

Draft Resourcing Strategy 2022-26 Summary



Workforce Management Planning Strategy

The Workforce Management Planning Strategy is a comprehensive plan for Shoalhaven City Council to effectively manage its workforce over the next four years. The strategy aims to align the workforce with Council's strategic goals, focusing on key areas such as age distribution, gender diversity, and addressing current and future challenges.

The Workforce Management Planning Strategy outlines a holistic approach to address current workforce challenges and prepare for future needs. It emphasises strategic alignment, financial sustainability, and proactive measures to ensure a capable, diverse, and agile workforce for Shoalhaven City Council.

Key points:

Strategic Alignment:

- The strategy aligns the workforce with the Council's core values and strategic objectives for the next four years.
- It acts as a roadmap to guide workforce initiatives to meet future challenges and support community goals.

Financial Sustainability:

- Given that employee costs are a significant portion of operating expenses, effective workforce planning is crucial for the Council's financial sustainability.
- The strategy integrates with other plans, such as the Long Term Financial Plan and Asset Management Strategy, to ensure a financially sustainable approach.

Workforce Trends and Needs:

- As of November 2023, the Council had 1556 staff, with an aging workforce (40% aged 50 or older) and challenges in age distribution.
- A traineeship and apprenticeship program is in place to attract and retain young talent.

Current Workforce Challenges:

- Challenges include planning for an aging workforce, knowledge management, succession planning, and attracting and retaining local staff.
- Focus areas include technological advances, resilience, effective stakeholder management, and operational effectiveness.

Forecasted Future Needs:

- The Council aims to remain agile, emphasising customer service, proactive planning, and attracting the right staff.
- Strategies include planning and delivering services efficiently, retaining knowledge, and fostering innovation.

Strategic Action Plan:

- The plan addresses key areas such as strategy alignment, organisational structure, resourcing, succession planning, leadership development, community engagement, culture, communication, and technology.
- Each action has specific success indicators and accountabilities, with progress reported through quarterly performance reports.

Culture and Communication:

- The strategy focuses on fostering a culture of integrity, respect, adaptability, and collaboration.
- Clear communication processes and shared language are emphasised, ensuring alignment with strategic objectives.

Technology Integration:

- Technology is seen as integral to operations, enabling flexible work arrangements and empowering staff through effective learning and development programs.

Draft Asset Management Strategy 2022-2026

INTRODUCTON

Shoalhaven City Council is responsible for managing assets worth nearly \$6 billion, funded by revenue from a population of over 109,600. The Council's asset management approach is crucial for maintaining services and infrastructure that contribute to the community's livability. Aging assets, in need of renewal, and the demand for new services present challenges. Assessing asset conditions, estimating useful life, and planning for renewal are key tasks. Funding these efforts poses challenges, requiring strategic planning for cash availability. Prioritisation is necessary due to limited funding.

The Asset Management Strategy is defined as a plan covering asset development, operation, maintenance, rehabilitation, disposal, and performance monitoring to ensure optimal service levels at a reasonable cost. The strategy must include the Council-adopted Asset Management Policy, identify critical assets, outline risk management strategies, and specify actions for improving asset management capability.

Legislative requirements, guided by the NSW Integrated Planning and Reporting Framework, mandate councils to consider asset management in their Resourcing Strategies. The Asset Management Strategy must align with this framework and cover a minimum timeframe of 10 years.

Roles and responsibilities follow an Asset Custodian model. Technical Services provide leadership and governance, while Asset Custodians focus on customer experience, asset knowledge, value maximisation, and risk management. Information and Financial Services support these roles.

The Asset Management System encompasses organisational context, leadership, asset registers, condition assessments, maintenance systems, strategic planning, predictive modeling, risk analysis, lifecycle costing, performance evaluation, and improvement plans. The Council's system aligns with the Institute of Public Works Engineering Australasia (IPWEA).

The Asset Management Strategy includes various asset classes such as public buildings, recreation, roads, stormwater, water and sewerage, land, plant and equipment, recycling, waste and commercial activities. The strategy is essential for managing and planning the lifecycle of these assets.

STRATEGIC ALIGNMENT

The Community Strategic Plan (CSP) outlines what the community wants for the future. The Resourcing Strategy figures out how to achieve these goals with the resources available to the Council. According to the Integrated Planning and Reporting Framework, all planning documents must connect well and be developed together.

The Asset Management Strategy explains how Council's assets will help achieve its vision sustainably. It assesses the current state of assets, identifies gaps, and suggests improvements.

Asset Management Plans (AMPs) align with service provisions to meet agreed service levels in a financially sustainable way. They provide crucial information for the Community Strategic Plan, Long Term Financial Plan, and Delivery Program.

The Community Strategic Plan envisions a safe, attractive community with four themes: resilient communities, sustainable environments, thriving economies, and effective leadership.

The Asset Management Policy aims to achieve sustainable asset outcomes. It aligns with principles like community benefit, financial sustainability, environmental sustainability, and continuous improvement.

The Asset Management Strategy integrates with the Long-Term Financial Plan and Workforce Management Planning Strategy and the Information Communication Technology Strategy to form the Resourcing Strategy for the Delivery Program.

Stakeholders, both internal (like Councillors and staff) and external (like community members and governments), play a vital role. Engaging with them ensures that Council's plans meet their expectations.

DESCRIPTION OF SCENARIOS

Scenario One - Base Model

This involves providing services and infrastructure without raising general rates income beyond the projected rate peg. The approach relies on limited increases in current service charges each year. However, this may lead to deterioration of assets over time, requiring future decisions on asset rationalisation, which is not considered sustainable.

Scenario Two - Enhanced Asset Investment – 1 Year Special Rate Variation (SRV)

This proposes a higher commitment to renewing and replacing assets. This includes increased investments in roads, buildings, stormwater, footpaths, open space, and maritime assets over 10 years. Funding for this scenario is expected to come from a special rate increase in the first year, exceeding the rate peg, and subsequent years returning to the approved rate peg. The aim is to ensure financial resources for disaster response and emergencies, with a sustainable target of \$15 million for unrestricted cash.

Scenario Three - Enhanced Asset Investment – 3 Year SRV

This also involves increased investment in assets, similar to Scenario Two. However, the funding increase is staggered over three years through a special rate variation. The goal is to achieve the \$15 million target for unrestricted cash by the third year, starting with \$12.8 million in year 1 and increasing to \$13.1 million in year 2. Initial reductions in investment affect various asset classes in the first 1-3 years, with later increased investments. This scenario carries some risk in the initial years, and mitigation plans will be developed. Similar to the other scenarios, there is continued investment in water and sewer assets, with a need for detailed review to ensure sufficient infrastructure investment for future service levels.

STATE OF THE ASSETS / CURRENT STATE

The total value of all infrastructure assets is \$5.9 billion, with a net carrying amount of \$4.1 billion. Annual depreciation is \$79.4 million as per the 2021-22 Financial Statements.

Asset Custodians are responsible for updating asset conditions in the register after inspections. The 2021-22 Financial Statements provide details on asset conditions. Council plans to implement detailed condition ratings for each Asset Class, following industry standards like those set by the Institute of Public Works Engineers Australia.

For example, road condition ratings range from Very Good to Failed based on factors like smoothness, defects, and required remediation actions. Extreme weather events are affecting asset conditions, particularly the transport network, causing assets to deteriorate faster than designed. Council currently reports assets in generally good condition with a small renewal backlog, and maintenance expenditure is close to targets. However, this assessment lacks quantitative evidence. Council aims to improve asset management to enhance confidence and reliability in asset condition reporting and backlog measurement.

Asset Data

Efficient management of assets is crucial for delivering community services effectively. Asset Custodians play a key role in maintaining accurate and current data on assets, overseeing their condition, and managing associated risks. This involves creating an Asset Book that includes details like capital value, life expectancy, and replacement cost.

Asset Data comprises essential information such as asset description, type, measurements, construction material, condition, insurance details, strategy, replacement details, and physical/spatial location. Custodians conduct stocktakes, inspections, and surveys to keep the Asset register up to date.

Fair Valuation involves regular revaluations of assets, typically every five years, to assess their carrying value against fair value, considering external events such as droughts, bushfires, and pandemics.

Asset Stocktakes verify the existence and condition of assets, identifying underutilised or surplus items. Roads and plant/equipment have specific assessment methods. The process ensures accuracy in the Asset Register and Asset Book.

Asset Type & Custodian Alignment involves reviewing service provisions, asset types, and precincts to enhance asset management. A table in the document details asset types and their respective custodians.

Critical Assets are those whose failure significantly impacts Council operations, safety, and services, leading to significant social, environmental, or financial costs. The document identifies critical assets based on risks and potential consequences of failure.

An Asset Management Information System (software) has been purchased for improved asset management. Implementation is ongoing, aiming to include all assets in the system for enhanced efficiency.

ASSET MANAGEMENT PLANS

Asset Management Plans (AMPs) detail how Council cares for its assets. Technical Services develops the Asset Management Strategy, and Asset Custodians manage individual plans. While Council has adopted AMPs, not all assets have corresponding plans. The current structure may change to align plans with asset classes, consolidating similar assets for efficiency.

AMPs include sections like executive summaries, asset descriptions, service levels, future demand, lifecycle plans, risk management, financial summaries, and improvement plans. Council follows guidelines for consistency.

Recommendations in AMPs suggest preparing capital budgets based on activities, following land use policies, and having a monitoring program for compliance and improvement. These plans evolve over time to ensure effective asset management.

SERVICE LEVELS

Council has outlined seven Levels of Service (LoS) in its Asset Management Plans (AMPs). The Community Strategic Plan and the Resourcing Strategy guide these levels, aligning them with community input and the Council's capabilities. Council has improved engagement through technology, including surveys and community satisfaction assessments.

The Asset Management Policy aims to balance community expectations with Council resources by continuously developing and monitoring agreed levels of service. To involve the community in reviewing Sustainable Levels of Service (SLoS), Council uses the Community Strategic Plan and "Get Involved Shoalhaven" platform for public input.

Each Asset Custodian assesses current and future demands to understand customer expectations. Asset management significantly influences customer satisfaction, as the community expects well-maintained and strategically located facilities. Agreed-upon service standards are crucial for asset management decisions, considering factors like resources, environment, legality, and politics. Community engagement, such as surveys and meetings, is essential to achieve consensus on sustainable service levels.

Current AMPs contain LOS based on historical needs and budgets. The approach to refine LOS includes assuming current levels until changes are discussed and adopted by the Council. Critical assets undergo continued community engagement, while some asset types may not require it due to safety requirements. Sustainable Levels of Service (SLoS) are defined at financially feasible and environmentally practical levels for each service provision, consistent with Community Strategic Plan objectives. Assets are then maintained to meet the SLoS.

SLoS is not the same as the Office of Local Government's (OLG) 'satisfactory standard' LoS. The OLG's standard is described as desirable, while SLoS represents the minimum acceptable level. Councils face a significant gap between current asset conditions and the OLG's standard, complicated by extreme weather events. The strategy includes defining SLoS conditions, using the OLG standard as a medium-term target, and reporting to the community accordingly.

ASSET MANAGEMENT MATURITY

The first step in improving how we manage our assets is understanding how well we are currently doing. We did a self-assessment using a tool designed for local government. The tool has 11 characteristics, and we scored ourselves on a scale from 1 to 5, with 1 being aware and 5 being advanced.

We found that aiming for advanced maturity in all areas might not be the best for us. Instead, we want to focus on reaching a core level of maturity, mostly scoring 3, with a few exceptions like the Asset Management Policy and financial planning, which we aim for a score of 4.

To keep track of our progress, we plan to regularly self-assess and compare ourselves to similar councils. Every 5-10 years, we will bring in an independent assessor to keep things transparent and adjust our improvement plans.

This assessment helped shape our Asset Management Strategy, focusing on three components: Leadership & Governance, Asset Management System, and Asset Portfolios.

Leadership & Governance

Our self-assessment showed that we're currently below the core maturity level. We need to step up our game in governance to make better decisions, be accountable, and transparent. Specifically, our Asset Management Policy needs improvement. We should clarify roles, involve the community in decision-making, and establish processes for consultation and adopting Asset Management Plans.

We've set up an Enterprise Asset Management Steering Committee to oversee the strategy, and we need to ensure it leads strategically and addresses all 11 elements of maturity.

Roles and responsibilities need more clarity, especially for managing Maritime Assets. We need a more proactive and planned approach to resource allocation and performance reporting.

Asset Management System

This is about how we organise and manage our assets throughout their lifecycle. Our system aligns with industry standards, but we are implementing a new software solution. We want this to streamline processes, link work orders to assets, and connect customer service requests to improve service delivery.

We need to focus on accurate data, better planning processes, and regular condition assessments. We're also looking into integrating different software solutions, improving mapping, and developing digital Asset Management Plans.

Asset Portfolio

Asset Custodians manage assets throughout their lifecycle. We need to improve how we determine renewal and replacement needs, especially for different asset classes. We're considering using metrics and asset data consistently across all classes and improving our data through regular assessments.

In summary, we're recognising our weaknesses, setting specific goals for improvement, and outlining steps to get there. We're committed to regular assessments, transparency, and adopting best practices in managing our assets.

10 YEAR CAPITAL WORKS PLAN

The 10 Year Capital Works Program (CWP) is a plan that outlines the projects and activities needed to make sure the services provided by the Shoalhaven City Council are sustainable and can support future growth. This plan is based on the level of service, data about assets (like buildings and infrastructure), and expectations for the city's growth. It's all part of a bigger strategy called the Resourcing Strategy.

The activities in the program can include fixing things, upgrading, making things bigger, or even creating entirely new things. But before these projects get the green light, they have to be justified and organised into specific groups based on the type of asset they involve. However, they do not actually get approved and funded until the annual budget is decided.

When it comes to budgeting, the process helps figure out which projects are most important. They consider things like how well a project fits with the overall plan for the community, managing risks, getting the best value for renewing assets, and making sure they follow the rules. They also keep an eye on how things might change by doing Quarterly Reviews, where they look at factors like the weather, what resources (like people and materials) are available, and how much things might cost.

The table they mention at the end is a way of comparing the capital projects for different scenarios in the City's long-term financial plan. This plan is a big part of how they decide where to put their money and resources over the next 10 years.

COUNCIL'S ASSET MANAGEMENT VISION

Council aims to manage its assets (like buildings, infrastructure, etc.) more effectively. They want to do this by having strong leadership and governance, supported by a good system. Their approach involves three main parts:

1. Leadership & Governance Strategies (Section 10.1): They emphasise the importance of good leadership and governance to achieve their vision. They want leaders who promote accountability, transparency, and excellence. The goal is to create a collaborative work environment, empower staff, and deliver high-quality services to the community. They follow the international standard for asset management (ISO55000), which stresses the need for leadership commitment at all levels.
2. Asset Management System Strategies (Section 10.2): They adhere to the ISO55000 standard to establish, maintain, and improve their Asset Management System. This involves having information systems, tools, and processes overseen by a central team. They focus on continuous improvement, refining processes and systems to consistently deliver quality services. The strategy includes components like Asset Management Information System (AMIS), GIS Mapping, and Training and Development.
3. Asset Portfolio Strategies (Section 10.3): They highlight the importance of managing assets throughout their lifecycle, from acquisition to disposal. Council aims to understand, inspect, plan, acquire, operate, and maintain assets efficiently. They believe that adopting an asset lifecycle management approach is crucial for controlling costs, improving reliability, and ensuring timely maintenance and replacement.

Overall, the Council's goal is to optimise the value of its assets, deliver efficient services to the community, and continuously improve its asset management practices through effective leadership, a robust system, and a comprehensive approach to asset lifecycle management.

ASSET MANAGEMENT IMPROVEMENT PLAN (AMIP)

The Improvement Plan is a roadmap that outlines the steps needed to go from where things are now to achieving specific goals in Asset Management. These goals are related to the Council's Strategic Plan (CSP) and their vision for managing assets. The plan focuses on fixing gaps or shortcomings in knowledge, systems, resources, and service levels related to assets. It covers three main areas: Leadership & Governance, Asset Management System, and Asset Portfolio.

The need for improvement is identified through various methods, such as self-assessment, comparing practices with industry standards like the International Infrastructure Management Manual, talking to reference groups, and considering the knowledge and experience of the staff involved.

PERFORMANCE MEASUREMENT AND REVIEW

We're creating ways to measure how well we manage our assets to make sure we're meeting our goals. We'll do this by looking at key indicators, checking our plans, and assessing how well our assets are used and performing. This strategy will be checked every four years as part of a bigger review, within a year of a new Council being elected, when Council tells us to, or if there are changes in the law that affect our policy.

To make sure we're on track, a committee will regularly review and discuss the strategies in this plan, and Council will get updates from the committee.

Information Communications Technology Strategy

Shoalhaven City Council has a plan for how it uses information and technology to improve its services and customer experience.

Council wants to upgrade its systems, like moving to cloud-based solutions, to make data more centralised and accessible. This is important, especially considering recent natural disasters. The strategy also focuses on improving customer service through online self-service options.

The plan has **five main goals**:

- 1) **Customer Experience:** make services more convenient for the community through online options and personalised experiences.
- 2) **Data:** treat information as a valuable asset to help in decision-making.
- 3) **Partnership:** collaborate with other councils to enhance capabilities in areas like cybersecurity and smart cities.
- 4) **Resiliency/Sustainability:** upgrade infrastructure to be more resilient and sustainable, including improving network connectivity.
- 5) **Mobility:** enable staff to work more flexibly using mobile devices and improve collaboration.

The strategy is guided by **three principles**:

- a) **Security:** ensure that all initiatives are secure and don't expose the council to unnecessary risks.
- b) **Centralised Governance:** follow a centralised process to maintain visibility and support for solutions.
- c) **Efficiency:** aim for measurable efficiencies and savings through optimisation or automation.

The strategy includes specific projects for each goal, such as creating online request systems, enhancing asset management information, and investing in smart initiatives.

Council's Information Services section will lead the strategy's implementation, involving teams responsible for business systems, IT infrastructure, records management, GIS, and technology projects.

The progress of the Strategy will be regularly reported, and the actions will be integrated into the Council's Delivery Program and annual Operational Plan.

Draft Long Term Financial Plan 2024-2034

INTRODUCTION

The Long-Term Financial Plan (LTFP) is a guide that outlines how Council aims to provide services and infrastructure over the long term while ensuring financial sustainability for current and future generations. It is part of a set of four strategies, including the Workforce Management Planning Strategy, Asset Management Strategy, and Information Communication Technology Strategy, designed to achieve the goals outlined in the Community Strategic Plan - Shoalhaven 2032.

Key Points of the LTFP

The plan considers Council's current and future planning context, alignment with other plans and strategies, assumptions used in its development, sensitivity analysis, and financial modelling for different scenarios. It also outlines methods for monitoring financial performance.

Purpose of the LTFP

The LTFP serves as a roadmap for maintaining financial sustainability and affordability. It plays a crucial role in Council's strategic planning process, where community goals are weighed against financial realities. It allows Council to proactively manage financial resources, anticipate future challenges or opportunities, and make informed decisions.

Development of the LTFP

Council must meet general requirements for long-term financial planning, as outlined in the Integrated Planning and Reporting Framework. The LTFP ensures compliance with legal obligations and focuses on eliminating deficits, establishing clear revenue paths, and monitoring financial sustainability. It aligns with the Community Strategic Plan – Shoalhaven 2032 and considers long-term effects on future generations.

LTFP Objectives

The LTFP assesses Council's revenue-generating capacity over a 10-year horizon, aligns various plans, enhances transparency and accountability, and identifies potential financial issues early on.

Integrated Planning & Reporting Framework (IP&R)

The framework brings together plans and strategies to support a clear vision for the future, aligning with community priorities. The LTFP is a vital component of the resourcing strategy, emphasising its role in achieving Council's strategic objectives. Community engagement is crucial to ensure decisions are based on evidence and representative views.

Timeframes

The LTFP covers the period from the financial years 2024/2025 to 2033/2034, meeting the minimum timeframe of ten years set by the Office of Local Government. The plan will be reviewed annually alongside the Delivery Program and Operational Plan, assessing performance through financial indicators reported in statements to Council. Adjustments will be made as needed to ensure accuracy and appropriateness of assumptions.

FINANCIAL SUSTAINABILITY STRATEGY

Council is dedicated to meeting its financial management responsibilities as outlined in the Local Government Act 1993. It believes it can show financial sustainability by delivering its Community Strategic Plan and Delivery Program while maintaining financial and infrastructure capital over short, medium, and long terms.

To stay financially sustainable, Council has set objectives, including generating enough revenue, managing costs, maintaining sufficient cash, and investing in assets responsibly. A recent financial sustainability review led to recommendations, one of which is considering a Special Rate Variation in 2024/25. Council aims to be financially prepared for economic growth, shocks, and unforeseen events without burdening future generations.

The Long-Term Financial Plan (LTFP) outlines goals such as achieving operating surpluses, having ample cash reserves, conducting service reviews, and responsibly using borrowings. Council is cautious about financial risks and has measures in place to manage uncertainties. External factors like economic conditions and rate capping pose challenges, but Council is adapting its plans accordingly. The LTFP is informed by strategies in asset management, workforce management, and information and communication technology.

The plan acknowledges risks, such as economic uncertainties, and highlights threats like the impact of natural disasters and limitations on rate increases. Council faces challenges in aligning rating revenue with the increasing costs of services due to rate pegging. The plan may need adjustments based on changes in rate capping assumptions or contributions under Section 7.11 plans.

COUNCIL'S HISTORICAL FINANCIAL POSITION

- Council has three fund types: Water Fund, Sewer Fund, and General Fund, with the latter covering services not funded by water or sewerage revenue
- Financial statements are reported in two ways, including operating results from continuing operations and net operating results before grants for capital purposes. Caution is needed when excluding capital grant revenue, as it contributes to renewing depreciating assets, and some grants are likely to continue in the future.
- Council has been facing financial challenges in recent years, with deficits in the operating budget and a structural deficit in the General Fund.
- The Water Fund had surpluses until 2018/19 but has seen increasing deficits in the last three years. The Sewerage Fund showed a surplus over the past eight years but has deteriorated recently.
- Council has lower average rates compared to neighbouring councils, providing a comparable lifestyle but with a lower rate base.
- The estimated net cost of disasters has impacted Council's cash position by about \$14.6 million. This was cost to Council after we received grants. This was the impact on general fund only, not water sewer or waste funds.
- Council's total cash and investments increased until 2017/18, fluctuating afterward. Borrowings and interest expenses have risen, and the unrestricted cash balance is considered insufficient.
- Over eight years, Council spent \$821.5 million on capital expenditure, increasing the cost of ownership for new assets.
- Council has not invested enough in asset renewals, particularly in transport assets. The asset backlog ratio has worsened, indicating a growing backlog in asset renewals.
- Council's historical financial performance is not sustainable, with declining unrestricted cash, a growing operating deficit, and an increasing backlog in asset renewals.

SCENARIO PLANNING

We've created three financial scenarios to predict how Council's finances will look over the next 10 years:

1. Base Model (Scenario One):

This scenario involves sticking to the current plan for delivering services and building infrastructure.

The revenue won't go above the projected limit, and service charges will only increase based on the annual index.

However, the cash available for infrastructure projects is not enough to maintain current service levels, leading to potential deterioration of assets over time.

This approach is not sustainable in the long run.

2. Enhanced Asset Investment – One Year Special Rate Variation (SRV) (Scenario Two):

This scenario includes a significant increase in investment to renew and replace assets, particularly in roads, buildings, stormwater, footpaths, open space, and maritime assets over 10 years.

The funding for this scenario involves introducing a one-year special rate increase, with a 32% (inclusive of rate peg) rise in the first year and subsequent years returning to the projected rate peg.

A sustainable target of \$15 million in unrestricted cash is set to ensure financial preparedness for disasters and emergencies.

While there's a reduced investment in buildings and open space in the first year, it increases in the second year to balance it out.

Water and sewer asset investment continues but needs detailed review to ensure it meets future service level needs.

3. Enhanced Asset Investment – Three Years SRV (Scenario Three):

Similar to Scenario Two, this involves increased investment in asset renewal, but with a special rate increase spread over three years (18% in year 1, 13% in year 2, and 8% in year 3).

Initial years see reduced investment in various areas like buildings, open space, transport assets, coastal management, depots, administration buildings, library resources, and office furniture.

This reduction is temporary, with increased investment in later years, especially in roads, bridges, stormwater, and open space.

Like the other scenarios, the investment in water and sewer assets continues, needing detailed review for the pricing model's adequacy in meeting future infrastructure needs.

Planning Assumptions for Council Revenue

Major Sources of Income for Councils:

Rates and Annual Charges: The main way councils get money is through rates, which are fees charged to property owners. These rates can be ordinary rates or special rates.

User Charges & Fees: Councils can charge fees for services like water, sewerage, and waste management.

Grants & Contributions: Councils receive money from grants and contributions.

Investment Revenue: Money earned from investing surplus funds.

Other Revenues: Additional sources of income.

Rates and Annual Charges

Ordinary Rates: Councils are required to levy ordinary rates on all rateable land, based on land use.

Special Rates: Councils can also impose special rates for specific purposes.

Rate Pegging: There's a limit on how much money councils can raise through rates, called rate pegging. This limit is set by a regulatory body.

Special Rate Variation (SRV): Allows a council to increase its general income above the rate peg, under the provisions of the Local Government Act 1993 (NSW).

User Charges & Fees: Councils can charge for sewerage, water, and waste services, aiming for full cost recovery.

Sewerage Charges: Charges for sewer connections are based on property type and water usage.

Water Charges: Pricing strategies aim to recover at least 75% of revenue from customers in the residential category.

Waste Management Charges: Charges for waste services depend on property type and service level.

Statutory Charges: Councils can't change fees fixed by regulation or other authorities.

Grants & Contributions: Councils expect recurrent grant revenue to increase with projected CPI.

Investment Revenue: Councils invest surplus funds responsibly, expecting an average return.

Other Revenues: Additional income sources include work compensation, fees, rentals, and rebates.

Operating Expenditure:

Employee Costs: Future employee costs are projected to increase by 3.0%.

Materials & Services: Expenditure on materials and services is generally based on CPI.

Borrowing Costs: Costs associated with borrowing money.

Other Expenses: Various other operating expenses.

THE SCENARIOS

FORECAST SCENARIO ONE – BASE MODEL

Assumptions and Clarifications

Included is a breakdown of the assumptions and conditions considered in creating the Base Model forecast. This forecast reflects the expected situation assuming Council maintains its current policies, service levels, and operational funding throughout the projected period:

Consolidated Operating Position:

The predicted historical operating deficit is expected to persist and worsen in the coming years. According to the Base Model, Council is anticipated to experience an average consolidated operating deficit of around \$5.1 million over the forecast period (excluding capital grants and contributions). Individual annual results are projected to range from approximately a \$16.6 million deficit to a \$13.5 million surplus.

Operating Position Overview:

Table 9 (see full document) provides an overview of the forecast operating position for Council, spanning from historical audited financial results to a ten-year projection from 2024/25 to 2033/34. The consolidated position is the aggregate net operating result of the four Funds (General Fund, Water Fund, Sewer Fund, and Waste Fund).

General Fund:

The Base Model predicts an average deficit of \$25.9 million throughout the forecast period, indicating an unsustainable scenario for Council. In contrast, the Sewer and Waste Funds are expected to generate average surpluses of \$17.5 million and \$7.8 million, respectively. The Water Fund is also projected to incur deficits of approximately \$2.3 million annually.

FORECAST SCENARIO TWO – ENHANCED ASSET INVESTMENT – ONE YEAR SPECIAL RATE VARIATION (SRV)

Assumptions and Clarifications

This plan, called the Enhanced Asset Investment scenario, is based on the Base Case Scenario. In this plan, we assume the same things as the base case but with extra money invested in renewing assets and improving cash through a Special Rate Variation (SRV) in the first year (2024/25), with a 32% increase.

Because of the extra money from the general rates increase, Council can afford to spend more on renewing assets. They decide how to prioritise these renewals based on importance and how much risk Council is willing to take.

Even though we assume a higher level of renewals, it's still below the recommended target. In the first year, a decision is made to keep renewals low to save money for unexpected events.

The total spending on capital works over the 10 year horizon increases from \$1,051.0 million to \$1,383.1 million, a rise of \$332.1 million.

Due to corrections in operating revenues, the average surplus in the Enhanced Asset Investment scenario is \$26.7 million over the forecast period, better than the base model.

In this scenario, the total cash and investments are expected to grow from \$166.4 million in 2022/23 to \$285.7 million in 2033/34, an increase of \$119.3 million. This shows that Council has enough cash to fund the higher level of renewals and is more sustainable with corrected cash generation.

FORECAST SCENARIO THREE – ENHANCED ASSET INVESTMENT – THREE YEAR SRV

Assumptions and Clarifications

The plan for enhanced asset investment is based on the Base Case Scenario, using the same assumptions. However, it includes extra investment in renewing assets and boosting cash through a Special Rate Variation (SRV) over three years.

Because of the increased general rates, Council will have more funds to spend on renewing assets. The decision on how much to spend will depend on the priority of asset renewals, considering their importance and Council's risk tolerance. The assumed level of renewals brings the Capital Renewal Ratio to an average of 84%, which is below the recommended target of 100%. In the first year, a deliberate decision is made to keep renewals low to build up funds for unexpected events.

The total budget for capital works increases over the 10 year horizon from \$1,051.0 million to \$1,404.9 million, a rise of \$353.9 million.

Operating Position: Under the Enhanced Asset Investment – 3 Year SRV Scenario, Council expects a surplus of \$28.5 million on average over the forecast period. This corrects the Net Operating Position, meeting the performance targets of the Office of Local Government.

However, the General Fund forecasts an operating deficit in 2024/25 because the generated revenue is not enough to cover operating expenses, resulting in a deficit of \$4.6 million. The fund anticipates an average operating surplus of \$9.2 million from 2025/26 onwards.

It's worth noting that the Water Fund is projected to have operating deficits in the future due to increased depreciation from planned new and upgraded capital works.

Availability of Cash: In this scenario, the total cash, cash equivalents, and investments are expected to decrease from \$166.4 million in 2022/23 to \$281.8 million in 2033/34. However, unrestricted cash is predicted to remain positive and improve in the later years. Council could enhance the balance in the short term (next 12-24 months) by selling assets and not using the revenue received, aiming for an unrestricted cash balance of \$15 million, providing a safety net for unforeseen events.

Investment in Assets: This scenario's asset investment assumptions result in an Asset Renewal Ratio of 84%, compared to the Base Model's 53%. Initial asset renewals are prioritised to protect the positive balance in unrestricted cash. If Council decides to sell assets to boost unrestricted cash, the reduction in asset renewals

during those years could be reversed.

Both scenarios with enhanced asset investment do not include a specific plan to address the backlog of asset renewals. Council plans to improve asset management to accurately estimate the backlog, understand associated risks, and create a funding plan to address the unacceptable risks exposed by the backlog.

RISKS AND SENSITIVITY ANALYSIS

Here are the risks, implications, and monitoring processes:

Risks

Certainty of Revenue Streams:

- What it means: The money we expect to get might not come in as planned.
- Why it matters: If our revenue predictions are off, it affects our financial plan.
- Specifics: We're assuming certain factors like economic conditions and price changes will stay consistent.

Expenditure Estimates:

- What it means: We might spend more than we think.
- Why it matters: If our expenses are higher, it seriously alters our financial plan.
- Specifics: Inflation and interest rates can change, impacting our spending.

Impairment and Early Deterioration of Assets:

- What it means: Our assets might break or lose value sooner than expected.
- Why it matters: It affects our budget for fixing or replacing things.
- Specifics: Disasters and wear-and-tear can effect the overall condition with our assets, and we might have to pay for replacements.

Cash Reserves:

- What it means: We might not have enough money when we need it.
- Why it matters: It affects our ability to fund construction projects.
- Specifics: Development might not happen when we expect, and we may not have enough money in our reserves.

Sensitivity Analysis:

- What it means: We checked how changes in our assumptions affect our financial plan.
- Why it matters: It helps us understand the impact of uncertainties on our budget.

Performance Monitoring:

- What it means: We regularly check how well we're doing financially.
- Why it matters: It ensures our plans match reality.
- Specifics: We use financial indicators and reports to see if we're on track. Adjustments are made if needed. This happens annually.

Detailed information can be found on Council's website.