2025/26 Financial Statements

Strategic Alignment - Our Corporation

Public

Wednesday, 23 September 2026

Audit and Risk Committee

Program Contact:
Mitch Woods, Associate Director Finance & Procurement

Approving Officer:
Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

The purpose of this report is to consider and approve the Audited Financial Statements of Council for the year ended 30 June 2026 for certification.

As required by the *Local Government (Financial Management) Regulations 2026* (SA), the Annual Financial Statements of Council must include a statement signed by the Chief Executive Officer and the Principal Member of Council.

The Consolidated Financial Statements present an overall surplus result of $9.205 million, an improvement of $0.664 million compared to the budget of $8.541 million approved at Q3.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Receives the City of Adelaide's Consolidated Financial Statements for the year ended 30 June 2026, as contained in Attachment A to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, subject to minor administrative changes and subsequent balance date event adjustments, to be certified by the Chief Executive Officer and the Lord Mayor.
2. Considers that the Consolidated Financial Statements present fairly the financial position of the City of Adelaide, having reviewed the Consolidated Financial Statements for the year ended 30 June 2026, as contained in Attachment A to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026.
3. Considers it is appropriate that the representation letter requested by the external auditor, as contained in Attachment B to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, is signed by management.
4. Notes the Certification of Auditor Independence for the City of Adelaide and its subsidiaries as contained in Attachment C to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026 is considered by the Chief Executive Officer and the Presiding Member of the Audit and Risk Committee.
5. Authorises the Chief Executive Officer and the Lord Mayor to certify the Annual Financial Statements in their final form.
6. Notes the Adelaide Central Market Authority Financial Statements for the year ended 30 June 2026, as contained in Attachment D to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, have been reviewed by the Adelaide Central Market Authority Board outside of a formal Board meeting as they were provided through electronic distribution on 7 September 2026. These financial results are included in the Consolidated Financial Statements of the City of Adelaide, and

6.1. Considers the Financial Statements for the year ended 30 June 2026 fairly present the financial position of the Adelaide Central Market Authority.

6.2. Notes the representation letter requested by the external auditor of the Adelaide Central Market Authority, as contained in Attachment E to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, is signed by management.

7. Notes the Adelaide Economic Development Agency Financial Statements for the year ended 30 June 2026, as contained in Attachment F to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, have been reviewed by the Adelaide Economic Development Agency Board at its meeting on 16 September 2026. These financial results are included in the Consolidated Financial Statements of the City of Adelaide, and

7.1. Considers the Financial Statements for the year ended 30 June 2026 fairly present the financial position of the Adelaide Economic Development Agency.

7.2. Notes the representation letter requested by the external auditor of the Adelaide Economic Development Agency, as contained in Attachment G to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, is signed by management.

8. Notes the Kadaltilla / Adelaide Park Lands Authority Financial Statements for the year ended 30 June 2026, as contained in Attachment H to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, are included in the Consolidated Financial Statements of the City of Adelaide, and

8.1. Considers the Financial Statements for the year ended 30 June 2026 present fairly the financial position of the Kadaltilla / Adelaide Park Lands Authority and can be certified by the Lord Mayor as Chair of Adelaide Park Lands Authority.

8.2. Considers it is appropriate that the representation letter requested by the external auditor of the Kadaltilla / Adelaide Park Lands Authority, as contained in Attachment I to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026, to be signed by management.

9. Notes the audited Brown Hill and Keswick Creeks Storm Water Board's Financial Statements for the year ended 30 June 2026 as contained in Attachment J to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026. Council's equity interest of 8% is included in the Consolidated Financial Statements of the City of Adelaide.

10. Recommends the 2025/26 Consolidated Financial Statements of the City of Adelaide, and the Financial Statements of the Adelaide Economic Development Agency, Kadaltilla / Adelaide Park Lands Authority, Adelaide Central Market Authority and Brown Hill and Keswick Creeks Stormwater Board be presented to Council for noting on 13 October 2026 and included in the adopted Annual Report.

11. Notes the 2025/26 Report on the financial results for the City of Adelaide and its subsidiaries, as contained in Attachments K, L, M and N to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 23 September 2026.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024–2028 Strategic Plan	Strategic Alignment – Our Corporation External audit supports responsible financial management and reporting, strengthening the City's financial sustainability.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	*Local Government Act 1999* (SA) and the *Local Government (Financial Management) Regulations 2026* (SA)
Opportunities	Not as a result of this report
26/27 Budget Allocation	Not as a result of this report
Proposed 27/28 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
26/27 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

1. The Consolidated Financial Statements for the year ended 30 June 2026 have been prepared in accordance with the *Local Government Act 1999* (SA) (the Act) and the *Local Government (Financial Management) Regulations 2011* (SA) (the Regulations) and all applicable Australian Accounting Standards. The format used in these statements is prescribed by legislation to be in accordance with the Model Financial Statements, approved by the Minister for Local Government in June 2026.
2. As per the Regulations, the Financial Statements of Council must include a statement signed by the Chief Executive Officer and the Principal Member of Council. By the Audit and Risk Committee adopting Recommendation 5 above, the Chief Executive Officer and the Lord Mayor will have been authorised by Council to certify the Annual Financial Statements in their final form.
3. The role of the external auditor is to provide an audit opinion to Council with respect to the audited financial statements. The external auditor, Galpins, has completed the audit of the financial statements and in their report on matters arising from the audit (Audit Completion Report) has provided audit clearance for the Consolidated Financial Statements as part of a separate report to the Audit and Risk Committee.
4. Audit clearance is subject to Galpins conducting a subsequent event review up to the date of signing of the Consolidated Financial Statements of the Corporation together with the required Letter of Representation being signed by the relevant parties, subsequent to the Audit and Risk Committee meeting on 23 September 2026.

Consolidated Financial Statements

5. The statutory Consolidated Financial Statements of the Corporation, prepared in accordance with the Regulations and the relevant Australian Accounting Standards (AASB), have been completed for the 2025/26 year (**Attachment A**).
6. The Consolidated Financial Statements comprise the following:
    6.1. Council Certification
    6.2. Statement of Comprehensive Income
    6.3. Statement of Financial Position
    6.4. Statement of Changes in Equity
    6.5. Statement of Cash Flows
    6.6. Notes to and forming part of the Financial Statements
    6.7. Independent Audit Report
    6.8. In addition, the Financial Statements are required to be accompanied by the Certification Statement of Independence of the City of Adelaide (CoA) Auditor by the Chief Executive Officer and the Presiding Member of the Audit and Risk Committee, as well as the Audit Certificate of Audit Independence.

Statement of Comprehensive Income

7. Council recorded an operating surplus of $9.205 million for 2025/26 compared with an operating surplus of $9.475 million in 2024/25. While the result is marginally lower than the previous year, it demonstrates Council's continued ability to fund operations from recurring revenue sources despite cost escalation pressures across labour, contracts, asset maintenance and financing costs.
8. Total operating income increased by $16.1 million (6.6%) to $259.3 million, reflecting continued growth in Council's revenue base. Key movements include:
    8.1. Rates related revenue increased by $10.7 million (7.4%) to $154.8 million. The increase reflects annual rate growth, growth from new developments and additional penalty income associated with overdue rates. Rates remain Council's largest and most stable source of revenue, comprising approximately 60% of operating income.
    8.2. Statutory charges increased by $0.9 million (5.2%) to $18.1 million, primarily driven by increased parking expiation revenue. This reflects ongoing recovery in city activity levels and parking demand.
    8.3. User charges increased by $4.6 million (6.4%) to $76.0 million. The increase was primarily driven by stronger performance across the UPark portfolio, property leasing activities and Town Hall operations.
9. Total operating expenditure increased by $16.4 million (7.0%) to $250.1 million. The primary drivers were employee costs, contract expenditure, depreciation and financing costs.

9.1. Employee costs increased by $6.3 million (7.9%) to $86.4 million. This increase reflects higher staffing levels compared to 2024/25, annual salary and superannuation increases, growth in employee leave provisions and the continued investment in organisational capability required to deliver Council services and strategic priorities. FTE increased from 627 to 676 during the year, as a result of lower turnover and filling vacancies.

9.2. Materials, contracts and other expenses increased by $7.6 million (8.2%) to $99.8 million. Major contributors included increases in contractor expenditure, professional services, subscriptions, insurance, catering, waste services and legal costs. These increases are consistent with broader inflationary pressures and the delivery of additional service and project commitments during the year.

9.3. Depreciation and impairment expense increased by $1.1 million to $61.5 million. The increase reflects continued capital investment and the resulting growth in Council's infrastructure asset base. A significant reduction in impairment expense occurred compared with the prior year, with only $0.1 million recognised in 2025/26 compared with $1.8 million in 2024/25.

9.4. Finance costs increased by $1.4 million to $2.5 million. The increase reflects the full-year impact of lease accounting obligations and financing arrangements associated with Council's infrastructure and property portfolio.

10. While Council recorded an operating surplus of $9.2 million, the net accounting result was a $44.8 million deficit, compared with a $3.9 million surplus in 2024/25. This was mainly due to non-cash asset disposal losses of $58.4 million from asset transfers and disposals, rather than Council's underlying operating performance. The statutory accounting result includes valuation movements, asset disposals and other accounting adjustments that do not directly affect Council's cash position or service delivery capacity. For this reason, the operating surplus remains the more useful measure of Council's underlying financial performance.

Statement of Financial Position

11. Total assets increased by $162.1 million (7.2%) to $2.411 billion. The increase was primarily attributable to asset revaluations and ongoing investment in infrastructure, property, plant and equipment. Infrastructure, property, plant and equipment increased by $206.8 million to $2.317 billion following annual revaluations and capital expenditure of approximately $89.4 million.

12. Receivables reduced by $3.8 million, reflecting improved collections and timing differences at year end. Cash balances reduced by $1.0 million as Council continued to reinvest operating cash flows into its capital program and debt reduction initiatives.

13. Total liabilities decreased by $10.5 million (7.6%) to $128.8 million. This was largely driven by a reduction in borrowings from $23.8 million to $9.6 million following significant loan repayments during the year.

14. Lease liabilities reduced by $2.2 million, while trade and other payables increased by $4.6 million, reflecting timing of payments and accruals at year end. Employee provisions increased by $1.3 million, consistent with workforce growth.

15. As a result of the movements outlined above, total net assets increased by $172.6 million to $2.282 billion. This reflects the continued strengthening of Council's balance sheet and growth in community assets under Council's stewardship.

Statement of Changes in Equity

16. Total equity increased by $172.6 million during the year to $2.282 billion. The increase was predominantly driven by infrastructure and property revaluation increments of $214.7 million recorded within the Asset Revaluation Reserve. These increases were partially offset by the accounting deficit recognised in the Statement of Comprehensive Income and transfers to the Future Fund Reserve.

17. The Asset Revaluation Reserve increased to $1.502 billion, while the Future Fund Reserve increased from $14.4 million to $31.9 million following proceeds received from the sale of surplus assets.

Statement of Cash Flows

18. Council generated strong operating cash inflows of $81.9 million during 2025/26, an increase of $7.2 million from the prior year. This reflects the strength of Council's underlying operating position and its ability to generate cash to fund service delivery and asset renewal.

19. Council invested $85.7 million in capital works and asset investment activities during the year, supporting the renewal and enhancement of community infrastructure. Investment activities were partially offset by proceeds from asset disposals and external funding contributions. The net cash outflow on investing activities was $62.7 million.

20. Financing activities resulted in a net cash outflow of $20.3 million, reflecting the repayment of borrowings and lease obligations. Council repaid almost $75.0 million in loans during the year while drawing new borrowings of $60.8 million, resulting in a net reduction in debt of $14.2 million.

Financial Indicators

21. Council continues to demonstrate sound financial sustainability across the key Local Government financial indicators.
    21.1. Operating Surplus Ratio of 3.5% (2024/25: 3.9%), indicating operating revenues continue to exceed operating expenses.
    21.2. Net Financial Liabilities Ratio improved to 39% from 44%, reflecting the reduction in borrowings and strengthening of Council's balance sheet.
    21.3. Asset Renewal Funding Ratio improved to 94% from 85%, demonstrating continued investment in renewal of existing infrastructure assets.
22. Collectively, these indicators demonstrate that Council remains financially sustainable, maintains manageable debt levels and continues to invest in the renewal and replacement of community assets.

Preliminary End of Year vs End of Year Final Position

23. At the time the preliminary results were reported, several estimates and outstanding items remained subject to finalisation. Following completion of the audit, these items have now been finalised.
24. The preliminary end-of-year position was an estimated operating surplus of $8.769 million. The final operating surplus is $9.205 million, representing a favourable variance of $0.436 million, or approximately 5%. Key movements include:
    24.1. Operating Revenue has increased by $1.222 million, primarily due to the finalisation of the outdoor advertising revenue share calculation under the contract ($0.768 million), reimbursement of North Adelaide Public Golf Course operations ($0.219 million), and reconciliation of developer contributions recognised through the tree development fund ($0.235 million). Other minor adjustments were individually immaterial
    24.2. Operating Expenditure has increased by $0.768 million, mainly due to a correction to the Waste Services accrual ($0.505 million), an adjustment to employee provisions ($0.107 million), and an increase in the provision for doubtful debts ($0.097 million). Other movements of $0.059 million were individually immaterial
    24.3. Overall, the final audited position remains favourable compared with the preliminary result.

Representation letter requested by the External Auditor

25. As per the Audit and Risk Committee's Terms of Reference, it is recommended that the Audit and Risk Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, Galpins, is included as **Attachment B**.
26. The presentation of this representation letter is standard practice of any audit and provides the auditor confirmation from management, that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied. It is planned that this representation letter be signed by relevant parties, following approval of the Audit and Risk Committee, subsequent to the meeting on 23 September 2026.

Certification Statement of Independence of Council Auditor

27. Section 21(2) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit and Risk Committee to provide a statement, on an annual basis, that the council auditor is independent of the Council for the relevant financial year (**Attachment A**).
28. Section 22(5) of the Regulations requires the auditor of a Council to provide a written statement attesting to their independence. Council's Auditor, Galpins, have provided a statement of Audit Independence in the Audit Completion Report, as prescribed in the Regulations (**Attachment C**).

Adelaide Central Market Authority

29. The Adelaide Central Market Authority (ACMA) was formed as a subsidiary of the CoA in May 2012 with CoA holding a 100% equity share. The ACMA Charter was updated and approved by Council, effective from the 12 October 2023 gazettal date.

30. The 2025/26 Financial Statements for ACMA (**Attachment D**) reflect a net operating deficit of $1.352 million, impacted by costs preparing for the Market expansion. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2025/26. The underlying operating position of the existing market has generated an operating surplus of $0.131 million in 2025/26.

31. An equity contribution of $1.352 million has been provided by the City of Adelaide to continue to support ACMA through the Market Expansion Preparedness process.

32. The preliminary 2025/26 financial results for ACMA were reviewed by the ACMA Board at its meeting on 20 August 2026.

33. Given the requirements of the Act and the terms of reference of the Audit and Risk Committee, it is appropriate for the Audit and Risk Committee to recommend that the Annual Financial Statements of ACMA together with any Letter of Representation be signed by the relevant parties.

34. Section 22(3) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit and Risk Committee to provide an annual statement, that the Auditor is independent of ACMA for the relevant financial year (**Attachment D**).

35. As per the Audit and Risk Committee's Terms of Reference, it is recommended that the Audit and Risk Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, Galpins is included (**Attachment E**).

Adelaide Economic Development Agency

36. The Adelaide Economic Development Agency (AEDA) was enacted on 18 January 2021 as a subsidiary of Council with the role of promoting the Rundle Mall and the function of economic development and business support on behalf of the CoA. The AEDA Charter was updated and approved by Council which took effect from the 30 November 2023 gazettal date.

37. The 2025/26 Financial Statements for AEDA (**Attachment F**) reflect a net operating surplus of $0.245 million, as a result of the underspend in the Rundle Mall revenue generated through the separate rate and user charges. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2025/26.

38. The 2025/26 Financial Statements for AEDA were reviewed by the AEDA Board at its meeting on 16 September 2026.

39. Given the requirements of the Act and the terms of reference of the Audit and Risk Committee, it is appropriate for the Audit and Risk Committee to recommend that the Annual Financial Statements of AEDA together with any Letter of Representation be signed by the relevant parties.

40. Section 22(3) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit and Risk Committee to provide an annual statement, that the Auditor is independent of AEDA for the relevant financial year (**Attachment F**).

41. As per the Audit and Risk Committee's Terms of Reference, it is recommended that the Audit and Risk Committee review any representation letter(s) requested by the external auditor before they are signed by management. The copy of the representation letter required by the external auditors, Galpins is included (**Attachment G**).

Kadaltilla / Adelaide Park Lands Authority

42. The Adelaide Park Lands Authority (APLA) was enacted on 14 December 2006 as a subsidiary of Council with its primary role of providing policy and advice to Council and the State Government regarding the management of the Park Lands. The Kadaltilla Charter (formerly APLA) was updated and approved by Council taking effect from the 11 May 2023 gazettal date.

43. The 2025/26 Financial Statements for APLA (**Attachment H**) reflect a nil net surplus for the year. This has been accounted for in the Consolidated Financial Statements of the Corporation for 2025/26.

44. The 2025/26 Financial Statements for APLA will be forwarded to the Minister for Climate, Environment and Water, following review of the Financial Statements by the Audit and Risk Committee at its meeting on 23 September 2026 as part of APLA's Annual Report.

45. Given the requirements of the Act and the terms of reference of the Audit and Risk Committee, it is appropriate for the Audit and Risk Committee to recommend that the Annual Financial Statements of APLA together with any Letter of Representation be signed by the relevant parties.

46. As per the Audit and Risk Committee's Terms of Reference, it is recommended that the Audit and Risk Committee review any representation letter(s) requested by the external auditor before they are signed by

management. The copy of the representation letter required by the external auditors Galpins is attached (**Attachment I**).

47. Section 22(3) of the Regulations requires the Council's Chief Executive Officer and the Presiding Member of the Audit and Risk Committee to provide an annual statement that the APLA Auditor is independent of APLA for the relevant financial year (**Attachment H**).

Brown Hill Keswick Creeks Storm Water Board

48. Brown Hill and Keswick Creeks Storm Water Board is a regional subsidiary under section 43 and schedule 2 of the Act and given that CoA is a constituent Council it is a subsidiary of the CoA under the Act.

49. Brown Hill and Keswick Creeks Storm Water Board was established by several constituent councils, comprising the Cities of Adelaide, Burnside, Mitcham, Unley, and West Torrens. Its Charter was endorsed by The South Australian Government and gazetted on 27 February 2018. The CoA's equitable interest is 8.0%; its annual contribution is 8.0% of a 50% capital works contribution (with the remaining 50% funded by the Stormwater Management Board) and 20.0% of operating expenditure of the Regional Subsidiary.

50. The 2025/26 Financial Statements for the Brown Hill and Keswick Creeks Storm Water Board (**Attachment J**) reflect an operating deficit of $0.100 million for the year. The CoA's share of the operating deficit is $0.008 million, and this has been accounted for in the Consolidated Financial Statements along with the recognition of a capital contribution of $0.320 million.

Internal Financial Controls

51. As per the Act, section 129(1) (b), the external auditor of Council must undertake an audit of the financial controls exercised by the Council during the relevant financial year in relation to revenue, expenditure, assets, and liabilities. The auditor must provide an audit opinion on related internal financial controls to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with the Australian Accounting Standards.

52. In forming an opinion under section 129(3) (a), the auditor must give due consideration to the adequacy of the Council's policies, practices, and procedures of internal control under section 125 of the Act. The Council must ensure that appropriate measures are taken to implement and maintain the internal controls in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.

Summary of Financial Results

53. Regulation 10 of the *Local Government (Financial Management) Regulations 2026* (SA) requires a separate report on financial results to be presented to Council, including the audited financial results for the previous financial year compared with the estimated financial results set out in the budget. These must be presented in a manner consistent with the Model Financial Statements.

54. The report on the financial results comparing the audited financial results for the CoA and its subsidiaries for the 2025/26 financial year with the estimated financial results set out in the 2025/26 budget are contained in **Attachments K, L, M and N**.

Other Items

55. It is considered that the Consolidated Financial Statements give a true and fair view of the Corporation of the CoA's financial position as at 30 June 2026.

56. Following delivery of the external auditor Galpins' final Audit Completion Report, discussions with the Auditors without management present and review of the Annual Financial Statements, it is considered appropriate for the Audit and Risk Committee to recommend that the Consolidated Financial Statements together with any Letter of Representation be signed by the relevant parties.

57. In addition, it is proposed that the Audit and Risk Committee recommends the presentation of the Consolidated Financial Statements of the CoA, Financial Statements of the Adelaide Central Market Authority, the Adelaide Economic Development Agency, the Adelaide Park Lands Authority, and the Brown Hill and Keswick Creeks Storm Water Board to Council on 13 October 2026.

ATTACHMENTS

Attachment A – Audited Financial Statements CoA 2025/26

Attachment B – Audit Representation Letter CoA 2025/26

Attachment C – Certification of Auditor Independence CoA 2025/26

Attachment D – Audited Financial Statements ACMA 2025/26

Attachment E – Audit Representation Letter ACMA 2025/26

Attachment F – Audited Financial Statements AEDA 2025/26

Attachment G – Audit Representation Letter AEDA 2025/26

Attachment H – Audited Financial Statements APLA 2025/26

Attachment I – Audit Representation Letter APLA 2025/26

Attachment J – Audited Financial Statements Brownhill & Keswick Creeks Stormwater Board 2025/26

Attachment K – 2025/26 Report on financial results for City of Adelaide

Attachment L – 2025/26 Report on financial results for Adelaide Central Market Authority

Attachment M – 2025/26 Report on financial results for Adelaide Economic Development Agency

Attachment N – 2025/26 Report on financial results for Adelaide Park Lands Authority

- END OF REPORT -