

Shoalhaven Sports Board

Meeting Date: Wednesday, 01 May, 2024

Location: Email Meeting

Attachments (Under Separate Cover)

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Reports

SB24.2 Project Updates (City Lifestyles)

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CL24.68 Financial Sustainability Monthly Report

HPERM Ref: D24/90674

Department: Financial Sustainability
Approver: Robyn Stevens, Chief Executive Officer

This item has been deferred from the Ordinary Meeting 11 March 2024.

Reason for Report

The purpose of this report is to adopt the recommendations tabled in the Financial Sustainability workshops and report the status of the Financial Sustainability project.

Recommendation

That Council endorse:

1. Placing the Bay and Basin Leisure Centre refurbishment planning and design works on pause until Council's financial position improves (unfunded \$34.2 million)
2. Placing the Bob Proudfoot Pavilion construction on pause until Council's financial position improves (unfunded \$1.4 million)
3. Placing the Bomaderry Basketball Stadium redevelopment on pause until Council's financial position improves (unfunded \$9.6 million)
4. Placing the Sanctuary Point District Library construction on pause until Council's financial position improves (unfunded \$13.5 million)
5. Placing the Boongaree stages 5 – 7 constructions on pause until Council's financial position improves (unfunded \$5.4 million)
6. Placing the skate parks and pump tracks investigation, planning and design works (Sussex Inlet, Sanctuary Point, Bomaderry and Worrigeer) on pause until Council's financial position improves (unfunded \$1.2 – \$2 million)
7. Placing the Berry Spinners and Weavers building construction on pause until Council's financial position improves (unfunded \$3 million)
8. Placing the Berry Showground animal nursery construction on pause until Council's financial position improves (predominantly funded through general fund, and pausing project would improve general fund position)
9. Placing the Kangaroo Valley playground investigation, planning and design works on pause until Council's financial position improves (unfunded \$1.05 million)
10. The Community Donations program in the 2024/25 Financial Year to be \$0 (reducing general fund expenses)
11. The reinstatement of the outdoor dining public footpath annual fee (increasing general fund revenue)

Options

1. Adopt the recommendation as proposed.

Implications: Council staff will communicate decisions with impacted community groups and key project stakeholders.

2. Adopt an alternative recommendation.

Implications: The financial benefits identified in this report may be reduced and lessen the positive impact on Council's financial sustainability issues.

Background

In November 2023, AEC provided a report (CL23.420) to Council on its financial sustainability. In this report, Council was informed that the general fund net operating position has been in a deficit position over the past eight years and there is a structural deficit to fund recurrent expenditure of \$25-35 million per annum. AEC made 27 recommendations, including an SRV, and that all had to be implemented to ensure Council's financial sustainability.

In January 2024, Council resolved under MIN24.44 not to proceed with an application for a special rate variation with IPART. A special rate variation is considered to be a necessary step in improving Council's financial position. Instead, Council resolved to pursue all other recommendations in the AEC report as well as additional actions to improve financial sustainability.

The Financial Sustainability project has been established to coordinate Financial Sustainability actions and initiatives in response to MIN23.667, MIN24.44 and from report CL23.420 – AEC Financial Sustainability review from November 2023. The project commenced in February 2024 and has 3 major workstreams:

1. Asset and Project Management
2. Financial Management
3. Service Planning

The Financial Sustainability project will report to Council monthly on all matters relating to Council's financial sustainability that were tabled in the November 20 and January 29 Ordinary meetings. This report will provide:

- Summary of work undertaken in the period, including items workshopped with Councillors.
- Status of project workstreams.
- Recommendations to Council to support the improvement of Council's financial position.

Recommendations may call for projects to be paused until Council's financial position improves. This means that projects will be reconsidered by Council at a point in time where Council has met the defined measures of financial sustainability:

- Maintain Council's unrestricted cash reserve at \$15 million.
- Achieve and maintain an operating surplus of at least 4%.
- Met the asset renewal ratio of 85%.

Paused projects are retained on the capital projects list, managed by the enterprise project management office, for prioritisation by Council when funding becomes available.

Financial Sustainability project status update

Asset and project management workstream:

- Land and property being identified for discussion with Councillors in the 19 March workshop.

- Enterprise Project Management Office (ePMO) functioning under the Technical Services department and is currently assessing 2024/25 proposed capital submissions.
- Road condition data collection commenced.
- Asset Management strategy was updated and reported to Council as part of the Resourcing Strategy in January 2024 (CL24.21).
- Assets and Works system review/enhancement – project mobilising and will start implementation in the Northern region first.

Financial management workstream:

- 2024/25 budget parameters adopted (CL24.41)
- Staff recruitment freeze process underway.
- Financial sustainability guidelines communicated to managers.
- Fees and charges review in progress.

Service planning workstream:

- Fleet service review will commence in early March 2024.
- Business improvement review framework in place and pilot reviews in progress for Holiday Haven and Legal Services.
- Other service reviews are in progress (Parks, ePMO/PLM, Grants, Contributions, Visitor Centre)
- Priority has been established for the Councillor-directed service reviews. Budget to be requested in 2024/25 budget workshop to support the specialist service reviews required.
- AEC collected productivity opportunities/cost savings validated and implementation commenced.

Internal Consultations

A fortnightly workshop schedule has been agreed with Councillors, with the first workshop occurring on the 20 February 2024. The workshops will explore all financial sustainability items raised in MIN23.667, MIN24.44 and the recommendations from the AEC report CL23.420.

As per MIN23.667, Council resolved to:

- Budget and maintain \$15 million unrestricted cash reserve.
- No new or increased services without full business case.
- Grant applications focus on projects with full business case, and grant applications that have a negative impact on the financial position of Council must be approved by Council.
- If capital project not commenced at end of the financial year, reconsider project priority and revote on its continuation.
- Commit to reducing duplication and rationalise services through a structural review.
- Explore options for land and asset rationalisation – clear timeframe needed.
- Implement asset management improvements; establish PMO and PM framework.

- Program to strategically review and update AMPs – roads first, then report to Council on strategy for other asset classes.
- Address areas of Councillor concern – Legal Services, Holiday Haven, Bereavement Services, deferred rates and major procurement.

As per MIN24.44, Council resolved to:

- Place identified capital projects on hold.
- Give priority to asset renewal and rehabilitation.
- Councillors assume greater political discipline in the nomination of priority projects.
- All new expenditure proposals to be accompanied by an assessment of the impact to the long term financial plan.
- Review fees and charges to reflect full price of the service where viable to do so.
- Stand up Budget Review Committee.
- Pursue AEC actions 1b to 27 in the Financial Sustainability Review of November 2023.

As per MIN24.44, Council resolved to explore the following through workshops and briefings:

- Apply financial efficiencies and savings in the organisation – specifically \$5 million per annum for 4 years.
- Consider staff freeze except where position deemed required by EMT, no redundancies.
- Cap the capital budget at \$120 million.
- Dispose of under-performing and excess assets.
- Reduce revotes. They should not reflect more than \$10M million.

Workshop 1 overview – 20 February

The Mayor and 9 Councillors were present at the 20 February workshop, with apologies received from Cr Watson, Cr Copley and Cr Christen.

The agenda for this workshop included:

- Introduction to the Financial Sustainability project and workshop process
- Discussion of proposed budget parameters (CL24.41 reported to Council on 26 February 2024)
- Review of 5 strategic projects in light of financial sustainability principles (Sanctuary Point District Library, Boongaree stages 5-7, Bay and Basin Leisure Centre Refurbishment, Bomaderry Basketball Stadium and Bob Proudfoot Pavilion)
- Discussion of councillor ideas and priorities

Workshop 1 – summary of financial sustainability items discussed

1. Bay and Basin Leisure Centre Refurbishment

Project summary	Refurbishment and upgrade of Bay and Basin Leisure Centre including: <ul style="list-style-type: none"> • Roof replacement • Facade upgrades and expansion
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	<ul style="list-style-type: none"> • Additional health & fitness areas • Consulting rooms • Larger waterslides • Pool hall expansion to include learn to swim pool • Outdoor splash pad • Existing change room upgrade • Landscaping and carpark expansion
Total stage 2 project cost	\$36.3 million (medium/low confidence)
Funding source	Funded \$2.1 million Not funded \$34.2 million
Status	Concept design exhibited Community engagement results analysed Detailed design ready to commence
Impact if 'on hold'	Smaller site issues, aging facility costs/non-compliance issues. Cost of refurbishment increases commensurate with delays.
Increase in Operational Costs	TBC – additional staff, depreciation and maintenance costs expected
% renewal	Estimated at 40% new, 60% renewal
Staff recommendation	Pause project until Council's financial position improves. There is \$34.2 million in funding not identified and continuing with this project will worsen Council's financial position.

2. Bob Proudfoot Pavilion

Project summary	Construction of Bob Proudfoot Pavilion at Francis Ryan Reserve in Sanctuary Point. Includes accessible and ambulant public amenities as well as change rooms and storage for sports groups.
Total project cost	\$3 million
Funding source	Funded \$1.56 million (includes \$900,000 loan and \$398,000 grant) Not funded \$1.4 million
Status	Tender closed 25 January 2024, at point of award/reject tender
Impact if 'on hold'	Grant funding will need to be returned Existing asset requires maintenance using insurance proceeds
Increase in Operational cost	Maintenance increases and depreciation impact
% renewal	Estimated at 80% new, 20% renewal
Staff recommendation	Pause project until Council's financial position improves. There is \$1.4 million of required funds not identified. Deferring the project would enable Council to return \$900,000 loan, reducing interest payable. The grant funding would be returned. The existing amenities building would be reopened with minor repairs to be undertaken with insurance proceeds.

3. Bomaderry Basketball Stadium

Project summary	The existing Bomaderry Basketball Stadium refurbishment is part of the Shoalhaven Community and Recreation Precinct (SCaRP) vision. It is an extension of the Shoalhaven Indoor Sports Centre.
Total project cost	\$10.15 million
Funding source	Funded \$550,000

	Not funded \$9.6 million
Status	Business case complete Shovel-ready, at point of submitting grant application (CC imminent)
Impact if 'on hold'	Further deterioration of the existing asset, potentially resulting in forced demolition
Increase in Operational cost	Yes, estimated at \$500,000 per annum for first 5 years (net position is \$250,000 per annum)
% renewal	92% renewal, 8% new
Staff recommendation	Pause project until Council's financial position improves. There is \$9.6 million of required funds not identified. The increase in operational costs not funded.

4. Sanctuary Point District Library

Project summary	Replace existing local library with a District Library for the Bay and Basin community.
Total project cost	\$30 million + Funding \$7.5M Federal Govt and \$450,000 State Govt – NSW Public Libraries Grant (Fitout) Additional loan required in base case LFTP
Funding source	Funded \$16.5 million Not funded \$13.5 million
Status	DA Design complete, CC Design yet to commence
Impact if 'on hold'	Retain current library Return all grants
Increase in Operational Costs	\$1.5 million additional operational cost per annum \$600,000 depreciation per annum \$2 million loan repayment per annum for 10 year loan term (including interest)
% renewal	100% new
Staff recommendation	Pause project until Council's financial position improves. Long term financial plan base case is not sustainable with operating deficits of \$25-30M. Doesn't meet resolution to spend on asset renewals.

5. Boongaree stages 5 – 7

Project summary	<p>The Boongaree Recreation Precinct projects aims to transform existing, aging local recreation facilities into a contemporary destination park. Council has delivered stages 1 - 4a, including a playground, learn-to-ride track, pump track, skatepark, netball courts, and cricket nets.</p> <p>The stages presented for discussion at the Financial Sustainability workshop included:</p> <p>Stage 5 – western/junior sporting fields Stage 6 – dog fenced off-leash areas Stage 7 – eastern/senior sporting fields</p>
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Total project cost	\$20.9 million
Funding source	Funded \$15.5 million Not funded \$5.4 million
Status	Tender ready designs completed for Stages 5 & 7. Stage 6 has completed public exhibition and is ready for detailed design.
Impact if 'on hold'	Grant currently subject to a scope variation request as per MIN23.750 to deliverables of stage 5 only. If project were to be put on hold funding may need to be returned.
Increase in Operational Costs	Consumables increase (water) and depreciation costs. No additional staff.
% renewal	Stage 5 & 6 100% new Stage 7 is 50% renewal 50% new
Staff recommendation	Pause project until Council's financial position improves. Return stage 5 & 7 grant. Return unused loans to reduce interest. \$5.4 million of required funds not identified. Doesn't meet resolution to spend on asset renewals.

Workshop 2 overview – 5 March

The Mayor and 8 Councillors were present at the 20 February workshop, with apologies received from Cr Watson, Cr Gray, Cr Kitchener and Cr Christen.

The agenda for this workshop included:

- A financial sustainability project update was provided on all initiatives being delivered under the 3 workstreams – asset and project management, financial management and service planning.
- Confirmation of Councillor priorities
- Community donations program
- Fees and charges (outdoor dining, 2024/25 proposed fees and charges)
- Review of 4 strategic projects in light of financial sustainability principles (skate parks and pump tracks, the spinners and weavers building, the Berry showground animal nursery and the Kangaroo Valley playground)

Workshop 2 – summary of financial sustainability items discussed

1. Community donations program

Council's community donations program is to provide financial assistance to local community organisations, cultural or sporting organisations and charitable/non-profit organisations. The total amount provided through the community donations program is determined through the budget process. In 2022/23, the total amount provided through the program was \$211,168, allocated across 48 community organisations through the application review process. In 2023/24, the total amount of the program is \$200,080, allocated across 50 community organisations in the Shoalhaven.

The application process considers applications across the following categories:

- a. General donations (culture & community). These may include:

- Community development projects that meet an identified community need, have been developed in consultation with the community and encourage community participation in the development of the project.
- Community development, training, education and awareness activities.
- Co-funding for large or new cultural and community projects.
- b. Sponsorship of local events. These may include festivals and special activities which enhance community spirit.
- c. Subsidised rental, rates and use of council facilities rent subsidies or Council rates relief may be available for:
 - Community, charity and not for profit activities on public open space/reserves.
 - Community, charity and not for profit organisations' use of Council owned and controlled facilities.
- d. Environment. These may include heritage / environment projects.

The community was surveyed as part of the service review program in December 2023 – January 2024. Council asked the community which services are important to them, as well as where they think Council could reduce what is currently offered. Of the 516 respondents, 176 selected donations, community grants and financial support as one of the 10 services that should be the initial focus for reducing services. This placed donations in 5th place for services to reduce (out of 80 external Council services).

The staff recommendation is to pause the community donations program for the financial year 2024/25. This will reduce operating expenditure by \$200,000 during the 2024/25 financial year and support Council's financial sustainability initiative.

2. Outdoor dining public footpath annual fee reinstatement

Background

Currently, Council grants approval for outdoor dining on public footpaths under Section 125 of the Roads Act 1993, and in accordance with the progression of the following Council resolutions:

At Council's Ordinary meeting on Tuesday 9 June 2009, it was resolved in part (MIN09.732) to:

- "a) Council resolve to prepare a draft DCP for the Commercial Use of Public Footpaths and place this document on public exhibition in accordance with Clause 18 of the Environmental Planning and Assessment (EP&A) Regulation 2000 and that this draft DCP be incorporated into Council's draft citywide DCP 2009.
- b) In the spirit of encouraging the uptake of future applications for alfresco dining in the Shoalhaven, Council set the current fee for the licencing component for alfresco dining on public footpaths as; no licence fees for the first two years, a 50% reduction for the life of the alfresco dining, and retains the 50% reduction in DA fees, but completely removes the Section 94 Developers Contribution component for off-street car parking in the assessment of DAs for out-door dining within Council's footpath reserve"

Whilst the intention of the above MIN09.732 was to encourage the uptake of outdoor dining on public footpaths in the LGA, it did not produce the desired outcome. Informal feedback from businesses at that time indicated the pricing system under MIN09.732, exemptions and discounts, was confusing as was the need for a second approval after development consent and the fact that some businesses had been carrying out the activity for years without hindrance. Consequently, there were more non-compliant businesses occupying public footpaths for outdoor dining than compliant.

A report to Council's Ordinary meeting on Tuesday 26 March 2013 that looked to address the above noted issue and, in an attempt, to simplify the charging regime resulted in the resolution under MIN13.303 in part:

"c) *A two-year trial on not charging licence fees be undertaken*".

Subsequently a review was undertaken in March 2015 that resulted in a report to Council's Property Steering Committee on the 3 March 2015 and a resolution under delegation to:

"..... *continue not to charge annual fees for Outdoor Dining on public footpath subject to the following conditions:*

- a) *Review be undertaken in 2 years; and*
- b) *Council reviews the decision to charge fees if Outdoor Dining becomes difficult to manage in a particular footpath area.*
- c) *That correspondence be sent to relevant Business Owners (food shops) in CBD areas to inform them of Councils Policy."*

Notwithstanding the review period had not expired, Council resolved in part at Council's Ordinary meeting on the 15 March 2016 (MIN16.196) as part of the adoption of the 2016/2017 list of fees, charges and rentals to:

"b) *Continue to not charge annual fees for Outdoor Dining on public footpaths until 1 July 2017 and that this be subject to a further review as part of the 2017/18 budget process."*

A report was prepared for Council's Ordinary meeting 23 May 2017, to review the current practice of waiving annual fees for outdoor dining on public footpaths. At this meeting Council resolved (MIN17.422):

- a) *The report be received for information.*
- b) *The waiving of the flat rate continues, and outdoor dining fees be reviewed within 12 months.*
- c) *The application fee of \$161.20 commence 1st July 2017."*

A report was prepared for Council's Ordinary meeting 28 June 2018, to review the current practice of waving annual fees for outdoor dining on public footpaths. At this meeting council resolved (MIN18.487)

- a) *Continue to not charge annual fee for outdoor dining on a public footpath until the 1 July 2019 and that the fee of \$0 be adopted as Council Fee for 2018/2019 financial year with the fee being set each year after that as part of Council annual review of fees and charges process.*
- b) *Continue to not charge the annual fee for the remainder of this Council term.*

This report provides Council with an opportunity to consider the reintroduction of annual outdoor dining fees. Currently Council annually charges fees for the use of footpaths for A-boards, and merchandise and advertising displays which take up much less Council space than what is used by outdoor dining. Council receives approximately \$20,000 per annum for fees for A boards, and merchandise and advertising displays and the reintroduction of outdoor dining fees would reintroduce consistency in the application of the commercial use of Council's public footpaths and Council land.

Policy implications

Commercial use of Council's footpaths is governed by Development Control Plan (DCP) 2014 Chapter G17 – Business, Commercial and Retail Activities. The objectives of Chapter G17 are to:

- Encourage the growth and development of business and employment opportunities within defined limits and in a socially and economically responsible manner.
- Safeguard the amenity of the area and, in particular, immediately adjoining and adjacent property owners.
- Moderate environmental impacts
- Clarify and make provision for business, commercial and retail development in urban, environmental, rural, and coastal locations.

Objectives specific to Commercial Use of Footpaths are.

- Ensure adjoining premises and not adversely affected by any commercial use of public footpath areas.
- Protect Council and the public interest while permitting effective use of public footpaths for commercial purposes.
- Effectively address risk management issues for Council.

Council issued outdoor dining approvals ensures each application is assessed for public safety, amenity, and access.

Financial implications

Council has 73 outdoor dining approvals in place across the Shoalhaven, where an initial application fee of \$295.30 is charged and is valid for 5 years before the applicant has to re-apply. At the fixed rate of \$76.65/m², the rate currently listed in Councils fees and charges, Council is currently foregoing approximately \$30,000 to \$40,000 pa in fees across approvals. Since the inception of fee waiving Council has foregone income of between approximately \$300,000 and \$400,000.

The table below shows a comparison to a cross section of other Councils fees and charges for outdoor dining applications and rate per m² per year compared to the Shoalhaven:

Council Area	Application fee \$	Charge rate per m ²	Comment
Kiama	\$250	\$120 \$90	Kiama & Gerringong All other areas
Wingecarribee	\$150 Renewal after 2 years	\$60 to \$200	Other and premium
Eurobodalla	\$185	\$70 to \$150	Other & Batemans Bay
Shellharbour	\$373.00	\$165.00 \$156.00 \$124.00	Zone 1 Shellharbour City Centre Zone 2 Shellharbour Village Zone 3 Other areas

Council Area	Application fee \$	Charge rate per m ²	Comment
Wollongong	740.00 (bond)	Independent Valuation \$185.00 \$94.50 \$65.50	beach or foreshore locations Zone 1 Zone 2 Zone 3
Shoalhaven	\$295.30	\$76.65 Currently Waived	

Outdoor dining approvals include a clause that states that the fees include a premium contribution towards a broad-form public liability insurance policy (facilitated by Council) and associated administration costs and therefore the applicant need not affect a separate private insurance policy. This cost is not being recouped as there are no outdoor dining fees currently being charged.

Risk implications

If outdoor dining fees are reintroduced, businesses may not continue to offer outdoor dining on the public footpath, restricting amenity and affecting the ability to encourage vibrant streetscapes. However, in other nearby council areas the risk seems minimal.

Community consultation

Should council resolve to reintroduce outdoor dining fees the changes to the fee waiver it will be included in Councils 2024/25 fees and charges schedule which seeks community consultation prior to adoption.

The Tourism and Economic Development team have reached out to some of the relevant Business Chambers, where varied feedback was received, including:

- The industry is experiencing wage increases, workforce shortages, raw material and insurance cost increases, rent rises, and rising petrol/delivery costs. These factors have all seriously impacted on the margins of hospitality businesses. Any additional expenses may be the breaking point for some businesses.
- Some CBDs are experiencing a decrease in foot traffic, and Council is doing some good work in an attempt to revitalise the CBDs. It would be counterproductive to undo this good work by creating a disincentive for cafe owners to offer outdoor dining and the vibrancy that comes with it.
- Towns such as Huskisson, Nowra, and Milton will be most affected.
- Conversely, A-boards and tables on Council footpaths do currently have an annual fee so having dining space on Council land chargeable is understandable.
- With business having a slower summer season this year, businesses who rely on Council footpath space may have difficulty keeping their businesses open into the off-season, therefore affecting their ability to sustain jobs year-round for locals.

Internal consultation

Internal Consultation was undertaken, and the following feedback was received from Councils Economic Development & Tourism Department.

The Tourism and Economic Development team give the following feedback:

