

# Draft Operating Budget 26-27

Draft Report

April 2026

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**For presentation to:**

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## Contents

Executive Summary .....	3
Financial Sustainability Risk Table .....	4
Income & Expense Budget Review.....	4
General Fund .....	6
Water Fund .....	8
Sewer Fund.....	10
Council Debt Levels and Trends.....	12
Accelerated Service Planning .....	13
Capital Expense Summary .....	14
Responsible Accounting Officer Statement .....	15
Glossary of Terms .....	16







WORKING DRAFT

# Executive Summary

This report provides an overview of Council's current and forecast financial position, including operating results, cash availability, capital investment and debt trends across the General, Water and Sewer Funds. Overall, Council's financial position is beginning to stabilise, with recent budgets showing modest improvements in operating results and available cash from operations. The General Fund remains in deficit but shows improvement compared to both the current budget and last year's actuals, while the Water Fund continues to perform relatively strongly. The Sewer Fund, although supported by revenue growth, is experiencing increasing cost pressures associated with operating and maintaining ageing infrastructure.

Despite these improvements, significant financial pressures remain. Expenditure continues to grow faster than income, particularly in employee costs, depreciation and asset related expenses, while Council's capital program, driven largely by water and sewer infrastructure investment, is increasing and contributing to higher debt levels. Recent initiatives, including the Accelerated Service Planning program, are beginning to deliver benefits, but these improvements are incremental and do not fully address the underlying structural challenges. As a result, the report highlights the importance of continued financial discipline and consideration of further measures to support Council's long term financial sustainability.

A future long-term financial planning report will be shared with the Councillor group in early April.

Area	Status	Summary
General Fund	 <b>Deficit Improving</b>	<ul style="list-style-type: none"> <li>• +\$2.4M improvement vs current budget</li> <li>• Trend slowly heading in right direction</li> <li>• Structural deficit remains</li> </ul>
Water Fund	 <b>Improving</b>	<ul style="list-style-type: none"> <li>• +\$2.2M operating improvement</li> <li>• Higher usage revenue</li> <li>• Strong interest earnings</li> </ul>
Sewer Fund	 <b>Moderate Pressure</b>	<ul style="list-style-type: none"> <li>• -\$1.0M worsening</li> <li>• Cash from operations -\$0.8M</li> <li>• Rising treatment &amp; infrastructure costs</li> </ul>
Cash Available from Ops	 <b>Stable but Constrained</b>	<ul style="list-style-type: none"> <li>• +\$5.4M improvement in General Fund cash from operations</li> <li>• Renewal costs rising faster than income</li> <li>• Cash position improving but tight</li> </ul>
Debt Levels	 <b>Increasing</b>	<ul style="list-style-type: none"> <li>• \$22.7M borrowing need in FY26-27 for General Fund</li> <li>• Sewer debt ramps up from FY28</li> <li>• Borrowing capacity tightening</li> </ul>
Long-Term Sustainability	 <b>At Risk</b>	<ul style="list-style-type: none"> <li>• Depreciation + renewals outpacing revenue</li> <li>• Structural imbalance persists</li> <li>• SRV or other reforms needed</li> </ul>

## Financial Sustainability Risk Table

Timeframe	Risk Level	Summary & Key Risks
Short Term (1–2 years)	⚠️ <b>Moderate Risk</b>	Improving but vulnerable. Gains from efficiencies and fees are emerging, but depreciation and employee cost growth remain major pressures that limit stability.
Medium Term (3–5 years)	❗ <b>Significant Risk Emerging</b>	Cost pressures for asset maintenance and materials & services costs grow faster than rate peg limits. Accelerating Water/Sewer capital program adds to current debt balances increasing financial risk.
Long Term (5–10 years)	❗ <b>High / Structural Risk</b>	Structural imbalance without major intervention. The renewal gap widens, the asset base grows faster than income, and SRV or major service reform is required.

## Income & Expense Budget Review

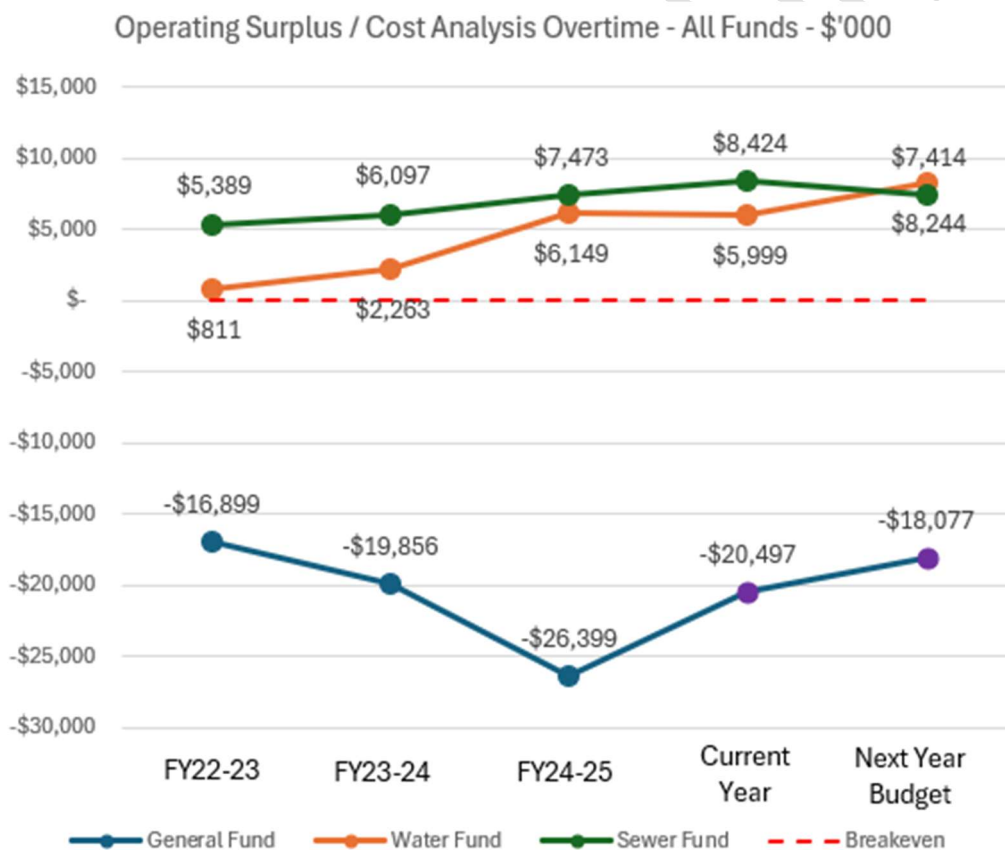


Figure 1: Operating results over time by fund, compared to breakeven.

While the General Fund operating position is beginning to show signs of gradual improvement, the chart above demonstrates a clear deterioration over the past four years, reaching its weakest point in FY2024–25 before stabilising in the current year and improving modestly in the draft 2026–27 budget. This deterioration was driven by sustained and, at the time, purposeful expenditure growth, most notably in employee costs, depreciation, materials and services, and asset related expenses.

A significant portion of this expenditure growth occurred during and immediately following the COVID-19 period and was intentionally maintained to support economic stimulus, service continuity, employment stability, and community resilience during a period of unprecedented economic disruption. These settings enabled Council to play a counter-cyclical role, supporting a growing, regionally and nationally significant city while mitigating the impacts of broader economic downturns.

While this level of investment was financially and economically appropriate at the time, particularly in supporting population growth, service demand and economic recovery, it now requires recalibration. Ongoing expenditure growth must be more closely aligned with Council's long-term revenue capacity to ensure financial sustainability, intergenerational equity, and the ability to meet obligations to future generations.

Despite recent revenue growth and operational improvements, the General Fund operating result remains in deficit. Returning to a sustainable breakeven position through expenditure reductions alone would necessitate material service reductions that would significantly impact the community. In the absence of such service exits, there is no credible pathway to achieving a General Fund breakeven position without the implementation of a Special Rate Variation.

The following reporting has been prepared to focus specifically on the 2026–27 draft budget, presenting last year's actual results, the current year budget estimates and the next year's base budget. This three-year view has been included to help illustrate recent trends in income and expenditure and to provide context for the 2026–27 budget position.

It is important to note that this report does not address Council's longer-term financial outlook. A separate Long Term Financial Plan is being developed and is expected to be presented to Council for review in early April, providing a more detailed assessment of Council's financial position beyond the 2026–27 budget year.

## General Fund

	YTD Current Budget \$'000	YTD Actuals \$'000	YTD Variance \$'000	Annual PrevYr1 Actuals \$'000	Annual Current Budget \$'000	26-27 Base Budget \$'000
<b>Income from Continuing Operations:</b>						
Rates & Annual Charges	42,766	42,633	(132)	61,028	63,974	66,445
User Charges & Fees	26,106	25,753	(353)	32,458	38,816	42,413
Interest & Investment Income	1,544	2,176	633	2,082	2,316	2,316
Grants & Contributions - Operating	6,881	7,353	472	8,099	11,243	10,181
Grants & Contributions - Capital	-	-	-	-	-	-
Other Revenue	4,262	4,785	524	6,591	6,446	6,026
Net Gains from Asset Sales	-	21	21	1,511	-	900
<b>Total Revenue</b>	<b>81,557</b>	<b>82,722</b>	<b>1,164</b>	<b>111,769</b>	<b>122,794</b>	<b>128,281</b>
<b>Expenses from Continuing Operations:</b>						
Employee benefits and on-costs	37,329	39,063	(1,733)	58,001	56,193	58,159
Materials & Services	30,092	25,657	4,436	46,394	49,190	48,153
Depreciation & Amortisation Expense	18,172	17,885	287	26,431	27,259	29,000
Borrowing Costs - Interest	3,411	3,677	(265)	2,794	5,117	4,817
Net Losses from Disposal of Assets	1,880	1,880	(0)	2,249	2,242	3,500
Other Expenses	2,123	1,786	337	2,795	3,290	2,727
<b>Total Expenses</b>	<b>93,008</b>	<b>89,947</b>	<b>3,060</b>	<b>138,663</b>	<b>143,291</b>	<b>146,357</b>
<b>Net Operating Result</b>	<b>(11,451)</b>	<b>(7,226)</b>	<b>4,225</b>	<b>(26,894)</b>	<b>(20,497)</b>	<b>(18,077)</b>
<b>LESS</b>						
Depreciation & Amortisation Expense	18,172	17,885	287	26,431	27,259	29,000
Net Losses from Disposal of Assets	1,880	1,880	(0)	2,249	2,242	3,500
<b>Net Cash available from Operations</b>	<b>8,601</b>	<b>12,539</b>	<b>3,938</b>	<b>1,786</b>	<b>9,004</b>	<b>14,423</b>

Figure 2: General Fund operating income and expenditure, including current year budget variance.

### Summary of Key Budget Movements – General Fund

The General Fund position in the next budget is improving by \$2.4M compared to the current approved budget, and \$8.8M from last year's actuals which is a positive outcome. This result highlights the strategy of improvements in fees and charges over the last two years, but also that without major structural change, improvements in the General Fund are likely to remain gradual into future years. Importantly, there is a \$5.4M improvement in available cash next year to support debt repayments and asset renewals. Councillors should nevertheless note that both debt servicing and renewal costs are expected to increase in FY26–27, which will continue to place pressure on future budgets.

Total General Fund expenses in the 2026–27 draft budget have increased by \$3.0M. This increase has been carefully reviewed across all Council functions and is largely driven by

unavoidable growth in key cost areas, particularly employee related expenses as a result of local government award increases. These pressures have been partially offset by operational efficiencies to reduce the overall impact on the budget.

Rates and annual charges have increased from \$61.0M in last year's actuals to an estimated \$66.4M in the next year's base budget, reflecting average annual growth of approximately 3.9%. By comparison, depreciation, which represents the annual cost of renewing Council's asset base, has grown at an average rate of around 7% per year over the same period, highlighting the faster growth in asset related costs relative to income. This analysis highlights that the costs to renew our asset base is increasing significantly in a high-interest rate environment relative to our ability to raise rates via the rate peg.

### **Improvements in the budget**

The following areas are generating additional income or operating improvements, helping to reduce the deficit:

- AWMC operations (fees and charges): +\$2.35M
- Rates and Annual Charges: +\$2.43M
- Sale of Land Inventory: +\$0.90M
- Community services improvements: +\$0.86M
- Children's services operational improvements: +\$0.43M
- Airport operational improvements: +\$0.71M

These improvements are the main drivers behind the overall reduction in the General Fund deficit.

### **Worsening in the budget**

Several areas are placing increased pressure on the budget and require additional funding next year:

- Employee costs: (-\$2.48M)
- Depreciation: (-\$1.74M)
- Asset disposal losses: (-\$1.26M)
- Bridge, road and stormwater maintenance: (-\$1.26M)
- Insurance costs: (-\$0.25M)
- Road maintenance: (-\$0.23M)

These items reflect rising costs in labour, asset management, and essential infrastructure maintenance.

An attachment is included that details variations in Council's budget by service cluster.

## Water Fund

	YTD Current Budget	YTD Actuals	YTD Variance	Annual PrevYr1 Actuals	Annual Current Budget	26-27 Base Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from Continuing Operations:</b>						
Rates & Annual Charges	3,380	3,849	469	4,818	5,070	5,780
User Charges & Fees	12,812	10,965	(1,846)	17,356	19,218	20,302
Interest & Investment Income	2,202	1,922	(280)	3,209	3,303	4,893
Grants & Contributions - Operating	116	116	-	-	174	174
Grants & Contributions - Capital	-	-	-	-	-	-
Other Revenue	180	325	145	358	270	315
Net Gains from Asset Sales	-	-	-	-	-	-
<b>Total Revenue</b>	<b>18,690</b>	<b>17,177</b>	<b>(1,513)</b>	<b>25,741</b>	<b>28,035</b>	<b>31,464</b>
<b>Expenses from Continuing Operations:</b>						
Employee benefits and on-costs	1,760	2,056	(296)	2,952	2,640	2,661
Materials & Services	7,419	6,537	882	8,871	12,089	12,906
Depreciation & Amortisation Expense	4,870	4,817	53	7,015	7,306	7,650
Borrowing Costs - Interest	-	-	-	-	-	-
Net Losses from Disposal of Assets	-	224	(224)	648	-	-
Other Expenses	2	2	(1)	3	2	3
<b>Total Expenses</b>	<b>14,050</b>	<b>13,637</b>	<b>414</b>	<b>19,489</b>	<b>22,036</b>	<b>23,220</b>
<b>Net Operating Result</b>	<b>4,639</b>	<b>3,540</b>	<b>(1,099)</b>	<b>6,252</b>	<b>5,999</b>	<b>8,244</b>
<b>LESS</b>						
Depreciation & Amortisation Expense	4,870	4,817	53	7,015	7,306	7,650
Net Losses from Disposal of Assets	-	224	(224)	648	-	-
<b>Net Cash available from Operations</b>	<b>9,509</b>	<b>8,581</b>	<b>(928)</b>	<b>13,916</b>	<b>13,305</b>	<b>15,894</b>

Figure 3: Water Fund operating income and expenditure, including current year budget variance.

### Summary of Key Budget Movements – Water Fund

The Water Fund position in the 2026–27 draft budget shows an overall improvement of approximately \$2.2M compared to the current budget. This improvement in the operating position is largely driven by higher water usage revenue, increased access charges and improved interest earnings. Net cash available from operations is forecast to increase to \$15.9M, up from \$13.9M in the current budget, providing improved capacity to support

future large capital investment. Notwithstanding this positive result, cost pressures remain evident, particularly in depreciation, employee costs and several operational areas, which will continue to place pressure on future Water Fund budgets.

### **Improvements in the budget**

The following areas are contributing positively to the Water Fund position, either through increased income or improved operating outcomes:

- Interest income +\$1.50M
- Residential water usage revenue: +\$0.80M
- Water access charges: +\$0.38M
- Non-residential water usage: +\$0.20M
- Water billing – internal charges: +\$0.11M

While total revenue has increased by \$3.4M compared to the current period, the majority of this improvement is attributable to higher interest income, rather than growth in fees and charges. Forecasting water demand up to 18 months in advance is inherently uncertain, and revenue estimates are therefore based on average consumption levels. In recent years, however, rainfall and temperature patterns have been less stable and more extreme than historical averages. As a result, actual revenue outcomes may be higher or lower than budget, depending on whether conditions are wetter or drier than assumed.

### **Worsening in the budget**

Several cost pressures and revenue reductions are offsetting the improvements and will require ongoing management attention:

- Employee costs: (-\$0.22M)
- Internal charges: (-\$0.26M)
- Operating Projects: (-\$0.37M)
- Water Pump Station (WPS) costs: (-\$0.10M)
- Water Reservoirs (WR): (-\$0.17M)
- Depreciation growth on expanding asset base: (-\$0.34M)

These declines largely reflect rising costs associated with operating and maintaining water infrastructure, together with increases in workforce related expenses.

## Sewer Fund

	YTD Current Budget	YTD Actuals	YTD Variance	Annual PrevYr1 Actuals	Annual Current Budget	26-27 Base Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income from Continuing Operations:</b>						
Rates & Annual Charges	14,053	13,952	(101)	19,214	21,080	22,570
User Charges & Fees	3,108	2,836	(272)	4,484	4,663	4,879
Interest & Investment Income	2,698	3,118	420	5,078	4,048	4,188
Grants & Contributions - Operating	112	112	-	-	169	169
Grants & Contributions - Capital	-	-	-	-	-	-
Other Revenue	632	796	164	241	985	1,060
Net Gains from Asset Sales	-	-	-	-	-	-
<b>Total Revenue</b>	<b>20,604</b>	<b>20,815</b>	<b>211</b>	<b>29,016</b>	<b>30,944</b>	<b>32,865</b>
<b>Expenses from Continuing Operations:</b>						
Employee benefits and on-costs	2,345	3,295	(950)	4,763	3,518	4,147
Materials & Services	7,373	7,055	318	9,445	12,252	14,371
Depreciation & Amortisation Expense	4,378	4,341	37	6,445	6,568	6,750
Borrowing Costs - Interest	122	107	15	220	182	182
Net Losses from Disposal of Assets	-	6	(6)	773	-	-
Other Expenses	-	1	(1)	2	-	-
<b>Total Expenses</b>	<b>14,218</b>	<b>14,805</b>	<b>(588)</b>	<b>21,648</b>	<b>22,520</b>	<b>25,450</b>
<b>Net Operating Result</b>	<b>6,386</b>	<b>6,010</b>	<b>(377)</b>	<b>7,368</b>	<b>8,424</b>	<b>7,414</b>
<b>LESS</b>						
Depreciation & Amortisation Expense	4,378	4,341	37	6,445	6,568	6,750
Net Losses from Disposal of Assets	-	6	(6)	773	-	-
<b>Net Cash available from Operations</b>	<b>10,765</b>	<b>10,357</b>	<b>(408)</b>	<b>14,586</b>	<b>14,992</b>	<b>14,164</b>

Figure 4: Sewer Fund operating income and expenditure, including current year budget variance.

### Summary of Key Budget Movements – Sewer Fund

The Sewer Fund position in the 2026–27 base budget reflects an overall net reduction of approximately \$0.9M compared to the current budget, driven primarily by higher materials and services costs. While the Sewer Fund remains in a relatively strong cash position, rising depreciation, employee costs and treatment related expenditure will continue to place pressure on the fund over the medium term.

## **Improvements in the budget**

The following items are contributing positively to the Sewer Fund position through increased income or improved operating outcomes:

- Rates and Annual Charges: +\$1.49M
- Non-residential sewer billing: +\$0.22M
- Interest received: +\$0.14M
- Trade waste income: +\$0.05M
- General operational efficiencies: +\$0.05M

These improvements are largely driven by growth in the rating base, pricing outcomes and higher interest returns, and they partially offset rising cost pressures across the Sewer Fund.

## **Worsening in the budget**

Several expenditure items are placing increased pressure on the Sewer Fund and reducing the overall operating surplus:

- Wastewater Treatment Plant (WWTP): (-\$1.70M)
- Employee costs: (-\$0.62M)
- Internal charges: (-\$0.23M)
- Depreciation: (-\$0.18M)
- Sewer Pump Stations: (-\$0.20M)
- Operating Projects (PMO): (-\$0.60M)
- General operations: (-\$0.01M)

These declines largely reflect the increasing cost of operating and maintaining ageing sewer infrastructure, higher labour costs and significant expenditure pressures associated with wastewater treatment assets.

## **Water and Sewer Infrastructure Growth and Resourcing Pressures**

AlburyCity's water and sewer networks include a large proportion of ageing infrastructure, and recent external master planning has identified significant future capital investment requirements. Combined with above-average population growth, this increases the scale and complexity of water and sewer projects and places greater emphasis on strategic

asset management and careful project delivery. As a result, workforce costs within the Water and Sewer teams are expected to increase over time to ensure Council has the capability and capacity to manage these challenges effectively.

## Council Debt Levels and Trends

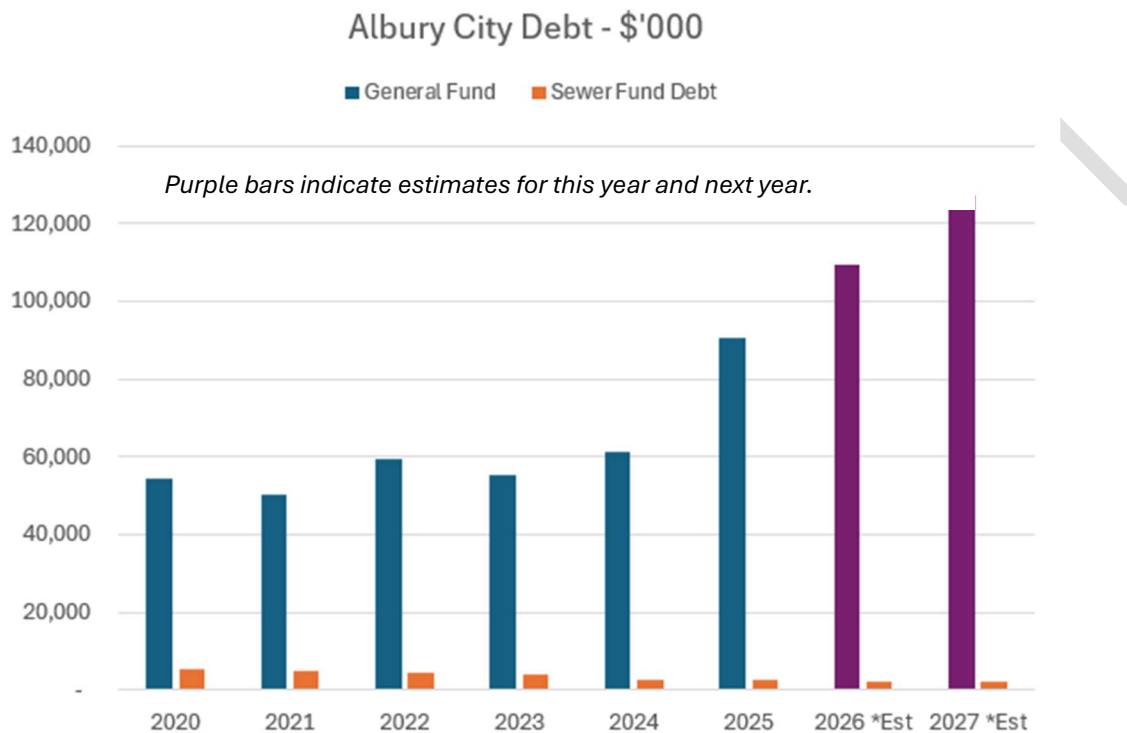


Figure 5: Total Council debt over time, including General Fund and Sewer Fund borrowings.

The level of Council's debt has increased significantly since 2024, reflecting a combination of operating deficits and higher capital expenditure over this period. While Albury City does not borrow to fund day-to-day operations, surplus cash generated from operations is typically used to fund asset renewal programs. When this surplus cash reduces, a greater proportion of capital renewal expenditure must be funded through debt.

By way of comparison, average capital expenditure between 2021 and 2023 for the General Fund was \$29.4M per year. In contrast, the average capital spend across the current year and the two preceding years has increased to \$45.3M per year. This clearly demonstrates the significant increase in General Fund capital investment over the most recent three-year period compared to the previous three years and helps explain the corresponding increase in Council's debt levels.

Estimates for the use of debt for the 26-27 year is as a result of:

- Surplus cash from operations – \$14.4M
- Repayment of debt – \$-7.2M
- Net capital expense – \$-29.8M

This results in a \$22.7M shortfall, which as of creating this draft is the estimate amount of debt the General Fund will require as part of the 26-27 financial year.

For the water and sewer funds, FY 26-27 year requires no debt to be brought on. However considering the upcoming capital program, it is likely that the Sewer Fund will begin bringing on debt from financial year 28-29. This is backed up by the recent publishing of the NSW Audit Office as part of their Local Government 2025 report, which has highlighted the growing risks around funding of future water and sewer infrastructure. A link to the Audit Office report can be found below.

[Local government 2025 | Audit Office of New South Wales](#)

## Accelerated Service Planning

Over the past 12–18 months, Council has undertaken a structured Financial Sustainability Project to address ongoing operating deficits and rising cost pressures. This work has included a service review with Morrison Low Advisory, internal assessments of service delivery costs and community engagement through statistically valid surveys. Collectively, this program has focused on identifying efficiencies, modest service level adjustments, and revenue improvements that can be delivered without significantly impacting essential services.

Some early outcomes of this work are now flowing through to the operating budget. A number of minor service level changes, operational efficiencies, and revenue initiatives are beginning to contribute in small aspects to the overall budget. Importantly, the project has reinforced that recent budget improvements are largely incremental. While fees and charges growth, operational savings, and targeted service changes are helping to reduce the deficit trajectory, they do not on their own resolve the underlying structural imbalance created by rising employee costs, depreciation, and asset related expenditure growing faster than rate income.

There are, however, risks and limitations associated with this approach. Many of the identified opportunities deliver relatively small financial gains and require careful implementation, consultation with staff, and ongoing community engagement, which can affect timing and certainty of savings. If improvements are delayed or not fully realised, ongoing operating deficits will lead to growing debt levels that will continue to place

pressure on future budgets. The work to date highlights that, while the Financial Sustainability Project is improving short-term operating outcomes and slowing deterioration, further structural reforms and potentially stronger financial levers may be required over the medium term to keep pace with asset renewal costs, workforce growth, and long-term service demands.

## Capital Expense Summary

AlburyCity's capital program is forecast to increase over the next three years, driven primarily by rising capital investment in the Water and Sewer Funds. While General Fund capital expenditure is moderating, largely due to a reduction in generational projects, total capital spend continues to grow as water and wastewater projects expand in scale and cost. Generational projects, such as new water and sewer infrastructure required to service population growth, are typically debt funded to ensure costs are shared across future users, while non-generational projects focus on renewing existing assets that support current service delivery.

Council estimates that between \$14 million and \$21 million is required annually to maintain its existing asset base, and this renewal requirement is expected to increase over time as the asset base continues to grow. This includes assets transferred to Council through ongoing development, which totalled \$4.4 million in 2024–25, which add to future renewal and maintenance obligations.

Looking forward, capital planning is becoming more challenging due to sustained cost escalation in construction and infrastructure delivery. Renewal costs are likely to continue rising in a high inflation environment, particularly across asset intensive services such as water and wastewater, increasing pressure on both operating budgets and future debt capacity. While Council has successfully secured significant grant funding in recent years to offset capital costs, this funding is now reducing. As a result, it is essential that strong discipline and strategic focus are applied to capital planning to ensure major projects are appropriately prioritised, affordable, and fully funded. Failure to do so increases the risk of project overruns, higher debt reliance, and deferred renewals, which would place additional strain on Council's long-term financial sustainability.

## Delivery Program 2025-29 (Capital) vs Draft Delivery Program (Capital)

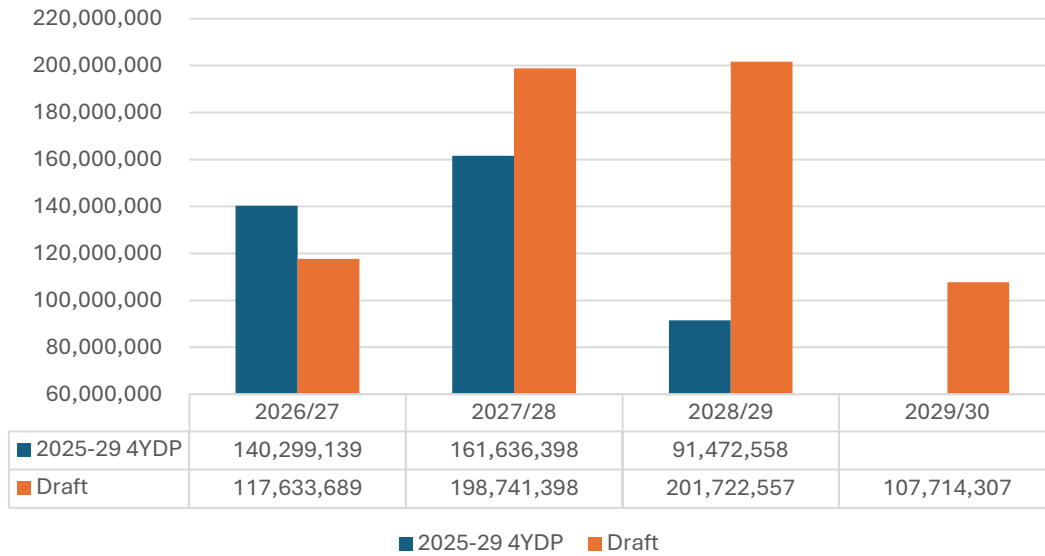


Figure 6: Comparison of Council prior year and new draft capital programs by financial year.

## Responsible Accounting Officer Statement

Council’s financial position is showing signs of improvement, which is reflected throughout this report. However, the pace of improvement remains modest when considered against the level of debt currently held and the forecast increase in debt over the coming years. While recent budget outcomes demonstrate progress, they also highlight that significant further action is required to bring the General Fund back into a sustainable breakeven position.

Council’s debt levels have continued to increase, to support increases in capital investment over the last three years. While debt is an appropriate funding tool for major infrastructure, particularly generational assets, the level of debt held does present a growing risk. Council will, at some point, reach practical limits on its borrowing capacity. This risk is heightened when considered alongside the significant capital investment planned for the Water and Sewer Funds, where asset renewal and growth related infrastructure requirements are increasing in scale and cost.

Meaningful improvements are required in both operating income and operating expenditure over the next two years, to better fund asset renewals from operating cash flows. This would reduce reliance on debt and create the opportunity for overall debt levels to stabilise or decline, particularly if large generational projects can be deferred, staged, or predominantly funded through external capital grants.

While the Accelerated Service Planning program is delivering early benefits, the financial gains to date are modest and unlikely on their own to address Council's underlying structural pressures. Finally, as rates and annual charges are growing at around 3.9% per year, while depreciation, which reflects the cost of renewing Council's asset base, has increased by around 7% per year, the need for continued cost control, disciplined financial management, and the commencement for community consultation on a potential Special Rate Variation is strongly advised.

## Glossary of Terms

### **Accelerated Service Planning**

A program of work aimed at improving Council's financial position through service reviews, operational efficiencies, modest service level changes and revenue improvements, without significantly impacting essential services.

### **Asset Renewal**

The replacement or refurbishment of existing assets (such as roads, pipes, buildings and facilities) to maintain current service levels and ensure assets remain safe and functional.

### **Base Budget**

The starting point for the next financial year's budget, assuming existing services continue with no major policy or service changes.

### **Breakeven**

The point at which income is sufficient to cover expenses, resulting in neither a surplus nor a deficit.

### **Capital Expenditure (Capital Program)**

Spending on long-term assets such as infrastructure, buildings, plant and equipment. Capital expenditure is different from day-to-day operating costs.

### **Cash Available from Operations**

The cash generated from normal operations after paying operating expenses, available to fund debt repayments, asset renewals and capital projects.

### **Debt (Borrowings)**

Money borrowed by Council, typically to fund major capital projects or asset renewals. Debt is repaid over time with interest.

### **Depreciation**

A non-cash expense that reflects the annual cost of using up or wearing out Council's assets. It represents the long-term cost of renewing the asset base.

**Draft Budget / Draft Delivery Program**

The proposed budget or capital program prepared for Council consideration before formal adoption.

**Endorsed Delivery Program**

The capital or operational program previously approved by Council.

**Fees and Charges**

Income received from user-paid services such as waste, childcare, airport services, water usage and other Council services.

**Generational Projects**

Large capital projects, often related to growth infrastructure, where the benefits are shared by future users. These projects are typically funded through debt.

**Interest Income**

Income earned from investing Council's cash balances.

**Materials and Services**

Operating costs associated with running Council services, excluding employee costs. This includes utilities, contracts, maintenance and consumables.

**Net Operating Result**

The difference between operating income and operating expenses. A negative result indicates a deficit.

**Non-Generational Projects**

Capital projects focused on renewing or maintaining existing assets that support current service delivery.

**Operating Deficit**

Occurs when operating expenses exceed operating income in a financial year.

**Operating Surplus**

Occurs when operating income exceeds operating expenses in a financial year.

**Operating Expenses**

Day-to-day costs required to deliver Council services, including employee costs, materials and services, depreciation and other operating costs.

**Rate Peg**

A limit set by the NSW Government on the annual increase in rates that councils can apply.

**Rates and Annual Charges**

Property-based income collected by Council to fund general services and specific utilities such as water and sewer.

**Renewal Gap**

The difference between the amount required to renew Council's assets and the amount actually funded, leading to asset deterioration over time.

**Special Rate Variation (SRV)**

An application to the NSW Government to increase rates above the rate peg, subject to community consultation and approval.

**Structural Deficit**

A long-term imbalance where ongoing expenses consistently grow faster than income, requiring structural change rather than one-off savings.

WORKING DRAFT