2026/27 Quarter 1 Review – Delivery Program 2025-2029

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Summary

This report reviews the operating and capital results against budget for the 2026/27 financial year, and progress against the performance measures identified within the Operational Plan 2026/27, within the broader Delivery Program 2025–2029.

Council's financial performance at Quarter 1 2026/27 reflects a year-to-date (YTD) Operating Result of $32.5M against a budget of $26.9M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of $30.7M against a budget of $23.9M. At Quarter 1, Council is forecasting a full year Net Operating Result of $100.3M, a favourable variance of $4.6M against the budget. All major variances are outlined within the body of this report, and full details are provided at Attachment A.

Capital Works expenditure was $63.1M against a YTD budget of $61.3M. The annual forecast for the program has been revised to $266.5M against a full year budget of $275.3M. Attachment B provides a summary of the Quarter 1 review of the 2026/27 capital works program, including expenditure performance, proposed budget adjustments, key variances and progress on major projects.

Digital and Information Services Capital Works YTD expenditure for projects developed internally was $6.0M against a budget of $6.2M. The annual forecast of $26.3M is $3.0M lower than the full year budget of $29.3M.

Plant and Equipment YTD expenditure, net of disposals, was $3.5M against a budget of $5.8M. Full year forecast at $28.5M is broadly in line with the annual budget.

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.

Reports which contain supplementary information are provided at Attachment C.

The OLG-mandated Quarterly Budget Review Statement (QBRS), prepared in the prescribed template format, is provided in Attachment D.

Recommendation

It is resolved that:

(A) Council note the financial performance of Council for the first quarter, ending 30 September 2026, including a Quarter 1 Operating Result (before depreciation, interest, capital related costs and income) of $32.5M and the full year forecast of $110.8M and a Net Operating Result of $30.7M and a full year forecast of $100.3M 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 $63.1M and a revised full year forecast of $266.5M, and approve the proposed adjustments to the adopted budget, including bringing forward $9.4M and utilise $0.3M in contingency, and reallocate the funds within relevant programs as outlined in attachment B, budget adjustments section

(C) Council note the Digital and Information Services Capital Works expenditure of $6.0M, and a full year forecast of $26.3M and approve the transfer of $0.85M from contingency and reallocate the funds within relevant programs as outlined in attachment B, budget adjustments section

(D) Council note the Quarter 1 Plant and Equipment expenditure of $3.5M, net of disposals, and a full year forecast of $28.5M which remains in line with budget

(E) Council note net property acquisitions of $1.8M completed during Quarter 1 and a full-year divestment forecast of $115.6M, which remains in line with budget

(F) Council note the supplementary reports, which detail the quick response, street banner and venue hire support grants, code of conduct, major legal issues and international travel in Quarter 1, as detailed in Attachment C to the subject report

(G) Council note the Office of Local Government (OLG) Quarterly Budget Review Statement (QBRS) in Attachment D to the subject report.

Attachments

Attachment A. Financial results summary

Attachment B. Capital expenditure financial results

Attachment C. First quarter 2026/27 supplementary reports

Attachment D. QBRS budget review statement – September 2026

Background

1. The City's Resourcing Strategy 2026 and the 2026/27 Operational Plan, including the 2026/27 budgets, were adopted by Council on 29 June 2026.

2. The Local Government Act 1993 requires quarterly progress reports against the financial objectives and 6-monthly progress reports against the Delivery Program.

3. This report provides the first quarter (Q1) and full year forecast financial results for the 2026/27 financial year, and a number of operational highlights that occurred in Q1.

4. A first quarter 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, together with a summary of project expenditure including significant variances and proposed budget adjustments for 2026/27 and future years, are in Attachment B.

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

7. The attached financial reports have been prepared in accordance with the revised OLG Quarterly Budget Review Statement (QBRS) Guidelines and reporting templates (Attachment D), which no longer require quarterly contract expenditure reporting to Council.

2026/27 Operating budget

8. The adopted 2026/27 budget projected operating income of $776.4M and operating expenditure of $671.1M, for an Operating Result of $105.3M. After allowing for interest income of $35.2M, capital grants and contributions of $94.0M, depreciation expenses of $132.8M and capital project related costs of $6.0M, the City projected a budgeted Net Operating Result for the year of $95.7M.

First quarter operating results

9. The Q1 operating result was $32.5M against a budget of $26.9M, a favourable variance of $5.6M. 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 $30.7M against a budget of $23.9M, a favourable variance of $6.8M.

10. The result includes favourable variances in operating expenditure of $7.9M, capital grants and contributions $2.7M, and capital project related costs of $1.5M. These were partially offset by unfavourable variance in operating income of $2.3M, interest income of $0.2M, and depreciation expense of $2.9M.

11. Material variances between the adopted full-year budget and the revised forecast are outlined below. Favourable variances are presented as positive values, while unfavourable variances are shown in brackets.

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

Income type	**2026/27 YTD budget variance**	**2026/27 full year forecast to budget variance**	**Comment**
Building & Development Application Income	($0.2M)	($1.1M)	Lower development application volumes and community notifications due to increased State Government determination of major applications. In addition, legislative changes have reduced notification requirements.

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

Expenditure type	**2026/27 YTD budget variance**	**2026/27 full year forecast to budget variance**	**Comment**
Employee benefits and on-costs	$1.6M	$4.4M	The forecast variance is 1.0% of full year budget and primarily due to permanent vacancies in a competitive labour market, partially offset by an increase in agency staff used to backfill essential roles.

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

Type	2026/27 YTD budget variance	2026/27 full year forecast to budget variance	Comment
Capital grants and contributions	$2.7M	$10.8M	Driven by timing differences in Tranport for NSW funding, including Road Safety Program grants and cycleway projects, with revenue now expected to be recognised in 2026/27. The forecast has also increased following receipt of a $3.9M Voluntary Planning Agreement contribution in Quarter 1 for community infrastructure within the Green Square Urban Renewal Area.
Depreciation	($2.9M)	($11.7M)	Higher depreciation reflects 2025/26 asset revaluations, which increased the depreciable asset base and revised useful lives across several major asset classes.

Additional commentary on the Q1 operating result

15. Most divisions are forecasting favourable full-year results compared to budget. Unfavourable outcomes are currently forecast within the Chief Operations Office, primarily due to increased reactive and property maintenance costs, lower community property income, and within Finance and Procurement due to the temporary backfilling of critical roles during periods of paid parental leave to maintain service continuity. Several individual business units are also forecasting unfavourable results associated with specific operational demands, as detailed in Attachment A.

16. Minor budget reallocations between divisions (with no change to the City's total net result) have been incorporated in Q1 to better align financial ownership with service delivery responsibilities.

Capital expenditure

17. The Capital Works program achieved expenditure of $63.1M against a YTD budget of $61.3M.

18. The full year forecast of the capital works program has been decreased from a budget of $275.3M to $266.5M following the latest review, which assessed the expected delivery of projects and revised cost estimates for each individual project.

19. Progress on a number of projects has advanced beyond that included within the program budget projections for 2026/27. Approval is therefore sought to bring forward $9.4M from future years' capital works forward estimates, reallocate funding within existing capital programs, and approve the transfer $0.3M from capital works contingency to support the continued delivery of projects, as detailed in 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. Digital and Information Services capital expenditure YTD, for internally developed projects, is $6.0M against a budget of $6.2M with a forecast of $26.3M that is $3.0M below the full year budget of $29.3M. Approval is sought to transfer $0.85M from capital works contingency and reallocate funding within existing capital programs as outlined in Attachment B.

22. Plant and Equipment expenditure incurred YTD, net of disposals, was $3.6M against a budget of $5.8M with a full year forecast of $28.5M, which is largely in line with the current full year budget.

23. Property acquisitions during the first quarter were $1.8M. The full year forecast for net divestments of $115.6M is in line with the budget.

Office of Local Government mandated Quarterly Budget Review (QBRS) template

24. The Office of Local Government (OLG) introduced revised Quarterly Budget Review Statement (QBRS) reporting requirements, including mandatory standardised reporting templates, during the previous financial year. These templates are used by OLG to consolidate and report the financial performance of the New South Wales local government sector on a quarterly basis.

25. While the City complies with these reporting requirements, the prescribed templates are locked and protected by OLG and cannot be modified including the titles and headers. Notwithstanding this limitation, the City is required to populate all relevant fields in order for the OLG templates to calculate projected year-end results and for the City's forecast data to be included in OLG's sector-wide consolidation. To ensure both compliance with OLG requirements and the provision of meaningful financial information to Council, the City will continue to present the mandated QBRS templates (Attachment D) alongside its existing quarterly financial reports, which provide greater organisational context and decision-useful information.

Operational highlights

26. During this quarter the operational highlights included:

(a) The exhibition "Barani / Barrabugu (Yesterday / Tomorrow)", opened on the ground floor of Customs House on 6 July 2026. Drawing on the Barani website and the Barani Barrabugu booklet, the exhibition brings together histories of significant places, people and events for Aboriginal peoples in the Sydney local area highlighting the resilience, knowledge and continuing connection of Aboriginal communities to Country. The project was developed by Exhibition Producer Kyra Kum-Sing, from Boomalli Aboriginal Artist Co-operative, with historical and content guidance provided by the City Historian, and design by Wendy Osmond Design. During the development phase the producer and designer undertook mentoring of a First Nations curator and a graphic designer. The exhibition was developed through extensive discussions with Aboriginal stakeholders and community members, who contributed stories, photographs and family histories, enriching the exhibition to ensure the content is authentic, respectful and representative.

(b) National Library and Information Week 2026 was celebrated from 27 July to 2 August 2026. The City participated in the statewide initiative "Open Doors, Open Books, Open Minds", holding a series of free community activities across all our 9 libraries in July. Darling Square Library was the central hub of the City's activities with programs including Makerspace activities, film screenings, and interactive installations such as a community art wall. Our other libraries hosted free Rhymetime and Storytime sessions, behind-the-scenes peek into library work with our City librarians, a multi branch scavenger hunt, and a tour of Green Square Library.

(c) The new playground at Gunyama Park at Green Square was officially opened on 15 August 2026. It is the City's biggest playground with 6,300sqm of new open space and 150 newly planted trees. It includes 70m of tunnels and tube slides, a skate plaza and water play area. Features for toddlers and primary school-aged children include swings, a flying fox, climbing ropes, in-ground trampolines, obstacles, musical elements and a small sand play area. It also includes a learning circle to support intergenerational and cross-cultural education, large lawn area, barbecues and picnic tables, as well as bathrooms and change rooms for the sports field next door.

(d) In August the City commenced a 6-month pilot of additional community drop-off food scraps recycling bins to make the service available to more residents. The trial includes bins in 6 publicly accessible places across the city at Chippendale Green, St Helen’s Community Centre in Glebe, Newtown Community Garden, Maybanke Community Centre in Pyrmont, Foveaux Street Reserve in Surry Hills and in Matron Ruby Grant Park (Banga Community Shed) in Zetland.

(e) The quarterly Recycle It Saturday event was held on 22 August 2026 at Alexandra Canal Depot in partnership with Woollahra and Waverley Councils. Residents can drop off a wide range of items for recycling, and this event saw 1018 participants - 75% had attended a previous event, 77% were from City of Sydney local government area, 13% from Waverley Council and 10% from Woollahra Council. Residents dropped off 21.79 tonnes of materials for recycling, including 1.4 tonnes of furniture for rehoming.

(f) We opened 4 of our aquatic centres swim schools (at Andrew (Boy) Charlton Pool, Cook + Phillip Park Pool, Gunyama Park Aquatic and Recreation Centre and Ian Thorpe Aquatic Centre) for a special Swim Lesson Trial Weekend in September. Qualified City of Sydney swim teachers were there to offer free swim assessments for children aged 3 years and over and adults, and to provide personalised recommendations for the most suitable Learn to Swim level. During the weekend trial days, entry to the pools was free and there were games for kids, spring refreshments, giveaways, exclusive enrolment offers and the chance to win a month of swimming lessons.

(g) History Week was held from 5 to 13 September 2026 with the theme of 'Keeping Stories'. This year's program featured public talks and lectures, heritage walks and trails, interactive workshops, and valuable learnings from Indigenous history. Staff from across the organisation presented activities, events and programs including a workshop to create-your-own relief plates using the City's Archives and a guided walk through Pyrmont with the City's Historians.

Financial Implications

27. At Quarter 1 the YTD Operating Result was $32.5M, with a full year forecast Operating result of $110.8M against a budget of $105.3M, a favourable variance of $5.5M. At Quarter 1 the YTD Net Operating Result was $30.7M, with a full year forecast of $100.3M against a budget of $95.7M, a favourable variance of $4.6M.

28. The City‘s ledger cash balance of $701.2M 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. The forecast closing cash balance assumes settlement of the Fig and Wattle property sale.

Key implications

Strategic alignment – Sustainable Sydney 2030–2050 Continuing the Vision

29. Sustainable Sydney 2030–2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050.

30. The Community Strategic Plan–Delivering Sustainable Sydney 2030-2050, identifies the community's main priorities and aspirations and includes the strategies we can take to achieve these. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress.

31. 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. This report supports the implementation of all strategic directions and objectives.

Risks

32. 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 positive operating results are the primary source of funds to renew our assets and our capital works program.

Relevant Legislation

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

34. In August 2025, the Office of Local Government (OLG) 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 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.

35. 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. Essential element 4.9 of the Guidelines require regular reports (at least 6 monthly) against the Delivery Program.

Critical Dates / Time Frames

36. The quarterly report is due to be submitted to Council within 2 months of the end of the respective quarter.

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

Public consultation

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

JEAN-MICHEL CARRIERE

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