

Presentation of the 2024/25 Financial Statements and Audit Reports to Council

File No: X112648

Summary

This report presents the City's 2024/25 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 17 November 2025.

The City of Sydney's Income Statement for the year ended 30 June 2025 reports a Net Operating Result for the year of \$133.5M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$115.4M.

The favourable result against budget shown in the financial statements is mainly due to higher than anticipated non-cash capital contributions, additional interest income, and an increased valuation of investment properties. 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 2025.

In completing the 2024/25 Financial Statements, a number of final adjustments were made to the results reported to Council within the 2024/25 Quarter 4 Review of the Delivery Program. These adjustments are summarised in the attached background information.

The Statement of Financial Position reports Net Assets of \$16.5B, an increase of \$1.5B over the year, reflecting a revaluation of the book value of a number of infrastructure and land 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 of Sydney remains in a stable financial position. The City remains well placed to fund its operations and programs on an ongoing basis, with sufficient financial resources to support the \$2.2B capital works program identified within the City's 2025/26 to 2034/35 Long Term Financial Plan.

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"). From the 2024/25 financial year the Code no longer mandates disclosure of financial performance ratios within the Statement of Performance Measurement.

However, these indicators, updated for 2024/25, have been included at the end of the GPFS as an unaudited additional disclosure. It is the City's view that these indicators assist in understanding the financial position of the Council. The City supports the ongoing effort to assess and report upon every council's financial and asset management sustainability and will continue to work with the Office of Local Government to refine definitions and appropriate benchmarks set for financial indicators.

The City is also seeking to work with the Office of Local Government to develop approaches to fixed asset valuation that meet Australian Accounting Standards and are applied with consistency and certainty across the local government sector. Valuation adjustments, which are notional book entries and non-cash in nature, can have a very significant impact on the financial position of a Council.

The City's auditor, the Audit Office of NSW, have reviewed the Financial Statements and have issued an unmodified 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 2025, 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 2024/25 Annual Financial Statements as shown at Attachment B to the subject report; and
- (E) authorise that notice be given, through Sydney Your Say, of public presentation of the audited 2024/25 Financial Statements for the City of Sydney at the Council meeting on 17 November 2025.

Attachments

Attachment A. Draft 2024/25 Financial Statements

Attachment B. Draft Independent Auditor's Report and Report on the Conduct of the Audit

Background

1. 2024/25 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 April 2025 (the Code).
2. The Annual Financial Statements comprise the:
 - (a) General Purpose Financial Statements
 - (i) Income Statement
 - (ii) Statement of Comprehensive Income
 - (iii) Statement of Financial Position
 - (iv) Statement of Changes in Equity
 - (v) Statement of Cash Flows
 - (b) Special Purpose Financial Statements
 - (i) Income Statement of Business Activities
 - (ii) Statement of Financial Position of Business Activities
 - (c) Special Schedules
 - (i) Special Schedule – Permissible Income for General Rates
 - (ii) Special Schedule – Report on Infrastructure Assets as at 30 June 2025 (note that this schedule is not subject to audit).
3. Notes to the accounts provide supporting information, and these, together with the above Financial Statements, fulfil all related statutory financial reporting requirements and are included within the City's Annual Report.
4. The Office of Local Government requires councils to value non-current assets at fair value on a staged approach of valuing different asset classes in different years, and to continue the cycle on a rolling basis.
5. As a result, the valuation process comprises comprehensive revaluations of each asset class on a maximum five-year cycle basis. The City has the option to undertake valuations more frequently, if required.
6. For the 2024/25 financial year, comprehensive revaluations were brought forward for buildings assets (both specialised and non-specialised classes) and land assets (operational land, community land and Crown/third-party land). These valuations, due to be carried out in the 2025/26 financial year, were brought forward to avoid undertaking them in the same year as open space and recreational assets. This approach has been designed to avoid the significant administrative burden of valuing large asset classes in the same year.

7. Comprehensive valuations were also undertaken for poles, lights and signs. For these assets a comprehensive valuation was due as per the 5-year cycle, having been last undertaken at June 2020.
8. For the 2024/25 financial year, an interim (index-based) revaluation was undertaken for infrastructure assets (roads, bridges, footways, kerb and gutter, and stormwater drainage), open space assets and other structures - trees due to material movements in identified cost indices.
9. In addition, again for the 2024/25 financial year, the City engaged an external valuer to re-assess the value of investment property assets. The valuation resulted in an increase in investment properties value for the financial year.
10. A detailed explanation of the valuation methodologies for the asset classes mentioned above is set out in note E2-1 of the General Purpose Financial Statements.
11. The draft Financial Statements were reviewed by the Audit Risk and Compliance Committee on 2 October 2025 for endorsement to Council for authorisation.
12. The 2024/25 financial statements no longer incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement. However, these indicators, updated for 2024/25, have been included at the end of the GPFS as an unaudited additional disclosure. It is the City's view that these indicators assist in understanding the financial position of the Council. The Report on Infrastructure Assets, also unaudited, includes asset related financial performance ratios.
13. While the City supports the ongoing measurement and monitoring of a range of relevant performance indicators, to assess and report each council's financial and asset management sustainability, there remain a number of reservations about the current definition and mandatory benchmarks for a number of these indicators. The City's management and financial staff have provided submissions on these concerns, as have other local government professionals and auditors, and we will continue to work with the Office of Local Government to refine the current suite of indicators.
14. The Audit Office of NSW, following their audit of the 2024/25 financial statements, have issued an unmodified Audit opinion.

Key Implications

Financial Implications

15. The Financial Statements reflect a Net Operating Result for the year of \$133.5M, in accordance with relevant accounting standards and reporting requirements, against a budget of \$115.4M and a Net Operating Result excluding Capital Grants and Contributions of \$22.1M versus a budget of \$20.4M.
16. The favourable result against budget shown in the financial statements is mainly due to higher than anticipated capital contributions, additional interest income, and an increased valuation of investment properties.

17. The Quarter 4 Report to Council in August 2024 reflected a Net Operating Result of \$137.9M. There is a difference of \$4.4M between the Q4 Net Operating Result and the 2024/25 Financial Statements' Net Operating Result.
18. 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	(2.7)
Finalise Depreciation (based on finalised capitalisation of new assets)	(0.3)
Recognise Loss on Sale of Assets	(1.7)
Year end accruals - updates and adjustments	0.4

19. The significant variances to budget were detailed within the Q4 Report, as presented to Council on 18 August 2025.
20. The City of Sydney remains in a strong, stable financial position. It is well placed to fund its operations and programs on an ongoing basis, with sufficient financial resources to support the \$2.2B capital works program identified within the City's 2025/26 to 2034/35 Long Term Financial Plan.

Risks

21. This approach is within the City's risk appetite, which states:
 - (a) 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.
 - (b) 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.
 - (c) We assess our capacity to absorb financial losses and maintain sufficient financial resources to mitigate the impact of most unexpected events.
 - (d) 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

22. 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)).
23. Section 416(2) of the Local Government Act 1993 allows council to apply to the Departmental Chief Executive for an extension of that period.
24. 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

25. The 2024/25 Financial Statements must be prepared, audited and submitted to the Office of Local Government by 31 October 2025.
26. A public notice must be placed to advise that the 2024/25 Financial Statements and the Auditor's Report will be presented to the public at the Council meeting of 17 November 2025. The Financial Statements will be included in the Annual Report which will be lodged with the Office of Local Government by 30 November 2025.

Public Consultation

27. Following endorsement of the City's 2024/25 Financial Statements by Council, a notice will be issued via the Sydney Your Say website, for the presentation of the audited statements to the public at the Council meeting of 17 November 2025.

JEAN-MICHEL CARRIERE

Executive Director Finance and Procurement