's overall operations are favourable, a number of individual business unit's budgets were more severely impacted by the pandemic than originally envisaged. The major budget variances are noted below:
- (a) City Property (\$1.8M) - suffered a significant reduction in property income beyond the initial estimated allowed in the budget. The City followed the Federal Government's Code of Conduct for commercial tenancies as State Government legislation required landlords to support qualifying tenants by waiving and deferring rent proportionate to their reductions in turnover. The City has however supported its tenants beyond the formal end date of the Code, out to June 2021 (and into the new financial year), as the pandemic and its impacts continued.

The City wants its businesses to have every opportunity to survive this challenging environment, and be able to resume business at the earliest date. This support was also evident in Council's resolution to extend the waiver of footway licences.

Finally, the City's budgeted share of ground rent from its lease to QVB, was also adversely impacted due to the pandemic with significantly lower levels of patronage than anticipated at the time of setting the budget.

To offset these impacts, an amount of \$1.5M has been transferred from the CEO Contingency to bring the Division back within budget, as detailed in Attachment A.

- (b) Venue Management (\$2.2M) - also heavily impacted by the public health orders, and the associated restrictions on attendance numbers, however in this instance the Division had sufficient budget to absorb the reduction in income.

### Capital Expenditure

- 22. The Capital Works program achieved expenditure of \$216.5M against a full year budget of \$294.6M
- 23. While work continues on the City's vast capital works portfolio, a number of significant projects were completed in 2020/21 including Gunyama Park Aquatic and Recreation Centre, Sydney Park Water Harvesting Priority 1: Treatment Plant, Ultimo Community Centre renovation of ground floor bathrooms, Shannon Reserve, the Crescent Lands at Johnstons Creek, Gadigal Avenue North and the Fitness Stations at Pirrama Park.
- 24. Given the work in progress, a further \$17.1M of unspent funds at year end needs to be carried forward and revoted on top of the capital works program adopted as part in the 2021/22 Operational Plan in June. This will ensure adequate funding to continue the capital works projects during 2021/22 and beyond.
- 25. A final review of the 2020/21 program has then been undertaken, to take into account the revised revotes, the project timelines, the required community engagement and the capacity to deliver the projects within the program. As a result it is recommended that \$17.8M now be pushed into the future years forward estimates, for a revised 2021/22 capital works budget totalling \$243.6M.
- 26. A financial summary of the 2020/21 Capital Works program, a schedule showing the funds carried forward and deferred, and the revised 2021/22 budget and future years' forward estimates by significant project and program, and a status report on all active capital projects exceeding \$5.0M in value is provided in Attachment B.
- 27. Significant program and project budget variances for 2020/21 were reported in the first three quarters, however there were further projects with unfavourable variances by the final quarter of the year, including:
  - (a) Portfolio wide Air Conditioning replacement - delays in finalising documentation due to additional structural and power supply investigations. Project now in tender phase
  - (b) Town Hall House - Hot Water Storage Tank replacement - tender of project delayed while additional environmental reviews were undertaken.
  - (c) Portfolio Chiller replacement - finale documentation required additional structural and power supply investigations. Project now in tender phase.
  - (d) Lift upgrades/replacement – various sites - preparing tender documentation for priority lifts, while a strategic review considers all other vertical transport assets.
  - (e) Town Hall Arcade (Sydney Square) Waterproofing - additional structural investigations undertaken in relation to interface with Sydney Town Hall southern stairs, and current façade project, to ensure designs developed will not impact the waterproofing of the bathrooms.
  - (f) City Recital Hall - base building works - extended design phase for development of style guide, development of base design protocols for the site, and alignment to future capital works. Scope finalised and progressing to tender documentation.

- (g) Sydney Park Leachate site restoration - access requirements required by tenant impacted the progress of the project.
  - (h) Kings Cross Police Station - Cooling/ Heating upgrade - additional budget required to address market pricing, following a tender process.
  - (i) Woolworths Building Façade remediation - delays in third party approvals to commence works on site, including hoarding and scaffold installation.
  - (j) Corporation Building - Façade, Roof, Window, Awning repairs - delay in third party approvals to commence works on site, including hoarding and scaffold installation.
  - (k) Sydney Town Hall External Works Stage 3 - faster progress on Stone Façade remediation in 2020/21.
  - (l) Capital Programs Asset Enhancement - Green Square Trunk Drain- Link Road to Alexandra Canal - delay in closing final elements of the project.
  - (m) McDonald Street Widening - delay due to third party approvals and site flooding.
  - (n) Green Square to Ashmore Connection - delay in early works construction for western section on hold, pending Ausgrid's issue of a construction license. Shortlisted tenderers following EOI process. Early works to eastern side progressing.
  - (o) Zetland Ave (West) - Paul St to Portman St - delays in procuring kerbstone has impacted progress. Temporary road pavement construction on northern side completed to allow handover to Mirvac. Focus on Zetland Ave Mid and Portman Street construction.
  - (p) Existing Streets (Portman St) upgrade - Focus on Portman Street works and kerb supply for this portion of project has resulted in early expenditure on works.
  - (q) Zetland Avenue - Mid (Joynton Ave to Portman St) - Focus on Zetland Ave Mid and Portman Street construction. Handover of northern section with interface to Meriton development.
  - (r) Major Properties Efficiency Improvements - delay in LED lighting program due to supply and access, has extended programmed completion to early September 2021. Water efficiencies upgrade works, design completed and implementation commencing.
28. The Plant and Assets expenditure incurred during the year, net of disposals, was \$7.0M against a budget of \$14.4M, the underspend predominately reflecting plant and assets which could not be delivered within the year. It is proposed to carry forward and revote an additional \$5.3M which will increase the adopted 2021/22 budget for Plant and Assets from a net \$9.2M to a net \$14.5M. A financial summary of the 2020/21 result against budget, and the revised 2021/22 budget are included in Attachment B.
29. Technology and Digital Services capital works expenditure was \$17.6M against a budget of \$23.7M. It is proposed to carry forward and revote an additional \$6.5M, for projects already underway, and it is also recommended that \$2.3M be pushed into the future years forward estimates for a net 2021/22 revised budget of \$22.5M

30. Property Acquisitions and Divestments resulted in net divestment of \$53.9M for the 2020/21 year, against an acquisition budget of \$121.4M. The result reflects the divestment of significant parcels of heritage floor space at Capitol Theatre, Haymarket Library and QVB along with the sale of 90 Regent Street, the former council depot at Epsom Road by Council, and the compulsory divestment to the Department of Education of three parcels of land at Observatory Hill. The divestments were partially offset by the acquisition of land to ultimately create new open recreation space on Mandible Street, Alexandria.

### Operational Highlights

31. There were a number of operational highlights, including:
- (a) The City has been successful in facilitating \$100,000 USD funding from the Carbon Neutral Cities Alliance to the not-for-profit Aboriginal Carbon Foundation to grow the market for carbon offsets created on Indigenous land in NSW, and a demonstration project. The Carbon Neutral Cities Alliance (CNCA) is a collaboration of international cities working together to achieve deep emissions reductions more efficiently and effectively. The City has participated in CNCA - predominantly funded through US philanthropy - since 2015. The "Game Changer" grant will be used to establish a market signal, precedent, and ethical system for secure long-term finance streams to traditional custodians and Indigenous enterprise to undertake and maintain regeneration projects.
  - (b) A number of park upgrades were opened and / or completed this quarter. The Hollis Park upgrade with Wilson and Burren Street Cycleway in Newtown was marked by official opening on 24 April. The playground upgrade in Crete Reserve, Rosebery and opening of a new park and plaza spaces in Rope Walk Park, Waterloo took place on 8 May. Playground upgrades at James Hilder Reserve Surry Hills, Strickland Park Chippendale and Daniel Dawson Reserve Alexandria were officially opened on 15 May. Work was also completed on the upgrade of the Palmerston Avenue Steps and Sarah Peninton Reserve in Glebe in May. The upgrade includes better access along Palmerston Avenue with new stairs, a concrete path, handrails, pram ramps and more welcoming entry points, a new bigger entry plaza to the light rail station, more native plants and grasses, new seating and a water bubbler and tap.
  - (c) The refurbishment of the Cutler footway and historic Burton Street viaduct in Darlinghurst was officially opened on 20 April. The viaduct was originally built in 1909 and its recent refurbishment, completed in partnership with Woollahra Council and the Australian Government will extend its life by another 100 years. We installed a concrete road surface on top of the bridge with a wider integrated footway to make it safer and easier for people walking.

- (d) The City recently awarded a Covid-19 Community Services Recovery Grant of \$100,000 to Sydney Alliance to establish NSW's first international student hub in Surry Hills (a 12-month pilot project). The City's contribution is focussed on community development initiatives including programs, consultation, advocacy and research. The Hub is a student led initiative in collaboration with more than 50 organisations, including civic groups, not-for-profit organisations, community associations and education industry representatives, such as the Council of International Students Australia, Multicultural Youth Affairs Network, Migrant Workers Justice Initiative and Tenants' Union. It will support international students in NSW with issues such as wage exploitation, accommodation needs and social isolation, all of which have been exacerbated during the pandemic. The Hub was officially launched on 26 May.
- (e) The Lord Mayors welcome for international students 2021 was held virtually on 16 March in collaboration with 13 community groups and service providers. The virtual event which attracted 300 attendees – was complemented by a series of 13 associated events delivered across two weeks. All events aimed to engage international students and encourage their return to Sydney when borders open, connect impacted international students in Sydney to accommodation and support services, and to raise awareness of indigenous cultural practices and knowledge sharing.
- (f) The City continues to advocate for changes on the State road network, including lower speed limits. On 19 April 2021, a new 40km/h speed limit was activated on King Street, Newtown and Erskineville Road, Swanson Street and Copeland Street, Erskineville. These roads are all State roads under the control of Transport for NSW.
- (g) On 30 March 2020 for 12 months, the council waived parking fees for essential workers including police, emergency services, and health agencies during the Covid-19 pandemic. These arrangements have been extended until September 2021.
- (h) From June 1 to 10, the City of Sydney in collaboration with the local startup sector and technology industry hosted the Visiting Entrepreneur Program. This free series of virtual and in-person events gives an inside look into how global entrepreneurs are launching and growing businesses in fields such as biotechnology and quantum technology. The 13 event program featured five global experts and a local lineup of deep tech innovators and disruptors.
- (i) Redfern Waterloo Pet Day at Waterloo Green took place on 22 May providing social housing residents in Redfern or Waterloo access free vet services. This year's event attracted 200 social housing residents and 181 companion animals including 132 dogs, 48 cats, and one rabbit. The Cat Protection Society, RSPCA, Sydney University Veterinary Teaching Hospital, and My Vet Waterloo provided free pet health checks and advice to pet owners. New partnerships were established this year with the NSW Animal Welfare League and Vets Beyond Borders, resulting in a record number of 50+ volunteer vets, vet nurses and vet students providing pet health services on the day. The event facilitated free vaccinations administered to 125 dogs and 39 cats, free microchipping provided to 13 dogs and 11 cats and free desexing booked for 25 dogs and six cats under the City's subsidised program.

## Financial Implications

32. 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
33. At Quarter 4 the Operating Result was \$125.1M, against a budget of \$90.6M, a favourable variance of \$34.5M
34. At Quarter 4 the Net Surplus was \$148.4M, against a deficit budget of \$22.5M, a favourable variance of \$170.9M
35. The 2020/21 year end cash position was \$655.3M, which is \$349.1M favourable to the adopted budget, reflecting a higher opening cash balance than budgeted, the operating and capital results detailed in this report, and changes to the properties acquisition/divestment program as we focus on the City's financial recovery.
36. 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 as noted above, 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 have remain ahead of our adopted (Covid modified) budget.
37. 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.
38. The City's 2021/22 budget was resolved prior to the latest series of lockdowns, arising from the State's health orders seeking to minimise and control the spread of Covid to safeguard the community. The initial lockdown period has now been extended, and the City is continuing to support its community through fee waivers, flexible parking policies, tenancy support and additional grant programs, however the lockdown significantly impacts many the City's normal operations and revenue cycle. While the ultimate financial impacts are unknown at this stage, the City will need to revise its initial financial recovery plan, and this may require a revised budget to be brought back to Council after the first quarter.

## Relevant Legislation

39. 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.
40. Section 406 of the Act requires councils to comply with the Integrated Planning and Reporting Guidelines, issued by the Chief Executive of the Office of Local Government.

**Critical Dates / Time Frames**

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

**Public Consultation**

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

**BILL CARTER**

Chief Financial Officer