

2024/25 Quarter 3 Review – Delivery Program 2022-2026**File No: X101909****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 3 2024/25 reflects a year-to-date (YTD) Operating Result of \$90.6M against a budget of \$82.7M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of \$100.1M against a budget of \$80.6M. At Quarter 3, Council is forecasting a full year Net Operating Result surplus of \$134.3M, a positive variance of \$18.9M, reflecting an operating result on budget, combined with higher interest income and greater works-in-kind capital contributions 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 \$154.5M against a YTD budget of \$186.3M. The annual forecast for the program has been revised to \$236.0M against a full year budget of \$259.6M. A summary of the 2024/25 capital project expenditure and forecast, with budget adjustments, are detailed at Attachment B.

Technology and Digital Services Capital Works YTD expenditure for projects developed internally was \$10.9M against a budget of \$13.7M. The annual forecast of \$20.4M is below the full year budget of \$27.4M, with budget adjustments detailed at Attachment B.

Plant and Equipment YTD expenditure, net of disposals, was \$14.8M against a budget of \$24.1M, with a full year forecast of \$23.3M against a full year budget of \$32.3M.

Reports which contain supplementary information are provided at Attachment C.

Recommendation

It is resolved that Council:

- (A) note the financial performance of Council for the third quarter, ending 31 March 2025, including a Quarter 3 Operating Result (before depreciation, interest income, capital related costs and capital grants and contributions) of \$90.6M and the full year forecast of \$119.6M and Net Operating Result of \$100.1M and a full year forecast of \$134.3M as outlined in the subject report and summarised in Attachment A to the subject report;
- (B) note the Quarter 3 Capital Works expenditure of \$154.5M and a revised full year forecast of \$236.0M, and approve the proposed adjustments to the adopted budget, including bringing forward \$8.13M of funds into the 2024/25 capital budget, the transfer of \$0.1M 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) note the Technology and Digital Services Capital Works expenditure of \$10.9M, and a full year forecast of \$20.4M and approve the proposed adjustments to the adopted budget including bringing forward \$0.05M of funds into the 2024/25 capital budget, the transfer of \$0.44M from the capital works contingency, and to reallocate funds within relevant programs within capital budget as detailed in Attachment B to the subject report;
- (D) note the Quarter 3 Plant and Equipment expenditure of \$14.8M, net of disposals, and a revised full year forecast of \$23.3M;
- (E) note net Property Acquisitions of \$70.4M as at Quarter 3, and the full year forecast for net Property Acquisitions of \$65.3M; and
- (F) note the supplementary reports, which detail the quick response, street banner and venue hire support grants and sponsorship programs, major legal issues, international travel, and contracts over \$50,000 within the quarter, as detailed in Attachment C to the subject report.

Attachments

Attachment A. Financial Results Summary

Attachment B. Capital Expenditure Financial Results

Attachment C. Third 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 third quarter (Q3) and full year forecast financial results for the 2024/25 financial year, and a number of operational highlights that occurred in Q3.
4. A Q3 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 Q3, together with a summary of project expenditure including significant variances and proposed budget adjustments for 2024/25 and future years, are at Attachment B.

Additional reports which contain supplementary information are also provided at Attachment C for information.

6. 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.

Third Quarter Operating Results

7. The Q3 operating result was \$90.6M against a budget of \$82.7M, a favourable variance of \$7.9M. 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 \$100.1M against a budget of \$80.6M, a favourable variance of \$19.5M.
8. The Net Operating Result includes favourable variances in other operating expenditure of \$18.2M, interest income of \$5.1M, capital grants and contributions of \$3.6M and capital project related costs of \$4.0M, partially offset by unfavourable variances in operating income of \$0.8M, employee benefits and on-costs of \$9.4M, depreciation expense of \$0.8M and Loss on Sale of Assets of \$0.4M.

9. 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	(\$0.9M)	(\$1.8M)	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.
Building & Development Application Income	\$1.1M	\$1.6M	Tracking higher due to several high value applications.
Commercial Property	(\$0.2M)	(\$2.4M)	Downward revision of forecast income due to lower than anticipated occupancy of lettable space.
Enforcement Income	\$0.9M	\$2.3M	The face value of individual infringements increased by approximately 9% compared to the budget which included a 3.25% increase on 2023/24. The face values of infringements are externally set.
Other Building Fees	(\$2.0M)	(\$1.4M)	Deferral of hoarding fee revenue received in advance, resulting from a change in accounting treatment after the 2024/25 budget was finalised.

Income Type	2024/25 YTD Budget Variance	2024/25 full year forecast to budget variance	Comment
Other Income	\$3.7M	\$6.0M	Income from agreed deferred payment fee due to the delayed settlement of Fig and Wattle property divestment.
Parking Meter Income	(\$2.8M)	(\$3.9M)	Unfavourable variance reflects lower transaction volumes than assumed in the budget.
Private Work Income	\$1.7M	\$1.5M	Several large construction works along Pitt St, Bathurst St, and Castlereagh St. This additional revenue is offset in part by a corresponding increase in the forecast for infrastructure maintenance expense.
Rates and Annual Charges	\$2.7M	\$3.0M	Increase in business rates following the subdivision of Martin Place Sydney Metro site and higher domestic waste revenue driven by additional residential services.

10. 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 to budget variance	Comment
Employee benefits and on-costs	(\$9.4M)	(\$14.0M)	The 5.0% increase in full year forecast reflects higher than anticipated use of agency staff to backfill essential positions offset by vacancy savings. The short-term use of specialist agency resources for specific project work, lower capitalisation of labour and higher overtime have also contributed to the unfavourable variance. Additionally, recent actuarial assessment of workers compensation insurance cover has led to a \$2M YTD and \$4M full year increase.
Bad & Doubtful Debts	\$1.5M	\$1.6M	Provisioning for debtors positions have improved on prior year assumptions.
Consultancies	\$1.3M	\$2.2M	A range of small variances across the organisation.
Event Related Expenditure	\$2.7M	\$2.1M	Savings across events such as Sydney Lunar Festival, Christmas, Art & About and Sydney Streets events and Banner installation due to internal interim arrangement until new contract came into effect in November 2024.

Expenditure Type	2024/25 YTD Budget Variance	2024/25 full year forecast to budget variance	Comment
Grants, sponsorship and donations	\$2.2M	\$1.0M	YTD underspend due to timing of affordable housing grant contract finalisation and payments. The reduced forecast is related to accommodation grants program due to unplanned property vacancies and some becoming in-house operations.
Legal Fees	\$0.8M	\$1.1M	Lower than anticipated levels of work referred to external legal providers.
Property Related Expenditure	(\$0.9M)	(\$1.5M)	Forecast increase largely driven by the lift in activity associated with reactive and preventative property maintenance.

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

Type	2024/25 YTD Budget Variance	2024/25 full year forecast to budget variance	Comment
Interest Income	\$5.1M	\$6.5M	Higher opening cash balance and higher interest rates have favourably impacted the YTD balance, interest rates have and are anticipated to further fall in the remainder of the year.
Capital Grants and Contributions	(\$10.8M)	(\$5.2M)	Lower developer contributions received and forecasted to be received than budgeted. The timing of these receipts is challenging to predict, and this has been reflected in the revised forecasted full-year position.
Capital Grants - Works in Kind	\$14.4M	\$17.6M	Recognition of in-kind (non-cash) contributions resulting from a development in Erskineville.

Additional Commentary on the Q3 Operating Result

12. 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 (with the exception of Corporate Cost Division, Chief Operations Office and City Services, explained below) are forecasting full year results that are favourable to their annual operating result budgets for 2024/25 as summarised at Attachment A.

13. The Corporate Cost division is used for the budgeting of vacancies. The unfavourable variance reported is mostly due to a lower than anticipated rate of vacancies across the organisation. Additionally, increased provisioning for workers compensation insurance, based on recent actuarial assessment is contributing to this unfavourable variance.

14. Chief Operations Office are forecasting an unfavourable result due to increased activity and cost associated with reactive and planned property maintenance, increased salaries and wages associated with transitioning to a revised property services operational model and lower than expected occupancy rates in commercial properties.
15. City Services are forecasting an unfavourable variance due to lower volumes in parking meter income in the context of improved public transport throughout the LGA (especially the impact of the Metro train service).

Capital Expenditure

16. The Capital Works program achieved expenditure of \$154.5M against a YTD budget of \$186.3M.
17. The full year forecast of the capital works program has been reduced from a budget of \$259.6M to \$236.0M following the latest review, which assessed the expected delivery of projects and revised cost estimates for each individual project.
18. 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 \$8.13M from future years' capital works forward estimates, and to approve the transfer of \$0.1M 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.
19. 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.
20. 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.
21. Technology and Digital Services capital expenditure YTD, for internally developed projects, is \$10.9M against a budget of \$13.7M with a forecast of \$20.4M that is \$7.0M under the full year budget of \$27.4M. Approval is sought to bring forward \$0.05M of funds into the 2024/25 capital budget, the transfer of \$0.44M from the capital works contingency as detailed in Attachment B to the subject report.
22. Plant and Equipment expenditure incurred YTD, net of disposals, was \$14.8M against a budget of \$24.1M with a full year forecast of \$23.3M against a full year budget of \$32.3M.
23. The full-year forecast for net acquisitions is \$65.3M, which exceeds the budget by \$37.3M is attributable to the timing of the purchase in O'Riordan St for new open space which occurred earlier than anticipated in the City's approved long term financial plan.

Operational Highlights

24. During this quarter the operational highlights included:

- (a) The City has partnered with Collective Leisure to co-design a free adult community football program at the new synthetic sportsfield at Perry Park. Each session is followed by socialisation and refreshments, encouraging connections and mutual support. This initiative aims to support mental health recovery and foster community wellbeing. The program encourages physical activity, boosts confidence, and reduces social isolation. The initial program was launched in August 2024 with participants referred from 23 mental health services, including Flourish Australia, Mission Australia, and Sydney Local Health District. The program relaunched on 17 January 2025 with the last session on 28 March 2025.
- (b) The City is a major sponsor for the Yabun festival held on 26 January. Attendance was estimated at over 60,000 people throughout the day. The lineup included Troy Cassar Daley, Barkaa, Electric Fields and No Fixed Address. There were 12 dance groups, business and information stalls, the speak out tent and cultural workshops. Victoria Park pool offered free entry in support of Yabun with 3,951 visits on the day. Pool staff worked closely with event organisers to program a day that included a DJ, a community BBQ and lawn games for families.
- (c) The 2025 Sydney Lunar Festival celebrated the year of the snake and included street parties, live entertainment, delicious food, lion dances, dragon boats and art and light installations during the 19-day festival starting Wednesday 29 January. Program highlights included the Haymarket Street festival, the biggest dragon boat festival in the southern hemisphere and lion dancing. At Centennial Hall performance groups from Chinese, Korean, Thai, Japanese and Vietnamese communities took the stage for the Lunar Spectacular in a vibrant celebration of dance, music and song.
- (d) On Wednesday, 12 February 2025 the Metropolitan Local Aboriginal Land Council celebrated the 60th anniversary of the Freedom Ride. The event began with a smoking ceremony at Sydney Town Hall and concluded with a performance by Roger Knox, at the International Convention Centre in Darling Harbour. A photographic exhibition was open from 13 February to 13 March at 119 Redfern Street Redfern featuring pictures from the bus tour of northern New South Wales, during which students protested remnant segregation and campaigned against discrimination targeted at Aboriginal peoples, raising national awareness of these injustices.
- (e) At our February Recycle It Saturday Event, for the first time and in partnership with Textiles Recycling Australia (TRA), residents could drop off unwearable textiles for recycling. They're remade into recycled products including yarn, bags, socks, felts, underlay, insulation, furniture filler and rugs. A total of 2.6 tonnes of unwearable textiles were collected at the event. At this event we also piloted the addition of a furniture reuse stream, partnering with two local charities, ReLove and Vinnies. Furniture dropped off was rehomed to families in need or resold in charity stores. Approximately 35 items of furniture were accepted including chairs, ottomans, bedside tables and bookshelves.

- (f) The renewal of Fanny Place Playground in Surry Hills was completed in February 2025. The project included new seating and signage, new gardens and improved lawn areas, new irrigation system to both gardens and turf area, new play elements including swing set and an improved thoroughfare and access from Fanny Place to Bourke Street. Upgrades to the Douglas Street Playground in Redfern and Arthur Street Reserve were also officially opened on 8 March. On 29 March James Watkinson Reserve in Pyrmont was also officially opened.
- (g) The City is a major sponsor of the Sydney Gay and Lesbian Mardi Gras and 2025 is our 20th year of support. The City's parade float, themed 'not a fan of a book ban', highlighted the importance of representation, freedom of speech and embracing diverse stories. The City finished work on a new and colourful Progress Pride flag intersection at Taylor Square in time for the festival. The 2025 Mardi Gras festival theme was Free to Be, encouraging everyone to embrace and celebrate individuality and bravery. There were more than 80 events and attractions including the Mardi Gras Fair Day in Victoria Park on 16 February 2025, the Mardi Gras Parade and Party on 1 March 2025, Blak & Deadly: The First Nations Gala Concert, Paradiso Pool Party, Laugh Out Proud comedy show and Ultra Violet, the ultimate LGBTIQA+ women's event.
- (h) In February 2025, the refurbishment of the ground floor of Customs House was completed, enhancing and expanding the gallery space layout. One of the first exhibitions to be displayed in the refurbished space is the Little Sydney Lives Retrospective exhibition. It features the finalists of the annual Little Sydney Lives competition, with 21 budding photographers offering delightful and surprising glimpses into their lives and imaginations.
- (i) In late February, NSW's first on-street parking bay for share bikes opened in Haymarket, located near Paddy's Markets on Ultimo Road. More than 19,000 trips started or finished near the new parking bay's location last year. Accommodating up to 14 bikes, the parking bay is part of a trial to help reduce clutter while supporting an increasingly popular mode of transport.
- (j) The NSW Seniors Festival ran from 3-16 March 2025. The theme of the festival was Time to shine! On 4 March, the City held a Seniors Forum and Morning Tea at the Rex Centre in Potts Point and at the Town Hall the NSW Seniors Festival Comedy Show was presented. On 5 March 2025 at the Cliff Noble Community Centre, Alexandria a pancake morning tea for senior community members prepared by students from Sydney Intensive English High School was held, followed by a Trivia session and luncheon. On 12 March 2025 at the Ron Williams Community Centre, Redfern, a craft workshop to encourage senior community members to continue learning, stay active and connect with locals was held. A luncheon and bingo was held at Redfern Community Centre, Redfern on 14 March 2025.

(k) Harmony Week (17 to 23 March) is a national annual celebration of Australia's cultural diversity and the benefits it brings to the Australian community. This includes the United Nations International Day for the Elimination of Racial Discrimination (IDERD) on Friday 21 March 2025. The City of Sydney delivered a number of programs and initiatives to mark both Harmony Week and International day for the Elimination of Racial Discrimination, including Harmony Week themed displays from our collections at our library branches, children's activities such as Harmony Week StoryTime at Darling Square, Glebe, Green Square, Newtown and Surry Hills libraries, a performance and learn to sing workshop with Barayagal Choir at Green Square Library and a sports day for international students and King George V Recreation Centre.

Financial Implications

25. At Quarter 3, the YTD Operating Result was \$90.6M, with a full year forecast Operating result of \$119.6M against a budget of \$119.1M, a favourable variance of \$0.5M. At Quarter 3, the YTD Net Operating Result was \$100.1M, with a full year forecast of \$134.3M against a budget of \$115.4M, a favourable variance of \$18.9M.
26. 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.
27. The City remains in a strong financial position with a YTD cash balance of \$736.1M at 31 March 2025, 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.

Risks

28. This approach is within the City's risk appetite, which states:
 - The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.
 - We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of significant financial losses. We prioritise the protection of our financial resources and our long-term financial sustainability. We strive to ensure that our financial decisions are well informed, based on sound financial analysis and are aligned with our strategic objectives.
 - We assess our capacity to absorb financial losses and maintain sufficient financial resources to mitigate the impact of most unexpected events.
 - We have minimal appetite for operating deficits as our operating surpluses are the primary source of funds to renew our assets and our capital works program.

Relevant Legislation

29. 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.
30. 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

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

Public Consultation

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

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement