

Late Items BUSINESS PAPER

Ordinary Council Meeting

To be held on

Thursday,

16 October 2025



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Notice is herewith given of an

ORDINARY MEETING

That will be held at the Glen Innes Severn Learning Centre,
William Gardner Conference Room, Grey Street, Glen Innes on:
Thursday, 16 October 2025 at 9:00 AM

ORDER OF BUSINESS

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Bernard Smith
General Manager

L MATTERS OF AN URGENT NATURE

REPORT TITLE: L.1 DRAFT GENERAL PURPOSE AND SPECIAL PURPOSE FINANCIAL STATEMENTS AND SPECIAL SCHEDULES FOR THE 2024/2025 FINANCIAL YEAR

REPORT FROM: Corporate and Community Services

PURPOSE

The Draft Financial Statements for the year ended 30 June 2025 are required to be referred to Council's Auditor after adoption by the Council. The prescribed statement requires the signatures of the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer.

RECOMMENDATION

THAT Council:

- 1. In accordance with Section 413 (2) (c) of the Local Government Act 1993:**
 - a. Resolves that, in its opinion, the General Purpose Financial Statements and the Special Purpose Financial Statements for the year ended 30 June 2025 are properly drawn up in accordance with the provisions of the Local Government Act 1993 and the Regulations.**
 - b. Authorises for the Financial Statements for the year ending 30 June 2025 to be certified and signed by the Mayor, the Deputy Mayor, the General Manager and the Responsible Accounting Officer on behalf of Council.**
- 2. Refers the Financial Statements to Council's Auditor for audit.**
- 3. Delegates authority to the General Manager to forward the Audited Financial Statements to the Office of Local Government.**
- 4. Delegates Authority to the General Manager to place the Audited Financial Statements on public exhibition and give notice that Council will present its Audited Financial Statements at the applicable Ordinary Council Meeting.**

REPORT

(a) Background

The 2024/2025 Financial Statements have been prepared in Council's financial management system, Microsoft Business Central Dynamics.

Council received the Financial Audit Engagement Plan for 2024-2025 from the NSW Audit Office on 08 August 2025. The Financial Audit was initially scheduled to begin on 30 September 2025. Due to delays in finalising the financial statements, Council has sought an extension with our Auditors and the Financial Audit will now officially commence on 20 October 2025.

Council has subsequently requested an extension to 19 December 2025 from the **NSW Office of Local Government (OLG)** and the OLG have approved an extension to 12 December 2025.

The Draft 2024/2025 Financial Statements have been tabled at a special meeting of the **Audit Risk and Improvement Committee (ARIC)** on 15 October 2025 for its information and comment.

(b) Discussion

In accordance with Section 416 (1) of the **Local Government Act 1993 (the Act)**, a Council's Financial Statements for a year must be prepared and audited within four months of the end of the reporting period concerned.

The statutory process that must be followed is that:

1. A statement as required under section 413 (2)(c) of the Act, must be made by resolution and signed by the Mayor, one Councillor, the General Manager and the Responsible Accounting Officer.
2. The Financial Statements must then be referred to the Council's Auditor for audit and once audited the statements must be included in Council's Annual Report.
3. Copies of the Audited Financial Statements must be lodged with the Office of Local Government by 31 October unless an extension has been granted by the OLG.
4. As soon as practicable after Council receives a copy of the Auditor's report, the Statements must be placed on public exhibition and notice given of a meeting at which Council proposes to present its Audited Financial Statements, together with the Auditor's report.

This act of giving notice of the meeting is required to be delegated to the General Manager as technically the notice of meeting cannot be set until the Auditor's Reports are received.

The Draft General Purpose Financial Statements and Draft Special Purpose Financial Statements for the year ended 30 June 2025 are distributed with this report under separate cover (**Annexures A**) and will be provided for audit.

The net operating surplus for the year of \$9.612M (\$16.322M in 2023/24) is a decrease on the previous year of \$6.710M.

Council received \$14.895M (\$20.683M in 2023/24) in capital grant funding, a decrease of \$5.788M over the previous year), resulting in a deficit before capital items of \$5.283M (Deficit of \$4.361M in 2023/24).

The Statement of Financial Position as at 30 June 2025 and its supporting notes, in particular Note C1-3, shows that there was insufficient cash (ie unrestricted cash) to cover all external restrictions placed on those holdings with a deficit of \$208k (\$1.195M deficit LY).

It should be noted that there was insufficient cash at balance date to set aside funds for planned expenditure in future years, viz., the Financial Assistance Grants (FAGs) paid in advance (from 2025/26) was expected to be circa \$5M, actual advance payments totalled only \$3M. Historically the advance FAGs payments were paid at 80% of the total allocated FAGs, this was significantly reduced in the advance payment received in June 2025 and is expected to be reduced further in future years.

Grant Contract assets of \$5.275M (\$9.169M in 2023/24) at balance date shows the amount of funds expended for grant related projects that have not yet been received. This should be taken into consideration when assessing the unrestricted cash balance.

Planned Improvements to Financial Management

Council undertook significant review of the Business Systems and has resolved all major outstanding system issues/tickets with it's system vendor Readytech to improve the integrity and accuracy of the financial statements and to support financial management. Council has also undertaken the following reviews/actions and improvements in FY2025 to improve financial management and sustainability:

- Implemented a comprehensive grants register that tracks the contract liabilities and contract assets position monthly. Extensive work has been undertaken together with Vanguard Consulting to validate opening balances for the grants register.
- A three-way cash flow model (Income Statement, Balance Sheet and Cashflow Statement) has been developed to forecast cash, closely aligned with the grants register.
- All major system issues (inter-fund script, rates debtors reports including subsidiary ledgers, user permission sets and manual journals approval process) have been resolved.
- Waste and Water Pricing Strategy Review implemented for the 2025/26 rating run (processed in July 2025).
- Developed and implemented a fully compliant Long Term Financial Plan and undertook a comprehensive financial sustainability review, leading to the progression of preparations for a Special Rate Variation application to IPART in 2026 with subsequent Council approval to proceed.
- Validated the infrastructure Property, Plant, & Equipment revaluations completed in 2022/23 FY and completed a significant revaluation of all transport assets, in addition to Water & Sewer assets.

Certification

Section 413 (2) (c) of the Act, requires that before audit certificates can be issued, Council is to adopt a resolution to be attached to the Financial Statements stating that:

Council's General Purpose Financial Statements and Special Purpose Financial Statements are being prepared in accordance with:

- The Act and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements,
- The Local Government Code of Accounting Practice and Financial Reporting,
- The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines,
- NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- Department of Local Government Guidelines '*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*'.

These Statements must be signed by the Mayor, one other Councillor, the General Manager and the Responsible Accounting Officer.

A copy of the required statement to be signed is included in the attached Draft Financial Statements.

KEY CONSIDERATIONS

(a) Financial/Asset Management

The Financial Statements are Council's primary form of review on Council's sustainability and the financial performance of Council throughout the reporting period.

For this reason, they remain a crucial part of the performance measurement framework, and the financial performance as disclosed should be a serious consideration in any future decision making.

(b) Policy

- The Australian Accounting Standards and professional pronouncements,
- The Local Government Code of Accounting Practice and Financial Reporting,
- The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines,

- NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- Office of Local Government Guidelines '*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*',
- *The Local Government Act 1993*.

The relevant sections of the *Local Government Act 1993* are as follows:

415 Preparation of Financial Reports

- (1) A council **must** prepare financial reports for each year and **must** refer them for audit as soon as practicable.
- (2) A Council's Financial Reports must include:
 - (a) A General-Purpose Financial Report, and
 - (b) Any other matters prescribed by the regulations, and
 - (c) A statement in the approved form by the Council as to its opinion on the General-Purpose Financial Report.
- (3) The General-Purpose Financial Report **must** be prepared in accordance with this Act and the regulations and the requirements of:
 - (a) The publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and
 - (b) Such other standards as may be prescribed by the regulations.

416 Time for preparation and auditing of Financial Reports

- (1) A Council's Financial Reports for a year **must** be prepared and audited within the period of 4 months after the end of the year, unless an extension is approved by the OLG.
- (2) A Council may from time to time apply to the Departmental Chief Executive for an extension of that period.
- (3) A Council must make such an application if requested to do so by its auditor.
- (4) Before deciding whether to grant an extension, the Departmental Chief Executive may require the Council to give reasons, additional to those set out in the application, as to why the extension should be granted.
- (5) The Departmental Chief Executive may grant an extension of such period as, in the opinion of the Departmental Chief Executive, is necessary in the circumstances of the case.
- (6) A Council must notify its auditor of any application for an extension made under this section and of the outcome of the application.

418 Public notice to be given of presentation of Financial Reports

- (1) 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 Reports, together with the Auditor's Reports, to the public, and
 - (b) it must give public notice of the date so fixed.
- (2) The date fixed for the meeting must be at least 7 days after the date on which the notice is given, but not more than 5 weeks after the Auditor's Report are given to the Council.
- (3) The public notice **must** include:
 - (a) A statement that the business of the meeting will include the presentation of the Audited Financial Reports and the Auditor's Reports, and
 - (b) A summary in the approved form, of the Financial Reports, and
 - (c) A statement to the effect that any person may, in accordance with section 420, make submissions (within the time provided by that section and specified in the statement) to the Council with respect of the Council's Audited Financial Reports or with respect to the Auditor's Reports.
- (4) Copies of the Council's Audited Financial Reports, together with the Auditor's Reports, must be kept available at the office of the Council for inspection by members of the public on and from the date on which public notice of the holding of the meeting is given and until the day after the meeting (or any postponement of the meeting).

419 Presentation of Council's Financial Reports

- (1) A Council must present its Audited Financial Reports, together with the Auditor's Reports, at a meeting of the Council held on the date fixed for the meeting.
- (2) The Council's auditor may attend the meeting at which the Financial Reports are presented.
- (3) A Council's auditor who carries out the functions of the auditor under an appointment by the Auditor-General **must** attend the meeting at which the Financial Reports are presented if the Council gives not less than 7 days notice in writing that it requires the auditor to do so.

(c) Risk

Non-compliance with the *NSW Local Government Act 1993*.

(d) Consultation

Council Management has provided regular updates to the Mayor and the Chair of Council Audit Risk and Improvement Committee.

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN

This report links to Council's Delivery Program Open and Collaborative Leadership Strategy O1.2.2 Ensure the submission of financial statements are within required legislative timeframes supported by fit-for-purpose financial systems and resourcing model.

CONCLUSION

In accordance with the *Local Government Act 1993* Council authorises the Financial Statements for the year ending 30 June 2025 to be certified and signed by the Mayor, the Deputy Mayor, the General Manager and the Responsible Accounting Officer on behalf of Council and be referred to the Auditor for audit and that the audited financials be presented at the next Ordinary Council Meeting following the audit and placed on public exhibition.

The Draft General Purpose Financial Statements and Draft Special Purpose Financial Statements for the year ended 30 June 2025 are attached to this report.

ECM INDEXES

Subject Index:	FINANCIAL MANAGEMENT: Financial Reporting, Audit
Customer Index:	NIL
Property Index:	NIL

ATTACHMENTS

Annexure A	General Purpose FS FY2025
Annexure B	Special Purpose FS FY2025