Item 3.

2025/26 Quarter 4 Review – Delivery Program 2025-2029

File No: X115821

Summary

This report reviews the operating and capital results against budget for the 2025/26 financial year, and progress against the performance measures identified within the Operational Plan 2025/26, within the broader Delivery Program 2025-2029.

Council's interim financial performance at Quarter 4 2025/26 reflects a full year Operating Result of $121.7M against a budget of $117.1M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of $130.7M against a budget of $108.9M. The favourable variance is predominantly due to developer contributions received.

Key variances are outlined within the body of this report, with detailed financial information provided in Attachment A.

Capital Works expenditure was $253.8M against a full year budget of $316.6M. A summary of the 2025/26 capital project expenditure is outlined within the body of this report, and detailed at Attachment B.

Technology and Digital Services Capital Works expenditure for the full year for projects developed internally was $27.7M against a budget of $31.2M.

Plant and Equipment expenditure, net of disposals, was $16.5M against the annual budget of $32.3M.

Net Property Divestments totalled $7.8M for the year.

These interim financial results are subject to finalisation as part of the preparation of the annual financial statements, which will undergo external audit. Any material adjustments will be highlighted in the report accompanying the audited financial statements, scheduled for presentation to Council in October 2026.

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.

Reports which contain supplementary information are provided at Attachment D.

Recommendation.

It is resolved that:

(A) Council note the interim financial performance of Council for the 2025/26 year, including an Operating Result (before depreciation, interest income, capital related costs and capital grants and contributions) of $121.7M and Net Operating Result of $130.7M as outlined in the subject report and summarised in Attachment A to the subject report

(B) Council note the full year Capital Works expenditure of $253.8M, approve the proposed revote of $20.4M and other budget adjustments, including future years forward estimates, to increase the adopted 2026/27 budget to $275.4M, including $8.0M in contingency, to progress the planned capital works program, as shown in Attachment B to the subject report

(C) Council note the Technology and Digital Services Capital Works expenditure of $27.7M, approve the proposed revote of $0.2M and other budget adjustments, including future years forward estimates, to increase the adopted 2026/27 budget to $29.3M as shown in Attachment B to the subject report

(D) Council note the full year Plant and Equipment expenditure of $16.5M, net of disposals, and approve the proposed revote of $10.5M and other budget adjustments, to increase the adopted 2026/27 net budget to $28.5M as shown in Attachment B in the subject report

(E) Council note the full year net Property Divestments of $7.8M

(F) Council note the operational performance indicators and Quarter 4 and full-year achievements against the Delivery Program 2025-2029 objectives, as detailed in Attachment C to the subject report

(G) Council note the supplementary reports, which detail fee-waived and discounted community facility hire for 2025/26, the quick response, street banner and venue hire support grants and sponsorship programs, major legal issues and international travel in the fourth quarter, as detailed in Attachment D to the subject report

(H) Council approve the write-off of commercial property debt totalling $118,683.59 (including GST), for ABC Study Group Pty Ltd.

Attachments

Attachment A. Financial results summary

Attachment B. Capital expenditure financial results

Attachment C. Delivery program 2025–2029 June 2026 progress report

Attachment D. Fourth quarter supplementary reports 2025/26

Background

1. The City's Resourcing Strategy 2025 and the 2025/26 Operational Plan, including the 2025/26 budgets, were adopted by Council on 23 June 2025. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and 6-monthly progress reports against the Delivery Program.

2. This report provides the fourth quarter (Q4) and interim full year financial results for the 2025/26 financial year, and the achievement against the Delivery Program and Operational Plan activities including a number of operational highlights that occurred in Q4.

3. 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 in Attachment A.

4. The Capital Expenditure results for the full year, together with a summary of project expenditure, proposed revotes (a budget revote is an official administrative process used to roll over unspent funds from a previous financial year into a new financial year's budget) and significant variances for 2025/26 and future years, are in Attachment B.

5. Quarter 4 progress report against the operational performance measures identified within the 2025–2029 Delivery Program is provided within Attachment C.

6. Additional reports which contain supplementary information are also provided at Attachment D.

2025/26 Operating budget

7. The adopted 2025/26 budget projected operating income of $748.5M and operating expenditure of $631.4M, for an Operating Surplus of $117.1M. After allowing for interest income of $30.4M, capital grants and contributions of $97.4M, depreciation expenses of $129.0M and capital project related costs of $7.1M, the City projected a budgeted Net Operating Result for the year of $108.9M.

Fourth quarter operating results

8. The Q4 operating result was $121.7M against a budget of $117.1M, a favourable variance of $4.6M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, the City achieved a full year Net Operating Result of $130.7M against a budget of $108.9M, a favourable variance of $21.8M.

9. The result includes favourable variances in operating expenditure of $13.7M, interest income of $2.7M, capital grants and contributions of $18.1M and depreciation of $1.0M. These were partially offset by an unfavourable variance in operating income of $9.1M, capital project related costs of $3.7M and a Loss on Sales of Assets of $0.8M.

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

Income Type	**2025/26 Full Year budget variance**	**Comment**
Building and Development Application Income	($3.1M)	Reduction in large development applications and a change in recognition of Development Application (DA) fees, which are now being deferred until the determination date under AASB 15 revenue recognition requirements.
Commercial Properties Income	($6.3M)	A challenging leasing market and changing let up assumptions leading to lower than expected income, including lower than expected profit-share on ground lease arrangements.
Enforcement Income	($4.1M)	Longer than usual periods of inclement weather disrupted operations, resulting in fewer infringements, along with assumption of a higher level of officer availability than was realised during the year.
Operating Grants and Contributions	$3.0M	The timing of Financial Assistance Grant payments has not been consistent historically and is therefore difficult to predict. The City received 80% of estimated entitlement prior to 30 June 2026. Although the advance payment relates to the 2026/27 grant entitlement; it was received before 30 June 2026. In accordance with accounting standards, grant revenue is recognised when the funds are received. As a result, the advance payment has been recognised as revenue in 2025/26 rather than 2026/27, the financial year to which the funding relates.
Other Income	$8.9M	Income relating to the delayed settlement of the Fig and Wattle property divestment.

Income Type	2025/26 Full Year budget variance	Comment
Parking Meter Income	($1.4M)	Parking meter revenue is up 8% year on year. However inclement weather and improved public transport options have resulted in an unfavourable variance to budget.
Private Work Income	($2.1M)	When utilities, developers and residents undertake works that require excavation of roads and footpaths, the City charges fees for restoration and inspection services. The budget was based on income levels achieved in the prior year, which included several significant projects. This level of activity did not continue in 2025/26, resulting in lower revenue than budgeted.
Work Zones	($3.8M)	The average value of work zone applications received are trending lower than prior years and for shorter durations.

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

Expenditure Type	2025/26 Full Year budget variance	Comment
Bad and Doubtful Debts	($4.5M)	Reflective of the expected credit loss (ECL) adjustment as at the end of the 2025/26 financial year under Australian Accounting Standards.
Enforcement and Infringement Costs	($1.0M)	The budget assumed profit share arrangements with the NSW Government would cease in 2025/26, however they have now advised this agreement will continue.
Event Related Expenditure	$2.6M	The variance reflects savings from reduced spend on outdoor dining barrier hire, banners, and major event related activities.

Expenditure Type	2025/26 Full Year budget variance	Comment
Infrastructure Maintenance	$5.6M	Varince driven by contract timing and transitions in major maintenance programs, along with additional program savings.
IT Related Expenditure	$1.3M	Reflective of a combination of savings relating to multiple projects and software applications coming under budget or not yet commenced.
Legal Fees	$1.0M	Lower than anticipated levels of work referred to external legal providers and litigation costs lower than anticipated.
Operational Contingencies	$3.1M	Reflective of contingency unspent which assists in offsetting overruns across the organisation.
Property Related Expenditure	($3.0M)	Largely driven by the lift in reactive and preventative property maintenance.
Stores and Materials	$1.6M	The cumulative impact of multiple smaller variances.
Waste Disposal Charges	$1.7M	Reduced expenditure due to lower residual waste and comingled recycling tonnages, plus a lower comingled recycling unit rate under the new processing contract.

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

Type	2025/26 Full Year budget variance	Comment
Interest Income	$2.7M	Higher actual interest rates on investments have been achieved compared to the budget assumption (4.25%). The lift in official interest rates by the Reserve Bank of Australia at their February, March & May meetings, driven by persistent inflation above the target range (2% - 3%).

Type	2025/26 Full Year budget variance	Comment
Capital Grants and contributions (Cash)	$14.6M	The result reflects higher-than-expected capital contributions and specifically in regard to s7.12 and s61 contributions.
Capital Grants - Works in kind (non-cash)	$3.5M	Recognition of assets received as part of developments were higher than anticipated. It is worth noting that income received for our developer contributions plans, is not new funds, in that both plans continue to recoup the City's previous expenditure as we forward funded infrastructure and facilities in preparation for the coming development. The right to receive Works in Kind contributions and land dedications are recognised for significant developments across the council area, however the timing of delivery or receipt of these contributions is contingent on development progress.
Depreciation	$1.0M	Provisional depreciation amount, subject to final asset commissioning at year-end.
Capital Project Related Costs	($3.7M)	Reflects the timing of expenditure on works that cannot be capitalised (e.g. Software as a Service product, temporary works, Utilities, demolition costs and NSW Government owned traffic signals). Noting that this amount is subject to 2025/26 year-end adjustments.

Additional commentary on the fourth quarter operating result

13. While some individual units reported unfavourable results, 3 divisions exceeded their annual operating result budgets for 2025/26. A summary of these outcomes is provided in Attachment A.

14. The Corporate Costs division serves as the central budget holder for rates income, vacancy allowances, contingencies, and the general component of financial assistance grants. The reported unfavourable variance is primarily due to the budgeting approach, where anticipated vacancy savings are allocated to Corporate, while actual savings are realised within individual divisions. Additionally, the variance is impacted by increased provisioning for workers compensation insurance following a recent actuarial review, and an expected credit loss (ECL) adjustment as at the end of the 2025/26 financial year as required under Australian Accounting Standards.

15. The unfavourable result for the Chief Operations Office is primarily due to lower-than expected occupancy of lettable space, abatements resulting from remediation works to buildings, lower than expected profit-share outcomes on ground leases, and increased reactive and preventative property maintenance costs, as outlined above.

16. The unfavourable result for City Planning Development and Transport is primarily due to a reduction in large development applications and a change in recognition of Development Application (DA) fees, which are now being deferred until the determination date under AASB 15 revenue recognition requirements, as outlined above.

Capital expenditure

17. The Capital Works program achieved expenditure of $253.8M against a full-year budget of $316.6M.

18. Several significant projects were completed in 2025/26 such as Green Square Public School and Community Spaces (in partnership with the NSW Department of Education), Gunyama Park Stage 2, Crown Street Public Domain, Loftus Street Upgrade, Andrew (Boy) Charlton Pool Renewal, and a number of cycleways across the local government area.

19. Given the work in progress, a further $20.4M of unspent funds at year end are required to be carried forward and revoted in addition to the capital works program adopted as part of the 2026/27 Operational Plan in June. Savings from projects and programs completed during the year were used to offset additional funding requirements on other projects in accordance with the City's project management framework. Revoting the unspent funds will maintain the approved total project budgets and ensure adequate funding is available to continue delivery of the capital works program in 2026/27 and future years.

20. A final review of the program has been completed, incorporating the adopted budget, updated revotes, and current project timelines. It is recommended that $18.2M be re-phased to future years' forward estimates, resulting in a revised 2026/27 capital works budget of $275.4M, which includes an $8.0M contingency.

21. A financial summary of the 2025/26 Capital Works program, including the funds carried forward, a revised 2026/27 budget and future years’ forward estimates, and a status report on all active capital projects exceeding $5.0M in value is provided in Attachment B.

22. Significant variances for a number of the 2025/26 capital projects and program budgets are listed and explained at Attachment B.

23. The Plant and Assets expenditure incurred during the year, net of disposals, was $16.5M against a budget of $32.3M. The underspend predominately reflected plant and assets which could not be delivered within the year. Savings from projects and programs completed during the year were used to offset additional funding requirements on other projects in accordance with the City's project management framework. It is proposed to revote an additional $10.5M, to increase the adopted 2026/27 net budget to $28.5M as shown in Attachment B.

24. Technology and Digital Services capital works expenditure was $27.7M against a budget of $31.2M. Savings from projects and programs completed during the year were used to offset additional funding requirements on other projects in accordance with the City's project management framework. It is proposed to revote $0.2M and bring forward $3.5M, to increase the adopted 2026/27 TDS capital budget to $29.3M as shown in Attachment B.

25. The full-year income from net property divestments was $7.8M, which was $114.5M below budget. This variance is attributable to the delayed settlement of the Fig and Wattle divestment, as well as the timing of a strategic property acquisition that had been assumed to be purchased and settled within the financial year.

Commercial property debt write off

26. ABC Study Group Pty Ltd was a former commercial tenant, operating an educational institution targeted at international students at the City’s 303 Pitt Street building. The lease with this tenant was assigned to the City when it acquired the 303-305 Pitt Street building in late 2016 (the lease commenced 1 March 2016 for a 5-year term). The tenant occupied the premises from 1 March 2016 to 1 June 2017, after which the space was sub-leased to another educational institution. ABC Study Group Pty Ltd began falling into arrears in November 2018. Due to continued non-payment, the tenancy was terminated on 19 June 2019. Subsequently, on 22 November 2019, the company entered into voluntary administration and this status still remains at the time of writing, leading to the status of the debt owed being unrecoverable (noting that any distribution from a liquidation would be redeemed against this write-off). On vacating the premises, and after deducting a small security deposit held of $1,000 (noting that there was no valid Bank Guarantee for this tenant upon acquisition of the building), the tenant had accumulated net rental arrears of $118,683.59 (including GST). This debt had been provisioned for in full in prior years.

During this quarter the operational highlights included:

27. A new digital system has been introduced for our community to make bookings including venue hire, events at community centres, classes and activities, school holiday programs, and library and cultural programs spaces. The improved functionality includes access to a self-service calendar to make, view and pay for bookings and events online, an online dashboard to securely review and manage bookings and event attendances and the ability to book events directly from the What’s On website.

28. The City's tree canopy and green cover are measured every 2 years. Our latest count shows our tree canopy covers 21.7% of our city. Since we began counting in 2008 our green cover has grown by the equivalent of almost 94 Sydney Cricket Grounds. We are the only Australian city to consistently increase our canopy over the last decade are we're working towards 40% green cover and 27% canopy cover by 2050.

29. In April, as part of Youth Week, lower Town Hall turned into a one-day free marketplace for young people to sell handmade, pre-loved and vintage pieces or launch a sustainable side hustle. The Haul in the Hall event was designed, run and stocked entirely by young people under 25. Other youth week activities included acoustic sessions for young musicians performing at Canva Space, Surry Hills, and a free, hands-on workshop helping young people build practical communication skills through fast-paced, interactive activities covering impromptu speaking, active listening, and confidence building.

30. The City has partnered with Indigigrow nursery to provide free native plants to 750 City of Sydney households. Indigigrow nursery is an Aboriginal owned, run and staffed, not-for-profit native plant nursery. Tube stocks are being distributed to residents from the nursery in La Perouse between late May and September.

31. The restoration of Town Hall House, one of Sydney’s most distinctive Brutalist landmarks, was awarded the conservation prize at the National Trust (NSW) heritage awards for its sheer scale. Pyrmont Community Centre won the Judges Choice for Architecture at the same awards.

32. The City has secured a $1.25M grant from Transport for NSW as part of their Oxford Street revitalisation activation fund. The grant will fund the installation of power and potable water on the north and south sides of Oxford Street at Taylor Square and will enable increased activation of Taylor Square with events, markets, temporary art installations, pop-up events and better functionality for the annual Mardi Gras parade and broadcast.

33. The City joined others in supporting the annual Startup Muster survey which was at risk of closing. The annual startup health check, which began in 2013, gathers insights into the challenges, successes and sentiments of local startups and founders. The information helps shape the future of support and capability for the Australian startup ecosystem.

34. From 3 to 19 April 2026, Dixon Street in Chinatown was transformed with large-scale lighting installations, art exhibitions, cultural experiences, live performances, market stalls and community-focused activities as part of Asia Live. This event was supported by a $200,000 cash grant from the City.

35. The restoration of the heritage listed Chinatown Ceremonial Gates was completed in May. The restoration project was highly commended at the NSW National Trust Heritage Awards. The restoration included replacing the existing deteriorated concrete sculptures with granite lions in line with the original design, replacing the granite plinths, upgrading the timber decorative panels and amending the original design to include the phoenix (female symbol) and dragon (male symbol), replacing the ceramic roof tiles, restoring the 2 marble plaques on the north gate and installing new lighting.

Key implications

Strategic alignment – Sustainable Sydney 2030–2050 Continuing the Vision

36. Sustainable Sydney 2030–2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress.

37. The Delivery Program, Operational Plan and Resourcing Strategy support the achievement of the desired social, cultural, environmental and economic outcomes contained within the Community Strategic Plan Delivering Sustainable Sydney 2030–2050. This report supports the implementation of all strategic directions and objectives.

Organisational impact

Risks

38. 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.

Financial implications

39. At Quarter 4, the Operating Result was $121.7M, a favourable variance of $4.6M against budget, while the Net Operating Result was $130.7M, or $21.8M ahead of budget.

40. The City's ledger cash balance of $664.8M 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.

41. The total investment and cash position in the Investments as at June 2026 report is $661.5M. A reconciliation between the Investments report and the Q4 ledger cash balance of $664.8M is provided within the Investments report.

42. It should be noted that this total cash balance includes approximately $19.6M received from developers related to the City of Sydney Affordable Housing contributions program. These funds are held as externally restricted cash and investments, pending distribution to Community Housing Providers, scheduled for the first quarter of the 2026/27 financial year. After allowing for these contributions, the City's 'underlying' total Investment and Cash position was $641.9M at the end of June 2026.

Relevant legislation

43. The Local Government Act 1993 and Local Government (General) Regulation 2021 require quarterly progress reports against the financial objectives.

44. In August 2025, the Office of Local Government issued revised Quarterly Budget Review Statement Guidelines under section 203 (3) of the Local Government (General) Regulation 2021. This requires all councils to report using the new format and to upload their finalised quarterly statements to the Office of Local Government (OLG) to monitor compliance, undertake performance reviews and risk assessments, and if required, undertake any necessary regulatory enforcement. Note that in previous quarters the City has forwarded our Quarterly Review reports to the OLG once adopted by Council.

45. Section 406 of the Local Government Act 1993 requires councils to comply with the Integrated Planning and Reporting Guidelines, issued by the Chief Executive of the Office of Local Government. Essential element 4.9 of the Guidelines require regular reports (at least 6 monthly) against the Delivery Program.

Critical dates / Time frames

46. The information contained within this report reflects Council's financial performance in the current financial year.

Public consultation

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

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement