

2021/22 Quarter 4 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 because of the extension to the previous Council term.

The Covid-19 pandemic, and the City's response to support its community through this crisis, has continued to have a significant impact on the City's operations in the 2021/22 financial year. 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 original assumption.

The City committed early on to provide support to complement the Federal and State Government's financial 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. The City also partnered with the NSW Government, in 2020/21, to establish the \$20M AI Fresco Summer program.

The City's 2021/22 budget was developed in a period that many of its major revenue sources had begun to show signs of significant improvement and was therefore quite optimistic in terms of expected organisational and financial recovery. While not expecting a full revenue recovery, the City had budgeted for an Operating Surplus of \$110M, and a Net Surplus of \$27.3M. Unfortunately, by the time the budget was resolved in June 2021, the 'Delta' lockdown had commenced. While at that point the duration and extent of the later lockdown was uncertain, the ongoing pandemic and its impacts have continued to affect the City's businesses and community, our own operations and our forecast financial situation.

At the Quarter 1 Delivery Program review, the City had forecast an unfavourable operating variance of \$41.9M for the 2021/22 financial year, reflecting multiple and substantial revenue losses arising from the Covid-19 pandemic, while most of our major expense items (salary and wages, materials and service contracts, etc) continued. Council therefore resolved to increase its CEO Contingencies budget by \$45.0M, which decreased its budgeted Operating Surplus to \$65.0M, so that the Chief Executive Officer could transfer sufficient additional budget to the affected Divisions so they could continue to authorise and deliver services to our community, whilst still operating within their approved budget delegations. The resolution did not provide any additional discretionary funds to the Chief Executive Officer.

It is widely reported that the pandemic has and continues to have major impacts on workforce availability and supply chains. The City is not immune to these challenges, which have impacted the delivery of services, capital and technical projects and also contributed to an environment of rising costs. The City continues to work closely with our suppliers to continue to deliver these services and projects, but the current environment presents ongoing timing and financial risks.

Council's financial performance at Quarter 4 2021/22 reflects an Operating Surplus of \$109M, against a revised budget of \$65.0M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the Council achieved a Net Surplus of \$68.8M against a Deficit budget of \$17.7M. 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 \$162.3M compares against the full year budget of \$257.0M. 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 \$14.1M against a full year budget of \$24.2M.

The Plant and Equipment expenditure, net of disposals, was \$7.9M against a full year budget of \$16.3M.

Property Divestments (net) were \$32.5M against a full year acquisition budget of \$131.9M.

This report presents the interim financial results against budget for the 2021/22 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 and September. 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 2022.

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 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 E.

Recommendation

It is resolved that Council:

- (A) note the interim financial performance of Council for the 2021/22 financial year ending 30 June 2022, including the Net Surplus of \$68.8M as outlined within the report and summarised at Attachment A to the subject report;
- (B) note the full year Capital Works expenditure of \$162.3M for 2021/22, approve the proposed revote of \$30.4M and adjustments to future years forward estimates, to increase the adopted 2022/23 budget to \$200.9M excluding contingency 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 \$14.1M (net of disposals) for 2021/22, and approve the proposed revote of \$8.6M and other adjustments totalling \$3.5M (including transfer of \$2.9M of multi-year projects included in the operating budget), to increase the adopted 2022/23 TDS capital budget to \$19.0M as shown in Attachment B in the subject report;
- (D) note the full year Plant and Assets expenditure of \$7.9M for 2021/22 (net of disposals), and approve the proposed revote of \$5.9M and deferral of \$7.6M of fleet purchases to 2023/24 (reflecting supply chain constraints), to reduce the adopted 2022/23 net budget to \$11.3M as show in Attachment B in the subject report;
- (E) note the full year net Property Divestment proceeds of \$32.5M;
- (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; and
- (H) note the Community Recovery Plan report, as shown at Attachment E to the subject report.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** Fourth Quarter Operational Report 2021/22
- Attachment D.** Fourth Quarter Supplementary Report 2021/22
- Attachment E.** Fourth 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 fourth quarter (Q4) and full year forecast financial results for the 2021/22 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 2021/22 year, together with a summary of project expenditure, and proposed budget revote and adjustments for 2022/23 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. The Community Recovery Plan progress report at Attachment E 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.

2021/22 Operating Budget

9. 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.
10. The second wave of the Covid pandemic, had a broad and deeply adverse impact upon performance against 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, reduced the City's revenue from its property rentals, all parking related activities, venue and facility hire, and also capital works delivery due to resourcing constraints.
11. To ensure that the City's operations, services and facilities were able to continue for the benefit and support of our community in these challenging times, Council approved additional contingency budget of \$45.0M for operational support and a further \$5M for capital works at Q1, to allow the Divisions and business units impacted to continue to operate within their approved expenditure delegations.

12. The revised operating budget left total operating income unchanged at \$624.5M but increased total operating expenditure to \$559.5M, resulting in a reduced Operating Surplus budget 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 had adopted a revised budget with a Net Deficit of \$17.7M.

Fourth Quarter Operating Results

13. The interim Q4 Operating Surplus was \$109.0M against a budget of \$65.0M, a favourable variance of \$44.0M. 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 \$68.8M against a budget deficit of \$17.7M, a favourable variance of \$86.5M.
14. The result includes operating income results which were unfavourable to budget by \$58.0M, a favourable variance to budget of \$102.0M for operating expenditure (including the additional \$45.0M of CEO contingency), favourable variances of \$26.1M for capital grants and contributions, \$12.1M for gain on sale of assets and \$14.3M for gain on sale of properties, partially offset by an unfavourable variance of \$19.5M for capital project related costs.
15. The primary operating income variations to the budget are detailed in the table below:

Income Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Parking Station Income	(\$2.9M)	These income sources were impacted by lockdown, isolation requirements and free parking for essential workers. Enforcement income has also been impacted by adverse weather conditions this year.
Parking Meter Income	(\$10.2M)	
Enforcement Income	(\$18.1M)	
Advertising Income	(\$6.0M)	Street Furniture advertising income adversely impacted by the pandemic
Private Work Income	(\$1.5M)	Unfavourable due to the public health order restrictions including the temporary shutdown of the construction industry in the early phase of the lockdown in mid-2021, and also impacted further by inclement weather.
Work Zone Income	(\$3.9M)	
Venue/Facility Income	(\$4.1M)	Venue closures, including recreational venues were closed for substantial periods due to the public health orders.

Income Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Community Property Income	(\$0.9M)	Extension of rental waivers until March 2022 as the City continues to support its commercial tenants under the re-introduction of the Retail and Other Commercial Leases (COVID- 19) Amendment Regulation. The City has continued to work with its tenants beyond the March 2022 end date of the regulation. QVB revenue share was also impacted by the regulation, resulting in a reduced income share to the City.
Commercial Property Income	(\$7.2M)	
Other Building Fees	(\$1.3M)	Crane Fees and Hoarding Fees were impacted by the pandemic and adverse weather.
Grants and Contributions	\$1.0M	An advanced payment was received, for the Federal Financial Assistance Grants, relating to the 2022/23 year.

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

Expenditure Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Employee Related	\$9.7M	Predominately relates to vacancies (partially offset by an increase in agency used to backfill). Additional workers compensation costs, due to an increase in common law case estimates in line with industry experience, have been more than offset by reduced employee entitlement provision cost estimates driven by economic conditions (i.e. lower long term bond rates have reduced the present value of future leave entitlements).

Expenditure Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Consultancies	\$2.7M	Some projects were delayed due to impacts of the pandemic, while some savings were also realised in other projects where the work was undertaken by staff and/or agency resources.
Enforcement and Infringement Costs	\$5.3M	Reduced infringements, results in lower processing fees, and no profit share to Revenue NSW as expenditure exceeded income.
Event Related	\$3.4M	Due to Covid some events were unfortunately scaled back or cancelled, including some Christmas events and the New Year's Eve picnic.
Expenditure Recovered	\$1.6M	Emergency Services Levy Rebate paid to Council by the NSW Government and other minor recoveries
Infrastructure Maintenance	\$7.8M	Mainly due to the temporary shutdown of the construction industry, inclement weather, changes to the contract transition for street furniture and reduced meter maintenance.
IT Related Expenditure	\$1.7M	The Network Security upgrade project started later than anticipated, and is being carried over to 2022/23, while a number of software license costs were lower than anticipated.
Legal Fees	\$1.1M	Litigation fees relating to a payphones and advertising signage dispute were lower than anticipated
Operational Contingencies	\$50.4M	The variance includes the additional \$45.0M of CEO contingency approved by Council, as well as the balance of the operational contingencies originally adopted. A full reconciliation of the contingencies utilised in the year is provided in Attachment A.

Expenditure Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Other Operating Expenditure	\$3.8M	Reduction in Ausgrid's lighting network LED replacement program costs as residual, capital and maintenance charges are lower than anticipated in the budget, and lower bank charges due to lower parking meter usage.
Property Related Expenditure	\$3.8M	A number of works have been delayed to next financial year due to the pandemic and inclement weather.
Service Contracts	\$3.3M	The Covid lockdown unfortunately required several programs / courses to be cancelled. The CBD revitalisation project was also delayed during lockdown, and will extend into next financial year.
Stores and Materials	\$1.0M	Global supply chain issues have impacted the delivery of material purchases.
Utilities	\$1.5M	Lower consumption due to lockdowns, and lower water usage has been experienced due to the increased rainfall.

Income Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Interest Income	\$2.8M	Higher opening cash balances and lower capital expenditure than anticipated in the budget, combined with the gradual increase in interest rates offered in the second half of the year.

Income Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Capital Grants and Contributions (including Works In Kind)	\$26.1M	The timing of developer contributions is always difficult to predict. A significant receipt of \$15.7M relates to the development rights scheme for 77-93 Portman Street, Zetland.

Expenditure Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Depreciation	\$6.7M	Underspend in the planned capital works program and some minor revisions to the useful lives (open space improvement) subsequent to setting the budget. Asset revaluations which occurred late last year (parks and buildings) have also impacted.

Expenditure Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Capital Project Related Costs	(\$19.5M)	Expensing of components of capital projects which do not contribute to a City owned asset (e.g. undergrounding of cables, amendments/installation to traffic lights, and disposal of contaminates).

Type	2021/22 Full Year Budget Variance Favourable / (Unfavourable)	Comment
Gain on Sale of Assets	\$12.1M	Recognition of sale and disposal of heritage floor space at QVB, the sale of a property at Green Square (above book value) and proceeds from the sale of stratum (e.g. Loftus Lane) to long term lease.
Investment properties	\$14.3M	Annual investment property revaluation, with the biggest increase relating to 343 George Street and 4 Doody Street, Alexandria.

17. 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, for the 2021/22 financial year, to include a higher provision 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.
18. As noted above, Council resolved at Q1 to increase the CEO contingency by a further \$45.0M to allow those affected business units to operate within an approved financial framework and provide their required services to the community. This additional contingency budget has then been allocated to the impacted Divisions, to enable them to continue to provide services and facilities, as noted below, and detailed in Attachment A.
19. The City Life Division, specifically the Venue Management unit, was heavily impacted by the public health orders and the associated restrictions. However ultimately the impacts to their operational expenditure were also offset by reductions in budgeted expenditure due to the health restrictions, and no contingency transfer was required.
20. The City Projects and Properties Division, were heavily impacted by a significant reduction to commercial property income as the City continues to support commercial tenants with rental waivers, with the City's income share from QVB has also reduced. The CEO transferred \$14.2M of contingent funds to support their continued operations.
21. The City Services Division also suffered a significant loss of income in the City Rangers, Parking and Fleet Services, and City Infrastructure units, due to the lockdown, health orders and far fewer people in the CBD. The CEO transferred \$29.1M of contingent funds to support their front-line services and continued operations.

Capital Expenditure

22. The Capital Works program achieved expenditure of \$162.3M against a full year budget of \$257.0M. The impacts of Covid on the construction industry, including the various lockdowns, disruptions to supply chain, and indeed the inability to source the required professional services and labour, have all conspired to hamper delivery of the planned program this financial year.
23. While work continues on the City's large capital works portfolio, a number of significant projects were completed in 2021/22 such as Zetland Avenue, Mid (Joynton Avenue to Portman street), Lawrence Hargrave Reserve, FJ Walker Fountain Restoration, Liverpool Street Cycleway and Perry Park Recreation Facility stage 2.
24. Given the work in progress, a further \$30.4M of unspent funds at year end needs to be carried forward and revoted in addition to the capital works program adopted as part of the 2022/23 Operational Plan in June. This will ensure adequate funding to continue the capital works projects during 2022/23 and beyond.
25. A final review of the 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 in the difficult market conditions. As a result, it is recommended that \$31.6M now be pushed into the future years forward estimates, for a revised 2022/23 capital works budget totalling \$200.9M excluding contingency.
26. A financial summary of the 2021/22 Capital Works program, a schedule showing the funds carried forward and deferred, and the revised 2022/23 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 2021/22 were reported in the first three quarters, however there were further projects with unfavourable variances by the final quarter of the year, including:
 - (a) Properties - Community, Cultural and Recreational - Enhancement
 - i. Green Square Public School and Community Spaces - Early works complete and main works scheduled to start in August 2022. Full year variance due to delayed execution of project deed with the Department of Education.
 - ii. 119 Redfern Street - Program of works delayed due to statutory approval, Covid impacts, supply chain and inclement weather.
 - (b) Bicycle Related - Enhancement
 - i. Mitchell Road and Huntley Street Cycleway - Project delay due to statutory approvals taking longer than expected.
 - (c) Open Space and Parks - Renewal
 - i. In-Road Tree Planting - Under spend on project associated with Covid, weather-related delays, latent conditions on site and minor adjustments to the program following consultation.

- ii. Park on Lyons Road (Western block) - Project progressed slower to incorporate community input into the design. Project has now moved into the construction phase
- (d) Properties - Investment and Operational - Renewal
- i. Organisation-wide BMS Integration - Project scope and design being revised to optimise integration of building management systems.
- (e) Properties Assets - Renewal
- i. Electrical Works - Switchboard Upgrades
 - ii. Portfolio wide Air Conditioning Replacement Project
 - iii. Comm Bank 546 George St - BCA Fire Electrical Renewal
- The complex scope and implementation plan required for each of these programs / project required extensive peer review. Construction will now take place in 2022/23.
- iv. Lift Upgrade/Replacement – Various Sites - Phase 1 implementation works was delayed due to challenging market conditions during the reject and negotiate stage. Phase 2 designs are now being finalised before going to tender for implementation.
- (f) Public Domain - Renewal
- i. Street Furniture Renewal - the capital funding required to support the new street furniture transition project was included in the annual Street Furniture Renewal Program, however the transition to the new suite of street furniture is programmed to be completed in 2022/23.
- (g) Stormwater Drainage - Renewal
- i. Joynton Avenue Stormwater Drainage Upgrade - Updated flood modelling has demonstrated the scope of this project can be significantly reduced due to drainage improvements realised by the Green Square Trunk Drain and Joynton Avenue Road upgrade.
 - ii. Erskineville Trunk Drainage - Sydney Water variation agreement will be reported to Council in the new few months. Scope drastically reduced following revised extensive flood modelling.
28. The Plant and Assets expenditure incurred during the year, net of disposals, was \$7.9M against a budget of \$16.3M. The underspend predominately reflected plant and assets which could not be delivered within the year. It is proposed to revote an additional \$5.9M, and also defer \$7.6M of fleet purchases to 2023/24 (reflecting supply chain constraints and expected delivery dates), to reduce the adopted 2022/23 net budget to \$11.3M as show in Attachment B.

29. Technology and Digital Services capital works expenditure was \$14.1M against a budget of \$24.2M. The proposed revote of \$8.6M of funds, and other adjustments totalling \$3.5M (including transfer of \$2.9M of multi-year projects included in the operating budget), will increase the adopted 2022/23 TDS capital budget to \$19.0M as shown in Attachment B. Multi-year projects are better tracked in the capital program, and while the transfer will increase the TDS capital works budget, it will be offset by forecast savings within the TDS operating budget in the 2022/23 year.
30. Property Acquisitions and Divestments resulted in net divestment of \$32.5M for the 2021/22 year, against an acquisition budget of \$131.9M. Acquisitions include a number of stratum in 309 Pitt Street, offset by divestments of heritage floor space for the QVB and the divestment of 330-332 Botany Road, Alexandria.

Operational Highlights

31. There were a number of operational highlights, including:
 - (a) In April, the City released Sustainable Sydney 2030-2050 Continuing the Vision - an update to our long-term strategic plan. A CityTalk discussing the vision was held with London Mayor Sadiq Khan as the keynote speaker. The process to extend the long-term strategic plan began in 2019 with a comprehensive and award winning program of engagement with residents, businesses, workers and visitors to our area. City staff also re-engaged the community over the last two years and incorporated Covid-19 relevant research, ensuring the document reflects the needs of the community post-pandemic. The vision has now been translated into the City of Sydney's next community strategic plan, delivery program, operational plan and resourcing strategy which were adopted by Council in June. The documents set out the priorities and resources for Sustainable Sydney 2030-2050 Continuing the Vision over the short, medium, and longer term.
 - (b) *bara* - Monument to the Eora was officially unveiled on the Tarpeian Lawn at the Royal Botanical Gardens in May. The six-metre tall sculpture is inspired by shell fishing hooks handcrafted and used by local Aboriginal women for generations. The work was guided by the City's former and current Aboriginal and Torres Strait Islander Advisory panels and curatorial advisor Hetti Perkins. *bara* is the fourth public art project in the City's Eora Journey program of celebrating the living culture and heritage of First Nations people in the city public domain.
 - (c) Recent park upgrades completed include Ernest Pedersen Reserve Park, Glebe (new path layout, signs, garden beds, bird bath and redesigned play area), Chisholm Street Reserve pocket park in Darlinghurst (new timber garden edging, new crushed decomposed granite pavement, repair of garden bed walls, installation of slit drain and soakage pit and new infill plantings and habitat fencing) and the Short Street Reserve at Waterloo (new raised garden beds with new plantings, new garden fencing, new furniture, improved turf area and new plantings alongside brick boundary wall).

- (d) The City hosted Pet Day on Waterloo Green in June in partnership with Counterpoint Community Services. This was the first pet day event open to all social housing residents in the City of Sydney since 2018. Pet Days provide free pet health services while promoting responsible pet ownership and enhancing community connection and safety. This year's event attracted 500 social housing residents and 264 companion animals including 203 dogs and 61 cats. The Cat Protection Society, RSPCA, Animal Welfare League, local veterinary clinics and vet students provided free pet health checks and advice to pet owners. Free vaccinations were administered to 160 dogs and 58 cats, free microchipping was provided to 22 dogs and 35 cats, and free desexing was booked for 33 dogs and 34 cats under the City's subsidised program.
- (e) On 22 June 2022, the Visiting Entrepreneur Program was launched, opening 10 days of discussion and knowledge exchange on the future of technology, cities and innovation. The event theme was: 'Exploring a FUTURE T.B.D. (to be discussed, dreamed, debated and debunked)' and the line-up included 11 global thinkers along with 35 local experts.
- (f) In June 2022, the City of Sydney Creative Studios opened at 119 Bathurst Street, Sydney. The state of the art 5 storey facility is an arts rehearsal and production space open to artists and creative organisations. Facilities include 2 double height rehearsal studios with sprung timber floors for dancers, actors and other performers, 5 soundproof recording and rehearsal studios for musicians, production and editing suites for filmmakers and new media artists, wet-dry creative studios for visual artists, an artist in residence apartment with attached creative studio, administration and meeting spaces, dressing rooms and storerooms and a cafe in the lobby of the facility. Not-for-profit arts organisation and registered charity Brand X Productions operate and manage the City of Sydney Creative Studios.
- (g) In our second time partnering with Waverley and Woollahra councils, the City hosted a Recycle It Saturday event at Alexandra Canal Depot in May. Open to residents from all three council areas, this event helps to recycle a wide range of problematic household items such as paint and household gas cylinders.
- (h) In partnership with Destination NSW, the owners and producers of Vivid Sydney, the City provided significant cash and in-kind support to assist the delivery of Vivid Sydney's program of large-scale light installations and projections, events and live music. Some of the highlights supported by the City include: use of Customs House façade; light installations and activations as part of the Light Walk; and, as part of the Vivid Music program, WAW (We Are Warriors) FEST at Oxford Arts Factory showcasing young and emerging First Nations talent. The City has supported Vivid Sydney through funding partnerships since it was established in 2008, and 2022 is the fifth year it has supported local artists and venues to be featured in the Vivid Music program through a targeted funding 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 the pandemic has had significant impact on majority of these areas.
- 33. At Quarter 4 the Operating Result was \$109.0M, against a revised budget of \$65.0M, a favourable variance of \$44.0M.

34. At Quarter 4 the Net Surplus was \$68.8M, against a revised deficit budget of \$17.7M, a favourable variance of \$86.5M.
35. The 2021/22 year end cash position was \$715.0M, which is \$386.0M 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. In the current year, the pandemic has had a significant adverse impact on a number of the City's key income streams and the City continued to expend significant sums in support of its local economy and community, including donations and a number of additional grant programs.
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 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.

Relevant Legislation

38. The Local Government Act 1993 and Local Government (General) Regulation 2021 require quarterly progress reports against the financial objectives and regular reports (at least six monthly) against the Operational Plan.
39. 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

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

Public Consultation

42. There is no requirement for prior public consultation for this report.

BILL CARTER

Chief Financial Officer