CM14.9. December Quarter Budget Review

Purpose

This quarterly budget report provides an updated estimate of Council's financial performance and budget adjustments for the 2025/26 financial year, based on results as at 31 December 2025.

Proposed budget variations, including adjustments to the capital works program, are detailed in this report for Council's consideration and adoption.

The Quarterly Budget Review Statement (QBRS) is attached to this report and outlines Council's financial results for the year to date, to 31 December 2025. These templates were developed by the Office of Local Government NSW to ensure all councils report their financial information in a clear and consistent format. This consistency helps Councillors and the community better understand Council's financial position.

Summary

The consolidated full-year operating result is now forecast to be a deficit of $6.1 million, representing an unfavourable movement of $10.8 million compared with the September forecast. This result incorporates adjustments to the Salary Positions Vacancy Offset, Oncosts, and Internal Charge Recovery – Wages, as outlined in the budget variance report presented to Council on 8 December 2025.

The consolidated full-year capital expenditure forecast is $59.6 million, which is $5.5 million below the current 2025/26 budget. This reduction is primarily due to project timing adjustments and savings achieved through Financial Sustainability actions.

Council has budgeted to draw down $25 million in capital infrastructure loans from the New South Wales Treasury Corporation (TCorp) during the 2025/26 financial year, subject to the loan application process and final approval.

Recommendation

That Council adopts the revised budget estimates for the 2025/26 financial year.

Introduction and Legislative Context

This report shows how Council's finances are tracking for the second quarter of the 2025/2026 year. It compares actual results to the approved budget and highlights any major differences which supports Council and the community understand how funds are being utilised.

The following sections detail our consolidated financial position before providing a more granular analysis of the performance within our major funds.

This report summarises major forecast variations compared to the current budget, being the previously adopted September 2025 Quarter Budget Review.

Consolidated Financial Operating Performance

The following table represents the consolidated position of council funds at 31 December 2025. Material variances are reported below, at fund level.

	YTD Current Budget	YTD Actuals	YTD Variance	Approved Annual Budget	Q2 Budget Adjustments	Revised Annual Budget
	$'000	$'000	$'000	$'000	$'000	$'000
Operations						
Total Revenue	88,263	90,839	2,576	177,458	4,315	181,773
Total Expenses	85,323	88,532	(3,208)	172,749	15,098	187,847
Net Result	**2,940**	**2,308**	(632)	**4,710**	**(10,783)**	**(6,074)**
LESS						
Depreciation & Amortisation Expense	20,565	20,502	63	41,132	-	41,132
Net Losses from Disposal of Assets	-	1,832	(1,832)	1,595	647	2,242
Net Cash available from Operations	**23,505**	**24,642**	**1,137**	**47,436**	**(10,136)**	**37,300**
Net Capital Renewal Expense	7,329	1,694	5,635	21,486	(1,409)	20,077
Net Capital Generational Expense	6,387	4,821	1,566	19,750	(4,100)	15,650
Total Capital Works	**13,716**	**6,515**	**7,201**	**41,236**	**(5,509)**	**35,727**

Figure 1: Shows the DQBR review adjustments, both operating & capital for Albury City Council.

Council's year-to-date (YTD) actual results show revenue slightly above budget and expenses also slightly higher, resulting in a net operating profit of $2.3 million, which is $632,000 worse than expected.

After adjusting for non-cash items such as depreciation, the net cash generated from operations is a surplus of $24.6 million. Capital works expenditure remains well below planned expenditure, with $6.5 million spent to date compared with a budget of $13.7 million. Overall, the revised annual budget reflects higher operating costs due to payroll budgeting errors previously reported and a reduction in planned capital works compared with the original budget.

General Fund

General Fund Statement of Income and Expenditure including Proposed Budget Adjustments

	YTD Current Budget	YTD Actuals	YTD Variance	Approved Annual Budget	Q2 Budget Adjustments	Revised Annual Budget
	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations:						
Rates & Annual Charges	32,034	31,848	(186)	63,874	100	63,974
User Charges & Fees	19,388	19,719	331	37,983	832	38,816
Interest & Investment Income	1,170	1,673	503	2,341	(25)	2,316
Grants & Contributions - Operating	5,139	5,578	439	10,958	285	11,243
Other Revenue	3,358	3,698	340	7,000	(554)	6,446
Net Gains from Asset Sales	-	-	-	953	(953)	-
Total Revenue	**61,089**	**62,516**	**1,427**	**123,108**	**(314)**	**122,794**
Expenses from Continuing Operations:						
Employee benefits and on-costs	25,871	28,934	(3,063)	51,941	4,252	56,193
Materials & Services	23,058	19,765	3,292	46,419	2,771	49,190
Depreciation & Amortisation Expense	13,629	13,560	69	27,259	-	27,259
Borrowing Costs - Interest	2,049	2,954	(905)	4,097	1,020	5,117
Net Losses from Disposal of Assets	-	1,717	(1,717)	1,595	647	2,242
Other Expenses	1,194	1,381	(187)	2,290	1,000	3,290
Total Expenses	**65,800**	**68,310**	**(2,511)**	**133,600**	**9,690**	**143,291**
Net Operating Result	**(4,711)**	**(5,794)**	**(1,084)**	**(10,492)**	**(10,005)**	**(20,497)**
LESS						
Depreciation & Amortisation Expense	13,629	13,560	69	27,259	-	27,259
Net Losses from Disposal of Assets	-	1,717	(1,717)	1,595	647	2,242
Net Cash available from Operations	**8,918**	**9,482**	**564**	**18,362**	**(9,357)**	**9,004**
Capital						
Capital Income - Renewal	5,120	6,157	1,037	10,354	-	10,354
Capital Expense - Renewal	8,467	5,871	2,596	22,919	128	23,048
	(3,347)	**286**	**3,633**	**(12,566)**	**(128)**	**(12,694)**
Capital Income - Generational	6,112	3,696	(2,417)	12,225	-	12,225
Capital Expense - Generational	11,524	8,452	3,072	30,025	(3,800)	26,225
	(5,412)	**(4,757)**	**655**	**(17,800)**	**3,800**	**(14,000)**

Figure 2: Shows the DQBR review adjustments, both operating & capital for the General Fund.

Operating Variances

The General Fund is performing slightly better than budget, with higher net cash available from operations. Revenue is tracking ahead of expectations, driven primarily by stronger commercial performance at the Airport and increased income from development applications and building surveying activities.

Employee costs remain above budget, consistent with the update provided at the Council Meeting on 8 December 2025. This overspend is partly offset by lower-than-expected spending on materials and services across most areas, influenced by project timing and more cautious expenditure following recent financial sustainability discussions.

Operating revenue is favourable across several departments, including Business & Lifestyle, City Projects, Strategy & Performance, and People & Culture. Key contributing factors include

higher-than-expected income from the Airport and Entertainment Centre, additional engineering inspection fees, better than forecast interest earnings on temporary cash balances, and grant funding received.

Operating expenditure is unfavourable due to higher employee costs, particularly relating to the Salary Positions Vacancy Offset and Internal Charge Recovery – Wages. The unfavourable result in net losses from the disposal of assets reflects timing differences. Borrowing costs are also over budget due to errors in the original budget associated with the internal loan from the Water Fund, this has been corrected through a budget variation.

Capital Variances

Capital Income is slightly less than budget as a result of phasing of income to be received for the Albury Entertainment Centre Convention Wing Expansion. This is to be resolved before the end of the financial year.

Capital Expenditure is favourable for both renewal and generational assets, with increased expenditure anticipated in the second half of the year. Further work will be undertaken ahead of the March Quarterly Budget Review to understand project expenditure timing.

General Fund – Annual Operating Budget Adjustments

The full year 2025/26 current budget deficit of $10.5 million has been increased by $10 million, resulting in a revised full year deficit of $20.5 million. The adjustments contributing to this movement are summarised below.

The primary driver of this unfavourable variance is the payroll related budget corrections identified in the Material Budget Variance Report. The key adjustments affecting the General Fund are:

- Oncosts: $3,919,000
- Internal Charge Recovery – Wages: $2,833,000
- Salary Positions Vacancy Offset: $1,834,000
- Borrowing Cost – Interest: $1,020,000
- Net Real Estate Sales: $952,000

The above variances for Salary Positions Vacancy Offset, Oncosts, and Internal Charge Recovery – Wages were included in the Budget Variance Report presented at the 8 December 2025 Council Meeting.

General Fund – Annual Capital Budget Adjustments

The renewal budget for the General Fund is rising due to projects starting earlier than planned, delays from last year rolling over, and a few new renewal projects being added. These increases are partly offset by timing changes to the Animal Care Centre Emergency Pens and the Lauren Jackson Sports Centre upgrade, as well as savings of about $1 million from the WWII Memorial Bowl project, where the project came in under budget.

General Fund – Financial Sustainability Best Practice

One final matter to highlight relates to the General Fund's capacity to fund capital renewals and generational capital projects. Financial management best practice principles require that Net Surplus Cash from Operations should be sufficient to cover all capital renewal expenditure, as well as any principal repayments on debt. As outlined in the table above, the revised Net Surplus from Operations for FY25/26 is $9 million, while net capital renewal costs total $12.7 million.

In addition, principal debt repayments, which are excluded from the Profit and Loss, are estimated at a further $6 million. In simple terms, this results in a funding shortfall of approximately $9.7 million, which is the focus of internal financial sustainability efforts.

A full list of capital budget adjustments is attached.

Water Fund

Water Fund Statement of Income and Expenditure including Proposed Budget Adjustments

	YTD Current Budget	YTD Actuals	YTD Variance	Approved Annual Budget	Q2 Budget Adjustments	Revised Annual Budget
	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations:						
Rates & Annual Charges	2,317	2,590	274	4,634	436	5,070
User Charges & Fees	7,765	8,193	428	15,530	3,688	19,218
Interest & Investment Income	1,601	1,580	(21)	3,203	100	3,303
Grants & Contributions - Operating	87	87	-	174	-	174
Other Revenue	135	283	148	270	-	270
Net Gains from Asset Sales	-	-	-	-	-	-
Total Revenue	**11,905**	**12,734**	**829**	**23,811**	**4,224**	**28,035**
Expenses from Continuing Operations:						
Employee benefits and on-costs	1,057	1,538	(480)	2,115	525	2,640
Materials & Services	4,560	4,355	205	9,121	2,968	12,089
Depreciation & Amortisation Expense	3,653	3,649	3	7,306	-	7,306
Borrowing Costs - Interest	-	-	-	-	-	-
Net Losses from Disposal of Assets	-	112	(112)	-	-	-
Other Expenses	1	2	(1)	2	-	2
Total Expenses	**9,272**	**9,656**	(385)	**18,544**	**3,493**	**22,036**
Net Result	**2,634**	**3,078**	**444**	**5,267**	**732**	**5,999**
LESS						
Depreciation & Amortisation Expense	3,653	3,649	3	7,306	-	7,306
Net Losses from Disposal of Assets	-	112	(112)	-	-	-
Net Cash available from Operations	**6,286**	**6,839**	**553**	**12,573**	**732**	**13,305**
Capital						
Capital Income - Renewal	650	865	215	1,300	-	1,300
Capital Expense - Renewal	4,633	2,846	1,787	10,220	(1,537)	8,683
	(3,983)	**(1,981)**	**2,002**	**(8,920)**	**1,537**	**(7,383)**
Capital Income - Generational	-	-	-	-	-	-
Capital Expense - Generational	975	64	911	1,950	(300)	1,650
	(975)	**(64)**	**911**	**(1,950)**	**300**	**(1,650)**

Figure 3: Shows the DQBR review adjustments, both operating & capital for the Water Fund.

Operating Variances

The Water Fund is tracking slightly ahead of the current budget. Revenue from fees, charges, and rates is marginally above expectations. Employee costs are over budget due to payroll corrections, though this is partly offset by lower than planned spending on water infrastructure, largely due to project timing. Overall, operating expenses remain above budget because of increased employee costs, with savings in materials and supplies helping to reduce the variance.

Capital Variances

Capital Income is currently tracking in line with budget for renewal assets.

Capital Expenditure is underspent for renewal projects due to project delays and project supply issues for the upgrade of the Water Treatment Plant filter media. Generational Projects are slightly underspent due to timing in Kerr Road water main construction.

Water Fund – Annual Operating Budget Adjustments

The DQBR, highlights an operational improvement of $732,000 from a projected surplus of $5.3 million to $6.0 million.

The primary drivers for this favourable variance are the payroll-related budget corrections mentioned as part of the material budget variance report as well as increases in fees and charges income. The key drivers of this budget adjustment are as follows:

- Fees, Charges & Internal Charge Income: ($3,600,000) improvement
- Costs associated with Internal Charges: $1,600,000
- Oncosts: $630,000
- Internal Charge Recovery – Wages: $280,000
- Salary Positions Vacancy Offset: $244,000
- Utility costs: $200,000

The above variances for Salary Positions Vacancy Offset, Oncosts, and Internal Charge Recovery – Wages were included in the Budget Variance Report presented at the 8 December 2025 Council Meeting.

Water Fund – Annual Capital Budget Adjustments

The Water fund capital budget is decreasing due to project delays across multiple projects.

A full list of capital budget adjustments is attached.

Sewer Fund

Sewer Fund Statement of Income and Expenditure including Proposed Budget Adjustments

	YTD Current Budget	YTD Actuals	YTD Variance	Approved Annual Budget	Q2 Budget Adjustments	Revised Annual Budget
	$'000	$'000	$'000	$'000	$'000	$'000
Income from Continuing Operations:						
Rates & Annual Charges	10,540	10,422	(118)	21,080	-	21,080
User Charges & Fees	2,189	2,110	(79)	4,379	284	4,663
Interest & Investment Income	1,874	2,432	558	3,748	300	4,048
Grants & Contributions - Operating	84	84	-	169	-	169
Other Revenue	582	541	(41)	1,164	(179)	985
Net Gains from Asset Sales	-	-	-	-	-	-
Total Revenue	**15,269**	**15,589**	**320**	**30,539**	**405**	**30,944**
Expenses from Continuing Operations:						
Employee benefits and on-costs	1,429	2,490	(1,061)	2,858	660	3,518
Materials & Services	5,448	4,700	748	10,996	1,256	12,252
Depreciation & Amortisation Expense	3,284	3,293	(10)	6,568	-	6,568
Borrowing Costs - Interest	91	76	15	182	-	182
Net Losses from Disposal of Assets	-	3	(3)	-	-	-
Other Expenses	-	1	(1)	-	-	-
Total Expenses	**10,252**	**10,565**	(313)	**20,605**	**1,915**	**22,520**
Net Result	**5,017**	**5,024**	**7**	**9,934**	**(1,510)**	**8,424**
LESS						
Depreciation & Amortisation Expense	3,284	3,293	(10)	6,568	-	6,568
Net Losses from Disposal of Assets	-	3	(3)	-	-	-
Net Cash available from Operations	**8,301**	**8,321**	**20**	**16,502**	**(1,510)**	**14,992**
Capital						
Capital Income - Renewal	800	1,247	447	1,600	-	1,600
Capital Expense - Renewal	3,715	2,155	1,560	8,630	(510)	8,120
	(2,915)	**(908)**	**2,007**	**(7,030)**	**510**	**(6,520)**
Capital Income - Generational	-	216	216	300	(95)	205
Capital Expense - Generational	3,790	2,579	1,211	7,580	(1,775)	5,805
	(3,790)	**(2,363)**	**1,427**	**(7,280)**	**1,680**	**(5,600)**

Figure 4: Shows the DQBR review adjustments, both operating & capital for the Sewer Fund.

Operating Variances

The Sewer Fund is tracking close to budget overall. Interest income is higher than expected due to favourable movements in available term deposit rates. Employee costs are over budget due to payroll errors corrected, however this is partly offset by delays in spending at wastewater treatment plants and sewer pump station cost centres.

Capital Variances

Capital Income is currently favourable for renewal assets.

Capital Expenditure is underspent for renewal projects due to delays in completing CCTV inspections for Sewer Gravity Mains and the Mains Sewer Pump Station Cross Connection. Generational Projects

are also slightly underspent, driven by timing delays in the Riverina Highway Sewer and Main Sewer Pump Station projects.

Sewer Fund – Annual Operating Budget Adjustments

The DQBR, highlights an operational worsening of $1.5 million from a projected surplus of $9.9 million to $8.4 million.

The primary drivers for this favourable variance are the payroll-related budget corrections mentioned as part of the material budget variance report as well as increases in fees and charges income. The key drivers of this budget adjustment are as follows:

- Oncosts: $553,000
- Salary Positions Vacancy Offset: $354,000
- Internal Charge Recovery – Wages: $305,000
- Wonga Wetlands: $234,000 – increases due to costs to operate area

Other budget adjustments include a $500,000 increase for operating projects. This amount covers cleaning the diffusers at the Waterview Wastewater Treatment Plant and undertaking infrastructure master planning for the newly purchased Maryvale property. These additional project costs have been largely offset by improved budget outcomes in interest income, leasing income, and user fees and charges.

Sewer Fund – Annual Capital Budget Adjustments

The Sewer fund capital budget is decreasing due to project delays across multiple projects.

A full list of capital budget adjustments is attached.

Unrestricted Funds

Council's overall cash position is now projected to be $193.7 million, which is $2.3 million less than previously forecast.

It is projected that unrestricted General Fund cash and investments at year-end will total $15.7 million, representing a decrease of $11.3 million compared with the September budget forecast. This reduction reflects the overall budget adjustments outlined in this report, as well as an additional $5.4 million reclassification to recognise funding received in advance that should be held as Financial Assistance Grants received in advance at year-end.

	Previous Year $'000	Current Year Original $'000	Actual YTD $'000	Approved Annual Budget $'000	Q2 Budget Adjustments $'000	Revised Annual Budget $'000
Total Cash & Equivalents	230,744	219,300	193,743	196,093	(2,351)	193,743
Total Externally Restricted Cash	189,003	180,750	150,747	147,873	3,448	151,321
Cash & Equivalents not subject to external restrictions	**41,741**	**38,550**	**42,996**	**48,221**	**(5,799)**	**42,422**
Internal Allocations	24,933	20,925	26,732	21,248	5,484	26,732
Unrestricted Cash	**16,808**	**17,625**	**16,264**	**26,973**	**(11,283)**	**15,690**

Figure 5: Summarises the forecast change in cash and investments for the Albury City Council.

Externally restricted cash and investments include Water and Sewer Fund balances, unexpended developer contributions and Domestic Waste Management Funds, and specific purpose grants received in advance.

Internally restricted cash and investments include employee leave entitlements, deposits retentions and bonds, prepaid burial contributions, and landfill rehabilitation.

On an accrual basis, it is important that an appropriate level of unrestricted cash and investments are maintained to meet liabilities as and when they fall due. Council's ongoing financial position to support new initiatives will be further assessed as part of the annual review of AlburyCity's Four Year Delivery Program and Long-Term Financial Plan.

Risk

- **Business Risk** – There is a risk that the scale and timing of budget changes in the DQBR may lead staff to become overly cautious in releasing or spending their budgets. This behaviour can distort actual results and reduce Council's ability to accurately forecast the year-end position. While AlburyCity maintains adequate liquidity, the General Fund will need to strengthen its operating performance over time to support ongoing service levels. Key risks influencing the financial outlook include uncertainty in Financial Assistance Grant funding, variability in asset disposal outcomes and depreciation, rising insurance premiums and regulatory charges, and the potential for operating costs to be incorrectly reallocated to capital at year-end.
- **Corporate Risk** – AlburyCity must continue strengthening its long-term financial sustainability by progressively implementing improvements that ensure services and infrastructure can be funded into the future. This requires ongoing review and prioritisation of service levels and infrastructure to balance community expectations with affordability. There is also a risk that significant budget corrections and past forecasting inaccuracies may weaken public confidence in Council's financial stewardship, potentially affecting organisational reputation and stakeholder trust.
- **WHS and Public Risk** – There were no risks identified.
- **Environmental Risk** – There were no risks identified.

- **Four Year Delivery Program and General Program Risk** – Council continues to be proactive in managing its budget while working to maintain and improve infrastructure within AlburyCity in support of the delivery of services.

Engagement

The *Local Government (General) Regulations 2005* require that no later than two months after the end of each quarter (except the June quarter), a budget review statement must be submitted to the Council that shows a revised estimate of the income and expenditure for that year.

Strategic Alignment

Towards Albury 2050 Community Strategic Plan
This project aligns with the following outcomes from the Towards Albury 2050 Community Strategic Plan:

Theme Four – A Leading Community.
4.4 Albury has open and collaborative leadership.

4.4.2 Government business is conducted with good governance, accountability and transparency.

Options

1. Receive and adopt the revised budget estimates for the full year 2025/26 budget. **Recommended**; or

2. Vary the proposed budget estimates applicable to the full year 2025/26 budget. **Not Recommended**; or

3. Adopt no changes to the full year 2025/26 budget. **Not Recommended**.

File ref.	FIL25/02339
Reporting team	Strategy & Performance
Attachments	1. QBR S-26-26- Q 2- Data Return - Final ACC [8 pages] - (DOC26/17920) 2. Contract Listing [1 page] - (DOC26/17530) 3. Consultancy and Legal Fees [1 page] - (DOC26/17253) 4. December Quarterly Budget Review 2025 - Capital Budget Adjustments [1 page] - (DOC26/18508)