

## Extra Ordinary Meeting

**Meeting Date:** Thursday, 30 April, 2026

**Location:** Studio Room  
Shoalhaven Entertainment Centre

**Time:** 5:30 PM

### Membership (Quorum – 7)

#### Clr Patricia White – Mayor

#### Ward 1

Clr Matthew Norris  
Clr Peter Wilkins - Deputy Mayor  
Clr Selena Clancy - Assist. Deputy Mayor  
Clr Brett Steele

#### Ward 2

Clr Ben Krikstolaitis  
Clr Bob Proudfoot  
Clr Jemma Tribe  
Clr Luciano Casmiri

#### Ward 3

Clr Denise Kemp  
Clr Gillian Boyd  
Clr Karlee Dunn  
Clr Debbie Killian

**Please note:** The proceedings of this meeting (including presentations 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. **Confirmation of Audio-Visual Attendance**
3. **Declaration of Interests**
4. **Reports**
  - City Performance

CL26.93	Draft Delivery Program Operational Plan and Budget 2026-27- Public Exhibition .....	1
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## CL26.93 Draft Delivery Program Operational Plan and Budget 2026-27- Public Exhibition

**HPERM Ref:** D26/118934

**Department:** Customer & Community Services  
**Approver:** Katie Buckman, Director - City Performance

**Attachments:**

1. DRAFT Delivery Program Operational Plan 2026-27 - Fees and Charges Part 1 (under separate cover) [⇒](#)
2. DRAFT Delivery Program Operational Plan 2026/27 - Fees and Charges Part 2 (under separate cover) [⇒](#)
3. DRAFT Delivery Program Operational Plan 2026-27 (under separate cover) [⇒](#)
4. NOM's Report Pack Plant and Fleet (under separate cover) [⇒](#)
5. DRAFT Delivery Program Operational Plan 2026-27 - Addendum (under separate cover)

### Purpose:

The purpose of this report is to present the Draft Delivery Program Operational Plan 2026/27 to Council to endorse a 28-day public exhibition in accordance with legislative requirements prior to finalisation.

### Recommendation

That Council:

1. Endorse the Draft Delivery Program 2025-29 and 2026/27 Operational Plan, Draft Budget, and Draft Fees and Charges with the purpose of placing on public exhibition for a period of 28 days.
2. Approve the release of the remaining balances of the internally restricted Strategic Projects Reserve, the Industrial Land Reserve and the Financial Sustainability Review Reserve to General Fund (unrestricted cash) at 1 July 2026.
3. Pay down the unrestricted General Fund portions of loan 1241 (taken out on 26 June 2024) and loan 1242 (taken out on 10 June 2025), using General Fund unrestricted cash, on the due dates of the first minimum payments of the FY2026/27.
4. Receive and note the responses provided in **Attachment 4** to the outstanding Plant and Fleet Notices of Motion
5. Maintain the previous year 2025/26 approach to rating structure, comprising both base and ad valorem amounts which is a commonly used rating structure that results in bringing the higher and lower values closer together and in effect spreads the burden across the board to all ratepayers.
6. Approve the maximum general rates rate-peg increase for 2026/27 as allowed by the Minister, as per Section 506 of the Local Government Act 1993, increasing total rates levied by the maximum 3.1% for 2026/27.
7. Apply the maximum rate-peg increase of 3.1% across Council's rating structure, with exception of the Business Nowra [CBD] sub-category and the Business Commercial/Industrial sub-category, by applying the rate-peg increase to the Business Commercial/Industrial and not applying the rate-peg increase to the Nowra [CBD] sub-category, and additionally spreading the value of the increase not levied on the Business

Nowra [CBD] sub-category, approximately \$59,818, to the Business Commercial/Industrial sub-category.

8. In accordance with Section 566(3) of the Local Government Act, 1993, and Council's policy POL22/88 *Revenue – Overdue Interest Rate* endorse the rate of interest payable on overdue rates and charges for the period 1 July 2026 to 30 June 2027 (inclusive) to be the maximum permissible percentage for 2026/27 not yet determined by the Minister of Local Government.
9. 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.
10. Receive a report on feedback from the community on the Draft Delivery Program 2025-29 and 2026/27 Operational Plan, Draft Budget, and Draft Fees and Charges in June 2026.

### **Community Strategic Plan:**

- 4 Transparent leadership with good governance
  - 4.3 Effective collaboration and engagement

### **Delivery Program / Operational Plan:**

- 4.3.1 Develop community trust and respect through transparent interactions and reporting

### **Background**

In accordance with the Integrated Planning and Reporting (IP&R) requirements in the NSW Local Government Act, Council has drafted and updated a Delivery Program for the period 2025-2029. The Delivery Program inclusive of the draft Operational Plan and Budget for 2026/27, is presented to Council for endorsement for public exhibition and community feedback.

### **Council Priorities**

The Delivery Program details what activities Council intends to undertake to achieve the key priorities outlined in the Community Strategic Plan 2035. 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 pillars and priorities identified by the community have been allocated 4-year strategies (25 in total) in the Delivery Program, and 1-year actions in the Operational Plan. The combined Delivery Program Operational Plan (DPOP) outlines the actions, projects and services Council will deliver in the 2026/27 financial year.

## 2026/27 Projects and Initiatives

Full details on Council’s planned projects and activities are included in **Attachment 3** – Draft Delivery Program Operational Plan and Budget 2026/27.

Council’s key projects and initiatives for 2026/27 are outlined below:

- Embed financial sustainability practices into everyday decision-making to achieve the financial sustainability vision and ensure a stable and sustainable financial organisation into the future.
- Develop a Stormwater Management Strategy for the Shoalhaven to enable strategic prioritisation and planning of future stormwater works required.
- Initiate a Road Network Safety Plan to guide advocacy and delivery of a safer local and regional transport network.
- Implementation of the new Community Infrastructure Strategic Plan 2056.
- Expand the customer base of West Nowra Material Recovery Facility.
- Review existing and develop new Waste strategy to incorporate the addition of the Material Recovery Facility and the State Government Food Organics and Garden Organics collection mandate
- Complete a review of Council-managed boating infrastructure across the Shoalhaven to determine management actions for this infrastructure.
- Council’s Land Sales program will include:
  - proposed sale of at least 10 operationally classified sites and other industrial land at Woollamia at Albatross Aviation Technology Park.
  - Continue to actively consider its property portfolio including the review and potential rationalisation of Council’s CBD land holdings in Nowra and Ulladulla areas.
  - Finalisation of Council’s Community Infrastructure Strategic Plan will identify surplus land which can be reclassified and included in future land sales.
- Finalise the local planning documents to guide the development of the Moss Vale Road North Urban Release Area.
- Planning proposals to deliver the Local Environmental Plan (LEP), including a full review and amendments, supported by broad community engagement and a concurrent review of the Growth Strategy to inform changes to the LEP.
- Develop and implement an Action Plan to support the rejuvenation and activation of the Nowra CBD.
- Develop and implement a combined Tourism and Economic Development strategy.
- Monitor and report on Per- and Polyfluoroalkyl Substances (PFAS) levels in all Shoalhaven Water, wastewater and land fill.
- Deliver Concept and detailed design Tomerong sewer scheme

Key projects included within Council’s Draft Capital works program:

\$33.1m capital budget for roads and transport program including:

- Sydney Street/Bowen Street, Huskisson
- Albatross Road, Nowra
- Shoalhaven Roads Projects:
  - Forrest Rd, Falls Creek

- Callala Beach Rd, Callala Beach
- Callala Bay Rd, Callala Bay
- Callala Bay Rd – Coonemia Rd Intersection
- Culburra Rd, Culburra
- Greenwell Point Rd - Worrigee Rd Intersection
- East Nowra Sub-Arterial design works\*
- Central Avenue, Nowra
- Currarong Road, Woollumboola
- The Wool Road, Vincentia
- Bellevue Street, Nowra
- 20 Road Design Projects

\$51.6m capital budget for water and sewer program including:

- Bamarang to Milton Water Pipeline Project
- Fleet and Plant replacement program
- Water Mains Replacement Program
- Sewer Pump Replacement Program
- South Nowra Surcharge Main, Package 3 and 4
- Huskisson Vincentia Sewer Pump Station 7 Rising Main and Gravity Main Delivery
- Emergency Storage at North Nowra and Milton
- Milton Sewer Pump Station M3 Upgrade
- West Nowra URA Sewer Infrastructure
- Fleet and Plant replacement program
- Ulladulla Wastewater Treatment Plant Upgrades

\*project includes grant funding.

### **Performance Measures**

Performance measures are included for each Operational Plan action to show the community how Council is tracking against its priorities and commitments. These measures can be targets, benchmarks or milestones. Performance against the adopted DPOP Actions and measures are reported to Council and the community on a quarterly basis.

### **Resourcing and Financial Planning**

Council has an accompanying Resourcing Strategy 2022–26 (updated in 2024/25), which was adopted in December 2024. The Resourcing Strategy outlines how Council will deliver and resource the Delivery Program through integrated planning for finances, assets, and workforce needs. It is an operational document that incorporates the Workforce Strategy, Asset Management Policy and Strategy, Information and Communication Technology Strategy, and the Long-Term Financial Plan 2025–2034. The Resourcing Strategy is scheduled for update in 2026 and will be presented to Council for adoption later this year.

A thorough condition assessment of Council’s roads and community buildings has been completed, with a condition analysis of stormwater assets currently underway. This work will provide an evidence-based understanding of the funding required to renew Council’s ageing infrastructure and will inform further discussions with the elected Council about future asset repair and renewal needs.

A new Developer Contributions Plan has also been exhibited and is scheduled to be reported back to Council for consideration before 30 June. The plan identifies the infrastructure projects to be funded through developer contributions and outlines the level of Council co-contribution required to deliver those projects.

A revised Long-Term Financial Plan (LTFP) will be prepared and presented to Council in late 2026. The updated LTFP will consider the outcomes of recent condition assessments, infrastructure funding requirements, and the potential need for a future Special Rate Variation.

**Budget Parameters**

The adoption of a high-level budget strategy and economic parameters by Council 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 2025/26 budget strategies and economic parameters on 27 January 2026 (MIN26.19).

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

Adopted Budget Strategy/Parameter	Achieved
1. Principal budgeting strategies:	
a. The budget will not result in an unrestricted cash deficit.	✓
b. Prioritise funding in the following order:	
i. Provide sufficient funding for all continuing services	✓
ii. Continue Council’s commitment to asset renewal	
iii. Continue a program of capital improvements to address historic budget shortfalls	
c. Maintain or improve Council’s financial and asset management performance indicators reported in the annual financial statements	✓
d. Increase Council’s unrestricted cash balance	✓
e. Minimise carry forwards through substantial completion and long-term planning of the capital works program	✓
f. Continuation of the land sales strategy as per Councils Sustainable Financial Futures Plan (SFFP)	✓
2. Economic parameters for budgeting:	
a. Rates are increased by the rates peg set by IPART of 3.1%	✓

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Adopted Budget Strategy/Parameter	Achieved
b. User charges and fees are increased by 6% (non-statutory fees only)	✓
c. Salaries and wages will increase in accordance with the Local Government (State) Award (projected to be increased by 4%)	✓
d. Superannuation is at 12%	✓
e. Materials and other expenditures increase by 3.1%	✓
f. The capital works program is appropriately set in order to assist in the management of Council’s financial sustainability challenges and to ensure there is no reduction in Council’s unrestricted cash balance	✓
g. Consistent with Council’s Long Term Financial Plan, no additional loan borrowing borrowings are to be taken out in FY 2026/27	✓
3. Repairs to Council’s Road Network be a primary focus of the initial draft of the Capital Works Program	✓

**Statement of Revenue Policy**

Rating Structure, Land Values, and 2026/27 Rates Increase

Council proposes to maintain the same approach to rating used in the previous 2025/26 year, structured on an ad valorem basis using land values issued by the Valuer General (VG) as at 01 July 2025, in accordance with Section 497 of the NSW Local Government Act 1993, subject to base amounts for ordinary and special rates. The use of a base amount brings the higher and lower land values closer together and in effect spreads the burden across the board to all ratepayers.

**Land Values**

The land valuation for each property is determined by the NSW Valuer General (VG). In 2026/27 Council will levy rates using the recently received 01/07/2025 base dated land values. Landowners throughout the Shoalhaven City will receive their Notice of Valuation from the VG advising of the 2025 land value for their property/s by late April 2026. The 2025 land values will be used for rating for 2026/27 and 2027/28.

The 2025 land value revaluation for Shoalhaven City has seen an overall reduction of land value across the LGA, with a significant >14% average reduction in Residential land values, when compared to the formerly used 2022 land values. Rural properties have also reduced >17% on average, while business land values on average saw an increase – with commercial property values slightly up >3%, while land values for industrial properties increased >13%.

**Rates increase**

Permissible increases in rates revenue are determined by the Independent Pricing & Regulatory Tribunal (IPART) through two distinct processes: the industry standard rate-peg and/or a council Special Variation. IPART considers changes to base costs for council groups, a productivity factor, a population factor for each council and an Emergency Services Levy (ESL) factor, in determining the annual rate peg for each council. IPART has determined a maximum rate peg of 3.1% for Shoalhaven for 2026/27, which will be applied to Council’s total rates income.

Importantly, with Council’s total annual rating income capped by the rate-peg of 3.1% in 2026/27, changed land values (decreases and increases in land value at the individual property level) will not change Council’s total rates income. The shifted land values will however lead to a redistribution of rates paid between ratepayers within the respective rating categories in 2026/27.

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Council's 2026/27 ordinary rating structure will include a flat base amount of \$864, with the exception of the Residential – Non-Urban category that has a base of \$45, the Farmland category which has a base of \$1,165, and the Farmland – Dairy Farmers category which has a base amount of \$1,321.

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 Ordinary (i.e., Crown leases such as permissive occupancies, jetties, slipways, moorings, pastoral leases, etc.).

The following rates are proposed for 2026/27 in respect of each category of ordinary rates levied by Council:

- Residential: Will be levied a base amount of \$864 and an ad valorem rate of 0.134990 cents in the \$ for Ordinary Residential Rates and a base amount of \$45 and an ad valorem rate of 0.134990 cents in the \$ for Residential Non-Urban Rates.
- Farmland: The rates for Farmland will be levied a base amount of \$1,165 and an ad valorem rate of 0.0990 cents in the \$. The rates for Farmland – Dairy Farmers will be levied a base amount of \$1,321 and an ad valorem rate of 0.04920 cents in the \$.
- Business: All sub-categories will utilise the same base amount of \$864, excluding Business (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, except for one important exception in 2026/27, whereby total rates for Nowra [CBD] will be not be increased by the 3.1% rate-peg, while total rates for Business Commercial/Industrial sub-category will be increased by the 3.1% rate-peg, and in addition total rates for Business Commercial/Industrial will be increased by the value of the 3.1% rate-peg component (approximately \$59,818) not applied to Nowra [CBD]. This approach is the first step towards recalibrating the much higher rates historically paid by Nowra [CBD] ratepayers, which due to a few factors including changed service provision overtime, has emerged as an inequity within Council's long-standing rating structure.
- An ad valorem rate for Nowra CBD business rates is 0.552915 cents in the \$, Business Ordinary 0.267130, Business Commercial/Industrial 0.202990, Business – Major Retail Centre – Nowra 0.77680 and Business – Major Retail Centre – Vincentia 0.46190.

Note: The proposed 2026/27 rates and charges shown in the preceding section are 'draft' in that they are subject to immaterial change between draft exhibition and final Council adoption of the DPOP for 2026/27. This potential for immaterial change relates to the daily addition of new properties (including property cancellation, subdivision and consolidation), and daily changes to property land values, changes in categorisation, and rateability.

Draft Fees & Charges 2026/27 are included as **Attachment 1 (Part 1)** and **Attachment 2 (Part 2)**.

Interest on Overdue Rates & Charges

Council's current policy POL22/88 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.

At the time of writing the Minister for Local Government was to determine the maximum rate of interest payable on overdue rates and charges for the period 1 July 2026 to 30 June 2027. Maximum interest for the previous year 2025/26 was 10.5% per annum. Interest charges will

be waived for ratepayers that experience financial hardship and can apply for financial assistance under the Council Hardship Policy.

#### 2026/27 Water and Sewer Fees and Charges

The 2025/26 water and sewer (wastewater) pricing is derived in accordance with the Local Government Act 1993; in compliance with the NSW Government Water Supply, Sewerage and Liquid Trade Waste Pricing Guidelines and Council Policy 25/13. These documents are publicly available.

The water and sewer availability charges are levied in accordance with Sections 501 and 552 of the Local Government Act, to provide access to facilities for the supply of water and sewerage services. In 2026/27 the water availability charge has increased, an example of the increase is a residential connection (20mm) has increased to \$176 (\$16 increase) per annum, the sewer availability charge for the same residential property will increase to \$1,199 (\$89 increase) per annum.

The two-part tariff for water charges will continue (usage and availability). In 2026/27 the treated water usage charge will increase from \$2.75 to \$3.03/kL.

The impact of these price increases on customers have been modelled using a residential customer's average water consumption of 155kL per year. Based on the average water consumption the total increase in this customer's annual water and sewer account would be \$148.40 for the full year.

The factors driving these increases are general cost recovery, as well as raising funds required for future capital works projects that have been identified in the Water and Sewer fund long term financial plans. Funding is required for major sewerage treatment plant refurbishments, and the Bamarang to Milton Water Trunk Main Stage 2 project, which will involve significant capital expenditure between now and 2033. It should be noted that the proceeds of these increases are restricted funds of Water Fund and Sewer Fund and cannot be utilised by General Fund.

Further information regarding Water and Sewer Fees and Charges can be found in **Attachment 1 (Part 1)**.

#### 2026/27 Domestic Waste Management Charges

Under section 496 of the Local Government Act 1993, Council must make and levy an annual charge for providing domestic waste management services. Under section 504 of the Act, income from the charge must not exceed the reasonable cost to the Council of providing those services. A standard 120L Domestic Waste Management Charge service is proposed to increase 6% from \$531 to \$563 in 2026/27.

Further information regarding Domestic Waste Management Charges can be seen in **Attachment 1 (Part 1)**.

### **Budget Summary**

Financial sustainability is a concern for many NSW Councils, including Shoalhaven City Council. The FY2026/27 budget supports Council in working towards improvements in our operating position, ratio performance and liquidity levels.

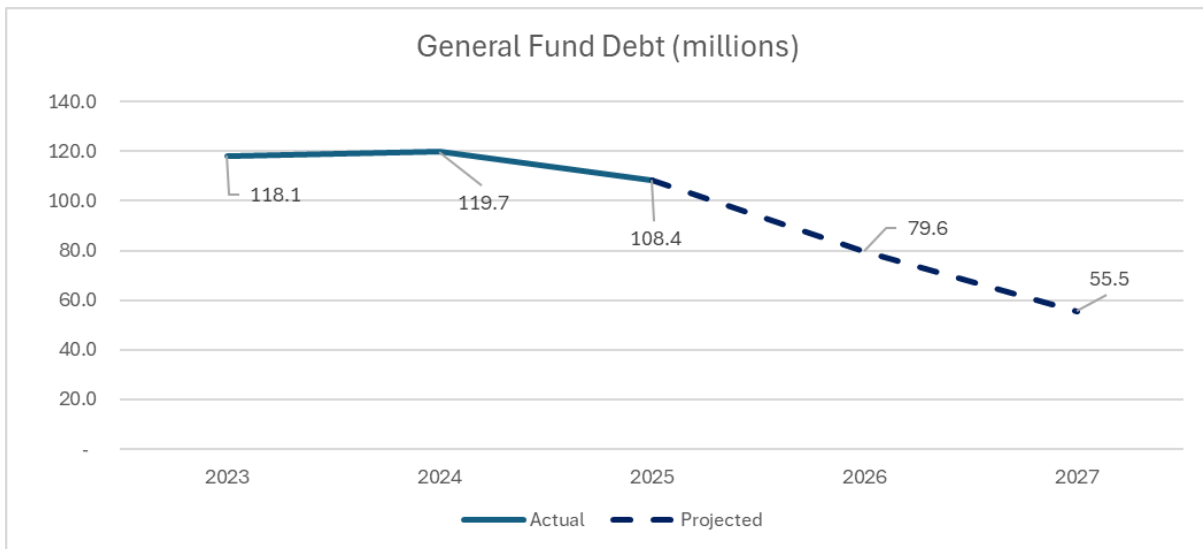
Over the past three financial years, Council has implemented significant organisational changes to reduce the operating deficit, including restructures, service reviews, improved grants management, strengthened debt recovery, and property sales. The FY2026/27 budget process has taken this a step further, undertaking a comprehensive review to identify efficiencies within each department's budget through workshops led by the Chief Executive Officer and the Director of City Performance, with each departmental budget examined line by line. This process identified further savings, including additional reductions in casuals, overtime, and materials and services budgets, contributing to Council's improved operating

position. In addition, Council's new Materials Recovery Facility is expected to be fully operational in FY2026/27, with a projected profit of \$3.3M. Any underperformance against this projection would adversely impact Council's operating position.

Council's unrestricted cash position has strengthened significantly over the past three financial years. The FY2026/27 budget projects an unrestricted cash balance of \$42.8M, representing an improvement of \$29.2M compared with the projected unrestricted cash balance at 30 June 2026 (\$13.6M, according to MIN26.42). This improved liquidity will better position Council to manage foreseeable cost pressures, including fuel price increases, award wage increases, software licensing costs, and contractor cost increases, while also providing capacity to respond to asset failures associated with ageing infrastructure, natural disaster events, and the upfront expenditure required for grant funded projects prior to receipt of funds from the relevant grant bodies. The projected unrestricted cash balance at 30 June 2026 is reliant on the success of Council's proposed land sales. Recent market conditions may adversely affect the timing and value of Council's planned property sales, which would in turn impact the projected unrestricted cash balance.

The budget presented in this document has not been adjusted for fuel cost increases that commenced in March 2026, and the inflationary impact of these recent developments will be considered over the period of public exhibition. Adjustments will be made to the final budget presented in June as well as future quarterly reviews. The impact to Council from the fuel increases will depend on both the duration and magnitude of the price rises and it is hoped that information needed to better project these costs will be available closer to the presentation of final DPOP.

Reducing Council's debt position has also been a key priority. The FY2026/27 budget proposes additional early loan repayments, targeting variable rate and higher interest commercial loans. An additional \$9.6M repayment of General Fund loans is proposed, which will bring the General Fund debt balance down to \$55.5M, representing a \$52.9M reduction compared with the balance at 30 June 2025. The graph below illustrates Council's progress in reducing its outstanding loan balances.



To fund these early loan repayments, and to preserve the unrestricted cash balance for the purposes outlined above, it is proposed to release the remaining balances of certain internal reserves that no longer serve their original purpose, including the Strategic Projects Reserve, the Industrial Land Reserve and the Financial Sustainability Review Reserve to General Fund unrestricted cash. The projected balances of these reserves are set out in the table below. It is proposed that these funds are released at 1 July 2026. Further examination of internal reserves will be undertaken in the coming quarterly budget reviews.

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Reserve	Estimated 30 June 2026 balance (\$'000)
Industrial Land Reserve	7,281
Financial Sustainability Review savings	5,298
Strategic Projects Reserve	272
<b>TOTAL</b>	<b>12,851</b>

Further benefit from early debt repayments is the reduction in future interest and principle repayments freeing up unrestricted cash. This has allowed Council to invest an additional \$2M in the road reseal program compared to FY25/26.

A thorough condition assessment of our roads and community buildings has been completed and a condition analysis of stormwater is underway that will provide an evidence-based analysis of the amount of money required to renew our ageing infrastructure. Further conversations will be had with the elected council about what's needed to repair our assets into the future. A revised Long Term Financial Plan (LTFP) will be prepared and presented to Council in late 2026. The plan will consider the need for a future Special Rate Variation.

An attachment (**Attachment 4**) is provided to this report that provides information to several notice of motions requested on plant and fleet. The report includes information on electric vehicles, fuel card usage for lease back vehicles, fuel comparisons for the last two years, fuel products and fuel percentages used inside and outside the Shoalhaven Local Government area. Council has made cost savings in fleet through reducing the number of vehicles, limiting truck movements where possible, raising leaseback fees charged to staff and removing access to fuel outside of NSW and ACT.

Table 2 shows the General Fund Net Operating Result before Capital is currently forecast to be a deficit of \$6.0M for the year ending 30 June 2027. This represents an \$8.1M improvement on the \$14.1M operational deficit in the FY2025/26 adopted budget at the December Quarterly Review (MIN26.42). The improvement is primarily driven by the commencement of the Material Recovery Facility operations (\$3.3M), higher projected gains from asset disposals associated with an expanded land sales program (\$1.8M), lower borrowing costs due to proposed early loan repayments (\$1.5M), and higher projected interest income reflecting recent market conditions (\$2.0M).

As a result of budget savings arising from Councils comprehensive line by line review, discipline at all levels of Council will be required to ensure that spending does not exceed adopted budget. If new budget priorities are identified, other priorities will need to be removed to ensure Council's budgeted cash position does not deteriorate. Community and customers may also experience a reduction in service levels as a result of budget saving initiatives.

**Table 2: Income Statement by Fund**

	2026/27 Budget (\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.
Income from Continuing Operations	393,923	57,529	81,653	446,957
Expenses from Continuing Operations	355,648	49,058	65,755	387,658

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Net Operating Result	38,275	8,471	15,898	59,299
Net Operating Results Before Capital	-5,951	6,471	13,873	11,048
Net Cash Movement	26,953	14,187	-10,862	30,278
Net Reserve Movement	2,209	-14,187	10,862	-1,116
<b>Net Unrestricted Cash Movement</b>	<b>29,162</b>	<b>0</b>	<b>0</b>	<b>29,162</b>

The proposed Draft 2026/27 Budget includes a capital expenditure of \$132.7M across General, Water and Sewer funds along with the \$387.7M of operating expenditure required to provide the essential services to our community, bringing the next year’s consolidated budget to \$520.4M.

**Table 3: Capital and Operating Budget by Fund**

	2026/27 Budget (\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.
Capital Budget	74,194	14,525	43,992	132,711
Operating Budget	355,648	49,058	65,755	387,658
Total Budget	429,842	63,583	109,747	520,369

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The budget was prepared based on the principles of prudent financial management and fiscal discipline. The budgeted general fund operational and capital expenditures do not exceed the general revenue and available internal and external restrictions of the Council and therefore this budget conforms to the requirement of no cash deficit budgeting.

**Table 4: Draft 2026/27 Budget**

	2026/27 Budget (\$'000)			
	General Fund	Water Fund	Sewer Fund	Consol.*
Rates & Annual Charges	148,532	10,725	68,099	227,356
User Charges and Fees	86,176	36,672	6,426	128,340
Interest and Investment Revenue	11,459	3,497	2,590	14,201
Other Revenues	4,923	67	15	5,005
Internal Revenue	74,871	4,534	2,464	0
Grants and Contributions provided for Operating Purposes	20,624	34	34	20,692
Grants and Contributions provided for Capital Purposes	44,226	2,000	2,025	48,251

Net Gains from the disposal of assets	3,112	0	0	3,112
<b>Total Income</b>	<b>393,923</b>	<b>57,529</b>	<b>81,653</b>	<b>446,957</b>
Employee Benefits and On-Costs	104,106	10,883	15,751	130,740
Borrowing Costs	2,700	0	2,457	5,157
Materials and Contracts	90,154	9,053	13,669	112,876
Depreciation and Amortisation	73,706	20,182	22,947	116,835
Other Expenses	20,435	50	65	20,550
Internal Expenses	64,547	7,890	10,366	0
Net Losses from the disposal of assets	0	1,000	500	1,500
<b>Total Expenses</b>	<b>355,648</b>	<b>49,058</b>	<b>65,755</b>	<b>387,658</b>
<b>Net Operating Results</b>	<b>38,275</b>	<b>8,471</b>	<b>15,898</b>	<b>59,299</b>
<b>Net Surplus/(Deficit) before Capital</b>	<b>-5,951</b>	<b>6,471</b>	<b>13,873</b>	<b>11,048</b>
<b>Other Cash Adjustments</b>				
Capital Expenditure	-74,194	-14,525	-43,992	-132,711
New Borrowings	0	0	0	0
Proceeds from Borrowings & Advances	0	336	0	0
Loan Principal Repayments	-24,103	0	-5,157	-28,924
Net Gains from the disposal of assets	-3,112	0	0	-3,112
Proceeds from the disposal of assets	16,381	460	550	17,391
Receipt of Internal Loan Repayment	0	0	0	0
Depreciation Adjustment	73,706	20,182	22,947	116,835
Dividend Paid to General Fund	0	-1,737	-1,608	0
<b>Net Cash Outflow</b>	<b>26,953</b>	<b>13,187</b>	<b>-11,362</b>	<b>28,778</b>
<b>Reserve Movements</b>				
Net Transfers from Reserves	2,209	-13,187	11,362	384
<b>General Fund Net Cash Movement</b>	<b>29,162</b>	<b>0</b>	<b>0</b>	<b>29,162</b>

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

**Capital Works Program**

The available General Fund unrestricted cash to contribute to the capital program after the operational budget, release of the three reserves and paying down of loans, is \$7.3M (excludes Waste, Water and Sewer Funds). In addition to General Fund, Council has allocated the following funding towards Capital projects:

- Special Rate Variations (SRV 2018/19 & SRV 2025/26) - \$13.4M
- Existing loan funding - \$1M
- Stormwater Levy - \$1.1M
- Internal Reserves - \$9.8M
- Secured Grants - \$27.5M

This results in \$52.8M of new allocation to General Fund Projects in FY2026/27.

A further \$14.1M is included in the program from amounts carried forward from FY2025/26 bringing the total General Fund capital program to \$74.2M. Shoalhaven Water have a capital program totalling \$58.5M which is detailed further in the paper, this brings the overall total capital program to \$132.7M

Council’s Enterprise Project Management Office (EPMO) allocated the General Fund and SRV funding (i.e. not funding for a particular purpose) to the six asset planning areas within Council based on consideration of depreciation of assets in the portfolio, required service level of assets, condition data, risk, and business need. The EPMO received back from the asset planning teams prioritised projects for assessment of delivery readiness and budget appropriateness for inclusion within the budget.

It is noted that no allowance has been made in the 2026/27 Delivery Program Operational Plan for opt in fees for any newly declared natural disaster event. Should an event be declared between now and 30 June 2026 the opt in fee Council will need to contribute is \$676,965 per event which would be payable in FY2026/27. For each event declared in the FY2026/27 (i.e. on or after 1 July 2026) the opt in fee council will need to contribute is \$711,937.50 per event.

The timing issues surrounding the incurring of expenditure on grant funded projects prior to the receipt of grant funds has had a negative impact on Council's General fund unrestricted cash in previous years. Of the total \$132.7M budgeted capital works program for FY2026/27, \$41.9M is grant funded (approximately \$19M in grant funds relating to this spend is currently held by Council). \$34.3M of that total grant funded spend relates to general fund projects representing 46.16% of the general fund program. ShoalWater has budgeted spend of \$7.6M from grants representing 12.99% of the ShoalWater program) and Waste has no grant funding.

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

Capital Program	FY2026-27 \$'000
Bridges	1,894
Roads and Transport	37,856
Stormwater	3,127
Commercial Undertakings	13,566
Buildings and Property	3,946
Community and Culture	505
Fire Protection and Emergency Services	53
Environmental Management	1,845
Open Space, Sport and Recreation	6,701
Waterways Infrastructure	1,950

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Internal Corporate Services	305
Waste and Recycling Program	2,446
<b>Total General Fund (Including Waste)</b>	<b>74,194</b>
Water and Sewer Services	58,517
<b>Total Capital Program</b>	<b>132,711</b>

*Table 6 & 7: Capital plan & funding sources for General Fund*

Asset Planning Area		FY2026-27 \$'000
Civil Infrastructure	Bridges	1,894
	Roads	37,119
	Stormwater	3,725
	Other (footpaths, guardrail etc.)	300
Coastal		3,215
Community Infrastructure		8,498
Fleet		9,037
Holiday Haven		1,814
Other	(Library, Gallery, SEC, IT etc.)	1,534
Waste		2,446
Buildings and Property		4,611
<b>Total Expenditure</b>		<b>74,194</b>

Funding	FY2026-27 \$'000
Internal Funds	32,565
Secured External Grants	
Shoalhaven Roads Package	9,193
East Nowra Sub-Arterial Road Design and Early Works	3,899
Nowra Riverfront Design	2,000
Roads to Recovery	9,770
Boating Now - Ulladulla Boat Loading Ramp	1,400
Sanctuary Point Library	784
Green our cities	450
Secured External Grants Total	27,496
Prior Year Carry Forwards	14,132
<b>Total</b>	<b>74,194</b>

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It is important to note that the capital works program for 2026/27 will be adjusted throughout 2025/26 having regard to Carry Forwards and Revotes which are to be determined in conjunction with the March Quarterly Budget Review and End of Financial Year Review.

### **Budget Details – General Fund**

The Operating Result for 2026/27, excluding capital grants, is a deficit of \$6.0M. With the inclusion of capital grants, the net operating result is a surplus of \$38.3M. The net unrestricted cash movement for 2026/27 is a surplus of \$29.2M, mainly because of land sales, commencement of the Materials Recovery Facility, reduced borrowing costs, increased interest on investment income and further efficiency savings identified through the extensive budget review. This favourable cash movement is not proposed to be utilised for operational matters, but rather funding grants spent in advance and unexpected events such as mechanical failure of assets and opt-in fees for Natural Disasters.

Key drivers of the 2026/27 operating results:

- Minimal increase in employee costs compared to FY2025/26 adopted budget (0.42%) despite the projected salary award increase of 4%, mainly due to reduction in casual budget and the organisational restructure implemented on 27 October 2025.
- Reduction in materials & services budget compared to FY2025/26 adopted budget (-1.65%) as a result of the comprehensive line by line review of income and expenditure by the department managers, directors, and the CEO.
- Increase in interest on investment income due to higher cash balance and favourable interest rates.
- Decrease in borrowing costs due to proposed early loan repayments.
- IT software costs that are due to increase by \$1M more than standard inflation.

No new borrowings are proposed to be drawn down for FY2025/26.

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

The Operating Result for the Water Fund for 2026/27, excluding capital grants and contributions, is a surplus of \$6.5M. When capital grants and contributions is included, the net operating result is a surplus of \$8.5M. Key drivers of the 2026/27 operating results:

- Increase in revenue due the proposed increase in annual and user charges (noted earlier in this report)
- Decrease in materials & services budget due to one off operational needs which concludes in FY2025/26

The Operating Result of Sewer Fund for 2026/27, excluding capital grants and contributions, is a surplus of \$13.8M. When capital grants and contributions are included, the net operating result is a surplus of \$15.9M. Key drivers of the 2026/27 operating results:

- Increase in revenue due the proposed increase in annual and user charges (noted earlier in this report)
- Increase in employee expenses due to additional costs allocated to operating projects

The Shoalhaven Water Directorate capital expenditure of \$58.5M has been allocated in the Draft Budget for 2026/27. The total includes the following significant projects/programs:

Water Fund:

- Bamarang to Milton Water Pipeline Project – \$2M
- Fleet and Plant Purchases – \$3.7M
- Water Mains Replacement Program – \$2.1M

Sewer Fund:

- Sewer Pump Replacement Program – \$1.1M
- South Nowra Surcharge Main, Package 3 and 4 – \$1.5M
- Huskisson Vincentia Sewer Pump Station 7 Rising Main and Gravity Main Delivery – \$5.5M
- Emergency Storage at North Nowra and Milton – \$2M
- Milton Sewer Pump Station MS Upgrades – \$1M
- West Nowra URA Sewer Infrastructure – \$10.2M
- Fleet and Plant Purchases – \$4.4M
- Ulladulla Wastewater Treatment Plant Upgrades – \$10M

No new borrowings are proposed for either Water or Sewer Fund.

**Key Performance Indicators**

The key performance indicators are set by the Office of Local Government (OLG) to measure financial performance and sustainability of local councils across NSW. The projected 2027/28 indicators for each of the funds as well as consolidated for Shoalhaven City Council are outlined below.

Table 8 below highlights that Council is budgeted to meet most of the OLG’s Financial Performance targets in 2026/27, except for General Fund Operating Performance Ratio and Water Fund Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage Ratio.

**Table 8: Financial Performance Indicators**

Indicator	Target	Fund	2026/27
<b>Local Government Industry Indicators</b>			
Operating Performance Ratio	Greater than 0%	Consolidated	2.4%
		General	-2.6%
		Water	13.5%
		Sewer	18.1%
Own Source Operating Revenue Ratio	Greater than 60%	Consolidated	84.5%
		General	83.4%
		Water	96.5%
		Sewer	97.5%
Unrestricted Current Ratio	Greater than 1.5	Consolidated	2.47
		General	2.46
		Water	20.64
		Sewer	1.96
Debt Service Cover Ratio	Greater than 2.0	Consolidated	5.12
		General	2.51

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		Water	No Debt
		Sewer	5.22
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	Less than 10%	Consolidated	7.3%
		General	6.3%
		Water	10.3%
		Sewer	8.9%
Cash Expense Cover Ratio	Greater than 3 months	Consolidated	11.32
		General	6.71
		Water	31.48
		Sewer	7.98

Table 9 shows that Council is not anticipated to meet the OLG’s Infrastructure Asset Performance targets.

**Table 9: Infrastructure Asset Performance Indicators**

Indicator	Target	Fund	2026/27
<b>Infrastructure Asset Performance Indicators</b>			
Infrastructure Renewals Ratio	Greater than 100%	Consolidated	85.1%
		General	90.1%
		Water	60.1%
		Sewer	91.7%
Infrastructure Backlog Ratio	Less than 2%	Consolidated	TBA
		General	TBA
		Water	TBA
		Sewer	TBA
Asset Maintenance Ratio	Greater than 1x	Consolidated	TBA
		General	TBA
		Water	TBA
		Sewer	TBA
Cost to bring assets to agreed service level	No Benchmark	Consolidated	TBA
		General	TBA
		Water	TBA
		Sewer	TBA

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**TBA:** Council is not in a position to provide estimates of these required benchmarks due to asset management planning not currently being mature enough to provide these estimates confidently. The required asset maintenance is in excess of the current budgeted maintenance.

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

Operating Performance Ratio, greater than 0%:

The budgeted ratio for general fund is below the benchmark; however, it is an improvement compared to FY2025/26 due to operational savings detailed above.

Debt Service Cover Ratio

While this ratio is anticipated to be met, it is lower than it would otherwise be due to additional (above minimum requirement) loan repayments budgeted to be made in the 2027 financial year.

#### Infrastructure Renewal Ratio, greater than 100%

The budgeted expenditure on asset renewal for General, Water, and Sewer fund does not meet or exceed the anticipated relevant depreciation, amortisation and impairment for those funds. This is a consequence of the General Fund, Water Fund, and Sewer Fund having insufficient anticipated cash to commit to the projects required to meet its obligations under this benchmark.

#### Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage, less than 10%

The budgeted ratio for the water fund is above the benchmark. The ratio has been above the benchmark in previous years and is trending towards less than the 10% benchmark. Current Council policy does not allow for active debt collection against a significant cohort of pensioners, which make up over a third of outstanding accounts.

### **Risk Implications**

The DPOP and Budget must be placed on public exhibition for a 28-day period and be adopted before 30 June 2026 in accordance with legislation. Submissions made by the public in relation to the DPOP and Budget must be collated and presented to Council for the adoption meeting in late June 2026. Delays in placing the DPOP and Budget on public exhibition will shorten the time available to compile public submissions prior to the adoption meeting and reduce the time available for consideration of public feedback and potentially delay adoption of the Budget.

Delays in adoption can delay the routine levy of the 2026/27 annual rates and charges which can result in a late issue of Rates Notices that will have detrimental impacts on Council's cash flow.

### **Internal Consultations**

Development of the draft documents occurred with input from across the management team.

### **External Consultations**

Engagement activities will be undertaken with community, business and industry organisations as part of the public exhibition period prior to finalisation of the DPOP 2026/27.

### **Community Consultations**

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:

- 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.

Submissions will be able to be provided to Council online through our engagement webpage, via email or in written form.

A Draft Program and Operational Plan 2026/27 Delivery, 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 represent a considered approach to sustainable and affordable budgeting.

### **Policy and Statutory Implications**

Placing the draft integrated planning documents on public exhibition will work towards meeting statutory requirements.

### **Financial Implications**

Whilst the improvement in General Fund Operating Results before Capital is positive, the budget does not take into account fundings for future grants spent in advance and unexpected events such as mechanical failure of assets and opt-in fees for Natural Disasters, as well as foreseeable cost pressures, including fuel price increases, award wage increases, software licensing costs, and contractor cost increases.

As a result of budget savings arising from Councils comprehensive line by line review, discipline at all levels of Council will be required to ensure that spending does not exceed adopted budget. If new budget priorities are identified, other priorities will need to be removed to ensure Council's budgeted cash position does not deteriorate. Community and customer may also experience a reduction in services levels as a result of budget saving initiatives.

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## 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.