

Relevant Information for Council

FILE: S088829.002 **DATE:** 21 November 2024

TO: Lord Mayor and Councillors

FROM: Scott McGill, A/Chief Financial Officer

THROUGH: Monica Barone PSM, Chief Executive Officer

SUBJECT: Information Relevant To Item 6.3 – 2024/25 Quarter 1 Review – Delivery Program 2022-2026

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Background

At the meeting of the Corporate, Finance, Properties and Tenders Committee on 11 November 2024, further information was sought on the following:

Year to date (YTD) variance in corporate costs expenditure (budgeted to save \$1M but already at \$2.1M).

The Corporate Costs Division is utilised to capture significant income and expense items that are not attributable to the operating activities of individual divisions. For example, rates income is collected to support a broad range Council services rather than a specific activity and as a result is captured in Corporate Costs. On the expenditure side, costs like the Fire Brigade Levy, the Planning Levy and an allowance for Operational Contingencies are centralised in this Division. This approach enables better analysis of the performance of operating division without the distorting effect of large, unrelated, items of income and expenditure.

In terms of the expenditure budget within Corporate Costs, the largest individual item is a 'vacancy factor', which is included as a credit (or negative expense). This figure represents a generalised allowance that anticipates estimated savings likely across the organisation as a result of employee vacancies.

Note that the City's budget for direct salaries and wages includes funding for all permanent positions within the approved establishment. However, as for most large organisations, a level of vacancies are expected to occur throughout the year as employees resign or retire, recruitment processes are undertaken, and before successful candidates are onboarded into the organisation. In a highly competitive jobs market, with skill shortages in a range of select professions, individual vacancies can remain unfilled for some time, resulting in a significant underspend or variance to budget.

The City's annual salaries and wages budget always incorporates a provisional reduction to anticipate the savings that result from these vacancies. This budget allowance is held in the Corporate Costs Division as, at the start of the financial year, it is not possible to know where and when vacancies are likely to occur. The vacancy factor is estimated by reviewing historical trends and considering any specific challenges to the coming year's employment market.

In terms of the expenditure in Corporate Costs the vacancy factor represents the largest single budget item, at (\$3.3M) Year to Date (YTD) for Quarter 1 2024/25. There is no associated actual savings within the Corporate Costs Division. These savings are recognised wherever the actual vacancies occur across the organisation.

If the impact of vacancy factor is removed the total expenditure budget for Corporate Costs would be \$2.2M against actual YTD expenditure of \$2.1M. The variance would then be \$0.1M rather than an unfavourable \$3.1M as shown in the schedules included in Attachment A to the Q1 report.

The annual full year forecast, like the budget, retains an allowance for the vacancy factor for the remainder of the financial year. This forecast is gradually adjusted, over the financial year, as vacancies crystallize across the organisation.

This approach to the budgeting process is designed to ensure that the City fully funds its salary and wages commitments, but also frees up and redirects reasonably anticipated surplus funding to support other Council activities and programs, to optimise the use of its financial resources each year

Contracts with Cleanaway

Contract Name	Total Contract Value (excluding GST)	Length of Contract	Term in years	End Date
Domestic, Cleansing (Putrescible) and Parks Waste Receipt, Processing and Disposal Services	\$137,520,442.00	6 years	3+1+1+1	31/12/2028
Transport and Processing of Dangerous Goods 2024	\$72,727.27	1 year	1	30/06/2025

Contract with Kelly OCG

Kelly OCG manage the acquisition and administration of agency workers for the City of Sydney. They provide

- A central portal for the organisation, agencies and workers to procure, appoint and pay workers
- A central system to gather and report on all workforce data
- Buying power to procure agency staff at competitive rates, through better negotiating power with the individual agencies
- Central quality management and auditing.

Costs over 5 years estimate (GST and CPI inclusive)

Managed Service Provider (MSP fee (2.78%))	\$6,187,202
Recruitment agency fees	\$23,420,020
Salaries (including superannuation and workers compensation insurance)	\$199,141,207
Contingency (5%)	\$11,437,421
Total contract value	\$240,185,850

Our contract term with Kelly OCG as the Managed Service Provider (MSP) for management and acquisition of contingent labour is 3 years plus a 2-year extension option. The extent to which the contract is utilised is dependent upon the City's requirements; the above total is the approved contract limit.

Memo from Scott McGill, A/Chief Financial Officer

Prepared by: Various Executive Directors

Approved

P. M. Barone

MONICA BARONE PSM

Chief Executive Officer