

GOVERNANCE AGENDA ADDENDUM

GOVERNANCE COMMITTEE MEETING

17 September 2025

BOOK 2

ADDENDUM ITEMS

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ITEM 03

Finance Report - August 2025

Strategic Objective	Visionary, Leading, Responsible Ensure Council is accountable and financially sustainable through the strategic management of assets and resources
File Ref	299721.2025
Report By	Vishwa Nadan - Chief Financial Officer
Approved By	Farooq Portelli - Director Corporate Services

EXECUTIVE SUMMARY

The report provides an update on Council's 2024-25 financial result and 2025-26 budget performance.

Council's draft financial statements for FY 2024–25 have been prepared and referred to the Audit, Risk and Improvement Committee, with the audit in progress. The audited statements will be presented to Council on 29 October 2025.

The draft results indicate a Net Operating Result deficit of \$10.4 million before capital grants and contributions, compared with a budgeted surplus of \$2.6 million and a projected Q3 deficit of \$13.1 million. The deficit is primarily driven by:

- Reversal of the anticipated \$8.4 million gain from the sale of 3 Hoxton Park Road.
- A \$3.7 million shortfall in Financial Assistance Grant advance payment.
- Provisions for termination payments (\$2.0m) and public inquiry expenses (\$0.5m).
- A \$1.4 million increase in Council's equity in Civic Risk Mutual.

At 30 June 2025, Council held \$416 million in cash and investments, including \$2.8 million in unrestricted reserves. A further \$7.3 million in rights fees was received in July 2025.

Council will report against OLG's financial performance indicators and lending covenants. The draft results show compliance with all financial covenants and 3 of 6 OLG performance ratios.

The Governance Committee is also invited to note some of the key financial risks. Based on estimated budget impact of these risks, the net cost of services for FY 2025-26 is projected at \$9.1 million deficit.

Council held \$451 million in cash and cash investments at 31 August 2025 which included \$23.9 million in unrestricted reserves.

Total rates outstanding on 31 August 2025 was \$163 million, of which \$10.8 million related to previous years. The balance of \$152.2 million relates to current year, which will become collectable in quarterly installments.

RECOMMENDATION

That the Governance Committee:

1. Receives and notes the Report.

REPORT

2024-25 Unaudited Financial Results

The financial statements for FY 2024–25 have been prepared and referred to the Audit, Risk and Improvement Committee for review prior to audit. The audit process is underway, and the audited financial statements will be presented to Council at its meeting on 29 October 2025.

Based on the draft financial statements, Council is reporting a Net Operating deficit result of \$10.4 million before capital grants and contributions. This compares with a budgeted surplus of \$2.6 million and a projected deficit of \$13.1 million following the Q3 budget review. Key variations include:

- Reversal of the \$8.4 million anticipated gain from the sale of 3 Hoxton Park Road following a Council decision.
- \$3.7 million shortfall in the advance payment of the Financial Assistance Grant.
- \$1.4 million unbudgeted increase in Council's equity in Civic Risk Mutual.
- \$2.0 million provision for termination payments.
- \$1.2 million provision for known workers compensation claims
- \$0.5 million provision for public inquiry related expenses.

At 30 June 2025, Council held \$416 million in cash and cash investments, comprising:

- \$ 379.7 million externally restricted reserves
- \$ 33.6 million internally restricted reserves
- \$2.8 million unrestricted reserves

At reporting date, some matters with Built Development remained unresolved. As a result, the expected \$7.3 million in rights fees was not received until August 2025.

In accordance with the Local Government Code of Accounting Practice and Financial Reporting, Councils may elect to report against financial performance indicators within their financial statements. The Governance Committee is advised that Council will report on these indicators, in addition to performance against financial covenants with its lending partners.

The table below shows that Council met 3 of 6 OLG financial performance ratios and all financial covenants.

Indicator / Ratio	Actual	OLG Benchmark	Agreed Financial Covenant
Operating performance ratio	-6.43%	> 0%	
Own source operating revenue ratio	64.54%	> 60%	
Unrestricted current ratio	2.14x	> 1.5x	
Debt service cover ratio	1.68x	> 2.0x	>1.5x
Rates and annual charges outstanding percentage	7.49%	< 5.0%	
Cash expense cover ratio	13.32 months	> 3 months	
Interest cover ratio	5.05 months		> 3 months
Unrestricted cash cover ratio	2.74 months		> 2 months

2025-26 Budget Performance

Below is summary of 2025-26 approved budget. Based on the risks identified below and their potential budget impacts, the net cost of services is projected to be a deficit of \$9.1 million.

	Original Budget	Potential Adjustments	Projected Result
Total Income	\$462.4m	(\$4.8m)	\$457.6m
Less: Capital Grants & Contributions	(\$177.4m)	-	(\$177.4m)
Operating Income	\$285.0m	(\$4.8m)	\$280.2m
Operating expenditure	\$284.2m	\$5.1m	\$289.3m

Net Cost of Service before capital grants & contributions surplus/ (deficit)	\$0.8m	(\$9.9m)	(\$9.1m)
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Risks

The following items have been identified as budget risks for FY2025-26. The Governance Committee will be regularly updated on these matters.

Risk	Budget Impact	Cash Impact	Mitigation Strategy	Risk Rating
1. Accounting for Software upgrades	-\$4.3m	-	Budget includes \$3.8m allocation for software upgrades. A further \$1m unspent budget from FY2024/25 will be carried over to FY2025/26. Based on guidelines issued by the Department of Finance, procurement of cloud-based software-as-a-service, a significant portion of capital expenditure will have to be accounted for as operating expenses.	High
2. FAG Operating Grant – advance payment for 2026-27	-\$4.8m	-\$4.8m	Budget assumes 85% advance payment. NSW Grants Commission has indicated that they will review overall methodology it uses to allocate grants and advised NSW Councils not to rely on any advance payment in June 2026.	High
3. 35 Scott Street Office make-good expenses	-\$0.8m	-\$0.8m	Tenancy contract requires Council to carry out make-good works on expiry. Investigations underway on confirmation of costing and will be negotiated with the landlord.	High

Cash Reserves

At 31 August 2025, Council held \$451.3 million in cash and cash investments, comprising:

- \$ 393.5 million externally restricted reserves
- \$ 33.8 million internally restricted reserves
- \$23.9 million unrestricted reserves

Outstanding Rates

Total rates outstanding on 31 August 2025 were \$163 million, of which \$10.8 million related to previous years. The balance of \$152.2 million relates to current year, which will become collectable in quarterly installments.

ATTACHMENTS

Nil