

2021/22 Quarter 1 Review - Delivery Program 2017-2021

File No: X039568

Summary

This report reviews the operating and capital results against budget for the 2021/22 financial year, and progress against the performance measures identified within the Operational Plan 2021/22, which represents an additional year for the Delivery Program 2017-2021 as a result of the extension to the Council term.

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. While the Federal Government initially forecast the pandemic to last six 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.

This report recommends that additional funds be allocated for food relief and community emergency quick response grants to provide further support for vulnerable members of the community, and enable the City to continue responding to ongoing and emergency needs over the upcoming period.

Unfortunately, the pandemic and its impacts upon the City continue to affect its businesses and community. The City's 2021/22 budget was resolved in June 2021 just as the latest lockdown commenced. The length, extent and impact of the lockdown was then unknown. It is now apparent that the lockdown continues to have a significant impact on the City's operations and 2021/22 forecast financial situation.

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 contained within this report. At this stage, it is estimated that the City's 2021/22 operating revenue will be reduced by \$62.0M, with some forecast reductions in expenditure (\$20.0M), which are in turn offset by the additional support grants already adopted by Council, leaving an unfavourable forecast operating result variance to budget of \$41.9M.

In response to this forecast, it is recommended that Council increase its 2021/22 CEO Contingencies budget by \$45.0M. This does not provide discretionary funding to the Chief Executive Officer, rather it ensures that the Chief Executive Officer, can transfer sufficient budget capacity to relevant Divisions and business units to offset their revenue shortfalls, so that they can continue to procure goods and services for the community, in accordance with their authorised delegations for the remainder of the financial year. This approval would reduce the City's budgeted Operating Surplus from \$110.0M to \$65.0M.

It is further recommended that Council increase the City's Capital Works Contingency for 2021/22 from \$8.0M to \$13.0M. The majority of the initial contingency funds have already been committed to fund a significant increase in the cost of roadworks between Green Square and Ashmore, as approved by Council at its October meeting. However in the current environment, there is already another request for significant new project funding to improve ventilation conditions in Council owned properties which was unforeseen when the budget was set (as detailed in attachment B). There may well be further impacts on the capital budget as the City responds to Covid-19 pandemic.

During the next few months, it is hoped that the impacts of the pandemic on the City and its community will begin to recede. During this period, the City will continue to review the future operational and capital programs within its 10 year financial plans, establish a revised financial recovery plan to ensure the City's long term financial sustainability, and present this proposal to Council as part of the Quarter 2 financial review.

Council's financial performance at Quarter 1 2021/22 reflected a year to date (YTD) operating result of \$16.0M, against a YTD budget of \$35.6M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Council has achieved a YTD net deficit of \$6.4M against a YTD surplus budget of \$14.0M. Council is forecasting an unfavourable full year net result variance of \$25.9M which predominately reflects unfavourable variances in operating income, offset by favourable variances in expenditure and higher capital contributions. All major variances are outlined within the body of this report, and full details are provided at Attachment A.

The Capital Works Program expenditure of \$33.8M compares to a YTD budget of \$43.6M. The annual forecast for the program has been revised to \$212.8M against a full year budget of \$243.6M. A summary of the 2021/22 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 \$4.4M, \$0.4M favourable to the YTD budget, a forecast of \$23.6M against a full year budget of \$22.5M, with adjustments to the budget requested in Attachment B.

The Plant and Equipment expenditure at Quarter 1, net of disposals, was \$1.4M against a YTD budget of \$2.9M, with a full year forecast of \$14.0M.

Property Divestments (net) at Q1 were \$19.3M, and forecasting at this stage to remain on budget.

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 and reporting requirements.

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:

- (A) Council note the financial performance of Council for the first quarter, ending 30 September 2021, including a Quarter 1 Net Deficit of \$6.4M and the full year Net Surplus forecast of \$1.4M, as outlined in the subject report and summarised in Attachment A to the subject report;
- (B) Council note the Quarter 1 Capital Works expenditure of \$33.8M and a revised full year forecast of \$212.8M, and approve the proposed adjustments to the adopted budget, including bringing forward \$3.8M of funds into 2021/22 capital budget and \$1.0M from the capital works contingency as detailed in Attachment B to the subject report;
- (C) Council note the Information Services capital expenditure of \$4.4M, net of disposals, and a full year forecast of \$23.6M and approve the proposed adjustments to the adopted budget, including bringing forward \$0.6M of funds into 2021/22 capital budget and transfer of \$0.04M from the capital works contingency, as detailed in Attachment B to the subject report;
- (D) Council note the Quarter 1 Plant and Assets expenditure of \$1.4M, net of disposals, and a revised full year forecast of \$14.0M and approve an additional \$1.3M of funds from capital works contingency for the purchase of light vehicles;
- (E) Council note the Quarter 1 Property Divestment of \$19.3M, and the full year forecast net Property Acquisitions of \$131.9M;
- (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 1, as detailed in Attachment C to the subject report;
- (G) Council note the first quarter Community Recovery Plan report, as shown at Attachment D to the subject report;
- (H) Council approve additional donations of:
 - (i) up to \$100,000 to OzHarvest Limited;
 - (ii) up to \$100,000 to Foodbank NSW & ACT Limited; and
 - (iii) up to \$50,000 for SecondBite;

to support vulnerable communities for the period up to 31 January 2022 upon demonstration of community need;

- (I) Council approve funding of up to \$100,000 to enable a continuation of the Community Emergency Quick Response Grants for not for profit entities to ensure support for community services to address demonstrated urgent needs for the period up to 31 January 2022;
- (J) authority be delegated to the Chief Executive Officer to allocate and donate the funds in (H) and (I), and to enter into any related agreements, upon being satisfied that there is a demonstrated community need, and to report back on grants awarded by way of CEO Update; and
- (K) Council approve an increase of \$45.0M to the CEO Contingency to offset forecast revenue shortfalls, which will decrease the budgeted Operating Surplus from \$110.0M to \$65.0M, and also increase the Capital Works Contingency from \$8.0M to \$13.0M.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** First Quarter Supplementary Report 2021/22
- Attachment D.** First Quarter Community Recovery Plan Report 2021/22

Background

1. The City's 2017-2021 Delivery Program and 2021/22 Operational Plan, including the 2021/22 budgets, were adopted by Council on 28 June 2021.
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 first quarter (Q1) and full year forecast financial results for the 2021/22 financial year, and the achievements to date against the Operational Plan objectives.
4. A Q1 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 Q1, together with a summary of project expenditure, and proposed budget adjustments for 2021/22 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.

Continuation of food relief for vulnerable communities impacted by Covid-19

8. On 26 July 2021, Council resolved to support vulnerable communities as part of the 2021 Lockdown Recovery Package through donations of \$300,000 to food relief suppliers Foodbank NSW & ACT and OzHarvest Limited, and \$100,000 to SecondBite.
9. The donations aimed to build the capacity of these three food suppliers, as well as the existing City food operations network, over 12 weeks. Funds resulted in 8,789 staples food hampers, 3,369 fresh fruit and vegetable hampers, and 8,444 meals distributed through community organisations, City libraries, Covid-19 vaccination and testing clinics, and home deliveries conducted by NSW Health outreach workers, NSW Police and Aboriginal community controlled organisations.
10. As the City reopens the need for access to healthy and nutritious food continues as many support services will shut down over the holiday period. It is likely that the City's food relief donations will be exhausted in the coming weeks as Christmas approaches and other government Covid-19 support packages are also scheduled to conclude in November including the Federal Government Covid-19 Disaster Relief Payment and the NSW Government's Study NSW partnership with Foodbank for the delivery of hampers to international students.

11. It is recommended that the City continue its support of vulnerable communities through additional donations, if and when required, including up to \$100,000 each to OzHarvest Limited and Foodbank NSW & ACT Limited, and up to \$50,000 for SecondBite. This will ensure the provision of food and hampers through community hubs located in Waterloo, Camperdown and Surry Hills. The City funded OzHarvest Community Kitchen at 481 Crown Street Surry Hills will also be able to increase its opening hours to an additional evening of service until February 2022.
12. As part of the 2021 Lockdown Recovery Package, Council also approved the establishment of a new Community Emergency Quick Response Grant with a total value of \$250,000, providing up to \$10,000 for community services to address urgent needs arising from the pandemic including food relief, digital inclusion and social isolation. A total of 47 applications have been received to date, requesting a total of \$427,946, of these 26 grants have been approved to a value of \$235,260. There are currently additional grants under assessment and recommended for approval, which exceed the remaining available funds.
13. Many of the grant recipients are also likely to expend their funding in December and City staff are meeting weekly with community organisations who have advised their funding will not be sufficient to support community due to demand. It is recommended the City contribute up to an additional \$100,000 for the Community Emergency Quick Response Grant budget to ensure support for community services to address urgent needs over the holiday period

2021/22 Operating Budget

14. The adopted 2021/22 budget projected operating income of \$624.5M and operating expenditure of \$514.5M, for an Operating Surplus of \$110.0M. After allowing for interest income of \$2.4M, capital grants and contributions of \$37.5M, depreciation expenses of \$113.9M, capital project related costs of \$8.7M, Council budgeted for a Net surplus of \$27.3M.
15. Unfortunately the second wave of the Covid pandemic, has had a broad and deeply adverse impact upon the City's 2021/22 adopted budget, which had been predicated on the continued gradual recovery of our major revenue sources. As detailed in this report, the pandemic and the subsequent lockdown following the public health orders, has significantly reduced the City's revenue from its property rentals, all parking related activities, venue and facility hire, and construction related activities.
16. At this stage, the City is currently forecasting for a net impact of \$41.9M from our budgeted Operating Surplus. This has significant implications for Divisions and business units with major revenue budgets, as expenditure delegations are based on total operating results. This report therefore seeks to increase the CEO's Contingency by a total of \$45.0M to allow the City's operations, services and facilities to continue for the benefit and support of our community.
17. If approved, the restated adopted budget will result in an operating income of \$624.5M and operating expenditure of \$559.5M, for an Operating Surplus of \$65.0M. After allowing for interest income of \$2.4M, capital grants and contributions of \$37.5M, depreciation expenses of \$113.9M, capital project related costs of \$8.7M, Council will have a revised budget Net Deficit of \$17.7M.

First Quarter Operating Results

18. The Q1 Operating result was \$16.0M against a budget of \$35.6M, an unfavourable variance of \$19.5M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Net Deficit was \$6.4M against a budget surplus of \$14.0M, an unfavourable variance of \$20.4M.
19. The result includes an operating income result which is significantly unfavourable to budget by \$32.5M, a favourable variance to budget of \$13.0M for operating expenditure, a \$3.1M unfavourable variance for capital grants and contributions and a favourable variance of \$1.7M for capital project related costs not leading to the creation of a City of Sydney asset.
20. The primary operating income variations to the budget are detailed in the table below

Income Type	2021/22 YTD Budget Variance	2021/22 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Parking Station Income	(\$2.1M)	(\$3.3M)	Impacted by lockdown as more people worked from home and free parking for essential workers. The forecast represents an initial slow return to parking in the City as it starts to re-open.
Parking Meter Income	(\$8.2M)	(\$12.4M)	
Enforcement Income	(\$8.9M)	(\$18.0M)	
Advertising Income	(\$1.6M)	(\$3.5M)	Street Furniture advertising income adversely impacted by Covid-19, and the lack of passing foot traffic.
Private Work Income	(\$0.8M)	(\$2.1M)	Unfavourable due to the public health order restrictions including the temporary shutdown of the construction industry in the early phase of the lockdown.
Work Zone Income	(\$1.1M)	(\$2.5M)	
Venue Facility Income	(\$2.0M)	(\$4.3M)	Venue closures due to the public health order, with the forecast representing the ongoing restrictions.

Income Type	2021/22 YTD Budget Variance	2021/22 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Commercial Income	(\$4.0M)	(\$13.5M)	Extension of rental waivers until January 2022 as the City supports its commercial tenants under the re-introduction of the Retail and Other Commercial Leases (COVID-19) Amendment Regulation. QVB revenue share is also subject to the code, and significantly reduced the forecast income share to the City.
Grants and Contributions	(\$1.8M)	\$1.2M	Favourable forecast mainly reflects funding associated with the extension of the AI-Fresco Dining Program

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

Expenditure Type	2021/22 YTD Budget Variance	2021/22 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Employee Related	\$4.0M	\$11.8M	Predominately relates to permanent vacancies.
Enforcement and Infringement Costs	\$1.7M	\$3.5M	Reduced infringements results in lower processing fees.
Infrastructure Maintenance	\$3.1M	\$3.2M	Mainly due to the temporary shutdown of the construction industry on roadway maintenance. Changes to the contract transition for street furniture maintenance. Lower usage resulted in a reduction of parking meter maintenance.

Expenditure Type	2021/22 YTD Budget Variance	2021/22 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Surveys and Studies	\$0.1M	(\$0.8M)	Higher full year spend associated with the delivery of three State significant projects at Pyrmont, Central and Blackwattle Bay
Utilities	\$0.4M	\$0.7M	Favourable due to consumption savings.

Income Type	2021/22 YTD Budget Variance	2021/22 Full Year Budget Variance	Comment
	Favourable / (Unfavourable)	Favourable / (Unfavourable)	
Capital Grants and Contributions	(\$3.1M)	\$16.5M	YTD results are due to timing. The increase in the forecast relates to development rights scheme for 77-93 Portman St Zetland, which is Site 15 in the Green Square Town Centre.

22. The adopted 2021/22 operating budget was developed prior to the Covid-19 'Delta' lockdown commencing in late June 2021. Operational contingencies in the operating budget were increased from \$5.5M to \$7.0M, as was the case in the 2020/21 financial year, to include an allowance for the uncertain operating and financial environment. However the budget only anticipated the tail end impact of Covid-19 in areas such as commercial property income, venue management and parking related services, with a gradual recovery back to normal expected after the height of the pandemic.
23. Unfortunately the City's forecast financial performance for the full year at Quarter 1, is significantly unfavourable to the adopted budget. A number of business units have experienced large reductions in income and are forecasting unfavourable full year results. The additional CEO Contingency funds of \$45.0M recommended in this report are required to compensate for these significant revenue losses, so that the Divisions and business units impacted can continue to operate and provide their required services to the community. The major variances are discussed below.
24. The City Life Division, including the Venue Management unit, continues to be heavily impacted by the public health orders and the associated restrictions as we emerge from lockdown. They are currently forecasting an unfavourable result of \$1.7M.

25. The City Projects and Properties Division is forecasting a full year unfavourable result of \$14.5M due to a reduction in commercial property income as the City continues to support impacted commercial tenants with rental waivers, and the City's income share from QVB has also substantially reduced.
26. The City Services Division are forecasting an unfavourable result of \$28.9M which reflects the loss of income in the City Rangers, Parking and Fleet Services, and City Infrastructure units, all significantly impacted by the latest lockdown and health orders as more people were required to work from home.

Capital Expenditure

27. The Capital Works program achieved expenditure of \$33.8M against a YTD budget of \$43.6M.
28. The full year forecast of the capital works program has been reduced from a budget of \$243.6M to \$212.8M following the latest review, which assessed the expected delivery of the projects and revised cost estimates for each individual project.
29. 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 2021/22. Approval is therefore sought to bring forward funds of \$3.8M from future years' capital works forward estimates, approve \$1.0M from capital works contingency, and to reallocate funds from within relevant programs, into the 2021/22 budget to continue the progress on these projects.
30. There are also a number of changes proposed within the future years' forwards estimates. Full details are provided in Attachment B.
31. Significant variances are forecast for a number of the 2021/22 capital programs asset enhancement budgets and future years' forward estimates, including
 - (a) Green Infrastructure:
 - (i) Major Properties Efficiency Improvements - potential savings to be realised at completion (Q2).
 - (b) Public Domain:
 - (i) Existing Streets (Portman St) Upgrade - latent conditions resulted in minor impact on YTD spending. Potential savings may be realised at completion (Q3).
 - (ii) Zetland Ave (West) - Paul St to Portman St - latent conditions resulted in minor impact on YTD spending, with potential for project savings.
 - (iii) Green Square to Ashmore Connection - additional funds were required as resolved in the October 2021 Council meeting.
 - (iv) George Street South Pedestrianisation - current year variance due to Covid restrictions and delays from time required to resolve latent site conditions.

- (c) Open Space and Parks:
 - (i) City Centre Playground Works - early works scheduled in the current financial year. Plan of Management and Native Title Compliance underway, with the forecast representing the amenities & playground design to meet the project objectives.
 - (ii) Alexandria School and Park Synthetic Sports field (Joint Use) - project timing varies to the budget phasing, due for completion this financial year.
 - (iii) Synthetic Sports Field (Crescent Park) - additional funds to be sourced from the sports fields provisions.
 - (d) Bicycle Related Works:
 - (i) King St Cycleway (Stage 2) - current year forecast reduced to reflect timing and pending approvals from TfNSW.
 - (ii) Oxford St west and Liverpool St cycleways - current year forecast reduced to reflect new design of permanent cycleway on Oxford Street.
 - (iii) Erskineville Alexandria Precinct Cycleway Links - forecast reflects delay in Railway Parade, where redesign has been required.
 - (iv) Dunning Avenue Bike Network Link - design options being investigated.
 - (e) Stormwater Drainage:
 - (i) Joynton Avenue Stormwater Drainage Upgrade – reduced expenditure forecast in the current year due to an extended early contractor involvement process to inform the tender.
32. Significant variances are also forecast for a number of the 2021/22 capital programs asset renewal budgets and future years' forward estimates, including
- (a) Open Space & Parks asset renewal:
 - (i) Future Capital Projects - Open Space Renewal - forecast to nil as there are no plans to increase project delivery in the current year.
 - (b) Properties asset renewal:
 - (i) Sydney Town Hall External Works Stage 3 - funds brought forward to the current financial year to reflect progress to date, and contingency required.
 - (ii) Woolworths Building - Façade Remediation - construction progressing and budget proposed to be brought forward at Q2.
 - (iii) Lift Upgrade/Replacement (various sites) - reduced forecast as anticipate lead times for procurement of lift equipment from overseas.
 - (iv) Commonwealth Bank (546 George St) – Building Code of Australia (BCA), Hydraulics Renewal - forecast reduced to reflect finalisation of the scope.

33. 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.
34. Information Services capital expenditure, for internally developed projects, is \$4.4M against a budget of \$4.8M with a forecast of \$23.6M that is slightly over the full year budget of \$22.5M. Approval is sought to bring forward \$0.6M into the 2021/22 budget, to continue progress on a number of these projects, while the remainder will be reviewed again before Q2.
35. The Plant and Equipment expenditure incurred during the year to date, net of disposals, was \$1.4M against a budget of \$2.9M, due to the timing of delivery for fleet and plant items. A full year forecast of \$14.0M against a full year budget of \$14.5M at this stage. However approval is sought to transfer \$1.3M funds from the capital works contingency to progress the purchase of light vehicles ahead of the budgeted program.
36. Property divestments at Q1 reflects the sale of heritage floor space, earlier than anticipated in the budget.

Operational Highlights

37. The City's lockdown support package announced in July 2021 includes \$5M in grants and donations, plus an additional \$7.8M in estimated revenue foregone each month to provide relief through fee waivers, rent reduction, quick response grants and food security. The program includes \$4M in grants for businesses and creatives to collaborate on initiatives to support reactivation post-lockdown; \$8.9M cash and value-in-kind through existing City grant programs to support economy, culture and community; an additional \$250,000 in new Covid-19 community emergency quick response grants; donations of \$300,000 each for OzHarvest and Foodbank, and \$100,000 for SecondBite to enable vulnerable communities to access food; \$50,000 for masks for vulnerable communities, and increased communication to connect people with mental health and social connection support services; extension of the successful outdoor dining program and waiving of associated fees until 30 June 2022; and, continuing existing fee waivers for footway dining, venue hire, banners, parking services, childcare and health and compliance activities.
38. Due to health regulations, the planned NAIDOC event at Hyde Park was adapted to a live stream version with an online marketplace held on 24 July. The online content included a Welcome to Country, Zoom weaving workshops with weaving packs sent out to attendees, cooking demonstrations - Kooking with a Koori Tik Tok videos, sand painting demonstration, a history of NAIDOC - short video works and MC's Jake Gordon and Aaliyah Bradbury - shout outs and messages.
39. The City launched the Australian Life and Little Sydney Lives online galleries which went live between 1 August to 16 September. For history week (4 to 12 September) the City presented online talks - Look Up Sydney: from the ground up and - Remembering and forgetting the Great Strike of 1917.
40. From Monday 27 September 2021, the City's outdoor pools reopened, and libraries began offering Reserve and Collect services from some locations. From Monday 11 October, City libraries, community and neighbourhood service centres, Town Hall House and aquatic facilities (with the exception of indoor pools) also began reopening in line with the NSW Government's roadmap to easing Covid-19 restrictions.

41. The City has procured new waste collection services for City owned and managed properties, including our workplaces, depots, community centres, libraries, aquatic centres and childcare centres. To support our ambitious waste targets and support the priority actions of the strategy, higher performance standards were incorporated into the waste collection services contract. One of these performance requirements included the Good Environmental Choice Australia (GECA) Waste Services Certification. The GECA ecolabel is awarded to products and services that reduce their environmental impact. The City of Sydney has now become the first local government in Australia to have its own waste services contract GECA certified and its environmental impacts independently verified.
42. A name from the Gadigal language was selected for a nine-kilometre walk that highlights Aboriginal history and culture at places along the Sydney harbour foreshore. Yananurala translates to Walking on Country and will share Aboriginal perspectives and stories through a series of artworks and installations from Pirrama (Pymont) to Woolloomooloo, including Barangaroo, Ta-ra (Dawes Point) and Warrane (Circular Quay). The selection of the name Yananurala follows extensive consultation with the City of Sydney's Aboriginal and Torres Strait Islander advisory panel and local Aboriginal community.
43. The first section of the George Street South pedestrian boulevard was unveiled on 22 September creating wider footpaths for people walking and new spaces for businesses to operate. The new pedestrian zone on George Street between Bathurst and Goulburn Street is part of the \$43.5 million project that will create 9,000 square metres of car-free space to allow for physical distancing and more outdoor dining.
44. The City of Sydney has been awarded Disability Confident Recruiter status with the Australian Network on Disability. The Disability Confident Recruiter Program helps organisations identify and remove unintended barriers to inclusive recruitment. It builds an organisation's confidence and capability to attract and support skilled candidates living with disability. This process of becoming a Disability Confident Recruiter involved a comprehensive assessment of the City's recruitment systems and processes against 18 criteria set by the Australian Network on Disability.
45. The City has recently engaged a local Indigenous social enterprise, Indigigrow, as a registered supplier of native plants. Before the Covid lockdown restrictions, Indigigrow has supplied native plants for three volunteer bush restoration plantings, as follows: 50 native plants were supplied under donation, by the City, to the Friends of Orphan School Creek for planting within Wood Street Reserve, Forest Lodge 294 native plants were supplied to Pymont Ultimo Landcare under donation, by the City, for two volunteer plantings in the Pymont area 30 native plants were donated to Bourke Street Park Community Garden. The City will continue to procure plants from local native nurseries for its bush regeneration and community volunteer planting programs once Covid restrictions begin to ease.

Financial Implications

46. Financial performance in the majority of the principal activities, as defined within the Delivery Program 2017-2021, continues to be impacted by Covid-19, and noted in the body of the report.
47. At Quarter 1 the YTD Operating Result was \$16.0M, with a full year forecast Operating result of \$68.1M against a budget of \$110.0M, an unfavourable variance of \$41.9M.

48. At Quarter 1 the YTD Net Deficit was \$6.4M, with a full year forecast Net Surplus of \$1.4M against a surplus budget of \$27.3M, an unfavourable variance of \$25.9M.
49. 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 continues to expend significant sums in support of its local economy and community, including donations and a number of additional grant programs.
50. In response to the expected unfavourable operating result noted above, Council is seeking approval to increase its adopted operational contingencies budget for 2021/22 in order to ensure that the Chief Executive Officer and staff have sufficient approved budget capacity to continue to procure goods and services, in accordance with their authorised delegations, for the remainder of the financial year. This report requests an additional expenditure budget of \$45.0M. If approved this will decrease the budgeted Operating Surplus to \$65.0M.
51. The City adopted a capital works contingency for 2021/22 year of \$8M. However, due to the uncertainty of current market conditions this report has requested that Council also increase the capital works contingency by a further \$5M to \$13M. The majority of the initial contingency amount has been absorbed by large roadworks between Green Square and Ashmore, a transfer of funds approved by Council at its October meeting. Currently, there is an additional significant request for project funding to improve ventilation conditions in Council owned properties which was unforeseen when the budget was set (detailed in attachment B) . It is anticipated that there will be further impacts on the capital budget as the City responds to Covid-19 pandemic.
52. As the challenging operating environment is expected to continue this financial year, the City will continue to review in detail its operational and capital programs within the long term financial plan, to update its financial recovery plan and ensure that all plans are in line with our long term financial sustainability. The financial recovery plan will be reported back to Council at Q2.
53. The City remains in a strong financial position with a YTD cash balance of \$710.6M that includes unrestricted funds of \$312.2M. The 2021/22 year end cash position is forecast to be \$386.5M, in line with the adopted budget, reflecting a significant reduction in operating income compared to budget along with a reduction in operating and capital expenditure forecasts.
54. Note that 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.

Relevant Legislation

55. 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.
56. 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

- 57. The quarterly report is due to be submitted to Council within two months of the end of the respective quarter.
- 58. The information contained within this report reflects Council's financial performance in the 2021/22 financial year.

Public Consultation

- 59. There is no requirement for public consultation for this report.

BILL CARTER

Chief Financial Officer