Item 3.

2024/25 Quarter 2 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 2 2024/25 reflects a year-to-date (YTD) Operating Result of $58.3M against a budget of $48.1M. After allowing for interest income, capital grants and contributions, depreciation and capital project related costs, Council has achieved a Net Operating Result of $55.1M against a budget of $48.2M. At Quarter 2, Council is forecasting a full year Net Operating Result surplus of $117.4M, a positive variance of $2.0M, 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 $111.2M against a YTD budget of $124.8M. The annual forecast for the program has been revised to $242.4M against a full year budget of $247.4M. 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 $6.8M against a budget of $8.1M. The annual forecast of $22.8M is below the full year budget of $26.0M.

Plant and Equipment YTD expenditure, net of disposals, was $11.5M against a budget of $16.6M, with a full year forecast of $30.4M against a full year budget of $31.7M.

Progress against the Delivery Program performance measures is generally satisfactory, with full details provided at Attachment C, and a number of operational achievements are highlighted within the body of this report.

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

Recommendation

It is resolved that:

(A) Council note the financial performance of Council for the second quarter, ending 31 December 2024, including a Quarter 2 Operating Result (before depreciation, interest income, capital related costs and capital grants and contributions) of $58.3M and the full year forecast of $119.5M and Net Operating Result of $55.1M and a full year forecast of $117.4M as outlined in the subject report and summarised in Attachment A to the subject report;

(B) Council note the Quarter 2 Capital Works expenditure of $111.2M and a revised full year forecast of $242.4M, and approve the proposed adjustments to the adopted budget, including bringing forward $16.5M of funds into the 2024/25 capital budget, the transfer of $0.2M 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 $6.8M, and a full year forecast of $22.8M and approve the proposed adjustments to the adopted budget, including pushing $2.5M of funds into future years capital budget, $3.4M 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) Council note the Quarter 2 Plant and Equipment expenditure of $11.5M, net of disposals, and a revised full year forecast of $30.4M, and approve the proposed adjustments to the adopted budget including $0.6M from capital works contingency as detailed in Attachment B to the subject report;

(E) Council note net Property Acquisitions of $72.7M as at Quarter 2, and the full year forecast for net Property Acquisitions and Divestments of $47.1M;

(F) Council note the operational performance indicators and Quarter 2 achievements against the Operational Plan 2024/25 objectives, as detailed in Attachment C to the subject report; and

(G) Council note the supplementary reports, which detail the quick response, street banner and venue hire support grants and sponsorship programs, major legal issues, international travel, property and land use matters approved under delegation and contracts over $50,000 within the quarter, as detailed in Attachment D to the subject report.

Attachments

Attachment A. Financial Results Summary

Attachment B. Capital Expenditure Financial Results

Attachment C. Delivery Program 2022-2026 December 2024 Progress Report

Attachment D. Second 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 second quarter (Q2) and full year forecast financial results for the 2024/25 financial year, and a number of operational highlights that occurred in Q2.

4. A Q2 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 Q2, 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, major legal issues, international travel, property and land use matters approved under delegation and contracts over $50,000 are provided at Attachment D 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.

Second Quarter Operating Results

8. The Q2 operating result was $58.3M against a budget of $48.1M, a favourable variance of $10.2M. 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 $55.1M against a budget of $48.2M, a favourable variance of $6.9M.

9. The result includes favourable variances in operating income of $2.2M, operating expenditure of $7.9M, interest income of $4.2M and capital project related costs of $2.1M, partially offset by unfavourable variances in employee benefits and on-costs of $3.2M, capital grants and contributions of $9.0M (noting that timing of receipts is inherently difficult to predict) and depreciation expense of $1.3M.

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.
Building & Development Application Income	$1.3M	$1.6M	Tracking higher due to several high value applications.
Commercial Property	$0.5M	($1.4M)	Downward revision of forecast income due to lower than anticipated occupancy of lettable space.
Community Property	($0.3M)	($1.0M)	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.
Enforcement Income	$0.5M	$2.7M	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	($1.5M)	($1.2M)	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	$1.5M	$3.7M	Income from penalty fee due to the delayed settlement of Fig and Wattle property divestment.
Parking Meter Income	($1.2M)	($3.4M)	Unfavourable variance reflects lower transaction volumes than assumed in the budget.
Private Work Income	$1.4M	$1.2M	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	$2.0M	$2.0M	Increase in business rates following the subdivision of Martin Place Sydney Metro site and higher domestic waste revenue driven by additional residential services.
Work Zone	$0.6M	$1.0M	Significant work zone applications 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 to budget variance**	**Comment**
Employee benefits and on-costs	($3.2M)	($7.0M)	The 2.4% 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.
Bad & Doubtful Debts	$1.1M	$1.3M	Provisioning for debtor's positions have improved on prior year assumptions.
Consultancies	$0.6M	$1.3M	A range of small variances across the organisation.
Expenditure Recovered	$0.7M	$1.1M	Better than expected result attributable to recoveries of prior year's commercial property outgoings.
Grants, sponsorship and donations	$0.3M	$1.0M	Accommodation grant expense has reduced, in connection with unplanned property vacancies.
Infrastructure Maintenance	$2.5M	($1.9M)	Reflective of the additional restoration jobs mentioned in the Private Work Income comment above.
Property Related Expenditure	($0.2M)	($3.5M)	Forecast increase largely driven by the lift in activity associated with reactive, planned property maintenance and operational projects.

12. 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	$4.2M	$1.4M	Higher opening cash balance and higher interest rates have favourably impacted the YTD balance, interest rates are anticipated to for in the second half of the year.

Additional Commentary on the Q2 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 (with exception to Corporate costs and Chief Operations Office, explained below) are forecasting full year results that are favourable to their annual operating result budgets for 2024/25 as summarised at Attachment A.

14. The Corporate cost division is used for the budgeting of vacancies. It is reporting an unfavourable variance due to a lower than anticipated rate of vacancies across the organisation.

15. Chief Operations Office are also forecasting an unfavourable result due to increased activity and cost associated with reactive and planned property maintenance, and lower than expected occupancy rates in commercial properties.

Capital Expenditure

16. The Capital Works program achieved expenditure of $111.2M against a YTD budget of $124.8M.

17. The full year forecast of the capital works program has been reduced from a budget of $247.4M to $242.4M 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 $16.5M from future years' capital works forward estimates, and to approve the transfer of $0.2M 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 $6.8M against a budget of $8.1M with a forecast of $22.8M that is $3.2M under the full year budget of $26.0M. Approval is sought to push $2.5M of funds into future years capital budget and approve the transfer of $3.4M from the capital works contingency and to reallocate funds from relevant programs within the capital budget to continue to progress projects as detailed at Attachment B.

22. Plant and Equipment expenditure incurred YTD, net of disposals, was $11.5M against a budget of $16.6M with a full year forecast of $30.4M against a full year budget of $31.7M. Approval is sought to transfer $0.6M 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.

23. In the second quarter, Council approved the acquisition of 22 O'Riordan St, Alexandria. The full-year forecast for net acquisitions is $47.1M, which exceeds the budget by $19.1M due to the timing of the purchase 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) Upgrades to McKee Street Reserve and Playground in Ultimo were completed including a refurbished play area with replacement of end-of-life equipment and soft-fall, improved access into and through the park and additional seating and landscaping. The community garden has also been upgraded with new raised planting beds and additional composting bins.

    (b) Woolloomooloo Playground was upgraded to provide a space that maximises play opportunities for children of different ages and abilities. The work has improved access in and around the park, increased passive surveillance, improved lighting conditions and uses simple, robust, high-quality materials which reflect the local neighbourhood character.

    (c) In September 2024 an additional 8 on-street electric vehicle (EV) chargers were enabled, providing an additional 16 EV parking spaces. The new locations are in Paddington, Camperdown, Darlinghurst, Alexandria Redfern and Surry Hills.

    (d) The City of Sydney, in collaboration with Aileen Sage with Djinjama, Jean Rice, Noni Boyd were winners of the Adaptive Reuse (Alteration/Addition) category of the 2024 Sustainability Awards for the renovation of 119 Redfern making the heritage-listed former post office building not only physically accessible but also psychologically welcoming for future use by the First Nations community.

(e) Essential upgrades at Victoria Park Pool were completed in October 2024, including transitioning the heating system to 100% renewable. The upgrades featured installation of efficient electric heat pumps, resurfacing of the toddler pool, improvements to the air conditioning, and upgrades to the customer service counter and gym office to enhance the overall customer experience.

(f) The City has completed extensive essential repairs on the Darlington Activity Centre in Shepherd Street, Darlington. This included minor works to the outdoor veranda, new outdoor furniture in the garden areas, along with comprehensive internal works. An information day was held to reopen the centre to the community on Saturday 14 December 2024. The centre may now be used as a venue for hire by community from 7am to midnight, Monday to Sunday on a 12-month trial basis following an updated DA on the venue. The centre has a large hall, several meeting or activity rooms, toilets, a commercial-size kitchen, outside seating, several separate small garden areas, and a number of large trees which are used by native wildlife.

(g) The NSW Planning Institute of Australia awarded the City of Sydney a commendation under the Strategic Planning Project category for the Ultimo Pyrmont Planning Framework at its annual awards on 14 November 2024. The City's Haymarket and Chinatown Revitalisation Strategy was also nominated in the Great Place category.

(h) The City hosted a second trans and gender diverse community event for 2024 – Together at Twilight – on 17 November, during Transgender Awareness Week. Attendees were invited to a safe, welcoming space at Cook + Phillip Park Pool to enjoy an afternoon and evening of swimming, activities, light refreshments, music, and access to community information and health services. The event was open to trans and gender diverse communities, along with their partners, families, friends, and allies.

(i) In September 2022, the City became the first capital city council in Australia to affirm the Darlington Statement. The statement is a joint consensus statement by Australian and New Zealand intersex organisations and independent advocates initiated in 2017. This year the City marked Intersex Awareness Day, Saturday 26 October 2024, by working in partnership with Queer Screen to deliver a free community screening of the documentary film, Who I Am Not, to raise awareness of what it means to be intersex. The documentary was enjoyed by 100 community members who came together to share this screening at Event Cinemas in George Street.

(j) The City, in partnership with the specialist domestic and family violence sector, delivered a program of initiatives to highlight the key drivers, impacts and solutions to gender-based violence as part of the United Nations Women's 16 Days of Activism Against Gender Based Violence from 25 November to 10 December 2024. This included a domestic and family violence prevention workshop; a $9,660 cash grant and support for the NSW Vigil Collective to deliver Unite Against Violence: No More Empty Shoes Vigil on 26 November 2024 in Martin Place; training on how to respond compassionately to people who have experienced stressful experiences; hosting a night of readings from the anthology "The Loud Way Home" which was launched by ACON in October 2024, followed by a facilitated discussion – the anthology includes the insights of LGBTQ+ people who have experienced sexual violence; and engaged The Yoga Foundation to offer a free 8-week trauma-informed yoga program at St Helen's Community Centre for female survivors of domestic violence.

(k) In a tradition since 1971, the Martin Place Christmas Tree was lit on Thursday, November 28. Over 110,000 LED lights and 330 custom baubles came to life as Sydney marked the start of the festive season. There was a sound and light show at the Martin Place Christmas Tree every 15 minutes from 8pm to midnight each Thursday through Sunday until the new year. There was also a musical program with choirs each night from 6pm. Other Christmas programming included concerts at Pirrama Park, Pyrmont (30 Nov), Prince Alfred Park, Surry Hills (1 Dec), Turruwul Park, Rosebery (7 Dec), Reg Bartley Oval, Rushcutters Bay (8 Dec), Bicentennial Park, Glebe (14 Dec), Alexandria Park, and Alexandria (15 Dec). These free, family friendly, community celebrations of Christmas include 2 hours of staged entertainment, kid's activities, sausage sizzle and Santa photos.

(l) To celebrate and promote International Day of People with Disability, the City hosted the 'Good access is good for business' breakfast event on Tuesday, 3 December 2024 in Town Hall House. The keynote address was given by Sibylla Vaughan, a lived experience speaker from Guide Dogs NSW/ACT. A practical training session on accessibility and inclusion for local businesses was also held with over 50 participants including local businesses, community organisations and government agencies. 90% reported they will implement accessibility features into their business after the event. Other events hosted by the City included: Focus on Ability Short Film Festival Screenings; Town Hall Civic Collection accessible tour at Town Hall House; Online Disability Awareness and How to be an Active Ally Workshop; a Free Form Weaving Workshop; Online Connect Sydney: Intersectionality in Access and Inclusion Training; Are You Pulling My Leg comedy show; Abilities Unleashed – adult sports day; and a comedy and storytelling workshop.

(m) A collaboration with the Royal Prince Alfred (RPA) hospital re-uses uncontaminated, filtered water from kidney dialysis machines to help clean our streets. The City of Sydney is using surplus filtered water taken from the life-saving machines at RPA hospital instead of it going down the drain. The council has developed a plan to use the runoff tanks rather than Sydney drinking water and in turn will save 1.5 million litres every year. The surplus water from the RPA will now be used in Sydney for council cleaning tasks such as hosing off footpaths and washing away graffiti.

(n) The City opened the doors to some of its pools on the first Saturday of summer (7 December), giving residents the opportunity to go for a dip for free in some of the city's premier swimming locations. The Ian Thorpe Aquatic Centre in Ultimo, the Cook + Phillip Park Pool in the city centre, Prince Alfred Park Pool in Surry Hills, Victoria Park Pool in Camperdown, and the Gunyama Park Aquatic and Recreation Centre in Zetland were all free to enter from 6am to 8pm. Centres also offered free entry into their gyms and to a number of exercise classes, with sunrise yoga, pilates, and HIIT classes all on offer.

(o) New Year's Eve in Sydney featured 26,500 lights and 9 tonnes of fireworks to light up the sky in two 20-minute shows at 9pm and midnight. Fireworks were launched off 8 floating platforms, 80 new positions on the western side of the Bridge, 4 sails of the Sydney Opera House and 5 city centre skyscrapers lighting up 7km of Sydney Harbour, from Cockatoo Island to Point Piper. As a nod to one of the most powerful female figures in Australia's history, the fireworks shows honoured the spirit of Barangaroo, the Cammeraygal woman who led her people and who embodies the deep connection of Eora women to the waterways of Sydney Harbour. Before the fireworks were lit there was a smoking ceremony, a Welcome to Country, live performances and light show to set the scene. This year's chosen charity partner, the National Breast Cancer Foundation, showcased projections on the pylons with lights on the bridge, boats on the harbour and around the foreshore turning pink.

Financial Implications

25. At Quarter 2 the YTD Operating Result was $58.3M, with a full year forecast Operating result of $119.5M against a budget of $119.1M, a favourable variance of $0.4M. At Quarter 2, the YTD Net Operating Result was $55.1M, with a full year forecast of $117.4M against a budget of $115.4M, a favourable variance of $2.0M.

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 $726.3M at 31 December 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.

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