

2024/25 Quarter 1 Review – Delivery Program 2022-2026

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Summary

This report reviews the operating and capital results against budget for the 2024/25 financial year, and progress against the performance measures identified within the Operational Plan 2024/25, within the broader Delivery Program 2022-2026.

Council's financial performance at Quarter 1 2024/25 reflects a year-to-date (YTD) Operating Result of \$25.1M against a budget of \$25.9M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of \$20.1M against a budget of \$26.5M. At Quarter 1, Council is forecasting a favourable full year Net Operating Result of \$123.2M, a positive variance of \$7.8M, reflecting a favourable operating result and higher interest income than budgeted. All major variances are outlined within the body of this report, and full details are provided at Attachment A.

Capital Works expenditure was \$55.6M against a YTD budget of \$60.0M. The annual forecast for the program has been revised to \$237.7M against a full year budget of \$247.1M. A summary of the 2024/25 capital project expenditure and forecast, with minor budget adjustments, are detailed at Attachment B.

Technology and Digital Services Capital Works YTD expenditure for projects developed internally was \$3.5M against a budget of \$3.6M. The annual forecast of \$25.3M is slightly lower than the full year budget of \$26.0M at this time.

Plant and Equipment YTD expenditure, net of disposals, was \$5.1M against a budget of \$6.9M, with a full year forecast of \$31.0M which is higher than budget. Budget adjustments are requested to address the forecast shortfall as at Quarter 1, as outlined at Attachment B.

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 integrated planning and reporting requirements.

The additional supplementary reports, which include details on the quick response, street banner and venue hire support grants and sponsorship programs, code of conduct, major legal issues, international travel, property and land use matters approved under delegation and contracts over \$50,000 are provided at Attachment C for information.

Recommendation

It is resolved that:

- (A) Council note the financial performance of Council for the first quarter, ending 30 September 2024, including a Quarter 1 Operating Result (before depreciation, interest, capital related costs and income) of \$25.1M and the full year forecast of \$125.8M and a Net Operating Result of \$20.1M and a full year forecast of \$123.2M 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 \$55.6M and a revised full year forecast of \$237.7M, and approve the proposed adjustments to the adopted budget, including bringing forward \$0.4M of funds into the 2024/25 capital budget, \$2.1M from the capital works contingency, and to reallocate funds within relevant programs within capital budget as detailed in Attachment B to the subject report;
- (C) Council note the Technology and Digital Services Capital Works expenditure of \$3.5M, and a full year forecast of \$25.3M as detailed in Attachment B to the subject report;
- (D) Council note the Quarter 1 Plant and Equipment expenditure of \$5.1M, net of disposals, and a revised full year forecast of \$31.0M, and approve bringing forward \$4.7M of funds into the 2024/25 and \$3.6M forward into 2025/26 budget as detailed in Attachment B to the subject report;
- (E) Council note minor net Property Divestments of \$0.3M as at Quarter 1, and the full year forecast for net Property Acquisitions of \$27.7M; and
- (F) Council note the supplementary reports, which detail the quick response, street banner and venue hire support grants and sponsorship programs, code of conduct, major legal issues, international travel, property and land use matters approved under delegation and contracts over \$50,000 in Quarter 1, as detailed in Attachment C to the subject report.

Attachments

- Attachment A.** Financial Results Summary
- Attachment B.** Capital Expenditure Financial Results
- Attachment C.** First Quarter 2024/25 Supplementary Reports

Background

1. The City's Resourcing Strategy 2024 and the 2024/25 Operational Plan, including the 2024/25 budgets, were adopted by Council on 24 June 2024.
2. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and 6-monthly progress reports against the Operational Plan aligned with the Delivery Program.
3. This report provides the first quarter (Q1) and full year forecast financial results for the 2024/25 financial year, and a number of operational highlights that occurred in Q1.
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 including significant variances and proposed budget adjustments for 2024/25 and future years, are at Attachment B.
6. Additional reports on the quick response, street banner and venue hire support grants and sponsorship programs, code of conduct, major legal issues, international travel, property and land use matters approved under delegation and contracts over \$50,000 are provided at Attachment C for information.

2024/25 Operating Budget

7. The adopted 2024/25 budget projected operating income of \$716.4M and operating expenditure of \$597.3M, for an Operating Surplus of \$119.1M. After allowing for interest income of \$34.3M, capital grants and contributions of \$95.0M, depreciation expenses of \$126.8M and capital project related costs of \$6.2M, the City projected a budgeted Net Operating Result for the year of \$115.4M.

First Quarter Operating Results

8. The Q1 operating result was \$25.1M against a budget of \$25.9M, an unfavourable variance of \$0.8M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the City achieved a Net Operating Result for the quarter of \$20.1M against a budget of \$26.5M, an unfavourable variance of \$6.4M.
9. The result includes unfavourable variances for operating income of \$1.3M, capital grants and contributions of \$8.0M (noting that timing of receipts is inherently difficult to predict) and depreciation expense of \$0.6M, partially offset by favourable variances in operating expenditure of \$0.5M, interest income of \$2.0M and capital project related costs of \$0.9M.

10. The primary operating income variations to the budget are detailed in the table below:

Income Type	2024/25 YTD Budget variance	2024/25 full year forecast to budget variance	Comment
Advertising income	\$0.0M	(\$1.7M)	On track to achieve revenue guaranteed under the street furniture advertising contract (\$18.9M). The budget included an amount over the guaranteed amount that is dependent on market conditions and is being closely monitored.
Community property	(\$0.1M)	(\$0.9M)	Unplanned property vacancies have arisen, including the closure of Darlinghurst Theatre Company. The reduction in income is offset by reduced expenses in the accommodation grants program.
Rates and annual charges	(\$1.2M)	\$2.6M	<p>The year-to-date unfavourable variance is primarily due to a re-categorisation of Waterman's Quay in Barangaroo from business to residential, which occurred earlier than anticipated.</p> <p>The forecast includes anticipated increased business rates following the subdivision of Martin Place Sydney Metro site and higher domestic waste revenue driven by additional residential services commencing.</p>
Work zone	\$0.5M	\$1.3M	Significant work zone applications on Pitt Street have surpassed budgeted projections.

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

Expenditure Type	2024/25 YTD Budget variance	2024/25 full year forecast variance	Comment
Employee benefits and on-costs	(\$2.0M)	\$2.6M	The YTD result is impacted by the timing of leave taking, the short-term use of specialist agency resources for specific project work and lower capitalisation of labour. The full year forecast reflects savings resulting from a level of vacancies anticipated in permanent roles, due to a challenging labour market, partially offset by the use of agency staff to backfill essential positions.
Grants, sponsorship and donations	\$0.4M	\$1.2M	Accommodation grant expense has reduced, in connection with unplanned vacancies.

12. The main variances which adjust the operating result to the net result are detailed in the table below:

Income Type	2024/25 YTD Budget variance	2024/25 full year forecast variance	Comment
Interest Income	\$2.0M	\$1.2M	Higher opening cash balance and higher interest rates than assumed in the budget.

Additional commentary on the Q1 Operating Result

13. Financial performance has generally been strong across Council. There are some individual units that are currently forecasting to have unfavourable results due to specific increased operational demands. Nonetheless, all Divisions are forecasting full year results that are favourable to their annual operating result budgets for 2024/25 as summarised at Attachment A.

Capital Expenditure

14. The Capital Works program achieved expenditure of \$55.6M against a YTD budget of \$60.0M.
15. The full year forecast of the capital works program has been reduced from a budget of \$247.1M to \$237.7M following the latest review, which assessed the expected delivery of projects and revised cost estimates for each individual project.

16. Some Capital Works projects have been finalised and realised project savings. These savings may be utilised to offset the additional expenditure in programs requiring additional funds for project completion. Progress on a number of projects has advanced beyond that included within the program budget projections for 2024/25. Approval is therefore sought to bring forward funds of \$0.4M from future years' capital works forward estimates, and to approve the transfer of \$2.1M from capital works contingency, and to reallocate funds from relevant programs within the capital budget to continue to progress projects as detailed at Attachment B.
17. Significant variances are forecast for some of the 2024/25 capital program budgets and future years' forward estimates. These variances are listed and explained at Attachment B.
18. A financial summary of the Capital Works program, the proposed budget adjustments, and a status report on all commenced capital projects exceeding \$5.0M in value is also provided at Attachment B.
19. Technology and Digital Services capital expenditure YTD, for internally developed projects, is \$3.5M against a budget of \$3.6M with a forecast of \$25.3M that is \$0.7M under the full year budget of \$26.0M.
20. Plant and Equipment expenditure incurred YTD, net of disposals, was \$5.1M against a budget of \$6.9M with a full year forecast of \$31.0M against a full year budget of \$26.9M. Approval is sought to bring forward funds of \$4.7M to 2024/25 and \$3.6M in to 2025/26, as detailed in Attachment B, to expedite the purchase of cleansing plant and equipment and enable an enhanced public domain cleansing program to support the City's growing needs.
21. Council approved a minor (\$0.3M) divestment of land at 130A Joynton Avenue, Zetland in the first quarter. The full year forecast for net Acquisitions of \$27.7M is broadly in line with budget.

Operational Highlights

22. During this quarter the operational highlights included:
 - (a) A range of events are held throughout the year so people can experience our community centres and the wide range of programs and events they offer. In the September quarter these included: on 3 July more than 60 people attended the Reginald Murphy Community Centre, Potts Point for a special event based on the regular 'Reggie's Kitchen' program – a weekly lunch provided by volunteers for local community members at risk of isolation; on 24 July 2024 approximately 60 people attended Ultimo Community Centre, Ultimo for the launch of a new partnership program with The Powerhouse (Powerhouse Museum) which involves free monthly talks delivered by volunteers; and, on 10 August 2024 at the Juanita Nielson Community Centre, Woolloomooloo over 200 people attended an open day at the centre, showcasing the centre and the wide range of programs, activities and facilities on offer.

- (b) The City of Sydney's Youth Opportunities Program empowers young people to have a voice, act on matters that concern them and actively contribute to shaping significant City of Sydney events. Recruitment to the 2024/25 program opened in July and received 76 applications. Reflecting the enthusiasm and growing interest in the program, intake was extended from 24 to 30 participants. Participants represent a diverse mix of young people from eight high schools and three universities, highlighting the program's broad reach and connection to various parts of the local area.
- (c) NAIDOC week was celebrated from 7-14 July with the theme Keep the fire burning! Blak, loud and proud. The theme honours the enduring strength and vitality of First Nations culture – with fire a symbol of connection to Country, to each other, and to the rich tapestry of traditions that define Aboriginal and Torres Strait Islander peoples. As part of NAIDOC week we held a number of activities and events:
- (i) NAIDOC in the City was held at Sydney Town Hall on 10 July. The day program comprised of markets and dance performances in Lower Town Hall. More than 25 market stalls sold Aboriginal and Torres Strait Islander art, clothing, homewares and local services. A free evening concert held in the evening at Centennial Hall featured hip hop icon BARKAA, along with JK-47, country stars Loren Ryan and Jarrod Hickling, and comedian Isaac Compton. NAIDOC in the City was presented by Gadigal Information Service Aboriginal Corporation in partnership with the City of Sydney.
 - (ii) On 5 July, the Glebe NAIDOC Community Day hosted activities for all ages including stalls, arts and craft activities, performances, a free barbecue lunch and a Jarjums (kids) and Elders area at the Glebe Public School.
 - (iii) Eora NAIDOC Family Fun Day held 11 on July, was a day of celebration, commemoration and protest. Performances included Aboriginal dancers, singer songwriters, musicians and bands, an Elders tent, Jarjum (kids) activities, barbecue lunch and more at Carriageworks in Eveleigh.
- (d) On 13 July 2024, a community bush food planting day was held at Sydney City Farm in St Peters. The event attracted 90 community members who got hands-on experience planting a bush food and native habitat display in the farm's orchard. During the event, 140 plants were planted including lemon myrtle, kangaroo grass, Geraldton wax and native guava. Many plants were purchased from Indigigrow, an Indigenous business and registered supplier of native plants for the City. Attendees also took part in interactive guided walks facilitated by Aboriginal educators from Koori Kinnections, explored a cultural touch table, sampled bush foods, and potted up bush food seedlings to take home.
- (e) The City supported three community planting events for National Tree Day (24 July 2024): School planting at Newtown Public School, where the gardening club planted 15 native edible plants; volunteer planting at Wentworth Park light rail stop open space, where Pyrmont Ultimo Landcare Group, and 25 children from Ultimo Public School planted 39 native plants of 10 different species to provide habitat for native insects and fauna; and, a community planting day at Sydney Park in St Peters, where 210 volunteers participated in planting 4,930 native grasses, groundcovers and flowering herbs near the skate park. Many of the seedlings were purchased from an Aboriginal owned and operated social enterprise.

- (f) The synthetic sportsfield at Perry Park officially opened on 27 July 2024 and is now available for community use seven days a week. The City will deliver its own programs on the field as well as offer the field for hire to community groups, sports clubs and organisations. By balancing City run programs with hire by community and sporting groups, we maximise the diversity of activities and uses and optimise field usage throughout the year.
- (g) On the evening of 1 August 2024 we lit Sydney Town Hall in green and gold to support all of our athletes, along with the Sydney Opera House and other landmark buildings across the city as part of Green and Gold Day. Green and Gold Day is an initiative of the Australian Olympic Committee to support our athletes and to be proud of our sporting achievements.
- (h) On 1 August 2024 leaders in innovation, entrepreneurship, AI, global events, quantum technology, business and civic life joined the City of Sydney's CityTalks event: "I choose Sydney – what is driving Sydney's future prosperity?" The free symposium, held at Sydney Town Hall shone a spotlight on Sydney's current economic climate and assets, and articulated the path to a more inclusive and thriving city for all.
- (i) Australian Life and Little Sydney Lives is an annual photography competition held as part of Art & About Sydney. Twenty-eight finalists were selected from 2,417 entries nationwide. For the first time this year, 8 finalists were from a new category for 12 to 17 year-olds. The finalist's images were displayed in an outdoor exhibition at Customs House Square from 2 to 25 August and online. The winners were selected by a judging panel of professional photographers and a people's choice prize was also awarded. Little Sydney Lives was open to young photographers aged 5 to 12 years-old and more than 284 entries were received.
- (j) Every year since 1945 the Children's Book Council of Australia's (CBCA) Book week has brought children and books together across Australia. This year, Book Week was held from 17 to 23 August with the theme "Reading is Magic." The City of Sydney's early childhood and library services celebrated Book Week in different ways. Hilda Booler Kindergarten, Glebe joined St James Primary School's book parade and displayed their Book Week costumes; Eveleigh Early Learning and Preschool visited Green Square library to join in on their story time experience; Broughton Street Kindergarten, Glebe delivered a range of experiences that extended on books such as The Gruffalo by Julia Donaldson and Wombat Stew by Marcia Vaughn; Redfern Occasional Child Care Centre had a visit from Boori Monty Pryer who shared Dreamtime stories as well as music, songs, dancing and language of his family and his home; Book Week displays were prominently displayed across the library network, highlighting the shortlisted Children's Book Council of Australia books; and Rhymetime and storytime sessions were held at Darling Square, Glebe, Green Square and Surry Hills libraries with two sessions being delivered in Mandarin at Darling Square and Green Square.

- (k) On 23 August 2024 we were recognised for the NSW Customer Experience Initiative of the Year – Digital Transformation at the Auscontact Excellence Awards. Presented by the Australian Contact Centre Association, the awards highlight achievements in customer experience. Our award acknowledged the design and coordination of 3 integrated projects: City Connect online services portal and dashboard, smart digital forms and One CRM. Together they increase our online services from 30 to 84, allowing people to lodge and track their requests. This project also won the Gold category for the Sydney Design Awards 2024 for Digital Government Services.
- (l) On 28 August 2024, the City collaborated with Launchpad youth community service to deliver a free Wear it Purple Games afternoon at the Reginald Murphy Community Centre in Potts Point. The event gave the 43 rainbow young people who attended the opportunity to show pride in their identity in keeping with this year's Wear It Purple motto "Your Passion, Your Pride". Attendees enjoyed a variety of purple food, as well as activities including cupcake decorating, Rainbow Storytime with Wonder Mumma, a makeup station, badge making, bead making provided by Launchpad, and performances from four young people. Upcycled bags, made by one of the parents, were given to the young people.
- (m) On 5 September 2024, the City of Sydney provided an Indigenous Literacy Day event at St Helen's Community Centre, Glebe. Twenty parents and children who are connected to the centre through the Parents and Bubs fitness program attended the event. The families were offered a light catered lunch while staff read from three children's books from the Glebe library Koori collection.
- (n) On 5 September 2024, the City delivered 'Fresh Perspectives: A Conversation on Civic Engagement' in Lower Town Hall. This free panel discussion event was part of the Emerging Civic Leaders Program for young people. The event encouraged young people to meaningfully participate in civic systems and address the gap in traditional civic participation among young people ahead of the local government elections. The event had 248 registrations, with 78 attendees on the night.
- (o) On 7 September 2024, the City of Sydney hosted Northcott Pet Day in partnership with the Surry Hills Neighbourhood Advisory Board, Cat Protection Society of NSW, RSPCA NSW and Counterpoint Community Services. The event attracted over 500 residents and 289 companion animals including 196 dogs, 90 cats and 3 rabbits. The Cat Protection Society of NSW, RSPCA NSW, Sydney University Veterinary Teaching Hospital, Animal Welfare League NSW and local veterinary hospitals provided free pet health checks and advice to pet owners. Free vaccinations were provided to 82 cats, 135 dogs and 3 rabbits, free microchipping was provided to 23 cats and 15 dogs, and free desexing bookings were made for 27 cats and 21 dogs. Animal Rescue Corporation also supported the event providing free pet food, treats, and pet clothes. Residents and their companion animals accessed free City of Sydney collars, leashes, and gift bags including toys, accessories, and treatments for fleas and worms, as well as free pet tag engraving.

- (p) To celebrate History Week (7-15 September 2024), a state-wide festival coordinated by the History Council of NSW, the City presented four events and programs: 'More than meets the eye', two guided tours of the new exhibition in The Colonnade with Curator Margaret Betteridge (9 September 2024); laser cut printmaking: from the archives (10 September 2024); 'Exploring Sydney's clocks', a lunchtime talk with master clockmaker, Andrew Markerink; and, 'Take a stroll through history and time' (online event), which invited users to explore the new Green Plaques guide in the Sydney Culture Walks app and delve into the history of significant sites and buildings throughout central Sydney.

Financial Implications

23. At Quarter 1 the YTD Operating Result was \$25.1M, with a full year forecast Operating result of \$125.8M against a budget of \$119.1M, a favourable variance of \$6.7M. At Quarter 1 the YTD Net Operating Result was \$20.1M, with a full year forecast of \$123.2M against a budget of \$115.4M, a favourable variance of \$7.8M.
24. As the evolving and challenging operating environment continues this financial year, the City will continue to closely monitor trends in forecast financial performance in detail against operational and capital programs within the long-term financial plan, and ensure that reviews of our plans maintain our long-term financial sustainability.
25. The City remains in a strong financial position with a YTD cash balance of \$839.6M at 30 September 2024, that is projected to be utilised over the life of the long term financial plan to deliver and maintain the City's strategies, services, assets and infrastructure on behalf of its community.

Relevant Legislation

26. 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.
27. 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

28. The quarterly report is due to be submitted to Council within two months of the end of the respective quarter.
29. The information contained within this report reflects Council's financial performance in the current financial year.

Public Consultation

30. There is no requirement for public consultation for this report.

SCOTT MCGILL

Acting Chief Financial Officer