

Appendix 2 – Financial sustainability

For the year ended 30 June 2025, the Audit Office calculated whether councils' available cash and investments (not subject to external restrictions) were sufficient to meet 3 months of general fund expenses (excluding depreciation and borrowing costs). Further analysis, including operating performance, unrestricted current ratio and level of own source revenue, determined which councils had heightened financial sustainability concerns. A summary of this analysis is in the table below.

Council	Commentary
Financial sustainability risks due to ongoing operating losses or other indicators	
Cessnock City	Insufficient revenue to cover expenses, causing a decline in available cash balances. Unrestricted current ratio was less than 1 and has low levels of own source revenue.
Cootamundra – Gundagai Regional	Insufficient revenue to cover expenses, causing a decline in available cash balances and incurred operating losses.
Kiama Municipal	Cash balance impacted by repayment of borrowings during 2024–25 and ongoing losses from one aged-care facility, which was subsequently sold during 2024–25.
Lithgow City	Cash balances negatively impacted by \$7.2 million in rejected natural disaster claims, which led to an operating loss.
Financial sustainability risks due to low levels of available cash	
Bathurst Regional	Low available cash balance resulting in an additional internal loan was drawn from the sewerage fund to ensure general fund expenses are paid as they fall due. Also, unrestricted current ratio was less than 1.
Glen Innes Severn	Low available cash balance. This is based on the 2023–24 financial statements, as the 2024–25 audit remains in progress.
Upper Hunter Shire	Low available cash balances, has low levels of own source revenue and unrestricted current ratio was less than 1.
Financial sustainability risks due to a small and/or declining population	
Central Darling Shire	Low available cash balance, operating loss and has low levels of own source revenue. Highly dependent on government grants.
Cobar Shire	Insufficient revenue to cover expenses, including high costs of running aged-care facility as the supplier of last resort. Highly dependent on government grants.
Liverpool Plains Shire	Operating loss and low available cash balance as funds being used for capital projects, were not fully met by grants. Highly dependent on government grants.
Walgett Shire	Insufficient revenue to cover expenses, causing a decline in available cash balances. Operating loss, negative operating cash flows and has low levels of own source revenue. Highly dependent on government grants.

Source: Audit Office analysis from financial statements. Used the previous benchmark of 1.5 for assessing unrestricted current ratio.