

Budget Summary 2026/27

The budget for 2026-27 was developed in alignment with Council's Strategic Finance & Governance Improvement Plan. Parameters and strategies set out in this budget also incorporate the key action of the Performance Improvement Order (PIO), achieving financial sustainability by the 2026-27 financial year. This requires a breakeven budget excluding capital grant and a positive unrestricted cash position.

Subsequent to the tabling of budget documents at the 21 April 2026 Ordinary Council Meeting, Council resolved to consider an unsolicited proposal in relation to the Kiama Holiday Parks portfolio, in line with the adopted Unsolicited Proposals Policy. At this time, the financial impact of this proposal is not able to be reasonably estimated, as it still requires due diligence and further negotiation and consideration prior to entering into any formal arrangements. However, because the unsolicited proposal could have a material positive impact on the budget, it is important to ensure that an additional scenario is created to show this to the community in order to seek feedback. For the purposes of inclusion into the Budget, this has been included as an additional scenario in the LTFFP (Scenario 6), to be updated during the exhibition period as more information becomes available (subject to Commercial-In-Confidence conventions).

Scenario 6 is based on the understanding that with Level 1 initiatives included, the Base Case Operating Results excluding capital grants, shows a \$3.6M deficit. This scenario, when combined with the unsolicited proposal, natural attrition, and an organisational structure review to be undertaken in the next 12 months, can produce a balanced budget by June 2027. Service levels for discretionary services, which were excluded in the original Budget would then be maintained. The Quarterly Budget Review (QBR) process in 2026/27 will track progress towards a balanced budget (operating results) at the financial year end. It should be noted that Council is already operating with positive unrestricted cash balances, which is shown in the FY27 draft budget and initial years in the LTFFP.

This Budget Summary document is based on Scenario 6.

Key strategies outlined in the budget include:

- Continued operational efficiencies and improvements
 - Council has made significant improvement to its operating result in recent years, and this will continue through further operational and service review improvement opportunities. Centralisation of further services and procurement savings are planned.
- Discretionary Service review.
 - Current levels of discretionary services will be maintained. Due to a relatively small revenue base of 10,000 residential ratepayers, Council will consider efficiencies and operational savings as part of a broader organisation structure review.
- Staffing establishment review.
 - Following on from above, Council's total employment costs are too high for its revenue base. A full staff establishment review will be undertaken to 'rightsize' Council's operations following the Bonaira divestment last year.
- Special rate variation.
 - This is included as an alternate in the Long Term Financial Plan. NSW Government Funding Guidelines require SRVs to be project or specific activity oriented rather than to support operations and financial sustainability.
 - An application directed to asset maintenance backlog could be considered.
 - However, Kiama is a high rate per capita community compared to most other LGAs in NSW, and an SRV will likely not be accepted by the community.
- Capital works reductions.

- Due to financial constraints, capital works program shown below will be heavily reliant on capital grants and reserve funding with minimal allocation from general or unrestricted funds (other than works relating to Terralong Fire Safety and Condition Report).
- Terralong Building Fire Safety Work.
 - This important work is needed for safety and compliance with fire safety regulations. Debt financing of \$10M has been included as an option in the LTFP and will add borrowing costs to the Budget.
- Holiday Parks unsolicited proposal
 - Impact of unsolicited proposal will be considered along with a broader organisational review to be undertaken during the FY 2026-27 financial year.

DRAFT Operational Budget 2026-2030 - Consolidated	
Income	2026-27 \$'000
Rates, Levies & Annual Charges	31,529
User charges and fees	19,748
Interest & Investment Revenue	1,780
Other Revenue	4,861
Operating Grants and Contributions	4,727
Capital Grants and Contributions	7,309
Other Income	135
Net Gain / (Loss) from disposal of assets	93
Total Income from recurring operations	70,182
Expenses	
Employee Benefits	29,317
Borrowing Costs	392
Materials & Contracts	26,402
Other Expenses	1,100
Total Expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	57,211
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	12,971
Depreciation & Amortisation	9,228
Operating result from continuing operations	3,742
Net Operating result before grants and contributions provided for capital purposes	(3,567)

**Excludes internal transactions.*

Council plans to deliver \$22.8M in capital works during the 2026-27 financial year, primarily funded through grants and reserves. For the subsequent three financial years, capital works budgets of \$20.8M, \$15.7M, and \$12.6M respectively have been allocated to support the ongoing development of infrastructure and community initiatives. Blue Haven Terralong fire safety and asset condition works are included in these figures.

For further details regarding budget assumptions and projected long-term outcomes, please refer to the *Long Term Financial Plan 2026-27 to 2035-36*.

Funding our Delivery Program

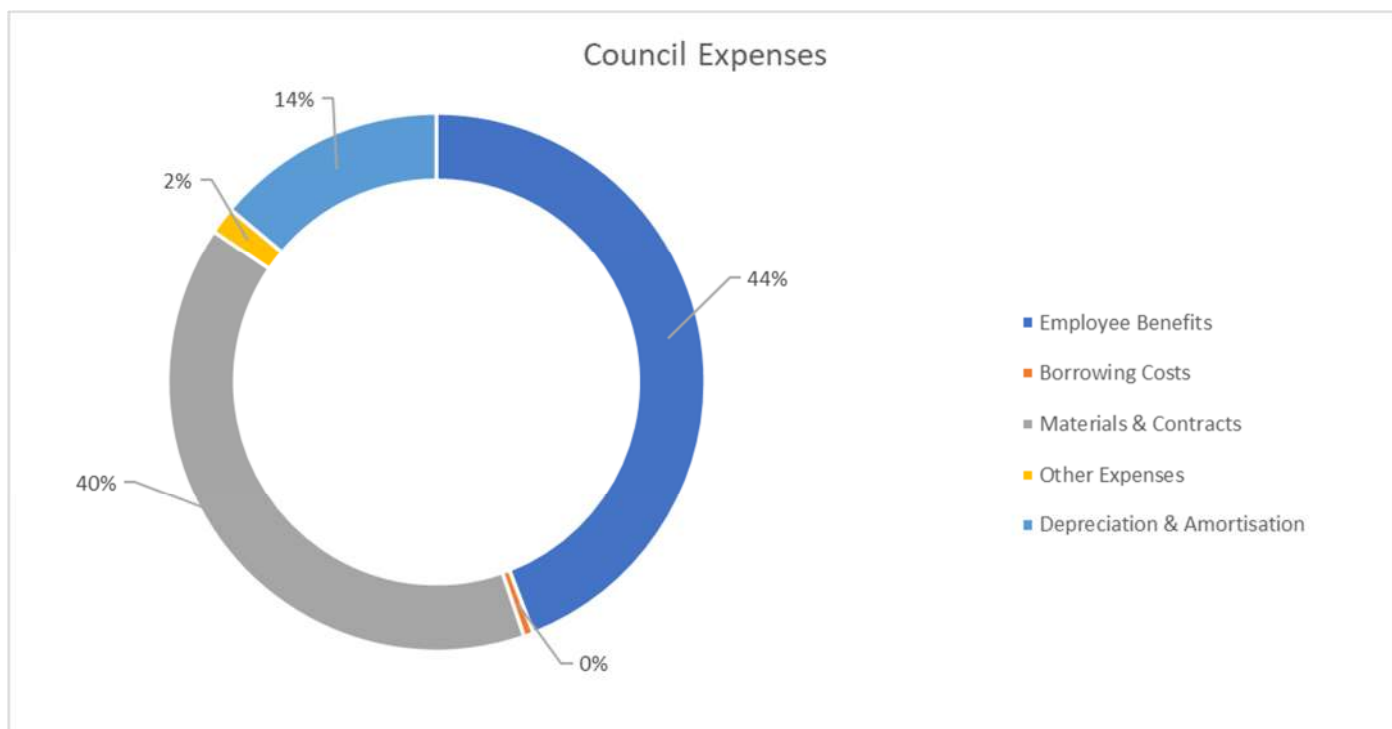
The core functions of Council are centred on delivering services and infrastructure that align with community priorities while ensuring compliance with legislative requirements of the *Local Government Act* and Integrated Planning & Reporting Guideline. This approach upholds equity, safety, and the overall well-being of the community.

The Council's financial framework is complex, comprising diverse revenue sources governed by specific principles and regulations. These mechanisms are designed to ensure equitable cost recovery, efficient allocation of resources, and the affordability of services.

Council faces a diverse range of expenses, a significant portion of which are increasing at rates exceeding the standard Consumer Price Index (CPI). Rate pegging for Kiama at 3.2% in 2026/27 compares to Award wage increases of (estimated) 4% or up to 4.5% including superannuation. Trade materials, utilities and general CPI exceeds the rate peg. This simply means that each year there is a decline in operating performance unless efficiencies can be found. Alternately grant funding or an SRV is pursued by some Councils.

Many councils across NSW are dealing with financial sustainability issues and are heavily reliant on capital grants. Analysis of Council results for year ended June 2025 shows that 70% of Councils are running at an operating loss if capital grants are excluded. This compares to approximately 50% in 2024.

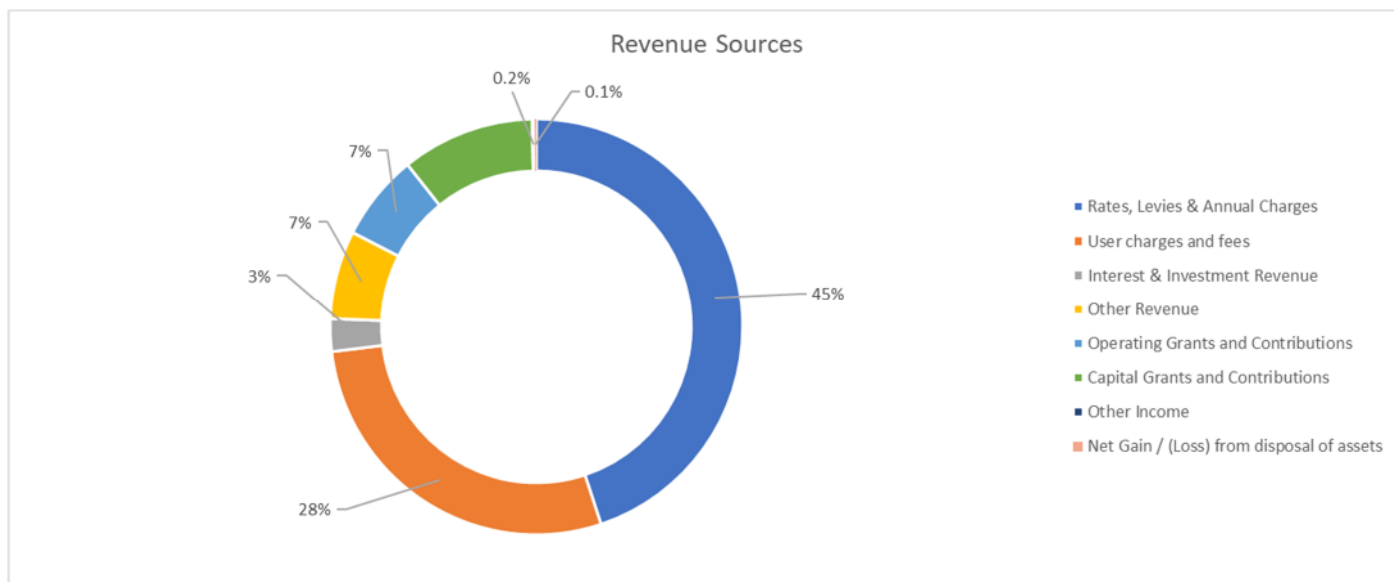
For KMC, with the added requirement of the PIO, the Budget contains the challenging decisions and initiatives referred above.



In response to these challenges, Council adopts proactive strategies that include cost containment, service reviews, securing additional grant funding, divesting underutilised assets, and leveraging borrowings to support long-term infrastructure investments. As part of the annual Operational Plan, Council undertakes a comprehensive review of its ten-year Long Term Financial Plan. This plan provides a comprehensive financial forecast that encompasses projected expenditures, revenue streams, asset management, lifecycle costs, and workforce planning. Through this forecast, Council can evaluate optimistic, conservative, and planned scenarios.

Sources of income

In line with the Integrated Planning & Reporting guidelines established by the *Local Government Act 1993*, Council manages a diverse and meticulously regulated range of revenue streams. These encompass rates, fees, and charges allocated to specific services, as well as grants and subsidies from higher levels of government. In addition, loans and investment interest play a role in maintaining financial stability, alongside occasional asset sales or business activities. The revenue sources we receive are crucial in shaping our ability to enhance service levels and introduce new services.



Rating

Revenue from rates constitutes the largest portion of Council's overall income. The Independent Pricing and Regulatory Tribunal (IPART) regulates the income derived from ordinary rates, special rates, and drainage services through the rate pegging mechanism. Council rating strategies vary, with some councils relying more heavily on ordinary rates, while others utilise a combination of ordinary and special rates. While councils can adjust their mix of rates annually, the total rate income increase across all rates must not exceed the percentage specified by IPART each year.

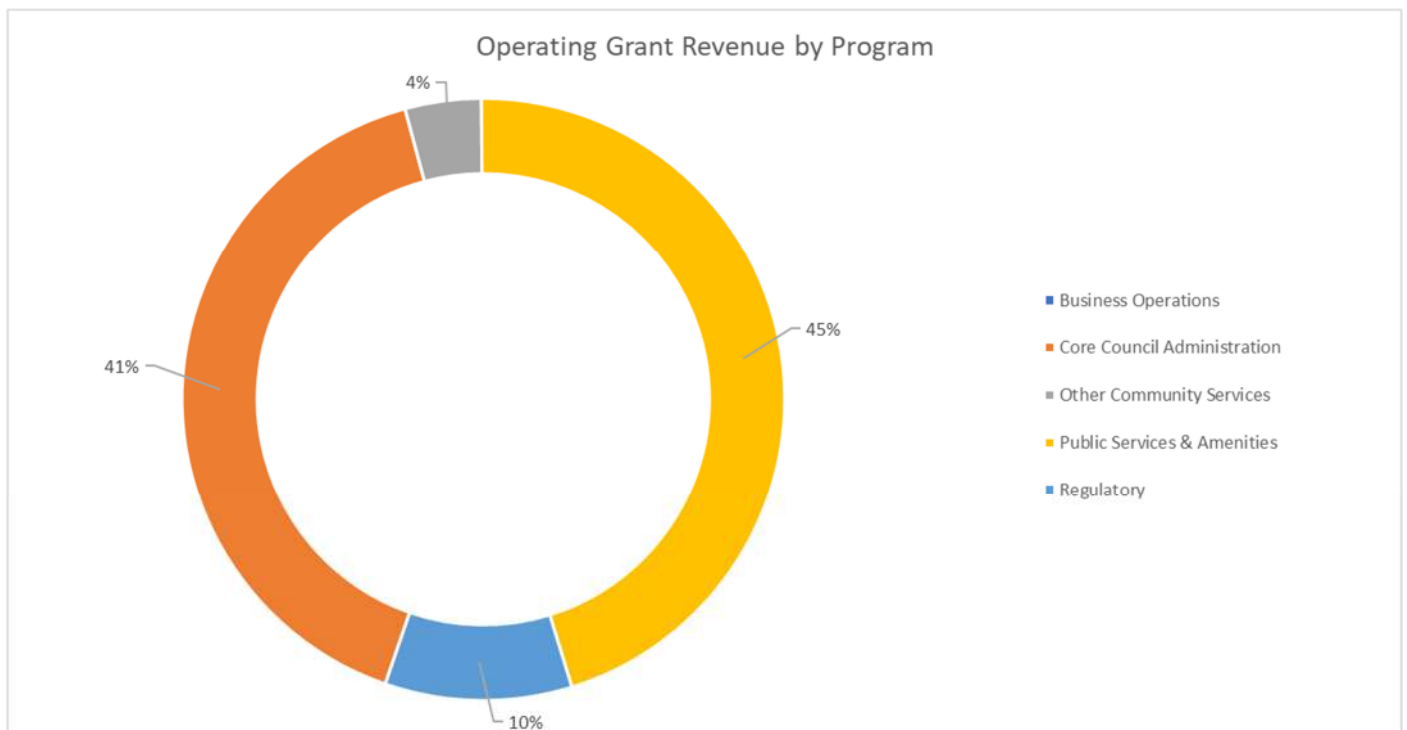
For 2026-27, Council's rate peg increase is set at 3.2%. However, the rapid escalation in current expenses and projected future costs has created a disparity between the IPART-approved rate increase and Council's actual financial needs. Considering the prevailing financial challenges, the Council must focus on implementing cost reduction measures and exploring opportunities to enhance revenue generation in the short term. These options will be rigorously examined prior to considering any special rates variation.

Fees and Charges

Fees and charges are established based on a user-pays approach, facilitating partial rather than full cost recovery in service delivery. The Revenue Policy ensures that these fees and charges are structured to avoid imposing excessive financial burdens on the broader community. Any surplus revenue generated through this approach is reinvested to enhance service delivery for the benefit of the entire community.

Grants and subsidies

The Council receives both steady annual grants and discretionary grants, actively seeking the latter to fund specific projects. These grants, provided by Federal and State governments, play a critical role in financing a wide range of services and major capital projects. These include environmental programs, community services, road safety initiatives, public library operations, road construction, and other infrastructure developments. While the allocation of grants is determined by higher levels of government, they remain a vital revenue source. Council proactively pursues funding opportunities to ensure the successful delivery of projects. The 2026-27 Budget includes \$7.3M of capital grants and \$4.6M of operating grants.



Investments

At any given time, Council may hold a significant amount of cash derived from sources such as grant funding, developer contributions for works, and general revenue from rates, fees, and charges. These funds are allocated to specific projects and services as outlined in the annual budget and development contribution plans, though there may be a delay between their receipt and expenditure. To optimise returns during this interim period, any surplus cash is invested in accordance with Council's Investment Policy. However, the income generated from these investments may fluctuate due to factors such as economic conditions, interest rate changes, and existing financial commitments.

Asset sales

To achieve long-term community benefits, Council plans to develop the catalyst sites outlined below, which aim to generate additional revenue in the future. As part of Council's Asset Recycling strategy, surplus

properties identified as non-strategic will be sold. Proceeds from these sales are utilised to benefit Council's cash position. Proceeds will fund ongoing progress and development of these catalyst sites.

Catalyst sites

Council has identified key sites as potential long term revenue opportunities. The sites are:

- 11 Manning Street (Council Admin Building),
- Havilah Place, (and Blue Haven Terralong)
- Shoalhaven Street Precinct (KMC Works Depot),
- Spring Creek
- Waste Depot at Minnamurra.

At the extraordinary April 2026 meeting, Council delegated authority to the CEO to progress requirements in line with the performance improvement order:

- Seek debt finance of \$10M for the purposes of undertaking the program of works required for the Fire Safety Order at Blue Haven Terralong and provide a separate report to Council for final signing of any loan agreement.
- proceed to a market sounding process in line with the Local Government Act 1993 to understand potential options and opportunities for catalyst sites inclusive of 11 Manning Street, the Shoalhaven Street site, Havilah Place inclusive of Blue Haven Terralong, merging the works depot to Minnamurra, consideration of future Council administration office location, and provide a further report to council on process and outcomes.

Council's Works Depot has operated from the current Shoalhaven/Belvedere Street site for over 40 years and is in desperate need of capital investment. Council has made the strategic decision to consolidate its Works Depot operations with its Waste Depot at Minnamurra. This consolidation rationalises Council's depot functions and operations and removes industrial uses from the heart of a residential area. Council has partnered with the NSW Government to rezone the Shoalhaven Street Precinct from Industrial to Residential. Council's adopted Local Housing Strategy recognises the benefit of increased residential densities within our existing towns. It is anticipated that the NSW Minister for Planning and Public Places will rezone the site to permit 6-storey residential development. This site has the potential to provide much need homes within Kiama and significantly assist Council's financial situation.

These are too preliminary at this stage given their significance and limited information regarding revenue potential and timing that they have not been considered for Budget or LTFP purposes. These will be important inclusions in future Budgets and LTFP forecasts.

Budget Summary 2026-30

DRAFT Operational Budget 2026-2030 - Consolidated				
	2026-27	2027-28	2028-29	2029-30
	\$'000	\$'000	\$'000	\$'000
Income				
Rates, Levies & Annual Charges	31,529	32,947	34,055	35,255
User charges and fees	19,748	20,466	21,078	21,678
Interest & Investment Revenue	1,780	2,117	2,509	2,633
Other Revenue	4,861	5,029	5,165	5,295
Operating Grants and Contributions	4,727	4,103	4,107	4,112
Capital Grants and Contributions	7,309	6,686	6,943	4,057
Other Income	135	-	-	-
Net Gain / (Loss) from disposal of assets	93	-	-	-
Total Income from recurring operations	70,182	71,347	73,858	73,029
Expenses				
Employee Benefits	29,317	30,614	31,891	33,024
Borrowing Costs	392	100	92	96
Materials & Contracts	26,402	26,963	27,562	28,255
Other Expenses	1,100	1,120	1,135	1,150
Total Expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	57,211	58,796	60,680	62,525
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	12,971	12,551	13,179	10,504
Depreciation & Amortisation	9,228	9,505	9,790	10,084
Operating result from continuing operations	3,742	3,046	3,388	420
Net Operating result before grants and contributions provided for capital purposes	(3,567)	(3,640)	(3,555)	(3,637)

*Excludes internal transactions.

DRAFT 2026-27 Operational Budget by Program/Service			
	Revenue \$'000	Expenses \$'000	Surplus/(Deficit) \$'000
Core council administration	36,643	19,664	16,979
Business operations	20,498	17,175	3,324
Blue Haven - Terraloug ILU	4,188	1,697	2,491
Kendall Beach Holiday Park	2,525	1,686	839
Seven Mile Beach Holiday Park	2,940	2,281	658
Werri Beach Holiday Park	2,589	1,947	642
Surf Beach Holiday Park	2,322	1,947	376
Commercial Waste Services	1,070	831	239
Kiama Harbour Cabins	1,524	1,662	(138)
The Pavilion	603	1,400	(797)
Leisure Centre	2,737	3,724	(987)
Regulatory	2,020	5,854	(3,834)
Building & Development	675	1,435	(761)
Health Administration	438	1,102	(664)
Strategic Planning	275	936	(661)
Environmental Administration	13	591	(578)
Compliance	451	993	(541)
Life Saving Program	28	492	(464)
Internal Auditing Services	-	107	(107)
Economic Development	-	57	(57)
RFS	141	142	(1)
Public Services & Amenities	11,329	29,374	(18,046)
Depreciation KMC	-	8,607	(8,607)
Parks Services	462	3,683	(3,222)
Buildings Services	8	2,816	(2,807)
Cleaning Services	-	1,761	(1,761)
Engineering & Works Construction	1,336	2,835	(1,498)
Library Administration Services	203	1,065	(862)
Asset Management	55	675	(620)
Kiama Works Depot	5	480	(475)
Engineering & Works Administration	921	1,004	(83)
Tree Management	18	94	(76)
Engineering Assessment & Approvals	196	-	196
Domestic Waste Services	8,124	6,355	1,769
Other Community Services	550	2,540	(1,990)
Community Development	28	844	(816)
Tourism & Events	99	731	(632)
Visitor Information Centre	304	619	(315)
Cultural Development	31	175	(145)
Youth Services & Programs	88	170	(82)
Grand Total	71,040	74,607	(3,567)

*Includes internal transactions

Capital budget summary

DRAFT Capital Budget by Program 2027-2030				
Program	2026-27 Allocation	2027-28 Allocation	2028-29 Allocation	2029-30 Allocation
Blue Haven	9,297,000	11,297,000	5,797,000	5,797,000
Roads and Bridges	2,843,841	4,313,733	4,313,733	1,322,911
ICT	1,991,563	300,000	300,000	300,000
Buildings & Facilities	1,902,000	1,928,820	2,000,373	2,075,037
Commercial Business	70,000	19,444	19,444	19,444
Recreation and Open Space	1,222,700	44,650	320,000	339,000
Parks & Reserves	1,000,000	200,000	200,000	200,000
Stormwater Assets	841,527	550,000	550,000	614,000
Plant & Equipment	772,000	1,000,000	1,000,000	750,000
Footpaths & cycleways	489,260	80,000	80,000	80,000
Playgrounds	200,000	200,000	200,000	200,000
Leisure Centre	187,000	200,000	200,000	200,000
Holiday Parks	1,760,000	526,417	526,417	526,417
Coastal Management Program	10,000	-	-	-
Waste Services	250,000	150,000	150,000	150,000
Traffic Facilities	-	20,000	20,000	20,000
	22,836,891	20,830,064	15,676,967	12,593,809

Funding Source	2026-27 Allocation	2027-28 Allocation	2028-29 Allocation	2029-30 Allocation
General Revenue	11,671,471	12,348,394	6,883,303	6,899,826
Plant Replacement	772,000	1,000,000	1,000,000	750,000
Stormwater Levy	350,000	228,751	228,751	255,369
Crown Reserve	1,835,387	388,208	388,208	388,208
Domestic Waste Management	534,405	150,000	150,000	150,000
Unexpended Grants	5,699,368	6,075,702	6,331,945	3,445,750
Developer Contributions (S7.12)	1,974,260	639,009	694,760	704,656
	22,836,891	20,830,064	15,676,967	12,593,809