14 REPORT OF THE DIRECTOR CORPORATE AND COMMERCIAL

14.1 Presentation of the 2024-25 Annual Financial Statements

CSP Objective:	Outcome 4.1 Public funds and assets are managed strategically, transparently and efficiently.
CSP Strategy:	4.1.1 Public funds are managed in accordance with Financial Management Standards and the Local Government Act, with accurate and timely reporting.
Delivery Program:	4.1.1.1 Strengthen financial reporting, ensure legislative compliance, and promote long-term sustainability by enhancing scrutiny and oversight processes while optimising funding opportunities, and improving procurement practices.

Summary

Council is required to advertise a summary of Audited Financial Statements for the year and formally present them to the public in accordance with the *Local Government Act 1993*.

Any person may make a submission with respect to the financial reports within seven days of them being presented to Council.

Financial implication

N/A

Risk implication

Audits provide assurance to Council and the community that the Financial Statements accurately represent Council's financial position at the end of the financial year.

Policy

In accordance with sections 418 and 419 of the *Local Government Act 1993*, Council is required to advertise a summary of the financial result for the year and formally present the Annual Financial Statements to the public.

Any person may make a written submission with respect to the financial reports within seven (7) days of the reports being presented to the public.

As required under the *Local Government Act 1993*, Council will provide all submissions to the auditors and, in addition, may take action as considered appropriate.

Consultation (external)

Audit Office of NSW

Consultation (internal)

Audit, Risk & Improvement Committee meeting on 16 October 2025

Mayor and Councillors

Chief Executive Officer

Director Corporate and Commercial

Communication/Community engagement

Public notice of a summary of the financials has been advertised locally to give the community an opportunity to provide a submission.

Attachments
Nil

Enclosures

1 2024-25 Audited Financial Statements⇨

RECOMMENDATION

That Council:

1. Presents the 2024-25 Audited Financial Statements and Audit Reports to the public in accordance with sections 418 and 419 of the *Local Government Act 1993*.
2. Acknowledges the work and collaboration of the NSW Audit Office during the 2024-25 audit and also previous years.

Background

Kiama Municipal Council's audited 2024-25 Annual Financial Statements have been finalised. The NSW Audit Office has provided their various audit reports, and the Audited Financial Statements were submitted to the Office of Local Government on 23 October 2025 following the Council meeting held on 21 October 2025.

As presented and discussed at the above Council meeting, the unmodified opinion reflects the significant improvement to Council's financial reporting and internal systems and processes in recent years. The difference in the results between 2025 and last year was also provided, with the main difference being movements in the valuation of assets, loss on assets sold, the varying levels of capital grants, and the operating result from Blue Haven Bonaira (discontinued operations) in each year.

Report

Council has provided public notice that the Financial Statements and Auditor's reports will be presented at this meeting in accordance with Section 418 of the Local Government Act 1993 and has invited public submissions.

Following formal presentation of the Financial Statements and Auditor's Report to the public at the 18 November 2025 General Meeting, members of the public in accordance with Section 420 of the Local Government Act, have seven days until 27 November 2025, to make submissions about the documents. Such submissions must be in writing and must be referred by Council to the auditor.

The NSW Audit Office has issued an unmodified audit opinion for the 2024-25 Financial Statements.

A short summary of the Financial Statements is provided below but noting the full set of Financial Statements both General Purpose and Special Purpose are attached.

	2025 $ '000	2024 $ '000
Income Statement		
Total income from continuing operations	**74,082**	71,260
Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**63,272**	62,773
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**10,810**	8,487
Depreciation, amortisation and impairment of non-financial assets	**11,557**	11,185
Operating result from continuing operations	**(747)**	(2,698)
Operating result from discontinued operations	**(6,643)**	(10,116)
Net operating result for the year attributable to Council	**(7,390)**	(12,814)
Net operating result for the year before grants and contributions provided for capital purposes	**(22,907)**	(26,623)
Statement of Financial Position		
Total current assets	**42,552**	53,153
Total current liabilities	**(83,736)**	(82,666)
Total non-current assets	**674,237**	643,294
Total non-current liabilities	**(8,908)**	(6,257)
Total equity	**624,145**	607,524

Please refer to the attached 2024-25 Annual Financial Statements for details.

Final Management Letter

The Auditors Management Letter on the Final Phase of the Audit for the year ended 30 June 2025 has not been received at the time of the preparation of this report.

This letter is deemed by the Audit Office of NSW to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009* and contains an audit observation, risk assessment, and recommendation(s) and managements formal response addressing each matter.

Once the letter is received it will be provided to the Audit, Risk and Improvement Committee for review and ongoing follow-up.

14.2 Proposed Draft Lease: Gerringong District All Sports Incorporated - Gerry Emery Reserve

CSP Objective: Outcome 4.1 Public funds and assets are managed strategically, transparently and efficiently.

CSP Strategy: 4.1.2 Effectively manage assets and commercial investments, ensuring their relevance, lifecycle needs, and value are optimised in accordance with legislative requirements.

Delivery Program: 4.1.2.4 Development of Lease and Licence Policy for lessee and licencing in property.

Summary

The purpose of this report is for Council to

1. Give consent to granting an Agreement to Lease to the Gerringong District All Sports Incorporated. An agreement for lease is a legally binding contract between a landlord and a prospective tenant, often used when a property is still under construction or requires approvals.
2. Give consent to issuing a five (5) year Lease later during the construction phase to the Gerringong District All Sports Incorporated for a club house building on Lot 601 DP 739447 Bridges Road Gerringong. The proposed lease is for the operation of a clubhouse associated with Gerringong Cricket, Gerringong Football and Gerringong Touch Associations. The clubhouse will also be available for other cultural, educational, sporting or community uses approved by the Lessor.

Financial implication

In accordance with Council's 2025-26 Fees & Charges Schedule for a local sporting group or association the annual rental will be $525.45+ GST per annum ($578.00 including GST), plus outgoings. The rental will increase each year in accordance with Council's Fees & Charges.

The Lessee will be responsible for the outgoings, including electricity, garbage, sewerage and drainage charges, trade waste & grease trap servicing and agreed maintenance relating to the property. In addition, Public Liability Insurance and contents insurance will be the Lessee's responsibility.

Council will be responsible for the building insurance. Both parties will be responsible for their legal costs. These arrangements are consistent with those applied to other sporting groups within the Municipality.

Risk implication

Council needs to ensure that it follows good governance and ensure any tenancy is subject to the appropriate contract or lease arrangement. Council needs to make certain that the building is occupied with an appropriate tenant and with clear understanding of lessor and lessee responsibilities and obligations.

Policy

Local Government Act 1993

Council's Public Land Management Policy

Council's Lease & Licencing Policy

Consultation (internal)

Director Corporate and Commercial

Manager Property & Recreation

Property Coordinator

Property Officer

Communication/Community engagement

Council staff have met with the executive of the Gerringong District All Sports Incorporated (GDASI) to discuss the agreement to lease, the draft lease proposal and the required process for Council to enter into a lease of public property on Community Land as per the *Local Government Act 199*3 (LG Act). Discussions are progressing well with all parties working collaboratively and constructively.

Under the LG Act, Council is required to advertise the proposal in accordance with Section 47 of the Act. This will allow the community to comment on the proposal within the twenty-eight (28) day exhibition period.

In advertising the proposal Council must:

- place a public notice of the proposal on the council's website
- exhibit notice of the proposal on the land to which the proposal relates (Clubhouse building)
- give notice of the proposal to the adjoining landowners
- give notice of the proposal to any other person, appearing to the council to be the owner or occupier of land in the vicinity of the community land, if in the opinion of the council the land the subject of the proposal is likely to form the primary focus of the person's enjoyment of community land.

The notice of proposal must include the following information:

- the purpose for which the land will be used under the proposed lease
- the term proposed
- the name of the person/organisation to whom Council proposes to grant the lease to
- a statement that Council will be open to submissions from the community concerning the proposal within a period, not less than 28 days.

Attachments

Nil

Enclosures

Nil

RECOMMENDATION

That Council:

1. Commences the formal process including advertising the proposal to firstly enter into an Agreement to Lease and then secondly a Lease agreement for five (5) years with Gerringong District All Sports Incorporated, for the premises of clubhouse on Lot 601 DP 739447 Bridges Road Gerringong.
2. Present a further report to Council in relation to any relevant submissions received prior to any final lease being executed.

Background

Council at its meeting of 21 October 2025 resolved:

> *That Council:*
>
> 1. *Prior to the issue of the landowner consent, enters into an Agreement to Lease and a formal agreement with the Gerringong District All Sports Inc for Council to project manage the works on their behalf.*
> 2. *Delegate to the Chief Executive Office the authority to finalise and execute an Agreement to Lease, project management agreement and any landowner consents associated with the grant funding applications for the Gerry Emery Reserve clubhouse upgrades and completion.*

Since this resolution Council officers have met with the executive of GDASI to discuss the above resolution and grant application.

In 2022, grant funding of approximately $466,000 was secured by the GDASI to undertake the redevelopment and extension of the sport clubhouse to substantially increase its size to provide accessible and female specific facilities, large storage areas and an upstairs meeting/function room. The building work was undertaken following the approved Development Consent 10.2022.174.2 which was managed by GDASI, with Council support. Despite best endeavours, the upstairs areas were unable to be completed and currently remain as a building shell. This proposal is for the completion of these areas and finalisation of the sports club building with full occupation certificate approval.

Council have been working with GDASI in preparing their grant application by the submission deadline of 1 December 2025. A review of the proposal has noted that the project estimate is based on a preliminary itemised cost estimate from a local builder and has included contingencies, but not project management.

Council acknowledges the works undertaken by the GDASI and community volunteers in completing the previous stage of construction, especially Mr John Trevenar whose advocacy and commitment have been outstanding.

A condition of the grant application is that landowner's consent must be provided. As this project is for the construction of a community facility that is ultimately a Council asset, it is proposed that prior to the issue of a landowner consent, that GDASI enters into an Agreement to Lease and an agreement for Council to project manage the works on their behalf, using a project steering committee to coordinate and collaborate with user groups and key stakeholders. The project management costs will be drawn from the grant funding (where available) and from the Developer Contributions Reserve.

Agreement to Lease

An agreement for lease is a legally binding contract between a landlord and a prospective tenant, often used when a property is still under construction or requires approvals.

It sets out key conditions such as fit out responsibilities, approvals, and deadlines, reducing the risk of disputes.

Important clauses include the sunset clause (to prevent delays), defects liability period (to ensure quality), and consents for permitted use (to confirm legal approvals).

Lease Agreement

A lease agreement is a legal contract used when a party conveys land or personal property to another party for a specific amount of time in return for payment. The lease agreement outlines all of the aspects of the lease arrangement so that each party understands rights and obligations under the lease. Formal lease agreements are legally binding on both parties, and breach of the agreement, or failure to uphold the provisions of the agreement, has legal consequences.

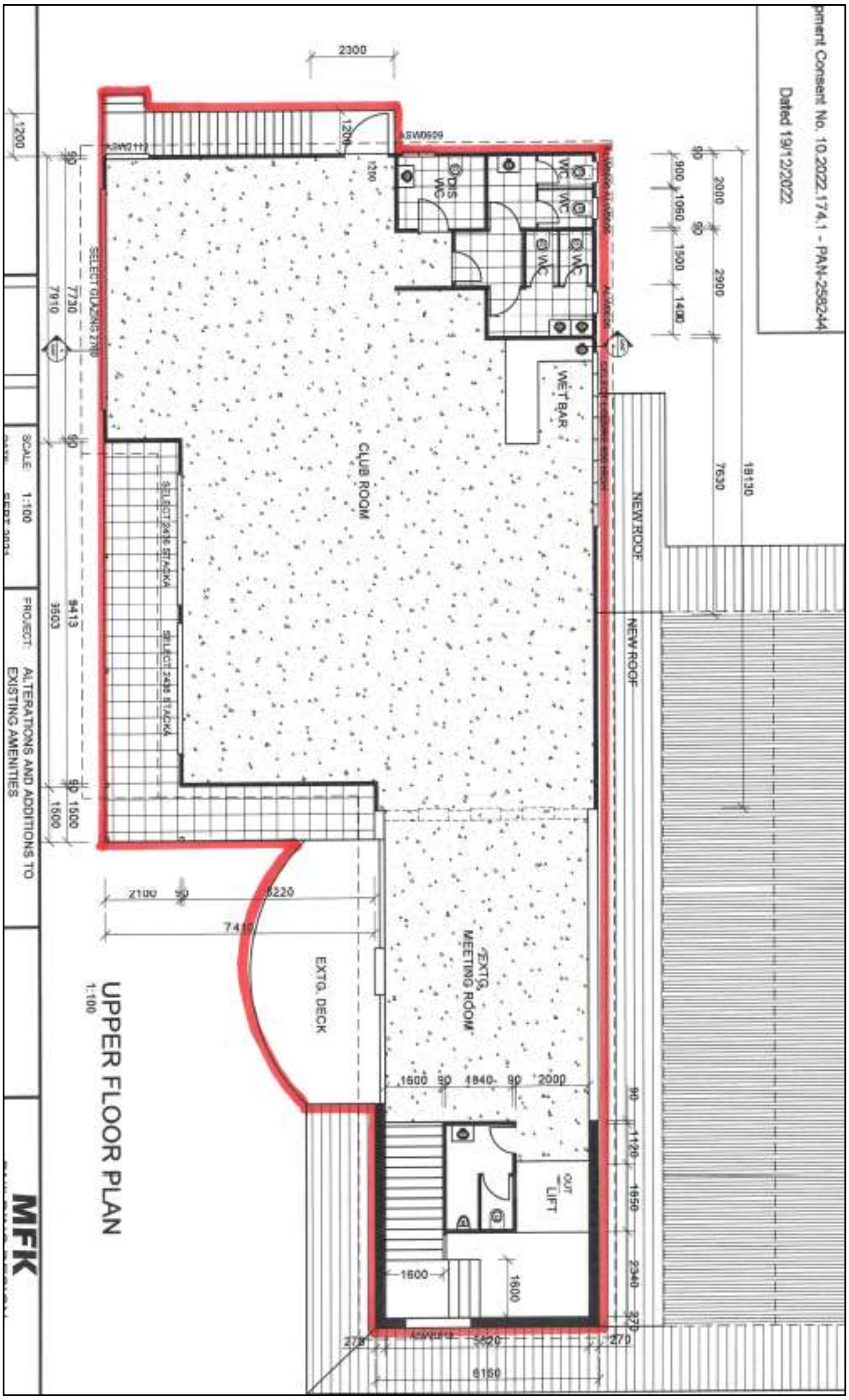
In addition, prior to the commencement of construction of the grant funded building, Council will require to advertise the proposed lease agreement. This will include the requirements under the Local Government Act to advertise the proposed lease on public land with this timeframe factored into the overall project completion timeline.

Under the provisions of the Local Government Act 1993, Council must enter into an agreement to lease and a lease agreement for the use and occupation of the building being a clubhouse Lot 601DP 739447 Bridges Road Gerringong (see diagram below).

Proposed Lease area

Location

Building area of the Lease



Proposed lease term

It is proposed to enter into a 5-year lease with GDSAI. This is in line with other sporting groups and associations leases within the LGA.

Permitted use

The proposed permitted use (Clubhouse Building Usage and Associated Activities) is as set out below:

Sporting Clubs Operations

- Training
- First aid training
- Sporting equipment training
- Sporting equipment storage
- Referee coordination
- Sporting club members fitness preparation/maintenance

Community Engagement/Sporting Activities

- Community group and sports training programs
- School education sporting programs

Community Engagement/Inclusion Activities

- Building hire (fee and no fee) for community groups access (Seniors groups, Pilates/yoga groups, community groups meetings, trivia nights etc)

- Open day events
- Gazetted calendar celebration events

Sporting Clubs Administration related Activities

- Committee meetings
- Board meetings
- Annual General Meetings
- Member awards functions
- Sporting recruitment events

Sporting Clubs Member related Events

- Celebration of Life functions
- Presentation events
- Social functions - meaning any gathering of members of the club (and their guests) organised by the club for social purposes, e.g. trivia night

Advertising

Under the *Local Government Act 1993*, Council is required to advertise the proposal in accordance with Section 47 of this Act. This will allow the community to comment on the proposal within the twenty-eight (28) day advertising period.

In advertising the proposal Council must:

- place a public notice of the proposal on the council's website
- exhibit notice of the proposal on the land to which the proposal relates (Surf Club building)
- give notice of the proposal to the adjoining landowners
- give notice of the proposal to any other person, appearing to the council to be the owner or occupier of land in the vicinity of the community land, if in the opinion of the council the land the subject of the proposal is likely to form the primary focus of the person's enjoyment of community land.

The notice of proposal must include the following information:

- the purpose for which the land will be used under the proposed lease,
- the term proposed,
- the name of the person/organisation to whom Council proposed to grant the lease to
- a statement that Council will the lessee and be open to submissions from the community concerning the proposal within a period, not less than 28 days,

All of the above must be specified in the notice.

Submissions

All submissions, both in support or against, will be reported back to Council. The report will outline submission details and other relevant information.

If a person makes a submission by way of objection to the proposal, details must be included in a report to the Council to enable the proposal to be reconsidered and then the proposal must be referred to the Minister of Local Government for consent to the proposal.

Proposed rental and outgoings

The proposed rental will be in accordance with Council's 2025–26 Fees and Charges Schedule for a community sporting group. The annual rental fee will be $525.45 + GST per annum ($578.00 incl. GST), plus outgoings. This rental will increase each year in accordance with Council's fees and charges.

The lessee will be responsible for outgoings, including electricity, garbage, sewerage and drainage charges, trade waste & grease trap servicing and agreed maintenance relating to the property.

Maintenance

The agreed maintenance schedule will form part of the lease agreement and will be in line with other sporting clubs within the municipality.

Insurance

Public liability and contents insurance will be the lessee's responsibility.

Council will be responsible for the building insurance.

Legal costs

Both parties are responsible for their legal costs.

These arrangements are consistent with those applied to other sporting clubs within the municipality.

All users of Gerry Emery Reserve

As part of the lease agreement all users of the Gerry Emery Reserve including GDASI and adjoining precinct users, will be invited to meet quarterly to discuss any issues or use of the Reserve. The meeting will be chaired by Council.

Conclusion

Council will advertise the proposed lease as set out under Section 47 of the *Local Government Act 1993* for 28 days, placing the relevant notices on site, on Council's website and notifying all relevant persons as set out in the report.

A further report will be presented back to Council outlining all submissions received in relation to the proposed lease.

14.3 Proposed road closure: Traversing Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama

CSP Objective:	Outcome 3.3: We love where we live and are strongly connected within our region. Growth and development will be managed sustainably, thoughtfully and equitably, while preserving our built and natural heritage.
CSP Strategy:	3.3.2 Manage development and growth sustainably and thoughtfully.
Delivery Program:	3.3.2.1 Council meets the legislative requirements for Planning and Assessment.

Summary

The purpose of this report is to seek Council's endorsement to commence the formal process to close an unformed section of Council public road. The surplus road reserve traverses Lot 101 DP 1176643 & Lot 2 DP 609971 Kiama **(see diagram 'A").** Upon closure, the land will vest in Council, as operational land in accordance with the *Roads Act 1993*. A separate title will be created following the formal closure enabling disposal to the adjoining landowner.

Following completion of the statutory road closure process, a further report will be presented to Council for the disposal of the land.

Financial implication

In accordance with Council's *Fees and Charges 25- 26*, there are no direct costs to Council for the initial investigative stage of a formal road closure.

The applicant will be responsible for 50% of the valuation fee, full fees for survey and plan registration costs, applicant's legal fees, statutory advertising, government and authority charges, and the land purchase price. Council will be responsible for their own legal fees and this is covered in the 25/26 budget.

Accordingly, the process represents minimal financial risk to Council and provides the opportunity to realise a positive financial return from the disposal of surplus land, while reducing long-term management responsibilities for an unused asset.

Risk implication

Sale of surplus road reserve is a standard local government process and poses low procedural risk or governance risk to Council. It is a requirement under the Roads Act 1993 that the application for closure be submitted by Council to the Department of Planning, Housing and Infrastructure, Crown Lands Division (Crown Lands).

Policy

Roads Act 1993

Local Government Act 1993

Crown Lands Management Act 2016

Council's Public Land Management Policy

Acquisition & Disposal of Land and Easements Policy

Consultation (internal)

Director Infrastructure and Operations

Manager Property & Recreation

Manager Engineering & Technical Services

Strategic Planning Coordinator

Senior Asset Engineer

Communication/Community engagement

In accordance with section 35 of the Roads Act 1993, Council is required to publicly advertise the proposed road closure. This will allow the community, adjoining landowners and relevant authorities to provide comments on the proposal with the twenty-eight (28) day exhibition period. If any objections are received within this period, a further report will be prepared for Council's consideration outlining the objections and proposed solution

A Notifiable Authority consultation was undertaken as part of the investigation stage, with notification issued on 28 August to relevant authorities. One (1) objection was received from Transport for NSW (TfNSW) however, following discussions between Council's Property and Strategic Planning teams and TfNSW, the objection has since been withdrawn.

Crown Lands have confirmed they have no objection to the proposed closure or for the land to vest in Council ownership as operational land upon the formal closure.

Attachments

Nil

Enclosures

Nil

RECOMMENDATION

That Council:

1. Commence the formal road closure process, including advertising and exhibition of the proposed closure of road reserve traversing Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama.
2. Classify the subject area of Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama road closed as operational land upon formal closure.
3. Delegate to the Chief Executive Officer and/or Mayor to sign any documentation associated with the application for closure of the public road traversing Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama.

4. Note that all relevant costs associated with the road closure will be borne by the applicant.
5. Note that a separate report will be provided to Council following community consultation and valuation, seeking approval for the sale to proceed.

Background

Council is the Roads Authority for the surplus road reserve that traverses Lot 101 DP 1176643 & Lot 2 DP 609971 Kiama **(see diagram 'A')** which is classified as 'Public Road'.

Council received a request on the 2nd July 2025 from the adjoining landowner's consultant, on behalf of the applicant, seeking the closure and purchase of the unformed section of Council owned public road.

Historical records indicate that, pursuant to the *Government Gazette* dated 31 December 1906 (Folios 7019–7020), the Main South Coast Road (Campbelltown via Wollongong, Ulladulla and Punkalla to Bega) was declared a Main Road in accordance with Section 38 of the *Local Government Extension Act 1906* and Section 119 of the *Local Government Act 1906*.

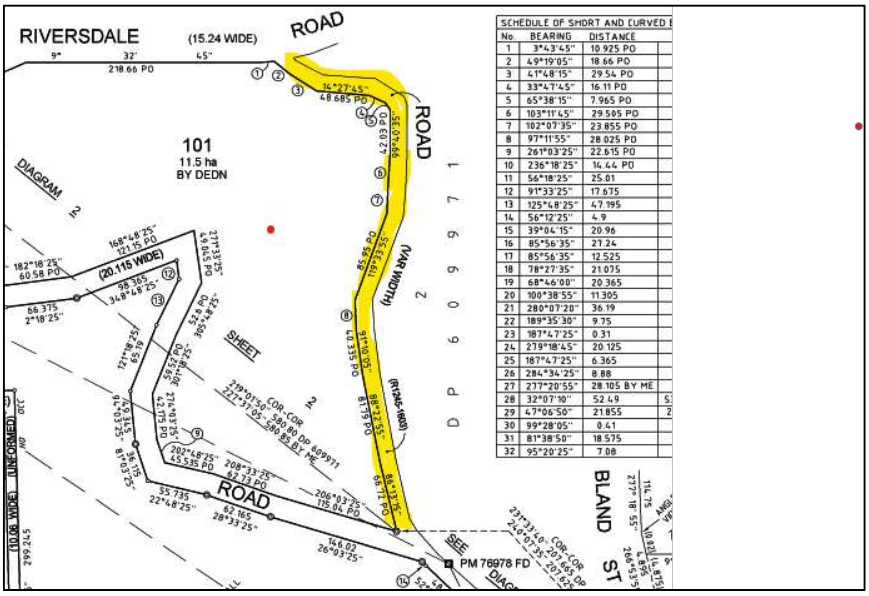
Therefore, this unformed Council Public Road is surplus to Council's needs, and it is recommended to formally close the public road.

Upon closure, the land will vest in Council in accordance with the *Roads Act 1993*, as operational land enabling Council, to proceed with a sale to the adjoining landowner (the applicant).

The unformed road reserve, which extends along both the northern and southern boundaries of the Applicant's property, measures approximately 513 metres in length and 17 metres in width (unsurveyed), with an overall area of approximately **8,348sqm**.

The parcel is effectively landlocked and does not provide access to any other private property.

Diagram A – showing the surplus road reserve traversing Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama.



Deposited Plan DP 1176643 – highlight of road to be closed.

Conclusion

Council is the Roads Authority for the surplus road reserve that traverses Lot 101 DP 1176643 and Lot 2 DP 609971 Kiama.

In accordance with section 35 of the Roads Act 1993, Council is required to publicly advertise the proposed road closure. This will allow the community, adjoining landowners and relevant authorities to provide comments on the proposal within the twenty-eight (28) day exhibition period.

Upon closure, the land will vest in Council, as operational land in accordance with the *Roads Act 1993*.

Following completion of the statutory road closure process, a further report will be presented to Council for the disposal of the land.

14.4 Quarterly Budget Review (QBR1) and Monthly Financial Statement September 2025

CSP Objective:	Outcome 4.1 Public funds and assets are managed strategically, transparently and efficiently.
CSP Strategy:	4.1.1 Public funds are managed in accordance with Financial Management Standards and the Local Government Act, with accurate and timely reporting.
Delivery Program:	4.1.1.1 Strengthen financial reporting, ensure legislative compliance, and promote long-term sustainability by enhancing scrutiny and oversight processes while optimising funding opportunities, and improving procurement practices.

Summary

This report presents the Draft Quarterly Budget Review Statement for the quarter ending 30 September 2025 to comply with Part 9, Division 3, Clause 203 (1) of the Local Government (General) Regulation 2021. This report details recommended changes to the adopted budget and a revised estimate of income and expenditure for the 2025-26 financial year.

Financial implication

Monitoring of the budget on a quarterly basis enables timely financial management and budget variations to effectively manage the resources available to Council to provide public services and amenities.

Risk implication

Not meeting legislative requirements as set out above can result in interventions from the Office of Local Government and failure to comply with the Performance Improvement Order.

Policy

Part 9, Division 3, Clause 203 (1) of the Local Government (General) Regulation 2021 legislates the preparation of this report. As such Kiama Council complies with the legislation by preparation of this report.

Consultation (internal)

Executive Leadership Team

Management Leadership Team

Management Accounting Finance Team

Communication/Community engagement

N/A

Attachments
Nil

Enclosures

1 Quarterly Budget Review (QBR1) - September 2025⇨

2 Financial Statements - YTD September 2025⇨

RECOMMENDATION

That Council:

1. Notes the changes to the 2024-25 Local Government Accounting Code of Practice and NSW Office Of Local Government (OLG) Quarterly Budget Review Statement (QBRS) Guidelines (effective 2025-26 QBR1) which impacts the presentation of Council's current financial reports.
2. Receives and adopts the quarterly budget review statement for the quarter ending 30 September 2025, including the recommended changes relating to the operational and capital budget expenditure.

Background

This report highlights Council's year-to-date (YTD) September 2025 (Q1) financial results against the adopted budget and presents recommended changes to both the operational and capital budgets and associated internal and external restricted reserves.

Consistent with the Strategic Finance & Governance Improvement Plan and Long-Term Financial Plan (LTFP), Council's 2025-26 budget continues to depend on asset divestments to achieve key performance indicators, maintain positive cash flow and to reinvest in future strategic revenue generating initiatives.

The current Performance Improvement Order (PIO) specifies that Council must demonstrate sustainable financial performance, including net surplus positions before capital grants and one-off divestments and maintain positive unrestricted cash balances by the 2026-27 financial year.

Accounting Code of Practice and Quarterly Budget Review (QBR) updates

In August 2025, the NSW Office of Local Government (OLG) released updated QBRS guidelines to improve transparency and consistency across councils. Key changes include standardised templates, fund-level reporting, and a new electronic data return process.

Effective from Q1 of the 2025-26 financial year, these updates enhance financial clarity for councillors and the community. This report reflects Kiama Council's alignment with the new framework and commitment to transparent financial management.

The 2024-25 revised Local Government Accounting Code of Practice (the Code) introduced changes to the presentation of operating results. Depreciation, amortisation, and impairment expenses are excluded from total expenses and displayed on a separate line. This change is intended to better reflect the underlying performance and will impact both the financial statements and Quarterly Budget Review Statement (QBRS) reporting

As a result of these changes, Council has updated its monthly financial reporting formats and will also update the LTFP format accordingly for the 2026-27 budget build. Lastly, operational and capital carry forwards, along with non-QBRS changes, are no longer shown in separate columns but are now included within the relevant quarterly columns. For clarity, supporting tables continue to break down these adjustments into carry forwards, non-QBRS changes, and QBRS-recommended budget changes.

QBR Overview

For the quarter ending 30 September 2025, Council has reviewed its adopted budget and identified key adjustments necessary to reflect updated information and changing circumstances. These changes ensure the budget remains a reliable projection of Council's expected financial position at year-end.

The review supports informed decision-making and financial accountability, in line with the updated QBRS framework introduced by the OLG. Discussion of the YTD financial performance of Council and assessment of the key material budget variances used to inform recommended changes in the QBR are contained in the 'Operational Results' section of this report.

QBR1 Impact on adopted budget

Operating Results from continuing operations (including depreciation) has been forecast at $1.1M, an improvement of $1.1M compared to Councils original adopted budget of $53K or essentially breakeven. This can be explained by a $3M increase in income, offset by a smaller $1.9M increase in expenditure.

Under the previous Code, capital grant income and net gains/losses from asset disposals were excluded from income from continuing operations in Council's monthly financial statements, QBRS reports and LTFP. The updated Code now includes these items, resulting in a stronger reported operating result from recurring operations at Q1.

Operating Results before or excluding capital grants and contributions however is forecast to decline by $1.5M, moving from a deficit of $2.8M to a deficit of $4.3M. This is due to increases in operational expenditure of $1.9M offset by a net increase in income (excluding capital grants) of only $0.4MK.

Income from capital grants and contributions is forecasted to increase by $2.6M, rising from $2.9M to $5.5M, primarily due to anticipated receipt of additional Disaster Recovery Funding Arrangement monies.

The attached Capital QBRS for the period ending 30 September 2025 shows a proposed increase of $5.1M to the capital budget program, increasing the adopted budget from $19.9M to $25M. See 'Capital Program' section of this report for more detail.

As a result of these proposed and noted operating and capital budget adjustments, Council's net unrestricted cash position for the year is forecasted to decrease by $705K, reducing the forecast 2025-26 of $10.2M to $9.5M. See the 'Cash Flow and Reserves' section of this report for more details.

Table 1. The following table presents a summary of the quarterly budget review movements for QBR1 for the Operational Budget.

Description	Original Budget	Already Endorsed by Council		QBR 1 Recommended Changes	Total Budget Changes at QBR	Projected Year End Result
		Carry Forwards	Non-QBR Changes			
Income	62,919	0	244	2,734	2,978	65,897
Expenses excluding depreciation	53,712	374	149	1,376	1,899	55,611
Operating Result excluding depreciation	**9,206**	**-374**	95	**1,358**	**1,079**	**10,285**
Depreciation	9,153	0		0	0	9,153
Operating result from continuing operations	**53**	**-374**	95	**1,358**	**1,079**	**1,132**
Net Operating Result before capital grants	**-2,835**	**-374**	95	**-1,234**	**-1,513**	**- 4,348**

Material QBR changes to income

An increase of $2.7M in total income has been recommended at QBR1. The most significant changes relate to:

- $2.6M increase in grant revenue, predominately relating to additional funding from Disaster Recovery Funding Arrangements capital grants but also smaller operating grants
- $178K increase in expected revenue from compliance activities
- $200K extra revenue relating to legal fee recoveries
- $126K increase in rates income due to land valuation changes

These increases have been offset by decreases relating to:

- $215K reduction in interest on investments due to revised forecast of interest rates and cash balances
- $148K in various operating grant adjustments

Material QBR1 changes to expenditure

An increase of $1.4M in total expenditure has been recommended at QBR1(noting the carry forward amount of $374K . The most significant changes relate to:

- $566K in employee benefits - $250K allowing for award increases and new salary system progression increases as previously resolved, $160K relating to employee termination payments and the balance of $150K being roles and/or adjustments to assist with key initiatives including asset recycling and divestment strategy
- $320K expenditure budget relating to funding associated with Block Grant Funding from Transport NSW
- $250K relating to increased costs and commissions connected with increased revenue across holiday parks
- $116K expenditure relating to additional operating grant funded initiatives

QBR Capital Program

<u>Table 2.</u> The following table presents a summary of the quarterly budget review movements for QBR1 for Capital Budget and associated funding.

Description	Original Budget	Already Endorsed by Council		QBR1 Recommended Changes	Total Budget Changes at QBR	Projected Year End Result
		Carry Forwards	Non-QBR Changes			
Rates & other untied funding	6,257	954	0	1,086	2,040	8,298
Reserves	13,677	4,347	0	-1,320	3,027	16,703
Total Capital Funding	**19,934**	**5,302**	**0**	**-234**	**5,067**	**25,001**
Capital Expenditure	18,001	5,302	0	-234	5,067	23,067
Purchase of Investment Property	1,933	0	0	0	0	1,933
Total Capital Expenditure	**19,934**	**5,302**	**0**	**-234**	**5,067**	**25,001**

The attached QBRS for the period ending 30 September 2025 contains recommended decreases of $234K to the capital program. $5.3M of carry forwards were already noted at the August 2025 Council meeting and therefore do not require Council resolution.

The combination of these two amounts has led to a net increase of the original adopted capital budget of $5.1M (from $19.9M to $25M).

The associated capital funding sources have also been adjusted to reflect the subsequent changes. The increase will be sourced by both external restricted reserves of $3M and general funds of $2M. This brings the total $25M split $17M from external restricted reserves and $8M from general funds.

YTD to 30 September 2025, Council has undertaken $1.85M of capital expenditure works.

Council will note the Short Term Cash & Reserves Report and the adjusted cash flow statement from September outlining key changes and initiatives over the October to December quarter. These initiatives have not been incorporated into this QBR review as the position will be further evaluated in January and formal adjustments advised in QBR2 to be presented to Council in February 2026.

It should be noted that the current adopted capital program contains certain projects that are recorded initially as capital expenditure, however will be reclassified to operational expenditure as part of the end of financial year process relating to the external audit of Councils financial statements and to comply with the relevant accounting standards, primarily AASB 140 – Investment Property and AASB 116 – Property, Plant and Equipment. With Terralong ILU and the accounting standard, the annual revaluation process that will flow through the Income & Expenditure Statement is expected to cover and offset the costs.

<u>These projects total $6M and relate to:</u>

- OneCouncil Implementation Projects $3.7M
- Blue Haven Terralong ILU refurbishments $1M
- Blue Haven Terralong Fire Protection Upgrades $1M
- Blue Haven Terralong Maintenance Levy Expenditure $250K

Further details on the specific budget changes can be found in the Capital QBRS attached to this report.

QBR1 Cash Flow and Reserves

The Cash and Investments statement in the attached QBRS highlights that Councils original adopted budget projected a significant increase in unrestricted cash, increasing from $923K in FY25 to $10.1M by the end of 2025-26. The driver of this increase was primarily relating to the expected divestment of numerous Council owned properties. At this stage, the 2025-26 property divestment plan is under review and changes to the budget will be made once these changes can be ascertained.

Considering the proposed and noted changes to both the operating and capital budget, Councils unrestricted cash is expected to reduce by $705K, bringing the new expected closing balance to $9.5M.

Throughout 2024-25 and 2025-26, Council has endorsed several transfers of internally restricted funds to unrestricted cash to support ongoing operations, pending the completion of planned property divestments. As at 30 September 2025, the total value of these transfers is $7.3M. Please see Councils monthly 'Statement of Investments' report for further details.

An additional column has been added to the Cash and Investments Statement to show the projected unrestricted cash closing balance for 2025-26, assuming all transfers are repaid. Under this scenario, the closing balance of unrestricted cash would be $2.2M, compared to $9.5M without repayments.

YTD Operational Results

Before considering the recommended budget adjustments in this QBRS, Council's YTD financial performance and variances are outlined below.

As at 30 September 2025, consolidated operating results from continuing operations show Council remains broadly on track with its adopted budget, recording a favourable variance of $80K at a consolidated level. When considering operating results excluding capital grants and contributions, the variance is $452K (2%) unfavourable, highlighting Councils reliance on this source of revenue.

<u>Income from continuing operations</u>

Income from recurring operations is favourable by $308K (1%), primarily due to higher-than-expected capital grants and contributions, largely driven by Disaster Recovery Funding receipts.

<u>Expenses from continuing operations excluding depreciation</u>

Expenses from continuing operations show an unfavourable variance of $247K (2%), mainly due to higher employee costs ($551K), partially offset by underspending in materials and contracts ($253K).

Please refer to Table 3 for a detailed explanation of the material variances.

<u>Table 3.</u> This table provides further explanation of the identified material operational budget variances

Financial reporting level	Material variance	Comments
User charges and fees	$108K (3%) (U)	• <u>Holiday Parks</u> **$292K U (-13%)**, less income from Seven Mile & Kendall Beach Holiday Parks due to cabin closures, absence of marketing. • <u>General Fund</u> **$201K F (15%)** - Development Applications & Notification ($70K F) - Domestic Waste Disposal and Commercial Waste Charges ($81K F) - Others ($48K F) • <u>Blue Haven Terralong</u> **$17K U (-6%)** – On track
Interest & Investment Revenue	$164K (21%) (U)	• <u>General Fund</u> **$164K U (-30%)** - Interest rates steadily reducing - lower cash and investment balances

Financial reporting level	Material variance	Comments
Other Revenue	$150K (19%) (F)	• General Fund **$186K F (67%)** - Legal Fees Recovery ($114K F) - QBR1 adjustment - Visitors Information Centre Sales ($62K F) • Blue Haven Terralong **$36K U (-6%),** DMF income - vacant units
Operational Grants & Contributions	$87K (10%) (U)	• General Fund (10%): - **$95K U** Coastline Management Plan Projects, change in project timeline and payments schedule. QBR1 adjustment - **$55K U** Cadet Program Grants, timing issues - payments will be received in later months. QBR1 adjustment - **$87K F** multiple unbudgeted grants receipts due to grant approvals being post original budget adoption. QBR1 adjustment - **$25K F** Financial Assistance Grant. QBR1 adjustment. - **$49K U**, other minor variances.
Capital Grants & Contributions	$533K (144%) (F)	• General Fund (144%): - **$638K F** Disaster Recovery Funding Agreement Grant receipt, not budgeted due to acquittal approval post original budget adoption. QBR1 adjustment. - **$77K F** Developer Contributions – monitor for future adjustment at QBR - **$211K U** variation of project timeline and payment schedule under Essential Community Sport Assets Program (ESCAP) - **$29K F**, other minor variances.
Materials and Contracts	$253K (3%) (F)	• Holiday Parks: **$53K F (4%)** – On track overall, however park manager commission payments are unfavourable and being offset by underspends in maintenance and other costs – QBR1 adjustment • General Fund: **$282K F (5%)** timing in spending on Fleet, Park Services, Domestic & Commercial waste. • Blue Haven: **$82K U (-63%)**, 68% annual budget of maintenance costs used in the first quarter. QBR1 adjustment.
Employee Benefits	$551K (8%) (U)	• General Fund: **$532K U (-8%)** - $160K U Unbudgeted termination payments - $127K U Overestimation of vacancy rate budget – recruitment review process underway and will be continually monitored

Financial reporting level	Material variance	Comments
		- $136K U Undercapitalisation of wages – original budget overestimated, new capitalisation process to be implemented over the year to reduce or eliminate this variance completely - $56K U Overtime costs - $53K U, Casuals $25K U and other immaterial variances. • Blue Haven: **$19K U (-29%),** overtime contributed to 50% of the variance, with the remaining portion due to minor overspending in other categories.
Total Variances explained (A)	$26K (F)	

Table 4. This table categorises the year-to-date budget variances classifying the cash impact under restricted cash, unrestricted cash, or non-cash.

Total Variances explained (A)	**$26K (F)**	
Other Variances (B)	**$54K (F)**	
Total variance per Consolidated Income Statement (A+B)	**$80K (F)**	
Unrestricted Fund Variance	**$517K (U)**	**Net impact on unrestricted cash position, including:** • $164K U – Interest & Investment Revenue • $142K F – Other Revenue • $583K U – Employee Benefits • $163K U – Borrowing costs • $251K F - Other minor variances
Restricted Fund Variance	**$579K (F)**	**Net impact on unrestricted cash position, including:** • $533K F – Capital Grants & Contributions (Unspent Grants Reserves) • $273K F – Materials & contracts (Domestic Waste Management and Crown Reserves) • $226K U – User charges and fees (Crown Reserve) • $87K U – Operational Grants & Contributions (Unspent Grants Reserves)

		• $86K F – Other minor variances
Non-Cash Variance	**$19K (F)**	**Net impact - No impact on cash position** • $19K F – Depreciation

YTD cash flow

As at 30 September 2025, Council has drawn $3.5M from restricted reserves, increasing its unrestricted cash by $3.3M—partly due to cash management strategies outlined in the August report. YTD net cash outflow totals $150K, with the adopted budget forecasting a $989K cash increase by June 2026. This projection remains on track, contingent on planned property divestments and other budgeted items.

14.5 Statement of Investments - October 2025

CSP Objective:	Outcome 4.1 Public funds and assets are managed strategically, transparently and efficiently.
CSP Strategy:	4.1.1 Public funds are managed in accordance with Financial Management Standards and the Local Government Act, with accurate and timely reporting.
Delivery Program:	4.1.1.1 Strengthen financial reporting, ensure legislative compliance, and promote long-term sustainability by enhancing scrutiny and oversight processes while optimising funding opportunities, and improving procurement practices.

Summary

This report provides an overview of Council's cash and investment portfolio and investment performance as at 31 October 2025 and endorsement of the restricted funds position.

Financial implication

Investments are undertaken based upon the best rate on the day and after consideration of spreading Council's Investment risk across various institutions as per the Investment Policy and section 625 of the *Local Government Act 1993*. The distinction between restricted and unrestricted funds is a key operational and financial understanding.

Risk implication

The risk related to this information is non-compliance with Council's Investment Policy and Office of Local Government guidelines for appropriate monitoring and reporting of changes and the position of restricted funds.

Policy

Clause 625 of the *Local Government Act 1993*

Clause 212 of the Local Government (General) Regulation 2021

Kiama Municipal Council – Investment Policy

Kiama Municipal Council – Restricted Funds Policy

Consultation (internal)

Chief Executive Officer

Director Corporate and Commercial

Financial Manager

Senior Financial Accountant

Communication/Community engagement

N/A

Attachments

Nil

Enclosures

1 Kiama Monthly Report - October 2025⇨

RECOMMENDATION

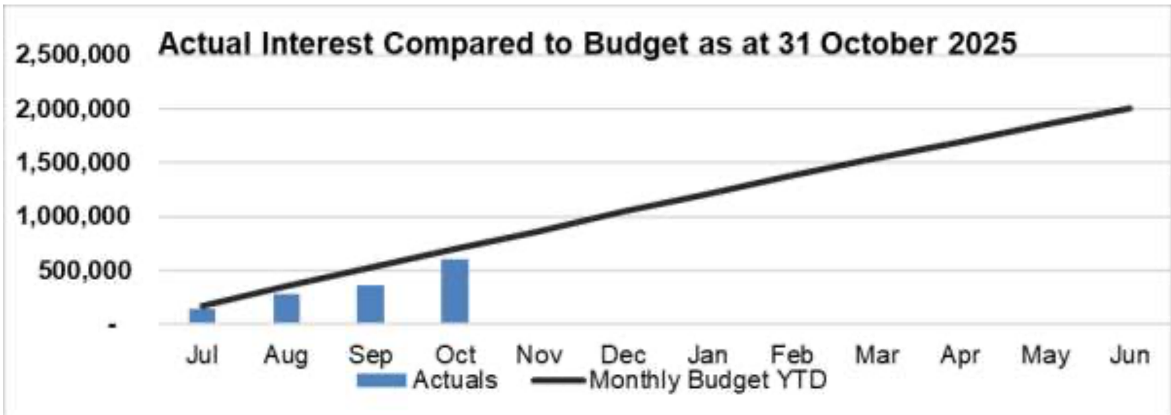
That Council receives the information relating to the Statement of Investments as at 31 October 2025.

Background

Council is required to invest its surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. Council's Investment Policy provides a framework for the credit quality, institutional diversification, and maturity constraints that Council's portfolio can be exposed to. Council's investment portfolio was controlled by Council's Finance Department during the period to ensure compliance with the Investment Policy. External investment advisor advice is also considered at the time.

Return on investments

For the month of October, excluding cash, the total portfolio provided a return of +0.40% (actual) or +4.82% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.30% (actual) or +3.55% p.a. (annualised). All time periods are now comfortably above benchmark returns.



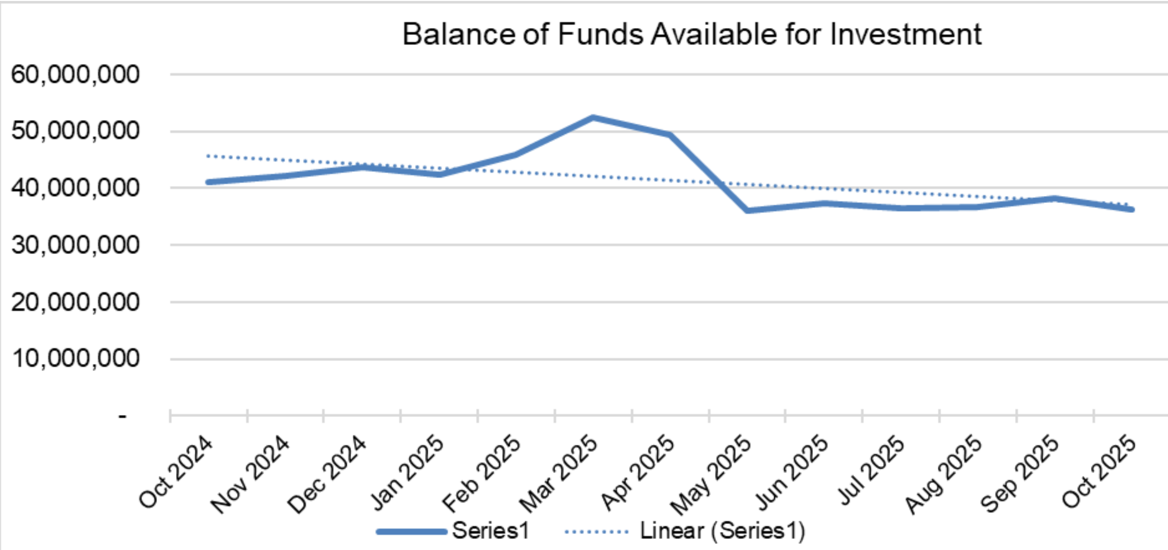
Even though the total portfolio performed above benchmarks, as advised in the August Monthly Finance Report and the resulting Cash Flow Review presented in September, cash and investment balances have been lower than forecast in the first quarter of 2025/26, therefore interest returns are lower than forecasted budgets. The performance will continue to be monitored and (re)assessed at upcoming QBR's.

Portfolio compliance

As at the end of October 2025, Council remains fully compliant with all investment limits.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	ANZ	AA-	$1,000,000	2.74%	40%	$13,599,613
✓	Westpac	AA-	$13,499,032	36.98%	40%	$1,100,581
✓	NAB	AA-	$6,000,000	16.44%	40%	$8,599,613
✓	ING	A	$7,000,000	19.18%	30%	$3,949,710
✓	Australian Unity	BBB+	$2,000,000	5.48%	15%	$3,474,855
✓	Bank of Us	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	Hume Bank	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	P&N Bank	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	State Bank of India	BBB	$4,000,000	10.96%	15%	$1,474,855
			$36,499,032	**100.00%**		

Movement in investments



Trades matured in October:

Issuer	Rating	Type	Interest	Purchase	Maturity	Rate %	Value
NAB	AA-	TD	At Maturity	16/10/2024	15/10/2025	4.95	2,000,000
ING Bank (Australia) Ltd	A	TD	At Maturity	26/02/2025	29/10/2025	4.74	2,000,000
Total							**4,000,000**

No new trades were entered into in October.

Portfolio summary:

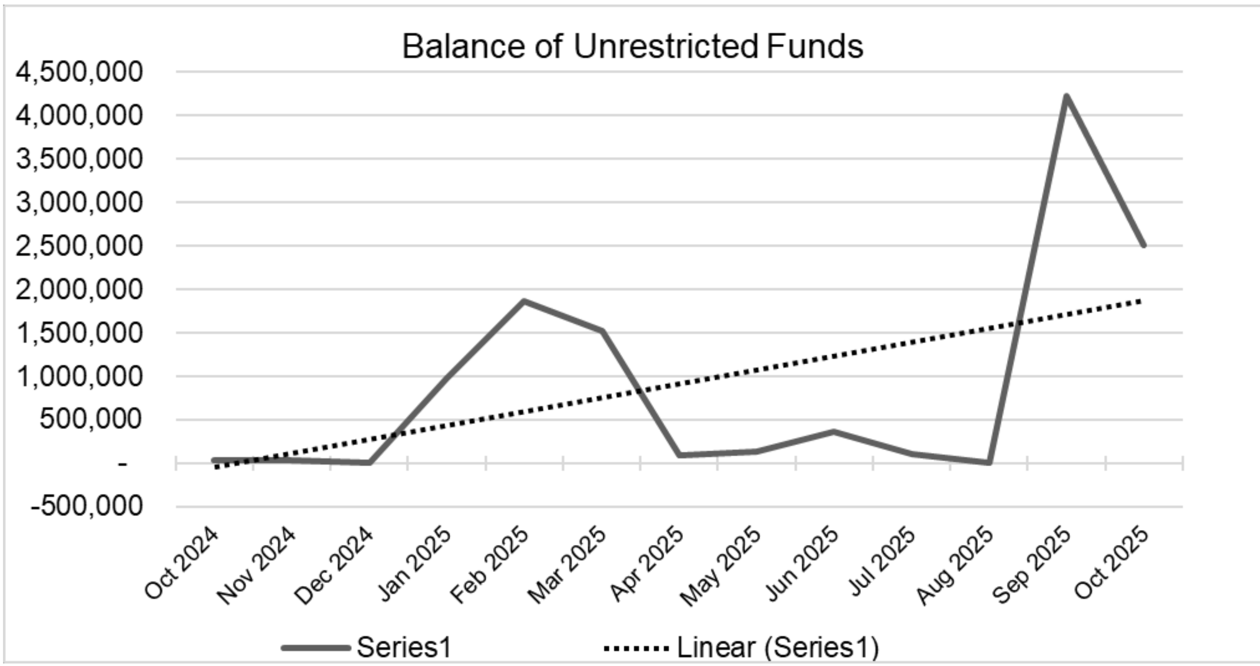
Issuer	Rating	Type	Interest	Purchase	Maturity	Rate %	Value
Suncorp Bank	AA-	TD	At Maturity	21/11/2023	21/11/2025	5.36	1,000,000
Australian Unity Bank	BBB+	TD	At Maturity	28/11/2024	27/11/2025	5.11	2,000,000
ING Bank (Australia) Ltd	A	TD	At Maturity	04/12/2023	04/12/2025	5.25	1,000,000
ING Bank (Australia) Ltd	A	TD	At Maturity	18/12/2023	18/12/2025	5.20	2,000,000
P&N Bank	BBB+	TD	At Maturity	13/12/2024	07/01/2026	5.02	1,000,000
ING Bank (Australia) Ltd	A	TD	Annual	10/01/2024	14/01/2026	4.96	1,000,000
NAB	AA-	TD	Annual	18/12/2024	04/02/2026	4.95	1,000,000
NAB	AA-	TD	At Maturity	12/02/2025	11/02/2026	4.78	2,000,000
Bank of Us	BBB+	TD	Annual	06/03/2024	11/03/2026	4.96	1,000,000
ING Bank (Australia) Ltd	A	TD	At Maturity	11/04/2024	08/04/2026	4.92	2,000,000
State Bank of India, Sydney Branch	BBB	TD	At Maturity	02/07/2025	29/04/2026	4.15	2,000,000
NAB	AA-	TD	At Maturity	04/09/2025	04/06/2026	4.18	1,000,000
State Bank of India, Sydney Branch	BBB	TD	Annual	11/06/2025	10/06/2026	4.30	1,000,000
Westpac	AA-	TD	At Maturity	10/07/2025	08/07/2026	4.15	2,000,000
ING Bank (Australia) Ltd	A	TD	At Maturity	22/07/2025	22/07/2026	4.15	1,000,000
NAB	AA-	TD	At Maturity	06/08/2025	05/08/2026	4.16	1,000,000
NAB	AA-	TD	At Maturity	04/09/2025	04/11/2026	4.11	1,000,000
State Bank of India, Sydney Branch	BBB	TD	At Maturity	28/05/2025	28/05/2027	4.25	1,000,000
Hume Bank	BBB+	TD	At Maturity	06/08/2025	04/08/2027	3.95	1,000,000
Westpac	AA-	CASH	At Maturity	31/10/2025	31/10/2025	3.42	11,499,032
Total 36,499,032							

Restricted Funds movements

The restricted funds movement for this month and balances are presented in the table below.

Cash and Investments Held	30/09/2025	Movement	31/10/2025
Cash at Bank - Transactional Account	9,062,403	2,436,629	11,499,032
Other Cash and Investments	29,000,000	(4,000,000)	25,000,000
Total Portfolio Balance (agrees to Arlo Advisory report)	**38,062,403**	**(1,563,371)**	**36,499,032**
Cash on Hand	5,550	0	5,550
Unpresented cheques & other items	174,556	(352,478)	(215,328)
Book Value of Cash and Investments	**38,242,509**	**(1,493,496)**	**36,289,254**
Unspent Loan Funding	400,000	0	400,000
Unexpended Grants	4,708,218	216,450	4,924,668
Developer Contributions (Unexpended)	14,204,854	39,294	14,244,148
Stormwater Levy	518,415	13,729	532,144
Security bonds, Deposits & Retentions	1,913,936	(2,921)	1,908,695
Crown Reserve	1,749,921	(394,435)	1,355,486
Domestic Waste Management	6,983,923	(17,984)	6,965,939
Blue Haven Terralong ILU Maintenance Levy	1,715,405	0	1,715,405
Roads Reserve	35,200	0	35,200
External Restrictions	**32,229,872**	**(148,186)**	**32,081,685**
Employee Leave Liabilities	1,440,502	0	1,440,502
Land Development	0	0	0
Temporary Funding of Disaster Recovery Funding Agreement Works	(157,425)	(87,751)	(245,176)
Blue Haven Terralong ILU Prudential Cover	500,000	0	500,000
Plant Replacement	0	0	0
Risk Improvement Incentive	0	0	0
Terralong ILU Capital Works	0	0	0
Internal Restrictions	**1,783,077**	**(87,751)**	**1,695,326**
Unrestricted Cash	**4,229,561**	**(1,717,318)**	**2,512,243**

Unrestricted funds



Council's overall cash balance decreased during October from $38.2M to $36.2M. The $2M decrease is a result of business-as-usual operations and the following significant events:

- Receipts of outstanding rates revenue generated from reminder notices totalling $1.4M.
- Partly offset by annual subscription payments to Datacom and State Cover of approximately $340K.
- Partly offset by capital works payments of $310K.
- Partly offset by ILU departure payment of $606K.
- Five supplier and payroll payment runs during the month.

Council has adopted a deficit budget for the 2025/26 financial year, with an expected reduction in unrestricted cash of $5.4 million (excluding proceeds from asset sales). This equates to $450K per month. As a result, it is anticipated that Council will need to draw from internal reserves until cash proceeds from operating surplus or planned divestments are realised.

Following the Short Term Cash & Reserves Position Report in September, the above overall cash position at 31 October and the Unrestricted & Internal Restricted balances reflects the initiatives introduced to improve the short term liquidity position. No repayment of previous drawdowns of internal restricted reserves are planned at this stage of the adjusted cash flow strategy.

The summary of extraordinary transfers from reserves to replenish unrestricted cash as per previous Council resolutions is summarised below:

Reference	Date Effective	Reserve	Amount	Reason
24/316OC	30/11/2024	Waste Business Unit Reserve	**-1,420,704**	Insufficient unrestricted cash balance – to be repaid when funds available
25/144OC	30/04/2025	Land Development	**-476,308**	Insufficient unrestricted cash balance – to be repaid when funds available
25/144OC	30/04/2025	Plant Replacement	**-900,000**	Insufficient unrestricted cash balance – to be repaid when funds available
25/144OC	30/04/2025	Terralong ILU Capital Works	**-1,100,000**	Insufficient unrestricted cash balance – to be repaid when funds available
25/259OC	31/07/2025	Plant Replacement	**-874,588**	Insufficient unrestricted cash balance – to be repaid when funds available
25/289OC	31/08/2025	Employee Leave Liabilities	**-1,500,000**	Insufficient unrestricted cash balance – to be repaid when funds available
25/289OC	31/08/2025	Terralong ILU Capital Works	**-1,000,000**	Insufficient unrestricted cash balance – to be repaid when funds available
		Total repayable transfers	**-7,271,600**	

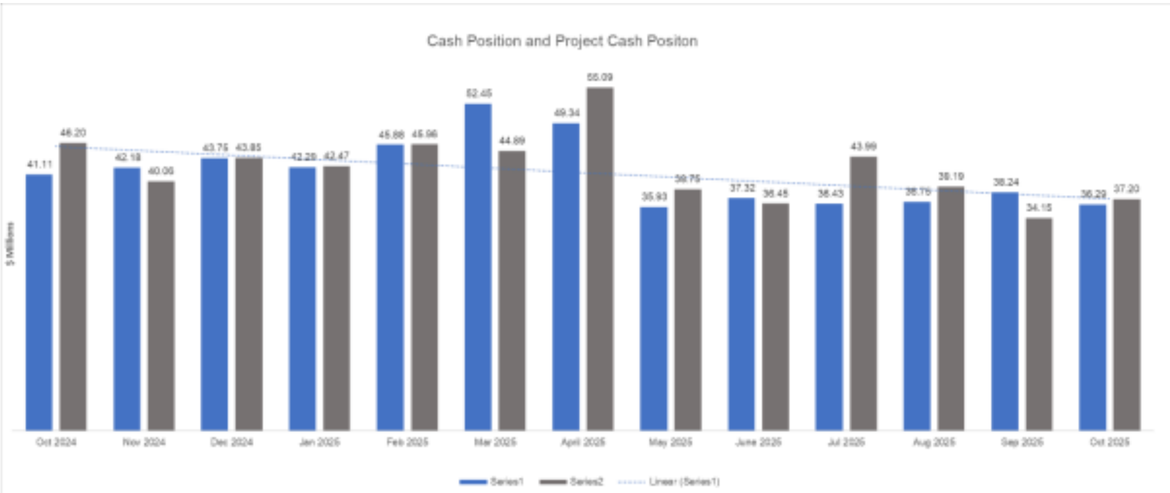
As per each resolution, all tabled transfers will be repaid as soon as unrestricted funds become available.

Consolidated cash position and cash flow forecast

The below graph depicts the cash forecast for a period of 12months including October 2025, whilst comparing the current cash reserve balance to the predicted cash reserve balance.

The cash position at the end of October 2025 is $900K unfavourable to forecast, however the Adjusted cash flow forecast in the Short Term Cash & Reserves Position Report included the use of Council's overdraft of $2M, which has not been required. Allowing for this, this reflects $1.1M ahead due to the initiatives introduced.

The cash flow forecast will continue to be tightly monitored and updated across Council's entire operations but notably to better reflect the timing issues of key matters such as the Terralong building compliance issue and the upcoming unit sales. Additionally, a review of all internal and external reserves along with a review of internal corporate allocations will occur to ensure appropriate and equitable allocation across business units and corresponding reserves.



Certification – Responsible Accounting Officer

I hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, clause 212 of the Local Government (General) Regulation 2021 and Council's Investment Policy.

Joe Gaudiosi

Director Corporate and Commercial

6/11/2025