Item 3.

Presentation of the 2025/26 Financial Statements and Audit Reports to Council

File No: X122203

Summary

This report presents the City's 2025/26 Financial Statements to Council and seeks authorisation to issue the public notice of the intention to present the audited statements to the public at the Council meeting of 16 November 2026.

The City of Sydney's Income Statement for the year ended 30 June 2026 reports a Net Operating Result for the year of $137.2M, in accordance with relevant accounting standards and reporting requirements, against a budget of $108.9M. An analysis of the City of Sydney's operating revenues and expenditures variances against the budget was set out in detail in the Q4 report to Council in August 2026.

In completing the 2025/26 Financial Statements, a number of final adjustments were made to the results reported to Council within the 2025/26 Quarter 4 Review of the Delivery Program. These adjustments are summarised below.

The Statement of Financial Position reports Net Assets of $17.1B, an increase of $608.9M over the year, reflecting a revaluation of a number of asset classes. The Office of Local Government requires councils to value non-current assets at fair value, on a staged approach over different years, and to continue this cycle on a rolling basis.

The City's General Purpose Financial Statements (GPFS) are required to reflect the Office of Local Government (OLG) Code of Accounting Practice and Financial Reporting ("the Code"). The Code no longer requires councils to disclosure financial performance ratios within the Statement of Performance Measurement.

However, the City has included the 2025/26 financial performance indicators as an unaudited supplementary disclosure at the end of the GPFS. The City considers these indicators to be a useful measure for understanding Council's financial performance, position and sustainability.

The City's auditor, the Audit Office of NSW, have reviewed the financial statements and have issued an unmodified (unqualified) Audit Opinion, as detailed in the (draft) audit reports attached to this report.

Recommendation

It is resolved that Council:

(A) receive the Financial Statements for City of Sydney for the year ended 30 June 2026, as shown at Attachment A to the subject report

(B) authorise Clover Moore AO - Lord Mayor of Sydney, Councillor Robert Kok (member - Audit, Risk and Compliance Committee), the Chief Executive Officer, and the Executive Director Finance and Procurement to sign the General Purpose Financial Statements

(C) authorise Clover Moore AO - Lord Mayor of Sydney, Councillor Robert Kok (member - Audit, Risk and Compliance Committee), the Chief Executive Officer, and the Executive Director Finance and Procurement to sign the Special Purpose Financial Statements

(D) receive the auditor's reports on the 2025/26 Annual Financial Statements as shown at Attachment B to the subject report

(E) authorise that notice be given for public presentation of the audited 2025/26 Financial Statements for the City of Sydney at the Council meeting on 16 November 2026.

Attachments

Attachment A. Draft 2025/26 Financial Statements

Attachment B. Draft independent auditors report and report on the conduct of the audit

Background

1. 2025/26 Financial Statements have been prepared for the City of Sydney in accordance with applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act 1993 and Regulations and the Local Government Code of Accounting Practice and Financial Reporting December 2025 (the Code).

2. Council is responsible for the preparation of the financial statements and associated disclosures. This includes maintaining adequate accounting records, establishing and monitoring appropriate internal controls, safeguarding Council assets, selecting and applying appropriate accounting policies, making reasonable accounting estimates and judgements, and ensuring compliance with relevant legislative and reporting requirements.

3. The City's General Purpose Financial Statements are required to reflect the Office of Local Government (OLG) Code of Accounting Practice and Financial Reporting ("the Code"). The Code requires that Infrastructure, Property, Plant and Equipment ("IPP&E") assets are carried at fair value, in accordance with Australian Accounting Standard AASB 13. For applicable asset classes, revaluations are to be undertaken on a minimum 5-year cycle. Open space and recreational assets, Heritage Collection and City Art asset classes were subject to a comprehensive revaluation in 2025/26.

4. It should be noted that Open Space and Recreational assets saw a $122.6M uplift from the existing book value, as reflected in the revaluation increment for the Open Space and Recreational asset class in Note C1-8 to the General-Purpose Financial Statements. The increase reflects the combined effect of updated replacement rates, improved asset data and componentisation, and revised condition assessments applied as part of the 2025/26 comprehensive revaluation.

5. The City's Investment Properties are revalued annually but fall under the requirements of a different accounting standard (AASB140). The annual revaluation has been undertaken for investment properties for the 2025/26 financial year, consistent with previous years' practice.

6. The draft financial statements were reviewed by the Audit Risk and Compliance Committee on 7 October 2026 for endorsement to Council for authorisation.

Key implications

Risks

7. The City's long-term financial sustainability is dependent on maintaining sufficient financial resources to fund operational requirements, asset renewal and capital works programs. Decisions that adversely impact operating results, unrestricted cash reserves or future revenue streams may reduce the City's capacity to maintain current service levels and deliver planned infrastructure outcomes.

8. The City maintains a low appetite for financial risks that may result in significant financial losses, operating deficits or deterioration in key financial sustainability indicators.

Financial implications

9. The financial statements reflect a Net Operating Result for the year of $137.2M which differs by $6.6M from the result reflected in the Q4 Report to Council in August 2026 ($130.7M). The timeframe for the delivery of the Q4 Report (in line with the Council meeting timetable) required a small number of accounting entries to be finalised subsequent to the presentation of the Q4 Report.

10. Adjustments made after the Q4 Report largely relate to the finalisation of accounting for completed capital projects, asset disposals associated with capital renewal works and depreciation adjustments arising from year end asset accounting finalisation, and can be summarised as follows:

	Fav/(Unfav) $M
Finalise expensing of complete capital works	(11.7)
Finalise Depreciation (due finalised capitalisation of new assets)	(1.4)
Recognise Loss on Sale of Assets	(5.4)
Year-end non-cash contribution finalisation	12.6
Year-end asset fair valuation uplift	12.3
Year-end accruals - updates and adjustments	0.2
Total	**6.6**

Relevant legislation

11. The Local Government Act 1993 requires Council's annual financial statements to be prepared and audited within four months after the end of the year concerned (section 416(1)).

12. Section 416(2) of the Local Government Act 1993 allows council to apply to the Departmental Chief Executive for an extension of that period.

13. The Local Government Act 1993 further requires that, as soon as practicable after a Council receives a copy of the auditor's reports:

    (a) it must fix a date for the meeting at which it proposes to present its audited financial statements, together with the auditor's reports, to the public; and it must give public notice of the date so fixed (section 419(1)).

    (b) it must give public notice of the date so fixed (section 419(1)).

Critical dates / Time frames

14. The 2025/26 Financial Statements must be prepared, audited and submitted to the office of local government by 31 October 2026.

15. A public notice must be placed to advise that the 2025/26 Financial Statements and the auditor's report will be presented to the public at the Council meeting of 16 November 2026. The financial statements will be included in the Annual Report which will be lodged with the Office of Local Government by 30 November 2026.

Public consultation

16. Following endorsement of the City's 2025/26 Financial Statements by Council, a notice will be issued for the presentation of the audited statements to the public at the Council meeting of 16 November 2026.

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement