

## Extra Ordinary Meeting

**Meeting Date:** Monday, 15 May, 2023  
**Location:** Council Chambers, City Administrative Building, Bridge Road, Nowra  
**Time:** 5.30pm

**Membership** (Quorum - 7)  
All Councillors

**Please note:** The proceedings of this meeting (including presentations, deputations and debate) will be webcast, recorded and made available on Council's website, under the provisions of the Code of Meeting Practice. Your attendance at this meeting is taken as consent to the possibility that your image and/or voice may be recorded and broadcast to the public.

Shoalhaven City Council live streams its Ordinary Council Meetings and Extra Ordinary Meetings. These can be viewed at the following link

<https://www.shoalhaven.nsw.gov.au/Council/Meetings/Stream-a-Council-Meeting>.

### Statement of Ethical Obligations

The Mayor and Councillors are reminded that they remain bound by the Oath/Affirmation of Office made at the start of the council term to undertake their civic duties in the best interests of the people of Shoalhaven City and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act or any other Act, to the best of their skill and judgement.

The Mayor and Councillors are also reminded of the requirement for disclosure of conflicts of interest in relation to items listed for consideration on the Agenda or which are considered at this meeting in accordance with the Code of Conduct and Code of Meeting Practice.

## Agenda

1. **Apologies / Leave of Absence**
2. **Declaration of Interests**
3. **Mayoral Minute**

#### Mayoral Minute

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4. **Reports**

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## **MM23.13 2023/2024 Emergency Service Levy**

**HPERM Ref:** D23/168424

**Attachments:** 1. LGNSW Media Release - Emergency Service Levy Increase Will Be Catastrophic for Councils [↓](#)

### **Recommendation**

That Council:

1. Writes to the NSW Treasurer, the Minister for Emergency Services, the Minister for Local Government and Local State Member(s):
  - a. Expressing Council's strong opposition to the NSW Government's last minute decision to impose an enormous Emergency Services Levy (ESL) cost increase on councils for 2023/24 by scrapping the ESL subsidy for councils and at a time after Council has publicly advertised its Operational Plan and annual budget to the community;
  - b. Noting that as a consequence of the unannounced 73% increase in the State Emergency Service budget and an 18% increase in the Fire and Rescue NSW budget, Council's 4.6% rate increase to provide essential community services and infrastructure has been significantly eroded.
  - c. Advising that the Government's decision may lead to a reduction in important local services or the cancellation of necessary infrastructure projects;
  - d. Calling on the NSW Government to take immediate action to:
    - i. Restore the ESL subsidy in 2023/24
    - ii. Urgently introduce legislation to decouple the ESL from the rate peg to enable councils to recover the full cost
    - iii. Develop a fairer, more transparent and financially sustainable method of funding critically important emergency services in consultation with Local Government.
2. Writes to the Chair of the Independent Pricing and Regulatory Tribunal (IPART) advising that Council's forced emergency services contribution is manifestly disproportionate to the 2023/24 rate cap, which has resulted in additional financial stress.
3. Writes to the President of LGNSW seeking the Association's ongoing advocacy to bring about a relief in the burden of Councils' emergency services contribution

MM23.13

### **Background**

I am calling on Councillors to support representations to the NSW Government in response to the highly damaging increase in the Emergency Services Levy (ESL) imposed on all councils without warning for the 2023/24 financial year.

The ESL is a cost imposed on councils and insurance policy holders to fund the emergency services budget in NSW. The majority is paid as part of insurance premiums, with a further 11.7 % funded by councils and 14.6% by the NSW Government. The ESL represents cost shifting at its worse, as it is imposed on councils without any mechanism for councils to recover costs.

The levy increase for the State's 128 councils in 2023/24 amounts to almost \$77 million, with the total cost imposed on the local government sector increasing from \$143 million in the

current financial year to \$219 million next year. This represents a 53.1% increase, completely dwarfing the IPART baseline rate peg of 3.7% for 2023/24, and Shoalhaven City Council's (Council) rate increase of 4.6%.

Reporting suggests that the increase in costs this year reflects a 73% increase in the State Emergency Service budget and an 18.5% funding increase to Fire and Rescue NSW. The impact of these large increases on councils' finances will be particularly severe in 2023/24 as a result of the NSW Government deciding to scrap the subsidy for council ESL payments.

For many councils, the unexpected cost hit will absorb almost all of their IPART-approved rate rise for this year and in some cases absorb more than 100%. This is placing local government budgets under enormous pressure as they struggle from the combined impact of the pandemic, extreme weather events, high inflation and wage increases.

IPART-approved rate rises are intended to compensate for the impacts of inflation and increases in council costs. Instead, the rate increase will have to be largely diverted to the significantly higher ESL payments this year. NSW councils will have no option other than to make cuts to infrastructure and services expenditure.

For Council, the ESL has increased by \$1,064,396.37 for 2023/24, bringing the total Council contribution to \$2,922,974.63. This amounts to 26.6% of the expected increase in rate income for 2023/24.

Council's own support and appreciation for the work of all of NSW Rural Fire Service NSW, State Emergency Services and Fire & Rescue NSW is unique and profound. The gratitude and admiration that this City has for the work of these services and particularly through the devastating fires of 2019/2020 and the floods that followed cannot be overstated. The staff and volunteers that support these organisations will forever have the immense gratitude of the Shoalhaven.

Council continues to come to terms with the financial implications of these natural events and indeed, the 2023/2024 Capital Works and Operational Expenditure budgets reflect this and the incredibly challenged position the Council finds itself in as a result.

The removal of this contribution by the NSW State Government will impose upon the City, as unsustainable financial burden, necessitating a reduction of capital and operational expenditure that is beyond current budgetary means.

The timing of this development is particularly challenging for councils as it comes so late in the local government budgeting cycle, well after IPART's rate determination for the coming financial year.

All councils strongly support a well-funded emergency services sector and the critical contribution of emergency services workers and volunteers (many of whom are councillors and council staff). However, it is essential that these services be supported through an equitable, transparent and sustainable funding model.

Local Government NSW has raised the serious concerns of the local government sector with the NSW Government and is seeking the support of councils across NSW in amplifying this advocacy.

This Mayoral Minute recommends that Council call on the NSW Government to take immediate action to:

1. Restore the ESL subsidy,
2. Decouple the ESL from the rate peg to enable councils to recover the full cost
3. Develop a fairer, more transparent and financially sustainable method of funding critically important emergency services.

The Mayoral Minute also recommends that Council write to IPART advising of the financial sustainability impacts on of the ESL.

## ATTACHMENT 1

01 May 2023

### **Emergency Service Levy increase will be catastrophic for councils**

The newly elected NSW Government has kicked off its first term in the worst possible way by sending NSW council budgets into meltdown, forcing them to shed jobs, close services and scrap infrastructure plans.

Councils' peak body, Local Government NSW (LGNSW), said the decision to apply sky-high increases in the Emergency Services Levy (ESL) would be catastrophic for many councils, and could see some become insolvent.

LGNSW said that for some councils the unexpected cost hit would all but wipe out any IPART-approved rate rise, shredding budgets already under massive pressure from the combined impact of the pandemic, extreme weather events, high inflation and wage increases.

The ESL is a cost imposed on councils and the insurance industry to fund the emergency services budget in NSW. The majority is paid as part of insurance premiums, with a further 11.7 per cent picked up by councils and 14.6% by the State Government itself.

"The ESL is an absolutely blatant cost shift by the State Government," LGNSW President Cr Darriea Turley AM said.

"To make things worse, the ESL has seen stratospheric increases year-on-year to make up for the Government's unfunded workers' compensation liability for emergency services workers struck down by a range of cancers.

"Now it appears councils are being asked to fund massive rises in emergency services budgets, including a 73% increase in the budget allocation to the State Emergency Services (SES).

"The levy increase for the State's 128 councils in 2023/24 alone sits just under \$77 million.

"To put that in perspective, Hay Shire Council will immediately lose 88.6 per cent of its approved rate rise to the ESL, while Bourke Shire Council will lose 94%, Yass Valley Council will lose 96%, and Tenterfield will lose 119%.

"Hornsby council will lose about 75% of its approved rate rise.

"This is an alarming development coming late in the council budgeting cycle and well after the IPART's rates determination for 2023-24.

"The effect will leave some councils with insufficient funds to cover cost increases in other areas. These costs will need to be met by cuts to staff and services."

Cr Turley said the local government sector's fight was not with emergency services workers, but with a duplicitous and financially unsustainable funding system.

“I’m seeking urgent talks with Treasurer Daniel Mookhey where I will ask him to work with councils to develop a fairer funding system,” she said.

“This shock increase comes at a time when council budgets are still struggling with flood and bushfire disaster recovery.

“When you factor in the inflation and soaring costs we are all facing across the full gamut of our operations, the immediate future looks particularly bleak.

“We are urgently calling on the Government to:

- restore the subsidy for 2023
- unshackle this payment from council rates
- develop a fairer, more transparent and financially sustainable method of funding the critically important emergency services that benefit us all.”

## CL23.151 Draft Delivery Program Operational Plan and Budget 2023-24 - Public Exhibition

**HPERM Ref:** D23/98113

**Department:** Corporate Performance & Reporting  
**Approver:** Carey McIntyre, Acting Director - City Performance

**Attachments:**

1. Draft Delivery Program Operational Plan and Budget 2023-2024 - exhibition (councillors information folder)
2. Draft Fees and Charges 2023-24 - Part 1 - exhibition (councillors information folder)
3. Draft Fees and Charges 2023-24 - Part 2 - exhibition (councillors information folder)

### Reason for Report

The purpose of this report is to provide the elected Council with the Draft Delivery Program and Operational Plan (DPOP), Draft Budget and Draft Fees and Charges for the 2023/24 financial year, and to seek the endorsement of Council to place these documents on public exhibition in accordance with legislative requirements.

### Recommendation

That Council:

1. Endorse the Draft 2023/24 Delivery Program and Operational Plan, Draft Budget, Draft Fees and Charges for the purpose of placing on public exhibition for a period of 28 days.
2. Maintain the 2022/23 rating structure, comprising both base and ad valorem amounts noting that the use of a base amount results in bringing the higher and lower values closer together and in effect spreads the burden across the board to all ratepayers – noting also that this is a commonly used rating structure that is considered to provide the fairest and most equitable distribution of the rate levy across the LGA.
3. Note the addition of two proposed new rating categories; Business - Major Retail Centre – Nowra and Business - Major Retail Centre – Vincentia into the proposed 2023/24 Rating Structure order to reduce the impact of varying 1 July 2022 valuation increases in the respective CBDs.
4. In accordance with Section 566(3) of the Local Government Act, 1993, endorse the rate of interest payable on overdue rates and charges for the period 1 July 2023 to 30 June 2024 (inclusive) to be 9% per annum which is the Office of Local Government recommended maximum for 2023/24 financial year.
5. Note that interest charges will continue to be waived for ratepayers that are experiencing financial hardship and they can apply for financial assistance under Council's Hardship Policy.
6. Approve the Minister's allowable limit of a 4.6% rate peg increase in 2023/24 to the notional yield as permitted by Section 511 of the Local Government Act, 1993.
7. Resolve to comprehensively review the Long Term Financial Plan and supporting 10-year Capital Works Program in Quarter 1 of 2023/24.
8. Exclude the 10-year Capital Works Program listing from the DPOP documents being placed on public exhibition given the pending comprehensive review of the Long Term Financial Plan.

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9. Receive a report on feedback from the community on the Draft 2023/24 Delivery Program Operational Plan and Budget following the public exhibition period.

**Options**

1. Council resolves to place the Draft DPOP, Budget and Fees and Charges for 2023/24, on public exhibition for 28 days inclusive with the 4.6% rates increase as recommended.

Implications: The documents will be placed on public exhibition as presented in the report with a report back to a Council in June with details of submissions received including any community feedback on the Draft DPOP.

2. Council defers a decision in respect of the Draft DPOP, Budget and Fees and Charges for 2023/24 being placed on public exhibition pending either further information being provided, or the documents being amended.

Implications: A delay in placing the Draft DPOP on public exhibition could result in Council not adopting the DPOP and Budget prior to 30 June 2023.

**Background**

In accordance with the Integrated Planning and Reporting (IP&R) requirements in the NSW Local Government Act, Council has adopted a Delivery Program for the period 2022-2026. The Delivery Program inclusive of the draft Operational Plan and Budget for 2023/24, is presented to Council for endorsement for public exhibition and community feedback.

The adoption of a high-level budget strategy and economic parameters by Council will generally take place between November and December of each year and thus enables staff to prepare the draft budget with an improved level of confidence that the draft budget, when discussed at budget workshops and ultimately presented formally for consideration, will meet Council’s expectations. It is also considered that the adoption of a high-level budget strategy and economic parameters by Council makes the budget preparation more transparent and efficient with strategic priorities and budget constraints being identified in advance.

Council adopted the 2023/24 budget strategies and economic parameters on Monday 28 November 2022.

**Table 1 - The Strategic Budget Principles are outlined below:**

Adopted Budget Strategy/Parameter	Achieved
The budget will not result in an unrestricted cash deficit.	✓
Prioritise funding in the following order: <ul style="list-style-type: none"> <li>i. Provide sufficient funding for all continuing services</li> <li>ii. Continue Council’s commitment to asset renewal</li> <li>iii. Continue a program of capital improvements to address historic budget shortfalls</li> <li>iv. Provide funding for recommended service expansions</li> </ul>	✓
Maintain or improve Council’s financial and asset management performance indicators reported in the annual financial statements.	Partly*
Maintain an adequate working funds balance.	✓
Rates are increased by 4.6%	✓

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Adopted Budget Strategy/Parameter	Achieved
User fees and charges are increased by a minimum of 5%	✓
Salaries and wages will be increased by 4.6%	✓
Materials and other expenditures increase by a maximum of 5%	✓
The capital works program has the same level of general funding as 2022/23 less: <ul style="list-style-type: none"> <li>i. \$1.5M allocated to additional loan repayments for the new loans in 2022/23</li> <li>ii. \$2M allocated to fund the second year of the historic maintenance shortfalls</li> <li>iii. An additional \$2M allocated for road maintenance</li> </ul>	✓
Borrowing for capital works is limited to Council businesses where an external funding source for the loan repayment can be identified or the capital works program is reduced in future years	Partly**
Should the need arise during the year for additional borrowings, the following options will be considered: <ul style="list-style-type: none"> <li>i. Low-cost loan initiative</li> <li>ii. Internal borrowing opportunities</li> <li>iii. Asset rationalisation</li> </ul>	✓
Repairs to Council's Road Network be a primary focus of the initial draft of the Capital Works Program	✓

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Notes:

\*A number of indicators are forecasting a deterioration due to the need to redirect capital renewal funds to maintenance – particular in relation to emergency road repair. It is anticipated that these indicators will improve once the \$40M Federal Government election commitment for road renewal projects is confirmed and necessary budget adjustment are made during 2023/24.

\*\* A number of loan funded projects proposed for Holiday Haven projects have been deferred at this stage pending further information being referred to Council for consideration.

**Council Priorities**

The Delivery Program details what activities Council intends to undertake to achieve the key priorities outlined in the Community Strategic Plan 2032. These priorities are grouped under the themes of:

- Resilient, safe, accessible, and inclusive communities.
- Sustainable, liveable environments.
- Thriving local economies that meet community needs.
- Effective, responsible and authentic leadership.

Each of the themes and key priorities that have been identified by the community have been allocated 4-year objectives (54 in total) in the Delivery Program, and 1-year actions in the Operational Plan. The combined DPOP outlines these objectives, and the actions, projects and services Council will deliver in the 2023-24 financial year.



## Major Ongoing Projects

Full details on Council's planned major projects and initiatives are included in **Attachment 1** – Draft Delivery Program Operation Plan & Budget 2023-24.

Major project highlights include:

- Sanctuary Point Library – construction anticipated to commence before end of 2023.
- Shoalhaven Community and Recreation Precinct (SCaRP) – completion of facilities for AFL, Cricket and Croquet and the refurbishment of the original Bomaderry Basketball stadium being 'shovel ready' to seek grant funding.
- Nowra Riverfront Precinct progressing with various detailed technical and cultural studies underway with early community engagement commencing.
- Boongaree Berry – commence construction on Cricket fields, league fields, U11 Soccer and fenced dog off leash area.
- Ulladulla Skate Park – upgrade to a regional skating facility with standout features of new competition bowl, spines, mini ramps, new shade sail, picnic shelters and BBQs.
- Complete the Far North Collector Road Network to help address traffic congestion and accommodate future housing growth.
- Moss Vale Road Urban Release Areas construction of sewer and water infrastructure in preparation of new housing developments.
- Disaster recovery and major road repairs - landslip contract, ongoing repair works

## Highlighted New Initiatives

- Hold community events as arranged and supervised by the Nowra CBD Revitalisation Committee that draw people to the Nowra CBD.
- Support staff to develop community engagement programs that provide authentic consultation activities.
- Review and update Shoalhaven Libraries Local Heritage Strategic Plan.
- Implement new regulatory and assurance framework for local water utilities.
- Implement a 'voice of the customer' program to gather, analyse and action customer feedback.
- Develop a Customer Experience Strategy to further improve customer centricity across Council.
- Finalise Holiday Parks Plans of Management ready for Crown Lands approval.
- Work with relevant stakeholders to progress a 'Community Centre and Resilience Hub' as part of the Kangaroo Valley Showground Masterplan.
- Progress planning and scoping for an Urban Greening Strategy.
- Commence an independent review of Council's Community Consultative Body model to ensure equitable reach and representation.

## Performance measures

Performance measures against each Operational Plan action have been included to ensure that Council continues to be accountable against the objectives that have been set and to

better manage community expectations. These measures can be targets, benchmarks or milestones.

## **Revenue Policy**

### Proposed 2023/24 Rates Structure

It is recommended that Council maintain the 2022/23 rating structure, comprising both base and ad valorem amounts. The use of a base amount brings the higher and lower values closer together and in effect spreads the burden across the board to all ratepayers. This is a common rating structure and is considered to provide the fairest and most equitable distribution of the rate levy across the LGA.

It is also recommended that Council add the two proposed new rating categories; Business – Major Retail Centre – Nowra and Business – Major Retail Centre – Vincentia to provide the fairest and most equitable distribution of the rate levy across the LGA.

The proposed rating structure for 2023/24 has a flat base amount of \$729, with the exception of the Residential – Non-Urban category that has a base of \$48, the Farmland category which has a base of \$983, and the Farmland – Dairy category which has a base amount of \$1,096.

Business – Ordinary category does not have a base amount and is subject to an ad valorem rate in the dollar levied on the value of the property supplied by the Valuer General of NSW.

Business – Ordinary rates are levied on parcels of land held by the Crown and categorised as Business Permit (i.e., Crown leases such as permissive occupancies, jetties, slipways, moorings, pastoral leases, etc.).

The following rates are proposed for 2023/24 in respect of each category of ordinary rate levied by Council:

- Residential: Will be levied a base amount of \$729 and an ad valorem rate of 0.09445 cents in the \$ for Ordinary Residential Rates and a base amount of \$48 and an ad valorem rate of 0.09445 cents in the \$ for Residential Non-Urban Rates.
- Farmland: The rates for Farmland will be levied a base amount of \$983 and an ad valorem rate of 0.07120 cents in the \$. The rates for Farmland – Dairy will be levied a base amount of \$1,096 and an ad valorem rate of 0.03780 cents in the \$.
- Business: All sub-categories will utilise the same base amount of \$729, excluding Business Permit (Ordinary – Business category), where no base amount is applied given the type of properties within this category. However, different ad valorem rates have been applied, depending upon the level of service provided in each area. An ad valorem rate for Nowra CBD business rates is 0.49460 cents in the \$, Business Permit 0.19068, Business Commercial / Industrial 0.16530, Business – Major Retail Centre – Nowra 0.69800 and Business – Major Retail Centre – Vincentia 0.33620.

Draft Fees & Charges 2023-24 are included as **Attachment 2 (Part 1)** and **Attachment 3 (Part 2)**.

The Draft Fees & Charges includes a \$4 increase to the annual charge for various bin sizes to partially fund the repairs to Yalwal Road, given the significant impact the Waste vehicles have on this section of road.

### Interest on Overdue Rates & Charges

Council's current policy is to adopt the maximum permissible interest rate for each year on overdue rates, charged on a simple interest basis. This is consistent with the policy of the other local councils in the region.

It has been determined that the rate of interest payable on overdue rates and charges for the period 1 July 2023 to 30 June 2024 (inclusive) will be 9.0% per annum. Interest charges will be waived for ratepayers that experience financial hardship and can apply for financial assistance under the Council Hardship Policy.

### 2023/24 Rates Increase

In 2010, the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) was delegated responsibility for determining the allowable annual increase in local government general rates income. In 2015, the NSW State Government declared Shoalhaven City Council as a Fit for the Future Council. This was based on a Council submission provided to the Office of Local Government (OLG) and IPART which outlined several actions the Council would undertake to improve its financial sustainability.

The Independent Pricing and Regulatory Tribunal (IPART) has announced that the Rate Peg for Shoalhaven City Council for the 2023/24 year is 4.6%.

Council continues to operate in the context of uncertainty with the proposed 2023/24 budget being a flexible and dynamic budget to ensure that the levels of service provided to the community remain unchanged with opportunities for expansion to be considered as and when the uncertainty decreases.

Council continues to struggle with its aged infrastructure. Whilst the bridge replacement program has been a success with 11 bridges replaced in the last five years and 4 funded in the coming years, the road and building assets are aging rapidly.

More than 30% of our road and building portfolio is in a poor or very poor condition, such that maintenance of these assets is becoming an ineffective and inefficient use of funds, these assets need to be reconstructed.

There has been a large injection of funding from State and Federal Government sources toward the Renewal effort, however funding from rates revenue (General Fund) continues to fall behind the renewal demand in real terms, and thus the number of assets dropping into the poor and very poor category (Backlog Works) continues to grow.

## Budget Summary

**Table 2 - Income Statement by Fund**

	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.
Income from Continuing Operations	328,415	34,805	59,999	355,870
Expenses from Continuing Operations	303,129	37,162	50,374	325,133
Net Operating Result	25,286	(2,357)	9,625	30,737
Net Operating Results Before Capital	(20,165)	(4,684)	7,520	(19,146)
Net Cash Movement	(22,252)	(4,194)	(4,989)	(31,435)
Net Reserve Movement	22,270	4,194	4,989	31,453
<b>Net Unrestricted Cash Movement - Surplus</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>18</b>

The proposed Draft 2023/24 Budget includes a capital expenditure of \$157 million across General, Water and Sewer funds along with the \$325 million of operating expenditure required to provide the essential services to our community which brings the next year's consolidated budget to \$482 million.

**Table 3 – Total Capital and Operating Budget by Fund**

	(\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.
Capital Budget	116,034	17,253	23,228	156,515
Operating Budget	303,129	37,162	50,374	325,133
<b>Total Budget</b>	<b>419,163</b>	<b>54,415</b>	<b>73,602</b>	<b>481,648</b>

The budget was prepared based on the principles of prudent financial management and fiscal discipline. It is a balanced budget meaning that the budgeted general fund operational and capital expenditures do not exceed the general revenue and available internal and external restrictions of the Council and conforms to the requirement for generally no cash deficit budgeting. Maintaining a healthy level of working capital was also taken into consideration in the proposed 2023/24 Budget.

The 2023/24 budget is provisionally balanced however, it is important to note the increase to the Emergency Services Levy (ESL), specifically the state government subsidy cessation from 2023/24, has resulted in an immediate budget shortfall in the order of \$1M. Council will investigate funding options for the 2023/24 ESL budget shortfall during the DPOP public exhibition period - noting also that there is an LGNSW advocacy program underway in relation to this matter which is presented to Council in the Mayoral Minute also on this Meeting Agenda.

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**Table 4 - The proposed provisionally balanced budget is outlined below (\$'000):**

	2023/24 Budget (\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.*
Rates & Annual Charges	120,470	4,981	51,384	176,835
User Charges and Fees	67,920	23,711	3,990	95,621
Interest and Investment Revenue	5,547	1,167	750	7,464
Other Revenues	4,671	96	5	4,772
Internal Revenue	63,061	2,523	1,765	0
Grants and Contributions provided for Operating Purposes	21,295	0	0	21,295
Grants and Contributions provided for Capital Purposes	45,451	2,327	2,105	49,883
<b>Total Income</b>	<b>328,415</b>	<b>34,805</b>	<b>59,999</b>	<b>355,870</b>
	2023/24 Budget (\$'000)			

	General Fund	Water Fund	Sewer Fund	Consol.*
Employee Benefits and On-Costs	87,891	8,326	11,897	108,604
Borrowing Costs	4,278	0	3,175	7,453
Materials and Contracts	80,604	8,228	12,067	102,794
Depreciation and Amortisation	59,740	14,269	16,191	90,200
Other Expenses	15,988	57	37	16,082
Internal Expenses	54,628	6,282	7,007	0
<b>Total Expenses</b>	<b>303,129</b>	<b>37,162</b>	<b>50,374</b>	<b>325,133</b>
<b>Net Operating Results</b>	<b>25,286</b>	<b>(2,357)</b>	<b>9,625</b>	<b>30,737</b>
<b>Net Surplus/(Deficit) before Capital</b>	<b>(20,165)</b>	<b>(4,684)</b>	<b>7,520</b>	<b>(19,146)</b>
<b>Other Cash Adjustments</b>				
Capital Expenditure	(116,034)	(17,253)	(23,228)	(156,515)
New Borrowings	17,728	0	0	17,728
Loan Principal Repayments	(14,265)	0	(6,023)	(19,098)
Proceeds from the disposal of assets	5,293	120	100	5,513
Receipt of Internal Loan Repayment	0	1,190	0	0
Depreciation Adjustment	59,740	14,269	16,191	90,200
Dividend Paid to General Fund		(163)	(1,654)	0
<b>Net Cash Outflow</b>	<b>(22,252)</b>	<b>(4,194)</b>	<b>(4,989)</b>	<b>(31,435)</b>
<b>Reserve Movements</b>				
<b>Net Transfers from Reserves</b>	<b>22,270</b>	<b>4,194</b>	<b>4,989</b>	<b>31,453</b>
<b>General Fund Net Cash Movement - Surplus</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>18</b>

\*Note: Consolidated results include interfund adjustments not listed in the table.

### Capital Works Program

A relatively conservative \$157 million Capital Works Program has been allocated in the Draft Budget for 2023/24 – noting the present need to direct funding as much as possible to infrastructure maintenance and repair ahead of new capital expenditure projects.

It is also important to note that the Draft Capital Works Program as presented does not include the \$40M 2022 Federal election commitment to roadworks in the Shoalhaven. Council will receive a separate report in relation to these works and the likely timing of funds to be received once the funding agreement currently being negotiated with the relative Government Agencies is finalised.

**Table 5 – Total Capital Works by Program**

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<b>Capital Program</b>	<b>\$'000</b>
Roads and Transport	31,815
Open Space, Sport, and Recreation	18,321
Buildings and Property	15,763
Internal Corporate Services	11,160
Waste and Recycling Program	9,523
Bridges	8,711
Commercial Undertakings	6,388
Environmental Management	6,237
Community and Culture	3,412
Stormwater	1,618
Waterways Infrastructure	1,587
Water and Sewer Services	1,500
<b>Total General Fund</b>	<b>116,035</b>
Water and Sewer Capital Works	40,481
<b>Total Capital Program</b>	<b>156,516</b>

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**Table 6 – The proposed funding sources for the 2023/24 capital works program are:**

<b>Funding Source</b>	<b>Proposed Budget (\$'000)</b>	<b>%</b>
Grants	44,910	28.7%
Existing Loans	9,029	5.8%
New Loans	17,728	11.3%
General Fund Including Carry Forwards	15,653	10.0%
Special Rates	4,972	3.2%
Section 7.11 Deleted	419	0.3%
Waste Reserve	6,272	4.0%
Plant Replacement	14,275	9.1%
Section 7.11	680	0.4%
Stormwater Levy	1,169	0.7%
Other Internal Reserves	928	0.6%
<b>Total Capital Program</b>	<b>116,035</b>	<b>74.1%</b>
Water and Sewer Funds	40,481	25.9%
<b>Total Capital Program</b>	<b>156,516</b>	<b>100%</b>

It is important to note that the capital works program for 2023/24 will be adjusted throughout 2023/24 having regard to:

- i. Revotes to be determined in conjunction with the March and June 2023 Budget Reviews.
- ii. Reconsideration of Capital Projects for Holiday Haven which were deferred during budget deliberations pending further information being provided to Council.

- iii. Timing of receipt of the \$40M Federal election commitment for major road renewals and repairs – as previously referenced.
- iv. Outcomes from the comprehensive review of Council's Long-Term Financial Plan to be undertaken in the first quarter of 2023/24.

### **Budget Details – General Fund**

The Operating Result for 2023/24, excluding capital grants, is a deficit of (\$20.2M), compared to the 2022/23 budget surplus of \$306K (as per original budget). The main reason for the reduction in the operating result is an increase in depreciation expense (\$15M) resulting from the major assets classes revaluations recorded in Council's accounts during 2021/22. Other contributing factors are additional loan repayments (\$1.5M), historic maintenance shortfalls (\$2M) additional roads maintenance costs (\$4.2M) – all of which were funded through a transfer to operating from previous capital expenditure provisions.

With the inclusion of capital grants, the net operating result is a surplus of \$25.3M. There is no net impact on the cash flow result for unrestricted general fund, that is, the budget is provisionally balanced as previously stated.

### **Budget Details – Shoalhaven Water**

The Operating Result for the Water Fund for 2023/24, excluding capital grants, is a deficit of (\$4.7M), a worsening of the previous year budget deficit of (\$359K). This is based on an increase in depreciation expense, an increase of residential usage charge by 10 cents from \$1.90 to \$2.00 and an increase to residential availability charge from \$84 to \$88. When capital grants and contributions are included, the net operating result is a deficit of (\$2.4M).

The Operating Result of Sewer Fund for 2023/24, excluding capital grants, is a surplus of \$7.5M, a slight reduction compared to the 2022/23 surplus of \$7.8M. This is based on an increase in depreciation expense and an increase of availability charge by 5% from \$910 to \$956. When capital grants are included, the net operating result is a surplus of \$9.6M.

The Shoalhaven Water Directorate capital expenditure of \$40.5 million has been allocated in the Draft Budget for 2023/24. The total includes the following significant projects/programs:

#### Water Fund:

- Moss Vale Road water mains \$7.7M
- Dams decommissioning \$3.7M
- Mains Replacement program \$2.2M

#### Sewer Fund:

- Vincentia Sewer Pumping Stations upgrade \$4.9M
- South Nowra Surcharge Main \$4.5M
- Mundamia Sewer Pumping Station, Rising Main and gravity main \$2.1M

### **Key Performance Indicators**

The key performance indicators are set by the Office of Local Government to measure financial performance and suitability of local councils across NSW. The projected 2023/24 indicators for each of the funds as well as consolidated funds for Shoalhaven City Council is outlined below.

It is evident from the tables below that a number of key indicators are projected to drop below the OLG targets. For the infrastructure renewal ratios in particular this is to be expected given the need to divert funds from capital (renewal) projects to repairs and maintenance

expenditure due to the significant damaged caused to the roads network and other infrastructure from last year’s weather events. Similarly, backlog ratios are predicted to deteriorate given the ongoing focus on immediate repairs.

Again, it is expected that some of these indicators will improve when the \$40M Federal election commitment funding is factored into the budget based on expected timing of specific project delivery.

**Table 7 – Financial Performance Indicators:**

	Description	Calculation	Target	Fund	2023/24
Operating Performance Ratio	Measures Council’s achievement of containing operating expenditure within operating revenue	Total continuing revenue (excl Cap Grants & Contributions) - Operating Expenses	Greater than 0%	Consolidated	-6.3%
		Total continuing revenue (excl Cap Grants & Contributions)		General	-7.1%
				Water	-14.4%
				Sewer	13.0%
Own Source Operating Revenue Ratio	Measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions	Total continuing operating revenue (less ALL grants and Contributions)	Greater than 60%	Consolidated	80.0%
		Total continuing operating revenue		General	79.7%
				Water	93.3%
				Sewer	96.5%
Unrestricted Current Ratio	To assess the adequacy of working capital & its ability to term for the unrestricted activities of Council	Current assets less all external restrictions	Greater than 1.5	Consolidated	1.78
		Current liabilities less specific purpose liabilities		General	1.78
				Water	8.59
				Sewer	1.99
Debt Service Cover Ratio	Measures the availability of operating cash to service debt including interest, principal and lease payments	Operating result before capital excluding EBITDA	Greater than 2.0	Consolidated	4.55
		Principal Repayments + Borrowing Interest Costs		General	4.59
				Water	No Debt
				Sewer	2.81
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts	Rates, annual and extra charges outstanding	Less than 10%	Consolidated	6.7%
		Rates, annual & extra charges collectible		General	5.2%
				Water	15.7%
				Sewer	9.1%
Cash Expense Cover Ratio	To assess the number of months a Council can continue paying for	12* Current year’s cash and cash equivalents plus all term deposits	Greater than 3 months	Consolidated	4.02
				General	2.40

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	Description	Calculation	Target	Fund	2023/24
	its immediate expenses without additional cash inflow	Payments from cash flow of operating and financing activities		Water	13.62
				Sewer	2.13

**Table 8 – Infrastructure Asset Performance Indicators:**

	Description	Calculation	Target	Fund	2023/24
Infrastructure Renewal Ratio	To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating	Asset Renewals	Greater than 100%	Consolidated	70.29%
				General	83.64%
		Depreciation, amortisation, and impairment		Water	43.55%
				Sewer	49.14%
Infrastructure Backlog Ratio	The ratio shows what proportion the backlog is against the total value of a Council's infrastructure	Estimated cost to bring assets to a satisfactory standard	Less than 2%	Consolidated	4.12%
				General	4.23%
		Net carrying amount of infrastructure assets		Water	6.8%
				Sewer	2.15%
54Asset Maintenance Ratio	Compares budget vs required annual asset maintenance. A ratio above 1.0 indicated Council is investing enough funds to stop infrastructure backlog growing	Actual asset maintenance	Greater than 1x	Consolidated	0.93
				General	0.91
		Required asset maintenance		Water	0.90
				Sewer	1.00
Cost to bring assets to agreed service level	The ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and ownership	Estimated cost to bring assets to an agreed service level set by Council	No Bench mark	Consolidated	10.23%
				General	15.46%
		Gross Replacement Cost		Water	0.99%
				Sewer	0.99%

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Comments on the indicators that do not meet the benchmark are as follows:

Operating Performance Ratio, General and Water Fund Benchmark >0%, projected ratios are: -7.1% and -14.4%: the ratios for general fund and water fund are below the benchmark, a major contributing factor is the asset revaluation that occurred in 2021/22, this has resulted in a significant increase in depreciation for all the funds. The other factors affecting the general fund result is an increase in roads, parks, and buildings maintenance (\$6m), transferred from capital and additional interest on borrowings.

Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage, Water Fund Benchmark <10%, projected ratio is 15.7%: this ratio measures outstanding rates and charges rather than overdue balances and due to the timing of water and sewer billing, not all balances outstanding at year-end are overdue. As such, this ratio is misleading for these funds. If we apply a calculation based on overdue annual charges, the result will meet the benchmark: Water 4.4%.

Cash Expense Cover Ratio, General and Sewer Fund Benchmark >3 months, projected ratios are: 2.4 and 2.13: the General Fund ratio is the result of an increase in roads, parks, and buildings maintenance (\$6m), transferred from capital and additional interest on borrowings. The Sewer ratio is due to repayment of the large Reclaimed Water Management Scheme (REMS) loans.

Infrastructure Renewal Ratio, General, Water and Sewer Fund Benchmark >100%, projected ratios are 83.4%, 43.5% and 49.1%: this ratio is below the benchmark and less than last year. This is due to some large one off externally funded renewal works included last year. The transfer of funds from capital to operational maintenance has also negatively impacted this ratio for the general fund.

Infrastructure Backlog Ratio, General, Water and Sewer Fund Benchmark <2%, projected ratios are 4.5%, 6.8% and 2.2%: growing backlog is a known ongoing issue for the local councils across NSW due to chronic shortage of budget available for assets renewals. Council is working on the long-term strategies to improve this ratio; however, it is important to note Council has had little opportunity to address the growing backlog apart from the critical and essential repairs due to the multiple natural disasters faced in recent years.

Asset Maintenance Ratio, General, Water and Sewer Fund Benchmark >1, projected ratios are 0.91, 0.90 and 1.00: whilst this ratio is not going to meet the benchmark next year, the ratio improved from last year due to the additional maintenance budget for roads, parks and buildings transferred from capital.

#### Table 9 – Councillor Engagement

Councillors have had the opportunity to participate in a number of briefing and workshops throughout the preparation of the Draft 2023/24 DPOP as noted below.

Description	Date
Councillor Budget Briefing – 101 Session	Thursday, 8 December 2022
Councillor Budget Briefing – 2a Session	Thursday, 9 February 2023
Councillor Budget Briefing – 2b Session	Thursday, 16 February 2023
Councillor Budget Briefing – 2c Session	Thursday, 16 March 2023
DPOP Themes & Key Priorities Actions - Email with attachments	Thursday, 6 April 2023
Budget Workshop 1 Preparation Documents - Email with attachments	Thursday, 13 April 2023
Councillor Budget Workshop 1	Saturday, 15 April 2023
Draft Fees & Charges - Email with attachments	Thursday, 20 April 2023
Budget Workshop 2 Preparation Documents: Capital & Operational Budget Slides - Email with attachments	Wednesday, 26 April 2023
Budget Workshop 2 Preparation Documents: Operational Cash Budget Details & Loans Slides – Email with attachments	Thursday, 27 April 2023
Councillor Budget Workshop 2	Saturday, 29 April 2023

As is normal practice, the results from the Councillor engagement is represented in the combined documents presented in this report with a recommendation that they be placed on public exhibition for community engagement and feedback.

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## Community Engagement

A community engagement plan has been prepared to ensure that the community can be informed about the contents of the Draft Delivery Program and Operational Plan, Budget, and Fees & Charges. These engagement activities include the following:

- Awareness campaign at Pop up kiosks - 4 locations across the LGA at community markets or events during the exhibition period. Councillors are invited to attend.
- Information at Council facilities showcasing local projects and visuals of projects with QR code link directing to more information.
- Online feedback form on Council's Get Involved page.
- Social media posts to raise awareness and drive traffic to the Get Involved page.
- Media releases and communications to key groups such as Advisory Committees, Community Consultative Bodies and Community Groups.

**Table 10 – Community Engagement**

Market / Event	Event Date / Time	Address
Eats & Beats Shoalhaven	Wednesday, 17 May 4pm - 7pm	Jellybean Park Egans Lane, Nowra
Jervis Bay Maritime Museum Morning Markets	Saturday, 3 June 10am - 2pm	Woollamia Road, Huskisson
Milton Village Showground Markets	Saturday, 3 June 9am - 1pm	107 Croobyar Road, Milton
Berry Bowling Club Markets	Saturday, 10 June 9am - 1pm	140 Queen Street, Berry

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Council is currently participating in the 2023 Australian Liveability Census (open 26 March – 30 June) and these engagement methods will also promote residents to complete this survey. More information - <https://getinvolved.shoalhaven.nsw.gov.au/liveability-census>

The exhibition will also be promoted at scheduled community engagement sessions occurring throughout the 28-day period. Submissions will be able to be provided to Council online through our engagement webpage, via email or in written form.

## Conclusion

A draft 2023/24 Delivery Program and Operational Plan, Draft Budget, Draft Fees and Charges has been prepared and are recommended to be placed on public exhibition for a period of 28 days.

The Delivery Program and Operational Plan, Draft Budget, Draft Fees and Charges (the documents) represent a considered approach to sustainable and affordable budgeting. There is a need for a continued and increased infusion of funds into capital works and the provision of council services. Under the current budgetary constraints facing the Council, this is extremely difficult.

Councillors and staff are now wanting to hear from the Community what its views are on the proposed budget and to that end, a 28 exhibition is proposed to enable comment to be received.

## LOCAL GOVERNMENT ACT 1993

### Chapter 3, Section 8A Guiding principles for councils

#### (1) Exercise of functions generally

The following general principles apply to the exercise of functions by councils:

- (a) Councils should provide strong and effective representation, leadership, planning and decision-making.
- (b) Councils should carry out functions in a way that provides the best possible value for residents and ratepayers.
- (c) Councils should plan strategically, using the integrated planning and reporting framework, for the provision of effective and efficient services and regulation to meet the diverse needs of the local community.
- (d) Councils should apply the integrated planning and reporting framework in carrying out their functions so as to achieve desired outcomes and continuous improvements.
- (e) Councils should work co-operatively with other councils and the State government to achieve desired outcomes for the local community.
- (f) Councils should manage lands and other assets so that current and future local community needs can be met in an affordable way.
- (g) Councils should work with others to secure appropriate services for local community needs.
- (h) Councils should act fairly, ethically and without bias in the interests of the local community.
- (i) Councils should be responsible employers and provide a consultative and supportive working environment for staff.

#### (2) Decision-making

The following principles apply to decision-making by councils (subject to any other applicable law):

- (a) Councils should recognise diverse local community needs and interests.
- (b) Councils should consider social justice principles.
- (c) Councils should consider the long term and cumulative effects of actions on future generations.
- (d) Councils should consider the principles of ecologically sustainable development.
- (e) Council decision-making should be transparent and decision-makers are to be accountable for decisions and omissions.

#### (3) Community participation

Councils should actively engage with their local communities, through the use of the integrated planning and reporting framework and other measures.

### Chapter 3, Section 8B Principles of sound financial management

The following principles of sound financial management apply to councils:

- (a) Council spending should be responsible and sustainable, aligning general revenue and expenses.
- (b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.
- (c) Councils should have effective financial and asset management, including sound policies and processes for the following:
  - (i) performance management and reporting,
  - (ii) asset maintenance and enhancement,
  - (iii) funding decisions,
  - (iv) risk management practices.
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following:
  - (i) policy decisions are made after considering their financial effects on future generations,
  - (ii) the current generation funds the cost of its services

### **Chapter 3, 8C Integrated planning and reporting principles that apply to councils**

The following principles for strategic planning apply to the development of the integrated planning and reporting framework by councils:

- (a) Councils should identify and prioritise key local community needs and aspirations and consider regional priorities.
- (b) Councils should identify strategic goals to meet those needs and aspirations.
- (c) Councils should develop activities, and prioritise actions, to work towards the strategic goals.
- (d) Councils should ensure that the strategic goals and activities to work towards them may be achieved within council resources.
- (e) Councils should regularly review and evaluate progress towards achieving strategic goals.
- (f) Councils should maintain an integrated approach to planning, delivering, monitoring and reporting on strategic goals.
- (g) Councils should collaborate with others to maximise achievement of strategic goals.
- (h) Councils should manage risks to the local community or area or to the council effectively and proactively.
- (i) Councils should make appropriate evidence-based adaptations to meet changing needs and circumstances.