
FINANCIAL SUSTAINABILITY REVIEW

SHOALHAVEN CITY COUNCIL

NOVEMBER 2023

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DOCUMENT CONTROL

Job ID: J002684

Job Name: Financial Sustainability Review

Client: Shoalhaven City Council

Client Contact: Katie Buckman

Project Manager: Francis Mangru

Email: francis.mangru@aecgrouppltd.com

Telephone: 0404 751 328

Document Name: AEC Draft Report – Shoalhaven City Council Financial Sustainability Review 2023

Last Saved: 15/11/2023 8:16 PM

Version	Date	Reviewed	Approved
Draft Report WD0.1	31 st October 2023	FM	GJ
Final Report	13 th November 2023	GJ	GJ

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EXECUTIVE SUMMARY

BACKGROUND

Shoalhaven City Council (Council) has in recent years faced challenges in the preparation of a sustainable Long Term Financial Plan that meets the Office of the Local Government performance indicators. Over the past five years, the Council has experienced consecutive disasters – most notably COVID pandemic, bushfires and floodings which has impacted significantly on the normal business operations, including asset maintenance and asset renewal programs, as well as impacting upon the availability of cash. Large operating and capital grants have been received in recent years, including economic stimulus funding from State and Federal governments, as well as grant funding for the restoration and response to the emergencies. The Council's revenue base was also impacted due to restricted operations during COVID and the provision of subsidies and waivers.

The Council has produced historical deficit in the General Fund, which has been a challenge to the preparation of historical budgets and the preparation of the Long-Term Financial Plan, including developing a sustainable plan to manage the long-term impact that an operating deficits would likely have upon the Council's sustainability over the long term.

The factors above contributed to the development of the adopted Long Term Financial Plan (LTFP) in 2022 with a lower level of confidence than otherwise would be desirable and an acknowledgement that a review of the Council's financial sustainability was necessary before the Council could consider and adopt in confidence a revised Long Term Financial Plan that would deliver a sustainable future. The following is an extract from the adopted LTFP highlighting uncertainty in budget setting –

Council continues to operate in the context of uncertainty with recent historical budgets being adopted with some flexibility and requiring a dynamic budget to ensure that the levels of service provided to the community remain unchanged with opportunities for expansion to be considered as and when the uncertainty decreases.

The primary objective of the Financial Sustainability Review therefore was to assess the long-term sustainability of the Council's current financial settings and direction, identify key drivers and determinants of future sustainability and facilitate the development of an improved sustainable long-term financial plan with strategies to avert potential issues from emerging in the future.

To address these concerns, the Council commissioned AEC Group Ltd (AEC) to undertake an independent review of the Council's financial sustainability. This report presents the findings of the review, including the forecast position of the Council under different scenarios, and provides effective strategies to improve the Council's financial sustainability.

PURPOSE & APPROACH

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

Financial sustainability is the ability of an entity to maintain financial capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand. Both capabilities need to be proven to conclude that a local government authority is financially sustainable.

Sustainability for local government includes the ability to manage likely developments (built development and socio-demographic development) and unexpected financial shocks in the future.

The AEC approach to assessing financial sustainability includes two fundamental tests:

- **Test 1 - Maintaining Fiscal Capital** - Can Council demonstrate capacity to access cash as required for current and future needs of services and infrastructure?

- Test 2 - **Maintaining Infrastructure Capital** - Can Council demonstrate capacity to provide infrastructure at an acceptable level of performance as required by current and future services?

KEY FINDINGS

This report draws the following conclusions regarding the financial sustainability of the Council:

Council's Historical Performance

- Council has produced a net operating deficit in the last three financial years.
- The General Fund's net operating position has been in a deficit position over the past eight years. AEC has predicted that the structural deficit within the General Fund whereby the recurrent revenue is not able to fund the recurrent expenditure is around the \$25-\$35 million.
- The Water Fund experienced surpluses until 2018/19 and since then for the last three years produced increasing deficits.
- The reported net operating result for the Sewerage Fund is a surplus of between \$8.3 million and \$14.3 million over the past eight financial years – although a notable deterioration in recent years.
- Council has a lower average rate for residential and business rating categories comparable to neighbouring Councils. While each Council is different, and it is difficult to compare levels of service, a general comparable lifestyle is offered by Shoalhaven compared to neighbouring Councils (such as Shellharbour) but provided from a lower comparable rate base.
- Total cash, cash equivalents and investments increased from 2014/15 until 2017/18 and then fluctuated over the most recent four-years.
- The council has in recent financial years increased the use of borrowings, increasing the interest expense and the requirement for repayment of the borrowings.
- At the end of 2021/22, Council had total cash, cash equivalents and investments of \$197.2 million, of which \$113.4 million is externally restricted, \$33.2 million is internally restricted and a further \$48.0 million is held in reserve for commitments in reported liabilities (mostly contracted grant liabilities). The residual amount of \$2.6 million is unrestricted and considered insufficient.
- AEC estimates that the net cost of the disasters, including the subsidies and waivers on fees and charges, has impacted on the unrestricted cash position of Council by approximately \$14.6million. This is a significant deterioration of the cash position and highlights the need for Council to maintain a balance of unrestricted cash for similar unplanned events that may occur in the future.
- AEC identified that in recent years cash management has required close attention to projects being carried forward from previous years, often requiring capital works projects approved in the budget year to be delayed to enable sufficient cash to fund the projects being brought forward. This is evident from the current financial year (2023/24) where Council is monitoring closely the cash position, including delaying projects, to prevent cash being used from restrictions. This is symptomatic of insufficient cash generation and is not a sustainable practice to manage cash.
- Shoalhaven City Council has spent in total \$821.5 million over eight years till 2021/22 on capital expenditure, at an average of \$102.7 million annually.
- Through the acquisition of new and upgraded assets the Council has increased the annual cost of ownership, including operating costs, interest expense on borrowings, maintenance and depreciation expense. There has been \$149.5 million invested in new assets in the past 5 years. Investment in new roads (\$43.3 million), stormwater (\$5.9 million) and waste management (\$26.9 million) would appear to be reasonable based on growth and service plans for waste management, the investment of \$43.1 million in new parks and sporting and recreation areas has impacted upon the operating position of the Council in the past five years.
- The building and infrastructure renewals ratio indicates that Council has not invested in asset renewals sufficiently to meet the 100% target as set by Office of Local Government. If considered at an asset class level,

the indicator would highlight not enough investment in transport assets and a high investment in recreational and community facilities.

- Shoalhaven in the past six years of the eight financial years assessed historically has not met the asset backlog ratio performance measure with the reported backlog in asset renewals greater than 2.0% of the gross replacement cost of the assets. The ratio has deteriorated to 4.2% as reported in 2021/22.
- There is low confidence in the reported backlog in renewals, the condition of assets and the asset maintenance targets due to low maturity in asset management across Council.
- Based on the historical performance of the Council, and observations made by AEC of the planning documents and budget working papers, it appears that there is a lack of integration in the development of the Delivery Program and the Operational Plan and the development of the Annual Budget and Long Term Financial Plan (including the capital works plan) This is evident by significant variances against the budget reported in the notes to the annual financial statements for the past 5 financial years, as well as insufficient expenditure budgets reported to AEC by service managers to complete all that is required in the Delivery Program and Operational Plan.
- While there has been an accumulation of cash over the past eight financial years, the cash has accumulated mostly in external restricted reserves. The deterioration of the unrestricted cash balance is an indication that Council is not generating sufficient cash from operations. It is also evident from the asset renewal ratio that the Council is under investing in the renewal of existing assets. Declining availability of unrestricted cash, a deteriorating operating deficit and an increasing backlog in asset renewals are strong indicators that the historical financial performance of the Council is not sustainable.

Forecast of Council's Financial Position

- AEC developed a Base Case Scenario that forecasts the Council's financial position over the next ten years based on current policy settings and no change to the revenue or expenses incurred from the current range and levels of service.
- Under the Base Case the rating revenue increases each year by the rate peg only (increase allowable as set by regulatory body), current expenditure on operations remains unchanged and the investment in assets continues without any change to the planned capital works. There is no correction made to the historical operating deficit in the General Fund.
- A key challenge confronted by AEC in developing the forecast was receiving a capital works plan from Council. Council does not currently maintain an assessed and prioritised capital works plan, rather initially AEC was provided with a repository of bids for consideration. AEC understands the Council considers the list annually for adopting an Annual Budget. A revised list was provided to AEC with all unfunded future capital works removed so that it reflected an affordable plan – which could be understating essential capital works that can not be avoided. This is a limitation to the analysis and assessment AEC has provided.
- The historical operating deficit position is forecast by AEC to continue and to deteriorate further over the forecast period. AEC's forecast indicates that, under the Base Scenario the Council will deliver an average consolidated operating deficit of approximately \$24.7 million over the forecast period (excluding capital grants and contributions), with individual annual results ranging from approx. \$22.2 million to \$27.5 million in deficits.
- The impact of new and upgraded assets – being increase in operating expenditure and increase in the depreciation expense – contributes to the deterioration in the structural deficit.
- The forecast for the Statement of Cashflows in the Base Scenario currently indicates a decline in total cash and investments from \$166.4million based on Draft 2022/23 actuals to \$103.4million by the end of 2033/34.
- Council is forecast to produce negative unrestricted cash balances across the 10 year forecast period, which can not occur – Council is not able to use restricted cash reserves for any other purpose than the purposes the reserve is established the funds have been constrained for.

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- The Base Case Scenario includes a total of \$1,050.7million over the next ten years on capital expenditure, comprising \$483.1 million (46.0%) of new and upgraded assets and \$567.6 million (54.0%) of asset renewals over the forecast period.
- Based on AEC's calculation of depreciation expense, Councils investment on asset renewals will achieve an average renewal ratio of 50% over the forecast period, which is substantially below the Office of Local Government target indicator of 100%.
- Insufficient investment in renewal of assets will result in a general deterioration of assets and continue to increase the backlog in renewals – which increases the likelihood of a range of risks related to asset in poor to very poor condition.
- A notable risk with the Base Case is that assets left to deteriorate past an optimal period for renewal will require substantially greater investment to bring the asset back to a satisfactory standard – for example, rather than resealing the urban roads, Council may be required to undertake heavy patches or possible rehabilitation of the road.
- Under the Base Case the cash position will deteriorate (negative unrestricted cash position), there is continued under investment in asset renewals and the Council continues to invest in new and upgraded assets. This is not a sustainable scenario – or a plausible Scenario as Council will breach responsibilities and accountabilities for financial management as outlined in the Local Government Act and guidelines established by Office of Local Government.
- The Council must act to avoid the forecast as outlined in the Base Case from occurring.

Vision of a Sustainable Scenario for Council

AEC facilitated a workshop to define with Council staff and Councillors a vision for a financially sustainable Shoalhaven City Council.

The vision for a sustainable Shoalhaven City Council is that Council will be able to achieve the vision outlined in the Community Strategic Plan while maintaining over the medium to long term both fiscal capital (access to cash) and the infrastructure capital (assets that the Council owns).

The following performance indicators were determined to measure whether the Council is likely to be maintaining fiscal capital and infrastructure capital:

- Within the 10-year forecast, Shoalhaven City Council would like to achieve and maintain an operating surplus of at least 4 percent (%). Council understands that just achieving the industry benchmark of 0% is not sustainable for Council. As a growing council, it needs to produce above the benchmark to support the growth within the organisation.
- Shoalhaven City Council would like to have at least \$10-15 million in unrestricted cash balance to create sufficient risk mitigation for unplanned events, such as natural disasters or unplanned failure of a major asset. Council needs capacity and flexibility to invest in growth and property development opportunities as they arise, as well as capacity to fund expenditure that is later recoverable through State or Federal funded grant programs or disaster management arrangements.
- The Executive and Councillors set a target of 85% for the asset renewal ratio. This will likely need reviewing once Council has improved the asset register and has a more fully understood quantum of the infrastructure backlog and the renewal investment required.
- The Council would like to keep the infrastructure backlog below the industry benchmark of 2%. It was noted that further actions are required to better determine the backlog, including comprehensive asset condition assessments.

AEC developed a sustainable forecast for the Council – the Enhanced Asset Renewal and Enhanced Cash Scenario. The following is an outline of the sustainable scenario for Council:

- A correction to the cash generated from operations required is equivalent to a permanent 32% increase in rate revenue for 2024/25 – which is assumed to include the rate peg of 3.0%.

- It should be noted that a correction equivalent to 29.5% of ordinary rates was initially modelled and presented to Councillors and Executive members, however a recent decision of Council to include the \$30million Sanctuary Point Library in the capital works program has required an increase in the correction required by 2.5% resulting in an increase in rates in 2024/25 of 32% - to produce an additional \$3.5 million in cash to address the additional operational costs and the borrowing repayment requirements.
- Whilst AEC has expressed the correction required to the generation of cash from operations in the form of the percentage equivalent to an increase of 32% in Ordinary Rates, this may be achieved through a combination of initiatives, including a Special Rate Variation (SRV) application to IPART (Independent Pricing and Regulatory Tribunal) to increase the general rates, operational efficiencies, reduction in service provision, sale of assets to pay down borrowings, rationalisation of assets to reduce the total operating cost of assets and an increase in revenue from operations through increase in service fees and charges.
- Under the Enhanced Asset Renewal and Enhanced Cash Scenario, the net average consolidated operating position over the forecast period reflects a surplus of \$6.6 million. This corrects the Net Operating Position and meets the Office of Local Government performance targets.
- Under this scenario unrestricted cash is forecast to remain in a positive balance and improves in the later years of the 10 year forecast. Council could improve the balance in the short term (over the next 12-24mths) by selling assets and not using the revenue received to increase the balance of unrestricted cash to a target \$15million.
- The asset investment assumptions in this scenario achieves an Asset Renewal Ratio of 78%. Note that the Base Case had a renewal ratio of 50%. While less than 100% target as set by Office of Local Government, the proposed renewal investment achieves the investment target set through analysis of the renewal demand in workshops with Councillors and Executive members. The inclusion of the Sanctuary Point Library in the capital works plan has reduced the asset renewal ratio to 78% due to the additional depreciation the new library will add to the total depreciation expense.
- The Enhanced Asset Renewal and Enhanced Cash Scenario does not include a specific program to address the backlog for asset renewals which will need to be considered once the maturity of asset management has improved, a more accurate estimate of the backlog is provided, and the risk of the backlog is well understood.

RECOMMENDATIONS

To improve the operating position Council must:

1. Increase generation of revenue through:
 - Submit a Special Rate Variation (SRV) Application based on increasing General Fund rates revenue by \$310.9 million over the next 10 years. This can be achieved through a 32% increase in 2024/25 (which is a 29% increase above the anticipated rate peg of 3.0%).
 - Review the pricing for fees and charges (outside of statutory fees set by the State Government) and ensure they reflect full cost price for services, as far as it is practical to do so, without impacting significantly on access to services by the community.
2. Decrease operating costs through:
 - Development of an Efficiency and Productivity Improvement Plan which should consider the list of productivity improvements and cost savings collected by AEC through consultation with the senior management team. The Plan should establish a realistic and achievable productivity and efficiency target which is adopted by Council and the achieve of the targets against the Plan reported regularly to Council.
 - Conduct a strategic review of services to assess the range and levels of service provided.
 - Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.

3. Develop the demand management approach in service planning to minimise the growth in service costs and avoid increased cost of assets, including:
 - Implement a Strategic Service Planning framework, including the development of a Service Catalogue, that defines the approved range and levels of service.
 - Implement requirement for a Business Case and/or Capital Expenditure Review prior to approving to proceed with material new or upgraded services and assets (mandatory for proposed capital works for new or upgraded assets over \$1million).
 - Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long-Term Financial Plan and financial sustainability.
4. Improve governance and financial controls.
 - Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy, and other adopted plans – each plan should be updated when material decisions are made that impact on the respective plans.
 - Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.
 - Develop an annual budget development process that is activity based rather than largely historical.

To improve the availability of cash Council must:

5. Council should budget for and maintain, at least in the short term, an unrestricted cash balance of at least \$15.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown or unplanned events. The \$15 million balance of unrestricted cash balance should be achieved in the 2024/25 financial year, or 2025/26 at the latest, as Council is currently exposed to high risk of using restricted cash reserves until the balance is achieved.
6. As part of the Financial Sustainability Review, AEC has facilitated a list of properties that may be suitable for sale, or further development and then sale, to general cash to assist in restoring the unrestricted cash balance. The list requires further review by Council and decisions made whether to proceed with the sale of the assets.
7. Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose. Any cash not required to be restricted should not be used to fund expenditure, but rather used to build the unrestricted cash position.
8. Implement a monthly reconciliation and reporting process for all external restrictions.

To improve investment in assets Council should:

9. Enhance the capability and effectiveness of asset management, including:
 - Improve processes for asset data collection, standardisation, and componentisation.
 - Undertake asset condition assessment based on collected data,
 - Prepare an asset management strategy that provides guidance and direction to improve Council's asset management approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies, and integrate the Asset Management Plans and the Long-Term Financial Plan.
 - In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition, and performance of each asset class.
 - Review and update the asset management plans for each asset class to determine and direct the optimal life cycle approach for each asset class.
 - Establish systems and practices that enhances and realises the value of asset management across the organisation.

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- Implement a condition inspection program with an initial focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk). This is best through integration with the asset valuation plan.
 - Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long-Term Financial Plan.
10. Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.
 11. Prioritise updating the community infrastructure plan and its implementation with a view to explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering identified social need and a regional approach to service delivery rather than service in each location.
 12. Require the development of a "State of Assets Report" to be prepared and presented to Council to ensure the Councillors understand the preparation of the Draft Report on Infrastructure Assets (schedule to the Annual Financial Statements) and enable discussion between Councillors and Management on progressing improvement in asset management and asset renewal planning.
 13. Council should complete the review of its developer contributions plans, before undertaking any substantial asset programs to ensure that the current contribution levels are able to support the future development costs.

To enhance the strategic service planning Council should:

14. Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.

To enhance productivity and efficiency of services Council should:

15. Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance, and asset management.
16. Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.
17. Council should embark on an initiative to target service efficiencies and increase productivity to contribute to the improvement in the operating position of Council. The initiatives should include corporate initiatives (such as improvement in procurement, salary benchmarking etc.) as well as focused review on the delivery of targeted services.
18. Report to Council on a quarterly basis the progress in achieving efficiency and implement process to track the achievement of the productivity and efficiencies target.
19. Review the Asset Custodian Model in order to minimise duplication of functions, gaps in service delivery, ambiguity about asset responsibility and decrease response times for asset decision making.

To enhanced governance, prioritisation and decision-making Council should:

20. Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.
21. Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.

22. Implement oversight and control of the funded organisation chart by the Manager Human Resources (Workforce Officer).
23. Implement a Project Management Framework, under the coordination of an enterprise Project Management Officer, which includes appropriate gateways for project selection, planning, execution, and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).
24. Develop the financial governance (defined roles, financial planning processes, performance reporting and accountability) and the financial acumen of staff all levels of management.

Review Range and Levels of Service:

25. Council may wish to consider undertaking a review of the range of non-core services provided, to determine whether they continue to deliver value to the community and whether there remains a public policy rationale for Council delivery of such services.
26. Council may also wish to consider the levels of service provided within services that are not regulatory required services to reduce the cost of the services provided.
27. Council should implement the use of formal business cases to consider and determine undertaking new projects or service, or a change in current service levels. The financial implications should be a major determinant of the decision making.

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1. INTRODUCTION

1.1 BACKGROUND

The Shoalhaven region is located on the south coast of New South Wales, with the regional centre of Nowra-Bomaderry located 160 kilometres south of Sydney. Most of the population is concentrated along the coastal fringe, which is traversed by the Princes Highway. The major centres include Nowra-Bomaderry, Milton-Ulladulla, Huskisson-Vincentia, St Georges Basin District, Culburra Beach and Sussex Inlet.

Shoalhaven City Council (Council) has in recent years faced challenges in the preparation of a sustainable Long Term Financial Plan that meets the Office of the Local Government performance indicators. Over the past five years, the Council has experienced consecutive disasters – most notably COVID pandemic, bushfires and floodings which has impacted significantly only the normal business operations, including asset maintenance and asset renewal programs, as well as impacting upon the availability of cash. Large operating and capital grants have been received in recent years, including economic stimulus funding from State and Federal governments, as well as grant funding for the restoration and response to the disasters. The Council's revenue base was also impacted due to restricted operations during COVID and the provision of subsidies and waivers.

The Council has also produced historical deficits in the General Fund, which has been a growing concern, including the need to assess the long term impact that the operating deficits would likely have upon the Council's sustainability over the long term.

The factors above contributed to the development of the adopted Long Term Financial Plan (LTFP) in 2022 with a lower level of confidence than otherwise would be sought and an acknowledgement that a review of the Council's financial sustainability was necessary before the Council could consider and adopt in confidence a revised Long Term Financial Plan that would deliver a sustainable future. The following is an extract from the adopted LTFP highlighting uncertainty in budget setting –

Council continues to operate in the context of uncertainty with recent historical budgets being adopted with some flexibility and requiring a dynamic budget to ensure that the levels of service provided to the community remain unchanged with opportunities for expansion to be considered as and when the uncertainty decreases.

The primary objective of the Financial Sustainability Review therefore was to assess the long-term sustainability of the Council's current financial settings and direction, identify key drivers and determinants of future sustainability and facilitate the development of an improved sustainable long-term financial plan with strategies to avert potential issues from emerging in the future.

1.2 PURPOSE OF THIS REPORT

To address these concerns, the Council commissioned AEC Group Ltd (AEC) to undertake an independent review of the financial sustainability of the Council. This report presents the findings of the review and provides effective strategies to improve the Council's financial sustainability and compliance with the Local Government Act 1993. The report also analyses the potential impacts of the findings on the Council's future financial position, as well as the local community and stakeholders, to ensure the Council's sustainable and efficient operation in the future.

The Financial Sustainability Review terms of reference are to:

1. Review Shoalhaven City Council's past financial performance and the current financial position, including identifying trends, drivers, and other impacts upon the future financial position.
2. Undertake an in-depth review of the costs of services and in liaison with respective service managers identify the current community service levels (not technical), quantify current service activity, quantify future demand for the service and identify opportunities for improvement in service efficiency and productivity.
3. In liaison with Council's asset portfolio managers, conduct a review of the forward planned capital works, including the integration of the LTFP and asset management plans and identify the implication on the LTFP if there needs to be adjustments to asset management plans or capital works plan to sustainability maintain the Council infrastructure.
4. Undertake a full cost recovery of Council's business units, including water, sewer, and waste funds
5. Based on findings of the above, develop an independent forecast of Council's forward financial position and comment on the sustainability of the financial position over the short, medium, and long term.
6. Identify strategic options for Council to improve the forecast position, including potential opportunities for Council to:

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- a. Improve the strategic management of assets, including increased utilisation, asset recycling, rationalisation, and disposal of assets.
 - b. Increase revenue through rates, fees, and charges.
 - c. Decrease the cost of services through council management, operations, service delivery models, delivery of capital programs, procurement approaches and governance systems.
7. Develop recommended options for Council's deliberation, noting the potential risks and benefits of each with consideration of councils adopted risk appetite, plus a recommended implementation strategy.
8. Produce a clear and concise FSR final report, plus a summary report of findings suitable for public release.

1.3 APPROACH

AEC's approach to delivering upon the Terms of Reference is guided by the following definition of financial sustainability:

Financial sustainability is the ability of an entity to maintain fiscal capital and infrastructure capital over the long term. Maintaining financial capital is concerned with the ability to sustain availability of cash into the future to meet the service and infrastructure needs of the entity. Maintaining infrastructure capital is concerned with the entity's ability to provide physical assets over the long term to meet the service requirements and demand. Both capabilities need to be proven to conclude that a local government authority is financially sustainable.

Maintaining fiscal and infrastructure capital includes the ability to manage likely future developments (built development and socio-demographic development) and unexpected financial shocks or unplanned events.

The AEC approach to assessing financial sustainability includes two fundamental tests:

- **Test 1 - Maintaining Fiscal Capital** – Can Council demonstrate capacity to access cash as required for current and future needs of services and infrastructure?
- **Test 2 - Maintaining Infrastructure Capital** – Can Council demonstrate capacity to provide infrastructure at an acceptable level of performance as required by current and future services?

To be sustainable, Council must satisfy both tests.

With a vision for the future state, AEC facilitates the development of strategic options to bridge the gap between the current state and the desired future state. Working with key stakeholders within Council, we will apply our knowledge, experience, and insights to develop the Financial Sustainability Review to achieve the desired financial position and long-term sustainability.

Figure 1.1AEC Financial Sustainability Review Approach

Source: AEC Proposal (unpublished)

1.4 PROJECT STAGES

AEC's review of Council's financial sustainability was undertaken in the following stages:

1.4.0 Detailed Project Planning, Inception Meeting and Workshop with Councillors

- A Project Inception Meeting (20 July 2023) was held to:
 - Confirm project plan, including a shared understanding of critical issues and project objectives.
 - Confirm the Steering Committee's expectations of project successes.
 - Review and confirm proposed methodology, timeframes, anticipated document structure and any known project risks/obstacles and the plan to overcome these.
 - Agree on project governance and communication protocols.
 - Define geographies for analysis and required datasets for analysis.
 - Confirm the Stakeholder Engagement Plan (drafted by AEC).
 - Source any remaining relevant reference materials, clarify project administration.
- AEC reviewed past research to ensure future work is additional and not repeating past analysis. AEC also reviewed relevant policy, objectives, and strategies to guide alignment of the problem and/or opportunities.
- Following the inception meeting, an Inception Report, including a detailed Project Plan was developed and circulated for review and comment prior to execution. AEC provided a detailed information request after the inception meeting.
- AEC also developed a detailed project plan prior to the inception meeting as well as a comprehensive internal debrief and planning session to make sure all works are coordinated, focussed, and delivering to the task at hand.
- AEC facilitated a Project Inception Workshop (22 July 2023) with Councillors to:
 - Obtain a shared understanding of the project objectives and scope.
 - Ensure the project scope and approach addresses all relevant concerns of the Councillors.
 - AEC to present and facilitate discussion on the preliminary understanding of historical financial performance, key drivers of the financial position and benchmarking with other Councils.

1.4.1 Background Research and Data Analysis

- Review current Delivery Program and 2022/2023 and 2023/24 Operational Plan.
- Review of the current LTFP, and underlying workings and assumptions, including pricing policies.
- Review and identify integration points with current plans, policies and strategies endorsed by Council.
- Review Council's historical financial performance, including review of 2021/2022 and 2022/23 (draft) Financial Statements and internal and external audit results.
- Obtain historical and contextual information from key internal stakeholders to understand context and drivers of current state.
- Develop socio-economic profile with forward projections.
- Undertake benchmarking against other OLG Group councils.

1.4.2 Assessment and Gap Analysis

- Review integration of LTFP with other corporate plans and resourcing strategies, identify any material omissions in the LTFP (including capital works).
- Undertake a maturity assessment of asset management and an analytical review of asset renewal planning (in liaison with asset managers and the asset management committee or similar, if relevant)
- Review of service plans (service catalogue in liaison with service managers to assess forward projected operating and capital requirements (adequacy to meet service levels) and opportunities to achieve service efficiencies and productivity improvements.
- Update of the long-term financial forecast and key financial indicators –this includes findings from analysis and identifying strategy gaps.
- Provide an independent assessment of Council's current and projected financial position against the following financial sustainability goals:
 - Operating position – the ability to generate sufficient revenue and control of services and infrastructure costs to produce sufficient cash from operations.
 - Availability of Cash – the ability to maintain sufficient cash (or access to cash in reserves) to meet the needs of operations, investments, and financing (borrowings).
 - Investment in Assets – the ability to renew or replace assets to maintain the desired level of service and the provision of new assets to meet demand for growth in services.
- Assess the forward projections of Council's financial performance against the key performance measures set by the NSW Office of Local Government
- Identify challenges and opportunities (including efficiencies and savings) for consideration in the development of options.
- Document the strategic vision for Council's financial position and establish target financial indicators to measure the future state.

1.4.3 Options Analysis

- Develop and evaluate strategic options to address outcomes of the independent financial assessment, including focus on corporate/organisational improvements, changes to service delivery and management of assets.
- Impact modelling of changes to rates and charges
- Risk and impact assessment of options
- Resource requirements of options
- Workshops (2nd and 16th September 2023) with Executive and Councillors to assess and decide upon the selected options.

1.4.4 Strategy and Implementation Plan

- In liaison with executive members develop a Financial Sustainability Strategy that includes the selection options from the Options Analysis
- Develop an Implementation Plan
- Provide recommendations to enhance the Resource Strategies to be consistent with the Financial Sustainability Strategy.

1.5 INTERNAL STAKEHOLDER ENGAGEMENT

Significant engagement was undertaken with Councillors, both the Executive and Leadership Teams, as well as key Council personnel, to gain a shared understanding of Council's historical financial performance, the desired financial performance, the gaps,

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and the root cause, and to discuss opportunities for improvement and strategies to address the identified performance gaps, in addition to also informing Council's Audit Risk and Improvement Committee (ARIC) during the draft reporting stage of the project.

The workshops and discussions were used as the basis of establishing Council's desired future financial position, informed through vision, strategic planning, service demand projections and projected asset demands. Strategic options were identified as well as operational improvements to support the implementation of the Financial Sustainability Strategy.

See Appendix A for details of the Stakeholder Engagement Plan, including the engagement completed throughout the project.

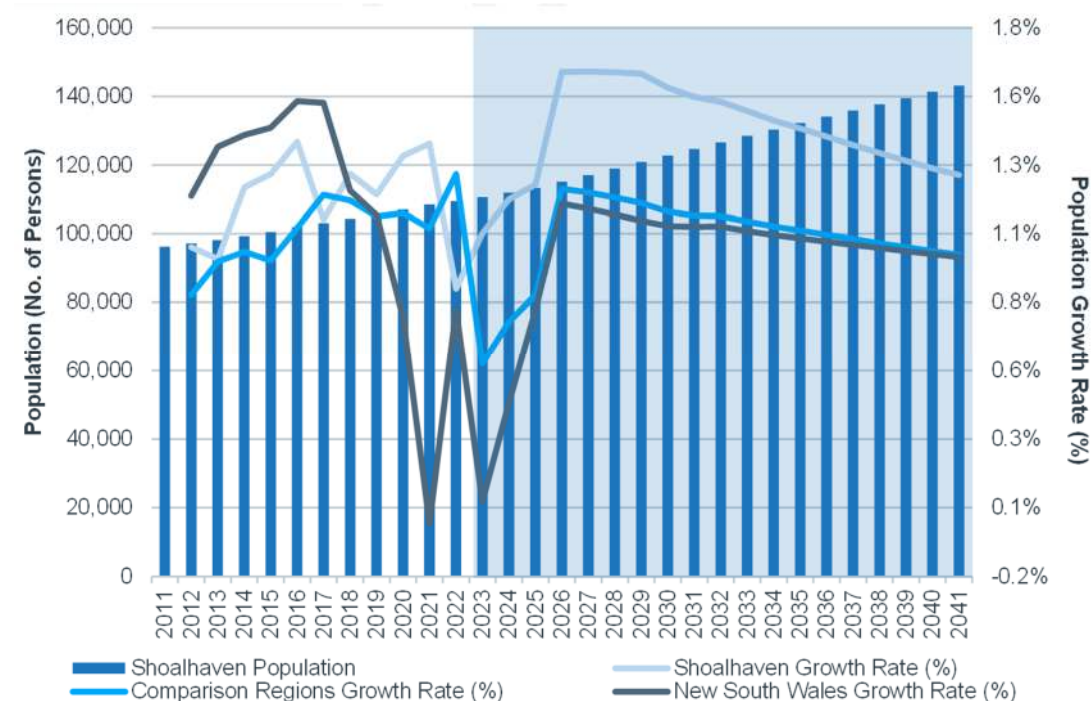
1.6 SOCIO-ECONOMIC PROFILE

AEC completed a profile to provide an overview of the socio-economic landscape of the Shoalhaven LGA within the current economic context. The comparison regions included the Local Government Areas of Coffs Harbour, Eurobodalla, Lake Macquarie, Maitland, Mid-Coast, Newcastle, Port Macquarie-Hastings, Port Stephens, Shellharbour, Tweed, Wingecarribee, and Wollongong as well as New South Wales as a whole.

1.6.0 Population

The population of Shoalhaven has increased over the decade to 2022, growing from approximately 97,200 residents in 2012 to 109,400 in 2022 (ABS, 2023a). The growth of approximately 12,200 residents, which corresponds to an average annual rate of 1.3%, was slightly more pronounced than the comparison regions and New South Wales (which both growth at an average annual rate of 1.1%). This trend is anticipated to be more pronounced over the coming years, with Shoalhaven anticipated to experience an increase of approximately 33,700 people over the nineteen years to 2041, an average annual growth of 1.6%, to reach a population of approximately 143,100 people (NSW Department of Planning and Environment, 2022). Meanwhile, the comparison regions and New South Wales are anticipated to continuing growing similar to their historical rate (both at an average annual rate of 1.0%).

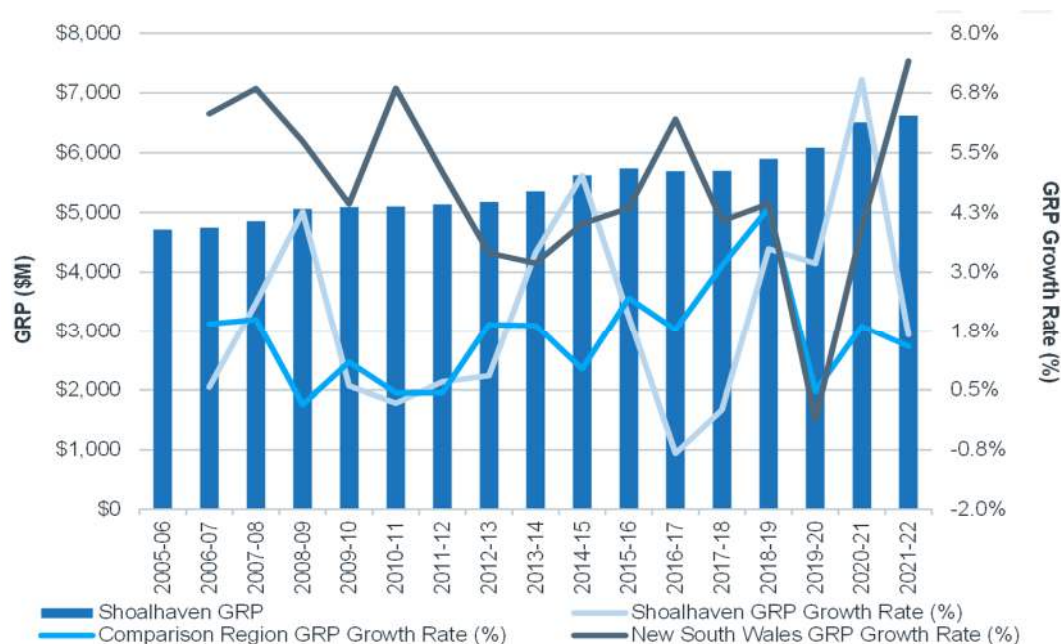
Figure 1.2.2 Historical and Projected Population, Shoalhaven LGA, 2011 to 2041



Source: ABS (2023a), NSW Department of Planning and Environment (2022), AEC.

1.6.1 Gross Regional Product

Over the ten years to 2021-22, Shoalhaven's Gross Regional Product (GRP) increased from \$5.1 billion in 2011-12 to \$6.6 billion in 2021-22, which corresponds to an average annual rate of 2.9% per annum (AEC, unpublished a). GRP growth in Shoalhaven over the last ten years has been more subdued in comparison to New South Wales more broadly, where GRP growth has averaged 4.1% per annum. Shoalhaven, however, has recorded more pronounced GRP growth than the comparison regions, which experienced an average annual rate of 2.0%. Public Administration and Safety was the largest contributor to GRP in 2021-22 with an Industry Value Added (IVA) of approximately \$855.0 million, representing 15.9% of the Shoalhaven's total IVA. This was followed by Construction and Health Care and Social Assistance, representing 13.3% and 12.2% of IVA, respectively.

Figure 1.3 Gross Regional Product, Shoalhaven, 2005-06 to 2021-22

Source: ABS (2023a), NSW Department of Planning and Environment (2022), AEC.

1.6.2 Industry

Shoalhaven's economic activity is primarily comprised of that which serves the growing population, including Public Administration and Safety, Defence, Education, Construction, Healthcare and Social Assistance, Retail Trade and Professional, Scientific and Technical Services (AEC unpublished a). These sectors comprised 50.0% of Industry Value Add (IVA) in 2016-17, which increased to around 55.0% by 2021-22. The comparison regions and New South Wales more broadly are more diversified and do not have this level of concentration in their top industries, typical of larger geographical catchments. The broader comparison region's economy relies less heavily on Public Administration and Safety activity, though more heavily on Professional, Scientific and Technical Services (compared to Shoalhaven).

Table 1.1 Industry Value Add (IVA) Contribution (%), 2016-17 & 2021-22

Industry	Shoalhaven		Comparison Regions		New South Wales	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Public administration and safety	14.3%	15.9%	4.7%	4.9%	5.3%	5.3%
Construction	12.3%	13.3%	11.3%	11.0%	8.7%	8.4%
Healthcare and social assistance	11.5%	12.2%	10.8%	13.4%	7.5%	8.7%
Retail trade	6.3%	7.1%	6.5%	6.1%	5.1%	4.9%
Professional, scientific and technical services	5.6%	6.7%	6.6%	7.6%	9.6%	11.0%
Education and training	6.1%	6.3%	7.6%	7.4%	5.5%	5.8%
Administrative and support services	6.1%	5.9%	4.6%	5.4%	4.5%	4.7%
Manufacturing	6.6%	5.9%	6.6%	6.5%	6.4%	6.3%
Accommodation and food services	4.4%	4.6%	3.5%	3.4%	3.1%	2.3%
Rental, hiring and real estate services	4.9%	4.1%	4.0%	4.1%	4.6%	4.2%
Transport, postal and warehousing	5.3%	3.3%	5.3%	4.6%	6.3%	5.1%
Wholesale trade	2.5%	2.8%	3.4%	3.8%	5.2%	5.1%
Electricity, gas, water and waste services	3.6%	2.6%	3.4%	3.0%	2.4%	2.0%
Financial and insurance services	3.4%	2.6%	6.0%	6.1%	12.9%	12.2%
Other services	1.9%	2.1%	2.5%	2.2%	2.1%	1.6%
Agriculture, forestry and fishing	2.6%	1.9%	1.6%	1.5%	2.4%	2.9%

Industry	Shoalhaven		Comparison Regions		New South Wales	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Information media and telecommunications	1.0%	1.1%	1.5%	1.6%	3.9%	3.8%
Mining	1.0%	0.9%	9.2%	6.8%	3.6%	5.0%
Arts and recreation services	0.6%	0.8%	0.7%	0.7%	0.9%	0.7%
IVA (\$M)	\$4,559	\$5,366	\$63,046	\$70,877	\$474,056	\$582,335

Note: Industries are listed in order of highest contribution to Shoalhaven IVA in 2021-22.

Source: AEC (unpublished a), AEC.

1.6.3 Employment

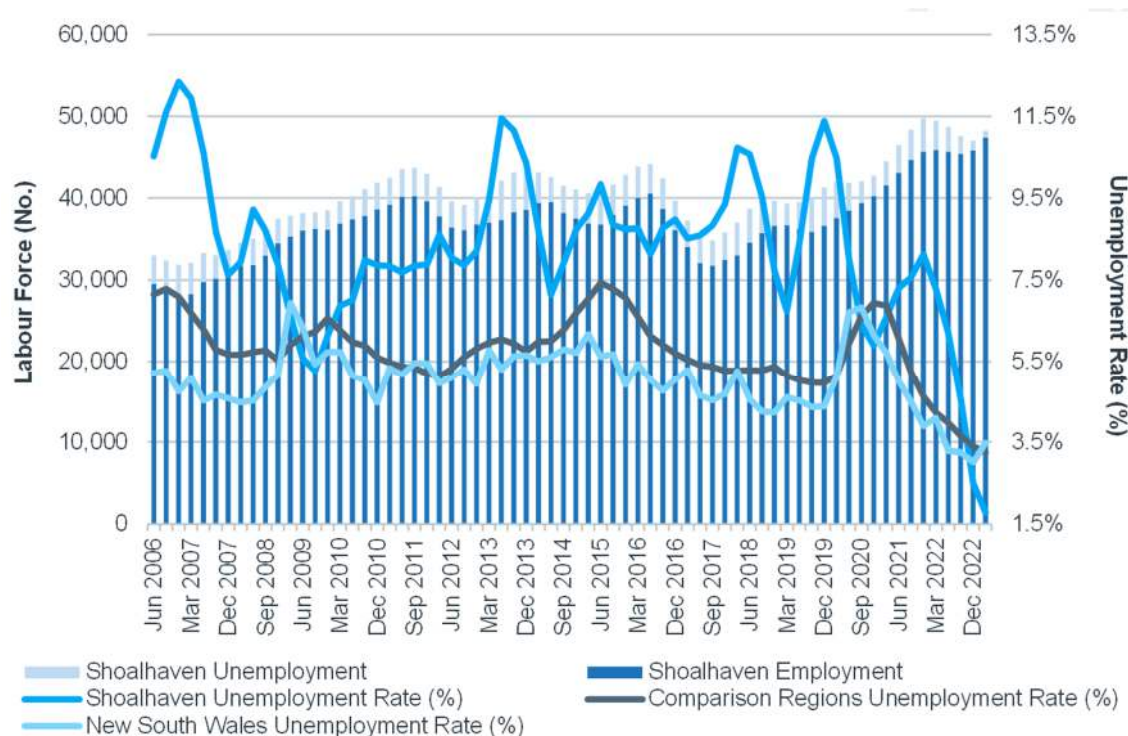
Shoalhaven provided approximately 41,500 jobs in 2021-22, representing an increase of around 10,400 jobs from approximately 31,100 jobs in 2011-12 (AEC, unpublished b). Employment growth in Shoalhaven (average annual rate of 3.3%) was more pronounced than in the comparison regions (average annual growth of 2.3%) and New South Wales (average annual growth of 1.8%). Healthcare and Social Assistance was the largest employer in Shoalhaven, representing 18.1% of jobs in 2021-22, followed by Construction and Public Administration and Safety at 11.8% and 11.4% of jobs, respectively. Over the last decade to 2021-22, the key population servicing industries of Healthcare and Social Assistance and Education and Training have recorded the largest increases in the number of jobs in Shoalhaven (2,100 and 1,500 jobs respectively), whilst the tourism sector has also recorded strong growth (with Accommodation and Food Services increasing by around 2,000 jobs).

1.6.4 Unemployment

The unemployment rate in Shoalhaven has typically been larger than both the comparison regions and New South Wales (ABS, 2023b; Jobs and Skills Australia, 2023), with high rates of unemployment typical in coastal cities (McDowell, 2019; Cunningham, 2011). Periods of pronounced unemployment (over 10.0%) occurred between June 2006 and June 2007, June to December 2013, March to June 2018, and September 2019 to March 2020. Shoalhaven, however, experienced a decrease in the unemployment rate during the COVID-19 pandemic, counter-cyclical to the increases experienced across Australia (and specifically in the comparison regions and New South Wales). Over the last year, the unemployment rate has fallen from 7.3% in March 2022 to 1.8% in March 2023 (a decrease of approximately 2,700 unemployed persons across the year). During the same period, the comparison regions and New South Wales experienced a less pronounced decrease in the unemployment rate, with both now experiencing a higher unemployment rate than Shoalhaven, at 3.3% and 3.5%, respectively.

1.6.5 Labour Force

During the largest economic crises of the last two decades, the Global Financial Crisis (GFC) and the COVID-19 pandemic, Shoalhaven has seen a sharp decrease in unemployment, an increase in the labour force, and slightly more pronounced population growth, indicating that Shoalhaven has strong resilience to and residential attraction during economic crises.

Figure 1.4 Labour Market, Shoalhaven, June 2006 to December 2022

Source: ABS (2023b), Jobs and Skills Australia (2023).

1.6.6 Weekly Household Incomes

In 2021, weekly household incomes in Shoalhaven averaged approximately \$1,670 per week, around \$240 lower than the comparison regions average of \$1,910 per week (ABS, 2022a). The average incomes in both Shoalhaven and the comparison regions were lower than New South Wales, which recorded an average weekly household income of approximately \$2,270 a week. This may be the result of the lower proportion of Shoalhaven residents employed in the Professional, Scientific and Technical Services (average weekly income of approximately \$1,600) and Financial and Insurance Services (average weekly income of approximately \$1,800) industries in comparison to New South Wales (and to a lesser extent the comparison regions) and the relatively higher proportion of people employed in the Health Care and Social Assistance (average weekly income of approximately \$1,200) as well as Construction (average weekly income of approximately \$1,300).

1.6.7 Residential Building Approvals

Building approvals have averaged between 772 and 960 approvals over 2018-19 and 2021-22, with growth recorded year on year since 2018-19 (ABS, 2023). Building approval numbers have been relatively stable over the past five years, reflecting the consistent population growth experienced in Shoalhaven (ABS, 2023a). Higher growth in both values and volumes was recorded in 2020-21 and 2021-22, which may reflect the adoption of residential home building initiatives in 2020 and 2021, including the Federal HomeBuilder grant (Australian Government, n.d.) in combination with low interest rates over the same period (Reserve Bank of Australia, 2023). The comparison regions displayed a similar trend over the last five years, whilst New South Wales has experienced consistent growth in the number of residential building approvals.

1.6.8 Visitor Economy

Tourism is recognised as a priority focus area in driving economic development in Shoalhaven (Shoalhaven City Council, 2016; 2018). The following information represents key characteristics of the tourism sector in Shoalhaven:

From 2010-11 to 2014-2015, visitation to Shoalhaven fluctuated between 2.24 million and 2.65 million visitations per year (TRA, 2023a; 2023b; 2023c). Visitation numbers dipped in 2012-13 and 2013-14, caused in part by the combination of high exchange rates, subdued economic conditions in source markets, and slow growth in domestic spending, which affected the demand for visitation across Australia (Dobson, 2015). The effect of which eased, as the number of visitors increased and stabilised around 2.9 million in the subsequent four-year period (between 2015-16 to 2018-19). In 2019-2020, visitation numbers fell by approximately 17% for Shoalhaven, a greater decrease than the almost 14% decrease that New South Wales felt overall (Behsudi, 2020; Bruno, 2022).

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However, in 2020-21, the tourism industry temporarily rebounded to the second highest visitation numbers over the ten-year period, due to an almost 17% increase in domestic tourism. This increase was not sustained during the 2021-22 period, with a 25% decrease in domestic visitors leading to the lowest total visitation since 2013-14.

Before the COVID-19 pandemic, the average length of stay average around 3.0 nights to 4.0 nights from 2010-11 to 2018-19 (TRA, 2023a; 2023b; 2023c). The COVID-19 pandemic had negligible effect on the average length of stay, with 2019-20 and 2020-21 outcomes falling within the long-term average at 3.5 and 3.1 nights, respectively. In 2020-21, just over half (53.1%) of visitors to Shoalhaven stayed overnight (with 46.6% of all visitors being interstate overnight visitors) (TRA, 2023a; 2023b; 2023c).

In 2019, the average spend per visitor trip to Shoalhaven was approximately \$260 (TRA, 2023d). International visitors recorded the highest average spend at around \$550, higher than both domestic overnight visitors and day trip visitors, averaging approximately \$430 and \$100 per trip, respectively.

In 2021-22, almost half (46.4%) of domestic visitors to Shoalhaven came for a holiday (TRA, 2023b). This was followed by 31.7% of domestic visitors coming to visit friends and relatives, 7.4% visiting for business and 4.3% for shopping. Meanwhile, almost 60% of international visitors came to visit friends and relatives, 19.6% on business and 19.1% on holiday.

2. OVERVIEW OF SERVICE DELIVERY AND PROVISION OF INFRASTRUCTURE

This section provides an overview of the Council's service delivery decisions, infrastructure managed by the Council, and other key service strategies. Decisions regarding the range and levels of services provided is a key determinant of Council's financial sustainability, including decisions made on the provision of infrastructure and other assets, and the management approach to acquiring, operating, maintaining, renewing/replacing and/or disposing of the assets.

2.1 STRATEGIC OBJECTIVES

The Shoalhaven Community Strategic Plan 2032 outlines the strategic objectives that guide the provision of services and infrastructure by Council. It serves as a vision for Council's planned achievements.

Table 2.1 Strategic Objectives

Strategic Outcome	Strategic Objective
1. Resilient, Safe, Accessible & Inclusive Communities	Support inclusive, safe, and connected communities. Preserve, support, and develop cultural and creative vitality across our communities. Support community wellbeing through fostering active and healthy communities
2. Sustainable, Liveable Environments	Manage our infrastructure for long term sustainability to meet community need. Manage growth and development with respect for environmental & community values. Protect the natural environment and enhance sustainability
3. Thriving local economies that meet community needs	Strengthen and diversify the economy. Deliver safe, vibrant & attractive public spaces
4. Effective, Responsible & Authentic Leadership	Deliver reliable, high-quality services. Provide transparent leadership through effective government and administration. Inform and engage with the community about the decisions that affect their lives

Source: Shoalhaven Community Strategic Plan 2032.

2.2 DELIVERY PROGRAM

The Combined Delivery Program and Operational Plan (the Delivery Program) lays out the principal activities and projects that Council will undertake over the four years of the current elected term to achieve the vision and strategic objectives outlined in the Community Strategic Plan.

2.2.0 Planned Services

The Delivery Program outlines the projects and services to be delivered by each of the business units and service areas – see Table 2.2 below for an outline of the services provided. The measures also provide an insight into the levels of service required and to be funded through the Annual Budget and Long-Term Financial Plan.

Table 2.2 Organisation of Planned Services

Fund	Directorate	Department/Service Area
General	Chief Executive Officer	Chief Executive Officer
		Media & Communications
General	City Development	Business Support Department
		Certification & Compliance Services
		City Development Director
		Development Services
		Environmental Services
General	City Futures	City Futures
		Economic Development
		Strategic Planning
		Development Services
General	City Lifestyles	City Lifestyles Management
		Arts and Culture
		Community Connections
		Community Planning and Projects
		Library Services

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Fund	Directorate	Department/Service Area
General	City Performance	Shoalhaven Entertainment Centre
		Shoalhaven Swim Sport Fitness
		City Performance Director
		Business Assurance & Risk
		Corporate Performance & Reporting
		Customer Experience
		Financial Services
		Information Services
General	City Services	People & Culture
		City Services Director
		Building Services
		Commercial Services
		Natural Disasters
		Technical Services
		Works and Services
Waste		Waste Management Services
Water & Sewer	Shoalhaven Water	Shoalhaven Water Asset Planning & Development
		Shoalhaven Water Management & Admin Services
		ShoalWater Business Services
		Shoalhaven Water Operations & Maintenance

Source: Shoalhaven City Council Annual Budget 2023 & 2024.

2.2.1 Service Costs

Table 2.3 Operational Cost of Services – excluding revenue – 2023/24 Forecast

SERVICE	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Total expenses from continuing operations	Total expenses from continuing operations (excluding depreciation)
Chief Executive Officer							
Chief Executive Officer	1,070,457	95,591	-	-	-	1,166,048	1,166,048
Media & Communications	1,304,554	211,255	-	-	-	1,515,809	1,515,809
TOTAL CHIEF EXECUTIVE OFFICER	2,375,010	306,846	-	-	-	2,681,856	2,681,856
City Development							
Business Support Department	1,810,479	17,565	-	-	-	1,828,044	1,828,044
Certification & Compliance Services	5,529,547	557,713	-	17,700	113,590	6,218,550	6,200,850
City Development Director	580,256	4,807	-	-	-	585,063	585,063
Development Services	3,890,640	437,668	-	-	-	4,328,308	4,328,308
Environmental Services	4,567,902	1,741,223	-	57,800	-	6,366,925	6,309,125
TOTAL CITY DEVELOPMENT	16,378,824	2,758,976	-	75,500	113,590	19,326,890	19,251,390
City Futures							
City Futures	733,373	-	-	-	-	733,373	733,373
Economic Development	475,748	71,384	-	43,500	48,500	639,131	595,631
Strategic Planning	2,382,219	707,964	-	-	24,250	3,114,433	3,114,433
Development Services	1,253,235	1,231,921	-	4,900	29,441	2,519,497	2,514,597
TOTAL CITY FUTURES	4,844,574	2,011,269	-	48,400	102,191	7,006,434	6,958,034
City Lifestyles							
City Lifestyles Management	393,630	2,146	-	-	-	395,776	395,776
Arts and Culture	415,564	374,210	-	-	-	789,774	789,774
Community Connections	1,503,882	1,516,313	-	-	27,185	3,047,380	3,047,380
Community Planning and Projects	787,161	73,337	-	-	-	860,498	860,498
Library Services	2,469,914	727,824	-	611,800	-	3,809,538	3,197,738
Shoalhaven Entertainment Centre	1,765,510	1,085,152	-	561,300	-	3,411,962	2,850,662
Shoalhaven Swim Sport Fitness	8,562,954	5,473,604	116,077	2,768,700	191,787	17,113,122	14,344,422
TOTAL CITY LIFESTYLES	15,898,614	9,252,586	116,077	3,941,800	218,972	29,428,050	25,486,250
City Performance							
City Performance Director	425,246	41,745	-	1,458,700	-	1,925,691	466,991
Business Assurance & Risk	2,868,983	3,631,725	-	-	250,039	6,750,747	6,750,747
Corporate Performance & Reporting	265,496	43,304	-	-	-	308,800	308,800
Customer Experience	2,312,767	67,442	-	-	-	2,380,209	2,380,209
Financial Services	3,829,549	1,576,655	2,418,010	-	-	7,824,214	7,824,214
Information Services	4,307,735	6,922,680	-	-	-	11,230,415	11,230,415

SERVICE	Employee benefits and on-costs	Materials and services	Borrowing costs	Depreciation, amortisation and impairment of non-financial assets	Other expenses	Total expenses from continuing operations	Total expenses from continuing operations (excluding depreciation)
People & Culture	3,178,555	602,587	-	-	-	3,781,142	3,781,142
TOTAL CITY PERFORMANCE	17,188,331	12,886,138	2,418,010	1,458,700	250,039	34,201,218	32,742,518
City Services							
City Services Director	451,696	9,215	-	-	-	460,911	460,911
Building Services	2,347,084	6,142,103	-	4,141,400	2,922,975	15,553,562	11,412,162
Commercial Services	6,188,473	17,291,232	700,118	9,741,100	1,384,149	35,305,071	25,563,971
Natural Disasters	1,215,273	273,068	-	-	-	1,488,341	1,488,341
Technical Services	1,549,990	287,924	-	-	-	1,837,914	1,837,914
Waste Management Services	7,764,430	18,806,554	987,583	2,400,100	10,070,463	40,029,130	37,629,030
Works and Services	12,303,931	11,171,578	-	37,722,900	-	61,198,409	23,475,509
TOTAL CITY SERVICES	31,820,876	53,981,673	1,687,701	54,005,500	14,377,587	155,873,338	101,867,838
Shoalhaven Water							
Shoalhaven Water Asset Planning & Development	2,730,455	1,530,216	-	209,900	-	4,470,571	4,260,671
Shoalhaven Water Management & Admin Services	1,040,533	455,700	3,174,815	28,488,000	1,817,000	34,976,047	6,488,047
ShoalWater Business Services	3,113,841	2,497,431	-	-	56,500	5,667,772	5,667,772
Shoalhaven Water Operations & Maintenance	12,310,452	16,813,160	-	1,971,800	36,750	31,132,162	29,160,362
TOTAL SHOALHAVEN WATER	19,195,280	21,296,507	3,174,815	30,669,700	1,910,250	76,246,551	45,576,851
COUNCIL TOTAL	107,701,510	102,493,996	7,396,603	90,199,600	16,972,629	324,764,338	234,564,738

Source: Council 2023/24 Budget

Note: The costs reported in the table include internal recoveries for Fleet. Therefore, credit balances in the materials and services costs reflect the impact of the internal recoveries from other services.

2.2.2 Financial Overview of Assets and Infrastructure

Table 2.4 Overview of Asset Financial Measures by Asset Category (as at 30 June 2022)

Asset Class/ Asset Category	Estimated Cost to Bring Assets to Satisfactory Standard \$'000	2021/22 Estimated Cost to Bring to the Agreed Level of Service Set by Council \$'000	2021/22 Required Maintenance \$'000	2021/22 Actual Maintenance \$'000	Net Carrying Amount \$'000	Gross Replacement Cost (GRC) \$'000	Consumption Ratio
Buildings							
Buildings	6,744	4,132	11,206	9,956	332,220	468,521	29%
Sub-total	6,744	4,132	11,206	9,956	332,220	468,521	29%
Other Structure							
Other Structures	1,976	2,992	476	348	117,133	148,011	21%
Sub-total	1,976	2,992	476	348	117,133	148,011	21%
Roads							
Sealed roads	74,519	24,348	11,859	10,570	798,189	1,205,274	34%
Unsealed roads	3,022	2,413	2,428	2,211	6,424	23,412	73%
Bridges	3,007	2,805	410	252	73,472	129,289	43%
Footpaths	598	243	828	429	73,655	105,539	30%
Other road assets	1,238	1,069	2,158	1,930	243,099	327,640	26%
Bulk earthworks					318,431	318,431	0%
Sub-total	82,384	30,878	17,683	15,392	1,513,270	2,109,585	28%
Water supply network							
Water supply network	27,889	8,581	8,986	8,099	422,538	858,129	51%
Sub-total	27,889	8,581	8,986	8,099	422,538	858,129	51%
Sewerage network							
Sewerage network	14,216	9,477	12,994	12,981	654,856	947,709	31%
Sub-total	14,216	9,477	12,994	12,981	654,856	947,709	31%
Stormwater drainage							
Stormwater drainage	8,444	6,988	1,213	1,377	178,926	291,174	39%
Sub-total	8,444	6,988	1,213	1,377	178,926	291,174	39%
Open Space/recreational assets							
Swimming pools	731		3,372	2,621	11,691	25,791	55%
Other open space/recreational assets	790	655	2,603	1,801	38,283	66,741	43%
Sub-total	1,521	655	5,975	4,422	49,974	92,532	46%
Other infrastructure assets							
Other infrastructure assets	2,912	3,863	800	632	31,847	57,724	45%
Sub-total	2,912	3,863	800	632	31,847	57,724	45%
Total -all assets	146,086	67,566	59,333	53,207	3,300,764	4,973,385	34%

Source: Council Annual Financial Statements 2021/22, Report on Infrastructure assets as at 30 June 2022.

2.2.3 Asset Condition

The condition of Council's assets is shown in the Report on Infrastructure Assets, a special schedule attached to the Annual Financial Statements, and is summarised in the table below.

Table 2.5 Overview of Asset Financial Measures by Asset Category (as at 30 June 2022)

Asset Class/ Asset Category	Asset Condition as a percentage of gross replacement costs				
	1 %	2 %	3 %	4 %	5 %
Buildings					
Buildings	26.5	39.0	29.7	4.0	0.9
Sub-total	26.5	39.0	29.7	4.0	0.9
Other Structure					
Other Structures	42.6	31.9	22.2	1.3	2.0
Sub-total	42.6	31.9	22.2	1.3	2.0
Roads					
Sealed roads	4.7	44.1	28.5	20.7	2.0
Unsealed roads	2.0	10.3	46.4	31.0	10.3
Bridges	42.2	26.0	24.7	5.0	2.2
Footpaths	33.4	45.3	19.3	1.8	0.2
Other road assets	87.9	7.7	3.3	0.9	0.3
Bulk earthworks	100.0	-	-	-	-
Sub-total	35.7	30.4	19.8	12.7	1.5
Water supply network					
Water supply network	5.0	26.0	57.0	11.0	1.0
Sub-total	5.0	26.0	57.0	11.0	1.0
Sewerage network					
Sewerage network	15.0	37.0	43.0	4.0	1.0
Sub-total	15.0	37.0	43.0	4.0	1.0
Stormwater drainage					
Stormwater drainage	4.5	63.3	23.0	6.8	2.4
Sub-total	4.5	63.3	23.0	6.8	2.4
Open Space/recreational assets					
Swimming pools	5.0	6.9	76.8	11.3	-
Other open space/recreational assets	42.4	21.1	32.7	2.8	1.0
Sub-total	32.0	17.1	45.0	5.2	0.7
Other infrastructure assets					
Other infrastructure assets	17.0	19.5	50.0	6.8	6.7
Sub-total	17.0	19.5	50.0	6.8	6.7
Total -all assets	23.7	33.3	32.6	9.0	1.4

Source: Council Annual Financial Statements 2021/22, Report on Infrastructure assets as at 30 June 2022.

Note: Condition score based on following criteria:

- Condition 1 – Excellent (normal maintenance)
- Condition 2 – Good (only minor maintenance work required)
- Condition 3 – Satisfactory (maintenance work required)
- Condition 4 – Poor (renewal required)
- Condition 5 – Very Poor (urgent renewal/upgrade required)

2.3 OTHER KEY STRATEGIES AND PLANS

2.3.0 Asset Management Strategy

The Asset Management Strategy has been developed to enable Council to demonstrate how the asset portfolios will meet the current and future service delivery needs of the community and to ensure the integration of Council's asset management practices with the long-term strategic plans. The strategy outlines an asset management improvement plan detailing a program of work required to bring Council to a minimum 'core' level of asset maturity and competence.

2.3.1 Growth Strategy

Council is in the process of developing a Growth Strategy and once adopted, will need to review the resourcing strategies (Workforce Management Strategy, Long-Term Financial Plan, and Asset Management Strategy and Plans) to ensure the impact on the future demand for services is well understood.

3. ASSESSMENT OF FINANCIAL PERFORMANCE

3.1 BACKGROUND

AEC's analysis of the historical and projected financial performance of Council, and the underlying drivers of financial performance, was based on the review of evidence in the form of audited financial statements, complimented through additional contextual information gained through engagement with Council's key staff.

Historically, Council has reported a consolidated position as well as three fund types that are included in the consolidated position:

- Water Fund – Provision of water network services to properties within the serviceable areas and funded through the water access charge, consumption charge and other water fees.
- Sewer Fund - Provision of sewer network services to properties within the serviceable areas and funded through the sewerage access charge and other sewerage fees.
- General Fund – All other services and infrastructure provided by Council not funded by water or sewerage revenue. Revenue for the general fund is predominantly general rate revenue and grant funding, as well as revenue earned from fees and charges for services provided.

While analysis of Council's consolidated position is provided below, greater emphasis is placed on the analysis of the individual fund types that determine the consolidated position.

3.2 OPERATING POSITION

Council is required to prepare financial statements to report the operating result in two ways:

- Operating result from continuing operations, and
- Net operating result for the year before grants and contributions provided for capital purposes.

It is generally considered more appropriate to consider the operating result excluding the grants received for capital purposes, as such revenue is not able to be used to fund operating expenditure. However, a major expense contributing to the operating result is depreciation, and it should be noted that Council receives grants for capital purposes that are used to renew depreciating assets.

Furthermore, while the policy positions of State and Federal governments will almost certainly impact on the quantum and the recurrent nature of capital grants, sources of grant funding for capital such as Roads to Recovery, Regional Roads, and Block Grant, which are used by Council to renew depreciating assets, have been established for some time and likely to continue. Therefore, from an assessment of whether Council can fund all operating expenses, particularly when depreciation is a major expense item, some caution needs to be applied when just considering the financial operating position excluding all capital grant revenue.

3.2.0 Consolidated Operating Position

Table 3.1 below outlines the reported consolidated income statement for Council from 2014/15 to 2021/22 with 2022/23 quarter three budgets and 2023/24 forecast. The original 2023/24 budget has been amended by council management and staff to forecast a more realistic 30 June 2024 position. The consolidated position is determined by the average net operating result of the three fund types.

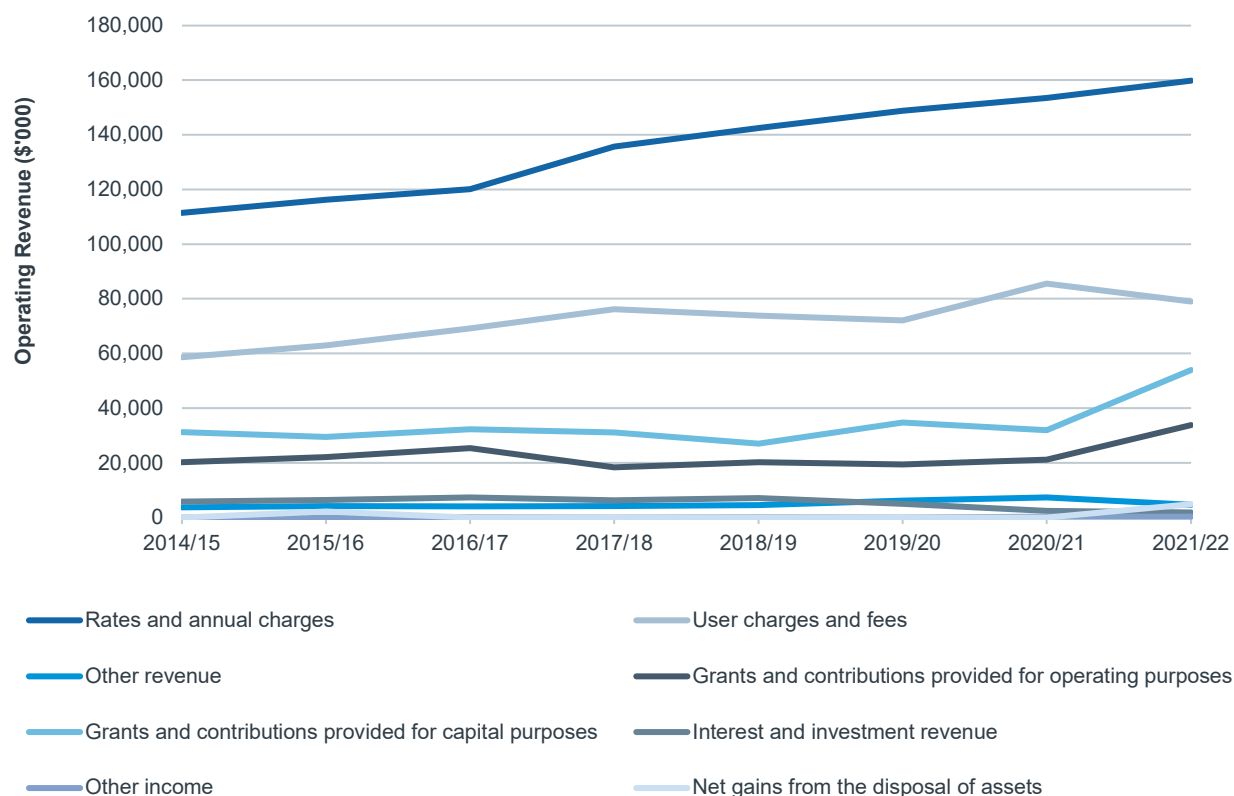
Table 3.1 – Income Statement – Consolidated

INCOME STATEMENT – CONSOLIDATED	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL								Budget	Forecast
Income from continuing operations										
Rates and annual charges	111,460	116,238	120,157	135,722	142,417	148,819	153,519	159,895	169,184	176,835
User charges and fees	58,676	63,003	69,204	76,177	73,857	72,139	85,590	78,955	92,101	95,621
Other revenue	3,799	4,163	4,103	4,167	4,492	6,175	7,439	4,685	5,489	4,772
Grants and contributions provided for operating purposes	20,178	22,063	25,328	18,419	20,170	19,370	21,164	33,831	42,000	21,295
Grants and contributions provided for capital purposes	31,246	29,424	32,229	31,136	27,092	34,683	31,895	54,029	91,347	49,883
Interest and investment revenue	5,765	6,388	7,348	6,339	7,061	5,020	2,402	1,922	6,911	7,534
Other income	-	-	20	10	135	-	349	400	-	-
Net gains from the disposal of assets	-	2,219	-	-	-	-	-	4,928	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-
Total income from continuing operations	231,124	243,498	258,389	271,970	275,224	286,206	302,358	338,645	407,032	355,940
Expenses from continuing operations										
Employee benefits and on-costs	61,715	68,226	75,144	77,712	83,694	87,023	94,756	101,588	107,796	108,114
Materials and services	43,221	46,091	51,704	48,372	56,320	98,502	90,493	90,161	113,060	100,899
Borrowing costs	4,292	3,960	4,479	5,431	6,604	6,115	5,574	5,702	6,146	7,453
Depreciation, amortisation and impairment of non-financial assets	54,062	55,138	59,213	59,412	63,595	66,000	70,507	79,521	84,610	90,200
Other expenses	26,103	30,412	29,413	32,022	34,280	15,740	18,407	18,102	17,195	16,082
Internal expenditure	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	3,478	-	1,792	174	1,283	272	7	-	-	-
Total expenses from continuing operations	192,871	203,827	221,745	223,123	245,776	273,652	279,744	295,074	328,807	322,748
Operating result from continuing operations	38,253	39,671	36,644	48,847	29,448	12,554	22,614	43,571	78,225	33,192
Net operating result for the year before grants and contributions provided for capital purposes	7,007	10,247	4,415	17,711	2,356	(22,129)	(9,281)	(10,458)	(13,122)	(16,691)

Source – Council Published Financial Statements

SHOALHAVEN CITY COUNCIL FINANCIAL SUSTAINABILITY REVIEW 2023

Council has produced a net operating deficit in the last three years of the eight past financial years. The deficit in the 2019/20 financial year was due to a significant increase in material and services (\$42.2 million), reduced investment and interest income (\$2.0 million) and increase in employee costs (\$3.3 million). The significant increase in materials and services was due to accounting changes in the treatment of some expenses previously stated as other expenses (\$36.6 million)

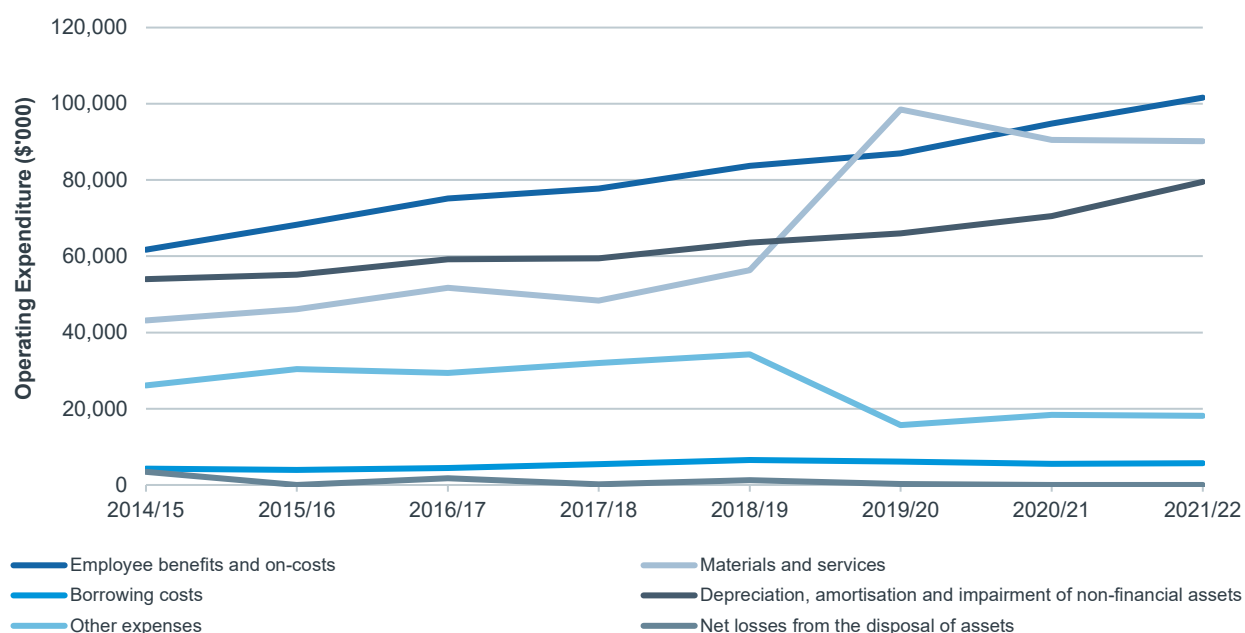
Figure 3.1 – Operating Revenue Trend - Consolidated

Source – Council Published Financial Statements

Table 3.2 – Income Percentage (%) Changes over 8-year period - Consolidated

P&L Items	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Rates and annual charges	4.3%	3.4%	13.0%	4.9%	4.5%	3.2%	4.2%
User charges and fees	7.4%	9.8%	10.1%	-3.0%	-2.3%	18.6%	-7.8%
Other revenue	9.6%	-1.4%	1.6%	7.8%	37.5%	20.5%	-37.0%
Grants and contributions provided for operating purposes	9.3%	14.8%	-27.3%	9.5%	-4.0%	9.3%	59.9%
Grants and contributions provided for capital purposes	-5.8%	9.5%	-3.4%	-13.0%	28.0%	-8.0%	69.4%
Interest and investment revenue	10.8%	15.0%	-13.7%	11.4%	-28.9%	-52.2%	-20.0%
Other income			-50.0%	1250.0%	-100.0%		14.6%
Net gains from the disposal of assets		-100.0%					

Source – Council Published Financial Statements

Figure 3.2 – Operating Expense Trend - Consolidated

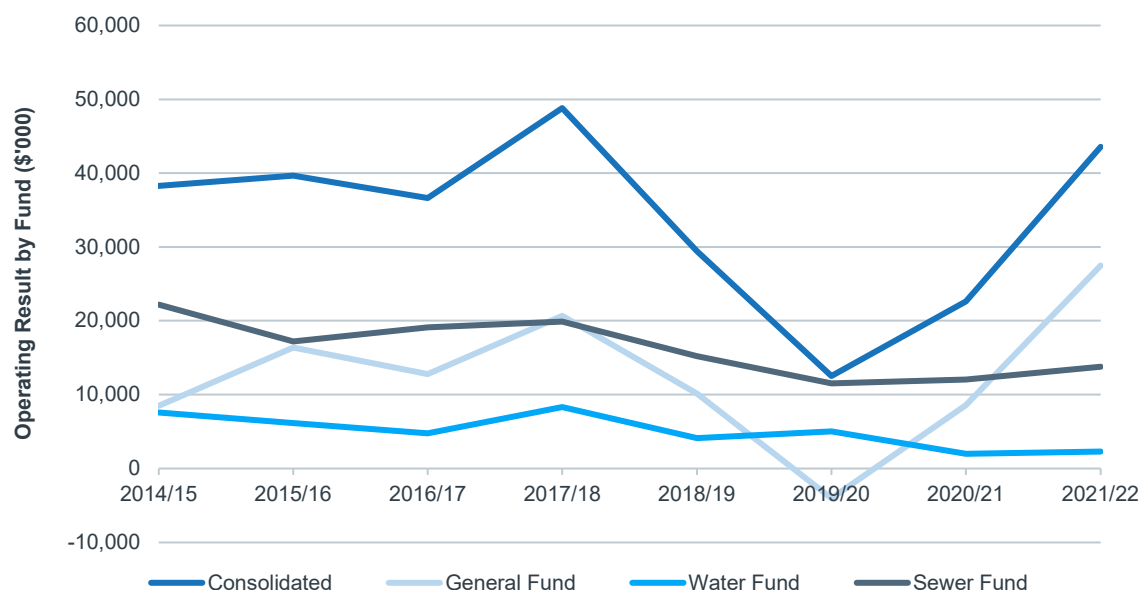
Source – Council Published Financial Statements

Table 3.3 – Expense Percentage (%) Changes over 8-year period - Consolidated

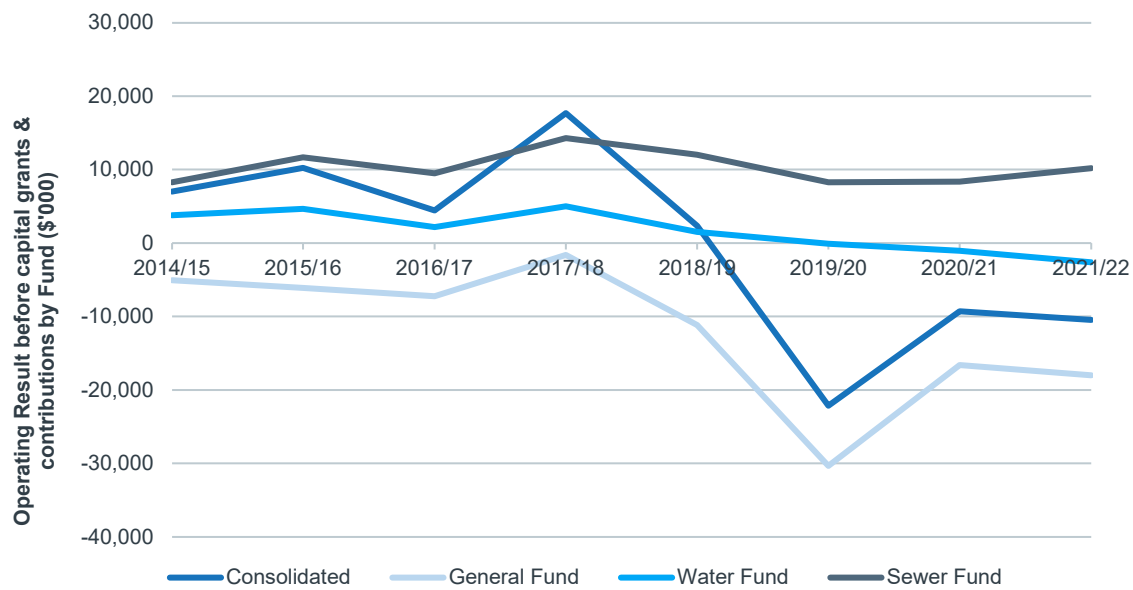
P&L Items	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Employee benefits and on-costs	10.6%	10.1%	3.4%	7.7%	4.0%	8.9%	7.2%
Materials and services	6.6%	12.2%	-6.4%	16.4%	74.9%	-8.1%	-0.4%
Borrowing costs	-7.7%	13.1%	21.3%	21.6%	-7.4%	-8.8%	2.3%
Depreciation, amortisation and impairment of non-financial assets	2.0%	7.4%	0.3%	7.0%	3.8%	6.8%	12.8%
Other expenses	16.5%	-3.3%	8.9%	7.1%	-54.1%	16.9%	-1.7%
Net losses from the disposal of assets	-100.0%		-90.3%	637.4%	-78.8%	-97.4%	-100.0%

Source – Council Published Financial Statements

3.2.1 Overview results BY FUND

Figure 3.3 – Operating Result by Fund

Source – Council Published Financial Statements

Figure 3.4 – Operating Result before Capital Grants & Contributions by Fund

Source – Council Published Financial Statements

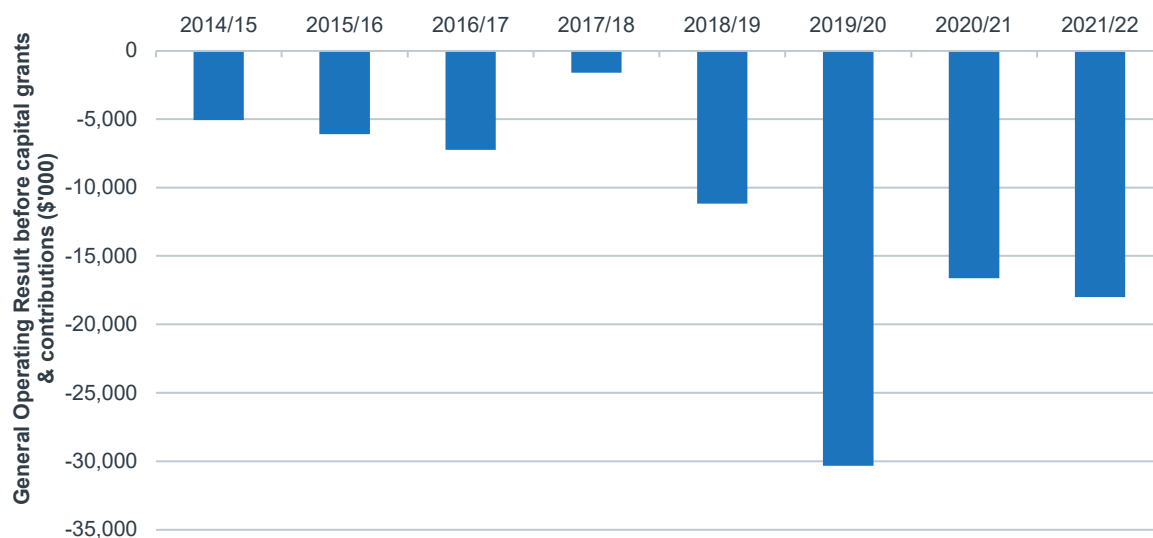
3.2.2 General Fund

Table 3.4 and Figure 3.5 below outline Council's income statement for the General Fund from 2014/15 to 2021/22 and 2022/23 Q3 budget and 2023/24 revised budget.

Table 3.4 – Income Statement – General Fund

INCOME STATEMENT – GENERAL	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
	ACTUAL								Budget	Forecast
Income from continuing operations										
Rates and annual charges	70,950	74,278	77,173	89,493	93,144	98,657	101,442	107,311	115,399	120,470
User charges and fees	39,738	40,639	44,303	46,173	45,571	42,161	56,321	53,875	65,419	67,920
Other revenue	3,084	4,051	3,907	4,059	2,588	5,683	6,972	4,454	5,386	4,671
Grants and contributions provided for operating purposes	19,125	21,011	24,290	17,387	20,170	19,370	21,164	33,836	41,999	21,295
Grants and contributions provided for capital purposes	13,563	22,469	20,001	22,260	21,281	26,312	25,201	45,531	82,397	45,451
Interest and investment revenue	2,888	3,375	3,899	3,054	3,594	2,757	1,016	837	4,906	5,617
Other income	-	-	20	10	135	-	349	400	-	-
Net gains from the disposal of assets	-	1,820	-	-	-	-	(373)	4,834	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-
Total income from continuing operations	149,348	167,643	173,593	182,436	186,483	194,940	212,092	251,078	315,506	265,424
Expenses from continuing operations										
Employee benefits and on-costs	46,442	50,763	57,767	58,662	63,802	66,402	78,106	82,265	88,556	87,891
Materials and services	33,472	36,395	40,851	37,360	43,538	82,894	60,833	66,985	94,394	80,604
Borrowing costs	1,570	1,561	1,606	1,442	1,564	1,455	1,216	1,926	2,786	4,278
Depreciation, amortisation and impairment of non-financial assets	38,636	38,168	39,591	40,774	43,313	44,056	45,051	54,262	55,828	59,740
Other expenses	20,225	24,596	23,264	23,448	24,235	5,125	18,295	18,123	17,122	15,988
Internal expenditure	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	508	(206)	(2,241)	98	(83)	(977)	7	-	-	-
Total expenses from continuing operations	140,853	151,277	160,838	161,784	176,369	198,955	203,508	223,561	258,686	248,501
Operating result from continuing operations	8,495	16,366	12,755	20,652	10,114	(4,015)	8,584	27,517	56,820	16,923
Net operating result for the year before grants and contributions provided for capital purposes	(5,068)	(6,103)	(7,246)	(1,608)	(11,167)	(30,327)	(16,617)	(18,014)	(25,577)	(28,528)

Source – Council Published Financial Statements

Figure 3.5 – Net Operating Result (before grants and contributions for capital) – General Fund

Source – Council Published Financial Statements

The General Fund's net operating position has been in a deficit position over the past eight years, most notably impacted by accounting recognition of events such as losses on disposal of assets, asset revaluation decrements and the reversal of asset revaluation decrements.

Such adjustments can be an indication that the asset management approach requires improvement. Losses on disposal of assets can indicate assets are being renewed or replaced before reaching their end of useful life, and therefore have carrying amount (fair value) that needs to be "disposed" when the asset is renewed or replaced. As outlined later in this report, Council's asset management approach appears to be immature and requiring improvement (this to be further evaluated and confirmed), which may be the cause of fluctuations in the reported net operating position.

The next two years (2022/23 & 2023/24) is also predicting significant deficits in the General Fund of \$25.6 million and \$28.5 million, respectively. This is not a sustainable position for the general fund. Through the project AEC have tried to identify the historical factors and drivers that are contributing to the deficit position and forecast the position and the impact on availability of cash and asset condition, assuming no action is taken to correct the deficit. This has assisted the team to communicate the significance of the problem, and to provide suitable recommendations for Council to implement that supports Council's vision of being financially sustainable for the future.

3.2.3 Water Fund

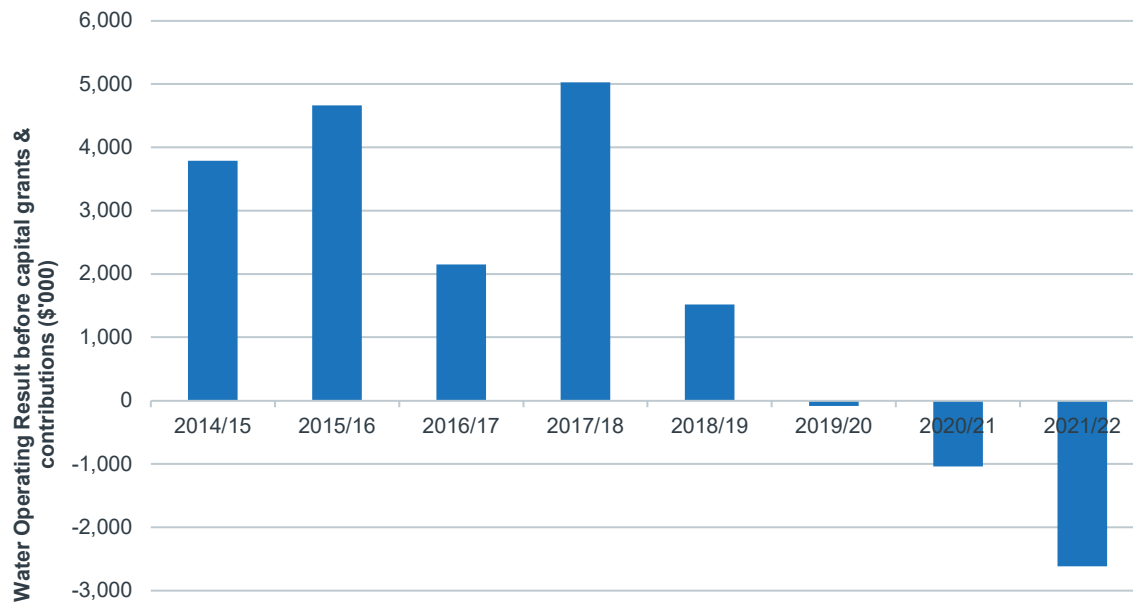
Table 3.5 below outlines the reported income statement for the Water Fund from 2014/15 to 2021/22 and budgets for 2022/23 (Q3) and 2023/24. Figure 3.6 depicts the actual operating result of the fund before capital grants and contributions over the eight years.

The Water Fund experienced surpluses until 2018/19 and since then for the last three years produced increasing deficits. The subsequent budgets for 2022/23 and 2023/24 are planning to produce deficits. There was a significant reduction in annual charges in the 2021/22 dropping by 17.4% (\$0.96 million) and a reduction in user charges and fees of 9.7% (or approx. \$2.2 million).

Table 3.5 – Income Statement – Water Fund

INCOME STATEMENT – WATER	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
	ACTUAL								Budget	Forecast
Income from continuing operations										
Rates and annual charges	4,095	4,090	4,078	4,336	5,267	4,843	5,548	4,585	4,649	4,981
User charges and fees	16,206	18,802	19,721	24,229	22,883	24,232	23,028	20,802	22,645	23,711
Other revenue	496	87	168	80	638	300	363	227	91	96
Grants and contributions provided for operating purposes	532	527	524	517	-	-	-	(5)	1	-
Grants and contributions provided for capital purposes	3,766	1,458	2,622	3,282	2,597	5,105	3,017	4,917	4,551	2,327
Interest and investment revenue	2,300	2,023	1,933	1,872	1,935	1,519	953	741	1,231	1,167
Other income	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	-	-	-	-	-	245	11	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-
Total income from continuing operations	27,395	26,987	29,046	34,316	33,320	35,999	33,154	31,278	33,168	32,282
Expenses from continuing operations										
Employee benefits and on-costs	5,492	8,001	6,812	8,505	8,806	9,883	7,287	8,007	8,038	8,326
Materials and services	3,559	3,174	4,414	4,903	5,971	6,469	13,602	10,324	7,696	8,228
Borrowing costs	22	10	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment of non-financial assets	7,727	7,471	8,877	8,783	9,617	10,854	10,177	10,694	13,482	14,269
Other expenses	2,247	2,004	2,137	3,769	4,275	3,353	111	(47)	38	57
Internal expenditure	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	793	206	2,033	45	536	420	-	-	-	-
Total expenses from continuing operations	19,840	20,866	24,273	26,005	29,205	30,979	31,177	28,978	29,254	30,880
Operating result from continuing operations	7,555	6,121	4,773	8,311	4,115	5,020	1,977	2,300	3,914	1,402
Net operating result for the year before grants and contributions provided for capital purposes	3,789	4,663	2,151	5,029	1,518	(85)	(1,040)	(2,617)	(637)	(925)

Source – Council Published Financial Statements

Figure 3.6 – Net Operating Result (before grants and contributions for capital) – Water Fund

Source – Council Published Financial Statements

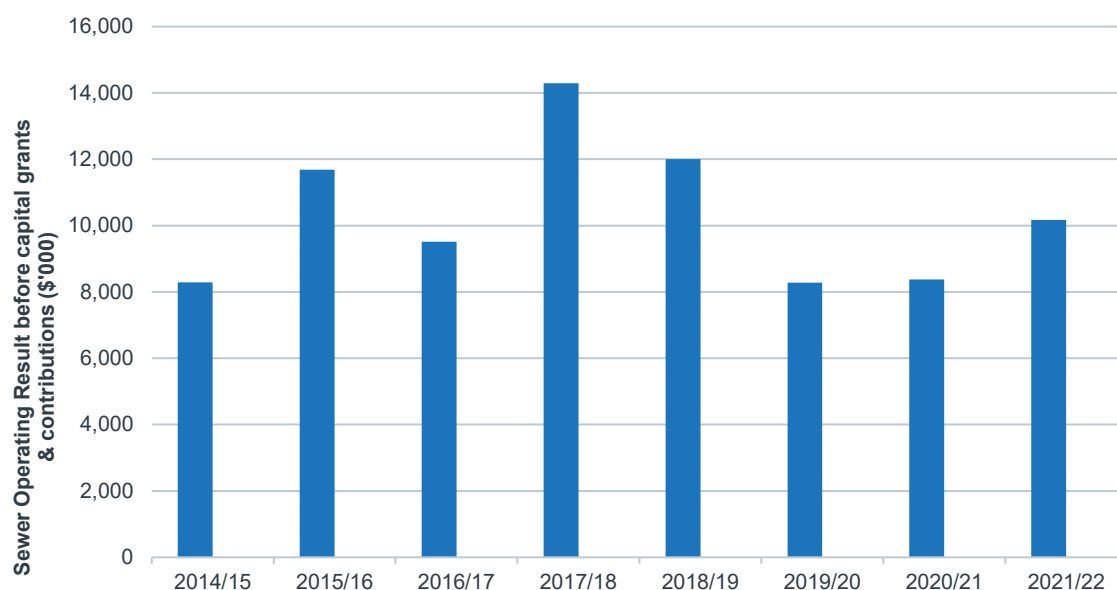
3.2.4 Sewerage Fund

Table 3.6 below outlines the reported income statement for the Sewerage Fund from 2014/15 to 2021/22 and budgets for 2022/23 (Q3) and 2023/24. Figure 3.7 depicts the actual operating result of the fund before capital grants and contributions over the eight years.

Table 3.6 – Income Statement – Sewerage Fund

INCOME STATEMENT – SEWER	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
	ACTUAL								Budget	Forecast
Income from continuing operations										
Rates and annual charges	36,415	37,870	38,906	41,893	44,006	45,319	46,529	47,999	49,136	51,384
User charges and fees	2,732	3,562	5,180	5,775	5,403	5,746	6,241	4,278	4,037	3,990
Other revenue	219	25	28	28	1,266	192	104	4	12	5
Grants and contributions provided for operating purposes	521	525	514	515	-	-	-	-	-	-
Grants and contributions provided for capital purposes	13,917	5,497	9,606	5,594	3,214	3,266	3,677	3,581	4,399	2,105
Interest and investment revenue	577	990	1,516	1,413	1,532	744	433	344	774	750
Other income	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	399	-	-	-	-	128	83	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-
Total income from continuing operations	54,381	48,868	55,750	55,218	55,421	55,267	57,112	56,289	58,358	58,234
Expenses from continuing operations										
Employee benefits and on-costs	9,781	9,462	10,565	10,545	11,086	10,738	9,363	11,316	11,202	11,897
Materials and services	6,190	6,522	6,439	6,109	6,811	9,139	16,058	12,852	10,970	12,067
Borrowing costs	2,700	2,389	2,873	3,989	5,040	4,660	4,358	3,776	3,360	3,175
Depreciation, amortisation and impairment of non-financial assets	7,699	9,499	10,745	9,855	10,665	11,090	15,279	14,565	15,300	16,191
Other expenses	3,631	3,812	4,012	4,805	5,770	7,262	1	26	35	37
Internal expenditure	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	2,177	-	2,000	31	830	829	-	-	-	-
Total expenses from continuing operations	32,178	31,684	36,634	35,334	40,202	43,718	45,059	42,535	40,867	43,367
Operating result from continuing operations	22,203	17,184	19,116	19,884	15,219	11,549	12,053	13,754	17,491	14,867
Net operating result for the year before grants and contributions provided for capital purposes	8,286	11,687	9,510	14,290	12,005	8,283	8,376	10,173	13,092	12,762

Source – Council Published Financial Statements

Figure 3.7 – Net Operating Result (before grants and contributions for capital) – Sewerage Fund

Source – Council Published Financial Statements

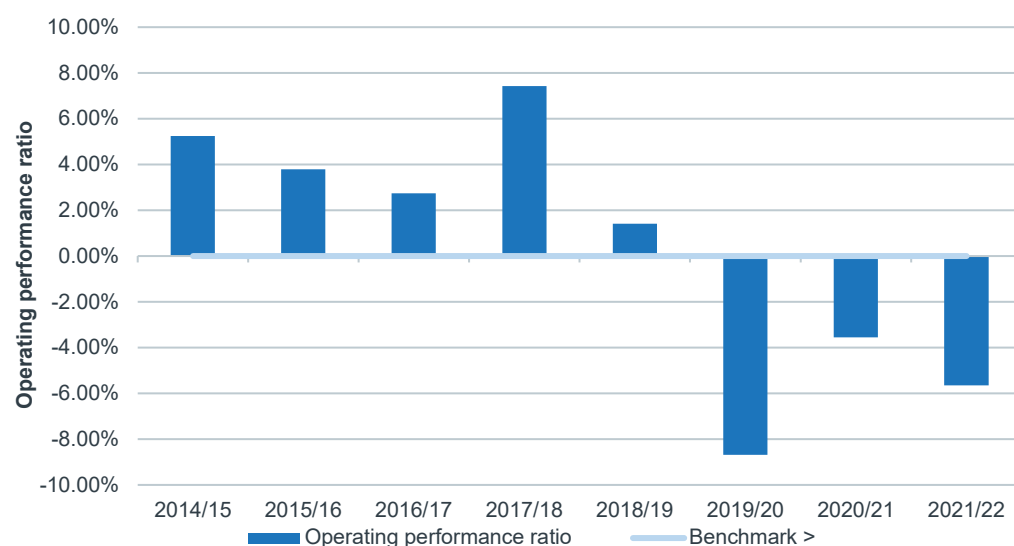
The reported net operating result for the Sewerage Fund is a surplus of between \$8.3 million and \$14.3 million over the past eight financial years. It is notable that, similar to the Water Fund, there has been a deterioration in the user charges and fees for the Sewer Fund by 31.5% (\$1.97 million) in 2021/22.

3.3 FINANCIAL PERFORMANCE MEASURES

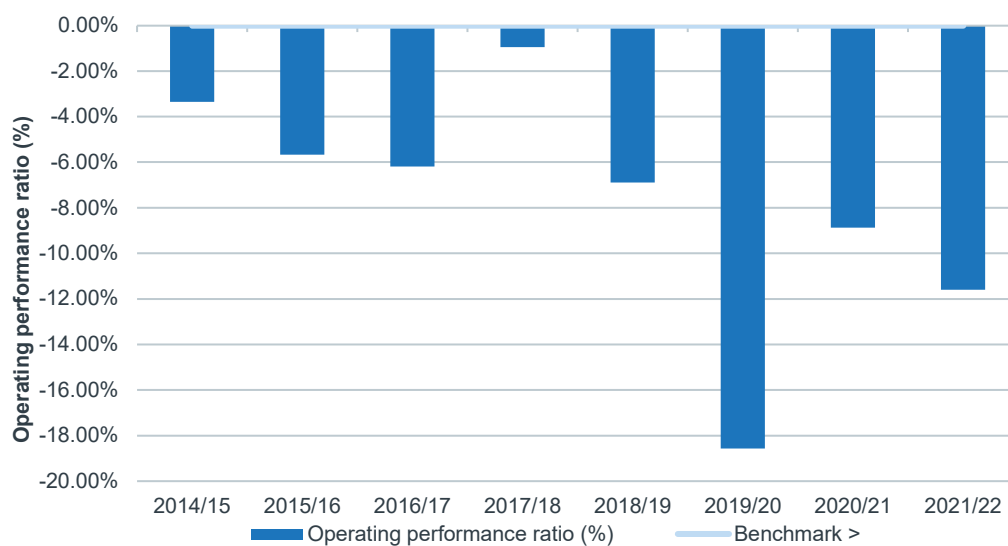
3.3.0 Operating Performance Ratio

This performance ratio measures Council's achievement of containing operating expenditure within operating revenue. The industry benchmark is for councils to be greater than 0.00%.

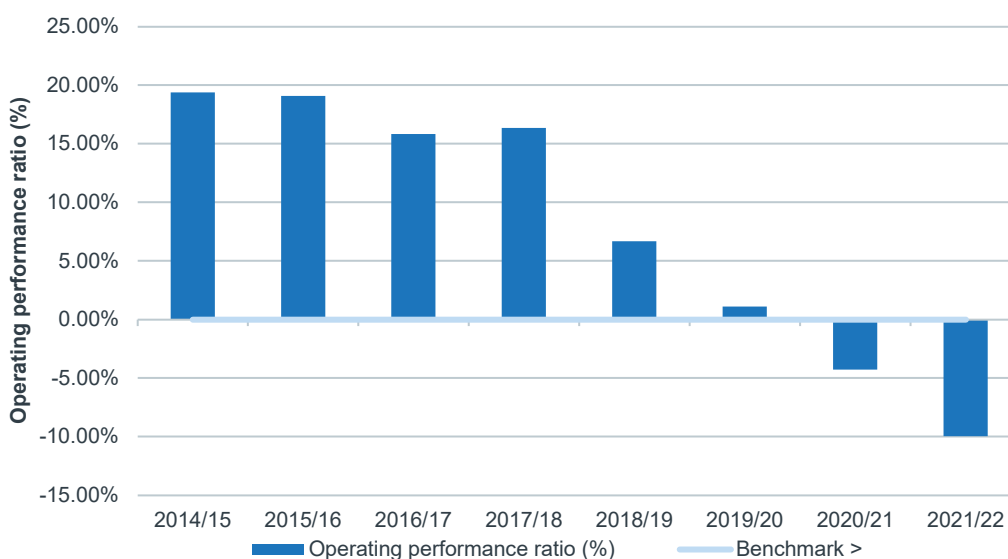
Council's operating performance ratio in 2019/20 deteriorated mainly due to \$14.8 million of additional expenses recognized for COVID-19 financial assistance to ratepayers and decrease of revenue because of bush fires and COVID-19 pandemic. The sewer operations is the only fund that has met the industry performance measures over the eight years of assessment.

Figure 3.8 – Operating Performance Ratio – Consolidated

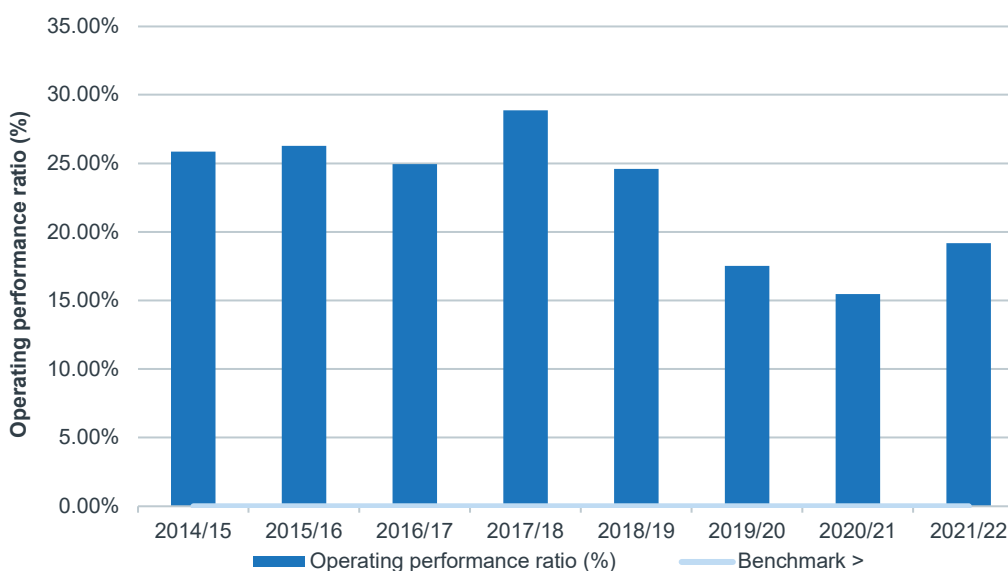
Source – Council Published Financial Statements

Figure 3.9 – Operating Performance Ratio – General Fund

Source – Council Published Financial Statements

Figure 3.10 – Operating Performance Ratio – Water Fund

Source – Council Published Financial Statements

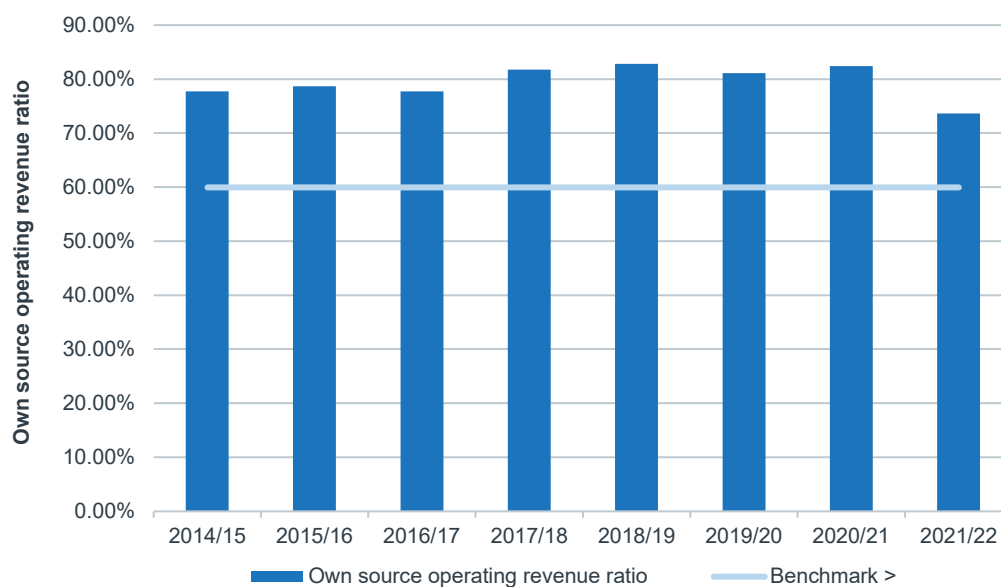
Figure 3.11 – Operating Performance Ratio – Sewer Fund

3.3.1 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. The benchmark is set at greater than 60%. Council has met this performance measure over the eight years but 2021/22 is the lowest over the period at 73.6% and this is due to an increase in capital grants and contributions received by Council.

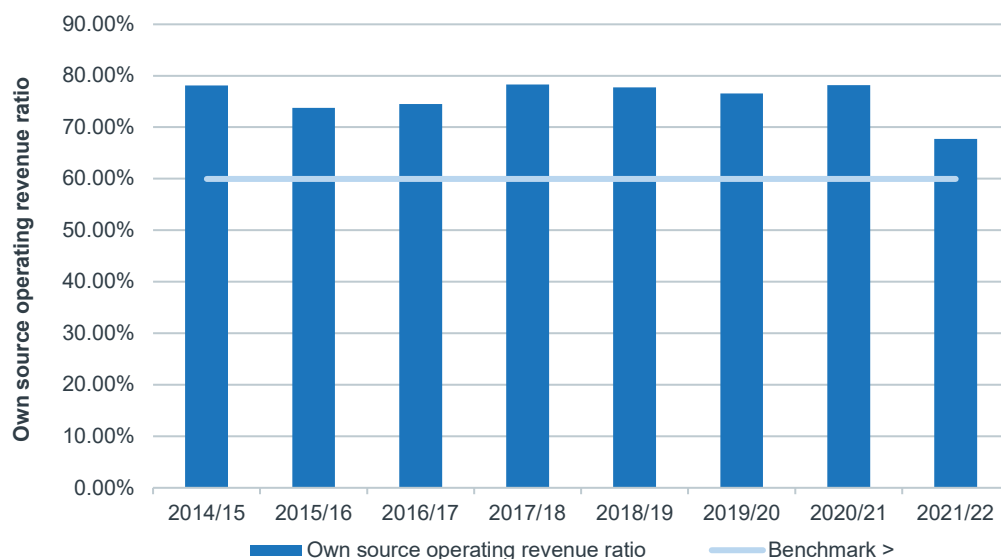
All Council funds have met the performance measure over the eight-year period.

Figure 3.12 – Own Source Operating Revenue Ratio – Consolidated

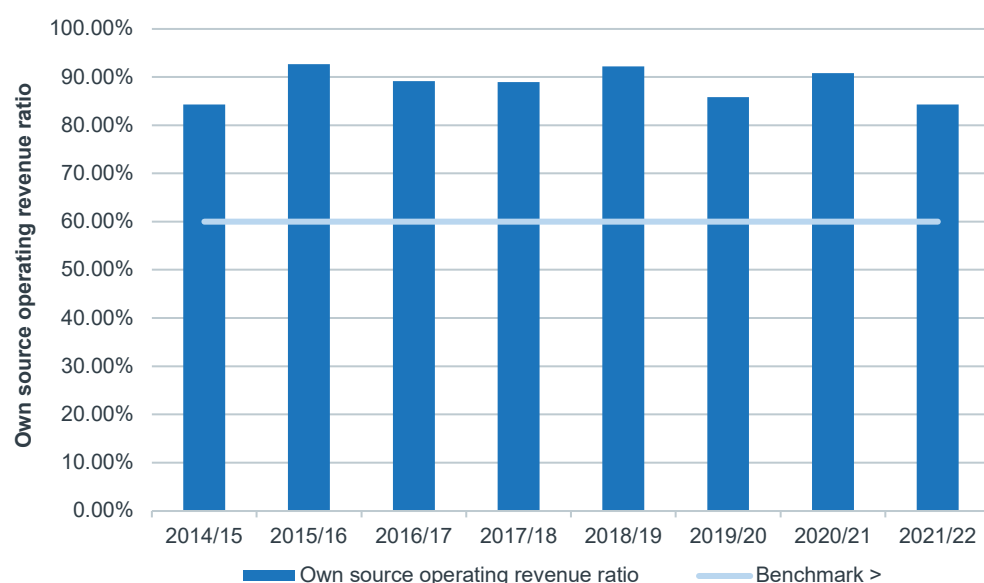
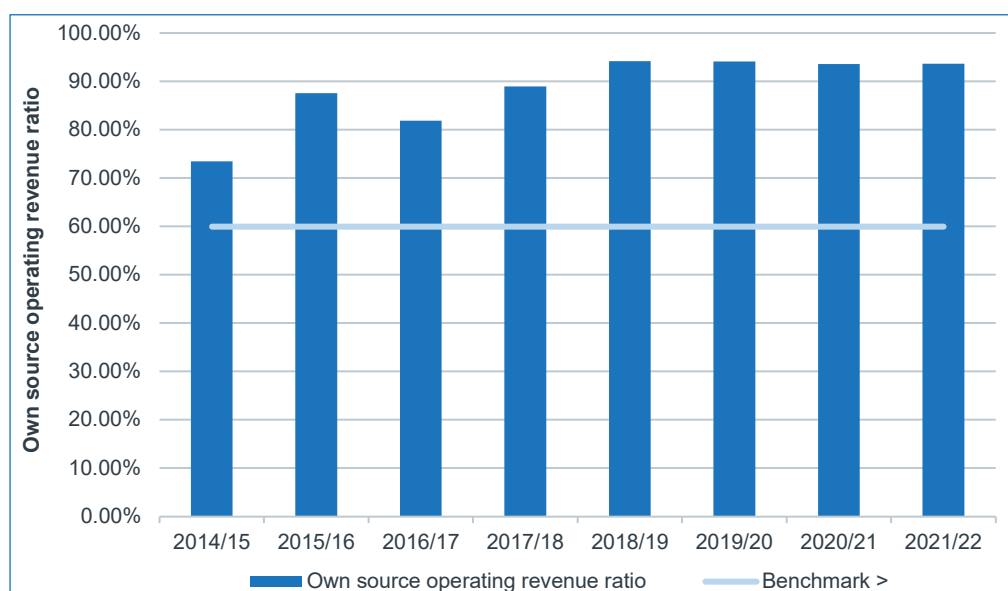


Source – Council Published Financial Statements

Figure 3.13 – Own Source Operating Revenue – General Fund



Source – Council Published Financial Statements

Figure 3.14 – Own Source Operating Revenue – Water Fund**Figure 3.15 – Own Source Operating Revenue – Sewer Fund**

3.3.2 Unrestricted Current Ratio

The purpose of this ratio is to assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. Benchmark been greater than 1.5.

Council has met this benchmark through all its fund and financial years with the exception for General Fund in 2014/15. Since then, Council has improved its performance and maintain a higher level of current assets over its current obligations or liability.

It should be noted that Council funds carried over capital works from previous year from the residual unrestricted cash available as at the end of the previous year. This results in minimal unrestricted cash available to mitigate risk to budgets and unforeseen events effecting services that are within the General Fund.

It should also be further noted that the adequacy of internal and external reserves will be further assessed as to whether the reserves are sufficient to address the infrastructure investments required for both asset renewals and investment in new assets to meet growth requirements.

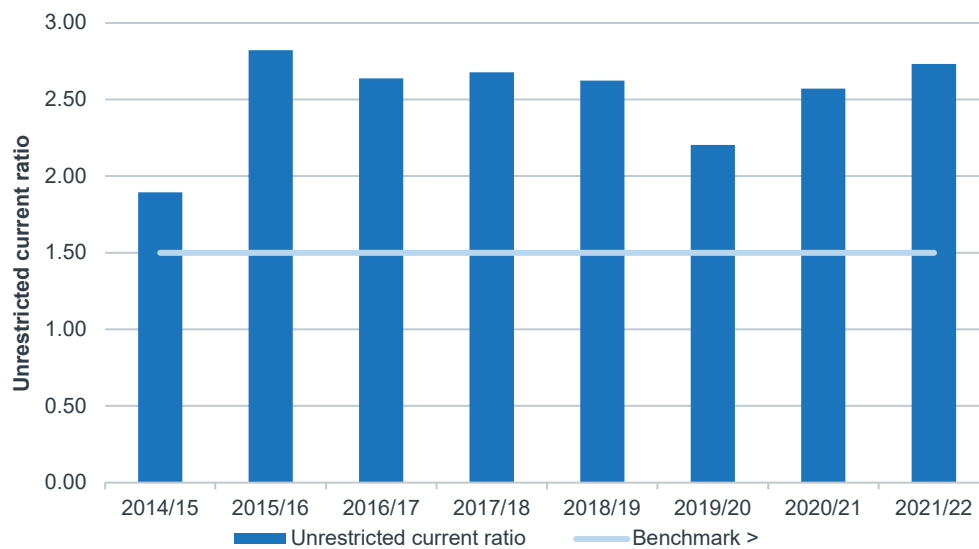
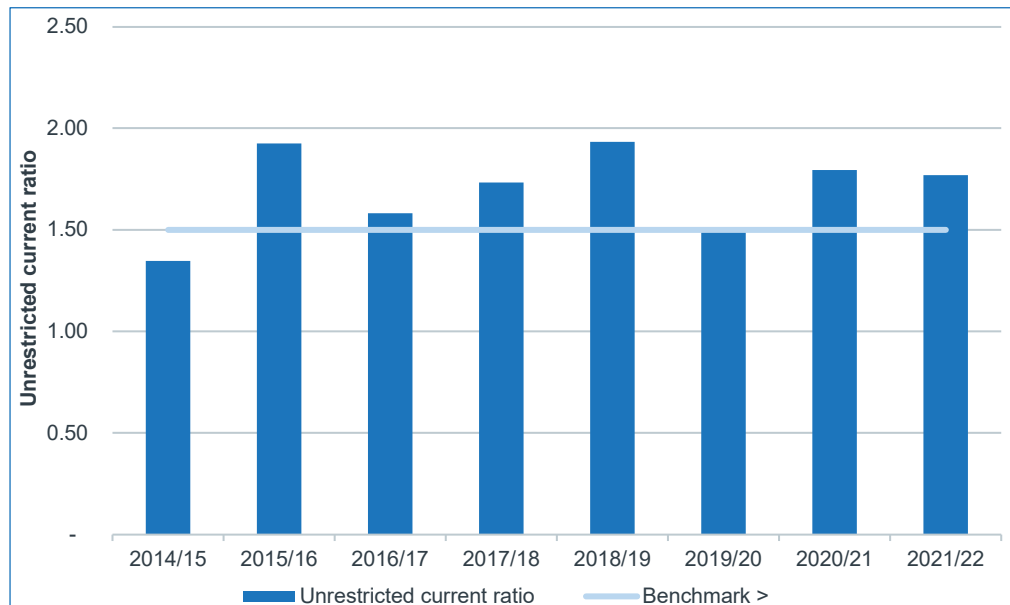
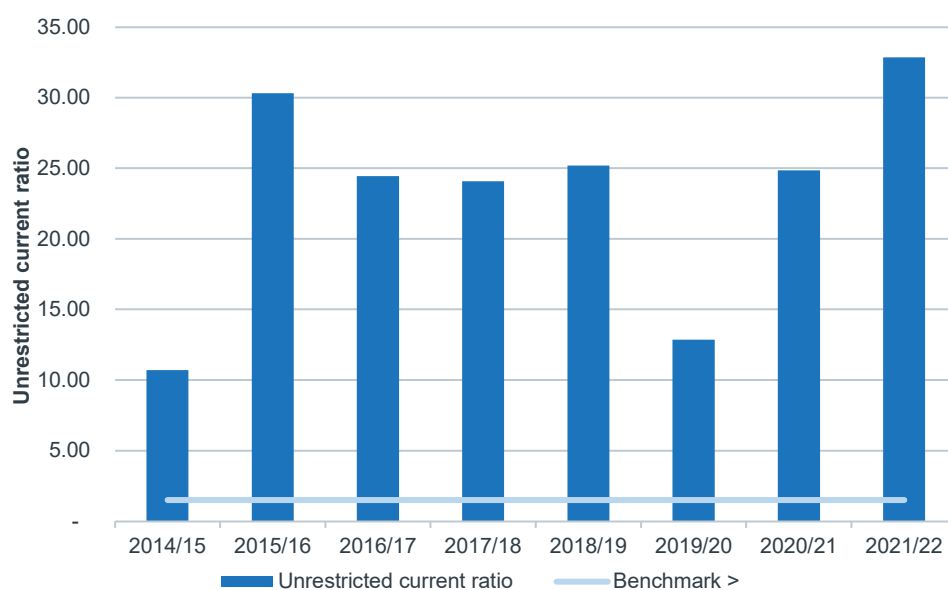
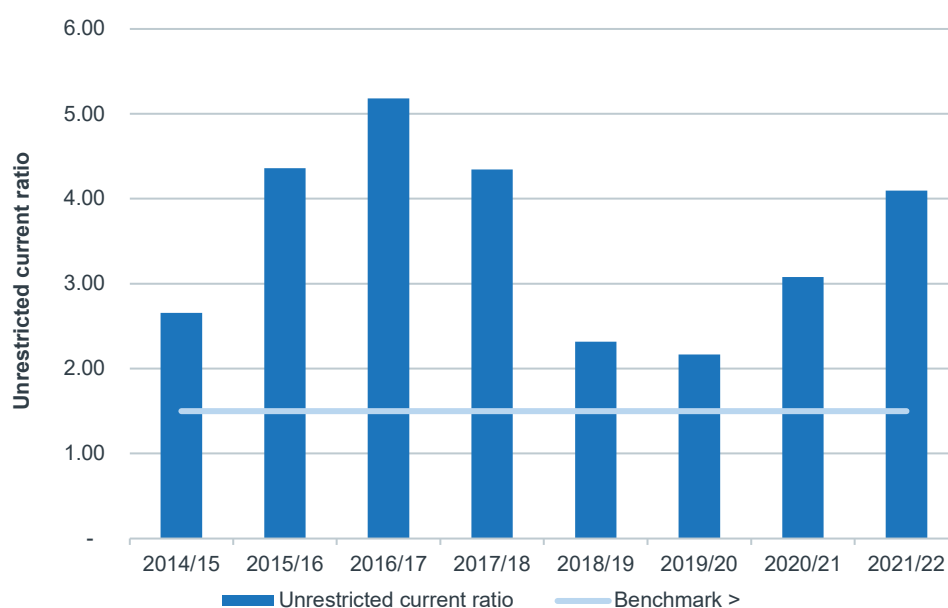
Figure 3.16 – Unrestricted Current Ratio – Consolidated**Figure 3.17 – Unrestricted Current Ratio – General Fund**

Figure 3.18 – Unrestricted Current Ratio – Water Fund

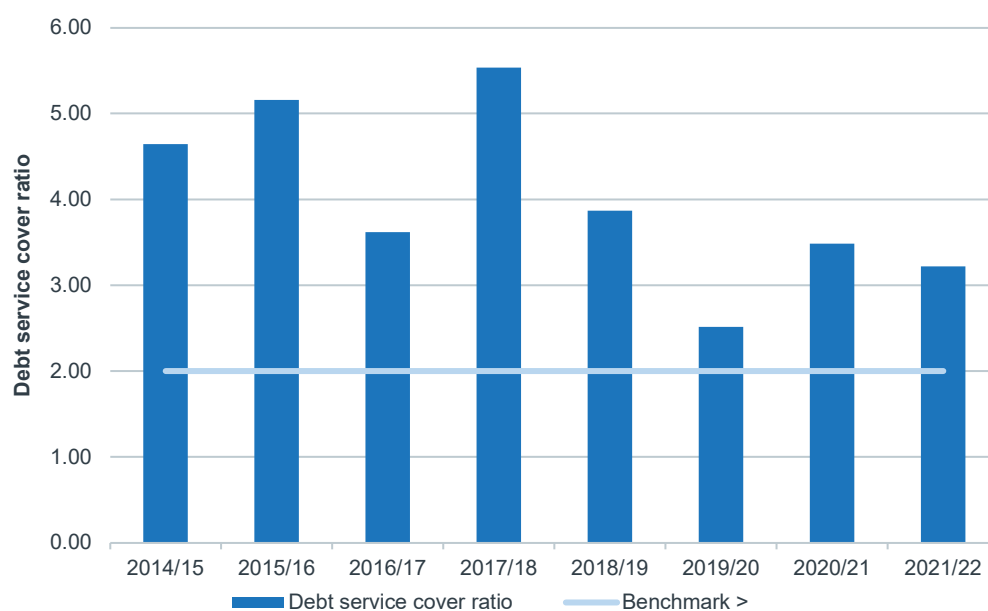
Source – Council Published Financial Statements

Figure 3.19 – Unrestricted Current Ratio – Sewer Fund

Source – Council Published Financial Statements

3.3.3 Debt Service Cover Ratio

The rationale of the debt service cover ratio measures the availability of operating cash to service debt including interest, principal, and lease payments. Council has at a consolidated level met the benchmark of 2.00. The lowest ratio was in 2019/20 at 2.51, which was due to the impact of the Bushfire and COVID 19 during the year which impacted Council's operating cash. However, Council was still able to generate sufficient cash to cover its debt with a ratio of 2.67 higher than the benchmark of 2.00.

Figure 3.20 – Debt Service Cover Ratio – Consolidated

3.4 AVAILABILITY OF CASH

The following sections provide analysis of Council's historical performance in generating and using cash for operating, investing, and financing activities. Council does not report a cashflow by fund type in the financial statements and therefore the following analysis is on a consolidated basis.

3.4.0 Consolidated Cashflow

Table 3.7 below outlines the reported consolidated cashflows for financial years from 2014/15 to 2021/22 and the two preceding years of budgets. The cash generated from operating activities fluctuated significantly over the period, most notably due to grants and contributions. The fluctuations in grants received differs from the Income Statement due to a change in accounting standards (reflected from 2019/20 onwards) that require Council to recognise the grants provided for specific purposes to be aligned with the delivery of the service or asset acquisition that the grant has been provided for. In the Statement of Cashflows, the grant is recognised when received. It is therefore important that Council accounts for grants within constrained reserves to ensure the cash received is quarantined for the purposes of the grant.

Total cash, cash equivalents and investments increased in the first four years till 2017/18 and then fluctuated over the other four-year period. This has been further analysed to identify which funding types and what service areas have accumulated cash and what is the unrestricted component of the cash that Council has accumulated.

Figure 3.21 highlights the consolidated cash flows for operating, investing, and financing activities. Both the cash flows generated from operating activities and the cash flows used in investing activities fluctuate. The fluctuation is due to grant funding received and used in investment in assets, as well as the annual completion of other investments in the annual capital works plan.

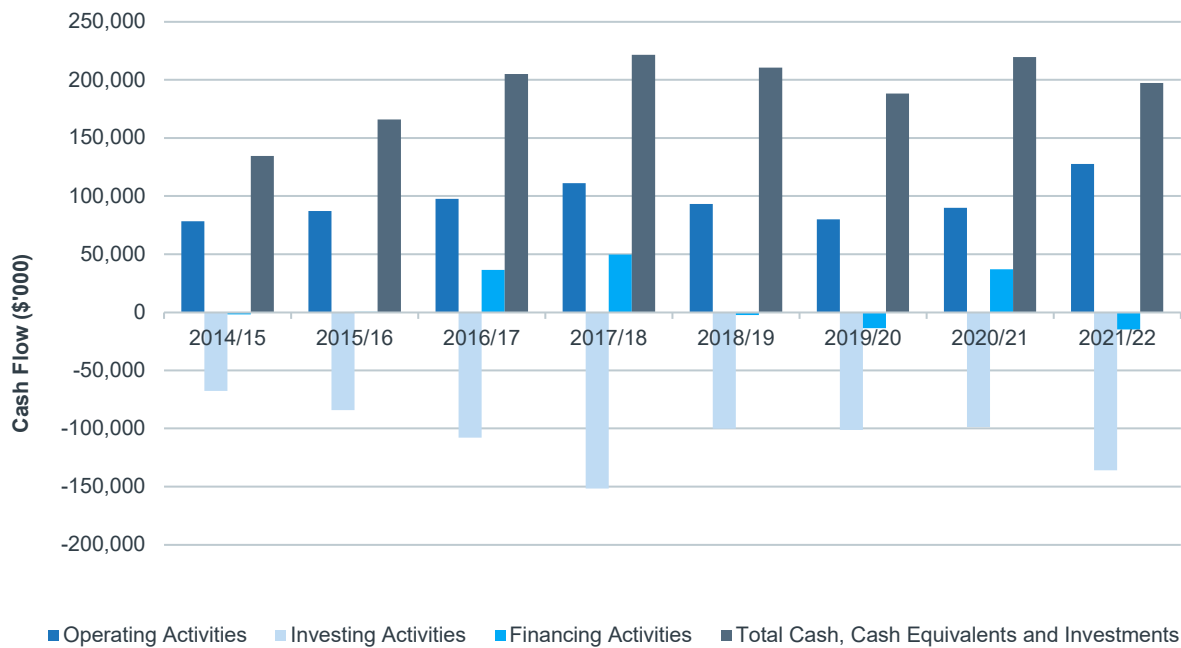
Figure 3.22 highlights what proportion of the cash that has been accumulating is managed from within readily accessible cash accounts (cash & cash equivalent) and what is used in investments – investments return a higher return than cash within readily accessible bank accounts. Forward planning of the use of Council's cash enables the interest earned from cash to be maximised by investing responsibly. Investments have increased from \$111.6 million at the end of 2014/15 to \$175.8 million at the end of 2021/22.

Table 3.7 – Statement of Cash Flows - Consolidated

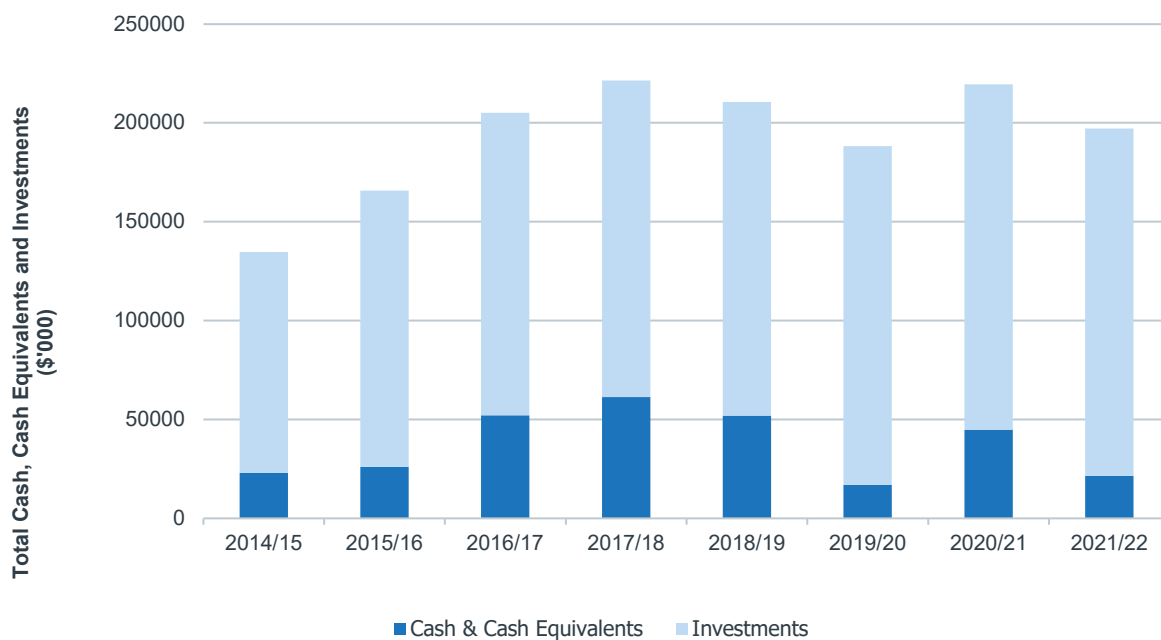
STATEMENT OF CASH FLOWS – CONSOLIDATED	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
	ACTUAL								Budget	Forecast
Cash Flows from operating activities										
Receipts:										
Rates and annual charges	110,882	115,648	117,876	132,938	142,166	150,980	153,116	161,561	168,549	176,835
User charges and fees	58,427	66,116	75,288	84,631	75,823	72,194	89,393	88,547	90,394	95,621
Investment and interest revenue received	5,080	6,101	6,811	6,589	6,322	5,489	3,075	2,151	8,126	7,534
Grants and contributions	39,790	55,057	46,301	49,954	45,321	44,937	55,794	93,392	136,144	71,178
Bonds, deposits and retention amounts received	194	1,225	2,602	2,409	2,316	1,496	863	3,032	-	-
Other operating	2,648	10,629	5,778	19,591	20,299	20,321	17,910	18,880	5,230	4,772
Payments:										
Employee benefits and on-costs	(63,294)	(67,667)	(72,972)	(76,576)	(80,486)	(86,250)	(95,058)	(100,647)	(103,883)	(108,114)
Materials and services	(45,178)	(58,868)	(54,325)	(67,920)	(70,347)	(79,151)	(101,608)	(97,006)	(6,261)	(7,453)
Borrowing costs	(4,181)	(3,865)	(3,554)	(4,777)	(6,640)	(6,167)	(5,578)	(5,783)	(110,152)	(100,899)
Bonds, deposits and retention amounts refunded	-	-	-	(4,054)	(2,669)	(1,929)	(1,126)	(903)	-	-
Other operating	(26,103)	(37,386)	(26,138)	(31,750)	(38,990)	(41,930)	(26,947)	(35,550)	(16,818)	(16,082)
Net cash provided (or used in) operating activities	78,265	86,990	97,667	111,035	93,115	79,990	89,834	127,674	171,329	123,392
Cash Flows from investing activities										
Receipts:										
Sale of investments	113,653	89,983	151,530	134,027	123,978	147,652	184,334	83,497	70,000	5,000
Sale of infrastructure, property, plant and equipment	4,007	2,706	4,830	3,958	2,504	7,592	3,256	3,127	4,085	2,195
Deferred Debtors Receipts	5,124	-	329	12	17	17	-	14	-	-
Other investing	420	1,527	2,678	2,560	821	-	1,924	4,369	4,900	3,318
Payments:										
Purchase of investment securities	(120,749)	(114,002)	(164,419)	(141,251)	(122,695)	(160,183)	(187,598)	(87,028)	-	(5,000)
Purchase of infrastructure, property, plant and equipment	(68,913)	(64,111)	(102,791)	(150,700)	(100,374)	(95,423)	(99,124)	(140,032)	(234,782)	(156,515)
Purchase of intangible assets	-	-	-	-	(2,696)	(399)	(263)	-	-	-
Purchase of real estate assets	(1,186)	-	(80)	(216)	(1,792)	(421)	(1,301)	-	(15,308)	-
Deferred debtors and advances made	-	(316)	-	-	(52)	(44)	(62)	(34)	-	-
Other investing	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) investing activities	(67,644)	(84,213)	(107,923)	(151,610)	(100,289)	(101,209)	(98,834)	(136,087)	(171,105)	(151,002)

STATEMENT OF CASH FLOWS – CONSOLIDATED										2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
										\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
										ACTUAL								Budget	Forecast
Cash Flows from financing activities																			
Receipts:																			
New Residential Accommodation Bonds										-	-	-	-	-	-	-	-	-	-
Proceeds from borrowings										7,873	9,724	50,750	59,262	9,875	-	50,457	2,601	55,895	17,728
Other financing										-	-	-	-	-	-	-	-	-	-
Payments:																			
Repayment of borrowings and advances										(9,788)	(9,484)	(14,351)	(9,484)	(12,149)	(13,764)	(13,595)	(17,517)	(18,844)	(20,288)
Principal component of lease payments										-	-	-	-	-	8	-	-	-	-
Other financing										-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) financing activities										(1,915)	240	36,399	49,778	(2,274)	(13,756)	36,862	(14,916)	37,051	(2,560)
Net increase/(decrease) in cash and cash equivalents										8,706	3,017	26,143	9,203	(9,448)	(34,975)	27,862	(23,329)	37,275	(30,170)
Cash and cash equivalents - beginning of year										14,237	22,943	25,960	52,103	61,306	51,858	16,883	44,745	21,416	58,691
Cash and cash equivalents - end of the year										22,943	25,960	52,103	61,306	51,858	16,883	44,745	21,416	58,691	28,521
Investments on hand - end of year										111,634	139,763	152,949	160,192	158,711	171,368	174,775	175,778	105,778	105,778
Total cash, cash equivalents and investments										134,577	165,723	205,052	221,498	210,569	188,251	219,520	197,194	164,469	134,299

Source – Council Published Financial Statements

Figure 3.21 - Cash Flows for Operating, Investing and Financing Activities - Consolidated

Source – Council Published Financial Statements

Figure 3.22 – Total Cash and Investments at end of financial year - Consolidated

Source – Council Published Financial Statements

3.4.1 Cash restrictions

Table 3.8 below outlines the balance of cash held within the different reserves and what cash is unrestricted.

Table 3.8 – Cash Reserves – Consolidated – as at 30 June 2022

	2021/22 \$'000
Externally Restricted – Liabilities	
Specific purpose unexpended loans - general fund	12,636
Self-insurance claims	4,048
Specific purpose unexpended grants - general fund	30,239
Specific purpose unexpended grants - water fund	583
Specific purpose unexpended grants - sewer fund	520
External restrictions - included in liabilities	48,026
Externally Restricted – other	
Developer contributions – general	18,145
Developer contributions – water	19,148
Specific purpose unexpended grants (recognised as revenue) – general fund	612
Water fund	35,460
Sewer fund	30,661
Stormwater management	233
Other special levies	341
Domestic waste management	8,774
External restrictions – other	113,374
Internally Restricted	
Art collection	48
Coastal management	392
Committed capital works	1,140
Communication towers	4,431
Critical asset compliance	480
Deposit, retentions & bonds	4,862
Dog off leash	91
Economic development projects	637
Employees leave entitlements	5,881
Financial assistance grant	3,904
General insurance	208
Jervis Bay territory	93
Land decontamination	19
Land development reserve	-
Plant & vehicle replacement	4,138
Plant replacement cemeteries	1,224
Renewal energy reserve	100
S7.11 matching funds	311
S7.11 recoupment funds	3,261
Shoalhaven foreshore development	1,097
Sporting facilities	-
Strategic projects	867
Strategic property acquisitions	-
Total internal allocations	33,213
Total internal and external restrictions	194,613
Total cash, cash equivalents and investments	197,194
Externally restricted cash	113,374
Internally restricted cash	33,213
External restrictions - included in liabilities	48,026
Unrestricted and unallocated cash, cash equivalents and investments	2,581

Source – Council Published Financial Statements

At the end of 2021/22, Council had total cash, cash equivalents and investments of \$197.2 million, of which \$113.4 million is externally restricted, \$33.2 million is internally restricted and a further \$48.0 million is held in reserve for commitments in reported liabilities (mostly contracted grant liabilities). The residual amount of \$2.6 million is considered unrestricted. It would be important to find out if Council has completely restricted incomplete capital works from prior years. Council does have an internal reserve but only \$1.1 million was restricted at 30 June 2022.

Internal reserves have been created by historical Council resolutions. Council should review its internal reserves at least on an annual basis for its relevance

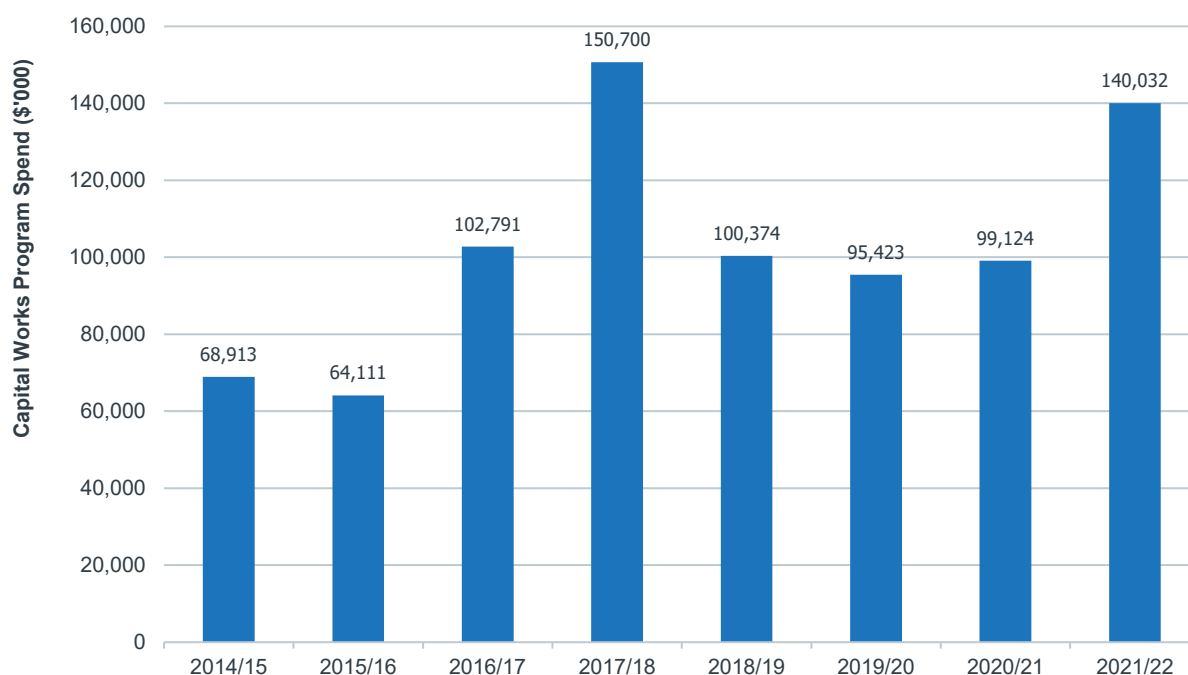
3.5 INVESTMENT IN ASSETS

The following sections outline Council's historical approach to investing in assets and performance measures achieved. Asset management component of the project will be revaluated in more detail through the course of the project. Asset management is a core discipline and an essential management approach to ensuring Council's investment in assets delivers on both the sustainability of physical assets and fiscal capital (that is, Council's ability to access cash). The following analysis outlines Council's current approach to asset management, followed by analysis of Council's performance of investing in assets by fund type.

3.5.0 Capital Works Spend

Shoalhaven City Council has spent in total \$821.5 million over eight years on capital expenditure, an average of \$102.7 million annually.

Figure 3.23 – Capital Program Spend – Consolidated



Source – Annual Financial Statements

3.5.1 Reported Condition of Assets

In preparing the Annual Financial Statements, Council is required to complete the Special Schedules, which includes the Report on Infrastructure Assets. Figure 3.24 below is an extract from the 2021/22 Annual Financial Statements.

Figure 3.24 – Report on Infrastructure Assets – Extract

Report on Infrastructure Assets as at 30 June 2022												
Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^{b, c}	2021/22 Required maintenance ^c	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1 ¹	2 ²	3 ³	4 ⁴	5 ⁵
Buildings	Buildings	6,744	4,132	11,206	9,956	—	468,521	26.5%	39.0%	29.7%	4.0%	0.9%
	Sub-total	6,744	4,132	11,206	9,956	332,220	468,521	26.5%	39.0%	29.7%	4.0%	0.9%
Other structures	Other structures	1,976	2,992	476	348	117,133	148,011	42.6%	31.9%	22.2%	1.3%	2.0%
	Sub-total	1,976	2,992	476	348	117,133	148,011	42.6%	31.9%	22.2%	1.3%	2.0%
Roads	Sealed roads	74,519	24,348	11,859	10,570	798,189	1,205,274	4.7%	44.1%	28.5%	20.7%	2.0%
	Unsealed roads	3,022	2,413	2,428	2,211	6,424	23,412	2.0%	10.3%	46.4%	31.0%	10.3%
	Bridges	3,007	2,805	410	252	73,472	129,289	42.2%	26.0%	24.7%	5.0%	2.2%
	Footpaths	598	243	828	429	73,655	105,539	33.4%	45.3%	19.3%	1.8%	0.2%
	Other road assets	1,238	1,069	2,158	1,930	243,099	327,640	87.9%	7.7%	3.3%	0.9%	0.3%
	Bulk earthworks	—	—	—	—	318,431	318,431	100.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	82,384	30,878	17,683	15,392	1,511,014	2,109,585	35.7%	30.4%	19.8%	12.7%	1.5%
Water supply network	Water supply network	27,889	8,581	8,986	8,099	422,538	858,129	5.0%	26.0%	57.0%	11.0%	1.0%
	Sub-total	27,889	8,581	8,986	8,099	422,538	858,129	5.0%	26.0%	57.0%	11.0%	1.0%
Sewerage network	Sewerage network	14,216	9,477	12,994	12,981	654,856	947,709	15.0%	37.0%	43.0%	4.0%	1.0%
	Sub-total	14,216	9,477	12,994	12,981	654,856	947,709	15.0%	37.0%	43.0%	4.0%	1.0%
Stormwater drainage	Stormwater drainage	8,444	6,988	1,213	1,377	178,926	291,174	4.5%	63.3%	23.0%	6.8%	2.4%
	Sub-total	8,444	6,988	1,213	1,377	178,888	291,174	4.5%	63.3%	23.0%	6.8%	2.4%
Open space / recreational assets	Swimming pools	731	—	3,372	2,621	11,691	25,791	5.0%	6.9%	76.8%	11.3%	0.0%
	Other open space / Recreational Assets	790	655	2,603	1,801	38,283	66,741	42.4%	21.1%	32.7%	2.8%	1.0%
	Sub-total	1,521	655	5,975	4,422	49,974	92,532	32.0%	17.1%	45.0%	5.2%	0.7%
Other infrastructure assets	Other infrastructure assets	2,912	3,863	800	632	31,847	57,724	17.0%	19.5%	50.0%	6.8%	6.7%
	Sub-total	2,912	3,863	800	632	31,847	57,724	17.0%	19.5%	50.0%	6.8%	6.7%
Total – all assets		146,086	67,566	59,333	53,207	3,298,470	4,973,385	23.7%	33.3%	32.6%	9.0%	1.4%

Source – Annual Financial Statements 2021/22

AEC has reviewed the preparation of the Report on Infrastructure Assets as at 30 June 2022 and completed analysis to inform the assessment as to whether Council has been investing in assets in a sustainable manner.

Our review and discussions with asset custodians indicate that the Report on Infrastructure Assets was completed without reliable data on the actual asset condition and backlog reporting and is therefore not reliable as an accurate reflection of the condition of Council's assets.

The following observations were made by AEC:

- Reported condition of the assets is not determined by a quantitative assessment, relying instead upon opinion of officers involved in the management of the assets.
- The estimated cost to bring assets to satisfactory standard is based on opinion of officers involved in the preparation of the report, not based on a quantitative assessment of Council's asset register.
- Required maintenance is based on historical expenditure, not on a cost of required and planned maintenance.

AEC has undertaken at least 24 virtual engagements with asset custodians to understand the asset management approach currently practiced by Council. The approach involved modelling asset renewals, engaging with key asset management personnel via online meetings, and utilising an engagement framework to evaluate the current approach's maturity and financial impact on Council's planning.

Conclusions from our investigations include:

- Council has not invested in condition data collection or assessments to adequately plan for asset renewals and maintenance.
- Council should refine its methodology for determining the funding programs of works, and prioritising the programs of works to ensure adequate investment in programs of renewals over the mid-term, while providing flexibility from year to year to adjust within the program.
- Development of funding requirements for renewal programs should be activity based where possible, with known quantity of works at a known cost rate e.g., 150kms or road reseals at rate of \$15/m2.
- Council should develop and maintain records to inform productivity assessment and productivity targets in setting budgets – e.g., \$/km graded, \$/m of pipe relined, \$/km of gravel re-sheeting.
- Anecdotally from asset custodians, Council has significantly under invested in its buildings and stormwater assets.
- Maintenance is heavily reactive, with limited planning for cyclical and other preventative maintenance. Generally, cost of maintenance for reactive works is at least 3 times that of planned maintenance, with breakdown maintenance costing more than 5 times the cost to maintain assets. It would suggest there is significant capacity to improve the efficiency of Council's maintenance activities.
- In the short term (next 12months), Council should focus less on capital expenditure (which may not be the correct priority until substantiated) and instead, direct resources to asset condition data collection, assessment and the development of Asset Management Plans to better inform investment decisions and ensure correct prioritisation and direction of investments.

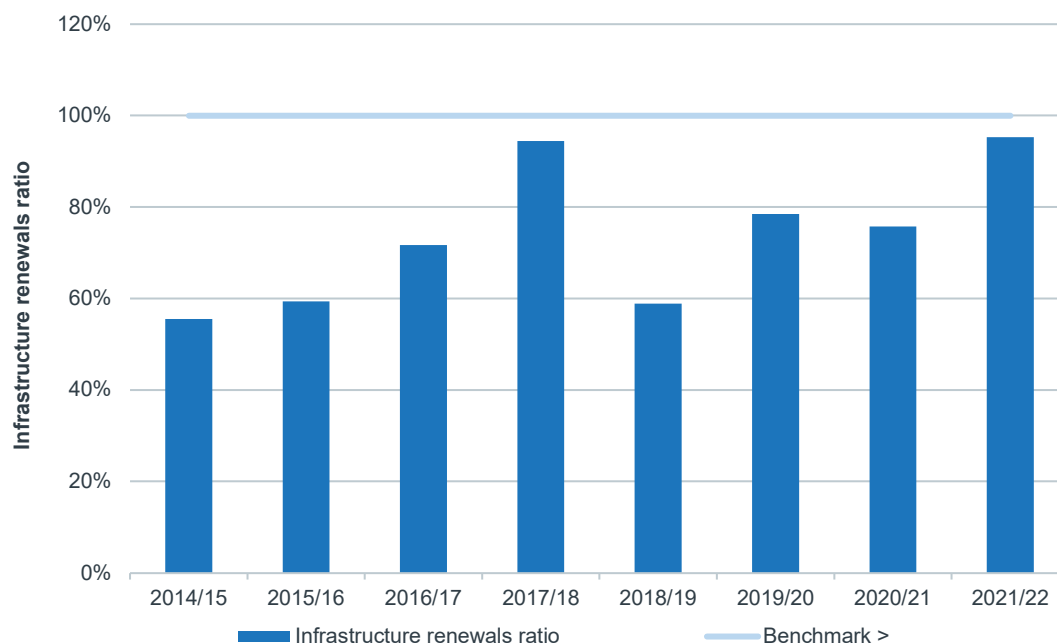
AEC has reviewed the preparation of the Report on Infrastructure Assets as at 30 June 2022 and completed analysis to inform the assessment as to whether Council has been investing in assets in a sustainable manner. The following are standard observations:

- Reported condition of the assets is determined by a qualitative assessment, relying upon opinion of officers involved in the management of the assets.
- The estimated cost to bring assets to satisfactory standard is based on opinion of officers involved in the preparation of the report, not based on a quantitative assessment of Council's asset register.
- Required maintenance is based on historical expenditure, not on a cost of required and planned maintenance.

- The current form of the Report on Infrastructure does not add any value to Council as this is just done as a 'tick the box' exercise. One of the recommendations from the review is for Council to have a presentation to the elected members experiencing the value of a properly done Report on Infrastructure Asset and its application towards sound asset management decisions.

3.5.2 Performance Measure – Building and Infrastructure Renewals Ratio

Figure 3.25 – Building and Infrastructure Renewals Ratio – Consolidated



Source – Annual Financial Statements

Figure 3.24 above outlines the Council's consolidated historical performance based on the building and infrastructure renewals ratio. The ratio is calculated by the value of asset renewals on buildings and infrastructure divided by the depreciation of buildings and infrastructure. If the ratio is above 100%, the cost of renewals in the financial year exceeds the estimate of the value of the assets consumed within the year (that is, depreciation expense). Over the long term, the average building and infrastructure renewal need to be at least 100% to indicate that Council is replacing assets at the same rate as the assets are being consumed. The ratio will only be accurate if the calculation of annual depreciation expense materially reflects actual consumption.

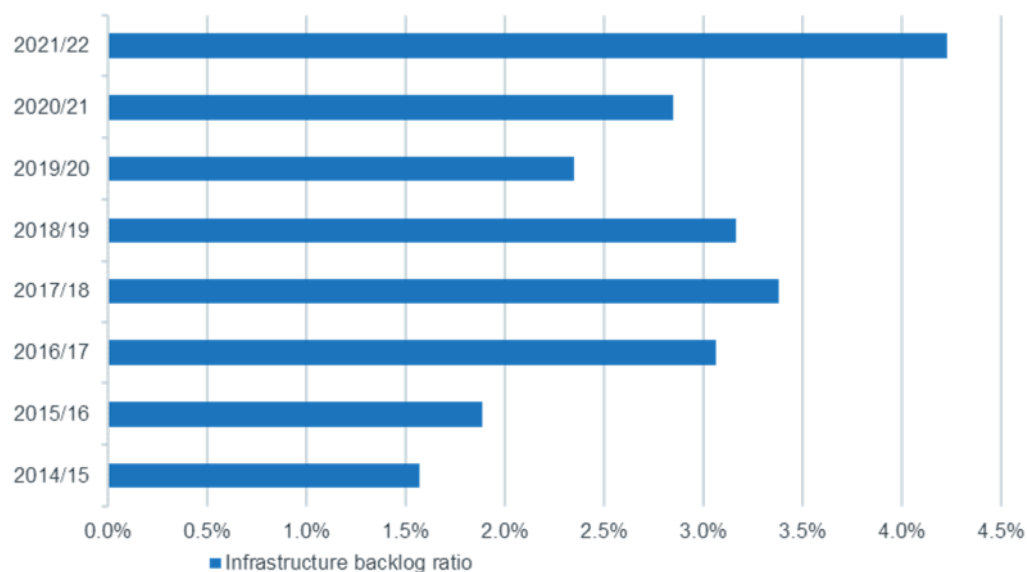
The building and infrastructure renewals ratio indicated that Council has spent less on building and infrastructure asset renewals than its forecast depreciation of buildings and infrastructure assets.

Shoalhaven City Council has not met this ratio over the past eight years whereby indicating that the renewal of building and infrastructure assets are less than the depreciation (or consumption) of assets. If a majority of Council's assets are new, and in early years of life, that may not be a problem. However, if the majority of assets are in later years of life than the renewal ratio is an indication of a significant underinvestment in asset renewals and an increase in the backlog of renewals would be expected (deferring the need to fund the treatments in future years).

It should also be noted, if renewal treatments are required to protect other asset components, such as reseals and roof replacements, deferring the renewal treatment increases the risk of early deterioration of the other asset components, which typically result in a significantly higher cost – for example, water penetrating into the pavement of the road and requiring rehabilitation of the pavement which is approximately \$200/m² compared to reseal at approximately \$8-10/m².

3.5.3 Performance Measure – Infrastructure Backlog Ratio

Figure 3.26 – Infrastructure Backlog Ratio – Consolidated



Source – Annual Financial Statements

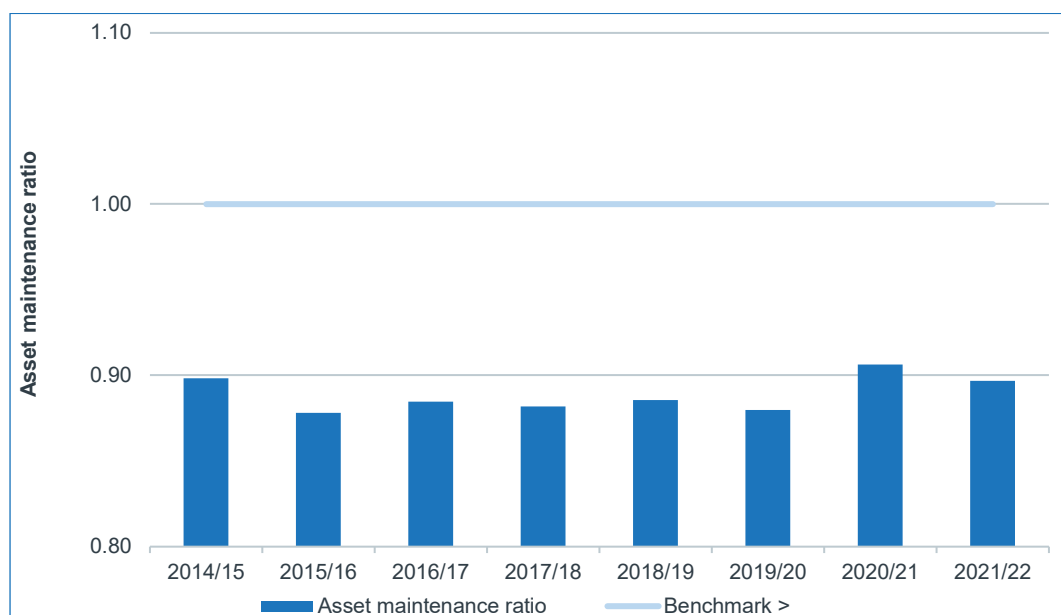
The infrastructure backlog ratio is calculated by dividing the total estimated cost to bring assets back to satisfactory standard by the total gross replacement cost of assets. A target of below 2% is the established industry benchmark. The reported ratio for Council has fluctuated across the previous five financial years, most likely due to a difference in the measurements used rather than being indicative of the investment made to reducing the actual backlog.

Shoalhaven in the past six years of the eight financial years assessed has not met this performance measure as it has been over 2%. 2021/22 financial year been the worst with 4.22%.

The accuracy of the performance reported depends upon how accurate the Council has been in estimating the cost of the backlog. AEC will test this to ensure the backlog is being measured accurately.

3.5.4 Performance Measure – Asset Maintenance Ratio

Figure 3.27 – Asset Maintenance Ratio – Consolidated



Source – Annual Financial Statements

The asset maintenance ratio is calculated by dividing the actual maintenance spend for the reported financial year by the total cost of planned asset maintenance (as outlined in the Asset Management Plans). Figure 3.27 indicates that the Council's actual expenditure on maintenance has been reasonably consistent with the planned maintenance.

Shoalhaven City Council again is below the industry performance measure of 1.0, indicating that Council's actual asset maintenance is below the planned asset maintenance as stated in Council's Asset Management Plans.

3.6 SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

In summary, the historical performance of the Council over the past and current periods that were analysed is as follows:

Operating Position

- Council has produced a net operating deficit in the last three years of the eight past financial years. The deficit in the 2019/20 financial year was due to a significant increase in material and services (\$42.2 million), reduced investment and interest income (\$2.0 million) and increase in employee costs (\$3.3 million).
- The General Fund's net operating position has been in a deficit position over the past eight years, most notably impacted by accounting recognition of events such as losses on disposal of assets, asset revaluation decrements and the reversal of asset revaluation decrements.
- The Water Fund experienced surpluses until 2018/19 and since then for the last three years produced increasing deficits. The subsequent budgets for 2022/23 and 2023/24 are planning to produce deficits. There was a significant reduction in annual charges in the 2021/22 dropping by 17.4% (\$0.96 million) and a reduction in user charges and fees of 9.7% (or approx. \$2.23 million).
- The reported net operating result for the Sewerage Fund is a surplus of between \$8.3 million and \$14.3 million over the past eight financial years. It is notable that, like the Water Fund, there has been a deterioration in the user charges and fees for the Sewer Fund by 31.5% (\$1.96 million) in 2021/22.

- Council's operating performance ratio in 2019/20 deteriorated mainly due to \$14.8 million of additional expenses recognized for COVID19 financial assistance to ratepayers and decrease of revenue because of bush fires and COVID-19 pandemic. The sewer operations is the only fund that has met the industry performance measures over the eight years of assessment.

Capacity to Maintain Fiscal Capital (Cash)

- Total cash, cash equivalents and investments increased in the first four years till 2017/18 and then fluctuated over the other four-year period. This can be further analysed to identify which funding types and what service areas have accumulated cash and what is the unrestricted component of the cash that Council has accumulated.
- Both the cash flows generated from operating activities and the cash flows used in investing activities fluctuate. The fluctuation is due to grant funding received and used in investment in assets, as well as the annual completion of other investments in the annual capital works plan.
- At the end of 2021/22, Council had total cash, cash equivalents and investments of \$197.2 million, of which \$113.4 million is externally restricted, \$33.2 million is internally restricted and a further \$48.0 million is held in reserve for commitments in reported liabilities (mostly contracted grant liabilities). The residual amount of \$2.6 million is considered unrestricted.
- Council's unrestricted cash position has deteriorated in recent years. In 2016/17 the unrestricted cash balance was \$15.6million and 2017/18 the balance was \$17.6million.
- AEC estimates that the net cost of the disasters, including the subsidies and waivers on fees and charges, significantly impacting the unrestricted cash position of Council by approximately \$14.6million.
- AEC identified that in recent years cash management has required close attention to projects being carried forward from previous years, often requiring capital works projects approved in the budget year to be delayed to enable sufficient cash to fund the projects being brought forward. This is evident from the current financial year (2023/24) where Council is monitoring closely the cash position, including delaying projects, to prevent cash being used from restrictions. This is symptomatic of insufficient cash generation and is not a sustainable practice to manage cash.
- On balance, AEC concludes that in recent financial years there is sufficient evidence to suggest that Council is not maintaining fiscal capital (cash) in a sustainable manner.

Capacity to Maintain Infrastructure (Assets)

- Council has spent in total \$821.5 million over eight years on capital expenditure, an average of \$102.7 million annually.
- The building and infrastructure renewals ratio indicated that Council has spent significantly less on building and infrastructure asset renewals than the depreciation expense (or economic consumption) of building and infrastructure assets.
- Council has not met the asset renewal ratio over the past eight years.
- Council has not met the Infrastructure Backlog Ratio indicator for the past six years. Rather, the performance against this ratio has deteriorated in the past six years to a reported backlog greater than 4% of the replacement cost of the infrastructure.
- While there has been significant expenditure on new and upgraded assets, the Council is not investing in the renewal of existing assets in a sustainable manner.

3.7 KEY FACTORS CONTRIBUTING TO THE HISTORICAL FINANCIAL PERFORMANCE

This section outlines the factors that most likely have contributed to the historical financial performance of the Council – these are based on observations throughout the review of documents and the processes of the council, and discussions held with key staff by the AEC project team.

3.7.1 A Structural Operating Deficit

Shoalhaven City Council has produced operating deficits in its General Fund over the past eight years with forecast showing a further deterioration of the operating result. AEC has predicted that the structural deficit within the General Fund whereby the recurrent revenue is not able to fund the recurrent expenditure is around the \$25-\$35 million. This does not take into account the additional funding that senior management has highlighted that is required to fulfil the responsibilities under the adopted Community Strategic Plans, other plans and strategies and any approved business papers.

3.7.2 Growing Gap Between Operating Revenue and Operating Expenditure

Not dissimilar to many other NSW rural councils, Council has experienced in recent years a growing gap between operating revenue and operating expenditure. The growth in the cost base of current services provided has exceeded the growth in revenue.

The growth in the cost base is due to several factors including:

- Growth in service demand
- Growth in levels of services (improvements to the range and quality of the services provided)
- New and upgraded assets (related to growth in levels of service) increasing operational costs and depreciation expense
- Inadequacy of the historical rate peg to cover increased costs – most notably occurred in the 2022/23 financial year with a rate peg set at 0.7% while the CPI indicator rose 5.2% in the 12 months to August 2023 (Australian Bureau of Statistics).
- Increased regulatory responsibilities imposed upon Council
- Cost shifting – as outlined in the biannual LGNSW report - “The Impact of Cost Shifting on NSW local government: A Survey of Councils”.

AEC noted the Council has reported significant budget variations in the recent historical Annual Financial Statements – that is, unfavourable end of year expenditure compared to the original budget. While there are reasons throughout the year for adjustments to be made, for example additional grant funding received, AEC raised concern with the regularity and the material budget variations year-on-year for cost items such as employee benefits and oncosts and depreciation. This may indicate that the budget setting and the use of the budget as a cost containment has not been effective, and costs of services have routinely exceeded budgets set.

Rate-pegging has limited the ability of the Council to increase its rating revenue to support increasing operating expenditure arising from escalating costs, increased depreciation, and cost-shifting.

Limited asset management maturity across the organisation has also been a contributing factor to a reactive rather than planned approach to asset expenditure resulting in less-than-optimal asset maintenance costs. Generally, a heavy reliance upon reactive approach to asset maintenance can cost a Council up to 3.5 times the cost of planned maintenance, and up to 5 times for breakdown maintenance – and often the cost-of-service disruption is not reflected in the estimates of maintenance costs.

Benchmarking with similar councils has indicated that the growing gap between operating revenue and expenditure experienced historically, and especially in recent years, is an industry wide issue rather than a challenge unique to Shoalhaven City Council.

While improvements to the efficiency and productivity of service delivery will assist in closing the gap between revenue and costs, there is a need for Council to significantly increase the revenue generated from operations. Given the quantum of the correction required – as outlined further in this report - this will need to be predominantly through increases in the general rate revenue to improve the operational performance of the General Fund.

3.7.3 Lower Rating Revenue Comparable to Neighbouring Councils

As outlined in Figure 4.1, Figure 4.2 and Figure 4.3 later in this report, Council has a lower average rate for residential and business rating categories comparable to neighbouring Councils. While each Council is different, and it is difficult to compare levels of service, a general comparable lifestyle is offered by Shoalhaven compared to neighbouring Councils (such as Shellharbour) but provided

from a lower comparable rate base. It could also be argued that the road network and coastline that Shoalhaven is required to provide and maintain is greater than other comparable Councils, placing further cost pressures on a comparable smaller rate base.

3.7.4 Increase in Borrowings

The council has in recent financial years increased the use of borrowings, increasing the interest expense and the requirement for repayment of the borrowings. AEC understands that the Council implemented an intentional borrowing program to take advantage of low interest borrowings with the intention to address capital works requirements. However, this was only one component of the borrowings entered into, with a substantial increase in borrowings placing additional pressure on the sustainability of the General Fund in particular. This is further outlined later in this report.

3.7.5 Integrated Planning and Delivery

Based on the historical performance of the Council, and observations made by AEC of the planning documents and budget working papers, it appears that there is a lack of integration in the allocation of resources and the intended implementation of the Delivery Program and the Operational Plan. Inadequate budgeting for the delivery of services and the maintenance of a long term capital works program was observed by AEC. The absence of a prioritised and funded long term (10 year) capital works program was a major constraint in the completion of the review undertaken by AEC.

AEC reviewed the process for the development of the Resourcing Strategy documents and the 2023/24 Annual Budget to inform a view on the completeness and effectiveness of the resource plans (Long-Term Financial Plan, Workforce Plan and Asset Management Strategy and Plans) to control and effect sustainable financial management. AEC concluded that the resource plans were not substantially integrated and were developed on poor quality of data to inform the planning. More specifically, the following observations were made of the development of resource plans:

- The asset management plans were observed to be immature and prepared based on poor quality of asset data. Asset hierarchy and criticality is not used effectively to inform renewal planning and the approach to maintenance of the assets is immature. Asset maintenance is mostly reactive. Planning for asset renewals used to inform the Long-Term Financial Plan is based predominantly on age-based projections rather than based on condition and asset performance. The approach to renewal of road assets (sealed and unsealed) is predominantly based on historical practices and limited by budget. The renewal of road assets is not informed by a pavement management system that outlines the optimal approach to managing the renewal and replacement of the region's transport assets.
- The development process for 2023/24 Annual Budget resulted in an expenditure plan that is highly likely to be materially incorrect and requires significant amendment.
- There was some uncertainty on what positions are funded and what positions were planned to remain vacant. There appears to be a disconnect between the workforce planning and the employee costs budget.

3.7.6 Increase in the Cost of Asset Ownership

Through the acquisition of new and upgraded assets the Council has increased the annual cost of ownership, including operating costs, maintenance, and depreciation expense. The increase in the cost of asset ownership is expected to continue through the delivery of the 2023/24 Operational Plan and future planned capital works program.

In the current 2023/24 Budget there is a total of \$249.5 million in capital works, of which \$119.5 million of expenditure is on new assets and \$5.8 million of expenditure is on upgraded assets.

In the current adopted Long -Term Financial Plan, across the 2024/25 and 2025/26 financial years Council is planning to add an additional \$117.2 million in new and upgraded assets.

Additional cost of asset ownership through new and upgraded assets, without an adequate increase in revenue generated from the project, is a significant contributor to the underlying operating deficit for Council.

4. BENCHMARKING

Benchmarking of the financial performance of the Council and other relevant statistical information was undertaken for comparison purposes. Benchmarking was based on time series data published by the NSW Office of Local Government (OLG) - Your Council Report, 2020/21, completing a comparison across the Group 5 Councils (13 councils including Shoalhaven), as detailed below:

Table 4.1: List of selected councils

Council	Est Population (2021)	Total Residential Rate Assessments
Shoalhaven	108,497	55,982
Coffs Harbour	78,738	30,876
Eurobodalla	40,453	24,335
Lake Macquarie	213,967	83,052
Maitland	90,553	33,155
MidCoast	96,425	46,445
Newcastle	169,317	66,487
Port Macquarie-Hastings	86,585	34,743
Port Stephens	75,282	32,467
Shellharbour	76,443	28,629
Tweed	97,151	38,132
Wingecarribee	52,456	22,448
Wollongong	214,657	80,693

Whilst the benchmarking is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations alone without further investigation. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, it should be noted there are significant variations regarding population, demographics, geographical area and size, range and level of service provided, as well as the service delivery model, which impact on comparative analysis.

4.1 DESKTOP BENCHMARKING

Desktop benchmarking has been undertaken based on the time series data published by the NSW Office of Local Government. The results of the benchmarking are provided in the Appendix to this report. The performance of the Council is compared to the other Group 5 councils based on several measures and relative performance within these measures:

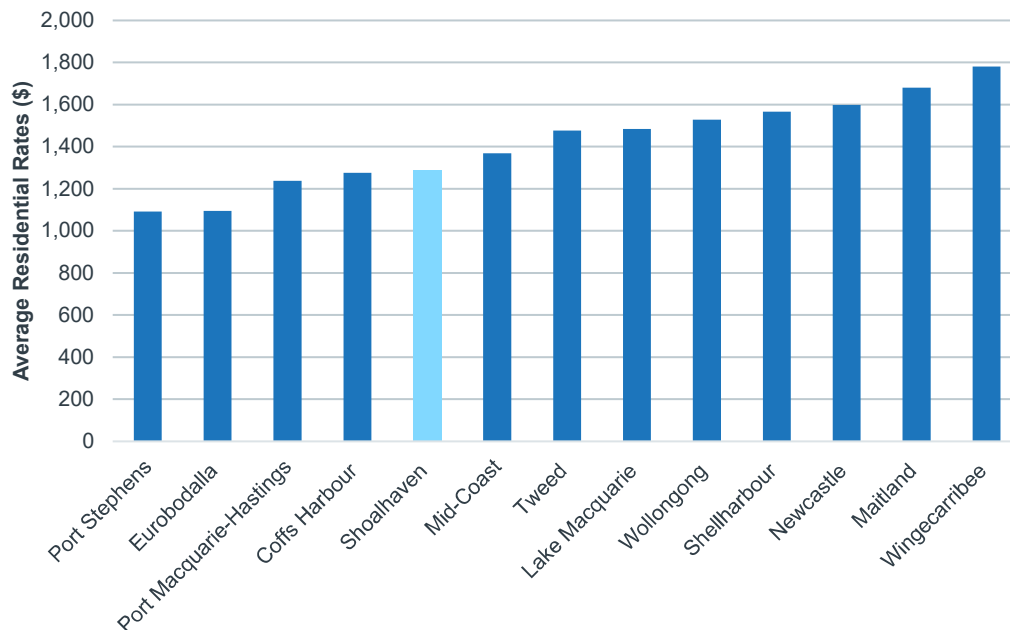
- Population
- General Rates and associated measures
- Total Operating Revenue
- Total Operating Expenses
- Full Time Equivalents
- Asset Maintenance Expenditure
- Road Length.

The key findings regarding the performance of the Council based on the desktop benchmarking are:

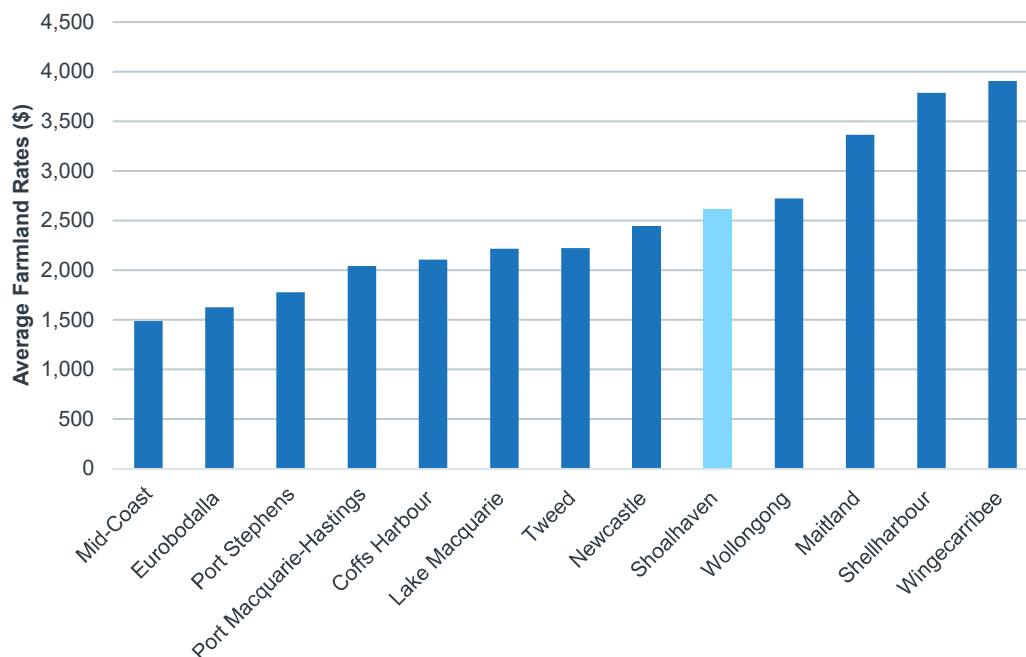
- Shoalhaven City Council have the fifth lowest average residential rates, the fifth highest average farmland rates and the lowest average business rates within identified group of councils.
- The rating effort is based on the land value divided by the total rate income, and Shoalhaven City Council has the highest rating effort within the group, while the average Domestic Waste Annual Charge is the fourth lowest within the group.

- For the outstanding rates and charges ratio, Council is ranked the second highest of the Group.
- Shoalhaven City Council is fifth highest in the group for revenue generated from operations, and third highest for expenses incurred from continuing operations within the group.
- Council's net operating result before capital is the third lowest in the group, and Shoalhaven City Council is one of 5 councils that reported a deficit for 2020-21, the other 8 councils reported a surplus.

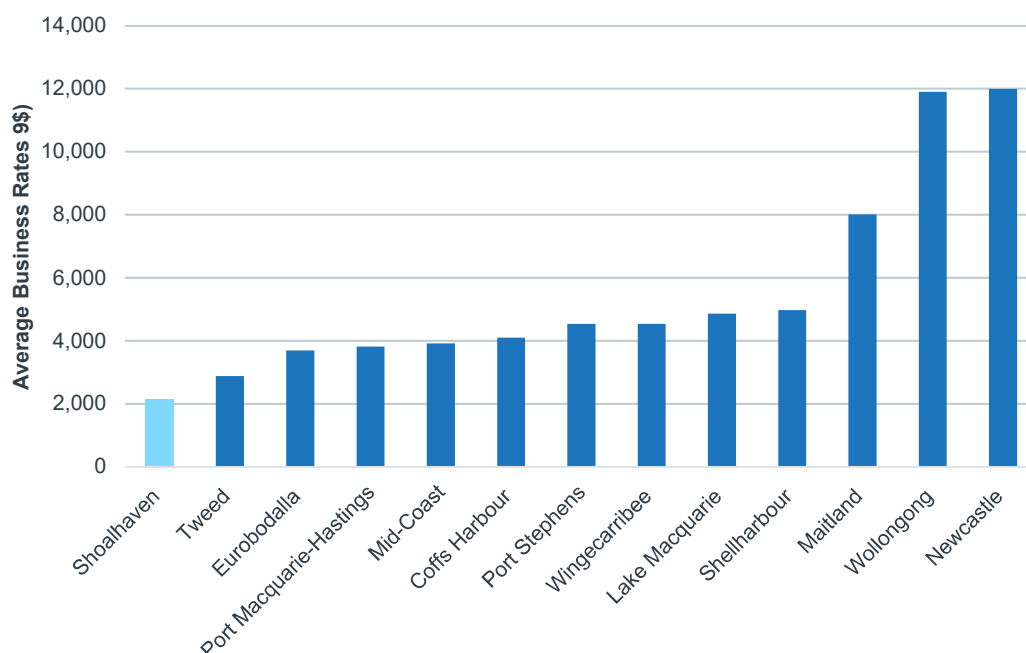
Figure 4.1 Comparison of Average Residential Rate - Group 5 Councils (Regional Town/City)



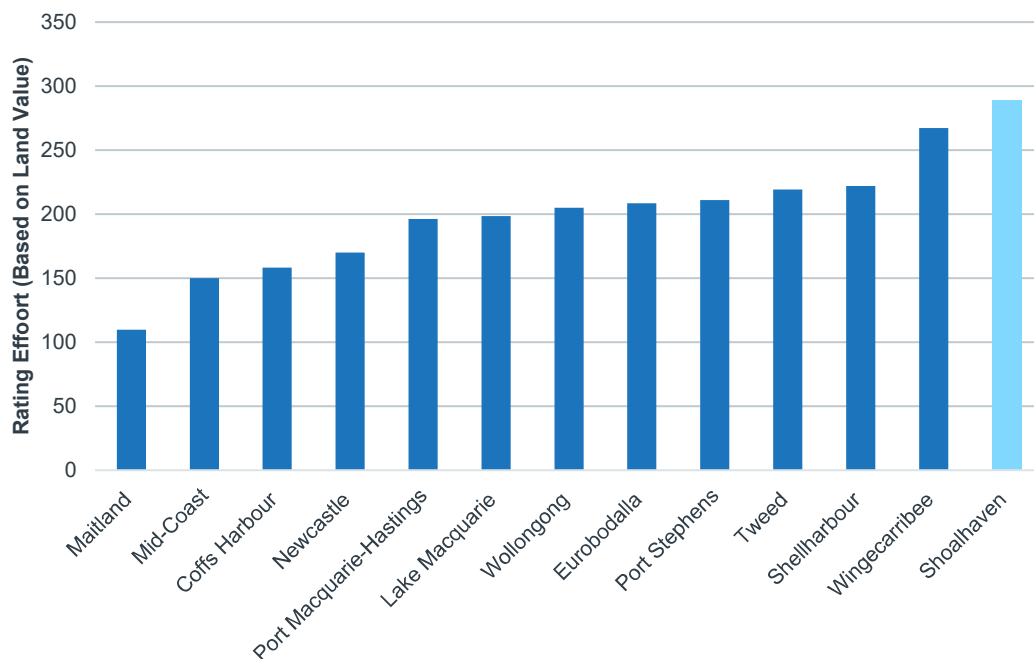
Source: OLG Time Series Data (2020/21)

Figure 4.2 Comparison of Average Farmland Rate - Group 5 Councils (Regional Town/City)


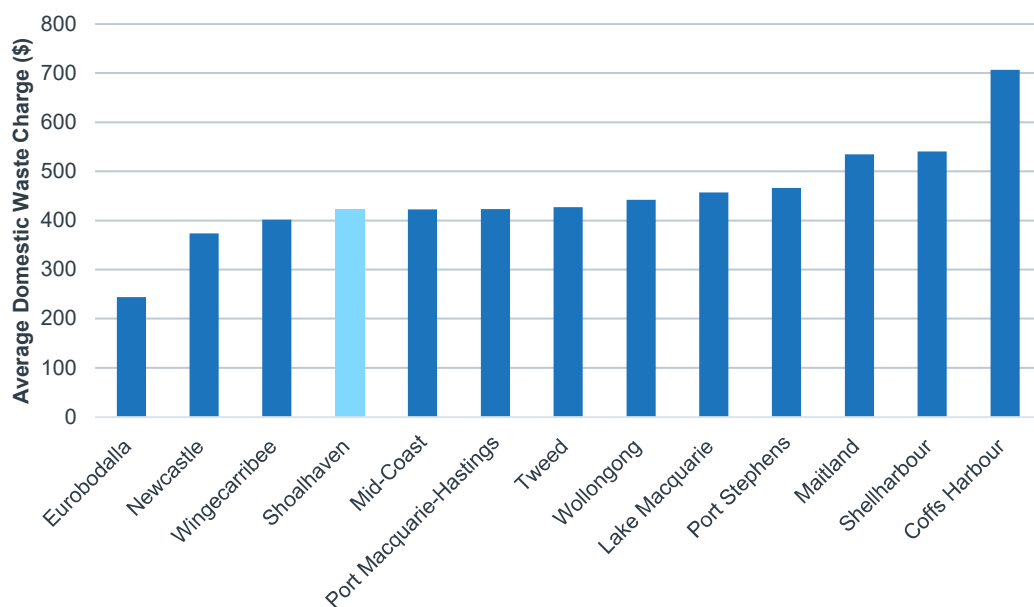
Source: OLG Time Series Data (2020/21)

Figure 4.3 Comparison of Average Business Rate - Group 5 Councils (Regional Town/City)


Source: OLG Time Series Data (2020/21)

Figure 4.4 Comparison of Rating Effort (Based on land value) - Group 5 Councils (Regional Town/City)


Source: OLG Time Series Data (2020/21)

Figure 4.5 Comparison of Average Domestic Waste Annual charge - Group 5 Councils (Regional Town/City)


Source: OLG Time Series Data (2020/21)

5. FORECAST OF COUNCIL'S FINANCIAL POSITION

5.1 METHODOLOGY AND APPROACH

To enable an assessment of the sustainability of Council's future financial position, AEC has compiled a forecast of future operating performance, cashflow and balance sheet, drawing on Council's audited financial statements (historical context), current budget, and assumptions and forecasts in relation to future macroeconomic and other conditions. Three scenarios have been forecast:

- Base Scenario – forecast of future financial position broadly leaving all policy and strategies unchanged.
- Enhanced Asset Renewals Scenario – forecast of future financial position should Council increase the investment in asset renewal sufficient to maintain the infrastructure capital.
- Enhanced Asset Renewals and Enhanced Cash Scenario – forecast of future financial position with increase in the investment in asset renewals and an increase in the cash generated from operations sufficient to fund cash requirements.

AEC engaged with asset custodians to gain an appreciation for the condition of assets and have considered both feedback from asset custodians and analysis of Council's register of assets (financial records) to inform our assessment of the required expenditure on assets. A summary of each asset portfolio is provided in the Appendix to this report.

5.2 SERVICE CATALOGUE

As part of the LTFP review we have prepared a Service Catalogue, which schedules the forecast operating performance for each Service delivered by Council throughout the forecast period.

The Service Catalogue provides a basis for reviewing and estimating the potential operational performance improvements achievable through efficiency initiatives focussed on individual service lines.

The following table summarises the net cost of provision of selected Council services. Further details of all services are provided in the Appendix to this report.

Table 5.1 Net Cost of Services - Council Services by Directorate

SERVICE	Total income from continuing operations	Total expenses from continuing operations	Net Operating Result
Chief Executive Officer			
Chief Executive Officer	-	1,166,048	1,166,048
Media & Communications	(6,051)	1,515,809	1,509,758
TOTAL CHIEF EXECUTIVE OFFICER	(6,051)	2,681,856	2,675,805
City Development			
Business Support Department	(17,562)	1,828,044	1,810,482
Certification & Compliance Services	(5,015,929)	6,218,550	1,202,622
City Development Director	-	585,063	585,063
Development Services	(2,991,619)	4,328,308	1,336,689
Environmental Services	(1,405,581)	6,366,925	4,961,343
TOTAL CITY DEVELOPMENT	(9,430,691)	19,326,890	9,896,199
City Futures			
City Futures	(6,353)	733,373	727,019
Economic Development	(6,335)	639,131	632,797
Strategic Planning	(741,851)	3,114,433	2,372,581
Development Services	(307,675)	2,519,497	2,211,822
TOTAL CITY FUTURES	(1,062,215)	7,006,434	5,944,220
City Lifestyles			
City Lifestyles Management	-	395,776	395,776

SERVICE	Total income from continuing operations	Total expenses from continuing operations	Net Operating Result
Arts and Culture	(91,893)	789,774	697,881
Community Connections	(1,808,164)	3,047,380	1,239,216
Community Planning and Projects	(11,865)	860,498	848,632
Library Services	(582,926)	3,809,538	3,226,613
Shoalhaven Entertainment Centre	(1,905,295)	3,411,962	1,506,666
Shoalhaven Swim Sport Fitness	(5,624,032)	17,113,122	11,489,090
TOTAL CITY LIFESTYLES	(10,024,175)	29,428,050	19,403,875
City Performance			
City Performance Director	(379)	1,925,691	1,925,312
Business Assurance & Risk	(18,193)	6,750,747	6,732,554
Corporate Performance & Reporting	(5,767)	308,800	303,033
Customer Experience	(5,767)	2,380,209	2,374,442
Financial Services	(109,945,894)	7,824,214	(102,121,680)
Information Services	(19,291)	11,230,415	11,211,123
People & Culture	(449,431)	3,781,142	3,331,711
TOTAL CITY PERFORMANCE	(110,444,724)	34,201,218	(76,243,506)
City Services			
City Services Director	(126)	460,911	460,785
Building Services	(1,751,365)	15,553,562	13,802,196
Commercial Services	(33,076,090)	35,305,071	2,228,981
Natural Disasters	(1,488,341)	1,488,341	-
Technical Services	(207,879)	1,837,914	1,630,035
Waste Management Services	(47,529,396)	40,029,130	(7,500,266)
Works and Services	(3,436,452)	61,198,409	57,761,957
TOTAL CITY SERVICES	(87,489,649)	155,873,338	68,383,689
Shoalhaven Water			
Shoalhaven Water Asset Planning & Development	(2,647,578)	4,470,571	1,822,992
Shoalhaven Water Management & Admin Services	(1,929,835)	34,976,047	33,046,212
ShoalWater Business Services	(81,770,653)	5,667,772	(76,102,881)
Shoalhaven Water Operations & Maintenance	(626,240)	31,132,162	30,505,922
TOTAL SHOALHAVEN WATER	(86,974,306)	76,246,551	(10,727,755)
GRAND TOTAL	(305,431,811)	324,764,338	19,332,527

Source – Council 2023/24 Budget

5.3 GUIDE TO INTERPRETATION OF AEC FINANCIAL REPORTS

5.3.0 Breakdown by Fund

Historically, Council has reported a consolidated position as well as three fund types that are included in the consolidated position.

AEC has generally adopted a similar reporting hierarchy but have also separated waste related services into a separate 'Waste Fund'. This is also reflected in a separate reserve to manage the cash restrictions in relation to domestic waste management.

The funds reported (in addition to the consolidated position reflecting the sum of all funds) are therefore summarised as follows:

- Water Fund – Provision of water network services to properties within the serviceable areas and funded through the water access charge, consumption charge and other water fees.
- Sewer Fund - Provision of sewer network services to properties within the serviceable areas and funded through the sewerage access charge and other sewerage fees.
- Waste Fund – all domestic and other waste management services provided by Council. Revenue for the waste fund is principally waste management charges levied by Council.

- General Fund – All other services and infrastructure provided by Council not funded by water, sewerage, or waste revenue. Revenue for the general fund is predominantly general rate revenue and grant funding, as well as revenue earned from fees and charges for services provided.

While analysis of Council's consolidated position is provided below, greater emphasis is placed on the analysis of the individual fund types that determine the consolidated position.

5.3.1 Operating Performance

The Income (Operating) Statement reports the operating result in two ways:

- Operating result from continuing operations, and
- Net operating result for the year before grants and contributions provided for capital purposes.

It is generally considered more appropriate to consider the operating result excluding grants and contributions received for capital purposes, as such revenue is not able to be used to fund operating expenditure, and is often tied to delivery of capital projects, which increase Council's recurrent asset costs. Where Council receives grants and contributions for capital purposes that are used to renew depreciating assets, these assist Council to fund ongoing obligations, but it is not recommended to rely on the continuation of such grant programs in the long term as these are ultimately tied to political decision by other tiers of government.

However, while the policy positions of State and Federal governments will almost certainly impact on the quantum and the recurrent nature of capital grants, sources of grant funding for capital such as Roads to Recovery, Regional Roads, and Block Grant, which are used by Council to renew depreciating assets, have been established for some time and likely to continue. Therefore, from an assessment of whether Council can fund all operating expenses, particularly when depreciation is a major expense item, some caution needs to be applied when just considering the financial operating position excluding all capital grant revenue.

5.4 BASE SCENARIO

5.4.0 Assumptions and Qualifications

The following key assumptions have been made in the compilation of the Base Case Scenario, which represents the forecast position on the assumption that Council continues with the current policy settings, levels of service and current operational funding throughout the forecast period:

- AEC has included Council's forecast capital works program (new assets and renewals) as provided by Council. It should be noted that significant revisions to the forward capital works program was undertaken by Council before AEC was able to include in the forecast. Revisions were required due to the initial capital works program including projects that had not been assessed, approved or prioritised – more like a consolidation of "budget requests".
- The calculation of the forecast position of internal and external reserves includes escalation of operating revenues and costs, together with other cash flows based on continuation of existing practices and capital works funding advised in Council's 10-year capital works program.

5.4.1 Consolidated Operating Position

The historical operating deficit position is forecast by AEC to continue and to deteriorate further over the forecast period. AEC's forecast indicates that, under the Base Scenario Council will deliver an average consolidated operating deficit of approximately \$24.7 million over the forecast period (excluding capital grants and contributions), with individual annual results ranging from approx. \$22.2 million to \$27.5 million in deficits.

Table 5.2 below outlines the forecast operating position (Income Statement) for Council showing historical audited financial results, 2022/23 draft financial results, 2023/24 forecast and ten years forecast from 2024/25 to 2033/34. The consolidated position is

determined by the aggregate net operating result of the four Funds. The forecast operating position for the General Fund is outlined in Table 5.4, followed by tables outlining the operating position for the Water Fund, Sewer Fund and Waste Fund.

Table 5.2 Income Statement – Consolidated - Base Scenario

INCOME STATEMENT – CONSOLIDATED	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Income from continuing operations														
Rates and annual charges	153,519	159,895	169,536	177,339	184,448	191,858	198,318	205,006	211,929	219,098	226,521	234,207	242,168	250,412
User charges and fees	85,590	78,955	92,530	95,622	98,491	101,445	104,489	107,623	110,852	114,178	117,603	121,131	124,765	128,499
Other revenue	7,439	4,685	6,356	4,772	4,915	5,062	5,213	5,369	5,530	5,696	5,866	6,042	6,223	6,409
Grants and contributions provided for operating purposes	21,164	33,831	33,286	22,020	21,623	22,262	22,921	23,601	24,303	25,026	25,773	26,543	27,337	28,158
Grants and contributions provided for capital purposes	31,895	54,029	65,857	121,662	42,542	33,810	21,262	8,521	8,675	9,555	32,257	31,332	9,337	9,500
Interest and investment revenue	2,402	1,922	7,867	5,677	6,308	6,058	6,024	6,136	6,250	6,489	6,579	5,952	5,942	6,318
Other income	349	400	-	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	4,928	247	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income from continuing operations	302,358	338,645	375,679	427,092	358,326	360,495	358,227	356,256	367,538	380,042	414,598	425,208	415,772	429,296
Expenses from continuing operations														
<i>Estimated total staff costs</i>	<i>104,119</i>	<i>112,435</i>	<i>120,620</i>	<i>116,795</i>	<i>120,344</i>	<i>123,955</i>	<i>127,052</i>	<i>130,227</i>	<i>133,481</i>	<i>136,817</i>	<i>140,235</i>	<i>143,740</i>	<i>147,331</i>	<i>151,013</i>
<i>Staff costs capitalised</i>	<i>9,363</i>	<i>10,847</i>	<i>8,702</i>	<i>9,094</i>	<i>9,412</i>	<i>9,694</i>	<i>9,937</i>	<i>10,185</i>	<i>10,440</i>	<i>10,701</i>	<i>10,968</i>	<i>11,242</i>	<i>11,523</i>	<i>11,811</i>
Employee benefits and on-costs	94,756	101,588	111,918	107,702	110,933	114,261	117,116	120,042	123,042	126,116	129,267	132,497	135,808	139,201
Materials and services	90,493	90,161	117,782	102,494	107,805	112,348	116,262	120,351	124,685	129,049	134,449	139,882	144,482	149,221
Borrowing costs	5,574	5,702	6,495	7,397	7,206	7,232	6,813	5,977	5,348	4,920	4,255	3,395	2,571	873
Depreciation, amortisation and impairment of non-financial assets	70,507	79,521	83,435	90,200	94,602	98,724	102,279	106,000	110,004	114,003	119,043	124,107	128,311	132,641
Other expenses	18,407	18,102	20,887	16,973	17,482	18,006	18,546	19,103	19,676	20,266	20,874	21,500	22,145	22,810
Internal expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net losses from the disposal of assets	7	-	1,166	-	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	279,744	295,074	341,683	324,764	338,027	350,571	361,016	371,474	382,755	394,354	407,889	421,381	433,318	444,747
Operating result from continuing operations	22,614	43,571	33,996	102,328	20,299	9,924	(2,790)	(15,217)	(15,216)	(14,312)	6,709	3,827	(17,546)	(15,452)
Net operating result for the year before grants and contributions provided for capital purposes	(9,281)	(10,458)	(31,861)	(19,334)	(22,244)	(23,886)	(24,051)	(23,738)	(23,891)	(23,867)	(25,547)	(27,506)	(26,883)	(24,952)

Source – AEC (unpublished)

Table 5.3 Income Percentage (%) Forecast Trend – Consolidated

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Income from continuing operations	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates and annual charges	4.0%	4.0%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
User charges and fees	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other revenue	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Grants and contributions provided for operating purposes	-1.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Grants and contributions provided for capital purposes	-77.4%	22.8%	-37.1%	-59.9%	1.8%	10.1%	237.6%	-2.9%	-70.2%	1.8%
Interest and investment revenue	11.1%	-3.7%	0.1%	2.7%	2.7%	4.6%	2.2%	-8.3%	0.8%	6.9%
Total income from continuing operations	-19.6%	5.0%	-0.6%	-0.5%	3.2%	3.4%	9.1%	2.6%	-2.2%	3.3%

Source – AEC (unpublished)

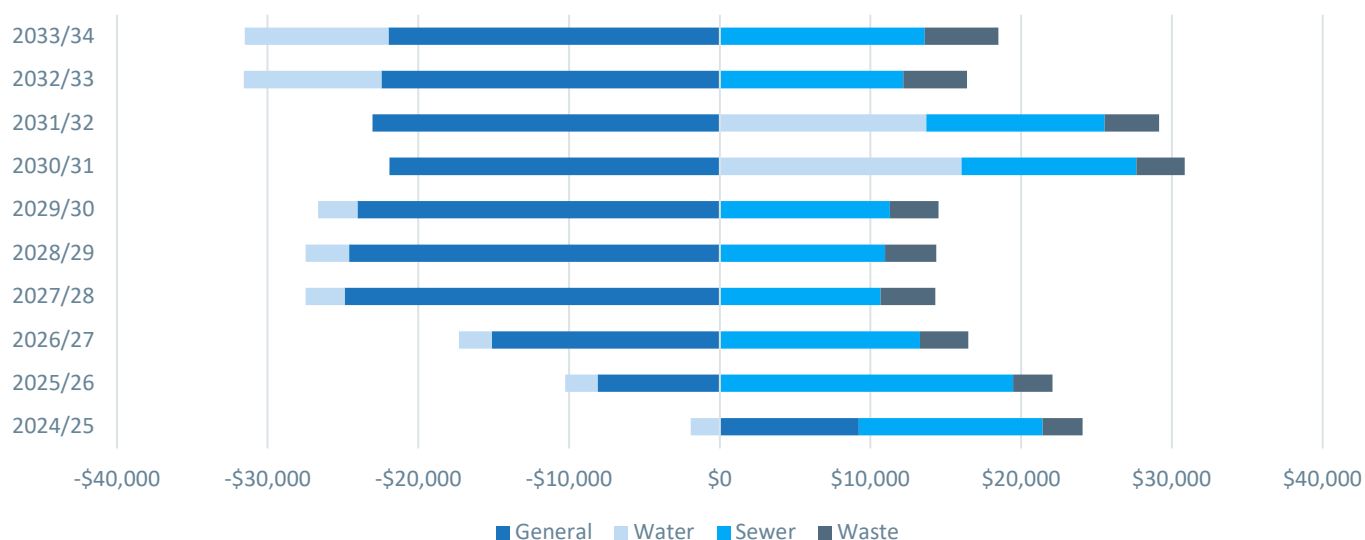
Table 5.4 Expense Percentage (%) Forecast Trend – Consolidated

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Expenses from continuing operations	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits and on-costs	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials and services	4.1%	3.9%	3.5%	3.6%	3.6%	3.5%	4.2%	4.1%	3.3%	3.3%
Borrowing costs	-2.6%	-5.4%	-11.7%	-12.8%	-10.7%	-7.6%	-13.6%	-20.8%	-24.8%	-72.0%
Depreciation, amortisation and impairment of non-financial assets	4.4%	4.2%	3.6%	3.7%	3.8%	3.7%	4.4%	4.3%	3.4%	3.4%
Other expenses	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total expenses from continuing operations	3.6%	3.4%	2.9%	2.9%	3.1%	3.1%	3.5%	3.3%	2.9%	2.7%

Source – AEC (unpublished)

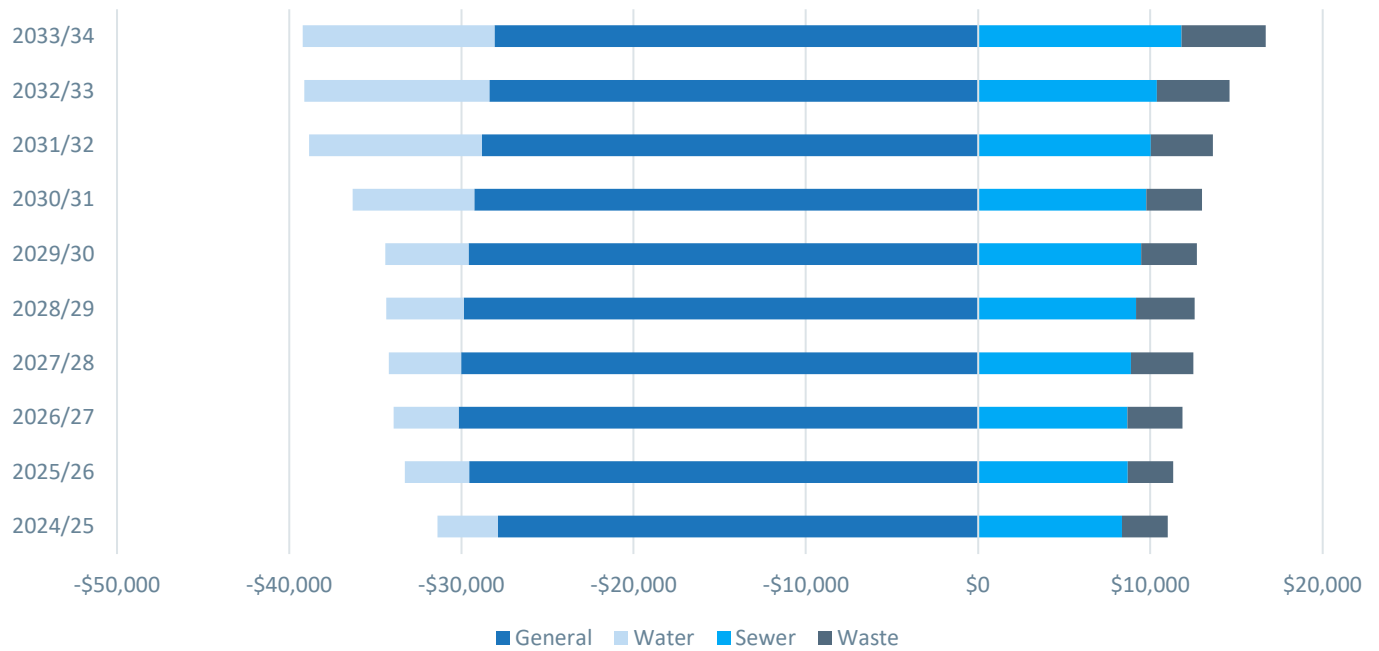
5.4.1.1 Overview Results by Fund

The following figures indicate the forecast contribution by Fund to the consolidated Forecast Operating Result in the Base Scenario.

Figure 5.1 Operating Result from Continuing Operations by Fund (includes capital grants)

Source – AEC (unpublished)

Figure 5.2 Operating Result before Capital Grants & Contributions by Fund



Source – AEC (unpublished)

Table 5.5 Income Statement – General - Base Scenario

INCOME STATEMENT – GENERAL	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Income from continuing operations														
Rates and annual charges	77,159	80,605	86,329	90,820	93,541	96,344	99,231	102,204	105,267	108,421	111,670	115,017	118,464	122,014
User charges and fees	42,798	39,619	50,268	51,030	52,561	54,138	55,762	57,435	59,158	60,933	62,761	64,644	66,583	68,571
Other revenue	6,600	3,876	5,583	4,322	4,451	4,584	4,721	4,863	5,008	5,158	5,313	5,472	5,636	5,804
Grants and contributions provided for operating purposes	21,043	33,748	33,164	22,020	21,623	22,262	22,921	23,601	24,303	25,026	25,773	26,543	27,337	28,158
Grants and contributions provided for capital purposes	25,224	44,712	60,876	117,263	37,113	21,445	15,042	5,121	5,275	5,558	7,334	5,764	5,937	6,100
Interest and investment revenue	878	753	4,942	5,496	5,128	5,262	5,381	5,532	5,700	6,012	6,424	6,901	7,380	7,864
Other income	349	400	-	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	(404)	4,755	(81)	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	35,771	36,845	37,950	39,088	40,261	41,469	42,713	43,994	45,314	46,674	48,074
Total income from continuing operations	173,647	208,468	241,081	326,723	251,262	241,984	242,147	239,017	246,180	253,821	263,269	269,654	278,010	286,585
Expenses from continuing operations														
<i>Estimated total staff costs</i>	<i>79,121</i>	<i>83,126</i>	<i>89,840</i>	<i>86,537</i>	<i>89,165</i>	<i>91,840</i>	<i>94,136</i>	<i>96,490</i>	<i>98,902</i>	<i>101,375</i>	<i>103,909</i>	<i>106,507</i>	<i>109,169</i>	<i>111,899</i>
<i>Staff costs capitalised</i>	<i>7,287</i>	<i>7,989</i>	<i>6,243</i>	<i>6,524</i>	<i>6,752</i>	<i>6,955</i>	<i>7,129</i>	<i>7,307</i>	<i>7,490</i>	<i>7,677</i>	<i>7,869</i>	<i>8,065</i>	<i>8,267</i>	<i>8,474</i>
Employee benefits and on-costs	71,834	75,137	83,597	80,013	82,413	84,886	87,008	89,183	91,412	93,698	96,040	98,441	100,902	103,425
Materials and services	48,168	53,502	82,382	63,510	66,787	69,370	71,598	73,736	75,907	78,155	80,481	82,851	85,292	87,806
Borrowing costs	1,197	1,659	2,454	3,291	3,403	3,362	3,301	2,814	2,364	1,919	1,475	1,032	621	314
Depreciation, amortisation and impairment of non-financial assets	43,422	51,805	52,267	57,340	59,751	61,910	63,879	65,759	67,695	69,690	71,762	73,877	76,056	78,301
Other expenses	5,464	6,784	5,009	4,992	5,142	5,296	5,455	5,618	5,787	5,961	6,139	6,324	6,513	6,709
Internal expenditure	-	-	-	23,812	24,526	25,262	26,020	26,800	27,604	28,432	29,285	30,164	31,069	32,001
Net losses from the disposal of assets	7	-	1,166	-	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	170,092	188,887	226,875	232,956	242,022	250,085	257,260	263,910	270,770	277,854	285,183	292,689	300,453	308,555
Operating result from continuing operations	3,555	19,581	14,206	93,767	9,240	(8,101)	(15,112)	(24,894)	(24,590)	(24,033)	(21,914)	(23,035)	(22,444)	(21,970)
Net operating result for the year before grants and contributions provided for capital purposes	(21,669)	(25,131)	(46,670)	(23,496)	(27,873)	(29,546)	(30,154)	(30,015)	(29,865)	(29,591)	(29,248)	(28,799)	(28,381)	(28,070)

Source – AEC (unpublished)

Table 5.6 Income Statement – Water - Base Scenario

INCOME STATEMENT - WATER	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Income from continuing operations														
Rates and annual charges	5,548	4,585	4,443	4,981	5,253	5,539	5,718	5,903	6,093	6,288	6,490	6,698	6,912	7,133
User charges and fees	23,028	20,802	21,447	23,711	24,423	25,155	25,910	26,687	27,488	28,312	29,162	30,037	30,938	31,866
Other revenue	363	227	503	96	99	102	105	108	111	115	118	122	125	129
Grants and contributions provided for operating purposes	-	(5)	58	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions provided for capital purposes	3,017	4,917	1,306	1,985	1,600	1,600	1,600	1,600	1,600	2,197	23,123	23,768	1,600	1,600
Interest and investment revenue	953	741	1,662	1,167	2,431	2,295	2,412	2,493	2,505	2,514	2,298	1,392	1,016	946
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	245	11	129	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	2,483	2,558	2,634	2,713	2,795	2,879	2,965	3,054	3,146	3,240	3,337
Total income from continuing operations	33,154	31,278	29,548	34,425	36,364	37,326	38,458	39,586	40,676	42,392	64,245	65,163	43,832	45,011
Expenses from continuing operations														
<i>Estimated total staff costs</i>	<i>8,124</i>	<i>9,287</i>	<i>10,074</i>	<i>9,795</i>	<i>10,096</i>	<i>10,399</i>	<i>10,659</i>	<i>10,926</i>	<i>11,199</i>	<i>11,479</i>	<i>11,766</i>	<i>12,060</i>	<i>12,361</i>	<i>12,670</i>
<i>Staff costs capitalised</i>	<i>837</i>	<i>1,280</i>	<i>1,415</i>	<i>1,479</i>	<i>1,530</i>	<i>1,576</i>	<i>1,616</i>	<i>1,656</i>	<i>1,698</i>	<i>1,740</i>	<i>1,783</i>	<i>1,828</i>	<i>1,874</i>	<i>1,921</i>
Employee benefits and on-costs	7,287	8,007	8,659	8,316	8,566	8,823	9,043	9,269	9,501	9,739	9,982	10,232	10,488	10,750
Materials and services	13,602	10,324	7,608	8,228	8,484	8,756	9,035	9,486	9,857	10,248	11,488	12,764	13,168	13,584
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment of non-financial assets	10,177	10,694	13,519	14,269	14,707	15,166	15,637	16,286	16,861	17,462	18,918	20,417	21,051	21,703
Other expenses	111	(47)	219	57	58	60	62	64	65	67	69	72	74	76
Internal expenditure	-	-	-	6,282	6,471	6,665	6,865	7,071	7,283	7,501	7,726	7,958	8,197	8,443
Net losses from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	31,177	28,978	30,005	37,152	38,285	39,469	40,642	42,176	43,568	45,018	48,183	51,442	52,976	54,555
Operating result from continuing operations	1,977	2,300	(457)	(2,727)	(1,922)	(2,143)	(2,184)	(2,590)	(2,892)	(2,626)	16,062	13,721	(9,144)	(9,544)
Net operating result for the year before grants and contributions provided for capital purposes	(1,040)	(2,617)	(1,763)	(4,712)	(3,522)	(3,743)	(3,784)	(4,190)	(4,492)	(4,823)	(7,061)	(10,048)	(10,744)	(11,144)

Source – AEC (unpublished)

Table 5.7 Income Statement – Sewer - Base Scenario

INCOME STATEMENT - SEWER	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Income from continuing operations														
Rates and annual charges	46,529	47,999	49,691	51,384	53,976	56,698	58,411	60,176	61,994	63,867	65,796	67,783	69,829	71,937
User charges and fees	6,241	4,278	4,469	3,990	4,110	4,233	4,360	4,491	4,626	4,765	4,908	5,055	5,207	5,363
Other revenue	104	4	24	5	5	5	5	5	5	5	6	6	6	6
Grants and contributions provided for operating purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions provided for capital purposes	3,677	3,581	3,265	2,369	3,829	10,765	4,619	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Interest and investment revenue	433	344	901	750	564	443	272	249	265	275	318	322	334	387
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	128	83	118	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	-	-	-	1,765	1,818	1,873	1,929	1,987	2,047	2,108	2,171	2,236	2,304	2,373
Total income from continuing operations	57,112	56,289	58,468	60,264	64,303	74,016	69,597	68,709	70,737	72,820	74,998	77,201	79,479	81,865
Expenses from continuing operations														
<i>Estimated total staff costs</i>	<i>10,598</i>	<i>12,885</i>	<i>12,535</i>	<i>12,938</i>	<i>13,332</i>	<i>13,731</i>	<i>14,075</i>	<i>14,427</i>	<i>14,787</i>	<i>15,157</i>	<i>15,536</i>	<i>15,924</i>	<i>16,322</i>	<i>16,730</i>
<i>Staff costs capitalised</i>	<i>1,235</i>	<i>1,569</i>	<i>1,012</i>	<i>1,058</i>	<i>1,095</i>	<i>1,127</i>	<i>1,156</i>	<i>1,184</i>	<i>1,214</i>	<i>1,244</i>	<i>1,276</i>	<i>1,307</i>	<i>1,340</i>	<i>1,374</i>
Employee benefits and on-costs	9,363	11,316	11,523	11,881	12,237	12,604	12,919	13,242	13,573	13,913	14,260	14,617	14,982	15,357
Materials and services	16,058	12,852	12,323	12,067	12,693	13,579	14,195	14,783	15,368	15,957	16,587	17,249	17,891	18,552
Borrowing costs	4,358	3,776	3,415	3,175	2,907	2,683	2,457	2,245	2,048	1,861	1,666	1,464	1,254	-
Depreciation, amortisation and impairment of non-financial assets	15,279	14,565	15,364	16,191	17,029	18,213	19,037	19,825	20,608	21,397	22,241	23,126	23,986	24,872
Other expenses	1	26	1,603	37	38	39	40	41	43	44	45	47	48	49
Internal expenditure	-	-	-	7,007	7,217	7,434	7,657	7,886	8,123	8,367	8,618	8,876	9,142	9,417
Net losses from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	45,059	42,535	44,228	50,357	52,120	54,553	56,305	58,024	59,762	61,538	63,418	65,378	67,303	68,247
Operating result from continuing operations	12,053	13,754	14,240	9,907	12,182	19,463	13,291	10,685	10,975	11,282	11,580	11,823	12,176	13,619
Net operating result for the year before grants and contributions provided for capital purposes	8,376	10,173	10,975	7,538	8,353	8,699	8,672	8,885	9,175	9,482	9,780	10,023	10,376	11,819

Source – AEC (unpublished)

Table 5.8 Income Statement – Waste - Base Scenario

INCOME STATEMENT – WASTE	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FORECAST	FORWARD PLAN									
Income from continuing operations											
Rates and annual charges	30,153	31,677	33,278	34,958	36,723	38,576	40,522	42,565	44,710	46,963	49,328
User charges and fees	16,890	17,397	17,918	18,456	19,010	19,580	20,167	20,772	21,396	22,037	22,699
Other revenue	350	360	371	382	393	405	417	430	443	456	470
Grants and contributions provided for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions provided for capital purposes	44	-	-	-	-	-	-	-	-	-	-
Interest and investment revenue	137	56	(14)	(55)	(93)	(114)	(142)	(226)	(361)	(417)	(437)
Other income	-	-	-	-	-	-	-	-	-	-	-
Net gains from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Internal Revenue	28,286	29,135	30,009	30,909	31,836	32,792	33,775	34,789	35,832	36,907	38,014
Total income from continuing operations	75,860	78,625	81,562	84,650	87,869	91,239	94,740	98,329	102,020	105,947	110,074
Expenses from continuing operations											
<i>Estimated total staff costs</i>	<i>7,798</i>	<i>8,032</i>	<i>8,273</i>	<i>8,480</i>	<i>8,692</i>	<i>8,909</i>	<i>9,132</i>	<i>9,360</i>	<i>9,594</i>	<i>9,834</i>	<i>10,080</i>
<i>Staff costs capitalised</i>	<i>33</i>	<i>35</i>	<i>36</i>	<i>37</i>	<i>37</i>	<i>38</i>	<i>39</i>	<i>40</i>	<i>41</i>	<i>42</i>	<i>43</i>
Employee benefits and on-costs	7,764	7,997	8,237	8,443	8,654	8,871	9,092	9,320	9,553	9,792	10,036
Materials and services	18,807	19,961	20,767	21,562	22,477	23,689	24,828	26,037	27,166	28,284	29,436
Borrowing costs	988	897	1,186	1,055	918	936	1,140	1,113	899	696	559
Depreciation, amortisation and impairment of non-financial assets	2,400	3,116	3,435	3,726	4,131	4,840	5,454	6,123	6,687	7,218	7,766
Other expenses	11,887	12,244	12,611	12,990	13,379	13,781	14,194	14,620	15,059	15,510	15,976
Internal expenditure	30,816	31,741	32,693	33,674	34,684	35,725	36,796	37,900	39,037	40,208	41,415
Net losses from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total expenses from continuing operations	72,662	75,956	78,930	81,449	84,243	87,841	91,505	95,113	98,400	101,709	105,188
Operating result from continuing operations	3,197	2,669	2,632	3,200	3,626	3,398	3,235	3,216	3,620	4,237	4,886
Net operating result for the year before grants and contributions provided for capital purposes	3,153	2,669	2,632	3,200	3,626	3,398	3,235	3,216	3,620	4,237	4,886

Source – AEC (unpublished)

5.4.2 Operating Expenditure by Service

The following Table outlines Council's services in order from highest to lowest in operating expenditure (excluding depreciation) in the 2023/24 Budget – includes services across all four fund types. A further detailed outlined is provided in the Appendix.

Should Council seek to achieve efficiencies across the services, the services outlined in the Table below present the most material opportunity to reduce operating costs. Only services within the General Fund will address the main concerns with the capacity of the Council to improve the cash generated from operations.

Table 5.9 Top 10 Council services ranked by 2023/24 budgeted operating expenditure

Council Service	Operating Expenditure (excluding depreciation) 2023/24 Budget \$m	Portion of Total Expenses (%)
Works and Services	61.2	18.8
Waste Management Services	40.0	12.3
Commercial Services	35.3	10.9
Shoalhaven Water Management & Admin Services	35.0	10.8
Shoalhaven Water Operations & Maintenance	31.1	9.6
Shoalhaven Swim Sport Fitness	17.1	5.3
Building Services	15.6	4.8
Information Services	11.2	3.5
Financial Services	7.8	2.4
Business Assurance & Risk	6.8	2.1

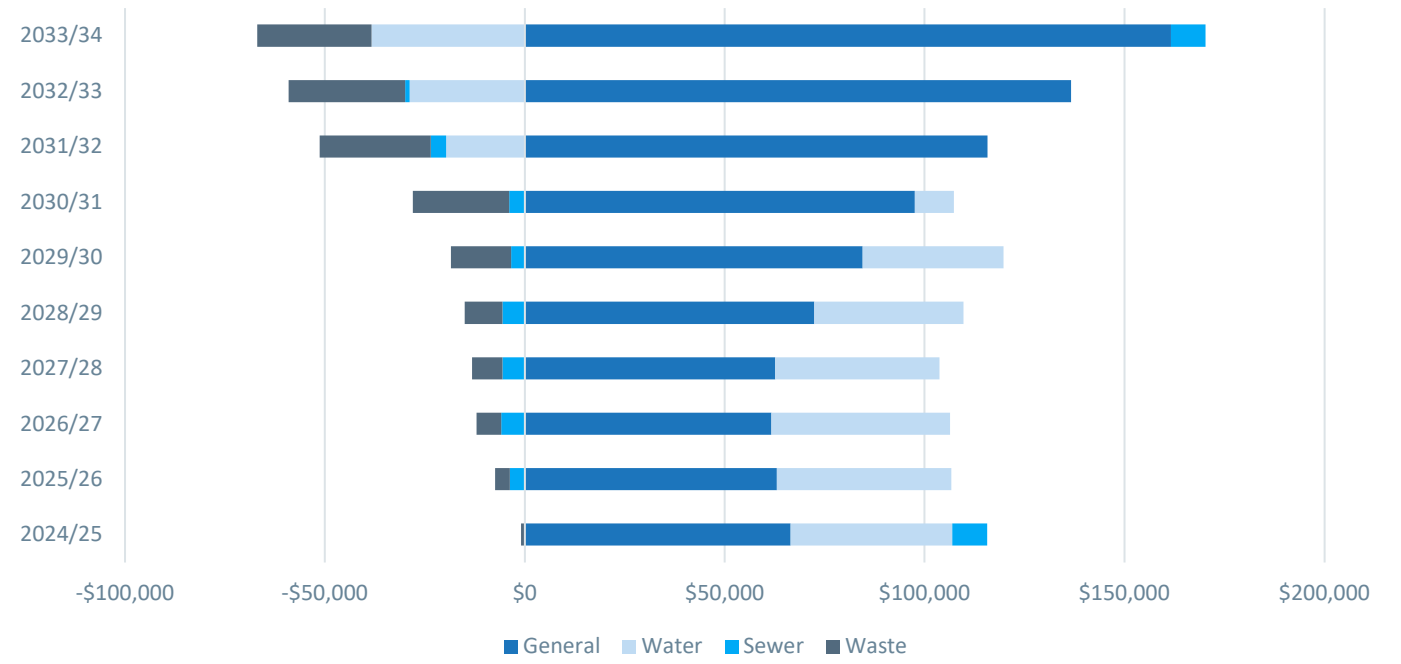
Source: AEC (unpublished)

5.4.3 Availability of Cash

The Statement of Cashflows in Table 5.10 and Figure 5.3 below forecast for the Base Scenario currently indicates a decline in total cash and investments from \$166.4million based on Draft 2022/23 actuals to \$103.4million by the end of 2033/34. With the current Capital Works Plan as provided to AEC, the Water, Sewer and Waste Funds deteriorating into a negative cash balance – which is not sustainable. This indicates the lack of planning, assessment and financial assessment of the current Capital Works Plan. It should be noted that AEC has used the assumptions for the funding sources for the capital works as provided by Council, which may need to be reviewed.

The Base Case scenario is not sustainable. There is insufficient cash being generated from operations to fund the proposed Capital Works Plan – this is despite as outlined later an insufficient investment in asset renewals in the Base Case scenario to maintain the infrastructure capital. The following section on restricted reserves further highlights the lack of cash being generated in the Base Case projection.

Figure 5.3 Cash Availability by Fund



Source: AEC (unpublished)

Table 5.10 Statement of Cash Flows – Consolidated - Base Scenario

STATEMENT OF CASH FLOWS - CONSOLIDATED	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Cash Flows from operating activities														
<i>Receipts:</i>														
Rates and annual charges	153,116	161,561	6,015	177,339	184,448	191,858	198,318	205,006	211,929	219,098	226,521	234,207	242,168	250,412
User charges and fees	89,393	88,547	92,530	95,622	98,491	101,445	104,489	107,623	110,852	114,178	117,603	121,131	124,765	128,499
Investment and interest revenue received	3,075	2,151	7,867	5,677	6,308	6,058	6,024	6,136	6,250	6,489	6,579	5,952	5,942	6,318
Grants and contributions	55,794	93,392	99,143	154,657	64,165	56,071	44,183	32,122	32,977	34,581	58,029	57,875	36,674	37,658
Bonds, deposits and retention amounts received	863	3,032	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	17,910	18,880	714,260	4,772	4,915	5,062	5,213	5,369	5,530	5,696	5,866	6,042	6,223	6,409
<i>Payments:</i>														
Employee benefits and on-costs	(95,058)	(100,647)	(111,918)	(107,702)	(110,933)	(114,261)	(117,116)	(120,042)	(123,042)	(126,116)	(129,267)	(132,497)	(135,808)	(139,201)
Materials and services	(101,608)	(97,006)	(117,782)	(102,494)	(107,805)	(112,348)	(116,262)	(120,351)	(124,685)	(129,049)	(134,449)	(139,882)	(144,482)	(149,221)
Borrowing costs	(5,578)	(5,783)	(6,495)	(7,397)	(7,206)	(7,232)	(6,813)	(5,977)	(5,348)	(4,920)	(4,255)	(3,395)	(2,571)	(873)
Bonds, deposits and retention amounts refunded	(1,126)	(903)	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(26,947)	(35,550)	(20,887)	(16,973)	(17,482)	(18,006)	(18,546)	(19,103)	(19,676)	(20,266)	(20,874)	(21,500)	(22,145)	(22,810)
Net cash provided (or used in) operating activities	89,834	127,674	662,733	203,502	114,901	108,648	99,490	90,783	94,788	99,691	125,753	127,934	110,765	117,190
Cash Flows from investing activities														
<i>Receipts:</i>														
Sale of investments	184,334	83,497	-	16,477	128,927	112,450	112,450	112,450	112,450	112,450	102,450	78,829	78,829	78,829
Sale of infrastructure, property, plant and equipment	3,256	3,127	247	5,451	11,921	10,335	13,928	10,518	8,340	9,487	9,707	7,744	7,225	7,442
Deferred Debtors Receipts	-	14	-	1,190	-	-	-	-	-	-	-	-	-	-
Other investing	1,924	4,369	-	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>														
Purchase of investment securities	(187,598)	(87,028)	-	(6,477)	(112,450)	(112,450)	(112,450)	(112,450)	(112,450)	(102,450)	(78,829)	(78,829)	(78,829)	(78,829)
Purchase of infrastructure, property, plant and equipment	(99,124)	(140,032)	(692,963)	(249,478)	(122,317)	(120,322)	(96,862)	(87,363)	(85,327)	(85,165)	(135,877)	(133,754)	(89,843)	(93,839)

STATEMENT OF CASH FLOWS - CONSOLIDATED	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	ACTUAL		DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Purchase of intangible assets	(263)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	(1,301)	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred debtors and advances made	(62)	(34)	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) investing activities	(98,834)	(136,087)	(692,716)	(232,836)	(93,919)	(109,987)	(82,934)	(76,845)	(76,987)	(65,678)	(102,549)	(126,010)	(82,617)	(86,397)
Cash Flows from financing activities														
Receipts:														
Proceeds from borrowings	50,457	2,601	42,533	9,455	14,537	7,500	-	2,945	6,673	3,124	-	-	-	-
Payments:														
Repayment of borrowings and advances	(13,595)	(17,517)	(6,535)	(20,288)	(20,528)	(21,577)	(21,524)	(20,598)	(20,356)	(20,621)	(21,461)	(16,840)	(15,020)	(4,995)
Net cash provided (or used in) financing activities	36,862	(14,916)	35,998	(10,833)	(5,991)	(14,077)	(21,524)	(17,653)	(13,682)	(17,497)	(21,461)	(16,840)	(15,020)	(4,995)
Net increase/(decrease) in cash and cash equivalents	27,862	(23,329)	6,015	(40,168)	14,990	(15,416)	(4,968)	(3,715)	4,119	16,516	1,743	(14,915)	13,128	25,798
Cash and cash equivalents - beginning of year	16,883	44,745	21,416	27,431	(12,737)	2,254	(13,162)	(18,130)	(21,845)	(17,726)	(1,211)	532	(14,383)	(1,254)
Cash and cash equivalents - end of the year	44,745	21,416	27,431	(12,737)	2,254	(13,162)	(18,130)	(21,845)	(17,726)	(1,211)	532	(14,383)	(1,254)	24,543
Investments on hand - end of year	174,775	175,778	138,927	128,927	112,450	112,450	112,450	112,450	112,450	102,450	78,829	78,829	78,829	78,829
Total cash, cash equivalents and investments	219,520	197,194	166,358	116,190	114,704	99,288	94,320	90,605	94,724	101,239	79,361	64,446	77,575	103,372

Source – AEC (unpublished)

Table 5.11 Statement of Cash Flows – General - Base Scenario

STATEMENT OF CASH FLOWS - GENERAL	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Cash Flows from operating activities												
Receipts:												
Rates and annual charges	(3,076)	90,820	93,541	96,344	99,231	102,204	105,267	108,421	111,670	115,017	118,464	122,014
User charges and fees	50,268	51,030	52,561	54,138	55,762	57,435	59,158	60,933	62,761	64,644	66,583	68,571
Investment and interest revenue received	4,942	5,496	5,128	5,262	5,381	5,532	5,700	6,012	6,424	6,901	7,380	7,864
Grants and contributions	94,040	151,361	58,736	43,707	37,963	28,722	29,577	30,584	33,107	32,307	33,274	34,258
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	419,014	30,709	41,295	42,534	43,810	45,124	46,477	47,871	49,307	50,786	52,309	53,878
Payments:												
Employee benefits and on-costs	(83,597)	(80,013)	(82,413)	(84,886)	(87,008)	(89,183)	(91,412)	(93,698)	(96,040)	(98,441)	(100,902)	(103,425)
Materials and services	(82,382)	(63,510)	(66,787)	(69,370)	(71,598)	(73,736)	(75,907)	(78,155)	(80,481)	(82,851)	(85,292)	(87,806)
Borrowing costs	(2,454)	(3,291)	(3,403)	(3,362)	(3,301)	(2,814)	(2,364)	(1,919)	(1,475)	(1,032)	(621)	(314)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(5,009)	(28,804)	(29,668)	(30,558)	(31,474)	(32,419)	(33,391)	(34,393)	(35,425)	(36,487)	(37,582)	(38,710)
Net cash provided (or used in) operating activities	391,746	153,800	68,991	53,809	48,767	40,865	43,105	45,657	49,847	50,842	53,612	56,331
Cash Flows from investing activities												
Receipts:												
Sale of investments	-	-	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829
Sale of infrastructure, property, plant and equipment	(81)	5,111	11,640	9,984	13,424	10,060	7,863	9,037	9,115	7,134	6,597	6,795
Payments:												
Purchase of investment securities	-	-	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)	(78,829)
Purchase of infrastructure, property, plant and equipment	(437,274)	(175,897)	(77,165)	(61,948)	(50,739)	(38,100)	(29,684)	(31,658)	(34,886)	(32,037)	(32,927)	(35,215)
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) investing activities	(437,355)	(170,786)	(65,525)	(51,963)	(37,315)	(28,040)	(21,821)	(22,621)	(25,771)	(24,903)	(26,330)	(28,421)

STATEMENT OF CASH FLOWS - GENERAL	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Cash Flows from financing activities												
<i>Receipts:</i>												
Proceeds from borrowings	42,533	9,455	7,500	7,500	-	-	-	-	-	-	-	-
<i>Payments:</i>												
Repayment of borrowings and advances	-	(11,545)	(12,667)	(12,849)	(12,773)	(11,902)	(11,494)	(10,891)	(11,095)	(7,704)	(6,438)	(2,930)
Net cash provided (or used in) financing activities	42,533	(2,090)	(5,167)	(5,349)	(12,773)	(11,902)	(11,494)	(10,891)	(11,095)	(7,704)	(6,438)	(2,930)
Net increase/(decrease) in cash and cash equivalents	(3,076)	(19,077)	(1,701)	(3,503)	(1,322)	922	9,790	12,144	12,981	18,235	20,844	24,980
Cash and cash equivalents - beginning of year	11,545	8,469	(10,608)	(12,308)	(15,812)	(17,134)	(16,212)	(6,422)	5,723	18,704	36,939	57,783
Cash and cash equivalents - end of the year	8,469	(10,608)	(12,308)	(15,812)	(17,134)	(16,212)	(6,422)	5,723	18,704	36,939	57,783	82,763
Investments on hand - end of year	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829	78,829
Total cash, cash equivalents and investments	87,298	68,221	66,521	63,017	61,695	62,617	72,407	84,552	97,533	115,768	136,612	161,592

Source – AEC (unpublished)

Table 5.12 Statement of Cash Flows – Water - Base Scenario

STATEMENT OF CASH FLOWS - WATER	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Cash Flows from operating activities												
Receipts:												
Rates and annual charges	2,128	4,981	5,253	5,539	5,718	5,903	6,093	6,288	6,490	6,698	6,912	7,133
User charges and fees	21,447	23,711	24,423	25,155	25,910	26,687	27,488	28,312	29,162	30,037	30,938	31,866
Investment and interest revenue received	1,662	1,167	2,431	2,295	2,412	2,493	2,505	2,514	2,298	1,392	1,016	946
Grants and contributions	1,364	1,452	1,600	1,600	1,600	1,600	1,600	2,197	23,123	23,768	1,600	1,600
Other operating	83,989	2,579	2,657	2,736	2,818	2,903	2,990	3,080	3,172	3,267	3,365	3,466
Payments:												
Employee benefits and on-costs	(8,659)	(8,316)	(8,566)	(8,823)	(9,043)	(9,269)	(9,501)	(9,739)	(9,982)	(10,232)	(10,488)	(10,750)
Materials and services	(7,608)	(8,228)	(8,484)	(8,756)	(9,035)	(9,486)	(9,857)	(10,248)	(11,488)	(12,764)	(13,168)	(13,584)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-	-
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-	-
Other operating	(219)	(6,339)	(6,529)	(6,725)	(6,926)	(7,134)	(7,348)	(7,569)	(7,796)	(8,030)	(8,270)	(8,519)
Net cash provided (or used in) operating activities	94,104	11,009	12,785	13,023	13,453	13,696	13,969	14,836	34,979	34,138	11,906	12,159
Cash Flows from investing activities												
Receipts:												
Sale of investments	-	-	43,621	33,621	33,621	33,621	33,621	33,621	23,621	-	-	-
Sale of infrastructure, property, plant and equipment	129	120	124	127	131	135	139	143	148	152	157	161
Deferred Debtors Receipts	-	1,190	-	-	-	-	-	-	-	-	-	-
Payments:												
Purchase of investment securities	-	-	(33,621)	(33,621)	(33,621)	(33,621)	(33,621)	(23,621)	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(92,105)	(27,181)	(9,569)	(9,675)	(12,370)	(17,243)	(17,725)	(16,920)	(60,319)	(63,554)	(20,981)	(21,610)
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) investing activities	(91,976)	(25,871)	555	(9,548)	(12,239)	(17,108)	(17,586)	(6,776)	(36,551)	(63,402)	(20,824)	(21,449)

STATEMENT OF CASH FLOWS - WATER	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	DRAFT ACTUAL	FORECAST	FORWARD PLAN									
Cash Flows from financing activities												
Receipts:												
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayment of borrowings and advances	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) financing activities	-	(163)	(168)	(173)	(178)	(183)	(189)	(195)	(200)	(206)	(213)	(219)
Net increase/(decrease) in cash and cash equivalents	2,128	(15,025)	13,172	3,302	1,037	(3,595)	(3,806)	7,865	(1,772)	(29,470)	(9,131)	(9,509)
Cash and cash equivalents - beginning of year	6,485	8,613	(6,412)	6,760	10,062	11,098	7,503	3,697	11,562	9,790	(19,680)	(28,811)
Cash and cash equivalents - end of the year	8,613	(6,412)	6,760	10,062	11,098	7,503	3,697	11,562	9,790	(19,680)	(28,811)	(38,320)
Investments on hand - end of year	43,621	43,621	33,621	33,621	33,621	33,621	33,621	23,621	-	-	-	-
Total cash, cash equivalents and investments	52,234	37,209	40,381	43,683	44,719	41,124	37,318	35,183	9,790	(19,680)	(28,811)	(38,320)

Source – AEC (unpublished)

Table 5.13 Statement of Cash Flows – Sewer - Base Scenario

STATEMENT OF CASH FLOWS - SEWER	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FORECAST	FORWARD PLAN									
Cash Flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	51,384	53,976	56,698	58,411	60,176	61,994	63,867	65,796	67,783	69,829	71,937
User charges and fees	3,990	4,110	4,233	4,360	4,491	4,626	4,765	4,908	5,055	5,207	5,363
Investment and interest revenue received	750	564	443	272	249	265	275	318	322	334	387
Grants and contributions	1,800	3,829	10,765	4,619	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-
Other operating	1,770	1,823	1,878	1,934	1,992	2,052	2,113	2,177	2,242	2,309	2,379
<i>Payments:</i>											
Employee benefits and on-costs	(11,881)	(12,237)	(12,604)	(12,919)	(13,242)	(13,573)	(13,913)	(14,260)	(14,617)	(14,982)	(15,357)
Materials and services	(12,067)	(12,693)	(13,579)	(14,195)	(14,783)	(15,368)	(15,957)	(16,587)	(17,249)	(17,891)	(18,552)
Borrowing costs	(3,175)	(2,907)	(2,683)	(2,457)	(2,245)	(2,048)	(1,861)	(1,666)	(1,464)	(1,254)	-
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other operating	(7,044)	(7,255)	(7,473)	(7,697)	(7,928)	(8,165)	(8,410)	(8,663)	(8,923)	(9,190)	(9,466)
Net cash provided (or used in) operating activities	25,529	29,211	37,677	32,329	30,510	31,582	32,679	33,821	34,949	36,162	38,491
Cash Flows from investing activities											
<i>Receipts:</i>											
Sale of investments	16,477	6,477	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	100	103	106	109	113	116	119	123	127	130	134
<i>Payments:</i>											
Purchase of investment securities	(6,477)	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(30,655)	(20,869)	(43,196)	(27,642)	(23,452)	(25,025)	(23,746)	(27,250)	(27,599)	(25,817)	(26,592)
Deferred debtors and advances made	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used in) investing activities	(20,555)	(14,289)	(43,090)	(27,533)	(23,339)	(24,909)	(23,626)	(27,127)	(27,472)	(25,687)	(26,457)

STATEMENT OF CASH FLOWS - SEWER	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FORECAST	FORWARD PLAN									
Cash Flows from financing activities											
Receipts:											
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings and advances	(6,023)	(5,045)	(5,268)	(5,160)	(4,968)	(4,761)	(4,948)	(5,143)	(5,345)	(5,556)	-
Net cash provided (or used in) financing activities	(7,677)	(6,748)	(7,023)	(6,967)	(6,829)	(6,679)	(6,923)	(7,177)	(7,441)	(7,714)	(2,223)
Net increase/(decrease) in cash and cash equivalents	(2,704)	8,173	(12,436)	(2,172)	342	(5)	2,130	(483)	37	2,762	9,811
Cash and cash equivalents - beginning of year	3,254	550	8,723	(3,713)	(5,885)	(5,543)	(5,548)	(3,419)	(3,901)	(3,865)	(1,103)
Cash and cash equivalents - end of the year	550	8,723	(3,713)	(5,885)	(5,543)	(5,548)	(3,419)	(3,901)	(3,865)	(1,103)	8,708
Investments on hand - end of year	6,477	-	-	-	-	-	-	-	-	-	-
Total cash, cash equivalents and investments	7,027	8,723	(3,713)	(5,885)	(5,543)	(5,548)	(3,419)	(3,901)	(3,865)	(1,103)	8,708

Source – AEC (unpublished)

Table 5.14 Statement of Cash Flows – Waste - Base Scenario

STATEMENT OF CASH FLOWS - WASTE	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FORECAST	FORWARD PLAN									
Cash Flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	30,153	31,677	33,278	34,958	36,723	38,576	40,522	42,565	44,710	46,963	49,328
User charges and fees	16,890	17,397	17,918	18,456	19,010	19,580	20,167	20,772	21,396	22,037	22,699
Investment and interest revenue received	137	56	(14)	(55)	(93)	(114)	(142)	(226)	(361)	(417)	(437)
Grants and contributions	44	-	-	-	-	-	-	-	-	-	-
Bonds, deposits and retention amounts received	-	-	-	-	-	-	-	-	-	-	-
Other operating	38,020	29,495	30,380	31,291	32,230	33,197	34,193	35,218	36,275	37,363	38,484
<i>Payments:</i>											
Employee benefits and on-costs	(7,764)	(7,997)	(8,237)	(8,443)	(8,654)	(8,871)	(9,092)	(9,320)	(9,553)	(9,792)	(10,036)
Materials and services	(18,807)	(19,961)	(20,767)	(21,562)	(22,477)	(23,689)	(24,828)	(26,037)	(27,166)	(28,284)	(29,436)
Borrowing costs	(988)	(897)	(1,186)	(1,055)	(918)	(936)	(1,140)	(1,113)	(899)	(696)	(559)
Bonds, deposits and retention amounts refunded	-	-	-	-	-	-	-	-	-	-	-
Other operating	(42,704)	(43,985)	(45,304)	(46,664)	(48,063)	(49,505)	(50,991)	(52,520)	(54,096)	(55,719)	(57,390)
Net cash provided (or used in) operating activities	14,982	5,785	6,067	6,926	7,757	8,238	8,689	9,339	10,306	11,456	12,651
Cash Flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	120	55	117	264	211	222	187	322	332	341	352
<i>Payments:</i>											
Purchase of investment securities	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(15,744)	(14,714)	(5,502)	(6,111)	(8,568)	(12,892)	(12,842)	(13,422)	(10,564)	(10,118)	(10,422)
Net cash provided (or used in) investing activities	(15,624)	(14,660)	(5,385)	(5,847)	(8,357)	(12,671)	(12,655)	(13,100)	(10,232)	(9,777)	(10,070)

STATEMENT OF CASH FLOWS - WASTE	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FORECAST	FORWARD PLAN									
Cash Flows from financing activities											
<i>Receipts:</i>											
Proceeds from borrowings	-	7,037	-	-	2,945	6,673	3,124	-	-	-	-
<i>Payments:</i>											
Repayment of borrowings and advances	(2,719)	(2,816)	(3,459)	(3,591)	(3,728)	(4,100)	(4,782)	(5,223)	(3,790)	(3,026)	(2,065)
Net cash provided (or used in) financing activities	(2,719)	4,221	(3,459)	(3,591)	(783)	2,573	(1,657)	(5,223)	(3,790)	(3,026)	(2,065)
Net increase/(decrease) in cash and cash equivalents	(3,362)	(4,654)	(2,778)	(2,511)	(1,384)	(1,860)	(5,623)	(8,984)	(3,716)	(1,347)	517
Cash and cash equivalents - beginning of year	7,095	3,733	(921)	(3,699)	(6,210)	(7,594)	(9,453)	(15,077)	(24,060)	(27,777)	(29,124)
Cash and cash equivalents - end of the year	3,733	(921)	(3,699)	(6,210)	(7,594)	(9,453)	(15,077)	(24,060)	(27,777)	(29,124)	(28,607)
Investments on hand - end of year	-	-	-	-	-	-	-	-	-	-	-
Total cash, cash equivalents and investments	3,733	(921)	(3,699)	(6,210)	(7,594)	(9,453)	(15,077)	(24,060)	(27,777)	(29,124)	(28,607)

Source – AEC (unpublished)

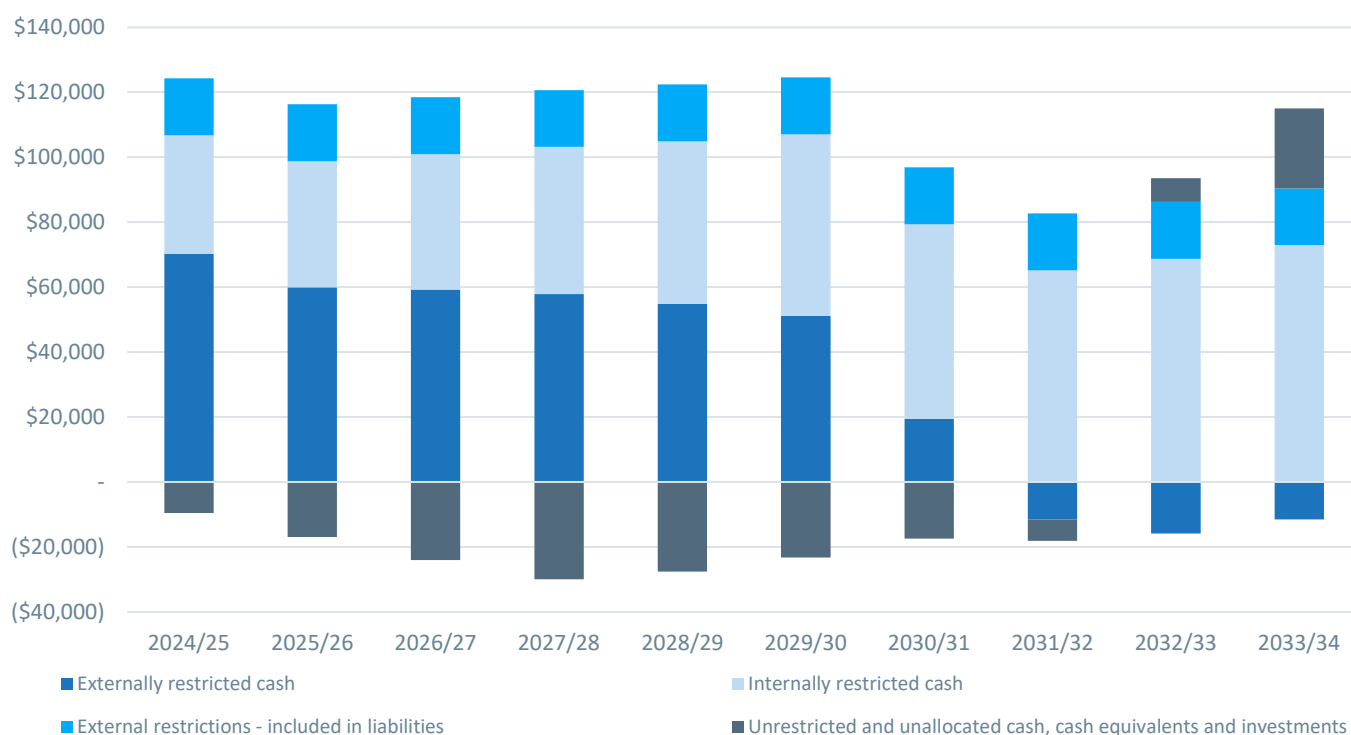
5.4.3.1 Cash Reserves and Unrestricted Cash Available

Council currently manages and reports 36 separate internal and external cash reserves including externally restricted and internally restricted cash reserves. The balance of cash in the externally restricted cash reserves in the Base Case are projected to decrease significantly due to the capital works using the funding in the water and waste reserves. Combined, water and waste reserves deteriorate to a cash deficit of \$108.1 million by 2033/34. Council will need to revise the capital works for water and waste funds and possibly consider the use of borrowings to fund the required capital works to maintain adequate cash in the respective funds.

Internal reserve increases from \$39.1 million in draft 2022/23 actuals to \$72.9 million in 2033/34. The major increases are reflected in communications tower (\$2.7 million), s7.11 recoupment fund (\$14.0 million), general insurance (\$3.0 million), strategic projects (\$3.6 million) and strategic property acquisition (\$8.3 million). As noted later there is a need to complete the review of the current Contributions Plan and the forward planning for schedule of works that will be funded through s7.11 developer contributions.

The unrestricted cash position is forecast to deteriorate into a negative balance, which Council must avoid. Council is not allowed to access cash from restricted reserves to fund activities and capital works outside of the purposes of the restricted funds. A negative unrestricted cash indicates Council will be using restricted cash for other purposes, which is not permissible under the regulatory responsibilities of the Council.

Figure 5.4 Restricted and Unrestricted Cash – Base Case Scenario



Source: AEC (unpublished)

Table 5.15 Reserves Summary – Consolidated - Base Scenario

RESERVES - CONSOLIDATED	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Externally Restricted - Liabilities												
Specific purpose unexpended grants – general fund	21,960	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876
Specific purpose unexpended grants – water fund	582	48	48	48	48	48	48	48	48	48	48	48
Specific purpose unexpended grants – sewer fund	2,054	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,485
Specific purpose unexpended loans – general	31,014	7,022	7,022	7,022	7,022	7,022	7,022	7,022	7,022	7,022	7,022	7,022
Self insurance claims	6,094	6,094	6,094	6,094	6,094	6,094	6,094	6,094	6,094	6,094	6,094	6,094
External restrictions included in liabilities	61,704	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524
Externally Restricted - Other												
Developer contributions – general	20,551	15,331	16,849	18,504	20,301	22,811	25,472	28,288	31,264	34,405	37,716	41,187
Developer contributions – water fund	16,245	18,301	19,901	21,501	23,101	24,701	26,301	27,901	29,501	31,101	32,701	34,301
Developer contributions – sewer fund	-	-	-	-	-	-	-	-	-	-	-	-
Specific purpose unexpended grants (recognised as revenue) – general fund	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957
Water fund	29,960	15,417	16,842	17,756	17,198	11,162	5,756	1,123	(25,721)	(57,750)	(68,413)	(79,457)
Sewer fund	17,677	5,542	7,238	(5,198)	(7,369)	(7,028)	(7,033)	(4,903)	(5,386)	(5,349)	(2,588)	7,223
Stormwater management	24	0	0	0	1	1	1	1	0	0	0	0
Other special levies	-	4,972	5,339	6,088	7,238	8,807	8,807	8,807	8,807	8,807	8,807	8,807
Domestic waste management	7,095	3,733	(921)	(3,699)	(6,210)	(7,594)	(9,453)	(15,077)	(24,060)	(27,777)	(29,124)	(28,607)
Externally Restricted - Other	96,509	68,254	70,205	59,909	59,217	57,817	54,807	51,096	19,361	(11,606)	(15,944)	(11,589)
Internally Restricted												
Arts collection	45	45	45	45	45	45	45	45	45	45	45	45
Coastal Management	477	156	40	0	0	0	1	0	1	1	0	0
Communication towers	12	(32)	16	225	987	28	838	1,673	1,305	2,192	3,108	2,707
Communication towers (water)	5,391	3,386	3,533	4,320	4,312	5,149	5,142	6,031	5,871	6,816	6,733	6,648
Critical asset compliance	314	0	0	0	0	0	0	0	0	0	0	0

RESERVES - CONSOLIDATED	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits, retentions and bonds	4,761	4,761	4,761	4,761	4,761	4,761	4,761	4,761	4,761	4,761	4,761	4,761
Dog Off Leash	40	-	72	146	223	302	383	466	552	641	732	827
Economic development projects	233	333	333	333	333	333	333	333	333	333	333	333
Employees leave entitlement	5,880	5,880	5,880	5,880	5,880	5,880	5,880	5,880	5,880	5,880	5,880	5,880
Financial assistance grant	14,882	14,882	14,882	14,882	14,882	14,882	14,882	14,882	14,882	14,882	14,882	14,882
General insurance	296	305	564	832	1,107	1,390	1,682	1,983	2,293	2,612	2,941	3,279
Jervis Bay Territory	56	56	57	57	60	64	71	80	91	104	120	139
Jetty Licensing	19	19	19	19	19	19	19	19	19	19	19	19
Land development reserve	1,846	2,427	3,117	1,627	709	1,766	1,606	1,757	2,557	2,057	1,709	1,352
Plant and vehicle replacement	419	122	412	710	1,031	1,376	1,340	1,318	1,310	1,318	1,342	1,384
Plant replacement cemeteries	60	92	125	159	194	231	268	306	346	386	428	472
Renewable Energy Fund	244	238	238	238	238	238	238	238	238	238	238	238
S7.11 recoupment funds	2,292	266	861	2,446	4,023	5,591	7,169	8,914	10,649	12,376	14,093	16,259
Shoalhaven Foreshore Development	985	918	849	777	704	629	552	474	393	310	224	137
Sporting facilities	28	54	110	169	229	291	355	421	488	558	630	704
Strategic projects	-	79	12	2	50	157	326	558	855	1,219	1,652	3,594
Strategic property acquisition	856	336	604	1,198	1,876	2,172	4,112	5,738	7,091	8,354	8,769	9,198
Internally Restricted	39,136	34,322	36,529	38,827	41,664	45,304	50,003	55,874	59,959	65,102	68,639	72,856
Total internal and external restrictions	197,349	120,100	124,259	116,261	118,405	120,645	122,334	124,495	96,845	71,020	70,219	78,791

Total cash, cash equivalents and investments	166,358	116,190	114,704	99,288	94,320	90,605	94,724	101,239	79,361	64,446	77,575	103,372
Externally restricted cash	96,509	68,254	70,205	59,909	59,217	57,817	54,807	51,096	19,361	(11,606)	(15,944)	(11,589)
Internally restricted cash	39,136	34,322	36,529	38,827	41,664	45,304	50,003	55,874	59,959	65,102	68,639	72,856
External restrictions - included in liabilities	61,704	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524	17,524
Unrestricted and unallocated cash, cash equivalents and investments	(30,991)	(3,910)	(9,555)	(16,972)	(24,085)	(30,040)	(27,611)	(23,256)	(17,484)	(6,574)	7,355	24,582

5.4.4 Investment in Assets

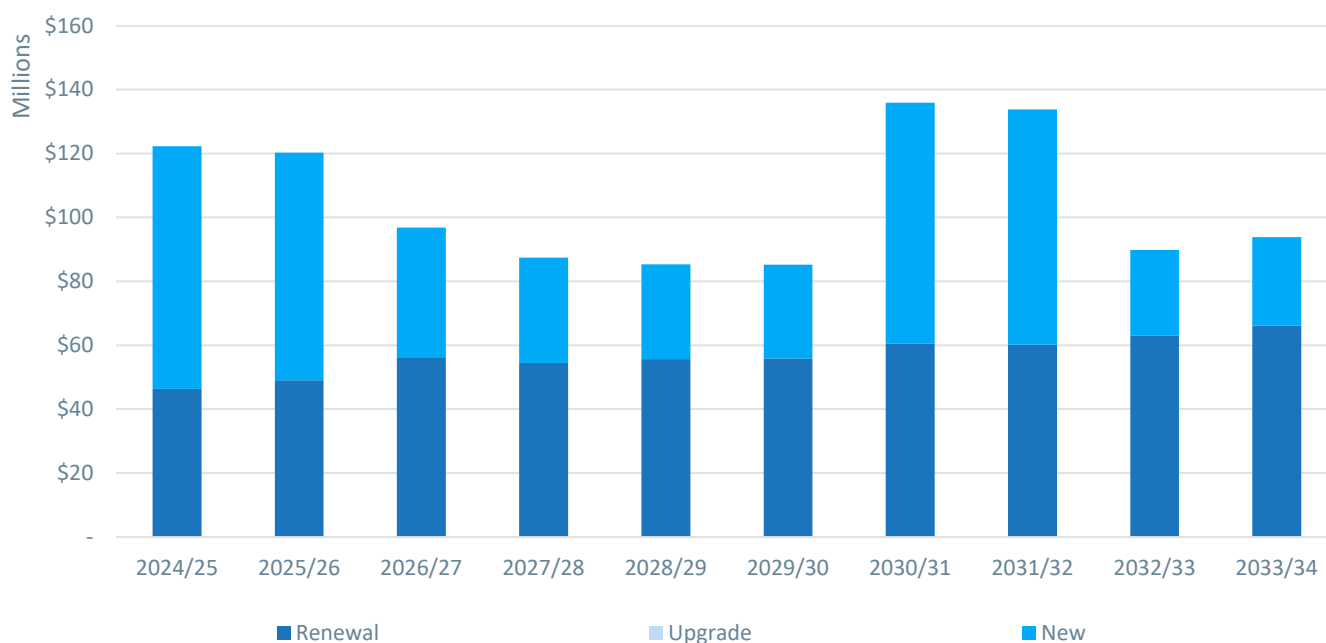
The Council has provided to AEC a capital works plan of new assets, upgrades, and renewals spanning only the first nine years of the forecast period. AEC have therefore extrapolated to the tenth year as being identical to the ninth year.

The Base Case Scenario includes a total of \$1,050.7million over the next ten years on capital expenditure, comprising \$483.1 million (46.0%) of new and upgraded assets and \$567.6 million (54.0%) of asset renewals over the forecast period. Due to new development, Council will require a level of new assets, however the forward planned new assets due to development will be reviewed upon completion of the review of the Contributions Plan and the service plans for the water and sewer services.

AEC also analysed Council's asset register for all asset classes to calculate the annualised depreciation, based on the value of currently held assets and their respective asset lives. Theoretically, applying the Office of Local Government indicators, in order to maintain assets sustainably, the investment in the asset renewal program is required at the same level as the depreciation expense over the same assessment period. Our review indicates that depreciation on all assets held (all asset classes) is an average during the forecast period of \$113.0 million. By comparison, Council's annual programmed expenditure on asset renewals during the forecast period is at an average of \$56.8 million annually. This reflects a shortfall compared to depreciation expense of \$56.2 million annually.

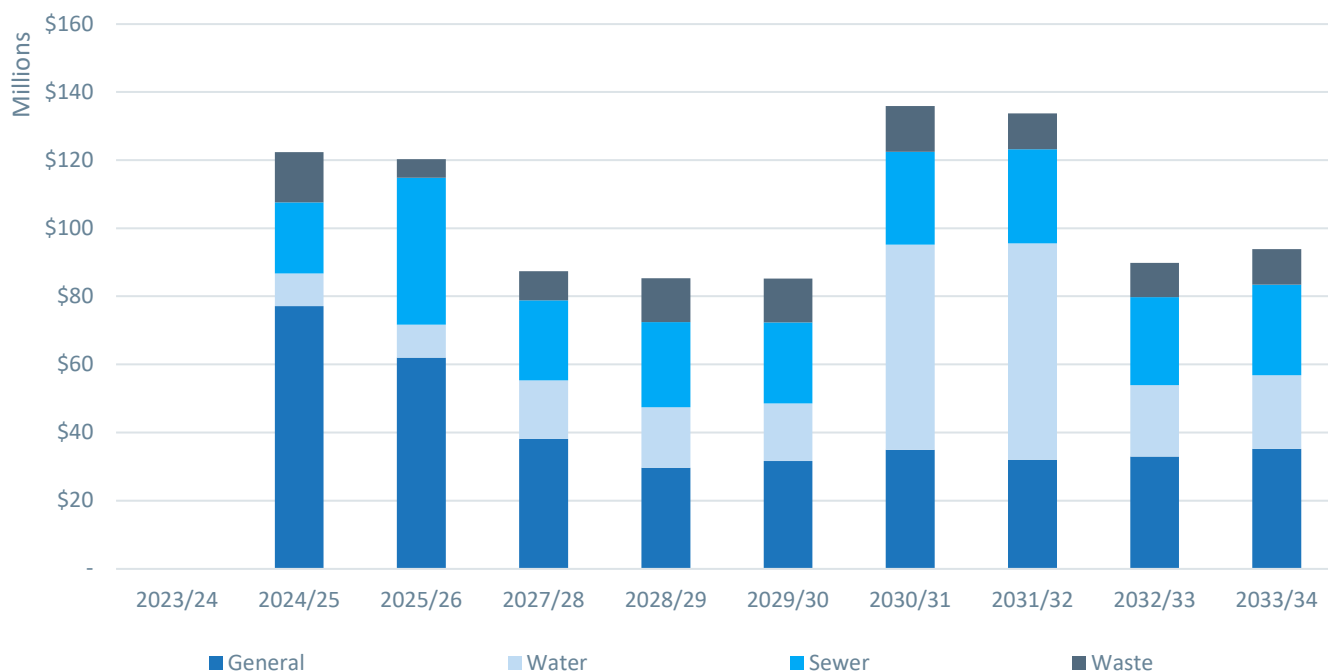
Based on AEC's calculation of depreciation expense, Councils current renewals expenditure represents an average renewal ratio over the forecast period of 50%, which is substantially below the Office of Local Government target indicator of 100%.

Figure 5.5 Capital Program Spend – Consolidated



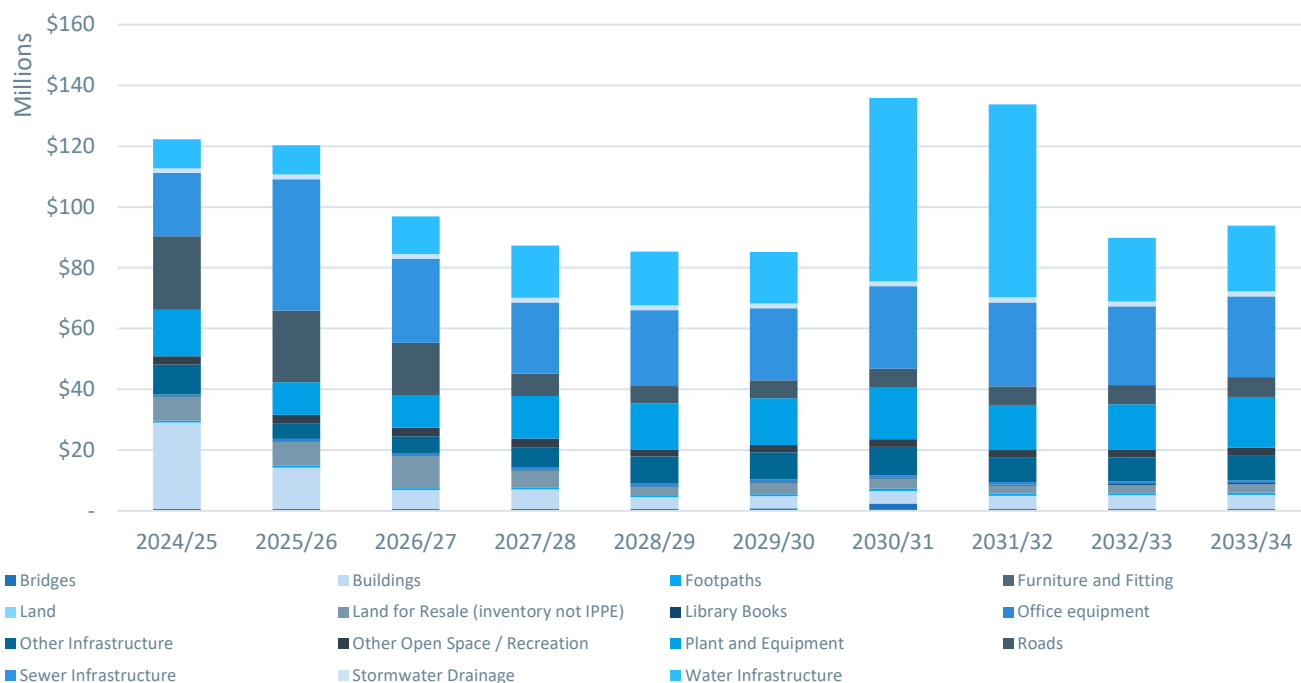
Source – AEC (unpublished)

Figure 5.6 Capital Works Program by Fund – Base Case Scenario



Source – AEC (unpublished)

Figure 5.7 Capital Program Spend – by Asset Class (Base Case)



Source – AEC (unpublished)

Table 5.16 Capital Program Spend – by Asset Class (Base Scenario)

Planned Capital Works by Asset Class		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges		10,708,860	581,950	599,409	617,391	635,912	654,990	799,657	2,432,691	715,725	737,197	759,313
Buildings		14,823,757	28,502,840	13,621,393	6,241,657	6,363,627	3,882,409	3,998,881	4,118,848	4,242,413	4,369,685	4,500,776
Footpaths		12,426,611	573,710	590,921	608,649	626,908	645,716	665,087	685,040	705,591	726,759	748,561
Land for Resale (inventory not IPPE)		2,398,765	7,822,850	7,934,471	10,632,452	5,589,502	2,699,486	3,780,250	3,378,709	2,684,539	2,737,806	2,819,940
Library Books		430,000	213,210	219,606	226,194	232,980	239,970	247,169	254,584	262,221	270,088	278,191
Office equipment		202,284	688,040	708,681	729,942	751,840	774,395	797,627	821,556	846,202	871,588	897,736
Other Infrastructure		24,022,108	9,764,555	5,136,294	5,457,570	6,744,949	8,965,594	9,004,110	9,355,528	7,993,256	7,838,751	8,060,474
Other Open Space / Recreation		28,190,393	2,690,360	2,757,279	2,824,699	2,893,683	2,352,167	2,422,732	2,495,414	2,570,276	2,647,385	2,726,806
Plant and Equipment		9,806,223	15,261,459	10,733,284	10,730,743	13,934,362	15,168,522	15,405,066	17,194,375	14,813,166	14,876,306	16,666,512
Roads		88,296,598	24,295,949	23,649,583	17,266,179	7,364,204	5,646,824	5,816,229	5,990,716	6,170,437	6,355,550	6,546,217
Sewer Infrastructure		30,655,257	20,869,448	43,196,241	27,642,278	23,451,777	25,024,786	23,745,640	27,249,823	27,598,613	25,817,025	26,591,536
Stormwater Drainage		2,994,259	1,484,230	1,499,052	1,514,520	1,530,692	1,546,472	1,563,014	1,580,388	1,597,397	1,614,004	1,632,858
Water Infrastructure		24,522,460	9,568,700	9,675,408	12,369,670	17,242,795	17,725,301	16,919,721	60,319,164	63,553,855	20,980,753	21,610,175
TOTAL EXPENSES		249,477,575	122,317,300	120,321,623	96,861,944	87,363,232	85,326,629	85,165,183	135,876,834	133,753,693	89,842,898	93,839,096
	New	119,537,255	76,005,307	71,244,177	40,577,543	32,926,648	29,629,422	29,281,625	75,267,174	73,636,331	26,857,321	27,663,040
	Upgrade	5,798,459	0	0	0	0	0	0	0	0	0	0
	Renewal	124,141,861	46,311,993	49,077,446	56,284,401	54,436,584	55,697,207	55,883,558	60,609,660	60,117,361	62,985,577	66,176,055
TOTAL EXPENSES		249,477,575	122,317,300	120,321,623	96,861,944	87,363,232	85,326,629	85,165,183	135,876,834	133,753,693	89,842,898	93,839,096
	Depreciation	90,199,600	94,602,108	98,724,080	102,279,169	106,000,320	110,003,842	114,002,792	119,043,475	124,107,354	128,311,345	132,641,455
	Renewal Ratio	138%	49%	50%	55%	51%	51%	49%	51%	48%	49%	50%

5.5 ENHANCED ASSET RENEWALS SCENARIO

5.5.0 Assumptions and Qualifications

The Enhanced Asset Renewals scenario has been compiled based on the Base Case Scenario, using the same assumptions, but with additional investment in asset renewals.

In this scenario AEC has increased the total investment for asset renewals based on our assessment, informed by the advice from asset custodians, on a capital works plan that reflected a preventative approach to planning for asset renewals – that is, treating assets with renewal at an optimal time, rather than waiting for failure or delaying the treatment and likely requiring a more intensive and more costly renewal treatment.

AEC approached the assessment of required asset renewals from a range of approaches:

- AEC attempted to model the required renewals based on the current asset register, including calculating the remaining useful life of assets and using the replacement cost of the assets to estimate the renewal demand. It was concluded that the calculated renewal was not accurate and therefore AEC was not able to calculate the asset renewal demand based on the current asset register.
- AEC modelled the total annualised investment required by calculating the targeted asset renewal ratio for the next 10 financial years by asset class, and then calculating the investment in renewals necessary to achieve the target renewal ratio for each class.
- AEC developed an activity based costing of renewals based on technical levels of service for each proposed renewal program to calculate an annual investment necessary (e.g. annual reseal program investment calculated by dividing the total kms of sealed road by the useful life and multiplying by the unit rate).

AEC facilitated workshops with the Executive Leadership Team and the Councillors to conclude on a target renewal investment which has been used in the Enhanced Asset Renewal Scenario. The target was achieved based on a combination of the above three approaches.

It should be noted that the maturity of the asset management across the asset classes requires significant improvement and has limited the capacity to assess and estimate the investment required in asset renewals.

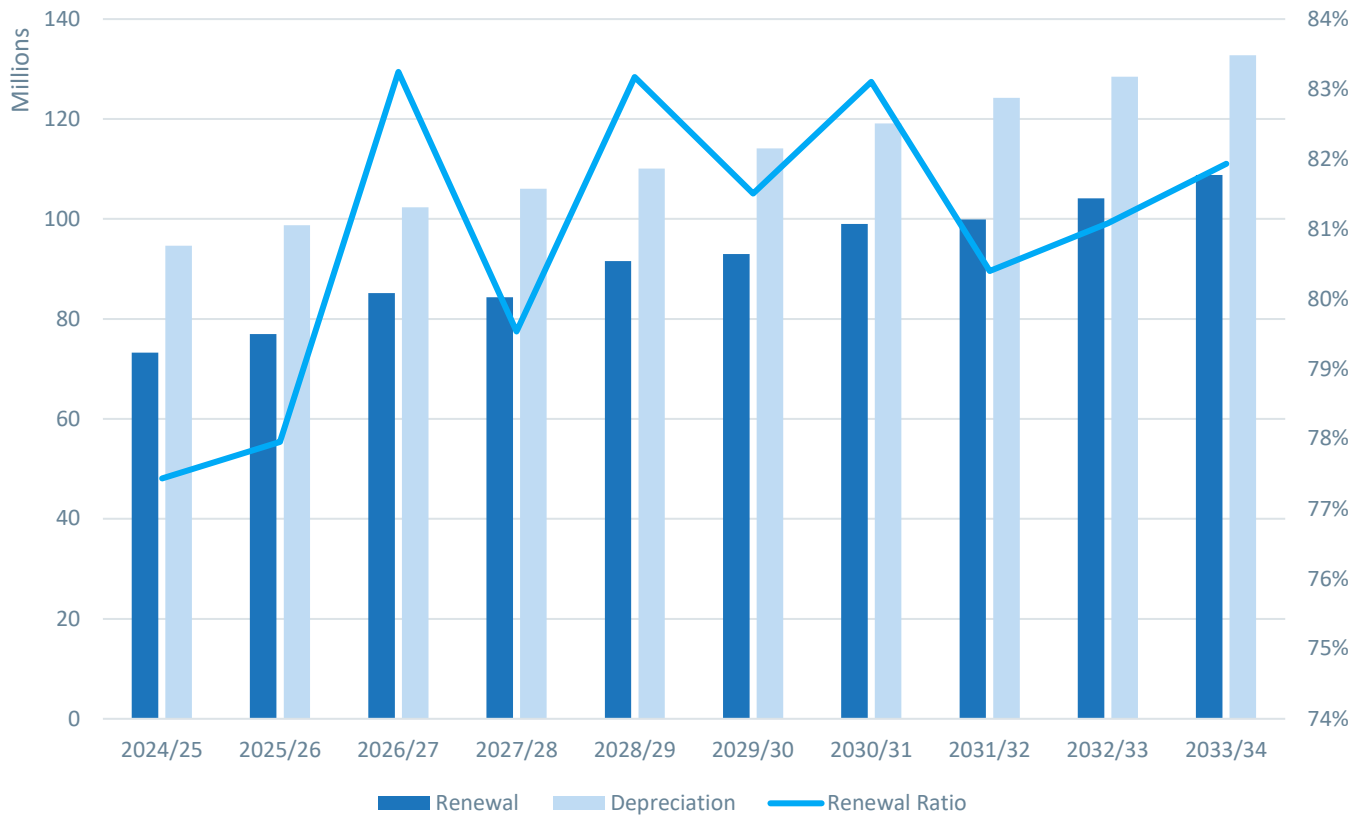
For a detailed outline of the asset profiles and the proposed asset renewal programs to be funded, see Appendix C: Asset Profiles Notes From Engagement With Asset Custodians.

The following tables and figures outline the capital works plan for the Enhanced Asset Renewal Scenario.

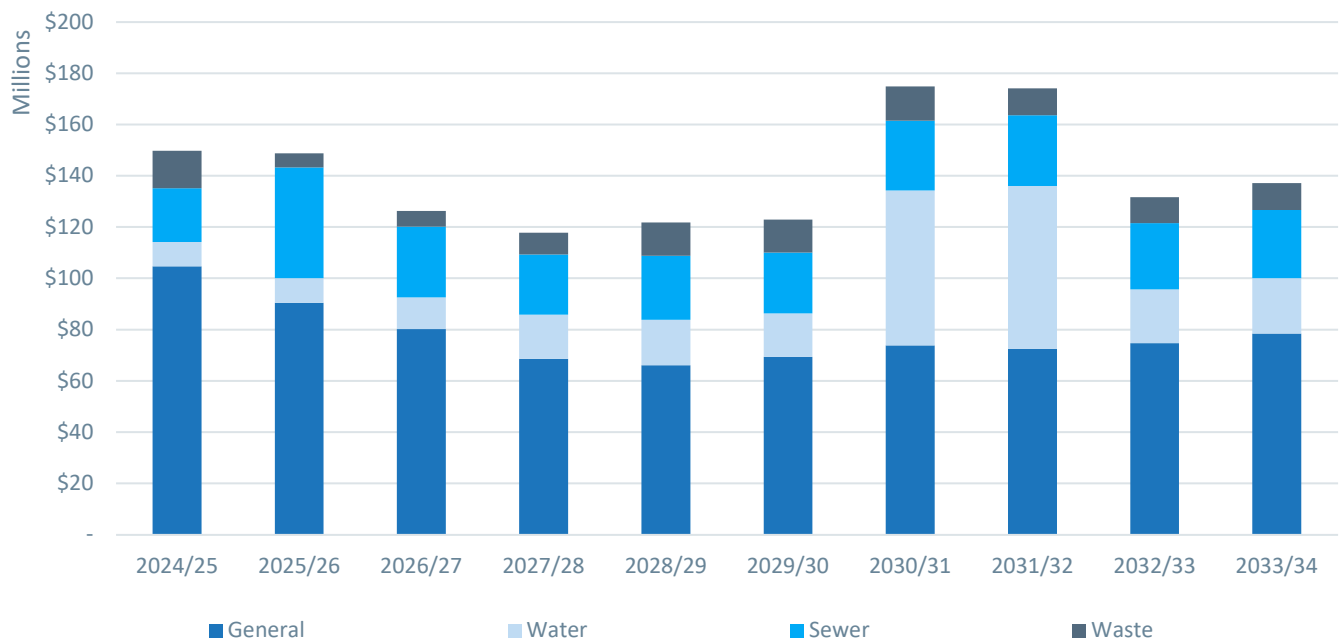
The level of renewals assumed raises the Capital Renewal Ratio to an average of 81% over the forecast period, which is still below the Office of Local Government recommended target of 100%.

Total Capital Works Program increases from \$1,050.7 million to \$1,405.0 million, an increase of \$354.3 million.

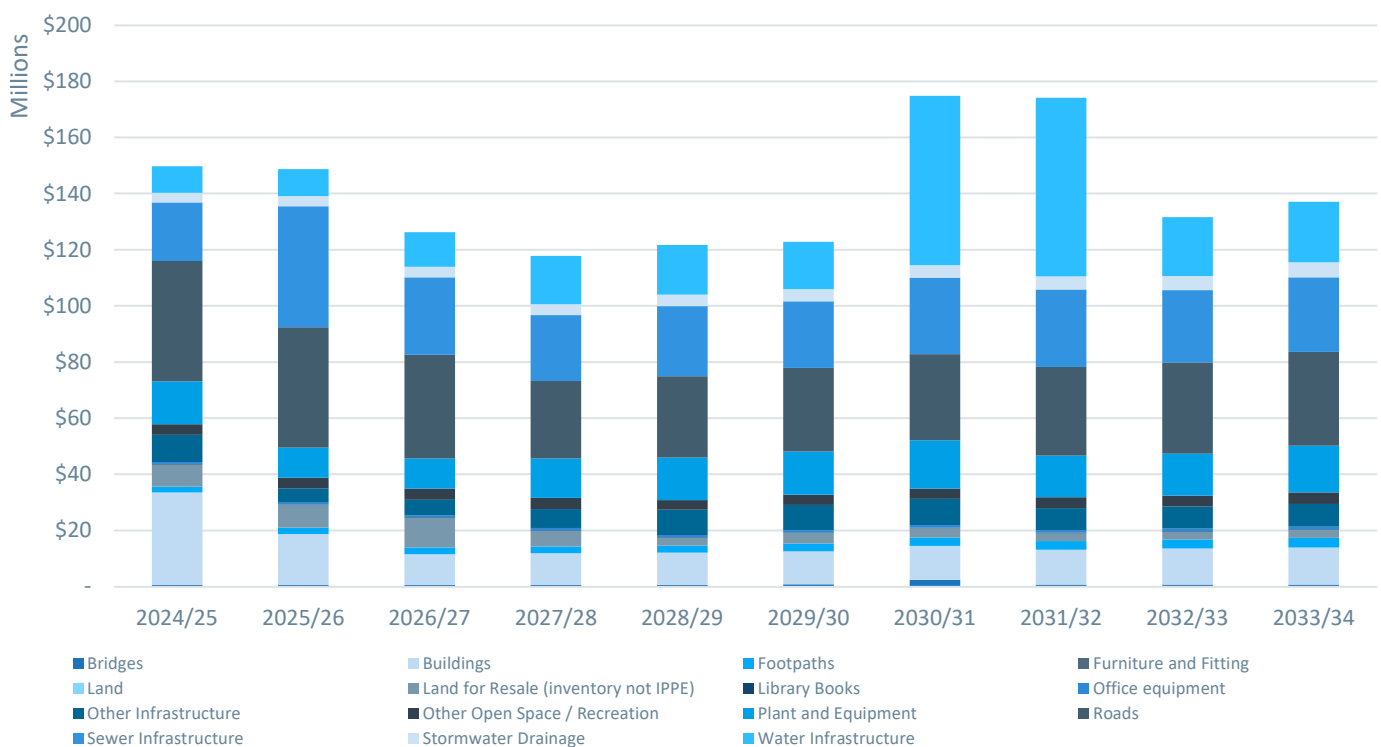
Figure 5.8 Capital Works Program – Depreciation versus Renewal - Enhanced Renewal Scenario



Source – AEC (unpublished)

Figure 5.9 Capital Works Program by Fund [Enhanced Asset Renewal Scenario]

Source – AEC (unpublished)

Figure 5.10 Capital Program Spend – by Asset Class (Enhanced Asset Renewals scenario)

Source – AEC (unpublished)

Table 5.17 Capital Program Spend – by Asset Class - Enhanced Asset Renewal Scenario

Planned Capital Works by Asset Class		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges		10,708,860	581,950	599,409	617,391	635,912	654,990	799,657	2,432,691	715,725	737,197	759,313
Buildings		14,823,757	32,931,840	18,183,263	10,940,383	11,203,315	11,417,690	11,760,221	12,113,028	12,476,419	12,850,711	13,236,232
Footpaths		12,426,611	2,119,229	2,230,563	2,348,144	2,472,339	2,603,533	2,742,136	2,888,580	3,043,327	3,206,863	3,379,704
Land for Resale (inventory not IPPE)		2,398,765	7,822,850	7,934,471	10,632,452	5,589,502	2,699,486	3,780,250	3,378,709	2,684,539	2,737,806	2,819,940
Library Books		430,000	213,210	219,606	226,194	232,980	239,970	247,169	254,584	262,221	270,088	278,191
Office equipment		202,284	688,040	708,681	729,942	751,840	774,395	797,627	821,556	846,202	871,588	897,736
Other Infrastructure		24,022,108	9,764,555	5,136,294	5,457,570	6,744,949	8,965,594	9,004,110	9,355,528	7,993,256	7,838,751	8,060,474
Other Open Space / Recreation		28,190,393	3,720,360	3,818,179	3,917,426	4,019,192	3,511,441	3,616,784	3,725,288	3,837,047	3,952,158	4,070,723
Plant and Equipment		9,806,223	15,261,459	10,733,284	10,730,743	13,934,362	15,168,522	15,405,066	17,194,375	14,813,166	14,876,306	16,666,512
Roads		88,296,598	42,861,699	42,772,305	36,962,584	27,651,500	28,861,287	29,727,126	30,618,940	31,537,508	32,483,633	33,458,142
Sewer Infrastructure		30,655,257	20,869,448	43,196,241	27,642,278	23,451,777	25,024,786	23,745,640	27,249,823	27,598,613	25,817,025	26,591,536
Stormwater Drainage		2,994,259	3,383,347	3,545,339	3,717,666	3,900,945	4,096,015	4,303,469	4,524,039	4,758,829	5,008,826	5,274,159
Water Infrastructure		24,522,460	9,568,700	9,675,408	12,369,670	17,242,795	17,725,301	16,919,721	60,319,164	63,553,855	20,980,753	21,610,175
TOTAL EXPENSES		249,477,575	149,786,686	148,753,044	126,292,442	117,831,409	121,743,009	122,848,976	174,876,303	174,120,708	131,631,706	137,102,838
	New	120,037,255	76,520,307	71,774,627	41,123,906	33,489,402	30,209,059	29,878,651	75,882,111	74,269,716	27,509,707	28,334,999
	Upgrade	5,798,459	0	0	0	0	0	0	0	0	0	0
	Renewal	123,641,861	73,266,379	76,978,417	85,168,536	84,342,007	91,533,950	92,970,325	98,994,193	99,850,991	104,121,998	108,767,839
TOTAL EXPENSES		249,477,575	149,786,686	148,753,044	126,292,442	117,831,409	121,743,009	122,848,976	174,876,303	174,120,708	131,631,706	137,102,838
	Depreciation	90,199,600	94,612,408	98,744,989	102,311,005	106,043,412	110,058,526	114,069,417	119,122,399	124,198,945	128,415,984	132,759,533
	Renewal Ratio	137%	77%	78%	83%	80%	83%	82%	83%	80%	81%	82%

Source – AEC (unpublished)

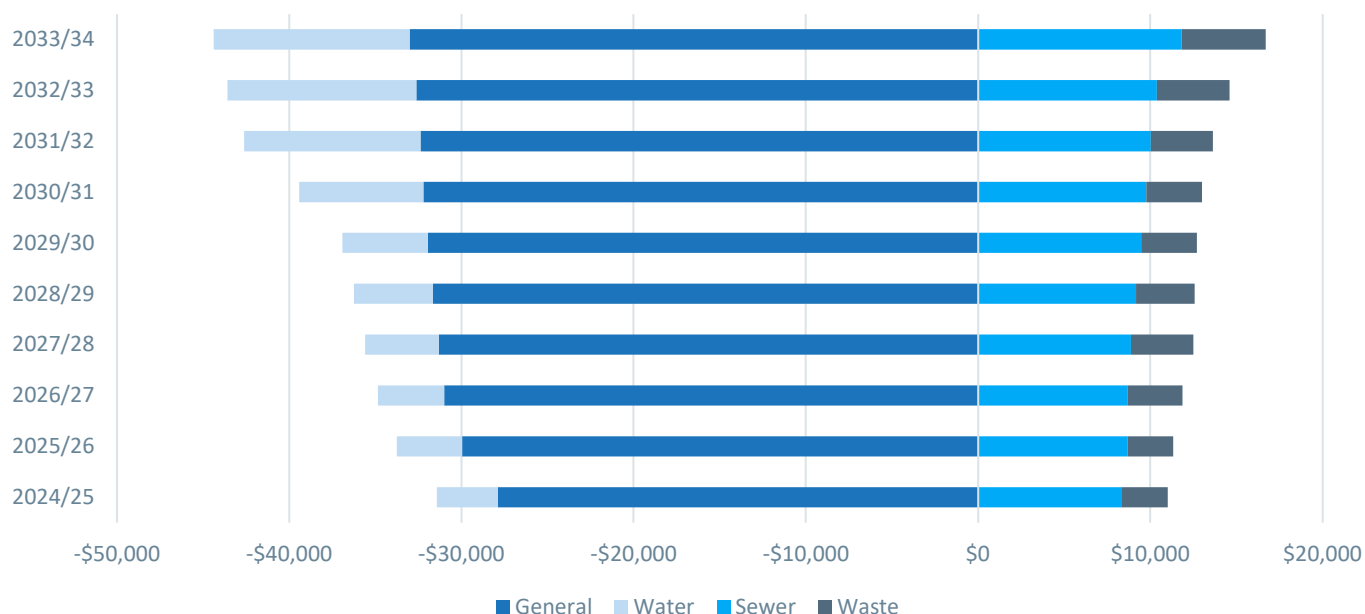
Table 5.18 Capital Program Spend – Asset Renewal Investment by Asset Class - Enhanced Asset Renewal Scenario

Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	10,278,325	581,950	599,409	617,391	635,912	654,990	674,640	694,879	715,725	737,197	759,313
Buildings	10,859,657	8,062,840	8,243,193	9,519,838	10,302,908	11,417,690	11,760,221	12,113,028	12,476,419	12,850,711	13,236,232
Footpaths	920,000	2,119,229	2,230,563	2,348,144	2,472,339	2,603,533	2,742,136	2,888,580	3,043,327	3,206,863	3,379,704
Land for Resale (inventory not IPPE)	0	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Library Books	0	213,210	219,606	226,194	232,980	239,970	247,169	254,584	262,221	270,088	278,191
Office equipment	0	688,040	708,681	729,942	751,840	774,395	797,627	821,556	846,202	871,588	897,736
Other Infrastructure	7,878,517	4,399,851	3,093,001	3,672,054	4,027,577	3,725,675	4,590,713	4,492,053	4,034,599	4,168,685	4,280,306
Other Open Space / Recreation	10,041,557	3,720,360	3,818,179	3,917,426	4,019,192	3,511,441	3,616,784	3,725,288	3,837,047	3,952,158	4,070,723
Plant and Equipment	8,616,982	9,896,755	8,689,991	8,945,227	11,216,990	9,928,603	10,991,669	12,330,900	10,854,509	11,206,240	12,886,344
Roads	52,020,221	18,754,549	18,701,545	22,493,785	25,372,345	28,861,287	29,727,126	30,618,940	31,537,508	32,483,633	33,458,142
Sewer Infrastructure	11,151,954	3,261,598	8,982,216	12,202,045	10,598,466	13,234,968	12,437,965	14,040,978	13,195,437	13,591,300	13,999,039
Stormwater Drainage	1,263,901	3,383,347	3,545,339	3,717,666	3,900,945	4,096,015	4,303,469	4,524,039	4,758,829	5,008,826	5,274,159
Water Infrastructure	10,610,748	8,574,750	8,248,498	10,954,588	7,625,322	12,479,585	11,074,835	12,483,220	14,282,833	15,768,184	16,241,229
Total Asset Renewals	123,641,861	63,661,629	67,085,525	79,349,765	81,162,445	91,533,950	92,970,325	98,994,193	99,850,991	104,121,998	108,767,839

Source – AEC (unpublished)

Note – 2023/24 renewals are as per the Capital Works Plan provided by Council as the adopted Budget for 2023/24. AEC has not altered the 2023/24 planned renewals.

Figure 5.11 Operating Result before capital - Enhanced Asset Renewals Scenario



Source – AEC (unpublished)

5.5.1 Consolidated Operating Position

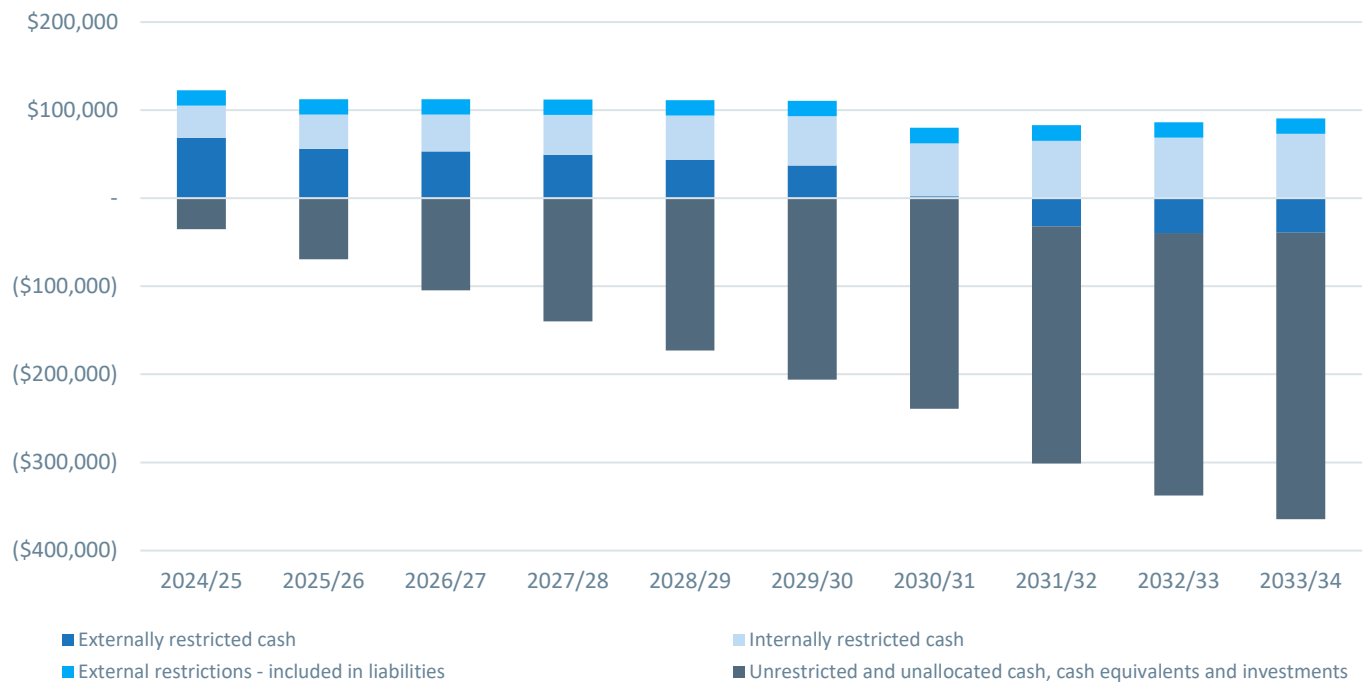
Given that there is no correction to the operating expenditure or revenues under the Enhanced Asset Renewal Scenario, the net average consolidated operating position over the forecast period does not improve compared to the Base Case and therefore reflects a deficit of \$27.0 million. Rather, there is a deterioration in the operating position due to the decrease in investment and interest income as Council will hold much less cash in this scenario.

5.5.2 Availability of Cash

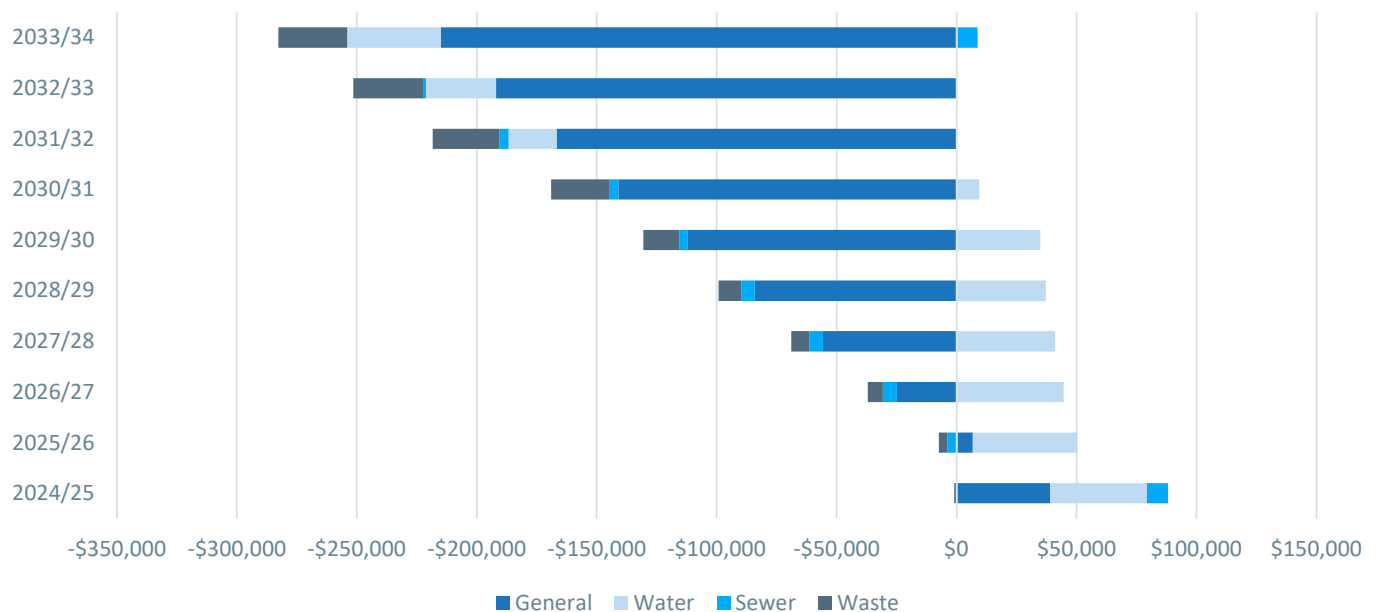
Under the Enhanced Asset Renewals Scenario the total cash, cash equivalents and investments is forecast to decline from \$166.4 million reported in 2022/23 to negative \$274.0 million in 2033/34. This reflects a consumption of \$440.4 million of Council's cash reserves.

AEC has not amended our assumptions with respect to internally restricted reserves, whereby the projections remain the same as the Base Case.

The Enhanced Asset Renewals Scenario indicates that Council does not have sufficient cash (both Unrestricted and within its reserves) to fund the increased level of renewals over the forecast period and is clearly not sustainable without a correction to the cash generated from operations.

Figure 5.12 Restricted and Unrestricted Cash - Enhanced Asset Renewal Scenario

Source – AEC (unpublished)

Figure 5.15 Cash availability by Fund – Enhanced Asset Renewals Scenario

Source: AEC (unpublished)

5.5.3 Investment in Assets

The Enhanced Asset Renewal Scenario does not include a specific program to address the backlog for asset renewals.

Through enhanced asset management the Council will determine more accurately the estimated backlog and an understanding of risks associated with the backlog and a funding plan to address the unacceptable risk the backlog exposes the Council to.

The assumed increase in total renewals expenditure is summarised as follows:

Table 5.19 Comparison of the Annual Renewal Expenditure – Base Case compared to Enhanced Renewal Program

Year	Total Annual Renewal Program - Base Case Scenario (\$m)	Total Annual Renewal Program - Enhanced Asset Renewal Scenario (\$m)	Increase in Asset Renewal Program Assumed (\$m)
2024/25	46.3	73.3	27.0
2025/26	49.1	77.0	27.9
2026/27	56.3	85.2	28.9
2027/28	54.4	84.3	29.9
2028/29	55.7	91.5	35.8
2029/30	55.9	93.0	37.1
2030/31	60.6	99.0	38.4
2031/32	60.1	99.9	39.7
2032/33	63.0	104.1	41.1
2033/34	66.2	108.8	42.6

Source: AEC (unpublished)

5.6 ENHANCED ASSET RENEWALS AND ENHANCED CASH SCENARIO

5.6.0 Assumptions and Qualifications

The Enhanced Asset Renewals and Enhanced Cash Scenario has been compiled based on the Enhanced Asset Renewals Scenario and including an increase in the cash generated from operations sufficient to maintain a sustainable cash position while also increasing the investment in asset renewals (as outlined in the Enhanced Asset Renewal Scenario).

The correction to the cash generated from operations is equivalent to a permanent 32.0% increase in rate revenue for 2024/25 – which is assumed to include the rate peg of 3.0%.

Table 5.20 Enhanced Cash Requirements – Enhanced Cash Scenario

	2024/25 Adjustment
Correction as a % of Ordinary Rates	29.00%
Rate Peg	3.00%

Source: AEC (unpublished)

It should be noted that a correction equivalent to 26.5% of ordinary rates was initially modelled and presented to Councillors and Executive members, however a recent decision of Council to include the \$30million Sanctuary Point Library in the capital works program has required an increase in the correction required by 2.5% - to produce an additional \$3.5 million in cash to address the additional operational costs and the borrowing repayment requirements – as outlined in the below Table.

Table 5.21 Impact to Operational Cost & Cash – Sanctuary Point Library

Impact of Sanctuary Point Library	2024/25 Increase	Future years
% Adjustment to Ordinary Rates (or equivalent initiatives)	2.50%	Compounded by rate peg
Operational Cost (including borrowing cost)	\$1.5M	\$1.5 indexed
Depreciation	\$0.6M	\$0.6M (possible index based on future revaluation)
Loan Repayment	\$2M	\$2M until end of loan term (10 years)

Source: AEC (unpublished)

Whilst AEC has expressed the correction required to the generation of cash from operations in the form of the percentage equivalent increase in Ordinary Rates, this may be achieved through a combination of initiatives, including:

- Increase to the permissible rate revenue through a Special Rate Variation (SRV) Application to IPART (Independent Pricing and Regulatory Tribunal).
- Identification of operational efficiencies - noting that Council staff and Councillors have been provided by AEC with a list of future efficiencies and productivity improvement opportunities to identify a priority list of initiatives capable of achieving the required improvement in operating result.
- Reduction in service provision –through reduced range of services provided and/or the levels of service provided.
- Sale of assets to pay down borrowings.
- Rationalisation of assets to reduce the total operating cost of assets.
- Increase in revenue from operations through increase in service fees and charges.

It should also be noted that due to the increased depreciation expense for the Sanctuary Point Library, the planned asset renewals will only achieve a 78% asset renewal ratio on average over the forecast period.

5.6.1 Consolidated Operating Position

Under the Enhanced Asset Renewal and Enhanced Cash Scenario, the net average consolidated operating position over the forecast period reflects a surplus of \$6.6 million. This corrects the Net Operating Position and meets the Office of Local Government performance targets.

Although, it should be noted that the Water Fund is forecast to produce operating deficits that deteriorates in future years due to increased depreciation introduced by planned new and upgraded capital works investments. AEC is aware that Council is currently reviewing the Service Plan for the Water Fund and following the updated Service Plan the projected operation position of the Water Fund should be updated.

Figure 5.13 Net Operating Result before Capital – By Fund – Enhanced Renewals and Cash scenario

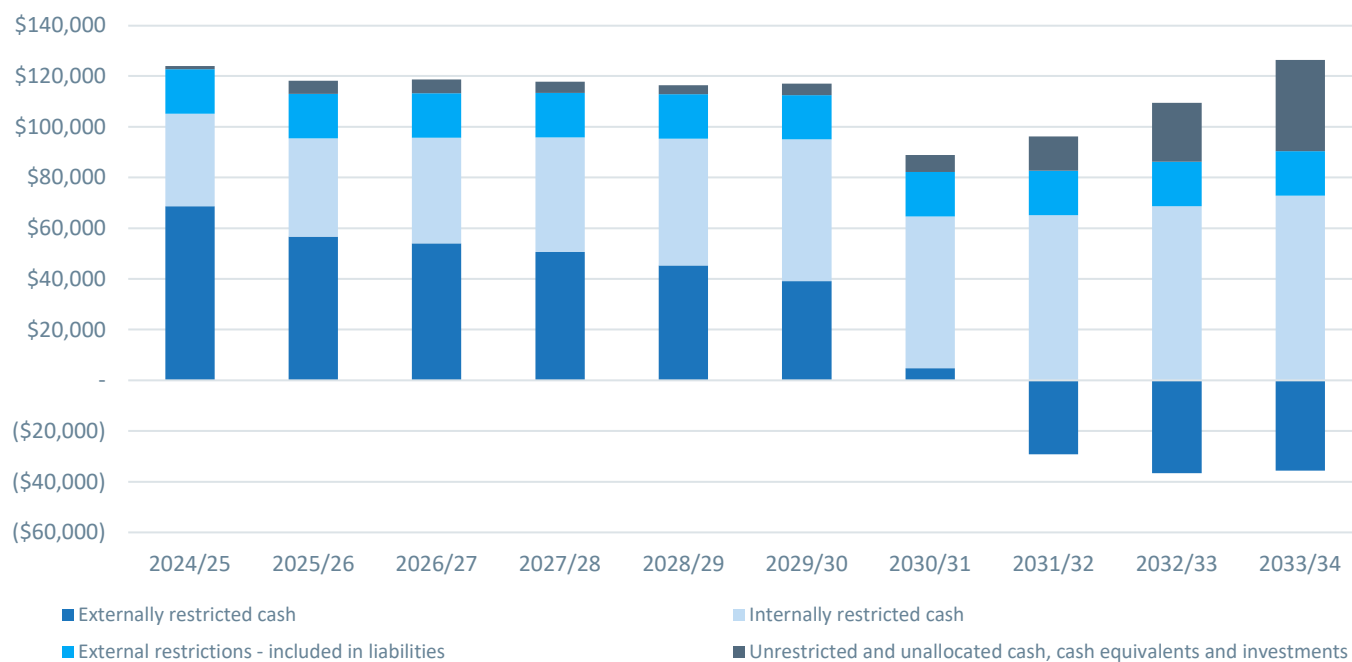


Source – AEC (unpublished)

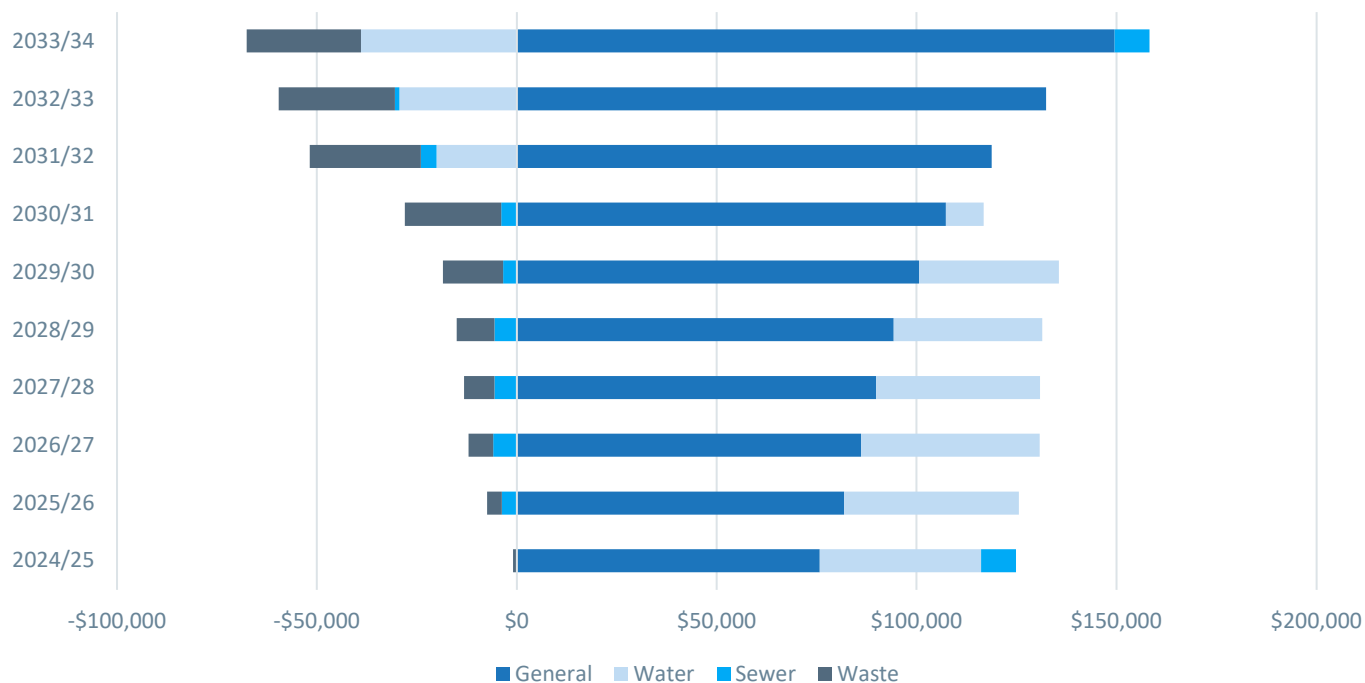
5.6.2 Availability of Cash

Under the Enhanced Asset Renewals & Cash Scenario the total cash, cash equivalents and investments is forecast to decrease, commencing at \$166.4 million in 2022/23 to \$90.6 million in 2033/34.

Under this scenario unrestricted cash is forecast to remain in a positive balance and improves in the later years of the 10 year forecast. Council could improve the balance in the short term (over the next 12-24mths) by selling assets and not using the revenue received to increase the balance of unrestricted cash to a target \$15million. A balance of \$15million in unrestricted cash would provide adequate mitigation for unplanned events.

Figure 5.14 Restricted and Unrestricted Cash – Enhanced Asset and Cash scenario

Source – AEC (unpublished)

Figure 5.15 Cash and cash equivalents by Fund – Enhanced Renewals and Cash Scenario

Source – AEC (unpublished)

5.6.3 Investment in Assets

The asset investment assumptions in this scenario achieves an Asset Renewal Ratio of 78%. Note that the Base Case had a renewal ratio of 50%. While less than 100% target as set by Office of Local Government, the proposed renewal investment achieves the investment target set through analysis of the renewal demand in workshops with Councillors and Executive members. The inclusion of the Sanctuary Point Library in the capital works plan has reduced the asset renewal ratio to 78% due to the additional depreciation the new library will add to the total depreciation expense.

It should also be noted that AEC has reduced the proposed asset renewals in the first five years of the Scenario to protect the positive balance in unrestricted cash position. Should Council pursue sale of assets to improve the unrestricted cash position, the reduction in the asset renewals in the first five years could be removed.

The Enhanced Asset Renewal and Enhanced Cash Scenario does not include a specific program to address the backlog for asset renewals.

As noted in the Enhanced Asset Renewal Scenario, through improved asset management the Council will determine more accurately the estimated backlog and an understanding of risks associated with the backlog and a funding plan to address the unacceptable risk the backlog exposes the Council to.

Figure 5.16 New versus Renewal Capital Program – Enhanced Renewals and Cash Scenario

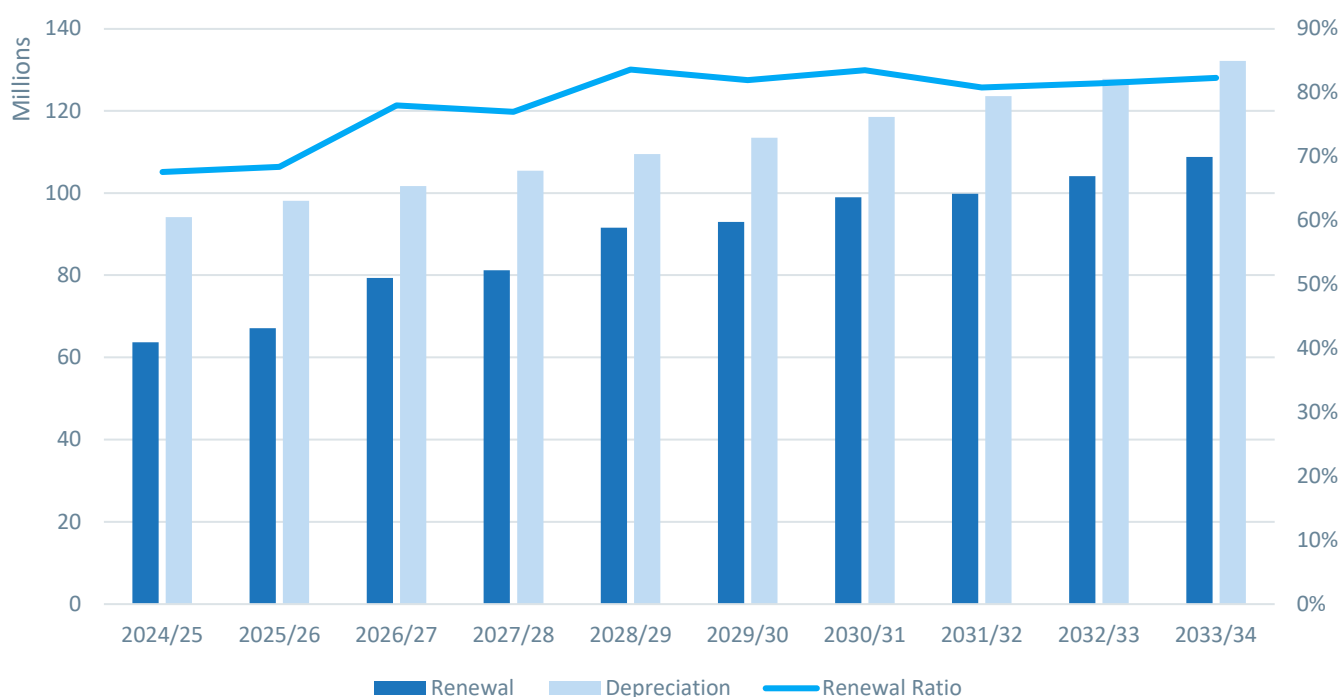
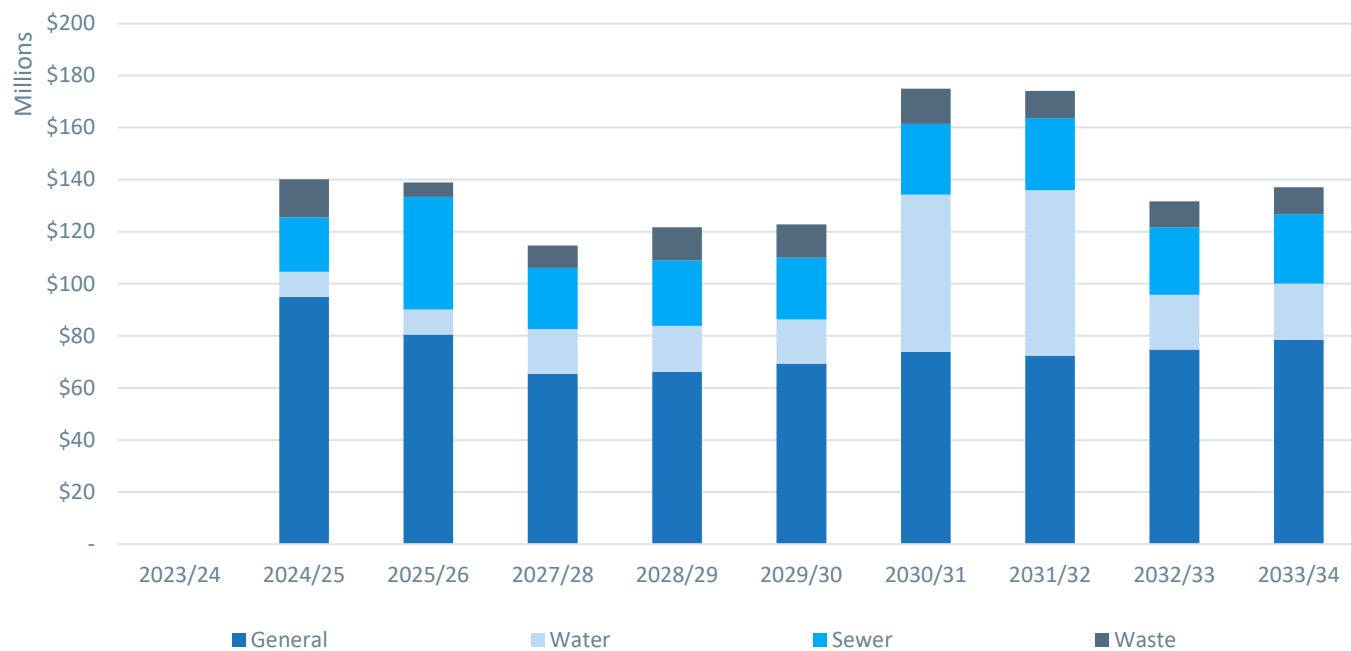


Figure 5.17 Capital Works Plan by Fund – Enhanced Asset and Cash scenario

Source – AEC (unpublished)

Table 5.22 Increase in Renewal Expenditure – Enhanced Renewal & Cash Program

Year	Total Renewal Case Scenario (\$m)	Program -Base	Total Renewal Enhanced Asset Cash Scenario (\$m)	Program Renewal & Increase in Asset (\$m)
2024/25	46.3		63.7	17.3
2025/26	49.1		67.1	18.0
2026/27	56.3		79.3	23.1
2027/28	54.4		81.2	26.7
2028/29	55.7		91.5	35.8
2029/30	55.9		93.0	37.1
2030/31	60.6		99.0	38.4
2031/32	60.1		99.9	39.7
2032/33	63.0		104.1	41.1
2033/34	66.2		108.8	42.6

Source: AEC (unpublished)

6. OPTIONS DISCUSSIONS

6.1 FOCUS AREAS TO IMPROVE FINANCIAL SUSTAINABILITY

Following the analysis of the current state and the forecast of the financial performance of Shoalhaven City Council and establishing the desired sustainable position, AEC recommends four (4) focus areas to implement improvement strategies which combined contribute to establishing the capacity to maintain fiscal capital and infrastructure capital into the future:

9. Improved Operating Position to Generate Additional Cash from Operations

10. Responsible Investment in Assets

11. Improved Availability of Cash

12. Enhancements to Governance, Prioritisation and Decision Making

6.1.0 Improved Operating Position to Generate Additional Cash from Operations

The Council has produced underlying operating deficits that have deteriorated since 2019/20, with annual operating deficits ranging from \$9.3 to \$22.1 million on a consolidated basis, and operating deficits ranging between \$1.6 million and \$30.3 million for the General Fund since 2014/15. The revised sustainable forecast prepared by AEC projects ongoing annual General Fund deficits averaging \$24.7 million from 2024/25 onwards.

To address the structural operating deficit Council needs to improve the historical operating position in the General Fund by in the order of an estimated \$25.0 to \$35.0 million each year. In addition to addressing the historical structure deficit, Council will need to address the further deterioration in the operating position due to increased depreciation and other costs and impact of Council funded new assets and asset upgrades within the current capital works program.

The identified required improvements do not contemplate the capacity to address the existing infrastructure backlog or any improvement in the current service levels. To be financially sustainable Council must produce operating surpluses to deliver services at an acceptable service level and at an acceptable risk exposure for the assets and infrastructure. Demand management is essential for long term sustainability – in particular the management of community expectations, legislative requirements, and other community service obligations. The recommended improvement in the operating position of the Council needs to support increased financial capacity accordingly.

Through the interim findings stage of the project, AEC conducted consultation with service managers to gauge the level of understanding of how their operations tie in with the strategic direction of Council as driven by the Community Strategic Plan (CSP) and other adopted strategies and plans. The service managers advised that they did not think that all the Delivery & Operational Plan (DPOP) and other adopted document actions were fully funded under the current LTFP - this needs to be evaluated by the EMT to ensure its validity and then to take actions to correct where planned actions are not currently funded.

AEC facilitated the identification of efficiencies and improvements that the services had implemented over the last ten (10) years and provided a list of efficiencies and improvements that could result in future increased revenue and/or reduced costs. A total of 153 efficiencies were identified across the seven (7) directorates with City Lifestyle suggested 43 of this. The list of efficiencies was put in a technical report and presented to EMT for consideration.

Improving the operating position is not an outcome in itself. Council needs to correct the operation position to ensure sufficient cash is generated from operations to fund other cash activities – that is investing activities (i.e. assets) and financing activities (i.e. borrowings). Therefore the following focus areas will ultimately determine how much the improvement in the cash generated from operations needs to be for the Council to maintain fiscal capital (cash) and be sustainable over the long term.

6.1.1 Improved Availability of Cash

Council is required to manage and report on the reconciliation of the cash at bank to a register of restricted (internal and external) reserves and unrestricted cash. Control over the restricted reserves is necessary to ensure the funds are used for appropriate purposes, including quarantining the cash and releasing the cash to be expended upon suitable approvals.

To be financially sustainable Council must be able to generate sufficient cash from operations to fund operations and asset maintenance and renewal requirements. Cash levels must be sufficient to fund grant funded, reserve funded, and General Fund funded operations and projects.

Shoalhaven City Council's current and forecast future state (Base Scenario and Enhanced Asset Renewal Scenario) indicate that Council is not making enough cash from its operating activities to fund its capital works program (investing activities) and to pay off debt (financing activities).

There is also a very high reliance on borrowings to fund the capital works program. There is also insufficient cash available within the General Fund to fund planned projects, such as the Coastal Management Plan.

Due to the status of the capital works plan, it should be noted that all unfunded future projects have been removed from the capital works plan. That is, there is no funding available in the scenarios outlined in this report for large investment in new capital or new services that are not included in the capital works plan. The Council will be reliant upon cash sources such as grant funding, selling assets or potentially borrowings to fund such projects and services (noting that borrowings will likely deteriorate the future sustainability unless the purpose of the borrowings will return a cash benefit to the Council).

The unrestricted cash balance has deteriorated heavily since 2019 mainly due to the impact of COVID and the natural disasters. Council has reported to have spent a net of \$14.6 million to support the community.

In the current financial year (2023/24) the Council's management are addressing the challenge of avoiding a negative unrestricted cash position by monitoring the cash position closely and delaying projects to avoid the negative balance.

While the total cash position of Council may appear to be generous, there is an underlying concern with availability of cash outside of the restricted reserves.

Council needs to improve generation of cash from operations and maintain target maintaining an unrestricted cash balance of at least \$15million.

There is an urgent need to improve the financial control of cash being generated and used across operating, investing and financing activities.

6.1.2 Responsible Investment in Assets

Given the significantly large value of assets owned by Council, most of which are essential in the provision of public services and critical infrastructure, good asset management is one of the key determinants of sustainability for all local governments. Councils with poor asset management have little foresight of sustainability and lack control over sustainability. The planning and management of assets across the lifecycle of the assets is an important component of financial sustainability for local government.

Integration of the asset management planning with the Long-Term Financial Plan (LTFP) enables Council to plan for adequate funding to address the asset demands, and where insufficient funding is available, enabling Council to make decisions and prioritisations as appropriate to manage the impacts on long term sustainability of the assets (and the organisation more broadly).

To be financially sustainable Council must be able to hold and fund an asset portfolio to an acceptable standard and risk based on the services and service level requirements established with the community and informed by technical expertise and data.

The major issues that Shoalhaven City Council faces within the asset management scope is:

- Council's current backlog in infrastructure asset renewals is unknown and therefore unable to effectively plan mitigation for the risks that backlog presents.

- In the past five financial years there has been a heavy investment in new assets and upgraded assets – particularly in recreational and community facilities – and insufficient investment in the renewal of existing assets.
- Asset management plans (AMPs) are out of date and not integrated with the adopted Long-Term Financial Plan.
- Current Capital Works Program (CWP) that is maintained in the business support systems (and used to inform the long term financial planning) has not been vetted or assessed through a project selection and prioritisation process and is not approved by Council or endorsed by Council's Executive Management Team (EMT). More importantly, the CWP is unaffordable and unfunded.
- Council decisions on capital investments and service planning have of recent years been made in a lack of consideration as to the impact on the long term financial plan and long term sustainability of the Council.
- The current Contribution Plan is not current, the schedule of works is not reflective of project that are now required to support current development and the costing of the projects is well underestimated.
- As noted above, all funded projects or new services have been removed from the program, yet there is still insufficient cash available for unfunded capital works or new services in the Scenarios outlined in this report. Council will be reliant upon external cash generation for new assets that are not included in the current capital works plan.

6.1.3 Enhancement to Governance, Prioritisation and Decision Making

Good governance and decision making is central to sustainability. The role of management is to sufficiently inform Council to enable good decision making. Planning for success is essential to sustainability. A performance reporting framework is necessary to ensure good governance and to ensure that what was planned is implemented as intended.

To support financial sustainability, a Financial Strategy must support the effective delivery of the Community Strategic Plan through documentation of financial leadership and direction from the Council and by setting standards for management performance. The Financial Strategy should be supported by other organisational frameworks including, but not limited to, a robust Project Management Framework to guide and support the initiation, selection and prioritisation of investments in capital works projects.

Council has several critical issues relating to governance, reporting and decision making that needs to be given immediate attention:

- The Budget development and ongoing reporting and management process is currently an ineffective financial control.
- There is insufficient governance of projects – a project management framework including a Project Management Office (or similar function) is necessary to improve the management of projects across the lifecycle (including initiation, selection, prioritisation, execution and completion).
- Maintaining an accurate forecast of the Council's financial position is essential, particularly throughout the adoption and implementation of strategies to correct the financial sustainability of the Council. Maintaining an accurate forecast, including adjusting for material decision by Council, will be essential to informing the Executive and Council of the progress to improving the financial position.
- Development of a business case and/or capital expenditure reviews prior to making material decisions on new or upgraded assets, including the impact on the financial position of the Council.
- Implementing a strategic service planning framework that documents the approved range and levels of service that are integrated with the asset management planning and the Long Term Financial Plan.

6.2 DEFINING A SUSTAINABLE FUTURE

AEC facilitated a workshop to define with Council staff and Councillors a vision for a financially sustainable Shoalhaven City Council.

The vision for a sustainable Shoalhaven City Council is that Council will be able to achieve the vision outlined in the Community Strategic Plan while maintaining over the medium to long term both fiscal capital (that is access to cash) and the infrastructure capital (that is assets that the Council owns).

The following performance indicators were determined to measure whether the Council is likely to be maintaining fiscal capital and infrastructure capital:

- Within the 10-year forecast, Shoalhaven City Council would like to achieve and maintain an operating surplus of at least 4 percent (%). Council understands that just achieving the industry benchmark of 0% is not sustainable for Council. As a growing council, it needs to produce above the benchmark to support the growth within the organisation.
- Shoalhaven City Council would like to have at least \$10-15 million in unrestricted cash balance.
- The Executive and Councillors set a target of 85% for the asset renewal ratio. This will likely need reviewing once Council has improved the asset register and has a more fully understood quantum of the infrastructure backlog and the renewal investment required.
- The Council would like to keep the infrastructure backlog below the industry benchmark of 2%. It was noted that further actions are required to better determine the backlog, including comprehensive asset condition assessments.

6.3 OPTIONS AVAILABLE TO COUNCIL TO ACHIEVE THE VISION

The following options are provided with the view to collectively improving the capacity of the Council to maintain fiscal capital and infrastructure capital into the future.

6.3.0 Efficiencies Savings and Productivity Improvement

A strategic option to improve the efficiency and productivity of the Council's operations is to introduce productivity measures into the Operational Plan and Annual Budget. These measures could include metrics such as the cost per kilometre of grading, the cost per kilometre of resealing, or other relevant measures that can provide insights into the efficiency of Council's operations. By including these measures in the annual budget, Council can set specific targets for improving productivity and can monitor progress towards those targets. Council and Management can discuss the impact of resourcing decisions on levels of service by informed consideration of the activity costs of programs and the community can be informed about the activity the Council has funded (e.g. 65kms of resheeting of gravel roads, 55kms of reseal urban sealed roads, operating hours of customer services centres, libraries, visitor information centre ec).

To implement this strategy, the Council should start by conducting a thorough review of the range of services provided and the current cost of operations (levels of service) to identify areas where productivity measures could be implemented and are most likely to achieve material improvements in the operating position – through a strategic service planning framework. This might involve analysing data on the cost and duration of various tasks, such as road maintenance or park upkeep, and identifying specific areas where improvements could be made and identifying the optimal (lowest cost) approach to delivery of the level of service. Once these areas have been identified, the council can work to develop specific productivity measures and set targets for improvement.

Investing in employee training and development is also critical for achieving productivity savings. By providing staff with the skills and knowledge they need to perform their jobs more effectively, Council can improve productivity, reduce errors, and increase employee engagement. This may include training on new technologies, process improvement methodologies, or management and leadership skills. In addition, investing in employee development can help retain top talent and attract new talent, which can bring long-term benefits to the organisation. It would appear that asset management needs to be a high priority for staff development, both in terms of asset management systems and the development of optimal technical levels of services (the lowest whole of life cost approach to maintaining assets).

Collaboration and partnerships with other organisations or neighbouring councils can also be explored to achieve productivity savings. By sharing resources and expertise, Council can achieve economies of scale, reduce costs, and improve service delivery. This may

include joint procurement initiatives, shared services arrangements, or collaborative capital projects. Regular review and monitoring of these initiatives is crucial to ensure that the desired outcomes are being achieved and that resources are being used efficiently.

Through consultation with service managers, AEC was able to generate a listing of past efficiencies and productivity improvements for the service over the past ten (10) years and estimate the increased revenue and costs savings associated with their initiatives.

Within the same service profiling exercise, service managers were also asked to list any initiatives that present an opportunity for efficiencies dividends or productivity improvement. Whilst doing this, they were requested to provide an estimate of the potential increased revenue or reduction in costs.

As part of the potential options during the Interim Findings Workshop was for Council to identify and target efficiencies and improvements that will provide cost savings to assist in correcting the operating position. AEC understands this process will be undertaken by Executive Management Team and Senior Management Team of Shoalhaven City Council.

AEC provided in a technical report (Targeted Efficiency Savings) outlining the possible efficiency saving that could be achieved at different levels of Council ranging from efficiency dividends of 1%, 2%, 3%, 4% and 5%. It was also noted that there would be certain service areas whereby it would not be possible to achieve such levels of efficiency savings and possibly some areas may be able to achieve more. Below was a mathematical presentation of each percentage of savings dividend.

Table 6.1 Service Expenditure

SERVICE	Employee benefits and on-costs	Materials and services	Total of Employee Costs and Materials & Services	1% Efficiency Savings	2% Efficiency Savings	3% Efficiency Savings	4% Efficiency Savings	5% Efficiency Savings
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Chief Executive Officer	2,375	307	2,682	27	54	80	107	134
City Development	16,379	2,759	19,138	191	383	574	766	957
City Futures	4,845	2,011	6,856	69	137	206	274	343
City Lifestyles	15,899	9,253	25,151	252	503	755	1,006	1,258
City Performance	17,664	13,062	30,725	307	615	922	1,229	1,536
City Services	31,821	53,982	85,803	858	1,716	2,574	3,432	4,290
Shoalhaven Water	19,195	21,297	40,492	405	810	1,215	1,620	2,025
SHOALHAVEN CITY COUNCIL	108,177	102,670	210,846	2,108	4,217	6,325	8,434	10,542

Source: AEC (unpublished)

Other than selecting and prioritising the provided initiatives, management should look to implement and fund productivity and efficiency improvement initiatives, including the recommendations from the Project Management, Operations and Contract Delivery Service Review. Significant investment will be required to deliver the improvements, however the potential benefits of recurrent savings is significant and should justify investment in the short term.

AEC has raised an option of establishing a self-funding innovation reserve whereby gains from the initiatives implemented are put back into the reserve for future initiatives. The fund could be used for internal initiatives or fund external experts to research and investigate areas where material improvements could be made. This encourages a culture of innovation and improvement.

To add to the benefits, as part of the IP&R process, councils are required to undertake service review with the delivery plan term of Council's services. Management needs to target review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure such as ICT, finance, and asset management.

6.3.1 Review of User Charges and Fees

A comprehensive review of Shoalhaven City Council's Fees and Charges was conducted in 2017 by LKS Quaero, which presented the following as findings:

- Lack of an observable overriding rationale in how fees and charges are calculated.
- Councils' fee collection processes should be underpinned by the unambiguous authority by Council officers to collect authorised fees and charges without external influence.
- Broad support within Council to streamline fees and charges as well as reduce the number of variants that can be used in each service area.

The review is still very relevant, particularly the recent significant investment in recreational, community and sporting facilities. The current Council should reconsider the findings and recommendations provided in the LKS Quaero report. AEC notes that when the report was previously presented to Council in 2017, a resolution was made for management not to bring this back for another ten (10) years.

Based on the draft 2022/23 actuals, a 5% increase to user charges and fees would mean an approximately \$315,000 increase in income and \$630,000 on a 10% increase.

6.3.2 Increase in general rate SRV (with rate modelling to understanding the impact on ratepayers)

In AEC's view, the Council will need to pursue a permanent Special Rate Variation (SRV) to fix the structural operating deficit position and to generate sufficient cash from operations. This is an unavoidable option, with the only variable being the amount that is required – which is the residual amount after target improvements through other options.

It is AEC's view that the decision to increase the generate rate through a SRV is also urgently required to be implemented in the 2024/25 financial year, given the current lack of availability of cash and the intervention that the Council is taking in the 2023/24 financial year to avoid using restricted cash to supplement the General Fund cash position.

As estimated by AEC, the current deficit sits around the \$20-25 million but this does not consider any new or upgraded assets that Council is planning to build – noting that some of the new assets (such as roads and drainage) are required due to development and funded through developer contributions. However, new assets that are not directly linked to new properties (and therefore new rate revenue) will have a further impact on the operating position through increased depreciation, operations, and maintenance costs for these assets with little or no additional revenue. If all the proposed capital works projects were to be completed, this will have an additional \$8-10 million negative impact on the operating position, thus pushing the structural deficit to around \$28-35 million.

AEC has estimated that through the SRV Application process, the Council will need to achieve an increase in the 2024/25 general rate by 32.5%.

As part of this process, it would also be advisable for Council to restructure its rates especially to change the base component (rate) to lower than the current 50%. This will ensure that Council is able to transfer the rates burden accordingly.

6.3.3 Revise current range and levels of service, including previously endorsed/approved decisions.

To implement a service planning approach, Council should enhance their Integrated Planning and Reporting Framework (IP&R), to include a Service Catalogue and Service Review Program. The Service Catalogue should define the range of services provided by Council and the associated service levels, costs, and performance indicators. This can provide a clear understanding of the services Council provides and ensure that service delivery is aligned with community needs and expectations.

The Service Review Program involves regularly reviewing each service in the Service Catalogue to evaluate its performance and identify areas for improvement. Council can also engage stakeholders in the service planning process by consulting with the community and other stakeholders to identify service priorities and gather feedback on service performance.

By adopting a service planning approach, Council can improve transparency and accountability in service delivery, better understand service performance, enhance stakeholder engagement, and increase efficiency and effectiveness in service delivery. It is important for Council to regularly review and update its service planning approach to ensure it remains aligned with community needs and strategic objectives. This can include investing in staff training and development, infrastructure and technology, and other resources needed to support service delivery.

Council should develop a comprehensive Service Catalogue that defines the range of services provided and performance expectations, including activities that can be achieved with current funding. The service catalogue should cover all services provided by Council, such as library services, road maintenance, swimming pool operations, waste management, and community services.

The Services Catalogue would not include technical levels of services, which are more suitable for inclusion in the asset management plans for other internal-facing operational planning documents.

Council should also regularly review and update the service catalogue to ensure it remains current and reflects changes in service needs and funding levels. This will help Council to continuously improve its service delivery and ensure that it is meeting the needs of the community.

6.3.4 Establish Governance & Enhanced Capital Works Program Framework

To enhance the governance and financial controls, integrating the Project Management Framework, Asset Management Planning, and LTFP is a strategic option that ensures effective management of assets through their lifecycle. The LTFP should be a living resource plan that is adjusted as required to ensure that Council decisions are informed by the impact upon long-term financial sustainability. To implement this option, the best practice provided by the NSW Office of Local Government in the IP&R Guidelines should be followed, which recommends making the projected income and expenditure spreadsheet of the LTFP available at council meetings to inform resourcing decisions.

By aligning project management and asset management activities, organisations can optimise resource allocation and improve efficiencies, resulting in reduced costs and improved outcomes. Operations involved during the project planning and design stages should focus on risk identification, contingency planning, stakeholder management, scope management, design reviews, and quality management to mitigate potential risks and ensure successful project delivery.

The integration of the Project Management Framework, Asset Management Planning, and LTFP would also provide a holistic view of the Council's financial position, ensuring that all decisions are made in consideration of long-term financial sustainability. By implementing this strategic option, councillors can make fully informed decisions, and understand the importance of the Resourcing Strategy documents to that decision-making. This approach will ensure that Councils can mitigate potential risks and manage assets effectively, resulting in long-term financial sustainability.

6.3.5 Explore Opportunities to sell Assets to reduce borrowings and to fund one-off projects/programs

Management has completed research and identified a list of potential assets (land) that are not currently utilised or seen fit for purpose that could be sold off. Sale of assets is only a temporary measure and a one-off option. This would be ideal to pay-down borrowings, to increase the unrestricted cash reserve or to fund essential non-recurrent or one-off programs and/or projects. This will not provide a permanent correction of the operating position.

AEC has provided a technical report prior to the Options Workshop that details the proposed land over the next four years and the possible gains to be realised. This is tabulated below as a summary:

Table 6.5 Potential list of land for sales

Sales and Development over four years	2023/24	2024/25	2025/26	2026/27
	Estimated Net Gain	Estimated Net Gain	Estimated Net Gain	Estimated Net Gain
Immediate Sales	1,771,600	845,000		
Commence Investigations 6mths-2yrs		3,608,200		

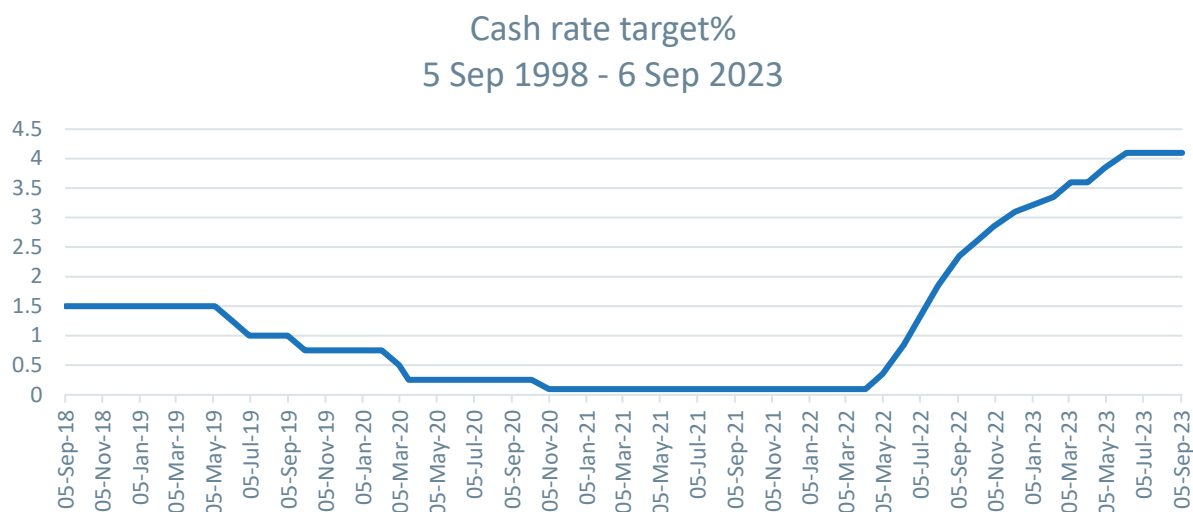
Commence Investigations 2-3yrs			2,586,800	
Requires Subdivision 2-3 yrs		1,916,800		
Requires Subdivision 3-4 yrs				5,484,800
Yearly Totals	1,771,1.600	6,370,000	2,586,800	5,484,800

6.3.6 Reduction of Borrowings

It appears to AEC that there has in recent years been a reliance on funding capital expenditure that does not generate little or any income from the borrowings (particularly in recreational and community facilities). It is well understood that Council made a conscious decision to take borrowings when borrowings were offered at low interest rates to fund asset renewals, however substantial borrowings have been used on new or upgraded assets that have deteriorated the operating position of the Council.

There has been a major shift in the financial markets and the interest rates are no longer at the lower end. Below is a graph showing the trend of the cash rate movement over the past 5 years.

Figure 6.1 Cash rate trend



Source: Reserve Bank of Australia (<https://www.rba.gov.au/statistics/cash-rate/>)

The cash rate spike from April 2022 (cash rate of 0.1%) onwards would also indicate an increase in cost of borrowing. Currently, the cash rate sits at 4.1%.

Council borrowing over time has increased to \$198.3 million at the end of 2022/23 financial year (30 June 2023). Over the last month of this project, Council has reviewed their proposed loan borrowing for the next ten years and have been able to reduce this to additional loan borrowings of \$34.8 million, \$15.0 million of this is from the General Fund in 2024/25 and 2025/26 for the proposed works on Sanctuary Point Library.

Council currently plans to pay the borrowing down to \$36.6 million by 2033/34.

Council should consider not taking additional borrowing unless there is an offsetting income that is able to pay for the borrowing costs and loan repayments, at least until the operating position has been corrected and Council is in an improved position to service additional borrowing costs. In addition to this, there should be a review and possible refinancing of this loans to provide cost savings through reduced borrowing costs and furthermore looking at a possibility of paying down the borrowing at a faster rate than the loan period to free up cash for other purpose.

6.3.7 Water Pricing to enable a dividend payment from Water to General Fund

Currently the Water Fund is not contributing any dividend to the General Fund. To enable this, the water services must satisfy that the services are reaching best practice and the Water Fund must be producing surpluses.

Council is currently reviewing the Service Plans for waters services and intends to undertake a full cost recovery and pricing assessment to determine the correct price for the supply of water. This will enable the services to deliver a surplus which then allow the Water Fund to pay a dividend into the General Fund. Shoalhaven Water will need to develop and adopt a fully funded LTFP applying full cost pricing principles for its water operations.

The water services will also need to achieve the best practice requirement as set by the International Water Management Association. This will require a review and adoption of the annual Operational Plan based on the best practice requirements.

6.3.8 Asset Management

To ensure the efficient and effective delivery of services to the community, Council should pursue a path of improving its asset management maturity, as outlined in the Asset Management Strategy, particularly focusing on improved asset management leadership and governance (including culture), asset condition assessments, improved accuracy, and use of asset registers, whole of life planning and determining the optimal timing for renewal treatments.

To achieve this goal, the following strategic options should be considered:

- Develop a roadmap for improving asset management maturity. Council measures the current asset management maturity, set target maturity level and develop the strategic improvements initiatives in the Asset Management Strategy.
- The maturity of asset management will need begin with improved leadership and governance, including addressing decision making frameworks, performance management, planning and prioritisation and change the culture of the organisation.
- Asset management systems will need to be enhanced to support the asset portfolio custodians.
- The Council should be provided with an annual “State of Assets Report” which is prepared by management to outline the Report on Infrastructure Assets (a Schedule to the Annual Financial Statements). The State of Assets Report should be provided to Council before the Draft Financial Statements. The State of Assets Report is an ideal opportunity for the Councillors to obtain a deeper understanding of the current assets, the quantum of the backlog in renewals and the current condition of the assets.
- Adopt a risk-based approach to asset management. Council should adopt a risk-based approach to asset management to ensure that resources are allocated to the assets that require the most attention – that being critical assets with the risk of failure being unacceptable. Conducting risk assessments of assets to identify their criticality and likelihood of failure, and prioritising maintenance and renewal activities based on the level of risk posed by each asset will assist with ensuring long-term sustainability.

7. CHALLENGES, OPPORTUNITIES AND RISKS

7.1 CHALLENGES AND OPPORTUNITIES

As Council implements the financial sustainability strategies outlined in the previous section, it is likely to confront the following list of challenges and opportunities.

7.1.1 Challenges

- **Volatility in the economic environment** – During the preparation of this Financial Sustainability Strategy, the Australian economy was experiencing high volatility, with high inflation and supply chain issues, the continuation of which is likely to increase the cost of services and the cost of construction/acquisition of assets, as well as potentially delay the delivery of capital works, increase borrowing costs and potentially limit the availability of funding from external sources (e.g., grants).
- **Balancing demands for capital expenditure** – Council will need to balance the demands for new or upgraded assets to address population and economic growth, to comply with changes in regulatory requirements and/or to address changing community demands with the need to appropriately fund the renewal and replacement of deteriorating assets and infrastructure.
- **Productivity improvements limited by legislation** – For example, constraints on staff reduction in regional areas.
- **Natural disasters** – Council should expect that natural disasters will continue to occur, similar that experienced by the recent flooding, bushfires and COVID pandemic. Council needs to build resilience and planned mitigation strategies, including the business continuity planning, to be able to manage the impact disaster are likely to have upon the financial position of the Council.
- **Policy changes from other levels of Government** – changes to policies and strategies set by the State and Federal Governments is likely to impact upon Council's financial sustainability, therefore requiring strong advocacy and engagement with key stakeholders to protect the interests of the Council and its community.
- **Capacity of the Council** – Council faces challenges in attracting and retaining skilled resources due to the geographical location of the council as well as significant competition by main employers in the area. Council will need to invest in its ability attract, develop, and retain skilled resourcing.
- **Financial management** – there is a requirement at all levels within the Council to improve the financial management acumen and governance to achieve the strategies and recommendations outlined in this report.

7.1.2 Opportunities

- **Innovation and Technological Advancement** – Council can improve long term sustainability through enhanced productivity and efficiencies achieved through adopting innovation and technological advancements, which will require Council to maintain effective relationships and professional networks with industry leaders. This will require funding which under the Base Case it will be difficult to prioritise given the restricted cash and operating revenue available.
- **Set Clear Guidance for Developer Contributed Assets** – With the current review of the contributions plan, standards can be set to ensure developers are not over embellishing assets that Council will be responsible for maintaining and operating.
- **Regional Economic Development** – Economic development opportunities are outlined in the Regional Economic Development Strategy. Council can maximise the realised benefit through advocating and pursuing the Council's interests, as well as more broadly the community's economic and socio-demographic interests.
- **Enhancements to Project Management** – considering the large annual investment in the capital works program and other projects, significant improvements in Council sustainability may be achieved through implementation of the project management framework, including better decision making in the selection, prioritisation and initiation of projects, consideration and comparison of whole-of-life costs, as well as in the more efficient delivery of projects.

- **Development of a Service Catalogue and Service Review Program** – through the development of a service catalogue, integrated with resource planning, and the engagement of Council and the community in strategic service planning, Council sustainability is likely to be improved through the continued review, prioritisation and rationalisation of the range and levels of services and infrastructure provided to meet community demands and community affordability. AEC notes that Council has started to implement this opportunity through the Business Improvement Review Program and service reviews.
- **Asset Recycling and Rationalisation** – through the process of developing the Asset Management Plans, Council is likely to be presented with opportunities to recycle under-utilised assets (e.g., buildings and land) to obtain better utilisation and improve overall sustainability by reducing the cost of under-utilised assets and achieving commercial returns through asset recycling.

7.2 SIGNIFICANT RISKS

The risks outlined below present a significant threat to the successful achievement of the Financial Sustainability Strategy.

- **Economic Conditions** - Council is impacted by the volatility of economic conditions. This has been experienced most significantly during the recent COVID-19 outbreak, where the income earned by Council for a range of services was significantly reduced. As such, any further impacts leading to significant change from the market assumptions adopted (will require further revision by Council of planned investments and service expenditure).
- **Funding Development** -The NSW Government regulates a cap on the per lot contributions paid and limits the types of infrastructure that a council can levy for development. This limitation has required Council to use other funding sources (including funding set aside for asset renewal) to provide infrastructure Council is responsible to provide for new development. This is particularly important for areas of greenfield development, which impact on the demands for Council infrastructure such as community centres, libraries and recreational facilities.
- **Certainty of Revenue Streams** - Uncertainty in the projection of revenue streams is a significant concern for Council sustainability. While Council controls most of its annual operating revenue, Council has historically relied upon grants.
- **Expenditure Estimates** - A key risk to the accuracy of the long-term forecast of operating and capital expenditure is the accuracy of cost estimates and actual inflation in future years being above assumptions used in the forecast.
- **Impairment and Early Deterioration of Assets** - While renewals are planned through the asset management planning process, the actual deterioration and performance of assets may deteriorate faster than projected or be impacted through natural disasters or other unforeseen events, bringing forward the need to renew and replace assets. This will require either re-prioritisation across the capital works plan, or additional cash investment.
- **Investment Decisions in New Services and Infrastructure** - A failure to make financially responsible decisions with respect to new or additional services levels, including infrastructure, will constrain the Council to lead the City out of its current financial sustainability concerns.

8. IMPLEMENTATION ACTION PLAN

The following table outlines the task required to implement financial sustainability strategies, responsibility for each task and the required timeframe for the task to be completed.

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
1. Improve the operating position of the general fund	1.1 Increase rate revenue by 32.0% in 2024/25.														
	Refine the LTFP to determine the increase in rate revenue required and adopt the new LTFP with at least one SRV scenario included to increase the rate revenue by 32.0% in 2024/25.	CFO/AEC													
	Develop rate model to determine impact of SRV on ratepayers.	CFO/AEC													
	Complete a capacity-to-pay assessment.	CFO/AEC													
	Undertake community engagement to present options and collect feedback.	EMT													
	Council to consider and make resolution to submit expression of interest to IPART for an SRV. IPART to be notified of Council resolution.	EMT/Council													
	Prepare and submit SRV application (Council resolution)	CFO/AEC													
	1.2 Decrease operating costs through:														
	Review and prioritisation of efficiencies and productivity improvements cost savings as provided to EMT via AEC's consultation with the senior management team.	EMT													
	Establish a productivity and efficiency target of to be achieved through implementing the strategies outlined below in the focus area of Enhanced Productivity and Efficiency of Services.	EMT													
	Conduct a strategic review of services to assess the range and levels of service provided.	EMT/Council													
	Improve the strategic and technical asset management capability and practices to manage assets at the most optimal whole of life cost.	EMT													
	1.3 Develop the demand management approach in service and asset planning to minimise the growth in service costs and avoid increased cost of assets, including:														
	Continue to undertake service reviews, particularly for discretionary services and community service obligations (services that would not be provided if based on a commercial decision)	EMT/SMT													
	Implement a Strategic Service Planning framework, including the development of a Service Catalogue, that defines the approved range and levels of service.														

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
	Implement requirement for a Business Case and/or Capital Expenditure Review prior to approving to proceed with material new or upgraded services and assets (mandatory for proposed capital works for new or upgraded assets over \$1million).														
	Implement a framework for grant applications and acceptance to consider the impact of the grant on the Long-Term Financial Plan and financial sustainability.	EMT/CFO													
	1.4 Improve governance and financial controls:														
	Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy, and other adopted plans – each plan should be formally revised annually, with the long term financial forecast updated quarterly or as more often as required to reflect actual quarterly performance and material decisions by the Council.	EMT/CFO													
	Implement effective budget and other financial controls – including budget accountability, a project management framework with gateway controls, workforce plan outlining the funded staff establishment, contract management framework.	EMT/CFO													
	Develop an annual budget development process that is activity based rather than largely historical.	EMT/CFO													
2. To improve the availability of cash	2.1 Council should budget for and maintain, at least in the short term, an unconstrained cash reserve of at least \$15.0 million as a contingency for unplanned asset renewals/replacements due to asset failure or other unknown asset risks.	EMT													
	2.2 Review internally restricted cash to ensure alignment with intended purpose of the reserves and that the reserves are adequate for the purpose.	EMT/Council													
	2.3 Implement a monthly reconciliation and reporting process for all external restrictions.	CFO													
3. To improve investment in assets	3.1 Enhance the capability and effectiveness of asset management, including:														
	Prepare an asset management strategy that provides guidance and direction to improve Council's asset management maturity and approach, improve resource allocation, increase the awareness of current asset performance/risk, establish asset management strategies, and integrate the Asset Management Plans and the Long-Term Financial Plan.	EMT/Asset Custodians													
	In the short term, develop the strategic asset management capability to better predict, prioritise and plan for asset renewal programs based on known risks, criticality, condition, and performance of each asset class.	EMT/Asset Custodians													

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
	Review and update the asset management plans for each asset class to determine and direct the optimal life cycle approach for each asset class.	EMT/Asset Custodians													
	Establish systems and practices that enhances and realises the value of asset management across the organisation.	EMT/Asset Custodians													
	Improve processes for asset data collection, standardisation, and componentisation.	EMT/Asset Custodians													
	Implement a condition inspection program with an initial focus on all critical assets, or assets with high risk, and sample condition assessment for less critical assets (or asset assessed with less risk). This is best through integrated plan with the asset valuation plan.	EMT/Asset Custodians													
	Prepare a pavement management system with a detailed whole of life approach designed specifically for Council's sealed and unsealed road network, including optimised approach to maintenance and renewal of assets and estimated costing to inform the Long-Term Financial Plan.	EMT/Asset Custodians													
	3.2 Improve the integration of asset planning with the strategic service planning to better understand, manage and avoid where possible the demand for growth in assets.	EMT/Asset Custodians													
	3.3 Explore opportunities to rationalise the land and facilitates assets that are used to deliver Council's services, including the rationalisation of the number of locations services are provided and considering a regional approach to service delivery rather than service in each location.	EMT/Asset Custodians													
	3.4 Council should consider reviewing its developer contributions plans, before undertaking any substantial asset programs to ensure that the current contribution levels are able to support the future development costs.	EMT/Planning													
	3.5 Require the development of a "State of Assets Report" to be prepared and presented to Council to ensure the Councillors understand the preparation of the Draft Report on Infrastructure Assets (schedule to the Annual Financial Statements) and enable discussion between Councillors and Management on progressing improvement in asset management and asset renewal planning.	EMT													
4. To enhance the strategic service planning	4.1 Develop a strategic service planning framework to guide and inform the development of the Delivery Program and Resourcing Strategies. A framework that includes an annual review of service performance and alignment to priorities will enable Council to better inform the development of the Annual Budget and review priorities in the allocation of constrained resources.	EMT/CFO													

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
5. To enhance productivity and efficiency of services	5.1 Review the efficiency and effectiveness of current corporate overhead functions, particularly the service with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, fleet and plant operations, finance, and asset management.	EMT/SMT													
	5.2 Develop measures of productivity and efficiency when developing the Annual Budget and reporting to assist trend analysis and benchmarking with partner councils – for example \$/km of unsealed road graded, \$/km of road reseal, \$/hectare of mowing, cost/library member, median time taken to resolve customer requests, plant utilisation rates, median time taken to fill a vacancy.	EMT/SMT													
	5.3 Implement and fund productivity and efficiency improvement initiatives previously identified, including the recommendations from the Works Management, Field Operations and Contract Delivery Service Review.	EMT/SMT													
	5.4 Council should embark on an initiative to target service efficiencies and increase productivity to contribute to the improvement in the operating position of Council. The initiatives should include corporate initiatives (such as improvement in procurement, salary benchmarking etc.) as well as focused review on the delivery of targeted services.	EMT/SMT													
	5.5 Report to Council on a quarterly basis the progress in achieving efficiency and implement process to track the achievement of the productivity and efficiencies target.	EMT													
6. To enhanced governance, prioritisation and decision-making	6.1 Revise the Resourcing Strategy including the Long-Term Financial Plan informed by funding requirements from strategic asset management, workforce planning and strategic service planning.	EMT/CFO													
	6.2 Implement a comprehensive and robust budget development process with oversight by the Chief Financial Officer and the Executive Team.	EMT/CFO													
	6.3 Implement oversight and control of the funded organisation chart by the Manager Human Resources (Workforce Officer).	EMT/HR													
	6.4 Implement a Project Management Framework, including appropriate gateways for project selection, planning, execution, and closure, and enforce the project management governance for all potential projects (including approval to proceed with grant applications).	EMT													

Strategy	Task	Responsibility	2023/24				2024/25				2025/26				Future Years
			1	2	3	4	1	2	3	4	1	2	3	4	
	6.5 Develop the organisational financial management governance and financial acumen of management to improve financial management at all levels of management.	EMT													
7. Review Range and Levels of Service	7.1 Council may wish to consider undertaking a review of the range of non-core services provided, to determine whether they continue to deliver value to the community and whether there remains a public policy rationale for Council delivery of such services.	EMT/Council													
	7.2 Council may also wish to consider the levels of service provided within services that are not regulatory required services to reduce the cost of the services provided.	EMT/Council													
	7.3 Council should implement the use of formal business cases to consider and determine undertaking new projects or service, or a change in current service levels. The financial implications should be a major determinant of the decision making.	EMT													

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APPENDIX A: STAKEHOLDER ENGAGEMENT

STAKEHOLDER IDENTIFICATION

Stakeholder identification was completed to ensure those who have an interest in, or may be impacted by any changes proposed, were sufficiently engaged. Stakeholder groups included Councillors, Executive Management Team, Leadership Team, and key Council staff. Community Engagement was not included during this stage.

Project Steering Committee and Project Sponsor

The steering committee and project sponsor play a crucial role in the project. The steering committee is responsible for overseeing the project, providing guidance and support, and ensuring that the project aligns with the organisation's objectives. The project sponsor is responsible for providing leadership and support to the project, being the primary decision-makers with accountability for the project's success.

The steering committee includes Council's Executive Management Team, with the additional roles of Project Sponsor being Council's Chief Executive Officer (CEO) and Project Lead being Council's Chief Financial Officer (CFO).

Council's Elected Members

Shoalhaven City Council is made up of a Mayor and 12 Councillors – four Councillors representing each of our three wards. The Councillors set the long-term direction of Council and ensure that money and other resources are used effectively, to enable long term financial sustainability.

Council's Executive Management

Shoalhaven City Council is led by a CEO, and comprises of six individual directorates, the City Services, City Development, City Futures, City Lifestyles, City Performance and Shoalhaven Water. The Executive Management Team was also the Project Steering Committee.

Key Council Staff

Council's Executive Management identified the Leadership Team as other key Council stakeholders to be engaged as part of the project.

Stakeholders External to Council

Council's Elected Members and Executive Team determined the external stakeholders to be engaged in the Financial Sustainability Review, which included the committee members of the Audit, Risk, and Improvement Committee (ARIC), which is an advisory committee.

ENGAGEMENT FRAMEWORK

The method of engagement included a combination of face-to-face meetings and online meetings via MS Teams. Prior to engaging with stakeholders, AEC reviewed previous plans and/or strategies to help inform engagement.

The information gathered during the engagement was used to verify the desktop analysis and inform the Preliminary Findings & Work-in-progress report.

Council is committed to engagement practices of delivering communication, and the framework AEC followed for engagement with external stakeholders was aligned to the International Association of Public Participation (IAP2) principles of the Public Participation Spectrum.

The table below outlines the different levels of input and influence external stakeholders and the community (not applicable to this plan) may have over a particular project.

Figure A.8.1 IAP2's Spectrum of Public Participation

Increasing impact on the decision ----->					
	Inform	Consult	Involve	Collaborate	Empower
Public Participation Goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives opportunities and/ or solutions	To obtain public feedback on analysis, alternatives and/or decisions	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution	To place final decision making in the hands of the public
Promise to the Public	We will keep you informed	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced decision	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible	We will implement what you decide

STAKEHOLDER ENGAGEMENT PLAN

This section outlines the stakeholder groups, their interest, influence, level, and method of engagement within the project, as well as the date for the engagement.

Stakeholder group	Interest	Influence	Level of Engagement	Engagement Method	Date
Project Steering Committee	Advisors to Project team (including AEC)	Advice	Collaborate	<ul style="list-style-type: none"> Online Inception Meeting Fortnightly Project meetings 	
Councillors	Owner of Financial Sustainability Review Provide approval of the Strategies and recommendation	Decision Making	Empower	<ul style="list-style-type: none"> Onsite Councillor Briefing – Project startup Online Councillor Briefing to seek feedback on preliminary findings and work-in-progress report Onsite & online Councillor Briefing to present Draft Report (may become online meeting, and the final report be an onsite meeting) Online Councillor Briefing to present Final Report 	
Audit, risk and improvement committee (ARIC)	To provide independent advice to Council regarding compliance, risk management, financial management, governance, implementation of the strategic plan, delivery program and strategies, service reviews, collection of performance measurement data by the Council, and internal audit.	Advice	Collaborate	Online meeting with chair Online attendance at March 2023 meeting ARIC meeting – FSR Overview - Historical Financials, Benchmarking & Preliminary findings. ARIC Presentation of Final Report	
Executive Management Team	Responsible to implement the Strategies and recommendations	Advice	Collaborate	Online Inception Meeting Onsite Executive Management Briefing – Project startup Online Councillor Briefing to seek feedback on preliminary findings and work-in-progress Onsite & online presentation of Key Findings, LTFP & AMS (with Steering Committee) Onsite & online Councillor Briefing to present Key Findings Onsite Councillor Briefing to present Final Report	
Staff in Identified Key Roles	Input into understanding current sustainability. Identification of options Implementing the outcomes	Advice	Collaborate	Meetings on site (see schedule) Ongoing meetings, discussions, emails etc as required	

APPENDIX B: BENCHMARKING REPORT

INTRODUCTION TO BENCHMARKING REPORT

Benchmarking of the financial performance of the Council and other relevant statistical information was undertaken for comparison purposes. Benchmarking was based on time series data published by the NSW Office of Local Government (OLG) - Your Council Report, 2020/21, completing a comparison across the Group 5 Councils (13 councils including Shoalhaven), as detailed below:

Table B.1 List of selected councils

Council	Est Population (2021)	Total Residential Rate Assessments
Shoalhaven	108,497	55,982
Coffs Harbour	78,738	30,876
Eurobodalla	40,453	24,335
Lake Macquarie	213,967	83,052
Maitland	90,553	33,155
MidCoast	96,425	46,445
Newcastle	169,317	66,487
Port Macquarie-Hastings	86,585	34,743
Port Stephens	75,282	32,467
Shellharbour	76,443	28,629
Tweed	97,151	38,132
Wingecarribee	52,456	22,448
Wollongong	214,657	80,693

Whilst the benchmarking is useful for assessing how Council compares with other similar councils, caution should be exercised when drawing any conclusions based on the observations alone without further investigation. Whilst the councils used for the benchmarking are within the same NSW Office of Local Government Group, it should be noted there are significant variations regarding population, demographics, geographical area and size, range and level of service provided, as well as the service delivery model, which impact on comparative analysis.

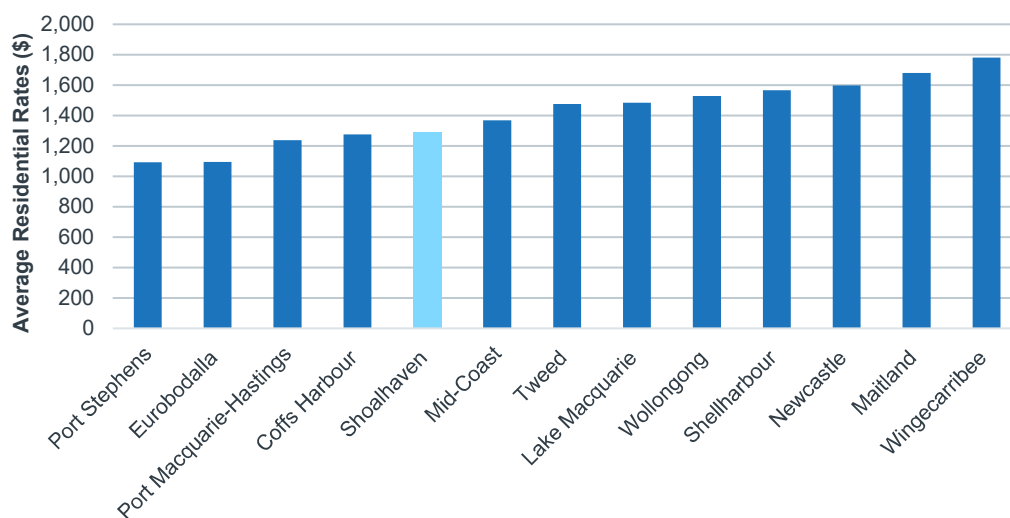
BENCHMARKING RATES & CHARGES

Key findings from the following graphs identify that Shoalhaven City Council have the fifth lowest average residential rates, the fifth highest average farmland rates and the lowest average business rates within identified group of councils.

The rating effort is based on the land value divided by the total rate income, and Shoalhaven City Council has the highest rating effort within the group, while the average Domestic Waste Annual Charge is the fourth lowest within the group.

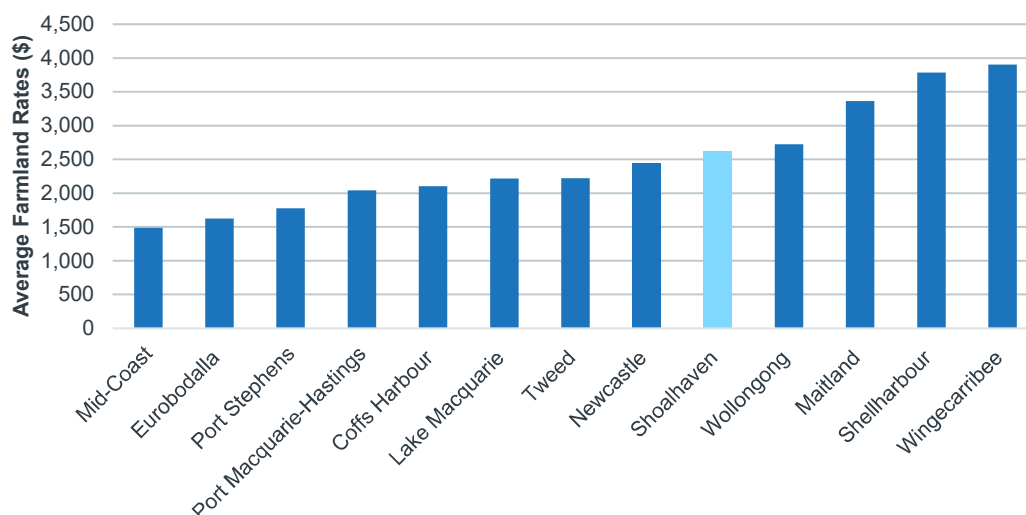
For the outstanding rates and charges ratio, Council is ranked the second highest of the Group.

Figure B.1 Average Residential Rate across Selected Group of Councils

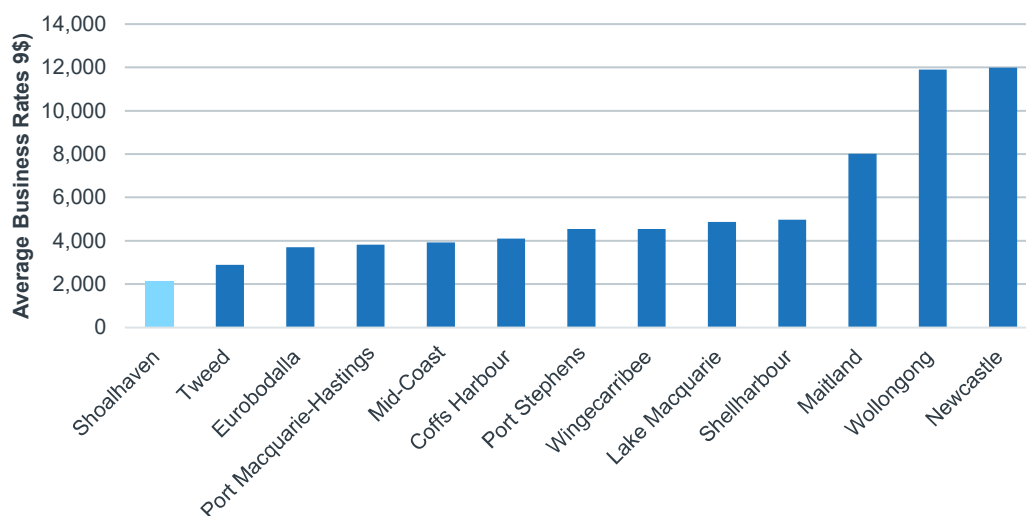


Source: OLG Time Series Data (2020/21)

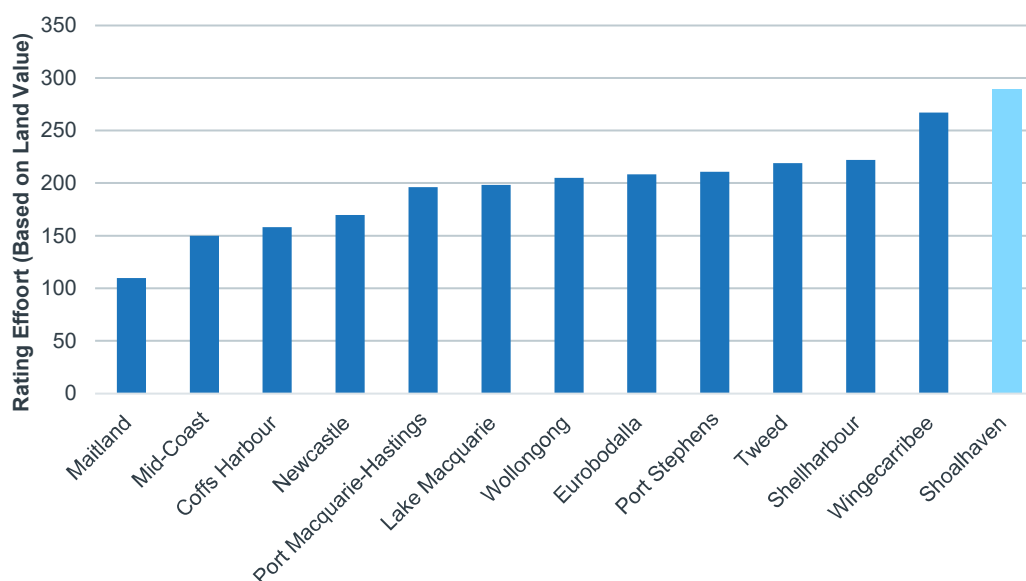
Figure B.2 Average Farmland Rate across Selected Group of Councils



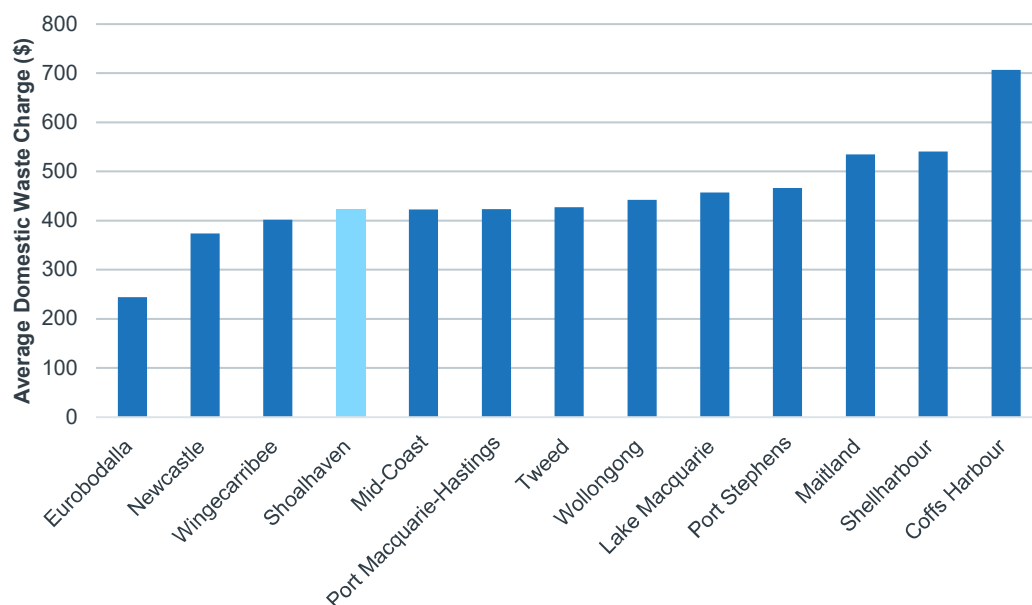
Source: OLG Time Series Data (2020/21)

Figure B.3 Average Business Rate across Selected Group of Councils

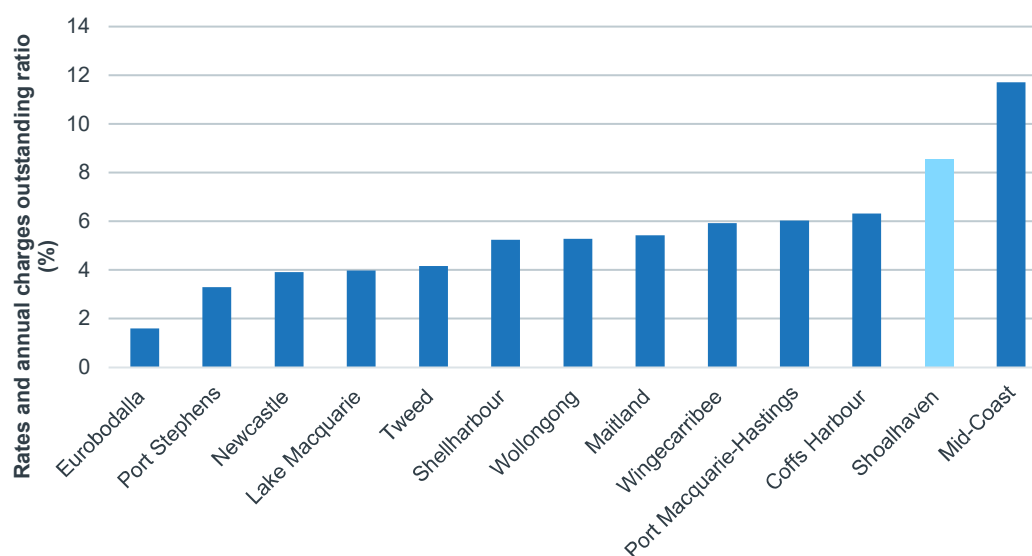
Source: OLG Time Series Data (2020/21)

Figure B.4: Rating Effort (Based on land value) across Selected Group of Councils

Source: OLG Time Series Data (2020/21)

Figure B.5 Average Domestic Waste Annual charge across Selected Group of Councils

Source: OLG Time Series Data (2020/21)

Figure B.6 Outstanding Rates and Charges Ratio across Selected Group of Councils

Source: OLG Time Series Data (2020/21)

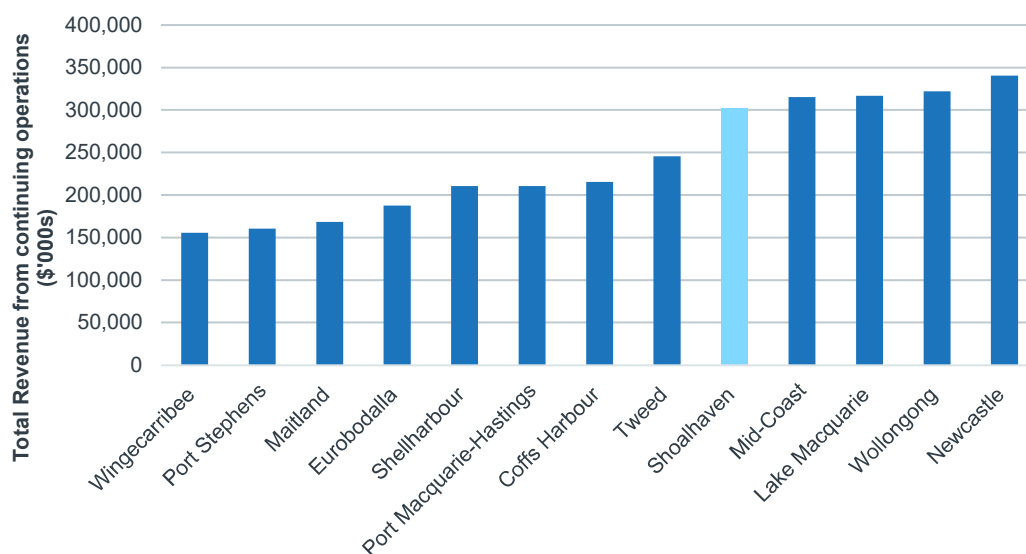
BENCHMARKING OPERATIONAL REVENUE, EXPENSES & NET OPERATING POSITION

Key findings from the following graphs identify that Shoalhaven City Council is fifth highest in the group for revenue generated from operations, and third highest for expenses incurred from continuing operations within the group.

Council's net operating result before capital is the third lowest in the group, and Shoalhaven City Council is one of 5 councils that reported a deficit for 2020-21, the other 8 councils reported a surpluses.

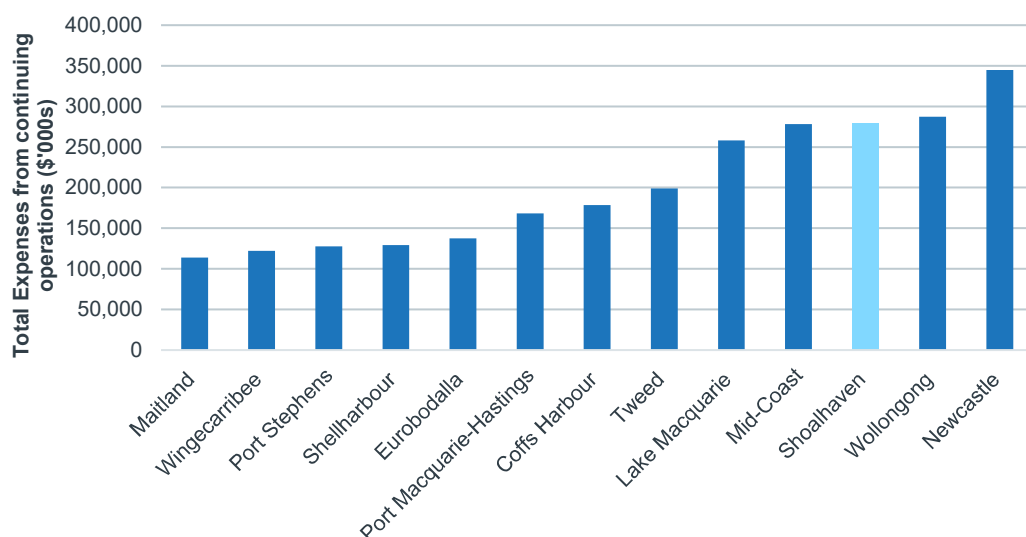
Note – caution should be applied in interpreting the operating result of a Council for on year in isolation due to impact of non-recurrent expenses/revenues for the year and other accounting treatments that may impacted the 2020-21 result.

Figure B.7 Revenue Generated from Operations across Selected Group of Councils

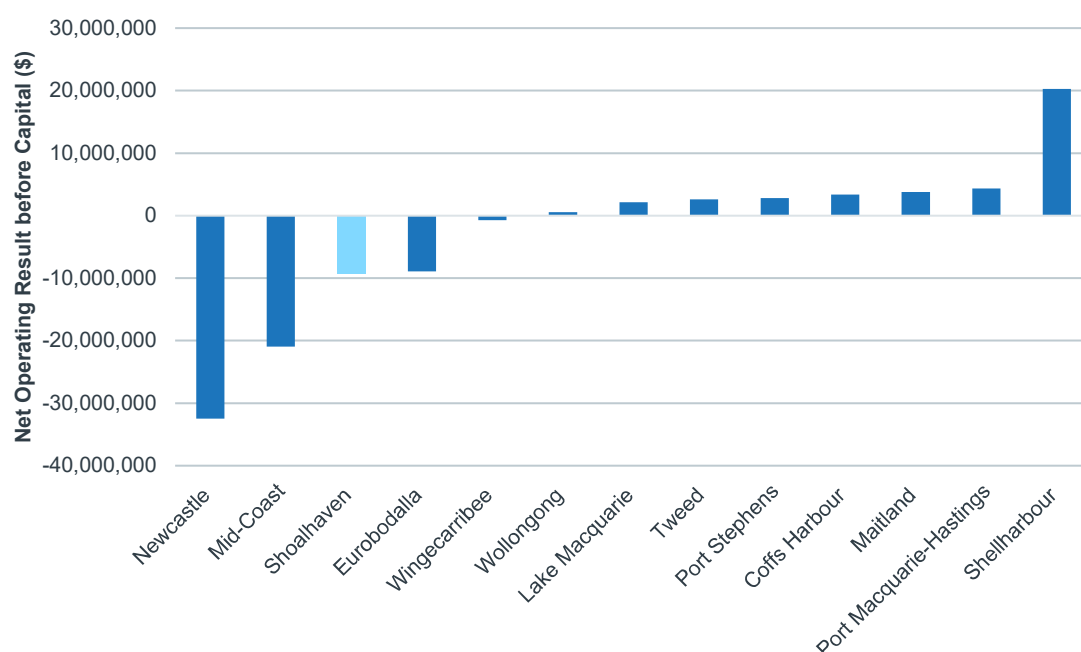


Source: OLG Time Series Data (2020/21)

Figure B.8 Expenses from Continuing Operations across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.9 Net Operating Position (before Capital grants) across Selected Group of Councils

Source: OLG Time Series Data (2020/21)

BENCHMARKING OTHER RELATED INFORMATION

AEC Group have used the OLG benchmarking information for the Group 5 Councils and extended the analysis to compare different variables. In doing this the correlation coefficient was also used as a tool for understanding the strength of the relationship between two variables to assess whether the variables are an important contributing factor in the financial performance. However, it is important to note that just because two variables are correlated does not indicate the cause and effect relationship.

The following graphs visualise the relationship between variables, when benchmarking Shoalhaven City Council with other councils within the group made of OLG Group 5 and other selected councils. A positive correlation coefficient means that the two variables move in the same direction; as one increases, so does the other. A negative correlation coefficient means that the two variables move in opposite directions; as one variable increases, the other variable decreases. Again, caution should be applied in making a causal relationship – ie that one causes the other.

Based on the measurement, we can also indicate the strength of the data relationship between the two variables, and the following table identifies this relevant to the graphs.

Table B.2 Evaluating the Strength of Association between Variables

Comparison	Correlation Coefficient	Strength of Relationship
Population vs FTEs	0.87	Strong Positive
Total Operating Revenue vs FTEs	0.94	Strong Positive
Population vs Total Operating Revenue	0.79	Strong Positive
Population vs Total Operating Expenses	0.75	Strong Positive
Net operating result vs Total Road Length	-0.49	Moderate Negative
Road length vs FTEs	0.34	Weak Positive
Socio-Economic Index Rating vs Rates Outstanding %	-0.46	Moderate Negative
Asset Maintenance Expenditure vs Road Length	0.43	Moderate Positive

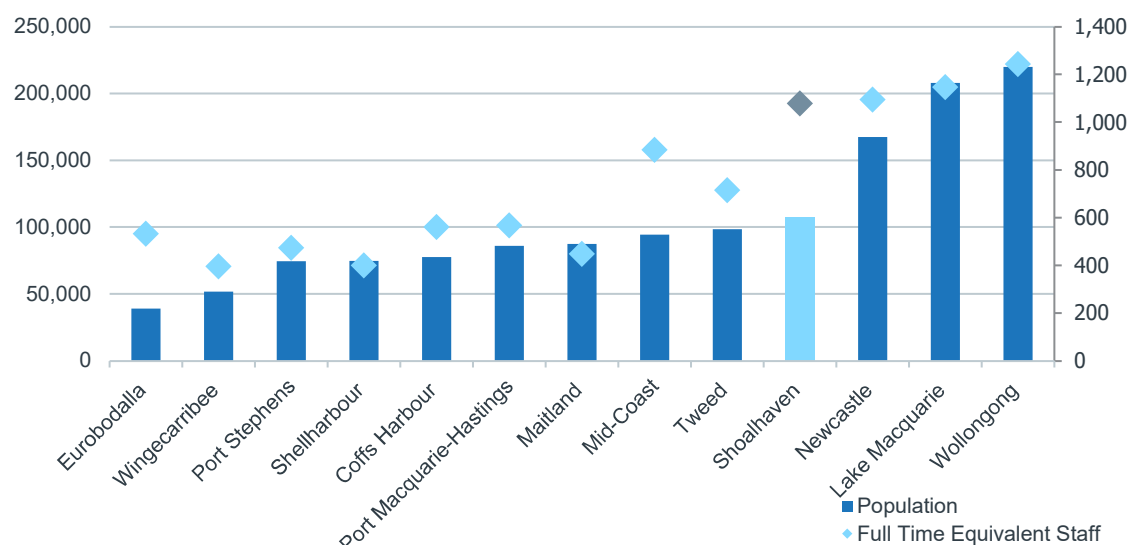
Source: AEC (unpublished).

Population & FTE (Full-time equivalent) Employee Comparison

Shoalhaven City Council has the fourth largest population within the Group and also ranks fourth in terms of full-time equivalent (FTE) count. Thus, showing a very strong correlation (high correlation coefficient) between population and FTE count, as evidenced by the strong visible trend or pattern in the scatter graph depicted in the figure below. With strong trend, there are some outliers including Shoalhaven, MidCoast and Eurobodalla with high FTE counts but low population.

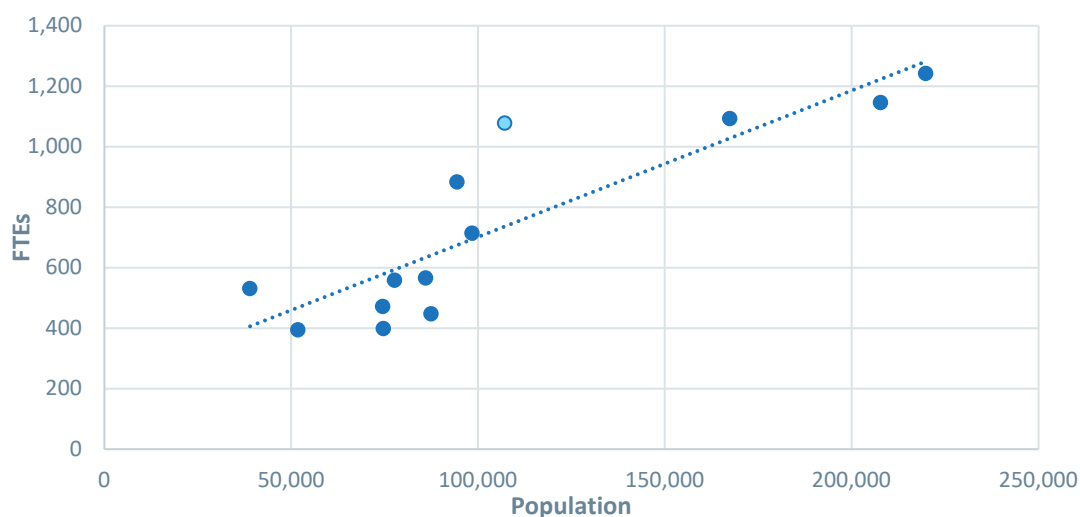
Size of the workforce (measures by FTE) is influenced by the mix of services and businesses provided by Council, the level of service provided, geographical density of the service provision, the use of external contractors to provide services and the productivity of the workforce.

Figure B.10 Population versus FTEs across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.11 Population versus FTEs across Selected Group of Councils

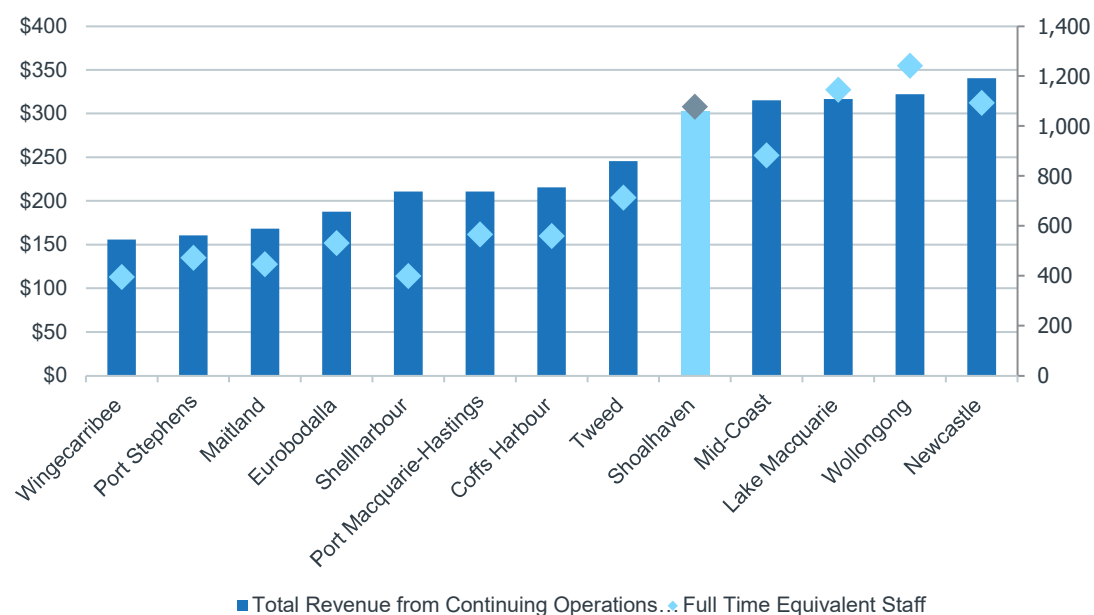


Source: OLG Time Series Data (2020/21)

Operating Revenue & FTE Comparison

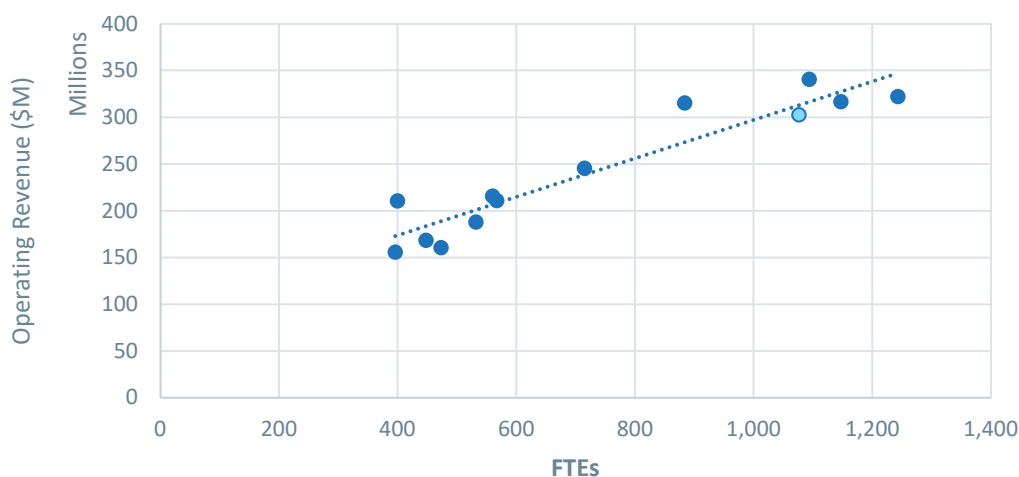
Shoalhaven City Council ranks fifth in the group for operating revenue and fourth highest FTE count. A positive correlation (correlation coefficient of 0.94) between operating revenue and FTE exists, indicating that an increase in operating revenue is associated with a tendency for FTEs to rise across the group. This relationship is very strong, as evidenced by the clear upward trend in the scatter graph depicted in the Figure below.

Figure B.12 Operating Revenue (\$M) versus FTE across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.13 Operating Revenue (\$M) versus FTE across Selected Group of Councils

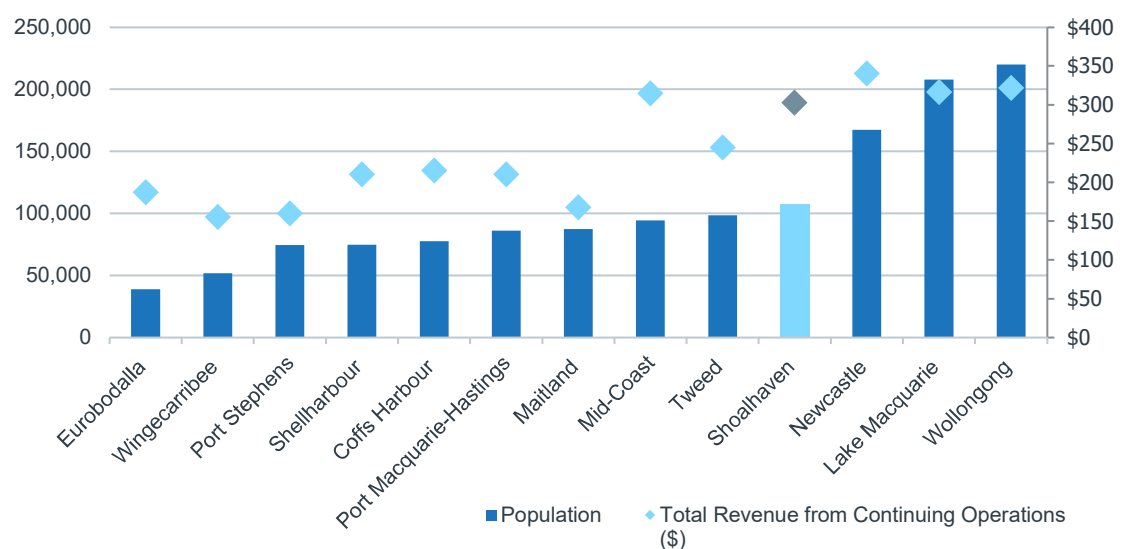


Source: OLG Time Series Data (2020/21)

Population vs Total Operating Revenue

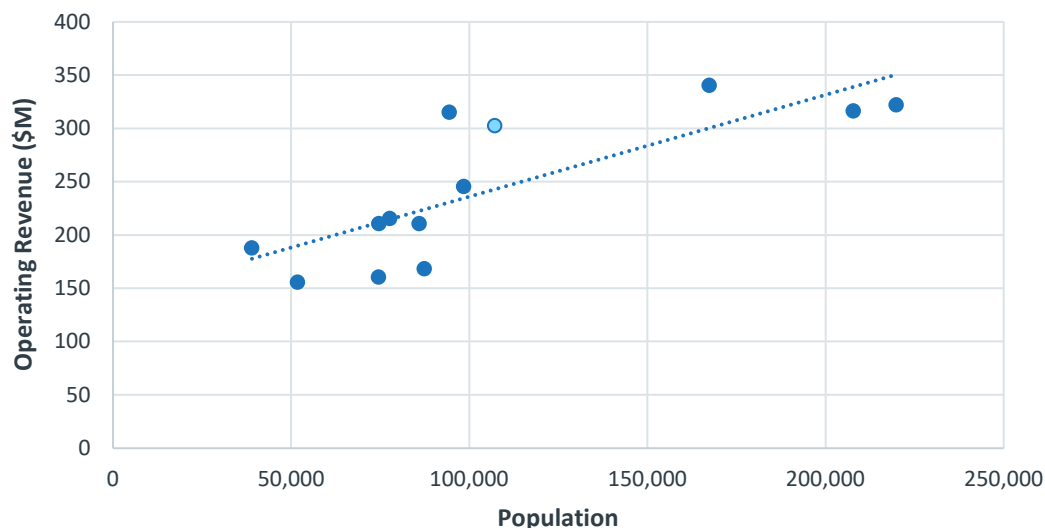
There is another strong positive correlation shown for Shoalhaven City Council being fifth highest population within the group, and fourth highest in regard to total operating revenue. A positive correlation (correlation coefficient of 0.79) exists between population and total revenue, indicating that the relationship between population and total revenue is very strong, as evidenced by the scatter graph in the figure below which shows obvious trend.

Figure B.14 Population versus Operating Revenue (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.15 Population versus Operating Revenue (\$M) across Selected Group of Councils

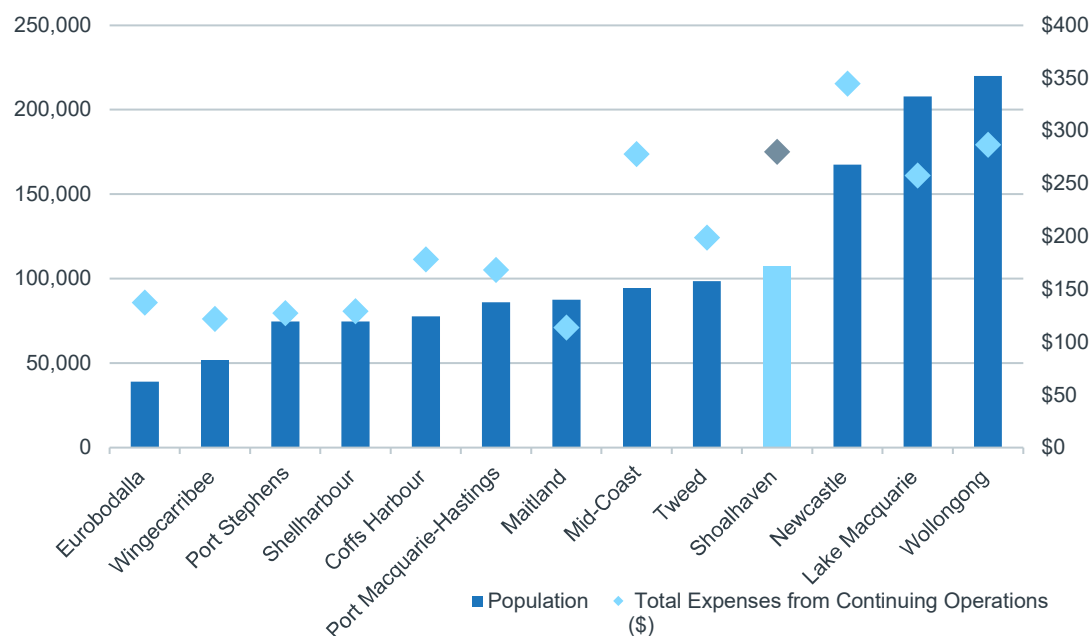


Source: OLG Time Series Data (2020/21)

Population & Total Operating Expenses Comparison

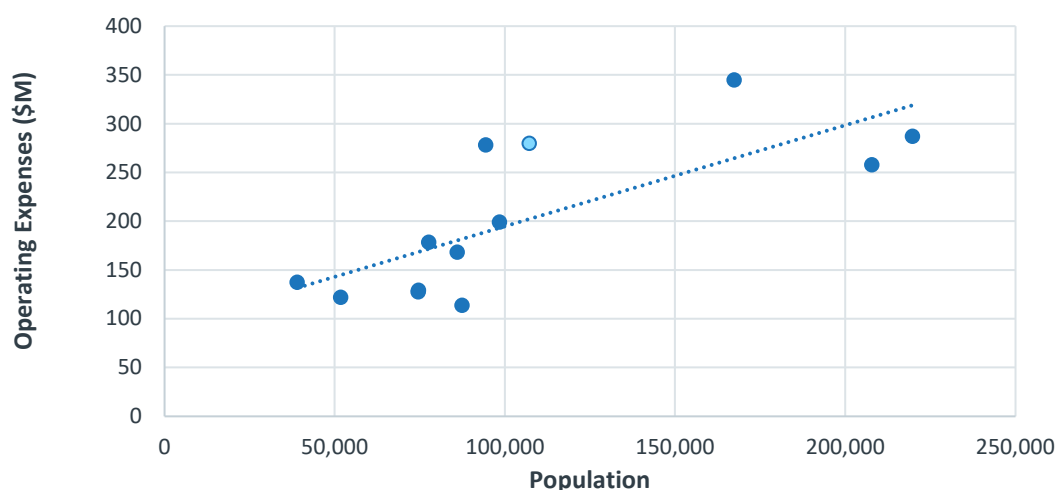
Both Shoalhaven City Council's population and operating expenses is ranked at fourth within the group. A positive correlation (correlation coefficient of 0.75) exists between population and operating expenses, indicating that an increase in population is associated with a tendency for operating expenses to rise. This relationship is relatively strong, as evidenced by the slight upward trend in the scatter graph in the figure below.

Figure B.16 Population versus Operating expenses (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.17: Population versus Operating expenses (\$M) across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

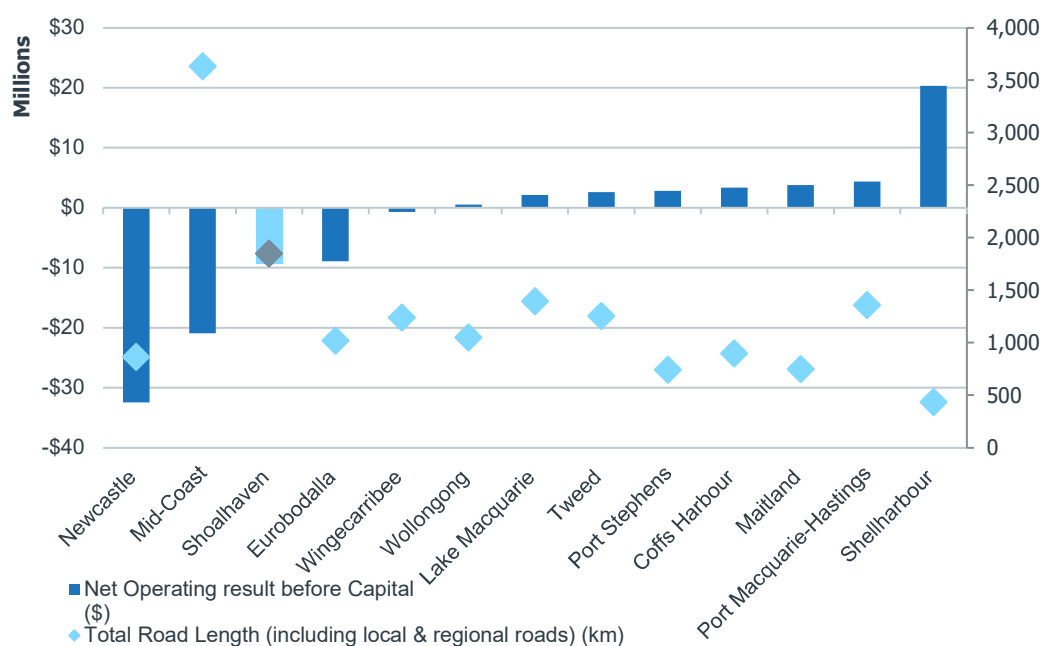
Net operating result vs Total Road Length

Shoalhaven City Council has the third lowest net operating result of the group, with only eight councils recording a surplus, while being positioned second in the group based on road length.

There is a negative correlation (correlation coefficient of -0.49) between net operating results and road length. This relationship is moderate, as evidenced by some backward trend in the scatter graph in the Figure below.

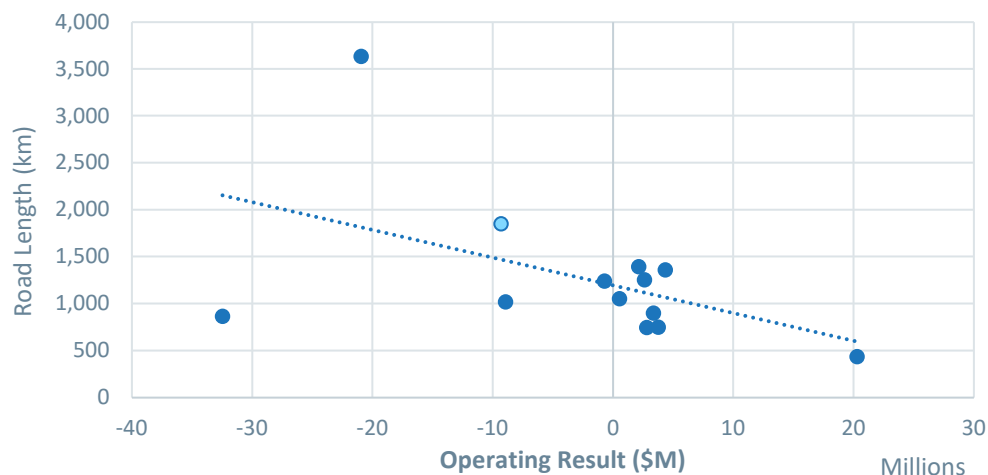
It is important to note that the negative correlation between net operating results and road length does not necessarily imply a connecting relationship. Other factors, such as infrastructure condition, may also affect a council's net operating result.

Figure B.18 Net Operating Result versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.19 Net Operating Result versus Road Length across Selected Group of Councils



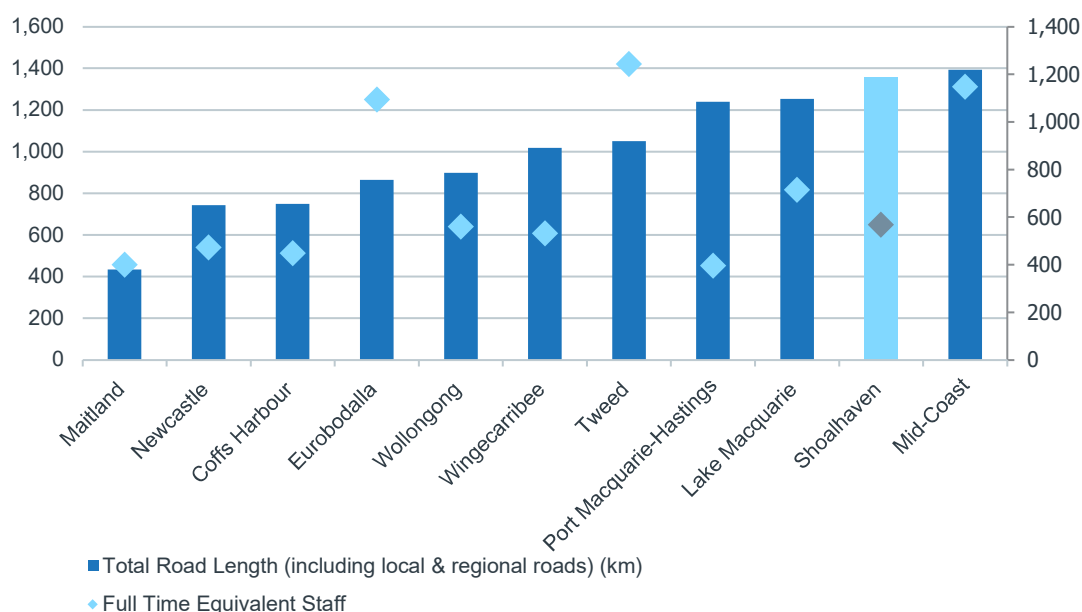
Source: OLG Time Series Data (2020/21)

Total Road Length vs FTE

Shoalhaven City Council is positioned second in the group based on road length; however, it is positioned fourth for FTEs. There is a positive correlation (correlation coefficient of 0.34) between road length and FTEs, which means that within the group, councils with longer roads tend to have more FTE staff. This relationship is weak to moderate, as evidenced by the upward trend by not very definite in the scatter graph in the figure below.

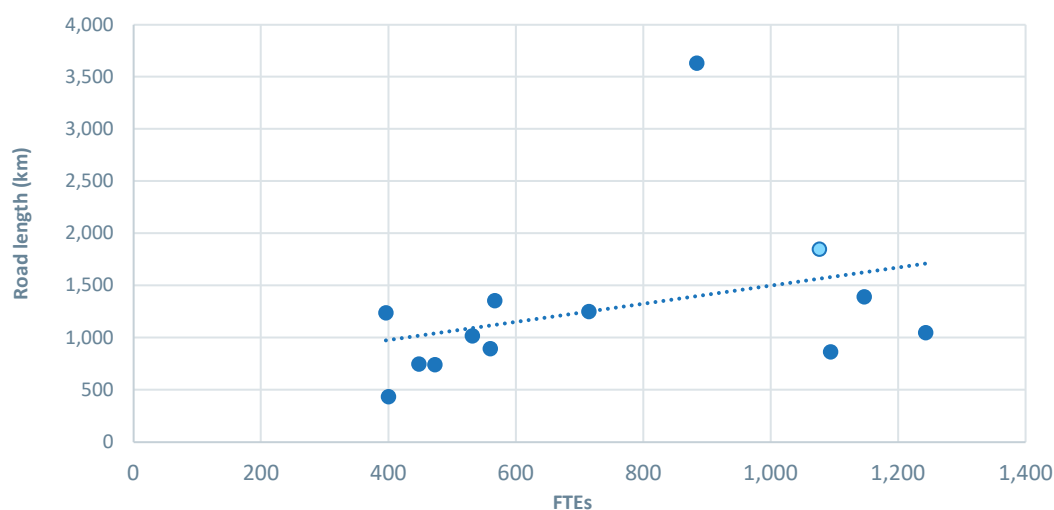
However, other factors such as the size and complexity of the council's operations, its budget constraints, and its service delivery model may also play a role in determining its staffing levels. This is clear by outliers like Eurobodalla and Tweed, whereby both have very high FTE regardless of Council's Road length.

Figure B.20 Total Road Length versus FTE across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.21 Total Road Length versus FTE across Selected Group of Councils

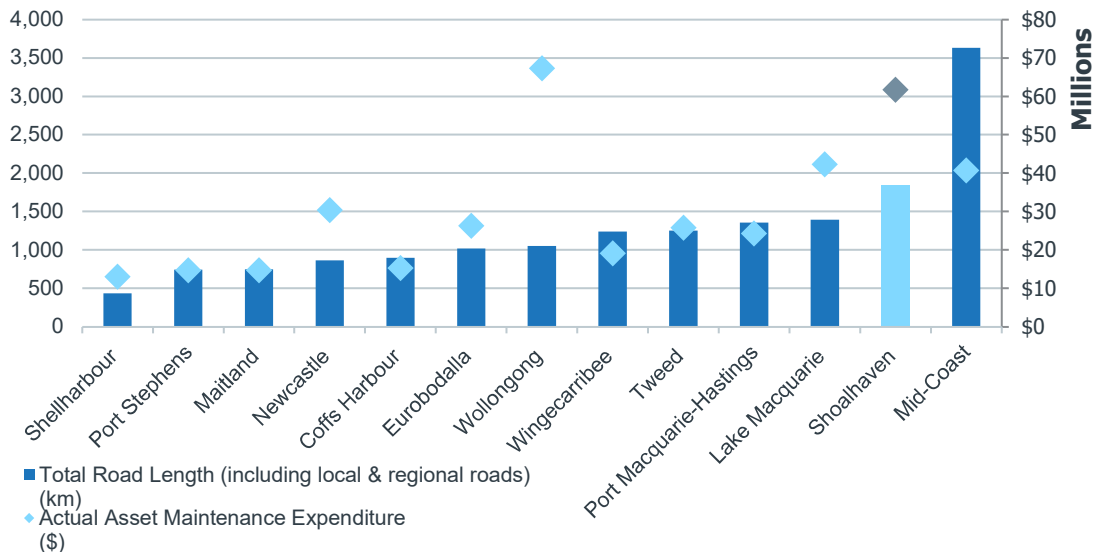


Source: OLG Time Series Data (2020/21)

Asset Maintenance Expenditure vs Road Length

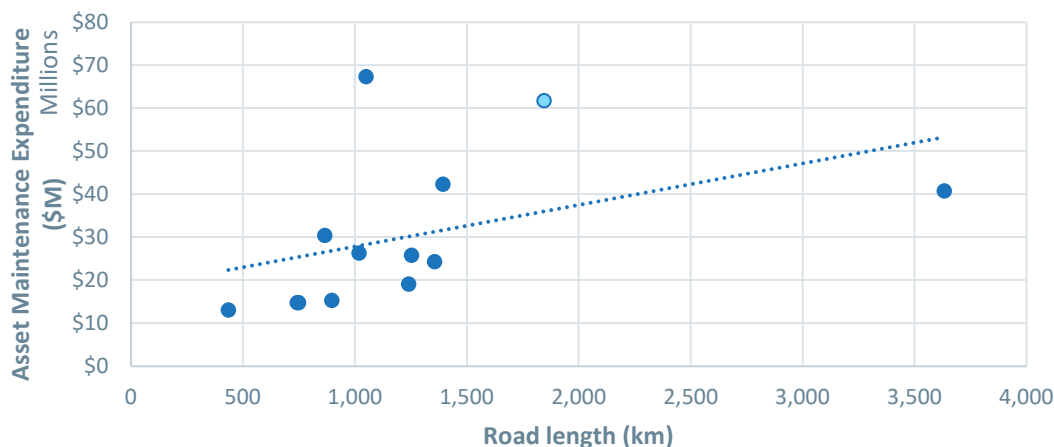
Shoalhaven City Council is positioned second in the group, indicating that Council's spending on maintaining its assets is well above the average of the group. On the same note, it is also positioned second in the group based on road length, implying that it has a relatively longer road network compared to other councils in the group. There is a positive correlation (correlation coefficient of 0.43) between asset maintenance expenditure and road length within the group, which means that councils with longer roads tend to have higher asset maintenance expenditure, on average. This relationship is moderate, as evidenced by the upward trend, albeit with a low gradient, in the scatter graph in the figure below

Figure B.22 Asset Maintenance Expenditure versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.23 Asset Maintenance Expenditure versus Road Length across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

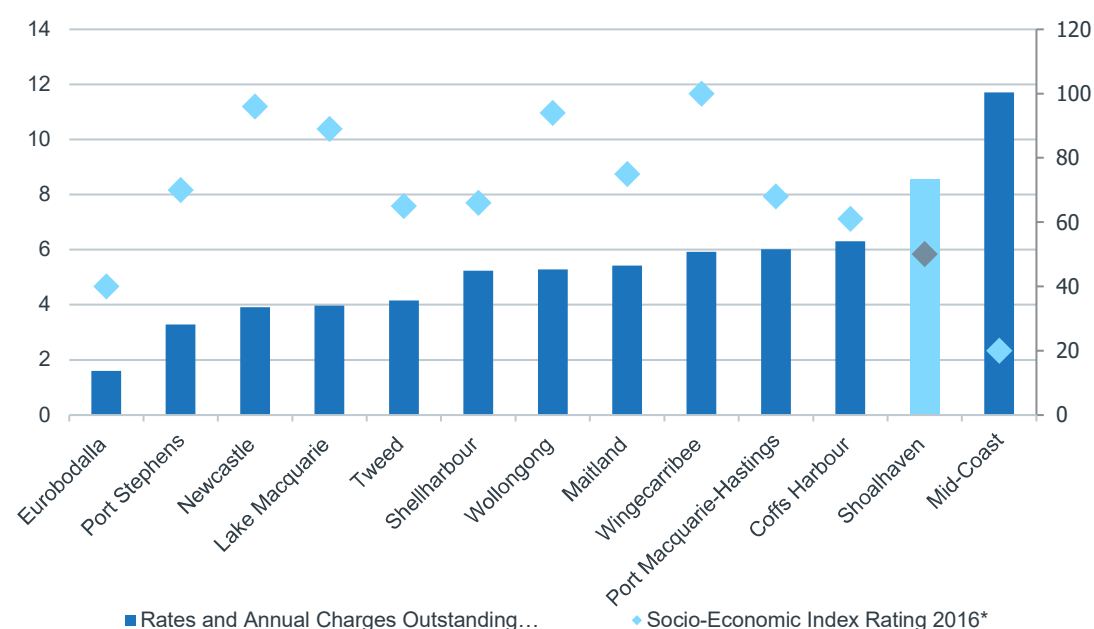
Socio-Economic Index Rating vs Rates Outstanding %

The Socio-Economic Index (SEI) rating is based on census data, and is a measure used to classify geographical areas based on their socio-economic characteristics, including a range of demographic, social and economic factors such as income, education, employment, and occupation. The SEI rating assigns a numerical value to each area, with higher values indicating higher levels of socio-economic advantage and lower values indicating lower levels of advantage. With an SEI rating of 50, Council has the third lowest rating in the group.

Shoalhaven has the second highest outstanding rates percentage at 9%, with the group average of 5%.

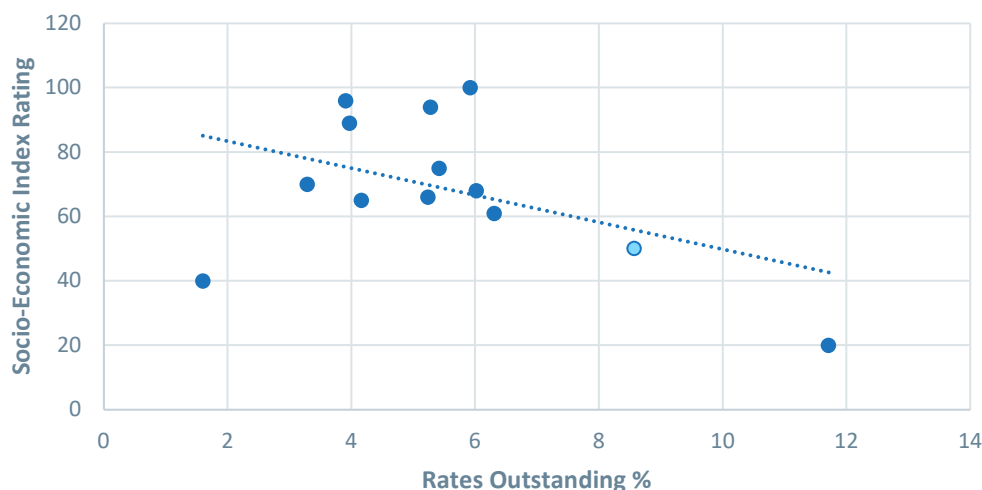
There is a negative correlation (correlation coefficient of -0.46) between SEI and Rates Outstanding, which means that within the group, areas with lower SEI ratings tend to have higher rates outstanding percentages, while areas with higher SEI ratings tend to have lower rates outstanding percentages. This suggests that socio-economic factors may play a role in an area's ability to pay rates on time. This relationship is moderate, as evidenced by the clear upward trend in the scatter graph in the figure below. However, it's important to note that other factors may also influence rates outstanding percentages.

Figure B.24 SEI Rating versus Rates Outstanding across Selected Group of Councils



Source: OLG Time Series Data (2020/21)

Figure B.25 SEI Rating versus Rates Outstanding across Selected Group of Councils



APPENDIX C: ASSET PROFILES NOTES FROM ENGAGEMENT WITH ASSET CUSTODIANS

Executive Summary

At this interim point in the Financial Sustainability Review, and following engagement with asset custodians, AEC has identified the following key findings regarding the sustainability of Council's approach to the management of assets:

- Council has not invested in data collection and condition assessments to adequately plan for asset renewals and maintenance. Reported condition of the assets is determined by asset age as opposed to condition assessments. Other data and information from asset condition assessments are within reports provided by key stakeholders, which have not been transferred into the asset register.
- The engagements sessions repeatedly identified that key stakeholders did not agree that the condition or the backlog reported in Council's Report on Infrastructure Assets as at 30 June 2022. Most asset custodians are not aware how the report is prepared.
- It is almost certain that the backlog reported in the Council's Report on Infrastructure Assets is significantly understated, which presents uncertain risks to Council – both financially and impact of asset failure/breakdown on continuity of service provision.
- Asset Management Plans have predominantly not been kept current and provide little direction for current asset maintenance practices, except for Water & Sewer. Consequentially, there is very little in terms of linkage of asset management planning to the long-term financial planning or the Capital Works Plan. In addition to this Buildings are part way through developing revised AMPs informed by data.
- Council's asset management maturity is below the target core maturity for all asset management functions. To ensure financial sustainability, Council needs to improve performance in all elements of the assessment.
- There appears to be a high reliance upon reactive maintenance across most asset classes, lacking planning for preventative (cyclical or condition based) maintenance. Given the general "rule of thumb" that reactive maintenance costs at least three times the cost of preventative maintenance, and urgent breakdown maintenance in excess of five times the cost, it is highly likely a substantial improvement in cost efficiency can be achieved through a higher importance in a preventative maintenance approach.
- The Long-Term Financial Plan has not been prepared based on the resource requirements and strategic objectives detailed in the asset custodian's Asset Management Strategy and Asset Management Plans (which are predominantly out of date).
- Historical underinvestment in asset renewals, alongside poor maturity in asset management (unknown demand and lack of planning), raises a very high risk to Council's financial sustainability. Council has significantly underinvested in its transport assets, particularly roads, in addition to stormwater assets. By underinvesting Council is exposed to significantly greater cost in future years as more intensive and costly treatment will likely be required.
- In the past five financial years Council has not achieved the thresholds for the building and infrastructure renewals ratio, infrastructure backlog ratio and the asset maintenance ratio, evidencing the underinvestment in its existing assets. In addition to this, it should be noted that the infrastructure backlog ratio and asset maintenance ratio are based on targets that Council establishes for itself.
- The forward capital works program plans to continue to underinvest in renewals. Council plans to consume assets at a faster rate than replacing/renewing assets.
- Council's capital works program predominantly comprises specific projects targeted at individual sites. There are a limited number of minor "bucket programs" for capital items such as park benches, bus stops, and rural roads and when tested by AEC against renewal demand the "buckets" are significantly less than required to maintain the Council's assets at an acceptable level of condition (service).
- There is a limited approach to planned programs of asset maintenance and renewal works. This is indicative of a high reliance upon reactive maintenance and planning for renewals on an annual basis rather than a longer-term planning for asset renewals.
- There is limited predictive modelling on asset deterioration undertaken to inform forward asset planning.

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- It is unclear whether a formal pavement management approach to road assets exists. A planned pavement management approach when prepared well is a tailored approach to the maintenance of existing assets with the aim to maximising the useful life of the asset and achieving lowest whole of life costs (an optimised approach to asset management).
- The Asset Management Policy provides Council with the framework to manage assets and enable it to deliver services to the community in an affordable and sustainable manner. The current policy has a philosophy, of prioritising asset renewals over upgrades and new assets, however this is not reflective of the current practice.
- New assets result in increased operating costs and increased the depreciation expense (increasing the liability on later generations to replace/renew the assets). The split between renewal, and upgrade and new assets is a concern for long term sustainability.
- Council's Contributions Plan is outdated and complex; a new plan with updated works schedule is recommended based on GLN Infrastructure Contributions Resourcing Framework Review. Average contribution for new residential development should be reviewed to support long term sustainability of Council.
- Council's Development Servicing Plan has identified an additional 3.5K lots in urban release areas over the next 2 years. Costs incorporated in the plan are based on assumptions from 2016, presenting a significant risk to subsidisation required from general fund cash available.

BUILDINGS ASSET CLASS

Overview of Asset Class

The Buildings Asset Class consists of the following assets:

- Administration Buildings – (2) Nowra & Ulladulla
- Arts & Crafts Buildings
- Commercial Buildings
- Community Buildings
- Cultural Centres – (5) Arts Centre (Ground Floor Gallery Spaces & First Floor Music & Multi-Media Centre), Berry Museum, Nowra Museum, Lady Denman Heritage Complex, Lake Tabourie Museum
- Libraries – (4) – Milton Library, Nowra Library, Sanctuary Point Library, Ulladulla Library.
- Public Amenities (124) - Northern Area 18 facilities, Nowra Area 17 facilities, Central Area 21 facilities, Basin Area 22 facilities, Sussex Inlet Area 11 facilities, and Southern Area 35 facilities.
- Public Halls & Community Centres – (30) Based on 2012/13 data (Disposal Plan, based on utilisation & construction of the new Bay & Basin Community Centre identified Cudmirrah Hall, Erowal Bay Hall and Vincentia Hall for disposal).
- Scout & Guide Halls – (4) Bomaderry Girl Guide Hall – Old Primary School, Cambewarra Scout Hall – Old School, Culburra Beach Scout Hall, Nowra Girl Guide Hall
- Animal Shelter (Admin Building with Garage)
- Entertainment Centre
- Surf Life Saving – (5) Shoalhaven Heads SLSC located at Seven Mile Beach, Shoalhaven Heads SLSC garage located at Shoalhaven Heads pool compound, Nowra-Culburra SLSC located at Pacific Park, Sussex Inlet SLSC located at Cudmirrah Beach, Mollymook SLSC located at Mollymook Beach
- Depot Works - (6) Bomaderry Works Depot, Ulladulla Works Depot, Woollamia Works Depot, Sussex, Culburra Beach, Kangaroo Valley

Note - AMP updates have been completed for the Public Amenities and Community Buildings.

Condition

The condition of the assets identified through the Buildings Draft AMPs, and discussion in the engagement session do not align to what is reported in the Council's Report on Infrastructure Assets as at 30 June 2022 – current work on draft AMPs are reporting a more general deteriorated condition. Site audits have recently been completed for amenities and community buildings, and asset register data has been updated accordingly.

Table 0.1 Building Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Council's Report on Infrastructure Assets as at 30 June 2022	26.5%	39.0%	29.7%	4.0%	0.9%
Draft AMPs & Engagement	17.0%	34.0%	34.0%	5.0%	10%

Source: Councils Financial Statements & Engagement with Key Stakeholders.

Operating budget for condition assessments is required in a cyclic pattern, ideally prior to the building's revaluation cycle – a qualified building inspector should provide advice on conditions, which can then be provided to valuers to complete the valuation (valuers are likely to do a 10% testing to validate). This is required on a 5-year cycle, with the next valuation being 2024.

Performance

Council's buildings overall are performing well, with the community satisfaction survey reporting the Shoalhaven Regional Gallery & Shoalhaven Entertainment Centre receiving a rating of 4.1 out of 5, Community Halls (including sporting venues, and aquatic centres) receiving a rating of 3.85 out of 5, and the community satisfaction of facilities and services for people living with a disability rated 3.5 out of 5.

Council's buildings are yet to be optimised for energy efficiency, resulting in higher utility costs and greenhouse gas emissions. This is something Council will need to consider for the future.

Critical Assets

Identifying critical assets is a fundamental step in effective asset management, ensuring focused resource allocation and risk mitigation strategies. Critical assets are those whose failure or disruption significantly impacts Council's operations, safety, and overall performance of service offerings. Council's Asset Management Strategy identifies both the Depots and Administration buildings as critical, however there might be an opportunity to review the Administration buildings given the recent learnings from the COVID-19 pandemic. Furthermore, Council may also need to consider components of the building that are particularly critical (e.g. power, communications/data) to inform the inspection frequencies and maintenance approach in the asset management plans.

Future Demand and Capacity Constraints

The Community Infrastructure Strategic Plan (CISP) for the period 2017-2036 has identified a notable count of 38 buildings that are deemed surplus to future requirements. However, recent discussions during the engagement session with key personnel have highlighted the necessity for an update to the CISP. This revision is prompted by the changing dynamics, growth, and evolving needs within the community. With the aim of ensuring accuracy and alignment with present circumstances, the impending update to the CISP seeks to provide a more precise assessment of surplus buildings and a comprehensive roadmap for the effective management of community infrastructure in the years ahead.

Risks

The following risks have been identified with the Buildings Asset Class:

- Council has 200 + Buildings of which there is a need to review the Fire Safety Certificates.
- Electrical maintenance – Backlog - The accumulation of electrical maintenance tasks yet to be addressed poses a risk of electrical failures, fire hazards, and disruptions to critical systems, potentially affecting the safety of occupants and operations. \$300K upgrade switchboard in main admin building was not prioritised in the recent budget, which needs to be included in the LTFP.
- Insufficient attention to general maintenance and timely renewals increases the risk of structural degradation, potential hazards, and the deterioration of building infrastructure, which could compromise safety and functionality.

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- Infrastructure failures such as power outages, HVAC system breakdowns, are key risks to Council's Buildings Asset Class, as RCD testing is not currently programmed across all buildings, only community buildings (except for libraries). Risk of failure is unknown.
- Future risk considerations include changes in building codes, or environmental compliance requirements, which could necessitate costly upgrades or modifications to the buildings.

Lifecycle Management Approach

At this transition point, the focus is squarely set on a strategic shift towards a proactive maintenance approach. The intention is to enhance the programming of maintenance activities, aiming to curtail the prevalence of reactive maintenance practices.

Insightful analysis has revealed that reactive maintenance can be between 3 to 3.6 times more expensive than its proactive counterpart. Furthermore, it is worth noting that the cost escalation is even more pronounced when assets experience a breakdown, resulting in expenses that are as high as 6 times the baseline.

On the ground field resources (trades, project managers, building officers) identify maintenance and capital works requirements. Recent additional operational / maintenance funding recently provided, is focusing on compliance.

Maintenance

The following actions are underway regarding maintenance:

- The re-introduction of Electrical Engineering resource to the team, is currently focused on developing maintenance programs, such as Light Pole Inspections, Fire Compliance, and consolidating single source contracts. This resource will also lead the Community building RCD testing program.
- The team are looking to develop a process where consideration of additional budget for annual checks of new facilities is applied.
- The team has recognised roof inspections and maintenance gaps over the past few years, and is looking to build planned maintenance programs, including:
 - Identification of irregular servicing of HVAC systems in certain buildings.
 - Planned development of painting programs.
 - Proposal for annual insect spray treatment program across all buildings.
 - Fire compliance inspections, leading to additional budget request.

Renewal Approach

Council's Building renewals have been determined based on the current site audits completed to refine data for the draft AMPs, where available, combined with asset register data. The following table identifies the asset custodians proposed renewal programs, noting that this is not currently included in the Capital Works Program.

Table 0.2 Buildings Proposed Renewal Programs (not currently included in Capital Works Program)

Program (Asset type)	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement	Estimated Backlog
Buildings Admin/Depots renewal program	Current funding is \$8.5M over 10 Yrs., prior to AMP data audit (annualised \$850K).	Renewals based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (Technology One)	\$1,797,620	\$12,076,878
Buildings Public Amenities renewal program	Current funding is \$4.4M, prior to AMP data audit (annualised at \$440K per year).	Renewals based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (Technology One)	\$617,127	
Buildings - Community - renewal program	Current funding is \$7.7M over 10	Renewals based on Buildings current AMPs (in draft) using data sourced from recent site audits,	\$1,228,745	

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	years (annualised at \$774K per year).	combined with Asset Register data (Technology One)		
Buildings - Cultural Facilities - renewal program	Current funding is \$5M, (annualised at \$500K).	Renewals based on Asset Register data (Technology One)	\$974,293	\$9,374,731
Buildings - Commercial Facilities - renewal program	Current funding is \$1.03M (annualised at \$100K)	Renewals based on Asset Register data (Technology One)	\$416,676	\$8,270,816
Buildings - Emergency Facilities - renewal program	Current funding is \$8.7M over 10 years (annualised at \$870K)	Renewals based on Asset Register data (Technology One)	\$942,528	\$1,308,648
Buildings - Emergency Facilities - upgrade program	No current program	Upgrades based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (technology), includes Manyana Bendalong new RFS station. Individual projects, phasing may need to be adjusted.	\$247,000	
Total			\$6,223,989	\$31,031,073

Source: AEC Facilitated Engagement sessions and follow up reports provided by Council (unpublished).

Upgrade Approach

The asset custodian is proposing the following upgrades be considered to their buildings, which covers various factors including energy efficiency, expansions due to growth, and today's service requirements regarding unisex facilities, and accessibility to all buildings.

Program (Asset type)	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Buildings Admin/Depots upgrade program	Current funding is \$0.24M over 10 years (annualised at \$24K).	Upgrades based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (Technology One), includes City Administration Building - Western Extension \$10M, Admin Buildings upgrade \$3M & Solar Upgrade \$1M	\$1,630,550
Buildings Public Amenities upgrade program	Current funding is \$0.6M (annualised at \$60K).	Upgrades based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (Technology One), includes Unisex Facilities at Ulladulla, Narawallee & Mollymook (estimated average of \$515K per site), assumed to be over 3 years	\$155,000
Buildings - Community - upgrade program	No current program	Upgrades based on Buildings current AMPs (in draft) using data sourced from recent site audits, combined with Asset Register data (Technology One),	\$781,550

Program (Asset type)	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
		includes Community Facilities and Hall upgrades, including accessibility upgrades.	
Total			\$2,567,100

Source: AEC Facilitated Engagement sessions and follow up reports provided by Council (unpublished).

ROADS ASSET CLASS

Overview of Asset Class

The Roads Asset Class consists of the following assets:

- Sealed roads (and road shoulders) within the council area except for State roads (Princes Hwy & Moss Vale Rd). Council has 1,589Km of sealed road (provided by Council). This information is based on data in “Tech One”, Council’s corporate asset register. Details of the road network are updated from works records and subdivision plans and pavement management surveys. While the exact split at the Arterial, Collector & Local Road hierarchy level was not available, a % estimate has been used based on the historical % split between Urban & Rural Roads, as identified in the following table.

Table 0.3 Shoalhaven LGA Kilometres of Sealed Road

Road hierarchy	Urban	Rural	Total
Arterial	149.71	131.24	280.95
Collector	184.85	162.05	346.90
Local	512.16	448.99	961.16
Total	846.71	742.29	1589.00
	53.29%	46.71%	100%

Source: AEC Facilitated Engagement sessions (unpublished).

- The current unsealed network consists of 256.926km (based on current asset data provided by Council) - 5km of urban, with the balance of 251.9km being rural.
- Other road assets include Kerb & Gutter/ Kerb & channel, Traffic Facilities: islands / traffic calming, traffic lights, roundabouts, guard rails and barriers, street lighting, signage, line markings etc, and Bus Stops & Shelters. In 2011, a total of 191 shelters were recorded.

Condition

- The asset condition identified through the engagement session discussion is not consistent with Council’s Report on Infrastructure Assets as at 30 June 2022. Notably, post the session a graph extract from a 2020 Road Condition report has identified a significant escalation in asset deterioration, diverging from the reported state.

Figure 0.1 2020 Road Condition Report Extract



Source: Extract from Council's 2020 Road Condition report.

Table 0.4 Roads Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating		Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Council's Report on Infrastructure Assets as at 30 June 2022	Sealed Roads	4.7%	44.1%	28.5%	20.7%	2.0%
	Unsealed Roads	2.0%	10.3%	46.4%	31.0%	10.3%
2020 Road Condition report extract	All Roads	1.0%	12.5%	42.0%	40.0%	3.0%

Source: Councils Financial Statements extract from 2020 Road Condition report.

The results in the 2020 Road Condition Report Extract, are further supported by the fact that Council complaints combined for roads, potholes, footpaths & drainage, are the highest area of complaints across Council. The highest complaint recorded in a single month was 1,068 in October 2022. Excluding this record month, the year-on-year average of complaints has increased by 5% or greater each year.

- The East coast low and flooding in 2022, coupled with ongoing wet weather, has caused major damage to Council's roads, with 98 landslips affecting 23 roads and 13 sinkholes (Council's 2022 Annual Report), from which you could assume that the road condition identified in the above Figure, would have deteriorated further, and in the engagement session it was identified that between 25-30% of Council's roads (sealed and unsealed) could be in a Very Poor Condition/ Condition 5 rating.

Condition data for Council's Road network is regularly updated following improvement works and defect rectification.

It has been 3 years since Council last completed a Condition Assessment of the road network, which was estimated to have cost \$200K. The revaluation cycle identifies that roads are to be revalued (2024-25), and it is recommended that a condition assessment be completed to provide data required to support the revaluation. The Assessment should look to cover the whole network and provide 10 Year budget recommendations, and data improvement elements. The budget requirement for this is estimated to be \$250K.

No condition assessments have been completed on Council's traffic facilities or bus stops and shelters. It is recommended that a site audit be completed to identify issues relating to accessibility, and bus shelter sites that have power connected be inspected from an electrical perspective.

Performance

In the engagement session, the following asset performance concerns with the Road Network were discussed with the asset custodian:

- Roads lack suitability for frequent heavy vehicle use, compromising performance.
- Speed reductions have been enforced on certain roads due to their condition.
- Council's 2023 Satisfaction Survey indicates community dissatisfaction with maintenance of sealed and unsealed local roads, a rating of 1.9 out of 5, the lowest score of all services. The Community Strategic Plan also highlights the community desire for improved road quality and reduced traffic.
- Council lacks analysis assessing the lifecycle cost and value between grading and resealing processes, to inform a future approach regarding asset performance and future upgrades required.

Risks

Inadequate roads reseal and rehabilitation poses a significant risk, potentially accelerating the deterioration of road infrastructure and undermining service quality. The necessity to address this risk is paramount, emphasising the importance of adequate funding for targeted road maintenance programs, including road reseal, gravel resheeting, heavy patching and rehabilitation efforts.

The current immaturity of the asset management planning is a significant risk to the optimal management of the road network, which should include a pavement management approach to ensure the useful life of roads is extended and optimised. A mature planned approach that includes a balance of condition-based maintenance, interval or cyclical maintenance and reactive maintenance is required to ensure early deterioration road assets does not occur – although it is almost certain that early deterioration is occurring and needs urgent attention to address the financial sustainability concerns of the road network.

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Furthermore, the current state of the road network is struggling to keep pace with both urban growth and increased tourism activity during the summer months. This strains the road infrastructure, necessitating strategic interventions to accommodate these mounting demands and ensure sustained performance.

Lifecycle Management Approach

- Although Council's AMPs are outdated, the following is identified as "Sustainable Level of Service" for Unsealed roads. It should be noted that the sealing levels of service outlined below are significantly higher than typical approach to pavement management and should be reviewed to ensure this approach is sustainable.

Table 0.5 Council's Unsealed Road Network – Sustainable Levels of Service

Activity	Sustainable Level of Service
Grade	2 times per year on average
Gravel Re-Sheet (inc. sacrificial seal)	Every 15 years on Average
Urban Road Sealing	All within 30 years
Rural Road Sealing (>100 VPD) ¹	All within 55 Years

Source: Council's Unsealed Road AMP.

Maintenance

While Council's AMPs identify that an inspection and maintenance management software program is utilised to capture and reports on road condition and monitor defects, with inspection of arterial roads undertaken monthly and collector roads undertaken biannually, with monitoring of defect reports on a weekly basis, through the engagement session it was identified that this isn't occurring in practice.

Council's Annual Report identified: *Weather events hampered routine maintenance throughout Shoalhaven during 2021/22. Majority of works being undertaken are reactive repair works driven by Recover defects. Strategy needed going into the new financial year given demand on current resources.* AEC are not clear on what the strategy to address the maintenance backlog is.

Annual maintenance for bus shelters is believed to be \$1,000/shelter. At 191 shelters, annual budget requirement would be \$191,000. Confirmation required regarding the exiting annual budget allocation and if this is sufficient. Budget for site inspections, as identified earlier in this report, should also be considered.

Renewal Approach

Council's road renewals have been determined by AEC based on activity metrics determined in the engagement sessions, combined with asset register data. The following table identifies the asset custodians proposed renewal programs.

Table 0.6 Roads Network Proposed Renewal Programs

Asset Type	Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Rural Roads	Re-sheeting Program	100,000 per district, 400,000 in total - currently spot re-sheeting	Annual requirement, 251.9km road length x 5m road width, based on 10-year life, and cost of \$25/m ² , estimate that \$3.1M required annually	\$1,574,375
Urban Roads	Re-sheeting Program		Annual requirement, 5km road length x 5m road width, based on 10-year life, and cost of \$25/m ² , estimate that \$63K required annually	\$31,250
Rural Roads	Line Marking	\$250,000 funding from block grant funding	Annual requirement based on sealed road length, at a rate of \$1.50 per meter for	\$222,618
Urban Roads				\$254,982

¹ VPD = Vehicles Per Day

Asset Type	Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Rural Roads	Transverse Line marking		100 mm lines. Additional Budget of \$250,000 Urban & \$50,000 Rural for Transverse Line marking. As data collection matures this program may need to be refined.	\$50,000
Urban Roads				\$250,000
Rural Roads	Reseal Program	\$635,000 current year	90% of the Rural Roads Network (701.678km in total) is estimated to be chip seal at \$15/m ² , 10% Asphalt at \$30/m ² . Width is assumed 7 meters	\$4,420,571
				\$736,762
Urban Roads	Reseal Program		60% of Urban Roads Network (Total Network 886.503km) is estimated to be chip seal at \$15/m ² , 40% Asphalt at \$30/m ² . Width is assumed 9 meters	\$4,787,116
				\$4,787,116
Rural & Urban Roads	Reconstruction	\$4,000,000/year 150mm deep (the previous year budget was \$12M, it is estimated that \$20M is required)	Based on assumed budget required, estimated to cover 1.4% of network or 22.2km	\$20,000,000
Other road assets	Bus Shelter Program		Transport for NSW fund new shelters. Council program for Bus Shelters & Bus Stops to ensure DDA compliance. Shelter cost estimated at \$20K/unit, additional budget to cover access and connection requirements, as well as tactile etc.	\$50,000
Other road assets	Guardrails	\$30,000 per year to inspect	Inspection Program to inform replacement. Total length is estimated at 40.158kms with a replacement value estimated at \$100/meter, based on a 20-year life	\$200,790
Kerb and Gutter		\$1,500,000 per year bid, Funded currently at \$150-200K a year	Based on length of network, 1,000km, and assumed 80-year life	\$4,375,000

Source: AEC Facilitated Engagement sessions (unpublished).

Upgrade Approach

Council is proposing the following budget requirement be considered Traffic Facility upgrades.

Table 0.7 Roads Network Proposed Upgrade Program

Asset Type	Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Traffic Facilities	Traffic Facility Program	No current program	Program is to support upgrades for intersections, and school safety. Assumed to completed 1 project annually (based on recent project costs of \$1.5M), with project selection to be informed based on Annual	\$1,500,000

		Investigations (Operational budget of \$250K required).	
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Source: AEC Facilitated Engagement sessions (unpublished).

CARPARKS ASSET CLASS

Overview of Asset Class

The car parks asset class consists of the following assets:

- Sealed Carparks - Shoalhaven City Council provides approximately 2824 car spaces spread over 28 locations in the Commercial and retail areas that are critical for the Shoalhaven CBD and commercial centres to function.
- Others car parks are provided at key transport links, sporting centres, passive recreation reserves etc. These locations varying between sealed and unsealed carparks.
- The engagement session identified that not all car park assets are captured in Council's asset register, and improving this is a work in progress.

Condition

Presently, Council lacks a condition assessment process for carparks. Council's Report on Infrastructure Assets as at 30 June 2022 incorporates carparks within the road's asset class, both sealed and unsealed. As previously mentioned, there is concern that Council's Asset Register does not currently reflect all Council controlled carparks within the LGA.

The absence of condition data and assets, highlights the need to establish an effective assessment process to ensure data gaps are filled and enable comprehensive asset management of the car park network.

Performance

In the engagement session, the following asset performance concerns with car park assets were discussed:

- The asset performance presents a mixed scenario, influenced by various factors including developments.
- Reference to the 16 cities model for public transport often takes precedence over the expansion of carparks. This model emphasises key strategic asset performance elements such as prioritising public transport, and ensuring integrated public transport systems, aligning with broader urban mobility goals and sustainable transportation solutions.
- The CBD committee operates strategically, ensuring a higher level of service through initiatives such as commercial street sweeping and meticulous line marking for Council owned commercial carparks.
- Notably, the condition and performance of reserve-type car parks raises concerns, particularly those adjoining National Parks, warranting closer attention.

Future Demand and Capacity Constraints

Council has identified Contributions Plan projects to provide additional parking in CBDs. In addition to this the feasibility of constructing a multi-storey car park at the corner of Worrige St and Berry, Nowra, is being investigated to satisfy the current demand for all-day car parking.

Lifecycle Management Approach

A yearly risk inspection protocol has been completed; however, this needs to be implemented across all car parks within the city, not just Council's commercial carparks.

Renewal Approach

While Council's Asset Management Plan (AMP) may be outdated, it provides valuable insights into the useful life for renewal modelling. Specifically, it outlines the following lives for effective planning:

- Pavement life for rehabilitation planning: 25 to 35 years.

- Surface refurbishment or resurfacing: 10 to 12 years.

Table 0.8 Car Park Network Proposed Renewal Programs

Asset type	Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Commercial Carparks	Program (reseal and remarking)	Ad hoc renewals currently completed	2,824 commercial carparks, each park has an estimated length of 12 meters, and width of 2.5meters	\$105,900
Passive Recreation Carparks	Program (reseal and remarking)	No program at present	240+ parks & reserves carpark locations, assumed on average there is 10 parks at each location, and each carpark has an estimated length of 12 meters, and width of 2.5meters	\$90,000

Source: AEC Facilitated Engagement sessions (unpublished).

BRIDGES ASSET CLASS

Overview of Asset Class

Council's AMP (dated 2014) identifies 212 bridges/causeways/major culverts within the road network (a total of 3,875m or 26,179 sqm). Of this Council has identified 86 concrete bridges.

Condition

A total of 7.2% of bridge assets are identified as being in condition 4 & 5. A recent Level 2 Condition Assessment was completed by Council, as the expertise are in house. Details relating to this are yet to be provided to AEC to assess the accuracy of Council's Report on Infrastructure Assets as at 30 June 2022, as detailed in the table below.

Table 0.9 Bridges Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Council's Report on Infrastructure Assets as at 30 June 2022	26.5%	39.0%	29.7%	4.0%	0.9%

Source: Councils Financial Statements.

It was noted in the engagement session that recommendations for structural issues should be referred to Level 3 inspection by qualified personnel.

Performance

Several customer requests have been submitted to improve storm capacity of causeways to minimise road closures and improve safety. An audit of all causeways has been undertaken and a draft "Causeway Upgrade Program" was developed, however this is yet to be provided to AEC.

Lifecycle Management Approach

Council plans to complete the following inspection program with internal resources, to enable efficient lifecycle management:

- Timber bridges – Defect & Condition Inspections – every 2 years;
- Steel/Concrete bridges & causeways – Defect & Condition Inspections - every 5 years; and
- Risk Management Inspections – at same frequency as the road pavement, with particular focus on the bridge approaches.

Maintenance Approach

During the engagement session, key stakeholders identified that an annual maintenance budget of \$200K is allocated to maintain the 86 concrete bridges within the network, which includes maintaining the joint seals and surrounding assets & bridge components, such as abutments, surface, railings and traffic facilities. It was not confirmed if this current budget allocation is sufficient to maintain the network.

Renewal Approach

Council's current LTFP identifies an annual program of between \$90-100K, however the current year budget (2023-24) has been increased to \$345K.

With an asset base valued at \$129M, and the majority of assets having a 50-year life, the average annual budget should be reviewed, as a basic calculation would identify an annual investment of \$2.58M being required, depending on the age of the asset. Council are proposing an approach based on recent projects, from which it is estimated that \$1M is required per bridge, and the program assumes 2 bridges will be replaced annually.

Table 0.10 Bridges Proposed Renewal Programs

Program (Asset type)	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Bridges and large culverts	\$345,000 in 23/24	124 Bridges with a replacement value of \$129.3M (as at 30 June 2022), with a 50 year life, estimated that \$2.58M is required annually. Based on recent projects, it is estimated that \$1M is required per bridge, and the program assumes 2 bridges will be replaced annually.	\$2,080,645

Source: AEC Facilitated Engagement sessions (unpublished).

FOOTPATHS, CYCLEWAYS & TRACKS & TRAILS ASSET CLASS

Overview of Asset Class

The Footpaths, Cycleways, Tracks & Trails Asset Class consists of the following assets:

- The current path network (footpaths & cycleways) consists of 289,495 sq. metres of paved paths (as identified by key stakeholders).
- Council's Pedestrian Access & Mobility Plan (PAMP) identifies the need for an additional 242 Kms of Cycleway and 92 Kms of Footpath (as per Council's outdated AMP from 2014).
- Council manages 32 bushwalks with a total length of approximately 44 kilometres. Bushwalk-related assets include Boardwalks & bridges, Pathways, Viewing platforms, Stairs/Steps, Gates, Fences, Bollards, Seating, and Signage.

Condition

Assets undergo a 3-yearly cyclic condition assessment, utilising in-house resources and allocated budgets. It is not confirmed if the results from these are utilised to update Council's Asset Register, and therefore the accuracy of Council's Report on Infrastructure Assets as at 30 June 2022, as detailed in the following table, is unable to be determined.

Table 0.11 Footpath Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Financial Statements	33.4%	45.3%	19.3%	1.8%	0.2%

Source: Councils Financial Statements.

Performance

Performance assessment is achieved through various methods, including:

- Conducting formal risk inspections.
- Regular, informal auditing carried out by both staff and contracted personnel.
- Incorporating feedback and requests from the Shoalhaven communities.

Future Demand and Capacity Constraints

The Shoalhaven Pedestrian Access & Mobility Plan (PAMP) plays a pivotal role in enhancing pedestrian infrastructure and accessibility within the region. It outlines strategies to improve walkability and mobility for residents and visitors alike. In addition to this, Council is growth through developments, which will expand the pedestrian network, fostering safer and more convenient pathways that cater to the growing needs of the community.

Risks

Insufficient funding for infrastructure such as footpaths, cycleways, bush tracks, and fire trails poses a significant challenge. The inadequate financial support for these assets not only hampers the improvement and expansion of pedestrian and cycling networks but also raises concerns about the safety and accessibility of the pathways.

A lack of investment in fire trails could exacerbate emergency response challenges during wildfire events, posing a considerable risk to both public safety and property.

Lifecycle Management Approach

Effective lifecycle management is important for ensuring the longevity, safety, and optimal functionality of Council's footpaths, cycleways, bush tracks, and fire trails.

Maintenance Approach

Council is currently predominantly reactive when it comes to maintenance activities for these assets, which raises a risk especially for Fire Trails.

Historically \$175k per year has been allocated to maintain Fire Trails, however there is a requirement to increase this to \$500k per year (as determined by key stakeholders), due to backlog. It should be noted that Fire Trails are not currently identified as Financial Assets and are not captured within Council's Asset Register.

Renewal Approach

The renewal approach for footpaths & cycleways is aimed at maintaining and improving the quality, safety, and accessibility of pedestrian pathways within the community.

Table 0.12 Footpath Proposed Renewal Programs

Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Footpaths & Cycleways replacement	Historically \$100-150k per year	289,495 sqm based on a 40-year life, and a unit rate of \$200/sqm.	\$1,447,475

Source: AEC Facilitated Engagement sessions (unpublished).

STORMWATER ASSET CLASS

Overview of Asset Class

The Stormwater & Flood Mitigation Asset Class consists of the following assets:

- Drainage assets include about 407km of underground systems and surface open channels as well as 15,600 pits or headwalls.
- Flood mitigation assets include Flood mitigation drains, Levee banks, Flood gates, Weirs, and Bridges over flood mitigation drains. Based on the outdated AMP, Council has: 50 Flood mitigation drains (total length of 48.5km), 9 Levee banks (total length of 23.5km), 60 Flood gates, 3 Weirs and 14 Bridges.

Condition

Key stakeholders are not aware of any condition assessments being completed for Council's Stormwater and Flood mitigation Asset Class.

In the engagement session, it was proposed to use an in-house camera at a cost of \$250K for purchase, supported by a budget of \$100K per district (4 districts) for camera work and re-clearing. This budget is also to accommodate high-pressure cleaning requirements. This would enable periodic inspections of the network, with 10% coverage each year based on the system's age.

For stormwater networks, assessment is often triggered by complaints or observed damage.

The asset condition identified through the engagement session discussion contradicts the condition reported in the Infrastructure Assets report within Council's Financial Statements. This is evidenced by the recent network issues resulting from increased weather events in the LGA and is a qualitative assessment.

Table 0.13 Stormwater Network Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
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Council's Report on Infrastructure Assets as at 30 June 2022	4.5%	63.3%	23.0%	6.8%	2.4%
Engagement sessions	4.5%	45.5%	30.0%	10.0%	10.0%

Source: Councils Financial Statements and engagement with key stakeholders.

Performance

The importance of an appropriately maintained drainage system is critical in terms of minimising negative environmental impacts such as water quality; erosion / scoring, stream health, biodiversity etc.

Good information is available on the above ground stormwater assets, following a recent audit of GPTs (Gross Pollutant Traps), however there are expected to be unknown defects in the Pipe Network.

Critical Assets

The stormwater network represents a critical and integral component of Council's infrastructure assets, playing a pivotal role in managing drainage and safeguarding against potential flooding and environmental risks.

Future Demand and Capacity Constraints

Upgrade of Council's existing stormwater levees is required to accommodate growing urban development and the challenges posed by changing weather patterns and increased runoff.

Risks

During the engagement session, the following Stormwater Asset Class risks were raised:

- Flooding affecting private properties due to network failures. Possible disruption to services and customer relations, as well as potential damage to property.
- Risk of land slips posing threats to asset stability. Potential for infrastructure damage and service interruptions.
- Stormwater pipes prone to separation at joints. Sink holes forming, potentially causing infrastructure damage.
- Requirement to evaluate and confirm the need for an increased maintenance budget. Assessing funds necessary to address identified risks and enhance asset resilience.

Lifecycle Management Approach

Effective lifecycle management is important for ensuring the longevity and optimal functionality of Council's Stormwater & Flood Mitigation assets, as well as the safety of the community.

Maintenance Approach

The recent audit of Councils GPTs (Gross Pollutant Traps), provided a list a rectification required, but also identified that the annual maintenance budget provided should be increased to \$500K to prevent the network requiring future rectifications.

Renewal Approach

The renewal approach for Stormwater assets is aimed reducing the risk of this asset base.

Table 0.14 Stormwater Proposed Renewal Programs

Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Flood Mitigation		Based on report to be provided (confirmed by key stakeholders in engagement sessions).	\$447,000
Renewal program - Headwalls, pipe network and flood gates	Drainage upgrade/ad hoc repairs	Asset replacement value \$291M, based on 70-year life, annual value is estimated at \$4.2M.	\$4,159,629

Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Culvert Replacement	\$400,000 a year (\$100K per district)	65 Major culverts, based on the most recent replacement of \$500,000 & a 70 Year life, assumed one will be replaced every year.	\$500,000
WSUD Rectification Program		Based on WSUD Rectification List with all items to be completed over 3-year period \$3.1M in total. (In addition to this an additional annual maintenance budget of \$500K is required.)	\$1,038,333

Source: AEC Facilitated Engagement sessions (unpublished).

Upgrade Approach

Upgrade of Council's existing Stormwater levees is based on a qualitative estimation and should be further refined once Council has condition assessment data and is able to accurately assess the current levees.

Table 0.15 Stormwater Proposed Upgrade Program

Program	Current Funding	Details of calculation for Future Funding	Estimated Annual requirement
Stormwater levy Upgrades		Annual upgrade budget (confirmed by key stakeholders in engagement sessions).	\$1,200,000

Source: AEC Facilitated Engagement sessions (unpublished).

OPEN SPACE (INCLUDING SWIM, SPORT & FITNESS PRECINCTS & SHOWGROUNDS) ASSET CLASS

Overview of Asset Class

The following are identified as destination parks in Shoalhaven:

- Boongaree, Berry
- Ulladulla Foreshore Destination Park
- Marriott Park, Nowra
- Huskisson Precinct (Voyager Memorial Park and White Sands Park)
- Mollymook Beach Reserve, Mollymook

Playgrounds & Play Equipment asset replacement values are based the park hierarchy, as follows:

- Destination Park Playgrounds - \$250,000 (Titania Park) to \$5,000,000 (Boongaree) – maintained as Category 1 parks.
- District Park Playgrounds - \$175,000 to \$250,000 - maintained as either Category 1 or 2 parks.
- Local Park Playgrounds - maximum value of \$125,000 to \$175,000 – maintained as Category 3 parks.

Shoalhaven Swim Sport & Fitness (SSSF) is divided into three separate geographical areas: North, Central & South. Each area has a Manager and Precinct Coordinator responsible for the day-to-day operations and overview of performance. Maintenance staff report to Precinct Coordinators and work with the coordinator to ensure Precinct standards are maintained. Managers oversee Precinct Coordinators and report to the Swim Sports Fitness Manager.

SSSF is responsible for management and maintenance of four precinct types: Sporting Precincts, Destination Parks, Showgrounds, Commercial Operations. 66 precincts in total, are broken down into the following categories:

- 44 Sporting Precincts.
- 4 Showgrounds.
- 5 Destination Parks.

- 13 Commercial Facilities (12x aquatic sites and Shoalhaven Indoor Sports Centre (SISC)).

Condition

Several concerns arise regarding the reported 5.9% of assets classified under Condition 4 or 5 in Council's Report on Infrastructure Assets as at 30 June 2022. Additionally, out of a total of 3,126 SSF open space assets, 511, constituting 16.3% of assets, have exceeded their expected lifespans and are currently being maintained beyond their designated asset life expectancy.

Furthermore, it is noteworthy that it has been five years since the last comprehensive Condition Assessment was conducted, even though in-house inspectors consistently perform Level 1 inspections on a regular basis.

The asset condition identified through the engagement session discussion contradicts the condition reported in the Infrastructure Assets report within Council's Financial Statements, as demonstrated in the following table.

Table 0.16 Open Space Network Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Council's Report on Infrastructure Assets as at 30 June 2022	32.0%	17.1%	45.0%	5.2%	0.7%
Engagement sessions	32.0%	17.1%	24.6%	10.0%	16.3%

Source: Councils Financial Statements and engagement with key stakeholders.

A review of the safe useful life expectancy for sea pools is essential due to their exposure to adverse conditions like sea swell, king tides, east coast lows, and erosion, which might necessitate shortening their operational lifespans.

Adequate resources are required to align floodlight and service pole inspections with industry standards, typically conducted every four years. Additionally, increased resourcing is necessary to replace floodlight poles deemed high risk of failure based on the inspection program, as the current resources only enable reactive measures to address pole failures.

Performance

Aquatic facilities are currently falling short of expected performance levels, with maintenance deficiencies and subpar gym facilities.

Fire compliance is a concern, as only 2 out of 113 buildings possess Annual Fire Safety Statements (AFSS). Elevators, electrical boards, emergency and exit lighting (EEL), fixed fire equipment, portable fire equipment, height safety systems, backflow prevention devices, and oil, water, and grease arrestors all require scheduled inspections, with some not meeting compliance standards.

Camping facilities at Showgrounds in Milton, Berry, and Nowra are non-compliant with the intended service offering. While Nowra has undergone compliance upgrades, Milton and Berry have yet to receive necessary improvements. Fire hydrant compliance for camping and internal road accommodation for caravans also need attention, with the Masterplan for Nowra requiring a substantial \$20 million, potentially not factored into the 10-year capital plan.

Critical Assets

Critical assets within this asset class are identified as:

- HVAC and heating systems - vital for functional facilities.
- Filtration systems in pools, some of which are 40 years old, and are experiencing leaks.
- Safety concerns arise from park assets, particularly playgrounds managed by SSF. Of the 22 playgrounds managed, 11 are over 15 years old and face increasing maintenance costs due to aging components failing.
- Floodlight, service, and general poles are crucial components. A total of 660 poles exist, across 65 fields and other assets. Among these, SSF manages 453 floodlight poles, 197 general or pathway lights, and 10 service poles. While new floodlight systems have been installed recently, many aging systems require close monitoring and a replacement program to mitigate risks to user groups.

Future Demand and Capacity Constraints

The Community Infrastructure Strategic Plan (CISP) for the period 2017-2036 has identified a notable excess in recreational park land, in addition to the total of sport park land, however a shortfall in supply at the Regional level for Sports Parks has been identified. The report also identifies an excess of between 1-3 aquatic centres, with the range identified dependant on planning / zoning, with a shortage of 1 indoor sports centre.

However, recent discussions during the engagement session with key personnel have highlighted the necessity for an update to the CISP. This revision is prompted by the changing dynamics, growth, and evolving needs within the community. With the aim of ensuring accuracy and alignment with present circumstances, the impending update to the CISP seeks to provide a more precise assessment of surplus open space assets and a comprehensive roadmap for the effective management of community infrastructure in the years ahead.

Risks

During the engagement session, the following Open Space Asset Class risks were raised:

- The presence of 16 external management committees across various sites, each led by senior individuals, is at risk due to an aging volunteer workforce without adequate succession planning. This creates a potential liability for the Council. If proper management of leases is not ensured, there could be a need for additional resources and capital expenditure amounting to approximately \$200-300K annually. The cessation of these committees could further burden Council with the maintenance responsibilities for these facilities.
- As of July 1, 2023, SSF has taken on the responsibility for managing building and fire compliance for all managed buildings. This significant undertaking is being managed with limited resources. Compliance measures include obtaining Fire Safety Schedules, Annual Fire Safety Statements, and Fire Safety Orders for 112 buildings, of which only 2 statements are currently up to date. Ensuring Emergency and Exit Lighting (EEL) compliance also presents a challenge.
- The age and condition of aquatic facilities raise concerns about their operational viability and performance, necessitating timely maintenance and potential renovation to extend their lifespan.
- Managing 12.8km of internal roads and driveways with 12 hectares of car parking containing 3377 parking spaces presents a challenge. Most roads and carparks are either unsealed or at the end of their operational life, demanding re-sealing and refurbishment.
- A significant portion of sporting and showground buildings are approaching the end of their life cycle. The aging infrastructure requires attention to maintain functionality and safety.
- An audit of public buildings, encompassing both Council-owned and other authority-owned structures, is essential. This audit should include consistent lease agreements at market rates to ensure fairness and improved financial management, supporting Council's long-term sustainability.
- There is a lack of comprehensive asset data capture, particularly for assets that were not previously recognised (NPR). The following table identifies the percentage of assets that are believed to be captured in Council's asset register.

Table 0.17 Percentage of Councils Open Space Assets believed to be recorded in the Asset Register

Asset Sub Class	% Assets Captured
Leisure assets	80-90%
Sporting Assets	50%
Destination Parks	30%
Showgrounds	80-85%
Car Parks	50%

Source: AEC Facilitated Engagement sessions (unpublished).

Lifecycle Management Approach

The approach to 10-year projections for this asset class have been completed slightly differently, where the current budget shortfall across renewals, maintenance and operations has been identified by the asset custodian. This is represented in the following table.

Table 0.18 Open Space Proposed Addition Renewal, Maintenance & Operations Budget Requirements

Area	Renewal Budget	Maintenance Budget	Operations Budget	Total
Aquatic Centres (includes leaking roofs, maintaining gym equipment)	\$1,500,000	\$1,000,000		\$2,500,000
Park Equipment	\$1,500,000	\$1,000,000		\$2,500,000
Active Travel (Park Connections, not part of Asset Class)	\$100,000	\$100,000		\$200,000
Open Space	\$1,000,000	\$ 500,000		\$1,500,000
Sporting Fields	\$1,000,000	\$1,000,000		\$2,000,000
Sporting Facility Carparks	\$1,000,000	\$500,000		\$1,500,000
Showground Maintenance	\$500,000			\$500,000
Precinct Budgets (Current budget does not cover peak tourism summer periods, cleaning, graffiti removal, emptying bins etc)			\$1,000,000	\$1,000,000
Total	\$6,600,000	4,100,000	\$1,000,000	\$11,700,000

Source: AEC Facilitated Engagement sessions (unpublished).

COASTAL MANAGEMENT & MARITIME ASSET CLASS

Overview of Asset Class

- This asset class includes Coastal Management & estuary assets, as well as Maritime (Boating) Facilities.
- Coastal Management & estuary assets, include:
 - beach access ways (range of components)
 - Emergency vehicle access/access ramps (including gate)
 - fencing
 - viewing platforms
 - signs
 - shoreline protection assets.

Maritime (Boating) Facilities assets include:

- Boat Ramp
- Wharves
- Jetties
- Effluent Pump out Facilities
- Stormwater Management End of pipe – not upper catchment – Causes erosion, property, and coastal management risks.
- Slipways
- Break walls
- Fish Cleaning Tables
- Boat Wash down Bays
- Fishing platforms
- Car and trailer parking

Serving various stakeholders such as recreational boat owners, commercial operators, commercial fishermen, residents, and tourists, these assets are integral to the foreshore and coastal management strategies, spanning a vast 165-kilometer stretch.

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Funding for these assets comes through a combination of State and Council contributions, particularly from Department of Planning and Environment (DPE) Coastal & Estuary Grants, as well as from other sources like Transport for NSW (TfNSW) Maritime Infrastructure Delivery Office (MIDO) grants.

Council's Coastal Management Plans (CMPs) have been prepared in consultation with the community and public authorities, and define the coordinated management strategy for the coast, aligning with the Coastal Management Act 2016. Council's CMPs outline action plans, associated costs, and funding mechanisms, with the 10-year capital plan being updated to reflect these actions and plans.

Condition

The condition assessment process for coastal (foreshore) assets, including access tracks, involved an initial audit conducted by a consultant in 2021, followed by an in-house assessment in 2023. Defects identified during these assessments have been prioritised by the Coastal Management Team for action and implementation.

The maritime assets, including boat ramps (there are 65 across the city, including 41 concrete boat ramps and 24 natural ramps), jetties, pontoons, and wharfs, require comprehensive condition assessments. These assessments need to be conducted by an external contractor with expertise in the field, as these assets are believed to be in poor condition but require detailed assessment and data verification to ascertain the extent of their condition.

This assessment is required for Council-owned assets only. The estimated budget requirement for this assessment is \$500,000, with a recommended 5-year cyclic assessment frequency. The tender process for this assessment will include provisions for the contractor to provide 10-year capital and maintenance projections, review the current design life of assets, and perform a data comparison to Council's asset register to ensure its completeness.

Presently, it's estimated that between 5-10% of assets may not be accurately recorded in Council's asset register, highlighting the need for a comprehensive data update and verification process.

Performance

The current state of asset performance reveals several key considerations that need to be addressed. The existing assets are not designed to withstand the impacts of sea level rise (SLR) and the subsequent effects on local flooding and coastal management. While the coast and flood management teams provide guidance on SLR-sensitive asset design when consulted, this approach is limited in scope and may not encompass all assets or long-term planning requirements.

The majority of Shoalhaven's population resides along the coastal fringe, with 31 out of 49 towns and villages being coastal in nature. Community input emphasises the need for general improvements to access ways, more structured viewing platforms replacing informal lookouts, and enhanced hard-surface access to replace sandy or gravel paths.

Maritime (Boating) Facilities, provide infrastructure for water-based recreational activities, but are not currently performing as required, resulting in increases in community complaints. Notably, there's a lack of dedicated personnel assigned to manage these assets effectively, and therefore their current performance isn't meeting the level of service required.

Within the engagement sessions it was identified that a dedicated team of two Asset Officers is required to oversee the Maritime (Boating) Facilities Asset Class and address its complexities comprehensively.

Critical Assets

The critical assets identified in this asset class include:

- Coastal Defences: Structures such as seawalls, breakwaters, and revetments that protect coastlines from erosion and storm surges.
- Flood Management Systems: Including levees, flood walls, and floodgates that manage coastal flooding and drainage.
- Beaches and Dunes: Natural buffers that absorb wave energy and provide protection against coastal erosion and storm surges.
- Wetlands and Mangroves: Ecologically sensitive areas that act as natural barriers, absorbing floodwaters and providing habitat for marine life.
- Sand Dunes: Natural sand barriers that mitigate coastal erosion and act as habitats for various species.

Future Demand and Capacity Constraints

Council's Coastal Management Programs (CMPs) are positioned to address future demand considerations, aligning with the NSW Government's Coastal and Estuary Grants Program. This funding initiative supports the coastal management framework and facilitates Shoalhaven Council's pursuit of the state's long-term coastal vision.

An observable trend shows an increase in both the number of registered boats and their size, with an annual growth rate of 14.3% observed in 2006. However, the management of maritime assets lacks specificity, leading to an absence of projected future demand requirements in this area.

Risks

During the engagement session, the following Coastal management & Maritime Asset Class risks were raised:

- The potential risk of catastrophic asset failure leading to loss of life is a concern. This encompasses hazards and instability associated with coastal environments.
- The risk of beach erosion has the potential to compromise asset stability and the overall delivery of services. This emphasises the vulnerability of coastal assets to natural erosive processes.
- There is a possibility of gradual shoreline recession, which could impact the functionality of coastal assets over time. This gradual change might undermine the effectiveness of these assets.
- The risk of instability at the entrances of coastal lakes and watercourses could impact water quality and drainage. A recent audit highlighted that a significant number of Gross Pollutant Traps (GPTs) have not been maintained, contributing to water pollution.
- Coastal inundation poses a threat of infrastructure damage and service disruption. This risk factor highlights the vulnerability of coastal assets to the impacts of rising sea levels and storm surges.
- The risks associated with climate change, including sea level rise and its implications for coastal assets, are recognised. This underscores the need to consider long-term environmental changes in asset management strategies.

Lifecycle Management Approach

The lifecycle management approach to the Coastal Management and Maritime Asset Class need to be reviewed to identify the correct capital versus operational approach. While predicting specific operational and maintenance costs within a project can be challenging, it's reasonable to estimate that 20-30% of the total costs will be allocated to operational activities.

In addition to this, a review of the 10-year capital plan is required, as some existing costs appear to be operational and maintenance programs, as opposed to capital. An example of this is the program for beach scraping, also known as beach grading or beach leveling, a coastal management technique used to maintain or restore the shape and profile of a beach by redistributing existing sand and sediments along the shoreline. AEC have pulled out what is assumed to be an operational or maintenance activity, identified in Table 6.27.

Maintenance Approach

The maintenance strategy for Coastal Management assets primarily follows the implementation of Council's certified Coastal Zone Management Plan (CZMP, 2018) and draft Coastal Management Plans (CMPs). Projected costs have been integrated into Council's Long-Term Financial Plan (LTFP).

AEC have reviewed the Coastal Management programs and recommend that the operational programs, identified in the following table, be included in Council's LTFP as operational expenditure.

Table 0.19 Coastal Management Assets Proposed Maintenance Programs

Program (Asset type)	Details of calculation for Future Funding	Estimated Annual requirement
Beachstat Coastal Monitoring	Operational & Maintenance BAU element of CMPs	\$30,000
Coastal Monitoring Implementation - Coastsnap/BeachStat	Operational & Maintenance BAU element of CMPs	\$15,000
Implement Beach Scraping at High Priority Beaches	Operational & Maintenance BAU element of CMPs	\$70,000

Program (Asset type)	Details of calculation for Future Funding	Estimated Annual requirement
Citywide Dune Revegetation and Maintenance	Operational & Maintenance BAU element of CMPs	\$50,000
Coastal Monitoring Implementation - Coastsnap/BeachStat	Operational & Maintenance BAU element of CMPs	\$75,000
Implement Beach Scraping at High Priority Beaches	Operational & Maintenance BAU element of CMPs	\$120,000
Annual Geotechnical Engineering Monitoring - Coastwide	Operational & Maintenance BAU element of CMPs	\$50,000
Total		\$410,000

Source: AEC (unpublished).

The maintenance approach for Maritime (Boating) Facilities is primarily reactive and currently lacks comprehensive information. Weather events in the 2021/22 period impeded maintenance activities across Shoalhaven. Most ongoing works are driven by the need for reactive repair, addressing identified defects.

Renewal Approach

After identifying the proposed operational and maintenance programs for the Coastal Management assets, the following has been identified as the proposed capital renewal programs.

Table 0.20 Coastal Management Assets Proposed Renewal Programs

Program	Details of calculation for Future Funding	Estimated Annual requirement
Beach Access Program	Based on existing CMP projections	\$85,000
Managing & Stabilising Dune Systems Improving Beach Access	Based on existing CMP projections	\$40,000
Managing & Stabilising Dune Systems Improving Beach Access	Based on existing CMP projections	\$95,000
Lake Conjola CMP Implementation	Based on existing CMP projections	\$82,500
Lower Shoalhaven River CMP Implementation	Based on existing CMP projections	\$132,000
Open Coast and Jervis Bay CMP Implementation	Based on existing CMP projections	\$74,250
Public Safety Beach Access Works	Based on existing CMP projections	\$52,300
St. George Basin, Sussex Inlet, Swan Lake, Berrara Creek CMP Implementation	Based on existing CMP projections	\$99,000
Coastal Erosion Works	Based on existing CMP projections	\$321,300
Lake Conjola CMP Implementation	Based on existing CMP projections	\$41,250
Lower Shoalhaven River CMP Implementation	Based on existing CMP projections	\$66,000
Open Coast and Jervis Bay CMP Implementation	Based on existing CMP projections	\$148,500
St. George Basin, Sussex Inlet, Swan Lake, Berrara Creek CMP Implementation	Based on existing CMP projections	\$49,500
Floodplain Programme	Based on current year budget, extrapolated for the full 10 years. Currently covers studies and implementation for Lake Conjola, Tabourie Lake, Lwr Shoalhaven River, Broughton Creek, St Georges Basin, and Broughton Creek.	\$312,000
Total		\$981,350

Source: AEC Facilitated Engagement sessions (unpublished).

Table 0.21 Maritime Assets Proposed Renewal Programs

Program	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement
Maritime asset renewal	41 Concrete Boat Ramps, 24 Natural ramps. Assets assumed to have a 30-year life. 2 sites, including the boat ramp and all other assets at the site, are planned for replacement each year, due to backlog. Replacement cost is estimated at \$1.5M based on recent Lake Conjula project.	2	Sites	\$1.5M/site	30 years	\$3,000,000
Total						\$3,000,000

Source: AEC Facilitated Engagement sessions (unpublished).

HOLIDAY HAVEN

Overview of Asset Class

Holiday Haven is a collection of tourist parks situated in unique locations spanning the Shoalhaven region. There are 91 tourist parks in the LGA, of which Council owns 12, which are on crown land (except for Swan Lake, which has a permanent lease without a plan of management in place).

Among the various aspects of tourist parks, a notable feature is the presence of Holiday Van Owners, who lease spaces within the parks while owning the vans. However, recent regulations dictate that these owners can only occupy their vans for up to 180 days a year. This regulation stems from the fact that the land is designated for community purposes, yet van occupancy has created a situation of monopolization. As a response to this issue, an initiative is underway to replace holiday vans with cabins or van sites, aimed at promoting fairer and more diverse occupancy options.

The range of site offerings within the parks is diverse, catering to different preferences. This includes powered sites, ensuite sites, primitive camping areas, safari tents, and even drive-through sites. Some parks feature additional amenities like pools, play areas, jumping pillows, and disability facilities, although the consistency of these amenities varies across the parks.

Notably, one of the parks, Bendalong, features a multi-purpose conference room with a capacity for 50 people. The Council is exploring the viability of this offering and its potential as a future service. The park's conference room has already hosted events such as conferences, indicating the potential for expanding services beyond traditional accommodations.

The management of these sites is carried out by contracted Management Contractors, ensuring efficient day-to-day operations and maintenance. Specific parks hold unique value propositions, such as Kangaroo Valley being a wedding destination. This feature provides an opportunity to boost revenue within the park, and there are plans to enhance facilities such as adding a pool and utilising temporary structures for catering services.

The introduction of disability cabins funded by the State is a step towards improving accessibility for all visitors. However, it's noted that despite these additions, the parks are not fully accredited for disability compliance, though they are advertised as accessible. This highlights the need to adapt the mix of assets based on market trends and competition, ensuring that the parks remain appealing and inclusive for a diverse range of visitors.

Condition

While a comprehensive condition assessment of assets within the tourist parks has not been conducted, several relevant initiatives are in place to ensure safety and upkeep. A dedicated safety officer is responsible for performing safety assessments, while site managers diligently oversee regular inspections covering various aspects, including cabin interiors, cleanliness, inventory management, and open spaces.

The following condition observation were discussed in the engagement session:

- Many sites within the parks lack essential infrastructure such as drainage and sullage systems. Additionally, some parks are prone to flooding, posing a risk to both infrastructure and visitor safety.
- The state of access roads and buildings is notably poor, which impacts overall site functionality and visitor experience. Recent flood events have exacerbated the condition of internal roads, further deteriorating their quality. This has resulted in numerous complaints from visitors, with issues ranging from potholes to vehicle damage. Reports of broken axles, stuck caravans, and further road and gutter damage have arisen due to these conditions. Failures of kerbs and gutters are notably attributed to heavy vehicles.

Performance

The current state of asset performance reveals several key considerations that need to be addressed.

- Notably, two parks, Lake Tabourie and Lake Conjola, are intersected by public roads that facilitate access to the lake and beach. In response to safety concerns arising from increased child activity, a projected budget requirement has been identified to cover the installation of speed bumps, signage, boom gates and CCTV systems.
- The White Sands Park stands out for not having a pool in its current configuration, yet its Concept Plan contemplates the inclusion of a pool by necessitating the removal of Holiday Van Owners (HVOs).
- The adequacy of sullage systems has been challenged by increased demand due to the proliferation of washing machines among visitors (new caravan models include washing machines).
- Roads, accounting for approximately 19.8km of internal sealed routes, sometimes single lanes, pose challenges to both access and traffic flow.
- Footpaths have emerged as a necessity, particularly along Public Roads at Lake Tabourie and Lake Conjola parks, to enhance pedestrian safety.
- The parks themselves, some predating 1985, exhibit varying levels of compliance with Disability Discrimination Act (DDA) regulations. This extends to amenities, family rooms, ramps, and the slabs around buildings. Parking accommodations, especially for disabled visitors and extra-long vans, are noted to require improvement.
- Resident managers, each overseeing one park, face constraints due to lacking staff toilets or lunchrooms, leading to staff reliance on the manager's residence. Management residents' rental payments contribute to upgrades and maintenance of the building themselves.
- For powered sites and holiday van owners, power heads provide access to electricity. However, aged power head infrastructure and the malfunctioning of the meter reading software pose challenges. Electrical cords connecting to power heads require elevation for efficient mowing and snipping.

Critical Assets

The critical assets within the context of tourist parks encompass various elements that are pivotal to the effective functioning, safety, and service provision of these sites.

- The booking software and website are integral for online reservations, and any loss of access could disrupt bookings and revenue streams, particularly considering the current trend towards digital bookings.
- The accessibility of access roads, as well as the condition of surrounding roads, directly impacts the ability of visitors to reach the parks, underscoring the significance of maintaining these routes for income continuity.
- IT infrastructure, encompassing NBN and WiFi connectivity, remains critical for operational efficiency. A particular concern is highlighted at remote sites like Bendalong Park due to inadequate NBN facilities and phone reception.
- Digital Information Boards, present at four sites, play a fundamental role in disseminating emergency information to the community. These solar-powered boards, operating via satellites, serve as vital assets in ensuring safety, especially considering that parks often function as community endpoints. Furthermore, the parks have the potential to serve as emergency evacuation sites during adverse weather events.
- Water and electricity supply are critical assets, demonstrated during the recent bushfires where power outages necessitated food preservation measures like ice, noting backup generators are not universally available across sites.

- Sewerage facilities are critical, as they provide essential community services.
- The revetment wall at Lake Conjola, stretching 600 meters, serves a multifaceted purpose by preventing lake intrusion and supporting lake access for recreational activities.
- Ulladulla Park's boardwalk and stairs to the beach, are the sole access points to the beach. They currently require attention following storm-induced damage that has isolated the beach from the park.

Future Demand and Capacity Constraints

To accommodate evolving demand and ensure optimal utilisation of park spaces, all sites have formulated concept plans. The scope and content of these plans vary based on the size and attributes of each park, encompassing various aspects such as facility upgrades, amenities enhancements, and site layout optimisation.

Risks

The operational landscape of tourist parks is characterised by several notable risks that require careful consideration and mitigation strategies, including:

- Recent insurance modifications have introduced potential challenges in obtaining coverage for specific amenities like jumping pillows and flying foxes. Ongoing market investigations are underway to assess the feasibility of securing suitable insurance options for these park attractions.
- Current borrowings, and the possibility of increasing borrowings, may create a risk if additional income is not identified to cover the investment required.
- The existing marketing team, composed of 2 casual staff members and an agency representative, is identified as needing an additional member to address the demands of promoting the parks effectively.
- The maintenance and review of APZs emerge as a challenge due to budget constraints, potentially affecting the implementation of required works.
- The inherent risk posed by extreme weather events, particularly fires and flooding, presents a significant threat that often necessitates the temporary closure of parks for the safety of visitors and staff.
- Parks with public roads passing through them face unique safety and accessibility concerns, necessitating adequate management and maintenance efforts to ensure visitor safety.
- The specific case of Culburra Park being designated a "No dig" site due to its proximity to a culturally sensitive burial ground exemplifies the need to navigate cultural considerations with utmost respect.

Lifecycle Management Approach

Maintenance Approach

The maintenance approach for the tourist parks involves managing routine upkeep, addressing weather-related challenges, and responding to specific park needs.

- The past year was marked by weather events that impacted routine maintenance across Shoalhaven. Consequently, the focus has been on reactive repair work driven by identified defects, ensuring that any weather-induced damage is promptly addressed to maintain park functionality and safety.
- Critical aspect of maintenance involves maintaining Asset Protection Zones around the park perimeters. These zones serve to mitigate bushfire risks by reducing fuel load. The estimated cost per park for APZ maintenance is approximately \$15,000.
- Certain tasks such as testing and tagging, along with annual checks on holiday vans, are outsourced.
- The electrical infrastructure within the parks is being reviewed to develop an efficient maintenance plan & schedule.
- Regular tree inspections are essential to identify any potential risks posed by overgrown or unstable trees.
- Fire hoses and related firefighting equipment are assessed to ensure their functionality and readiness in case of emergencies.
- Regular playground inspections encompassing shade sail structures are completed.

Table 0.22 Holiday Haven Assets Proposed Renewal Programs

Program	Current Funding	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement	Backlog
Internal Roads	No current program	Internal road network at park sites is 19.8km. Asphalt reseal at \$30/m2. Width is assumed 5 meters	19,800 x 5	m length x width	\$30/m2	15 years	\$198,000	
Internal Gutters	No current program	Based on length of network (x 2 due to each side), 39.6km, and assumed 40-year life (Reduced life due to heavy vehicles)	39,600	m length	\$350/m	40 years	\$346,500	
Traffic Facilities - Speed bumps, signage etc	No current program	Assumed \$1K / speed bump, with one required every 20 metres, on 19,800 metres of internal roads. Road Signs assumed 20 per site, (12 sites) at \$1,500 each including installation	990	units	\$1,000/unit	10 years	\$135,000	
Boom Gates	No current program	Assumed 2 per holiday park site (entry & exit), 10 sites, at a cost of \$20,000 each site, assume 1 site updated every year	10	sites	\$20,000/site	10 years	\$20,000	
Key Systems	No current program	12 sites at a cost of \$25,000 each site, assumed two sites are replaced each year	12	units	\$25,000/unit	6 years	\$50,000	
CCTV	No current program	Assumed 1 system per holiday park site, 12 sites, at a cost of \$20,000 each, assume two replaced every year	12	units	\$20,000/unit	5 years	\$40,000	
Revetment wall at Lake Conjola	No current program	One off project, estimated to cost \$2,545,000	1	project	\$2.545M/project	50 years	\$254,500	
Ulladulla Park Beach Access	No current program	One off project, estimated to cost \$200,000	1 (planned to be completed in single year)	project	\$200K/project	20 years	\$20,000	
Holiday Haven Play Equipment	No current program	Play equipment across all Holiday Haven sites, based on asset modelling (assets reaching EoL) for next 10 years	42 assets across various site	assets	\$1,109,11 Replacement value	10 years	\$110,911	\$166,132
Holiday Haven Amenities	No current program	Amenities across all Holiday Haven sites, based on based on \$700 - \$1 million, with a 20-year life, it is assumed that \$1.1 million will be spent annually.	31 assets across various site	assets	\$700K/asset	20 years	\$1,085,000	
Total							\$2,259,911	\$166,132

Source: AEC Facilitated Engagement sessions (unpublished).

8.1.1 Upgrade Approach

Table 0.23 Holiday Haven Assets Proposed Upgrade & New Programs

Upgrade / New	Program	Current Funding	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement
New	New Gate Systems - Lake Conjola & Tabourie	No current program	Two sites at a cost of \$30,000 each site	2	sites	\$30,000/site	10 years	\$6,000
Upgrade	Raise electrical cords to powerheads	No current program	Assumed \$20,000 per holiday park site, 12 sites, assume two parks updated every year	12	units	\$20,000/unit	5 years	\$40,000
Upgrade	NBN Installed at sites	No current program	Approximately \$170K per site x 7 sites (Lake Conjola, Swan Lake, Kangaroo Valley, Bendalong, Lake Tabourie, Currarong & Culburra). Assumed 1 site completed each year for 7 years	7	sites	\$170,000/site	20 years	\$119,000
New / Growth	Huskisson Beach redevelopment - Recreation	No current program	\$7.1M planned for 2024-25 to 2026-27	1 (Project Planned to run over 3 years)	project	\$7.1M/project	15 years	\$710,000
New / Growth	Huskisson Beach redevelopment - Other build & Site Works	No current program	\$1.3M planned for 2024-25 to 2026-27	1 (Project Planned to run over 3 years)	project	\$1.3M/project	20 years	\$130,000
New / Growth	Lake Conjola redevelopment - Recreation	No current program	Including \$1mil contribution to road cost, 6 new cabins and camp kitchen. This project will support the lost income due to reduced holiday van numbers due to flooding. This location is premium for cabin placement and reduces impact of flooding on park income.	1 (Project Planned to run over 4 years)	project	\$5.97M/project	15 years	\$597,000
New / Growth	Lake Conjola redevelopment - Cabins	No current program	Including 6 new cabins. This project will support the lost income due to reduced holiday van numbers due to flooding. This location is premium for cabin placement and reduces impact of flooding on park income.	1 (Project Planned to run over 4 years)	project	\$1.05M/project	20 years	\$105,000
New / Growth	Lake Conjola redevelopment - Other build	No current program	Camp Kitchen – project to occur in single year, timing yet to be determined.	1	project	\$180K/project	20 years	\$18,000
Total								\$1,725,000

Source: AEC Facilitated Engagement sessions (unpublished).

Other Opportunities

The following opportunities have been identified within the context of the tourist parks, each presenting potential avenues for growth and enhancement:

- Initiative to dispose of all Spa Baths in cabins, aligned to the refurb plan is underway. Ensuring Cabins provide the same level of service (if two families are holidaying together, paying the same and have different facilities, it is not well received and can lead to complaints).
- A contemporary market trend is the adoption of safari tents as accommodation options. This presents a notable opportunity for the parks to cater to evolving preferences and attract a broader range of visitors.
- As the adoption of electric vehicles (EVs) continues to increase, the consideration of EV charging stations is an opportunity that aligns with environmental sustainability. While the immediate demand may not be substantial due to current limitations in EV power for towing caravans, installing charging infrastructure prepares the parks for the anticipated growth in EV use.
- The prospect of introducing conferencing facilities offers potential for expanding revenue streams. These facilities could cater to corporate events, workshops, and conferences. However, market testing will be crucial to gauge the demand and viability of such offerings, ensuring alignment with the needs of both business and leisure travellers.
- Exploring options to obtain licensing for the sale of food and alcohol within the parks presents an opportunity to enhance visitor experiences. The addition of mini supermarkets can offer convenience to guests, promoting longer stays and greater onsite engagement.

BEREAVEMENT / CEMETRIES

Overview of Asset Class

The Cemeteries & Bereavement assets encompass a diverse range of facilities and features, including memorial gardens, lawn beams, memorial walls, a chapel, administrative office, tea rooms, sheds, yards, cremation building, cottage, and a granite ash placement garden (horizontal configuration). These assets are complemented by internal roads, drainage systems, storage sheds, a sand and soil supply area.

Council's bereavement & cemetery services include a total of 20 sites, of which 7 are actively in use, and 13 identified as historical sites.

Condition

The recent appointment of an Asset Officer marks a significant step towards conducting comprehensive asset inspections.

The buildings within this Asset Class are approximately 30 years old, and there is no record of prior condition assessments having been carried out. The potential for future condition assessments is being considered, with discussions highlighting the importance of incorporating them as part of the process for buildings identified within the Buildings Asset Class. This approach aims to ensure a comprehensive understanding of the state of the assets and guide appropriate renewal and maintenance strategies moving forward.

Performance

- Council and the Community have outgrown the existing assets. The chapel was built 1992-93 and has capacity for 80 people only. The administration building is at capacity, with new starters not having desks. The facility was originally built for 2 staff members.
- Crematorium, building in which the cremation of bodies takes place, was added to the site at a later date.
- A concept design has been completed for a new chapel, with the capacity of 200 with overflow seating, (based on service size 100-180), with a new admin building. Additional information regarding this is available in Council's Draft AMP, currently being updated. Live stream service is already provided. If additional capacity is required in the future, live streaming to the café will be provided, this can then be used as an overflow. The most recent costings estimated this could be built at a cost of \$5 million. Future considerations also need to consider the Cultural & Spiritual requirements of other religions, such as Islamic and the requirement to face east.

Critical Assets

All assets combined provide an essential service to the community. The crematorium is a critical asset as there is no other in the LGA. The business area also identifies the chapel as being critical.

Future Demand and Capacity Constraints

As mentioned earlier in the report, Council and the Community have outgrown the existing assets. The current chapel has capacity for 80 people only, while the administration building was originally designed for a capacity of 2 staff.

Future demand for bereavement services is changing from the previous religions, and chapel design and planning should be adaptable to accommodate diverse religious and cultural requirements.

Risks

The Interment Industry Scheme creates an operating licence and sets standards for cemetery and crematoria operators in NSW. Licensing requirements changed in 2022, and the changes are being phased in over the next 2 years. Council needs to apply for their licence before end of September 2023. Clarification is currently being sort regarding the requirement for every tree to be assessed by an arborist, as the Worrigeer sites is on 55 hectares covered in trees, and this would not be feasible. The current assumption is that this is just for trees within a certain distance of burial or memorial sites that require an arborist.

Smaller cemeteries like Conjola, currently don't provide accessibility for all. There is a new sealed driveway, but no disabled parking.

Lifecycle Management Approach

Maintenance Approach

The maintenance of Council's 20 cemetery and bereavement sites, including 7 active ones, is crucial to enable the service provided. Various sites have distinct maintenance needs, including differing levels within single sites due to factors like overgrown bushland.

Upcoming regulatory changes might impact required service levels, necessitating further clarity.

The requirement for the current annual maintenance budget is to be calculated based on the following:

- \$25K/ hectare manicured active environment sites (7)
- \$15K/ hectare historical site (13)

Renewal Approach

The following table identifies the metrics used to determine the annual renewal budget required for the Bereavement / Cemeteries Asset Class.

Table 0.24 Bereavement / Cemeteries Proposed Renewal Programs

Program	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement
Cemetery memorial wall growth	\$50,000 / Memorial wall with capacity of 50, based on current population of 108,400 (NSW standardised death rate (SDR) of 5.1 (per 1,000) in 2021), assuming cremations account for approximately 70% of funerals	108,400 / 1,000 x 5.1 x 70%	SDR	\$50,000/50 Memorial wall plots	100 years	\$386,988
Cemeteries internal roads	Internal road network at all sites is estimated at 10,297m (10.3km) Asphalt at \$30/m2. Width is assumed 5 meters	10,297 x 5	m length x width	\$30/m2	20 years	\$77,228
Cemeteries internal car parks	Internal car parks at all sites Worrigeer 70 car parks of Asphalt at \$30/m2. Width is assumed 2.5 meters, length 12 metres. Amount required once every 15-20 years	70 x 12 x 2.5	sqm	\$25/m2	20 years	\$52,500
Cemeteries buildings	Unknown until detailed condition assessment is completed as part of a WoC (whole of Council) buildings condition assessment. Estimated \$50K per year for reactive asset replacements					\$50,000
Total						\$566,761

Source: AEC Facilitated Engagement sessions (unpublished).

Upgrade approach

The following table represents the proposed upgrade approach to address the evolving needs of the community and ensure that the assets align with current standards and user expectations.

Table 0.25 Bereavement / Cemeteries Proposed Upgrade and New Asset Programs

Program	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement
Cemetery burial plot growth	\$6,500 / 5 burials sites, based on current population of 108,400 (NSW standardised death rate (SDR) of 5.1 (per 1,000) in 2021), assuming burials account for approximately 30% of funerals	108,400 / 1,000 x 5.1 x 30%	SDR	\$6,500/5 burials	100 years	\$215,608
Cemetery memorial wall growth	\$50,000 / Memorial wall with capacity of 50, based on current population of 108,400 (NSW standardised death rate (SDR) of 5.1 (per 1,000) in 2021), assuming cremations account for approximately 70% of funerals	108,400 / 1,000 x 5.1 x 70%	SDR	\$50,000/50 Memorial wall plots	100 years	\$386,988
Cemeteries internal roads & carparks (licensing requirements)	New internal road network at required sites (such as West Cambewarra & Conjola) to align with licensing requirements is estimated at \$450K per site.	2	sites	\$450,000 (10 Yr budget of \$900K)	20 years	\$90,000
Cemeteries buildings	Expansion due to current cemetery administration and chapel buildings no longer fit for purpose - costings are estimated and will need to be reviewed as part of the detailed design process. Confirmation regarding project status with Council to be provided	1	Project	\$5,599,600 (Project budget, phasing yet to be determined)	50 years	\$559,960
Total						\$1,252,556

Source: AEC Facilitated Engagement sessions (unpublished).

LAND

Overview of Asset Class

The land portfolio includes the following significant sites -

Ulladulla Industrial Site:

This site includes an old Treatment Plant. Further environmental investigations (Stage 2 and 3) and site remediation, coupled with assessments of the surrounding area are required. Additionally, there are plans for subdivision and ongoing maintenance of existing Council assets, however cost requirements are unknown at this point in time.

Woollamia Industrial Site:

Subdivision activities under Stage 5A are ongoing, alongside the maintenance of Council assets and Asset Protection Zones (APZs).

Flinders Development:

The current 10-year projections for Flinders Development Stages 1 to 5, total \$17.7 million. However, this might require adjustments considering factors like land acquisition, road development, and utility services. Investigations for Stage 11 and 12 are underway, alongside routine asset maintenance and lawn upkeep.

Albatross Aviation Technology Park (AATP):

The AATP serves as Council-owned land providing access to the Navy base entrance and defence taxiway.

Risk: Insufficient investment in AATP, especially gate and roads, could lead to restricted runway access, resulting in financial penalties and reputation damage for the Council.

Risks

Insufficient investment in the AATP site, especially the gate and roads, could lead to restricted runway access, resulting in financial penalties and reputation damage for Council.

Lifecycle Management Approach

A 10-year plan needs to be developed, including operational and maintenance aspects as follows:

- Gate maintenance schedule and budget (approx. \$1M).
- Road, curb, and gutter upkeep budget estimates.
- Adequate budget allocation for land maintenance.
- Maintenance of lighting for taxiways.
- Operations & Maintenance requirements for underground water tanks, including commissioning timelines.

Renewal Planning

Renewal Planning needs to consider the following elements raised in the engagement session:

- Timing and cost of gate replacement.
- Resealing budget for roads over the 10-year period.

FLEET ASSET CLASS

Overview of Asset Class

The Fleet Asset Class consists of the following assets: Light vehicles, Commercial vehicles, and Heavy Equipment / Heavy Machinery. Small plant equipment is purchased for maintenance purposes and maintained by the fleet workshops. There are 1,100 registered items with 1,600 assets in the Fleet Register.

Key fleet assets/items encompass Dozers, 4 Graders, Backhoes, Excavators, Water Trucks, Mowers, Tractors, Rollers, Slashes, Truck & Dog, and Street sweepers.

Fleet operations are self-funded as a business unit, and a rolling budget is utilised for management.

The waste fleet encompasses collection trucks (10-12 cubic meters) employed for Domestic Waste Collection as well as waste collection from parks, Council facilities, and sporting grounds.

Condition

The condition of Council's fleet is currently identified as:

- Approximately 30% of assets have surpassed the planned replacement due to factors including delayed replacement orders due to market constraints, organisational growth demanding more vehicles, and a lack of planning across the organisation. Preventative measures are in place to avert major breakdowns, including an on-site mechanic working five days a week, however a backhoe recently experienced a four-month workshop stay due to parts supply issues. Purchase strategy often includes buying two parts when one is ordered, especially for special parts, to manage reactive scenarios.
- Council owns two street sweepers which are subjected to heavy use, resulting in the outside body being damaged. One street sweeper is used to run two shifts, so highly utilised. Council delayed replacement of this until next year, which due to the condition of the asset has put pressure on the maintenance budget.

Performance

Organisational planning needs to shift to accommodate revised lead times within the changed market of Fleet & Plant. The change in the market has resulted in the elimination of the previous three-month turnarounds, as suppliers are no longer holding stock, but manufacturing to order.

Passenger vehicle turnover originally set for 2 years now extends to 3 years due to global supply constraints; local government discounts often offset the turnover cost. Vehicles will often have 60,000 kms on them when sold, and are still in warranty, achieving high returns.

Major external plant hire is not typically needed; the business may arrange this independently if necessary. Council has an internal Wet Hire team offers a range of equipment, including 2 x Excavators, Truck, Truck & Dog, Float, Backhoe, and Relocations truck.

Significant breakdowns and machine failures result in around 10-15 assets being off-road annually due to breakdowns across the portfolio.

Council does not currently engage in leasing arrangements for its Fleet & Plant assets.

Despite high utilisation, hours are not currently recorded to manage asset performance, however Council does have plans to implement a system for this purpose.

Council's decision-making process for purchases extends beyond price considerations, encompassing factors like regional service needs, past experiences, and market testing before finalising acquisitions, in an attempt to prevent asset performance issues.

Future Demand and Capacity Constraints

An annual capacity review based on the Capital Works Program is currently lacking, with fleet not involved; incorporating fleet considerations would be advantageous, to ensure Council has adequate Fleet and Plant assets to deliver the capital plan.

The inclusion of the Fleet team in the Workforce Planning regarding vehicle requirements would assist in improving the forward planning regarding Fleet vehicles.

Risks

The Fleet unit in Council identifies the following as risks to their operations and assets:

- Currently there are vacancies within the team, due to retirement and natural attrition. The team acknowledge that there is a risk in recruiting suitable candidates in a timely manner as when recruiting mechanics Council is competing with the mining industry, and it can be difficult for Council salaries to compete.
- There can be a strain on resources due to potential major breakdowns coinciding with registration renewals (completed in house twice a year) and in-house inspections.
- The identification of RFS assets as Council assets in the 2022 financial statements raises concerns about existing practices: currently, Council services RFS assets and invoices RFS accordingly.
- Delays in plant and vehicle deliveries, ranging from three months to three years, along with interruptions caused by COVID-19, have heightened reliance on the maintenance budget. In addition to this, non-standard parts may not be in stock and can take up to three months to procure.
- Purchase prices for equipment are consistently on the rise; for instance, the original estimated cost for acquiring 3 graders experienced a 15% increase, and due to decision-making delays along with price hikes from CAT, an additional 18% increase was incurred on top of the 15%.
- Policy enforcement for private vehicle use is not consistently implemented, and remote work arrangements challenge policy adherence.
- Aging fleet, escalating fuel, material, salary, and wage costs, without corresponding increases in Fees & Charges, pose a risk of inaccurate cost allocation, particularly within separate funds. The Fleet reserve has also been utilised for additional fleet items, which is not the intent of the reserve, leading to its depletion.

Lifecycle Management Approach

The lifecycle approach for Fleet & Plant assets is predominantly planned in both maintenance and renewal.

Maintenance Approach

The maintenance approach primarily follows a planned maintenance strategy, with 80% of the day allocated to planned maintenance activities and 20% reserved for reactive maintenance, following the key asset management metric that each dollar allocated to planned maintenance corresponds to the equivalent of \$3.00 to \$3.50 for reactive maintenance and as much as \$5.00 for breakdown maintenance.

Approximately 90% of servicing is performed in-house, while warranty and specialised servicing are outsourced.

The annual Operations and Maintenance budget was expanded 18 months ago to accommodate the larger fleet.

Preventative measures are in place to avert major breakdowns, including an on-site mechanic working five days a week, and Council holding sufficient stock of parts for planned maintenance.

Renewal Approach

The approach to renewals has had to change given the current market changes. Increased lead times are necessitating a 3-year advance planning for replacements, including the requirement to place orders earlier than initially scheduled to meet replacement timelines.

The projections for renewals are based on the total asset replacement costs, and the average life based on the Fleet replacement program, annualised to support an agile approach to budgeting due to the change in lead times. The details relating to this are identified in the following table and have been separated to identify the Fleet & Plant that relates to the commercial business units.

Annual programs will also need to include the requirement relating to the backlog identified.

Table 0.26 Fleet Proposed Renewal Programs

Asset Class	Program	Details of calculation for Future Funding	Estimated Annual requirement	Backlog
Water Fleet & Plant	Vehicle replacement program	Based on the average useful life of 3 Years based on the annual replacement requirement is \$1.1M The asset base, \$3.3M, will be fully replaced within the 10 years. Current backlog is \$0.2M.	\$1,096,027	\$206,221
	Plant replacement program	Based on the average useful life of 7 years as per the annual replacement requirement is \$1.2M The asset base, \$8.1M, will be fully replaced within the 10 years. Current backlog is \$0.8M.	\$1,153,484	\$784,067
Sewer Fleet & Plant	Vehicle replacement program	Based on the average useful life of 3 Years based on the annual replacement requirement is \$0.3M The asset base, \$0.9M, will be fully replaced within the 10 years. Current backlog is \$0.1M.	\$302,631	\$81,499
	Plant replacement program	Based on the average useful life of 7 years as per the annual replacement requirement is \$7.1M The asset base, \$1M, will be fully replaced within the 10 years. Current backlog is \$1.9M.	\$1,014,286	\$1,935,159
Fleet & Plant (General Fund)	Vehicle replacement program	Based on the average useful life of 3 years as per the annual replacement requirement is \$6.6M The asset base, \$19.8M, will be fully replaced within the 10 years. Current backlog is \$2.6M.	\$6,595,833	\$2,564,852
	Plant replacement program	Based on the average useful life of 7 years as per the annual replacement program \$9.1M (Includes Rural Fire Service) The asset base, \$63.6M, will be fully replaced within the 10 years. Current backlog is \$24.4M.	\$9,085,714	\$24,408,026
	Ferry Replacement	Assumed Ferry will be replaced in Year 10 at \$3 million. The amount has been annualised for consistency within the table. (Noting 5-year cyclic refurbishment is estimated at \$500K, assumed required 2027)	\$300,000	
Total			\$19,547,975	\$29,979,824

Source: AEC Facilitated Engagement sessions (unpublished).

Other Opportunities

As mentioned earlier in the report, the existing high asset utilisation could be further enhanced through the implementation of an asset performance management system that records asset hours, providing valuable insights for effective performance management and optimisation.

INFORMATION TECHNOLOGY ASSET CLASS

Overview of Asset Class

Council's information assets encompass a diverse range of devices catering to the needs of Mayor, Councillors, and staff. Additionally, it includes advanced Meeting Room AV Equipment, encompassing chambers and associated technologies. The network infrastructure comprises vital components such as switches, routers, UPS systems, and Wi-Fi Access Points.

Council is currently transitioning to a lease model for employee devices, in addition to a cloud transition, transitioning budget requirements from capital to operational.

Condition

Formal condition assessments are not conducted, due to the short life of the assets, which warranty normally covers. The network and server assets have been replaced recently. Server infrastructure faces a need for cloud transition, and planned capital works include server warranty extensions and upgrades to network infrastructure.

Performance

In-field capabilities and mobile service availability have been maintained. While mobile service black spots are not a significant concern, there is ongoing enhancement of access points to improve network coverage within Council buildings.

GIS responsibilities are managed by a centralised team.

Critical Assets

Disaster Recovery assets form a critical foundation for Council's operational resilience. These assets are designed to ensure continuity of essential services and data integrity in the face of unforeseen disruptions, such as natural disasters or technological failures. With an aging server infrastructure and the impending move to cloud services, investing in Disaster Recovery assets becomes imperative.

In the digital age, cyber security assets, particularly firewalls, are of paramount importance for Council's information and operational security. Firewalls act as the first line of defence against unauthorised access, data breaches, and cyber threats that could compromise sensitive information and disrupt operations. Given the increasing frequency and sophistication of cyber-attacks, firewalls play a pivotal role in protecting Council's digital assets. Future Demand and Capacity Constraints

Risks

Strategic risks include the aging server infrastructure, cybersecurity challenges, and software application transitions. The transition from bespoke applications to off-the-shelf software requires investment in both consultancy and software budgets over a 10-year period.

Lifecycle Management Approach

Renewal Approach

Financial modelling based on asset register data, excluding computers, projects an average annual expenditure of \$1.1 million over a 10-year period, however considering the transition to cloud computing and device leasing, the annual requirement from a budget perspective is \$225K, details of which are identified in the following table.

Table 0.27 Information Technology Proposed Renewal Programs

Program	Details of calculation for Future Funding	Measure	Measure Unit	Rate	Useful Life	Estimated Annual requirement
Councillors + Mayor IT Equipment	Election cycle equipment purchase laptop, iPad, Printer, phone etc. Estimated at \$100K required every 4 years from 2024/25 onwards	\$100,000 / 4 years	annual requirement	\$25,000	4 years	\$25,000
Switch/router and UPS replacement Program	Council has various switches and UPS equipment across the LGA. Budget to support the proactive and reactive replacements as equipment ages.	\$420,000 / 7 years	annual requirement	\$60,000	7 years	\$60,000
Meeting Room AV Equipment replacement program	40 x Meeting rooms/offices across various sites have been upgraded in the last 18 months. Budget Requirement \$200K in year 6 and \$200K in year 7. This will include Boardroom and EOC Disaster Recovery Centre AV	\$400,000 / 6 years (\$200K in Year 5 and \$200K in Year 6)	annual requirement	\$66,667	6 years	\$66,667
Chambers AV equipment replacement program	30 years old, estimated cost \$300K for audio, video, electronic voting and re-cabling	\$300,000 / 10 years	annual requirement	\$30,000	10 years	\$30,000
Wi-Fi Access Points	Replaced 250 in the past 18 months, estimated \$1,000 each. Review required to inform additional access points to enhance network. Budget Requirement: \$150K in Year 6 & \$150K Year 7.	\$300,000 / 7 years (\$150K in Year 6 and \$150K in Year 7)	annual requirement	\$43,000	7 years	\$43,000
Total						\$224,667

Source: AEC Facilitated Engagement sessions (unpublished).

WATER ASSET CLASS

Overview of Asset Class

The Water Supply Asset Class consists of the following assets:

- 7 Water Storage Dams – 5 Council owned (3 active 2 disused) and 2 Water NSW (Capacity of between 28 ML (Cambewarra to 85,500 ML Tallowa Water NSW)
- 4 Water Treatment Plants (Bamaranag (75 ML/d Constructed 1982), Flatrock (28 ML/d Constructed 1934), Milton (10.5 ML/d Constructed 1998), and Kangaroo Valley (1.5 ML/d Constructed 1993). – Possible future consolidation
- 43 Service Reservoirs - To provide sufficient reserves of treated water, head source to pressure levels, and effective chlorination.
- Water Network (Pipes & Meters) – 1,629 km water made up of 449 km Trunk Mains, 1,151km Water Reticulation mains and 29 km Raw Water mains. 9,044 valves and 11,499 Hydrants.
- 25 Pump stations - ages ranging from 2 to 55 years.
- Hydroelectric Plant Milton WTP – Out of Service
- 50 Buildings – 15 Amenities, 8 Treatment, 25 Pumping Stations, 2 Depot & Plant.

Condition

The condition of the Water assets identified in Water AMP aligns with what is reported in the Infrastructure Assets report in Council's Financial Statements, which is demonstrated in the following table, however it should be noted that condition is aged based, and not based on a detailed condition assessment.

In 2022 a condition assessment was completed for the above ground assets, which assessed a random sample of pump stations.

Table 0.28 Water Supply Asset Condition as a % of Gross Replacement Cost

Source of data	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Financial Statements & AMP	5.0%	26.0%	57.0%	11.0%	1.0%

Source: Councils Financial Statements.

It is estimated that the cost to complete a CCTV inspection condition assessment on a sample of the network would be \$50/meter – a program of annualised inspections is normal practice and necessary given that the combined water and sewer network is estimated at 2,902km. To complete 2% of the combined network or 58 km, would cost \$2.9M per year.

A recurrent annual amount to be focusing on critical assets, and areas of concern (service cut ins, issues), would be ideal to inform the relining program. An estimate can then be completed based on pipes of similar age, material, and environment to inform prediction of asset condition across the network.

Critical Assets

Council's Water Supply Network provides an essential service, of which 100% of the Water Treatment Plants, Zone Valves, Motorised Valves and Fire Hydrants have been identified as critical assets (assets that any level of unplanned asset failure is not acceptable and therefore mitigation to avoid failure is necessary).

In addition to this a percentage of the following asset types have also been identified as a high level of criticality.

Table 0.29 Water Supply Critical Assets (as at 30/06/2022)

Asset	Quantity	% Critical
Water Storage Dams	3 of 5	60%
Service Reservoirs Pipe System	Service Reservoirs	17 of 39
	Balance Tanks	1 of 2
	Raw Water Mains	28km of 29km
	Reticulation Mains	136km of 1,151km
	Trunk Mains	304km of 449km
	Total Pipes	468km of 1,629km
	PRV's	3 of 8
	Control Valves	699 of 8,043
	Air Valves	4,529 of 939
Pump stations	11 of 25	44%

Source: Council's Water Supply Asset Management Plan.

Future Demand and Capacity Constraints

The possibility of consolidating Council's existing Water Treatment Plants, of which there are four, is under consideration, with a projected timeline of approximately 5 years. The feasibility of this plan hinges on the engagement of a single retail user, who uses 4 ML/day of potable water and 4 ML/day of raw water. Converting the customer to using solely raw water could potentially lead to the decommissioning of 2 Water Treatment Plants within 3-4 years. Specific attention given to complete a risk assessment and consideration of one of the WTP becoming a backup for the main plant, in the event of failure.

Risks

The pipeline positioned beneath the Shoalhaven River represents a significant risk. Limited access to this pipeline means that if it were to fail, it could disrupt water supply to a substantial population within the northern region of the LGA, affecting approximately 20,000 people. The absence of any redundancy compounds this risk. Remediation options include pipeline relining at a cost of \$400/m, estimated to cost \$5 million, as well as system modifications and pump adjustments to re-route water through an alternate path.

Lifecycle Management Approach

The National Performance Report identifies Shoalhaven as a large size utility group. The report also identifies the following:

SHOALHAVEN CITY COUNCIL – FINANCIAL SUSTAINABILITY REVIEW

- Median combined operating cost per property: water and wastewater, was \$1,022/property in 2020-21 and \$980/property in 2021-22, a decrease of 4%.
- Large utility groups combined operating cost per property: water and wastewater, was \$1,011/property in 2020-21 and \$961/property in 2021-22, a decrease of 5%.
- Large utility groups combined capital expenditure: water and wastewater, was a total of \$408 million in 2021-22, with Townsville spend the highest at \$87.6 million, and Redland City the lowest at \$3.5 million.

Maintenance

- The Water Supply Network Maintenance program includes the following:
- Walkover patrols are carried out at routine intervals (annually for distribution mains, two-yearly for trunk mains). Visible maintenance issues (e.g. leaks, vegetation slashing, painting) are addressed during these patrols.
- Scheduled maintenance programme is in place for all valves, hydrants and stop valves however data from these inspections is not incorporated into asset register.
- In-house water meter reading and replacement processes. Meters scheduled for replacement every 15 years, but no testing conducted. Meter Reader personnel review the area to inspect for leaks and complete water meter replacements when time permits.
- There is a maintenance backlog as hydrants are to be inspected once every 3 years, however this is only completed when the team have downtime, which is the same for valves.

Renewal Approach

Council's Water Supply renewal approach is a risk-based forecast, with likelihood of failure determined by:

- Asset Age + Standard Useful Life
- Environmental condition data
- Network performance data
- Physical condition data, and indications of advanced deterioration.
- Through the engagement session an average estimated Annual Renewal Budget requirement was developed and is detailed in the following table.

Table 0.30 Water Supply Network Proposed Renewal Programs

Program (Asset type)	Full 10 Year Projection	Estimated Annual requirement
Water pipe replacement program	\$123,118,177	\$12,311,818
Dams	\$6,548,697	\$654,870
Water Treatment Plant renewals	\$22,762,597	\$2,276,260
Water pump station renewals	\$13,978,328	\$1,397,833
Water Metering	\$8,500,000	\$850,000
Water Control and telemetry	\$10,501,000	\$1,050,100
Reservoirs	\$11,688,571	\$1,168,857
Total	\$197,097,370	\$19,707,737

Source: AEC Facilitated Engagement sessions and follow up report provided by Council (unpublished).

New Assets

Council's Development Servicing Plan has identified an additional 3.5K lots in urban release areas over the next 2 years. Costs incorporated in the plan are based on assumptions from 2016, therefore draft plan update to be considered for capital works.

Other Opportunities

- Lack of resourcing – Shoalhaven Water & Sewer require two resources (Permanent Full-time), Maintenance Engineers / Maintenance Coordinators at approximately \$100K each to develop the planned maintenance schedules.
- Operations & maintenance crews have not increased in line with the growth of the city, and developer contributed assets.

SEWER ASSET CLASS

Overview of Asset Class

The Sewer (Wastewater) Asset Class consists of the following assets:

- 13 Wastewater Treatment Plants – (Due to the LGA covering 49 towns and villages over a large geographical area, approximately 150 km of coastline).
- Water Network (Pipes & Manholes) – 1,273 km (1,026km Gravity Pipes, 200km Rising Mains, 36km Low Pressure Mains, 11km Surcharge Mains), 23,565 Manholes and Maintenance Shafts
- Reclaimed Water Management Scheme (REMS) – 81km pipes, 297 Nodes
- 220 Pump Stations
- 1,375 Pressure Sewer Units
- 122 Buildings – 14 Amenities, 55 Treatment, 48 Pumping Stations, 4 Depot, and 1 Residential.

Condition

The condition of the assets identified in the Wastewater AMP closely align with, but are not a perfect match, to what is reported in the Infrastructure Assets report in Council's Financial Statements, with the AMP reporting an improved condition, however it should be noted that condition is aged based, and not based on a detailed condition assessment. In 2022 a condition assessment was completed for the above ground assets, which assessed a random sample of pump stations, (details of this report are yet to be provided to AEC).

Table 0.31 Sewer Asset Condition as a % of Gross Replacement Cost

% of Assets in Condition Rating	Condition 1	Condition 2	Condition 3	Condition 4	Condition 5
Financial Statements	15.0%	37.0%	43.0%	4.0%	1.0%
AMP	17.0%	39.0%	40.0%	3.0%	1.0%

Source: Councils Financial Statements.

It is estimated that the cost to complete a CCTV inspection condition assessment on the network would be \$50/meter, and the sewer network is estimated at 1,273 km. The combined water and sewer network is estimated at 2,902km. To complete 2% of the Combined Network or 58 km, would cost \$2.9M. An Annual Budget requirement to be used on an ad hoc basis, basis focusing on critical assets, and areas of concern (service cut ins, issues), would be ideal to inform the relining program. An estimate can then be completed based on pipes of similar age, material, and environment to inform condition extrapolation.

Performance

The current performance has identified that four Wastewater Treatment Plants (WWTPs) exceed capacity at peak demand periods (2-3 weeks of the year, due to tourism). To accommodate this an upgrade of \$70M has previously been provided (based on old estimates that don't include elements such as emissions reduction or circular economy, which are expected to increase costs, and could even double them). This increased capacity will also require electrical upgrades, expected to be about \$3-4M over the next 5-6 years.

Critical Assets

Council's Sewer Network provides an essential service, of which 100% of the Wastewater Treatment Plants, Outfall Mains, and Surcharge Mains have been identified as critical.

In addition to this a percentage of the following asset types have also been identified as critical.

Table 0.32 Sewer Network Critical Assets (as at 30/06/2022)

Asset		Quantity	% Critical
Pipe System	Gravity Pipes – Gravity Mains	440km of 1,039km	42%
	Gravity Pipes – Overflow Mains	1.5 of 1.9km	79%
	Rising Mains	176km of 205km	86%
	Manholes	4,387 of 23,579	19%
Pump stations		133 of 222	59%

Source: Council's Sewer (Wastewater) Asset Management Plan.

Future Demand and Capacity Constraints

In 2022, initiated the development of hydraulic models for the sewer system, aimed at formulating servicing strategies. These models assess current capacities and address issues related to exceeding capacity, ensuring optimal system performance, and will inform an update to the Development Servicing Plan. The last comprehensive review of these strategies was conducted in 2013. The team aim to complete the strategy update within 2-3 months.

Risks

Exfiltration issues are identified at the back end of the Wastewater Treatment Plant (WWTP), involving filtration into sand dunes. Over time, these sand dunes can become blocked with accumulated debris and sediment, leading to operational blockages, which causes environmental issues. Remediation involves addressing environmental approvals, with each location estimated to cost between \$10 million to \$30 million. Two locations are affected, one requiring attention now, with the second anticipated to reach a critical state within the next 5 to 10 years.

Inundation events, such as landslips, pose a significant threat to the infrastructure. These events can potentially render critical assets inoperable, causing extensive disruption to services. Rising sea levels along coastlines presents a consistent risk to infrastructure situated in these areas. The current annual budget of \$1 million to combat these impacts is essential. This wasn't previously spent, but has been in the last year, with a single rectification project potentially using the whole budget. This risk requires a coordinated whole-of-government approach, involving various sectors (State & Local Government & Private Enterprise) assets custodians like road and electrical infrastructure to effectively manage the risk.

Lifecycle Management Approach

The National Performance Report identifies Shoalhaven as a large size utility group. The report also identifies the following:

- Median combined operating cost per property: water and wastewater, was \$1,022/property in 2020-21 and \$980/property in 2021-22, a decrease of 4%.
- Large utility groups combined operating cost per property: water and wastewater, was \$1,011/property in 2020-21 and \$961/property in 2021-22, a decrease of 5%.
- Large utility groups combined capital expenditure: water and wastewater, was a total of \$408 million in 2021-22, with Townsville spend the highest at \$87.6 million, and Redland City the lowest at \$3.5 million.

Maintenance

Maintenance programs for WWTPs and pump stations are a mix of programmed and ad hoc approaches. There is a current focus on implementing scheduled maintenance for consistency.

Renewal Approach

Council's Sewer renewal is consistent with the Water Supply renewal approach, risk-based forecast, with likelihood of failure determined by:

- Asset Age + Standard Useful Life
- Environmental condition data
- Network performance data
- Physical condition data, and indications of advanced deterioration.
- Through the engagement session an average estimated Annual Renewal Budget requirement was developed and is detailed in the following table.

Table 0.33 Water Supply Network Proposed Renewal Programs

Program (Asset type)	Full 10 Year Projection	Estimated Annual requirement
Sewer Mains Replacement program	\$76,156,010	\$7,615,601
Pump Station renewal program	\$167,008,620	\$16,700,862
Pressure Sewer	\$7,646,170	\$764,617
Control and telemetry	\$6,071,170	\$607,117
Total	\$256,881,970	\$25,688,197

Source: AEC Facilitated Engagement sessions and follow up report provided by Council (unpublished).

Other Opportunities

- Council is currently investigating to review pump configuration and operation for redundancy, which would enable long term savings for the network.

APPENDIX ONE: ENGAGEMENTS COMPLETED

The following table identifies the engagement sessions completed, demonstrating AEC's comprehensive approach to evaluating Council's Asset Management.

Table A.0.34 Asset Management engagement Sessions completed

#	Day & Date	Time	Asset Class
1	Monday, 14 August 2023	10:30 AM-12:00 PM	Open Space (Including Swim, Sport & Fitness Precincts & Showgrounds) Asset Class
2		1:30 PM-3:30 PM	Transport & Stormwater Asset Classes
3		3:30 PM-4:30 PM	IT Asset Class
4	Tuesday, 15 August 2023	9:00 AM-10:00AM	Buildings Asset Class
5		10:00 AM-11:00 AM	Waste Asset Class
6		2:00 PM-4:00PM	Water & Sewer (Wastewater) Asset Classes
7	Wednesday, 16 August 2023	8:15 AM-8:45AM	Buildings Asset Class
8	Thursday, 17 August 2023	9:00 AM-10:00AM	Fleet & Plant Asset Class
9		10:00 AM-11:00 AM	Holiday Haven Asset Class
10		12:00 PM-1:00 PM	Coastal Management Asset Class
11	Friday, 18 August 2023	1:30 PM-2:30 PM	Land Asset Class
12		8:30 AM-10:30 AM	Transport & Stormwater Asset Classes
13		10:30 AM-11:00 AM	Water & Sewer (Wastewater) Asset Classes
14		11:00 AM-11:30 AM	Bereavement / Cemeteries Asset Class
15		1:00 PM-1:30 PM	Fleet & Plant Asset Class (Ferry)
16	Tuesday, 22 August 2023	2:00PM-3:00PM	Infrastructure Contributions
17		2:00PM-2:30PM	Coastal Management & Maritime Asset Class
18		3:00 PM-4:30 PM	Transport, Stormwater & Maritime Asset Classes

Source: AEC (unpublished).

APPENDIX D: INTERIM FINDINGS – ALIGNMENT CAPITAL WORKS PLANNING & DEPRECIATION

PURPOSE

The following discussion outlines the approach by the accounting profession to recognise and measure depreciation expense - the cost of an asset recognised over the life of the asset – and the use of depreciation expense in the planning for asset renewals. The discussion is intended to inform decision makers at Shoalhaven City Council on the appropriateness of using depreciation expense as a benchmark for planning and allocating funding for asset renewals.

RECOGNITION AND MEASUREMENT OF DEPRECIATION

The Australian Accounting Standards require the recognition of an asset with physical substance which is expected to be used over multiple reporting periods as a non-recurrent asset and the consumption of the economic benefits of the asset to be recognised as depreciation expense over the life of the asset.

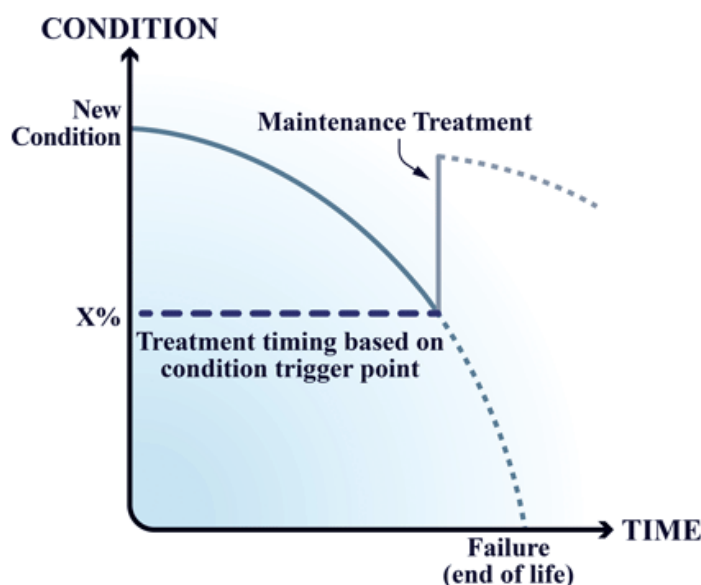
The Auditor-General requires the Council to calculate the annual depreciation expense of an asset via a straight-line method – that is depreciable value of the asset divided by the expected life of the asset. That is, the calculation of depreciation in accordance with the Auditor-General assumes the economic benefits to be consumed at a constant rate across the useful life of the asset.

In addition to recognising loss of economic value due to consumption of the asset, the calculation of depreciation in accordance with the Australian Accounting Standards also requires Council to recognise loss in economic value due to functional obsolescence (or technological advancements resulting in superseded assets) and economic obsolescence (when external influences such as change in population or regulatory environment cause a change in demand for the asset).

As outlined later in this discussion, the requirement to recognise depreciation expense through a straight-line approach and recognising obsolescence is the cause of debate over the appropriateness of using depreciation as a benchmark for assessing the investment required in asset renewals.

PHYSICAL DETERIORATION OF ASSETS

Physical deterioration of an asset results from wear and tear through use and exposure of the asset to environmental impacts on the asset. The condition of an asset is often measured and reported to identify and plan for interventions through the life of the asset – most commonly referred to as condition-based maintenance. Alternatives to planning maintenance may also be set interval based maintenance and reactive maintenance (what until the asset fails to undertake maintenance). The common understanding regardless of which approach to maintenance is followed is that condition of an asset does not follow a straight line. The physical deterioration of different asset classes will follow different deterioration curves over the life of the asset (as outlined in figure below)



USE OF DEPRECIATION AS A BENCHMARK FOR ASSET RENEWAL DEMAND

While the use of depreciation as a benchmark for asset renewals (and measuring performance) is often criticised, depreciation is often used across Australian jurisdictions due to existing accounting standards in the recognition and measurement of depreciation, and the requirement for that to be audited, which provides a level of consistency as a benchmark.

Arguably the usefulness of depreciation as a benchmark is greater when considering whole portfolio of assets, rather than smaller groups of assets, as well as for portfolio of assets that have a spread of ages and condition. Where an asset portfolio is mostly newer assets, depreciation expense will be a poor indicator due the actual less demand for renewals than the depreciation expense. Alternatively, where an asset portfolio is mostly aged assets in poor condition, the depreciation expense is likely to underestimate the actual renewal expenditure required.

Furthermore, the appropriateness of depreciation as a benchmark is greater when considered over an extended period of time (such as a five or ten year average) rather than using the benchmark annually.

A better indicator to use for reporting on asset management performance is actual expenditure on renewals against planned renewals as outlined in a well prepared and mature asset management plan. As outlined above, the issue that most State and Territory Governments have when establishing performance indicators for renewals is that there is large inconsistency in the preparation and maturity of asset management plans and a lack of standards and auditing of asset management planning.

Finally, it is important to differentiate the usefulness of depreciation as a performance indicator and the reliance upon depreciation to determine funding requirements for renewals within a capital works plan. As listed above, ideally Council would have well prepared and mature asset management plans from which a Council can measure and report on whether actual asset renewals (or funding allocations) are sufficient or not.

APPLYING DEPRECIATION AS A BENCHMARK TO THE CURRENT CAPITAL WORKS PLAN FOR SHOALHAVEN CITY COUNCIL

The following tables – Table 1 to Table 6 – apply an approach using depreciation to assess the current investment in renewals (by calculating the renewal ratio) within the current Capital Works Plan for Shoalhaven City Council. Furthermore, by applying examples of appropriate target renewal ratio to asset classes, an alternative target expenditure for renewals is calculated.

The flow of the tables and the calculations is as follows:

Table 1 – Outlines the current 10-Year Capital Works Plan grouped by asset class and whether the planned capital works is a new asset, an upgraded asset or an asset renewal.

Note, the total expenditure on new assets and asset upgrades.

Table 2 – Provides an estimate of annual depreciation expense by asset class across the 10 year period

Note, the additional depreciation included at the end of the table recognising the additional depreciation related to new and upgraded assets including in the Capital Works Plan.

Table 3 – Outlines the calculation of the renewal ratio by asset class, by dividing the planned asset renewal by the depreciation for each asset class.

Note, the high renewal ratio for Other Infrastructure which is due to the significant planned expenditure for the Coastal Management Plans, which is identified as renewal expenditure in the Capital Works Plan.

Furthermore, note the high renewal ratio for Buildings, which is due to the planned capital investment for Holiday Haven assets and the planned investment for Other Open Space / Recreation.

Finally, it should be noted that the renewal ratio for roads, stormwater drainage is significantly lower than the 100% **target for the renewal ratio**.

Table 4 – Proposes an example of how setting renewal ratios at an asset class level may be a more appropriate approach to applying renewal ratio. Note – AEC has suggested the percentages in the table as an example only, and should this approach be applied asset custodians would need to be engaged to set a more appropriate target. It should also be noted, this approach is not ideal. As outlined earlier in this paper, establishing investment targets for asset renewals should be done through analysis of actual renewal demand based on condition assessments and planned optimal interventions, as outlined in mature asset management plans.

Furthermore, this approach does not consider if there is a current backlog in renewals. If there was a recognised backlog the renewal ratio target for the respective asset class would need to be greater than 100% to address the backlog.

Table 5 – Outlines a calculated target asset renewal expenditure by asset class by applying the alternative asset renewal ratios outlined in Table 4.

Table 6 – Compares the actual planned renewal expenditure as outlined in the current Capital Works Plan to the alternative target outlined in Table 5. Note that a negative balance identifies insufficient investment in renewals in the current Capital Works Plan. It should be noted in Table 6 that there is significant insufficient investment in renewals for roads, footpaths and stormwater drainage.

TABLE 1 - SHOALHAVEN CITY COUNCIL CAPITAL WORKS PLAN (CURRENT)

		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
New Assets	Bridges	0	0	0	0	0	0	125,017	1,737,812	0	0
	Buildings	5,769,500	8,044,867	8,881,749	3,058,543	3,141,408	1,870,025	2,219,624	2,568,223	1,807,048	4,288,137
	Footpaths	10,967,130	3,903,061	2,184,796	1,342,175	1,796,064	1,270,657	995,338	1,291,220	2,045,175	754,524
	Furniture and Fitting	0	0	0	0	0	0	0	0	0	0
	Land	25,000	318,579	301,614	2,960,525	3,049,341	1,170,055	249,915	257,413	265,135	273,089
	Land for Resale (inventory not IPPE)	1,222,449	5,757,700	6,868,267	16,090,624	5,701,715	4,173,966	5,049,050	4,016,153	2,678,205	2,731,282
	Library Books	430,000	446,299	459,688	473,479	487,683	502,313	517,383	532,904	548,891	565,358
	Office equipment	564,000	1,435,120	703,207	722,118	764,491	779,751	784,301	807,830	832,065	857,027
	Other Infrastructure	11,546,864	30,013,699	23,822,675	23,791,870	16,734,228	14,789,438	10,849,737	11,458,356	10,405,530	8,220,689
	Other Open Space / Recreation	8,710,004	8,502,031	12,536,517	10,495,512	2,596,571	2,454,206	2,099,168	2,082,201	1,897,647	1,869,766
	Plant and Equipment	0	5,040,037	1,685,240	8,392	22,690	66,890	1,055,232	67,840	23,537	109,340
	Roads	17,925,712	18,637,896	18,786,412	12,503,922	6,849,453	7,702,913	1,085,394	474,362	488,593	1,155,638
	Sewer Infrastructure	9,175,600	10,171,250	22,766,914	8,282,871	3,736,689	6,167,338	6,352,358	6,604,423	9,272,757	6,941,393
	Stormwater Drainage	177,438	1,363,720	966,639	827,905	930,908	673,190	1,207,664	951,553	698,877	862,977
	Water Infrastructure	1,618,600	478,950	419,056	431,627	3,821,102	3,141,633	3,456,781	24,468,341	25,202,391	3,124,932
Sub Total - New Assets		68,132,297	94,113,209	100,382,773	80,989,561	49,632,344	44,762,376	36,046,963	57,318,631	56,165,851	31,754,152
Asset Upgrades	Bridges	0	103,000	0	0	0	0	0	0	0	0
	Buildings	0	1,259,587	965,419	229,473	63,028	97,379	66,867	0	0	182,668
	Footpaths	0	0	59,941	0	57,626	0	187,466	0	0	73,720
	Furniture and Fitting	0	0	0	0	0	0	0	0	0	0
	Land	25,000	103,000	79,568	2,731,818	2,813,772	927,419	0	0	0	0
	Land for Resale (inventory not IPPE)	0	2,060,000	1,060,900	0	0	0	0	0	0	0
	Library Books	0	0	0	0	0	0	0	0	0	0
	Office equipment	0	0	0	0	0	0	0	0	0	0
	Other Infrastructure	3,208,560	1,373,805	0	245,864	0	2,608,367	59,703	0	0	0
	Other Open Space / Recreation	17,864,304	11,226,584	366,011	443,647	468,212	347,782	531,114	258,274	234,352	313,146
	Plant and Equipment	0	0	0	0	0	0	0	0	0	0
	Roads	150,000	45,835	691,187	148,655	117,784	0	0	0	0	0
	Sewer Infrastructure	4,842,000	7,436,600	11,447,111	7,157,362	9,116,621	5,622,479	4,955,317	6,604,423	5,130,419	5,284,331
	Stormwater Drainage	0	0	15,914	254,769	0	0	0	0	0	0
	Water Infrastructure	7,330,000	0	477,405	437,091	5,233,616	1,159,274	1,194,052	1,229,874	1,266,770	1,435,251
Sub Total – Asset Upgrades		33,419,864	23,608,411	15,163,454	11,648,677	17,870,660	10,762,701	6,994,520	8,092,570	6,631,541	7,289,115

		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Asset Renewals	Bridges	8,998,000	3,196,193	381,181	148,611	94,205	453,856	217,556	102,940	106,029	0
	Buildings	16,840,865	24,142,437	8,108,014	14,401,593	15,414,639	17,346,219	19,637,156	20,073,378	22,488,661	23,123,534
	Footpaths	3,617,400	823,485	2,288,149	2,344,664	22,510	89,960	161,316	146,970	25,335	26,095
	Furniture and Fitting	0	44,187	45,513	46,878	48,284	49,733	51,225	52,762	54,344	55,975
	Land	0	0	0	0	0	0	0	0	0	0
	Land for Resale (inventory not IPPE)	0	0	0	0	0	0	0	0	0	0
	Library Books	0	0	0	0	0	0	0	0	0	0
	Office equipment	0	360,582	119,839	194,790	200,971	176,302	106,223	109,410	112,692	116,073
	Other Infrastructure	14,640,167	27,331,009	14,593,025	10,971,284	11,656,632	8,516,095	8,122,235	12,234,956	5,358,289	7,626,132
	Other Open Space / Recreation	3,254,500	19,453,765	9,304,443	4,495,610	7,312,971	6,143,202	4,640,302	4,305,641	3,106,728	3,244,684
	Plant and Equipment	5,274,700	10,032,983	10,157,057	10,414,475	11,345,849	11,647,690	12,068,478	12,570,098	13,015,201	13,506,751
	Roads	14,149,757	15,789,943	12,566,503	11,579,409	12,774,525	16,499,832	18,375,868	20,823,855	24,649,572	6,866,499
	Sewer Infrastructure	9,932,000	3,261,598	8,982,216	12,202,045	10,598,466	13,234,968	12,437,965	14,040,978	13,195,437	13,591,300
	Stormwater Drainage	1,579,674	1,281,732	1,026,368	902,920	915,939	1,073,836	807,538	831,764	856,717	882,418
	Water Infrastructure	8,353,902	9,089,750	8,778,948	11,500,952	8,188,077	13,424,394	12,268,887	34,620,949	37,084,694	16,420,571
Sub Total - Renewals		86,640,965	114,807,664	76,351,255	79,203,231	78,573,068	88,656,087	88,894,749	119,913,700	120,053,700	85,460,032
TOTAL PLANNED CAPITAL EXPENSES		188,193,126	232,529,284	191,897,483	171,841,470	146,076,072	144,181,163	131,936,232	185,324,901	182,851,093	124,503,300
New Assets		68,132,297	94,113,209	100,382,773	80,989,561	49,632,344	44,762,376	36,046,963	57,318,631	56,165,851	31,754,152
Asset Upgrades		33,419,864	23,608,411	15,163,454	11,648,677	17,870,660	10,762,701	6,994,520	8,092,570	6,631,541	7,289,115
Asset Renewal		86,640,965	114,807,664	76,351,255	79,203,231	78,573,068	88,656,087	88,894,749	119,913,700	120,053,700	85,460,032

TABLE 2 - ESTIMATED ANNUAL DEPRECIATION EXPENSE

Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	2,002,100	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163	2,062,163
Buildings	9,866,200	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186
Footpaths	2,013,800	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214
Furniture and Fitting	302,700	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781
Intangible Assets	134,100	138,123	138,123	138,123	138,123	138,123	138,123	138,123	138,123	138,123	138,123
Land Improvements - depreciable	337,600	347,728	347,728	347,728	347,728	347,728	347,728	347,728	347,728	347,728	347,728
Library Books	389,000	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670
Office equipment	561,600	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448
Other Infrastructure	1,085,600	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168
Other Open Space / Recreation	3,517,500	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025
Other Structures	3,714,800	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244	3,826,244
Plant and Equipment	10,514,300	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729
Roads	24,708,300	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549
Sewer Infrastructure	15,020,300	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909	15,470,909
Stormwater Drainage	3,231,100	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033
Swimming Pools	546,900	563,307	563,307	563,307	563,307	563,307	563,307	563,307	563,307	563,307	563,307
Water Infrastructure	12,253,700	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311	12,621,311
New Assets Depreciation	0	2,798,357	5,181,330	6,731,209	7,985,509	9,105,076	10,111,831	11,498,630	12,881,054	13,789,358	13,789,358
TOTAL	90,199,600	95,703,945	98,086,918	99,636,797	100,891,097	102,010,664	103,017,419	104,404,218	105,786,642	106,694,946	106,694,946

TABLE 3 - FORECAST OF SHOALHAVEN CITY COUNCIL RENEWAL RATIO

Renewal Ratio	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	449%	155%	18%	7%	5%	22%	11%	5%	5%	0%	0%
Buildings	171%	238%	80%	142%	152%	171%	193%	198%	221%	228%	131%
Footpaths	180%	40%	110%	113%	1%	4%	8%	7%	1%	1%	1%
Furniture and Fitting	0%	14%	15%	15%	15%	16%	16%	17%	17%	18%	18%
Intangible Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Library Books	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Office equipment	0%	62%	21%	34%	35%	30%	18%	19%	19%	20%	21%
Other Infrastructure	1349%	2444%	1305%	981%	1042%	762%	726%	1094%	479%	682%	477%
Other Open Space / Recreation	93%	537%	257%	124%	202%	170%	128%	119%	86%	90%	87%
Plant and Equipment	50%	93%	94%	96%	105%	108%	111%	116%	120%	125%	127%
Roads	57%	62%	49%	45%	50%	65%	72%	82%	97%	27%	28%
Sewer Infrastructure	66%	21%	58%	79%	69%	86%	80%	91%	85%	88%	90%
Stormwater Drainage	49%	39%	31%	27%	28%	32%	24%	25%	26%	27%	27%
Swimming Pools	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Water Infrastructure	68%	72%	70%	91%	65%	106%	97%	274%	294%	130%	125%
TOTAL RENEWAL RATIO	96%	120%	78%	79%	78%	87%	86%	115%	113%	80%	69%

TABLE 4 - EXAMPLE OF SETTING ALTERNATIVE ASSET RENEWAL RATIO TARGETS (BY ASSET CLASS)

Renewal Ratio	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Buildings	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Footpaths	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Furniture and Fitting	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Intangible Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Land	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Land Improvements - depreciable	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Land for Resale (inventory not IPPE)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Library Books	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Office equipment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other Infrastructure	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other Open Space / Recreation	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other Structures	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plant and Equipment	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Roads	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sewer Infrastructure	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Stormwater Drainage	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Swimming Pools	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Water Infrastructure	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

TABLE 5 - TARGET ASSET RENEWAL EXPENDITURE APPLYING ALTERNATIVE RENEWAL RATIOS

Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	200,210	206,216	206,216	206,216	206,216	206,216	206,216	206,216	206,216	206,216	206,216
Buildings	9,866,200	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186	10,162,186
Footpaths	2,013,800	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214	2,074,214
Furniture and Fitting	302,700	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781	311,781
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Land Improvements - depreciable	0	0	0	0	0	0	0	0	0	0	0
Land for Resale (inventory not IPPE)	0	0	0	0	0	0	0	0	0	0	0
Library Books	389,000	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670	400,670
Office equipment	561,600	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448	578,448
Other Infrastructure	1,085,600	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168	1,118,168
Other Open Space / Recreation	3,517,500	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025	3,623,025
Other Structures	0	0	0	0	0	0	0	0	0	0	0
Plant and Equipment	10,514,300	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729	10,829,729
Roads	24,708,300	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549	25,449,549
Sewer Infrastructure	13,518,270	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818	13,923,818
Stormwater Drainage	3,231,100	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033	3,328,033
Swimming Pools	0	0	0	0	0	0	0	0	0	0	0
Water Infrastructure	11,028,330	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180	11,359,180
New Assets Depreciation	0	0	0	0	0	0	0	0	0	0	0
TOTAL	80,936,910	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017	83,365,017

TABLE 6 – COMPARISON BETWEEN CURRENT CAPITAL WORKS PLAN FOR RENEWALS AND ALTERNATIVE TARGET RATIO

Note – a negative amount below indicates insufficient planned expenditure for renewals in the current Capital Works Plan

Asset Class	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Bridges	8,797,790	2,989,977	174,965	-57,605	-112,011	247,640	11,340	-103,276	-100,188	-206,216	-206,216
Buildings	6,974,665	13,980,251	-2,054,172	4,239,407	5,252,453	7,184,033	9,474,970	9,911,192	12,326,475	12,961,348	3,175,020
Footpaths	1,603,600	-1,250,729	213,935	270,450	-2,051,704	-1,984,254	-1,912,898	-1,927,244	-2,048,879	-2,048,119	-2,047,336
Furniture and Fitting	-302,700	-267,594	-266,268	-264,903	-263,497	-262,048	-260,556	-259,019	-257,437	-255,806	-254,127
Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Land Improvements - depreciable	0	0	0	0	0	0	0	0	0	0	0
Land for Resale (inventory not IPPE)	0	0	0	0	0	0	0	0	0	0	0
Library Books	-389,000	-400,670	-400,670	-400,670	-400,670	-400,670	-400,670	-400,670	-400,670	-400,670	-400,670
Office equipment	-561,600	-217,866	-458,609	-383,658	-377,477	-402,146	-472,225	-469,038	-465,756	-462,375	-458,893
Other Infrastructure	13,554,567	26,212,841	13,474,857	9,853,116	10,538,464	7,397,927	7,004,067	11,116,788	4,240,121	6,507,964	4,218,921
Other Open Space / Recreation	-263,000	15,830,740	5,681,418	872,585	3,689,946	2,520,177	1,017,277	682,616	-516,297	-378,341	-470,358
Other Structures	0	0	0	0	0	0	0	0	0	0	0
Plant and Equipment	-5,239,600	-796,746	-672,672	-415,254	516,120	817,961	1,238,749	1,740,369	2,185,472	2,677,022	2,878,218
Roads	-10,558,543	-9,659,606	-12,883,046	-13,870,140	-12,675,024	-8,949,717	-7,073,681	-4,625,694	-799,977	-18,583,050	-18,377,055
Sewer Infrastructure	-3,586,270	-10,662,220	-4,941,602	-1,721,773	-3,325,352	-688,850	-1,485,853	117,160	-728,381	-332,518	75,221
Stormwater Drainage	-1,651,426	-2,046,301	-2,301,665	-2,425,113	-2,412,094	-2,254,197	-2,520,495	-2,496,269	-2,471,316	-2,445,615	-2,419,142
Swimming Pools	0	0	0	0	0	0	0	0	0	0	0
Water Infrastructure	-2,674,428	-2,269,430	-2,580,232	141,772	-3,171,103	2,065,214	909,707	23,261,769	25,725,514	5,061,391	4,465,435
New Assets Depreciation	0	0	0	0	0	0	0	0	0	0	0
TOTAL	5,704,055	31,442,646	-7,013,762	-4,161,786	-4,791,949	5,291,069	5,529,732	36,548,683	36,688,683	2,095,015	-9,820,982

APPENDIX E: EFFICIENCIES & PRODUCTIVITY IMPROVEMENTS

Past Efficiencies Achieved by Council

AEC asked service managers to identify the past efficiencies and productivity improvements that have been achieved in their business areas. Service managers were asked to list any initiatives implemented over the past 10 years that has delivered efficiencies or productivity savings to Council. They were also requested to estimate either the increased revenue or decreased costs that were achieved for each initiative.

Directorate	Efficiency or Productivity Initiative Achieved
Chief Executive Officer	4
City Development	39
City Futures	7
City Performance	26
City Services	17
Shoalhaven Water	17
City Lifestyles	41
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Future Identified Efficiencies and Productivity Improvements

Within the same service profile, service managers were also asked to list any initiatives that present an opportunity to improve efficiencies or productivity. Whilst doing this, they were requested to provide an estimate of the potential increased revenue or reduction in costs.

Below is a list of future efficiencies and productivity improvements by Council directorate breakdown:

Directorate	Count of Efficiency or Productivity Opportunity
Chief Executive Officer	3
City Development	25
City Futures	5
City Performance	14
City Services	30
Shoalhaven Water	18
City Lifestyles	29
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Appendix A – Past Efficiencies Achieved by Council

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
Chief Executive Officer	Chief Internal Auditor	Audit Recommendation/ Tasks Tracking Dashboard	2018/19	Average savings of 20 days per year in the manual follow up process.
Chief Executive Officer	Chief Internal Auditor	Bi-annual self-assessment of the internal audit and ARIC functions by stakeholders	2015/16	Improved and value add processes.
Chief Executive Officer	Manager - Media & Communications	Realigning the Graphic Design positions to focus on the creation of visual collateral, able to service all areas of the business, reducing the reliance on external graphic designers for commercial operations of Council, such as the Shoalhaven Entertainment Centre, Holiday Haven and the Shoalhaven Art Gallery.	2022/23	\$20,000 to \$30,000 reduced costs.
Chief Executive Officer	Manager - Media & Communications	Purchase and design advertising for tenders, public notices and in-house.	2023/24	\$70,000 To be determined.
City Development	Manager – Business Support	Introduction of a Business Support Portal Team to service pre-vetting of development applications – increased level of service and reduced turnaround times without additional cost; revised pre-vetting checklists etc	2021	Increased service levels and improved customer experience at no additional cost as 5 positions re-deployed to establish Team.
City Development	Manager – Business Support	Introduction of development application acceptance standards, intended to increase the quality of DAs lodged with Council; drive consistency and compliance with legislated lodgment requirements	2021	NA
City Development	Manager – Business Support	Re-engineer business processes to streamline tasks including: management of private certification documents; operational reporting; internal referrals administration and monitoring; managing customer call back requests;	2022 ongoing	NA
City Development	Manager – Business Support	Introduction of a development assessment matrix to more clearly identify Council's lodgment requirements for DAs – this will achieve a more streamlined pre-vetting process and reduce the time other required to chase additional documents not submitted on initial application	2023 ongoing	Will reduce the turnaround time required to pre-vet applications
City Development	Manager – Business Support	Introduction of online service request to support Duty Planning enquiries – this has reduced the volume of incoming enquiries by approx 30%, allowing Development Services to increase time to focus on assessment activities	2022 ongoing	NA
City Development	Manager – Business Support	Transfer the first touch point for resolution of calls from Development Services to Business Support, to increase Planner time for assessment tasks & improve the customer experience		

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Development	Manager – Business Support	Introduction of support (documenting/streamlining business processes eg P&D Unit); Provide operational support (managing inspections for Certification and P&D Teams)	2023	Increased revenue for the P&D unit expected following introduction of new invoicing and inspection related business processes
City Development	Manager - Certification & Compliance	<p>Ranger Services</p> <p>Clarification of roles for teams in response to an organisational restructure and streamline operations and processes.</p> <p>a. The introduction of the Customer Experience Call Centre resulting in a large percentage of telephone enquiries moving away from Ranger Services.</p> <p>b. The introduction of Request Management to replace Merits.</p> <p>c. Development of role of Senior Rangers to provide leadership and mentor Rangers.</p> <p>d. Creation of the role of Duty Ranger to triage incoming requests</p> <p>e. Consolidate Ranger Support scope and redesign duties for Administration Officers</p> <p>f. Processing Companion Animal forms moved from Ranger Support to the Animal Shelter.</p> <p>g. Impounded Items and animals taken in possession are handled by Animal Shelter Staff.</p> <p>h. Animal Shelter staff tasked to undertake animal pickups from Veterinarian Clinics</p>	From 2018/2019 (Current)	<p>Time management cost savings to the service resulting in Rangers deployed to other duties.</p> <p>A greater presence of Rangers in the Community. This results in less opportunity for non-compliance.</p>
City Development	Manager - Certification & Compliance	Dog tags given to pet owners at shelter to improve return to home	2022/2023 (Current)	Less reliance on Rangers to pick up and return animals to their owners.
City Development	Manager - Certification & Compliance	Barking dogs procedure implemented reducing complaints and staff time in dealing with complaints	2018/2019 (Current)	This has resulted in a reduction of complaints to Council from 751 in 2015/16 to 329 in 2021/22.
City Development	Manager - Certification & Compliance	Implementation of Print and Post for penalty notices	2022/2023 (Current)	Reduced administration burden on Rangers. There are also WHS benefits removing the need for Rangers to have face to face conflict with members of the public.
City Development	Manager - Certification & Compliance	Implementation of iAuditor checklists to streamline processes for staff assessments	2017/2018 (Current)	This has been rolled out to all services in the Department and not just Ranger Services.

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Development	Manager - Certification & Compliance	Utilising Corrective Services at Animal Shelter and for Waste Removal	2015/2016 (Current)	Works are being completed at no cost to Council.
City Development	Manager - Certification & Compliance	OneCouncil to replace Merits and other applications with a more versatile product	2022/2023 (Current)	The roll out of OneCouncil has seen efficiencies
City Development	Manager - Certification & Compliance	Laptops in ranger vehicles to allow administration work to be done on-site with customers in a timely manner and reducing the need to travel to the office	2022/2023 (Current)	Rangers are now able to work remotely
City Development	Manager - Certification & Compliance	Identification of relationships within Council and externally to focus on collaboration and process improvement (Examples include NPWS, Crown Lands, Jerringa Aboriginal Land Council, NSW Police, RMS, etc).	2017/2018 (Current)	Multi-disciplinary assistance to deliver better outcomes.
City Development	Manager - Certification & Compliance	Certification Streamlining of operations by the completion of CC, CDC and BIC assessment templates.	2015/2016 (Current)	
City Development	Manager - Certification & Compliance	Consolidation of 5 separate I-Auditor accounts into one Corporate account.	2021/2022	Reduced cost in the payment of four accounts
City Development	Manager - Certification & Compliance	I-Auditor checklists for the Certification and other Teams	2015/2016 (Current)	Streamlining operations with cost efficiency.
City Development	Manager - Certification & Compliance	Work in TechOne for the implementation of the new computer system.	2021/2022 (Current)	Streamlining operations with cost efficiency.
City Development	Manager - Certification & Compliance	Automation of inspection reports for the Certification and Plumbing and Drainage Team to reduce administration times using the program Power Automate.	2022/2023	Streamlining operations with cost efficiency.
City Development	Manager - Certification & Compliance	Introduction of a Para-Professional role in both Plumbing and Drainage and Certification to assist with increased administration due to the NSW Planning Portal implementation.	2022/2023	Streamlining operations for the Certification and Plumbing and Drainage staff for them to concentrate on core functions.
City Development	Manager - Certification & Compliance	Implementation of the “Pre-Final” inspection to assist customers and Certification staff in identifying issues and streamline the final OC process. Much of the work is completed by the Para-Professionals.	2022/2023 (Current)	
City Development	Manager - Certification & Compliance	Compliance Put a report together to change the Administration Officer Grade 5 to a Para-Professional Officer Grade 7-9. Once approved, this will significantly streamline the operations for the Compliance Team and also assist with the issue of invoices for additional income to the Team.	2023/2024 (pending)	Both an increase in revenue for the Team and streamline operations with the Para-Professional assisting compliance staff.
City Development	Manager - Certification & Compliance	Streamlined and standardised the breach report for both compliance and swimming pool assessments	2020/2021 (Current)	Streamlined operations.

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Development	Manager - Certification & Compliance	Developed an I-Auditor site assessment for both compliance and swimming pool inspections. There is an opportunity to now connect the I-Auditor to the breach report.	2020/2021	Streamlined operations.
City Development	Manager - Development Services	Move to digital files for DAs.	2016. Prior to this DA files and mods were either paper or a combination of paper.	Negligible. However, this enabled Council to continue to operate during the pandemic.
City Development	Manager - Development Services	Introduction of 138 Applications and approvals for dwellings and a consistent approach for 138s including introduction of dedicated officer.	2020	>\$150k
City Development	Manager - Development Services	Review of Subdivision Works Certificate Fees	2023	Negligible. However, easy to calculate and apply.
City Development	Manager - Development Services	Removal of subdivision planners as specialist roles. Formerly, 2 positions dealt exclusively with subdivisions and provided referral responses to combined DAs where there was a development proposal AND subdivision component. This meant when one person was away, the workload fell onto the remaining officer. There were a significant number of DAs for subdivision that were slow to progress or failed to progress. This level of specialisation was largely unique to SCC. Accordingly, the subdivision roles became planning positions, with subdivisions now becoming another development time and being assessed across the teams. This has resulted in increased knowledge across the teams and avoids the banking up of certain DAs on one or two individuals.	2020	Negligible.
City Development	Manager - Development Services	Making new templates and conditions of consent. This assisted in working towards consistency across teams and modernizing templates.	2019/2020 and ongoing	
City Development	Manager - Development Services	End to End Assessment Reviews	2022/23	
City Development	Manager - Development Services	Review of Internal Referral Processes	2022/23	
City Development	Manager - Development Services	Review of Website and available information.	2023 ongoing	
City Development	Manager - Environmental Services	Increased the inspection fee across all of the public health inspection regime	2023/24	\$100,000 increase to yearly income
City Development	Manager - Environmental Services	Introduced a public swimming pool inspection program	2016/17	\$10,000 / year
City Development	Manager - Environmental Services	Non-reticulated water quality monitoring of Council assets	2021/22	\$10,000 / year

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Development	Manager - Environmental Services	Onsite Sewage Management fees being charged on Rates	2021/22	N/A - Efficiencies gained
City Development	Manager - Environmental Services	Certified Coastal Management Program – expedited Environmental approval pathways	2023 onwards	\$20,000 pa
City Futures	Manager - Corporate Performance & Reporting	Implementation of TechOne module for centralised Performance Reporting – productivity saving in staff time collating and reporting on performance indicators. Efficiency dividend for Officer time 25%.	2019/20	Efficiency dividend to build greater capacity undertake capital project reporting
City Futures	Economic Development Manager	Council has been an industrial land developer, using sale of land to directly fund employment land release areas	Over many years	Unsure of expenses and income in previous years.
City Futures	Economic Development Manager	Operationally the ED team has been relocated to sit with the tourism team to increase consistency of message and efficiency of duplication in teams	21/22 ongoing	1 manager wage in savings at this time, although new positions identified in future.
City Futures	Manager - Strategic Planning	2019 Contributions Plan review	2018/19 onwards	Unknown
City Futures	Manager - Tourism	Employed specialist staff rather than outsource all work to consultants, this has increased efficiencies and savings across the marketing team over the last 10 years across the marketing team.		
City Futures	Manager - Tourism	Sold advertising in visitor guide	annually	60-80k
City Futures	Manager – Recreational Projects Planning & Delivery	Establishment of a dedicated Project Delivery team in the City Lifestyles Directorate	2020/21	Reduced fees in [Kevin's sentence lost here]. Delivery of small / Medium projects by project officers rather than project managers
City Lifestyles	Manager Art & Culture	LED Lights – ERCO Gallery Lighting in exhibition areas and LED's in other operational areas	2016/17 & 2017/18	
		HVAC system – industry standard climate control system, maintains air temperature and humidity (climate control) to preserve the integrity of the works and enable increased borrowing capacity from national lender institutions, therefore improving the caliber of exhibitions and accessibility to national collection exhibited locally		Longevity of works and reduced expenditure on conservation
		New Revenue Stream - Quest Merchant Systems - Tap Donation system	2020/21	\$2,500pa
		New Revenue Streams – Review of gallery shop suppliers / seek to improve quality and unique offering showcasing Shoalhaven makers and artisans – revival post COVID		\$35K
		New Revenue Stream – Growth of Public Programs – greater consistency in offering – broader community engagement with the arts and visitation / connection to the gallery	2021/22 2022/23	\$18K \$47K NB there are costs associated – materials / staff etc.

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
		New Revenue Stream – Events associated with exhibitions – limitations on not being a purpose-built gallery make this difficult and whilst successful in broadening our community engagement with the arts and visitation / connection to the gallery is not a reliable or efficient revenue source and is labour intensive and cannot be accommodated within existing core / funding staffing	Pre COVID	Negligible
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Implementation of City-Wide Floodlighting upgrades, introduced energy efficient strategies to reduce the operating and maintenance costs to Council		Electricity consumption has been reduced by 50% through the lower power requirement of the LED light fittings
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Water harvesting measures have been installed to supplement water requirement of sportsground irrigation	2015-present	
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Consolidation of Local Level Playgrounds (Program was discontinued despite demonstrable success)	2014/15	Annual savings to playground maintenance budgets - \$30,000p.a
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Installation of Irrigation and Drainage to sportsground City-Wide	2013-present	\$10,000p.a
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Review Community Infrastructure Strategic Plan and implement recommendations on provision of assets as per planning guidelines, including asset rationalisation and potential sale of assets, review of land – community land, potential for reclassification of land to enable sale of land	2017 - present	Council minute to not sell land / assets Potential – Millions in sales and reduction in operational costs
City Lifestyles	Manager - Library Services	LED Lights – Nowra Library	2020-21	\$15,570 p.a. (reduced cost)
City Lifestyles	Manager - Library Services	Solar Panels – Nowra Library	2020-21	\$5,900 p.a. (reduced cost)
City Lifestyles	Manager - Library Services	Management of Ulladulla Function Centre returned to internal staffing model and new café lease	2022-23	Approx. \$40,000 p.a. (reduced cost) \$40,000 p.a. (increased income – café/catering lease) Approx. \$16,000 p.a. (cost recovery – on charging cleaning, waste, ...)
City Lifestyles	Manager - Library Services	Shoalhaven Libraries Restructure – reduction in casual staffing budget achieved by leaner desk rostering / Community Information Directory	2013-14	Approx. \$350,000 p.a.

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
		Librarian position redundancy / reduction in Supervisory positions by 1 FTE		
City Lifestyles	Manager - Library Services	Solar Panels – Ulladulla Civic Centre	2022-23	Approx. \$34,000 p.a.
City Lifestyles	Manager - Library Services	LED Lights – Ulladulla Civic Centre	2022-23	Approx. \$4,000 p.a.
City Lifestyles	Manager - Library Services	Operational Process Review – not covering books in plastic, changing DVD cases	2023-24	Approx. \$10,000 p.a.
City Lifestyles	Manager - Shoalhaven Entertainment Centre	LED Lights – non-theatrical - expense: \$29,329 (forecast payback of 1.63 years)	2021-22	\$17,972 pa (reduced cost)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	LED Lights – theatrical - \$431,000 (labour & energy saving replacement out of date technology)	2021-22	\$20,800 pa in labour (reduced cost)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Solar panels – forecast reduced power bills to Council	2019-20	\$18,679 pa (reduced cost)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Recycling bottles & cans (Local charity collects and benefits, reducing waste collection costs)	2022-23	\$840 pa annum (reduced cost)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Increasing casual workforce (saving of \$9 per hour for F&B attendants)	2023-24	Variable
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Installation of PV Solar at Nowra Aquatic Park, Bay & Basin Leisure Centre, Ulladulla Leisure Centre, Shoalhaven Indoor Sports Centre and Sussex Inlet Aquatic Centre. LED installations at Bay & Basin Leisure Centre, Ulladulla Leisure Centre and Bomaderry Aquatic Centre. Heat Pumps at Bay & Basin Leisure Centre.	2021 / 22 (Current)	6% saving on overall energy consumption \$32,000 per annum
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Bay & Basin Leisure Centre, Shoalhaven Indoor Sports Centre, Ulladulla Leisure Centre rainwater harvesting	2021 / 22 (Current)	6% saving on overall energy consumption
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Tesla batteries at Showgrounds	2023	Reduction in energy costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	New filtration at Ulladulla Leisure Centre and Bay & Basin Leisure Centre	2023	25% saving on water consumption

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Greenwell Point Village Pool solar heating		Increase in patronage
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness			\$3,000 increase of income
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Zoysia turf	2021	No NET increase - \$11,000 saving per annum
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Turfing – Growth regulator applied to fields to reduce mowing.	2023	50% reduction in mowing frequency.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Precinct Model	2021	Staff are place based, improved productivity, difficult to quantify, less staff travel, Berry Showground \$50,000 positive impact on income per annum. Nowra Showground \$75,000 positive impact on income per annum. Milton Showground is currently closed.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Introduction of Showground caretaker positions	2021 / 22 (Current)	Higher capital outlay, currently under a trial period
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Electric mowers	2023	Reduction in operational costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Floodlight controllers	2017 (Current)	Reduces water wastage by 15%
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	SMart irrigation systems		Reduction in callouts and staff wages Reduces power
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Keyless entries	2020 (Current)	Reduced commission and escape income Improved governance
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Facility bookings moved online - Bookable	2021	
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Nowra Aquatic Park Splash Pad operating seasonal	2023	Reduction in operational costs

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	24/7 gyms	2021	Increase of \$591,000 income per annum
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Safety Implementation Officer	2021	Reduction in Lost Time Injuries
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Learn to Swim moved to perpetual enrolments	2022 (current)	Increase of \$860,000 income per annum
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Hospitality	2021 (current)	Increased retail and café by \$471,000 per annum
City Services	Manager - Building Services	Public Amenities cleaning contract	2022/23	\$300K
City Services	Manager - Building Services	Installed PV solar systems	2021/22	
City Services	Manager - Building Services	Upgraded 2 Passenger lifts to more energy efficient operations	2021/23	10% Energy Saving
City Services	Manager - Building Services	Upgrade Library & Arts Centre HVAC to more energy efficient systems and introduced BMS control systems	2020/23	10% Energy Saving
City Services	Manager - Commercial Services	BER -Two new Cremators (environmental efficiencies and risk mitigation)	2017	N/A
City Services	Manager - Commercial Services	BER - Livestreaming Service	2016	\$220K
City Services	Manager - Commercial Services	HH - NewBook Cloud based booking system	2016	unknown
City Services	Manager - Commercial Services	FM - Change of vehicle purchasing model to maximize resale (vehicle selections, change over time)	2020	unknown
City Services	Manager - Commercial Services	FM – creation of Internal Wet Hire business – took on under utilised assets and then shared across organisation on internal contract basis, increased utilisation and reduced reliance on external contractors	2017	unknown

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Services	Manager - Waste Services	Design, construction and commissioning of glass washing and crushing plant. This plant accepts the contaminated glass that is in the rejects from a MRF as well as clean glass bottles and plate glass. As well as avoiding the cost of landfill and saving on the EPA levy the clean glass sand product has been sold to asphalt plants and to the Microfactorie™ for use in green ceramic tiles. Approximately 9,500t of clean glass sand sold and used to date.	Commenced in last quarter of 2021/22 and is ongoing	Increased revenue of approximately \$200,000 and savings from landfill levy (on say 10% of total glass) of approximately \$150,000 and savings from sending the remaining 90% of glass for processing of approximately \$1.36m.
City Services	Manager - Waste Services	Bushfire demolition recycling plant. In the aftermath of the 2018/19 bushfires approximately 300 homes in the Shoalhaven had to be demolished and the EPA required Council to provide landfill space. Waste Services proposed an alternative and established a temporary demolition waste sorting and processing plant. In the months between March 2019 and June 2019 (middle of the Covid shutdowns) we received approximately 19,000 tonnes of demolition waste and recovered over 95% of it.	2018/19	The operation itself was cost neutral with EPA paying a gate fee to cover costs. Savings on landfill space and landfill life valued at about \$6m.
City Services	Manager - Waste Services	Polystyrene recycling – Using Grant funding Council installed 2 polystyrene extruders, one at Ulladulla and one at West Nowra. The extruder reduces the volume by a factor of 100, making it more economically viable to transport and the product is in demand with recyclers. Approximately 140t equivalent to 140m litres has been recovered and sold over the past 4 years	Commenced in 2016/17 and is ongoing	Revenue from sales about \$16,000 per year, savings on landfill space valued at \$1.2m and reduction in wind blown litter immeasurable
City Services	Manager - Waste Services	Focus of separating ferrous and non-ferrous scrap metals. The price differential between mixed scrap metal and separated streams of the different ferrous and non-ferrous metals resulted in operations on site changing with staff better trained to separate the materials. Further to this electrical cables are now being processed through a granulating plant to separate the plastic covering from the copper resulting in a fivefold increase in income from the copper.	Process commenced when Council took over from contractor in 2026/17, granulator installed in 2020/21. Ongoing.	Sales of scrap metal and non-ferrous vary between \$1.5m and \$2m per year.

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Services	Manager - Waste Services	Other ancillary recycling operations – mattress, lounges, pallet and HDPE plastic shredding to create a processed engineered fuel or PEF (since 2020); PVC pipe shredding and pelletising for on sale to Vinidex (since 2022); HDPE bin shredding and pelletising for sale to Mastek (since 2022); Silage wrap baling and sending to Plastic Forests for recycling (no income but diversion of about 36t/y from landfill); cardboard baling for sale to either Opal or Visy (since 2016)	Ongoing	PEF cost neutral but diverts about 250t/m from landfill; PVC income of approximately \$5,000/y and similar for HDPE. Silage wrap cost neutral but diversion from landfill
City Services	Manager - Waste Services	Buy back centre operations – after the collapse of our contractor in 2016, Waste Services commenced operation of the buy backs (tip shops) in house with reduced hours and days so that the remaining time can be used for cleaning and restocking goods.	2016/17 and ongoing	Income averages about \$300,000 per year
City Services	Manager - Waste Services	All the above initiatives required additional staff, who can be used on more than one of the above activities, providing a flexible, efficient and productive workforce. The cost of staffing is offset by the income generated.		
Shoalhaven Water	Manager – Water Asset Planning & Development	Asset Management Improvements	2014	\$500,000
Shoalhaven Water	Manager – Water Asset Planning & Development	PPM	2017	\$200,000 (reduced consulting)
Shoalhaven Water	Manager – Water Asset Planning & Development	Capital Program Development	2018	\$200,000 reduced PM costs
Shoalhaven Water	Manager – Water Asset Planning & Development	Certificate of Compliance fee	2020	\$240,000 to date and \$140k ongoing
Shoalhaven Water	Manager – Water Asset Planning & Development	Hydraulic Modelling in house	2023	\$200,000 forecast savings
Shoalhaven Water	Manager – Water Asset Planning & Development	Water pressure certificates	2019	\$
Shoalhaven Water	Manager – Water Asset Planning & Development	Sewer STP Process Review	2023	\$200,000

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
Shoalhaven Water	Manager – Water Business Services	National water initiative – introduction of user pay principle – water usage charges	2007	Delayed need for capital project to increase capacity of supply
Shoalhaven Water	Manager – Water Business Services	Transition of Customers to electronic accounts reducing costs (Enotices)	2017	\$55k saving per year and increasing each year
Shoalhaven Water	Manager – Water Business Services	CX centralised Council service	2021	
Shoalhaven Water	Manager – Water Business Services	In house Meter reading saving from contract service	2024	Save \$300k per Annum
Shoalhaven Water	Manager – Water Business Services	Jervis Bay Territory water Supply	2024	\$145k additional income per year
Shoalhaven Water	Manager – Water Business Services	Jervis and Territory Sewer		TBC
Shoalhaven Water	Manager – Water Business Services	Manildra bulk water agreement	2024	\$400k additional each year \$1,200,000 total
Shoalhaven Water	Manager – Water Operations & Maintenance	IOT devices Pressure Sewer System		5
Shoalhaven Water	Manager – Water Operations & Maintenance	Jervis Bay Territory Operations and maintenance	2021	\$470,000 per annum
Shoalhaven Water	Manager – Water Operations & Maintenance	Trainee program	12	100000
City Performance	Manager - Business Assurance & Risk	Increase to all non-statutory fees in the Information Release space to offset costs and fund additional staff hours in that space	2021/22, 2022/23	19k per annum
City Performance	Manager - Business Assurance & Risk	Introduction of Infocouncil - improved efficiency across Council for report writing, authorisation, agenda collation, minute taking and publication to Council website. Impact is organisation wide and in the governance team has been used to offset increasing workload in other Governance tasks	2016/2017	Not known
City Performance	Manager - Business Assurance & Risk	SOLV injury system implementation – has allowed Council to meet increased levels of regulatory reporting requirements without impact on FTE.	22/23	Not known
City Performance	Manager - Business Assurance & Risk	Councillor Portal – streamlining g Councillor Expense payments and provision of information electronically to Councillors – reduction in printing costs	2020/2021	Not known

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Performance	Manager - Business Assurance & Risk	iFerret (IT Initiative) has improved quality and speed of locating documents in response to information release requests – this has allowed greater capacity within team without further FTE	2021/2022, 2022/ 2023	Not known
City Performance	Manager - Customer Experience	Facilities Bookings – transition to Customer Experience and system/process improvements	22/23	\$70K reduced costs from reducing headcount from 2 to 1 (reduction of fixed term)
City Performance	Manager - Customer Experience	Implementation of Contact Centre	21/22	Efficiency gain across Council, centralizing general enquiries and reducing customer contact for specialist departments. Headcount transferred to Contact Centre and additional efficiency savings reabsorbed into business units to focus on other specialist tasks.
City Performance	Manager - Customer Experience	Transfer of after-hours service from Well Done International to Oracle CMS in 2021	20/21	\$20K per annum saving
City Performance	Chief Financial Officer	Reduction of 1 procurement staff member through structural change (Ulladulla store from 2 to 1)	FY2015	\$80k annually
City Performance	Chief Financial Officer	Reduction of a further staff member by closing the sign shop (1 FTE retired and didn't replace)	FY2021	\$80k annually
City Performance	Chief Financial Officer	Changed to bulk gas	FY2021	\$25k annually
City Performance	Chief Financial Officer	Library book transferred managed internally instead of external courier	FY2021	\$10k annually
City Performance	Chief Financial Officer	Paying creditors through AMEX and receiving bonus points (cash in)	FY2021	\$80k annually
City Performance	Chief Financial Officer	Creation of store at Flinders to serve Shoalwater (reduced manually handling of stock)	FY2017	Hard to quantify
City Performance	Chief Financial Officer	Part year rating commence in FY2018 – required an extra staff member	FY2018	Approx \$500k annually
City Performance	Chief Financial Officer	Stopped the deferral of rates for pensioners	FY14	Didn't make additional rating income but did earn interest on the outstanding balance
City Performance	Chief Information Officer	OneCouncil Request Management Implementation	2022/23	\$60K in operating expenses - Reduction in Records Management - time processing correspondence which has been reallocated to other tasks within the team.
City Performance	Chief Information Officer	Implementation of Personal Development Plan (PDP) (Employee Performance system	2022/23	

Directorate	Responsible Manager	Efficiency or Productivity Initiative	Financial Year/s Implemented	Estimate of Increased Revenue or Reduced Costs
City Performance	Chief Information Officer	Implementation of Halo IT Service Management Tool (ITSM)	2022/23	\$30K in operating expense – Reduction in time processing service desk requests, as portal is now self-service.
City Performance	Chief Information Officer	Recontacting of the Mobile telecommunications contract	2021/22	\$300-\$350K reduction in mobile costs due to recontracting via the NSW Telecommunications Purchasing Agreement contract. Council was previously spending in the remit of \$650K for mobile services.
City Performance	Manager - People & Culture	Recruitment Software implemented	2015/2016	
City Performance	Manager - People & Culture	Time and attendance system implementation	2015/2016 Ongoing	
City Performance	Manager - People & Culture	Incident reporting system implemented	2022/2023	
City Performance	Manager - People & Culture	Performance Development Plan system implemented	2022/2023	
City Performance	Manager - People & Culture	Volunteer online Induction	2014/2015	
City Performance	Manager - People & Culture	Learning Management System implemented	2019/2020	

Appendix B – Future Identified Efficiencies and Productivity Improvements

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
Chief Executive Officer	Chief Internal Auditor	An independent 5-year quality assurance and improvement program (QAIP)	Opportunities to improve and value add to the function.
Chief Executive Officer	Chief Internal Auditor	Investment in data analytical tools such as Power BI etc.	Reduction in time spent in data analysis.
Chief Executive Officer	Chief Internal Auditor	Improvements to the audit recommendation /tasks tracking system.	Improved systems Better monitoring

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Development	Manager – Business Support	Ongoing provision of business support to Directorate Departments (outside of Development Services) would reduce time spent by professional staff undertaking admin tasks that could more efficiently and cost effectively be managed through the Business Support Department	Option to realign admin positions in Directorate and addition of 1 FTE Admin Officers to Business Support
City Development	Manager – Business Support	Ongoing review of business processes, systems, fee structures and operational reporting across the Directorate could directly result in increased revenue (Compliance; P&D Units; Environmental Services); reduced costs and increased administrative efficiency	
City Development	Manager – Business Support	Introduction of a single touch point Portal Team to manage prelodgement tasks for all applications lodged with Council through the NSW Planning Portal	
City Development	Manager – Business Support	Fast track the implementation of solutions to reduce dependence on Council's legacy systems	
City Development	Manager – Business Support	Improved reporting on internal referrals	
City Development	Manager – Business Support	Improved reporting following the introduction of OneCouncil Regulatory	
City Development	Manager - Certification & Compliance	Identification of relationships within Council and externally to focus on collaboration and process improvement.	Unknown
City Development	Manager - Certification & Compliance	Migrate iAuditor to OneCouncil forms – resources from business partners (Customer Identity Team & Business Systems) needed to support this project	Unquantified – approx. \$30 000
City Development	Manager - Certification & Compliance	Improvement of OneCouncil Request Management (Customer Identity Team) – assistance from business partner to workflows and ability to report easily for a variety of reports including the ¼ Compliance Report.	Unknown
City Development	Manager - Certification & Compliance	Increase to merchandise sales at Animal Shelter	Unknown
City Development	Manager - Certification & Compliance	Develop a structure for proactive work such as patrols and community education and enforcement projects.	Increased productivity
City Development	Manager - Certification & Compliance	Reducing animals surrendered or not reclaimed. Many requests to surrender are based on behaviour problems. Budget required to implement programs such as behaviour training and working advocates for problem areas such as rental properties and people going into aged care.	Unknown
City Development	Manager - Certification & Compliance	Create a Class 2-9 Building Specialist position to service Council needs and also offer such services to neighboring Councils given there is a shortage of specialist 2-9 accredited certifiers in rural NSW.	High level of customer service implemented
City Development	Manager - Certification & Compliance	Move to random inspections for Plumbing and Drainage similar to that undertaken by Fair Trading in the Sydney Region. For example, all future inaccessible inspections will be completed but others such as aerial drainage may be random.	Increased productivity

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Development	Manager - Certification & Compliance	All plumbing and drainage inspections (Including OSSM's) to be handed over to ShoalWater.	Relief on general fund
City Development	Manager - Certification & Compliance	Complete an inspection program to add commercial and industrial premises to the annual fire safety program. Each additional premises will attract an annual income of \$90 and there are approximately 4000 premises yet to be added to the list. This will add \$360K per year in perpetuity. Additional staff will be needed to fund the program.	Increased revenue and productivity approx. \$360 K per year
City Development	Manager - Certification & Compliance	Complete fire safety audits of commercial and industrial premises. This will create an income stream of \$1000.00 per property. It is possible to do 50 premises per year with an income of \$50K	Increased revenue and productivity approx. \$50K
City Development	Manager - Certification & Compliance	Compliance cost notices to be automated in TechOne to streamline the process of issuing invoices to clients. The appointment of Administration staff to the Compliance Team is crucial to have these invoices completed. The Administration position is to be regraded from Grade 5 to a Grade 7-9.	Increase productivity
City Development	Manager - Development Services	Street Tree and Infrastructure Bonds A briefing is to be held to ascertain Council's appetite for a bond regime for footpaths and street trees. These assets are often damaged by builders etc. and not replaced, leaving Council to fund the repair and maintenance. Other Councils have a regime whereby the developer pays a bond such as an amount per tree. The bond is returned after a maintenance period. Such a regime could include an inspection/admin fee. It is likely that this may result in a requirement for an addition position to inspect and administer.	Contingent on what Council adopts. Could be significant in the first year with an expected tapering off as people understand the impacts.
City Development	Manager - Environmental Services	Complete the transition to one IT platform across Council to reduce duplication of many processes/systems. I.e., DARTS, OneCouncil, Trim and the NSW Planning Portal. Using multiple systems increases service delivery time, and subsequently, revenue. In addition, it poses a reputational risk to Council and may also impoverish workplace culture.	Unknown
City Development	Manager - Environmental Services	Service station inspection program, checking compliance with Underground Petroleum Storage System Regulation which transferred from EPA to Councils.	\$20,000 income per annum
City Development	Manager - Environmental Services	Application of the food business administration fee to all 300 Low Risk food premises annually. Low Risk food premises need to be checked by Council staff, and this warrants an administration fee making these premises similar to all food premises.	Increase income proposed for 24/25 year.

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Development	Manager - Environmental Services	The rate of change in legislation and legal interpretation combined with increasing compliance activities often requires sourcing external legal advice and/or representation. Furthermore, environmental legislation in particular is very multifaceted and multi-disciplinary, leading to a greater need for legal interpretation. There is similarly an increase in costs for such legal fees. There is an increasing need for additional in-house legal support and guidance across all Council.	Unknown
City Development	Manager - Environmental Services	Improved support of Bushcare volunteers will increase the amount of effort spent to maintain and improve Natural Area reserves. Costs may increase slightly but leverages a larger amount of volunteer effort.	\$45,000 net additional labor effort (based on 50 more volunteers, working once per month, factoring in additional Bushcare Field Officer staff costs)
City Development	Manager - Environmental Services	Council has been involved in the Biodiversity Offset Scheme in the development of stewardship sites. These sites can offset impacts of Council's development activities (negating the need to buy credits from the market) and provides revenue to manage the stewardship sites. The opportunity is for Council to build its capacity in this area, by training staff and ensuring resources are available to deliver this complex work.	Increased revenue for managing reserves will depend on the number of sites and market prices for biodiversity credits.
City Futures	Manager - Corporate Performance & Reporting	Support Service Owners to undertake Business Improvement Reviews (service review program). Under current resourcing – intend to support 2-3 service reviews each FY	Review dependent
City Futures	Manager - Corporate Performance & Reporting	Business Process Management coordination & support to review current processes and identify opportunities for reengineering improvements (FY24/25 & beyond)	Process review dependent
City Futures	Economic Development Manager	This is a small team with minimal budget, no known efficiencies.	
City Futures	Manager - Strategic Planning	Preparation of a new Shoalhaven Land Use Planning Scheme	Unknown
City Futures	Manager - Strategic Planning	Preparation of a new Contributions scheme	Unknown
City Lifestyles	Manager - Art & Culture	Review lease agreements for building tenants Review revenue raised from hireable spaces and opportunities for a commercial / semi commercial hire and increased revenue	The benefit of this would be recognised by the asset custodian NOT Arts & Culture dept
City Lifestyles	Manager - Art & Culture	New Revenue Stream - Supporter Hub - Philanthropic and Fund-Raising database – proposal with ICT – linked to specific projects. Reduces A&C reliance on grant funding to deliver major projects	Estimated Yr \$10K, Yr2 \$15K, then \$20K to \$30K pa thereafter
City Lifestyles	Manager - Art & Culture	Installation of solar panels - reduce electricity costs	\$30K pa (after payback)

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager - Art & Culture	Service Agreement with Asset Custodian required to set out responsibilities and how the management and operations of the building is funded. Leased areas – revenue goes to asset custodian, however day to day operational costs associated with the entire building are borne by A&C Dept – eg electricity costs, water costs, cleaning costs etc.	
City Lifestyles	Manager - Community Connections	Internal Coordination of Council wide Community Grants Programs (e.g. Community Development, Arts Bd, Sports BD, Tourism, Heritage, Sustainability) through a dedicated role, streamlined systems and processes supported by a grant management system	Improved efficiency in staff time
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Establishing formal lease arrangements with community groups for the use of commercial and recreational buildings, which involves the collection of fees and the standardisation of interaction between Council and user groups.	\$20,000 p.a.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Establish a dedicated restricted asset fund dedicated to grant co contributions fast track and reduce the cost of asset renewals	Up to 50% of Asset renewal cost
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Re-establish a program of playground consolidation within each village	Cost savings estimated at \$100,000 P.A. in maintenance
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Review Council's ownership/custodianship of Community Land – parks. Consolidate with a view to selling or leasing some assets and utilising funds to effectively embellish and maintain remaining parkland. This will reduce maintenance of underutilised open spaces, which is a cost saving, and will maximise the effectiveness of high priority open space and community building assets. [Disclaimer: passive recreation spaces and pockets of remnant bushland do also have strong value. They provide people with relief from the built environment, lower ambient temperatures, improve air quality, act as a noise suppressant, provide habitat and contribute to local ecosystems. This action is to identify open spaces which have low value as active OR passive OR ecosystem spaces, and to investigate selling/ leasing those assets.]	T.B.A.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Review Community Infrastructure Strategic Plan and implement recommendations on provision of assets as per planning guidelines, including asset rationalisation and potential sale of assets, review of land – community land, potential for reclassification of land to enable sale of land	Council minute to not sell land / assets Potential – Millions in sales and reduction in operational costs
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Standardised designs for amenities building and toilets blocks / change rooms rather than bespoke designs for each location	Reduced design costs

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Greater transparency with clubs / sporting association / community groups who are requesting infrastructure upgrades to understand their ability to contribute to investment and upgrade in facilities	
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Future proofing new / upgrade / refurbished facilities with sustainable design principles incorporating energy efficient design, solar passive principles, rainwater harvesting, use of renewables, solar and batteries, sustainable materials, drainage, irrigation, turf species, planting schemes,	Whole of life financial modeling and design / capital build to reduce ongoing operational cost
City Lifestyles	Manager - Library Services	Replace current mobile library truck with a smaller library van – cheaper to purchase and run, more environmentally friendly	Difficult to estimate – reduction in capital expenditure for vehicle and lower operational costs
City Lifestyles	Manager - Library Services	Asset rationalisation – Closure and sale of Milton Library	Reduced operational costs of \$60K pa and sale of asset
City Lifestyles	Manager - Library Services	Review peppercorn rents for leased spaces to community groups and / or convert bac to hireable spaces for broader community	Increase in revenue
City Lifestyles	Manager - Library Services	24/7 libraries and or library vending machines or unstaffed libraries – services provided in smaller townships at existing community facilities / colocated / greater accessibility in smaller communities	Extension of services at negligible cost / greater activation of existing community assets – serviced through mobile library
City Lifestyles	Manager - Library Services	Greater transparency and reporting of fee reductions / support to both community groups and commercial hirers at UCC to demonstrate Councils investment to support these groups in accessing and using UCC. This is also an opportunity cost (revenue forgone) to UCC that goes unreported in Council's financial system yet has a direct impact on the centres budget performance	Greater transparency and reporting of fee reductions / support to both community groups and commercial hirers at UCC to demonstrate Councils investment to support these groups in accessing and using UCC. This is also an opportunity cost (revenue forgone) to UCC that goes unreported in Council's financial system yet has a direct impact on the centres budget performance
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Increasing technical team x 2 (national shortage of business critical skillset) – currently being engaged either through fixed term contracts or as casuals. Program demands indicate it would be more cost effective to convert this expense into permanent roles. This offers job security to trained and valued employees, ensure business continuity, reduces turnover and recruitment and training costs and subsequent adverse impacts on centre services levels and flow on effect to other staff thus reducing overtime too. Outlined in SEC Strat Plan	Business continuity/succession planning/risk reduction strategy approx \$12,000 in savings by having permanent staff rather than training a bank of casuals (2x38hrsx3x\$52.10 per hour onboarding/training costs)

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Support new Business/Philanthropy Officer and Audience Development/Community Engagement officer positions outlined in Strat Plan to diversify income, increase ticket sales	Captured in Strat Plan. Medium Growth Model sees Council subsidy reducing as a percentage of income in 2018/19 of 138.9% to 2026-27 98.5%. In the High Growth Model Council subsidy reduces as a percentage of income to 71.2 over the same period.
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Greater transparency and reporting of fee reductions / support to both community groups and commercial hirers at SEC to demonstrate Councils investment to support these groups in accessing and using SEC. This is also an opportunity cost (revenue forgone) to SEC that goes unreported in Council's financial system yet has a direct impact on the centres budget performance	Financial support /investment in use of SEC captured and reported ad part of SEC operations
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Establish a dedicated restricted asset fund dedicated to maintenance. This could be funded through the introduction of a spectator fee (currently no fee for children under 3 or non-swimming adults) based on 800k patrons per annum.	\$ 200,000 (Income)
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Opportunity to charge sports field fees	Increased revenue
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Move sole sporting users to a lease or license agreement – apply commercial fees to building leases rather than apply statutory minimum rent	Increased revenue \$10k per annum per facility
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Close village pools	\$400,000 net saving
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Close sea pools during winter season	\$50,000
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Need to leverage stakeholder investment in facility upgrades	High levels of expectations amongst stakeholders, however they fail to contrite – particularly financially – to capital investment and ongoing operational costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Fees and Charges for hire of sporting fields / infrastructure	Opportunity to introduce fees foe use of sporting facilities to assist in offsetting some of the costs to provide services e.g. sporting fields and floodlighting

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Inequity in charging fees for use at Council sporting facilities	Clubs on leases / licenses contribute in part to costs to provide facilities – eg Tennis clubs, hockey club etc, and sporting user groups using SSSF pools / indoor sports centre pay fees, however use of outdoor sporting fields are FOC.
City Services	Manager - Building Services	Align fire compliance measures under State contract – reduction in admin costs	
City Services	Manager - Building Services	Asset assessment and programing software – reduction in RM costs & produce AMPs	
City Services	Manager - Building Services	Formulating Service Level Agreements – define roles, improve efficiencies, reduction in RM costs	
City Services	Manager - Building Services	Greater roll out of PV solar projects	
City Services	Manager - Building Services	Better building management software upgrades	
City Services	Manager - Building Services	Automated lighting controls	
City Services	Manager - Building Services	Greater roll out of LED lighting	
City Services	Manager - Building Services	Consider conversion of LPG / Natural Gas to Electrical for HVAC plants.	
City Services	Manager - Building Services	Consider supplementary energy by use of renewable resources.	
City Services	Manager - Building Services	Upgrade corporate safety systems to meet business needs I.e. use of technology for online induction, sign on and relevant documentation. Maybe QR code system	
City Services	Manager - Building Services	Work Planning / Scheduling software system for OPEX programming	
City Services	Manager - Building Services	Programmed Maintenance Scheduler resource (Incl. Resource costing)	
City Services	Manager - Building Services	Review Property Portfolio to identify surplus assets for divestment.	
City Services	Manager - Building Services	Review Fee Waivers, Subsidies and Support Policy	
City Services	Manager - Building Services	Review Occupation of Council Owned and Managed Land Policy in particular the Rental Assessment Framework (RAF) used to determine concessions for community group rental amounts. Tighten criteria and application.	
City Services	Manager - Commercial Services	BER- PlotBox	\$33K
City Services	Manager - Commercial Services	BER - Diversify into Pet Cemetery Services & Funerary Transport Services	Unknown
City Services	Manager - Commercial Services	HH - Website – Improved functionality	\$60K
City Services	Manager - Commercial Services	HH - EV Charger on PowerHeads and in Parks in general	Still to be calculated
City Services	Manager - Commercial Services	FM - IVMS & Utilisation review of all assets	Reduction in fuel costs/insurance claims/asset count

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Services	Manager - Technical Services	Early involvement of Design Services to improve scoping of projects prior to grant applications, programming and estimation	\$2M per annum in avoided underfunding and project cost overruns
City Services	Manager - Waste Services	Rubber crumb plant – crumb rubber tyres, conveyor belting and other components for sale to asphalters and for use in Microfactorie™ tiles. Council received grant funding through the EPA for this project which should be complete by June 2024	Diversion of waste from landfill and income from sale of rubber crumb product
City Services	Manager - Waste Services	MRF (Materials Recovery Facility) – to sort materials in the comingled recycling bin. Currently transferring recyclables to a MRF in Sydney (transport cost alone about \$550,000/y). Tenders have been awarded for the construction of the MRF building and a separate contract for the design fabrication and installation of the sorting equipment with a high product purity specification.	Eliminate transport costs to Sydney. Income from: gate fee on accepting comingled materials; sales of product; access to full CDS returns
City Services	Manager - Waste Services	Mixed waste processing – the contractor for processing residual mixed waste (red lid garbage bin) has gone into liquidation. The future requires a resolution of Council on the pathway ahead. Mixed waste processing is a critical component to divert waste from landfill and preserve landfill airspace into the future.	Diversion of waste from landfill and potentially lower gate fee
City Services	Manager - Waste Services	Soft plastics processing – a potential extension to the MRF operation would be to develop a soft plastics processing option. These may include a physical process such as simply washing, flaking and/or pelletising the soft plastics that have been separated into their unique resin codes or it could be a chemical process to return the plastics to oils for remanufacturing new plastics.	Income from sales of materials
Shoalhaven Water	Manager – Water Asset Planning & Development	Jervis Bay Water Supply	\$180,000 annually
Shoalhaven Water	Manager – Water Asset Planning & Development	Jervis Bay Sewer Services	?
Shoalhaven Water	Manager – Water Asset Planning & Development	JBT Separate System Fee Water Supply	\$2,400,970 (\$905,200)
Shoalhaven Water	Manager – Water Asset Planning & Development	JBT Separate System Fee Sewerage services	(\$3,538,675) estimated
Shoalhaven Water	Manager – Water Asset Planning & Development	JBT trade waste charges	\$100,000
Shoalhaven Water	Manager – Water Asset Planning & Development	Water Treatment Process Review	\$100,000

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
Shoalhaven Water	Manager – Water Asset Planning & Development	Scheduled maintenance system development	\$100,000
Shoalhaven Water	Manager – Water Business Services	Audit of usage categories – resident v commercial activity	\$40K increase income
Shoalhaven Water	Manager – Water Business Services	Meter replacement program – aged assets under recording water usage – loss of revenue	\$50k increase income
Shoalhaven Water	Manager – Water Business Services	Business process automation – customer requests- reduced administration	
Shoalhaven Water	Manager – Water Business Services	Communication Towers – maximise revenue and potential capital investment to deliver ROI	\$100K increase in income
Shoalhaven Water	Manager – Water Business Services	Sale of land unpaid debts (deceased estate) Water and Rates - return of properties to market	
Shoalhaven Water	Manager – Water Business Services	SW Innovation and Business Improvement team – identify and deliver improvements across systems and processes	
Shoalhaven Water	Manager – Water Business Services	Short stay rental properties- charges at Commercial rates (LG NSW)	
Shoalhaven Water	Manager – Water Business Services	Audit of Water consumption High and Nil reads	
Shoalhaven Water	Manager – Water Business Services	Charging customers for REMS water	\$30k
Shoalhaven Water	Manager – Water Operations & Maintenance	IOT devices sewer system	10000
Shoalhaven Water	Manager – Water Operations & Maintenance	Jervis Bay Territory Operations and maintenance	615000
City Performance	Manager - Business Assurance & Risk	Reconsideration of Inhouse Legal Counsel support services – opportunities to offset external legal costs by increasing internal professional resourcing (this is not a model historically favoured by Council)	Impact across the Council is not known and would vary depending upon resourcing level of internal services
City Performance	Manager - Business Assurance & Risk	Council to remove or reduce Advisory Committee System (Currently there are 23 Community Advisory Committees and Boards) and instead focus on community engagement at strategy and project level when required. This is a change that has occurred over many years in other Councils	Up to -2 FTE in Governance and expected efficiencies in meeting reduction and related administration in report writing/ approval across the Council including executive.
City Performance	Manager - Customer Experience	iAuditor into OneCouncil – many council business units use a legacy system iAuditor to capture data in field. If we migrate this capture into OneCouncil we can reduce the annual spend on systems	\$60K p.a. reduction in costs

Directorate	Responsible Manager	Efficiency or Productivity Opportunity	Estimate of Increased Revenue or Reduced Costs
City Performance	Manager - Customer Experience	Standardise Request Management workflow and system-generated correspondence	Efficiency saving across business unit administration and increase in customer satisfaction due to consistent process
City Performance	Manager - Customer Experience	Review customer self-service options and implement improvements to digital offering	Reduction in phone call and email volume – cheaper processing of customer requests and enquiries.
City Performance	Chief Financial Officer	Creation of more supplier panels – reduce the number of tenders, better value for money, less administration	Hard to quantify
City Performance	Chief Financial Officer	Implementation of EB in the works system - better forecasting information (reduced overruns etc), less manually work required of Finance Business Partners	Hard to quantify – will be another 12-24mths until this is operational
City Performance	Chief Information Officer	Cloud migration of remaining on premise and bespoke systems to SaaS and IaaS – minimises technical complexity	\$100K per annum – removal of technical complexity, 1 x FTE reduction in IT in 2-3 years' time – reallocate resource to Corporate Information Systems team
City Performance	Chief Information Officer	Data and Information Management Review – digitisation of existing manual record keeping processes	\$100K per annum, 2 x FTE reduction in 2-3 years' time – reallocate to IS&T Projects
City Performance	Chief Information Officer	Recontracting of Internet and WAN links contract	Estimated \$60K - \$100K reduction in Corporate Link costs, which will be redirected to SDWAN or Microsoft Azure hosting.
City Performance	Manager - People & Culture	Move to OneCouncil recruitment module	Provide efficiency in the Onboarding process to allow the Senior Admin Officer to support the Manager as per JD. Efficiency for departments in the recruitment process.
City Performance	Manager - People & Culture	Increase in online training offering	Increase in training offering and potential reduction in cost of face to face training by internal and external providers. Currently lack of budget to support current training needs. This could assist in some of the gap in needs to budget.
City Performance	Manager - People & Culture	Online reference checks and background screening	Reduction in time for managers to undertake the checks. Managed centrally by recruitment officer. Reduced recruitment time. Fill vacancy more quickly.
City Performance	Manager - People & Culture	Fortnightly pays	Reduction in partial FTE after implementation.

APPENDIX F: NSW OFFICE OF LOCAL GOVERNMENT FINANCIAL SUSTAINABILITY INDICATORS

Ratio	Purpose	Benchmark
Operating performance ratio	This ratio measures Council's achievement of containing operating expenditure within operating revenue.	> 0.00%
Own source operating revenue	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	> 60.00%
Unrestricted current ratio	To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	> 1.50x
Debt service current ratio	This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.	> 2.00x
Rates and annual charges outstanding percentage	To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	< 10.00%
Cash expense cover ratio	This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	> 3.00 months
Buildings and infrastructure renewals ratio	To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	>= 100.00%
Infrastructure backlog ratio	This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	< 2.00%
Asset maintenance ratio	Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	> 100.00%
Cost to bring assets to agreed service level	This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	N/A

APPENDIX G: STRATEGIC ALIGNMENT & RESOURCING

AEC consulted with Shoalhaven City Council service managers to consider whether adequate resourcing is included in the supporting resourcing strategy; Asset Management Strategy (AMS), Long-Term Financial Plan (LTFP) and Workforce Plan (WFP) to deliver on the service requirements as outlined in the DPOP and other plans and strategies.

Service managers were asked to list the relevant strategies and plans and outline concerns with resourcing the implementation of the strategies and plans.

The table below summarises the number of strategies and plans identified by the relevant services. Appendix A provides the list of strategies and plans identified.

Directorate	Strategies & Plans
Chief Executive Officer	4
City Development	21
City Futures	16
City Lifestyles	36
City Performance	13
City Services	23
Shoalhaven Water	14
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OPERATIONAL BUDGET TO RESOURCE THE STRATEGIES & PLANS

Through the process, service managers were also requested to review the net cost of their services and request changes to their service forecast that will assist them to deliver to the stated strategies and plans.

Below is a summary of income and expenditure as requested by the departmental service managers over and above what was highlighted in the 10-year forecast.

The net result of the requested changes was an additional \$16.38 million in 2024/25 and an average of \$11.80 million over the 10-year assessment period.

INCOME	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Rates and Annual Charges	704	1,416	2,630	2,685	3,122	3,493	4,030	4,327	4,802	5,479
User Charges and Fees	3,804	4,604	7,665	9,919	11,779	13,393	15,265	18,549	20,494	21,794
Other Revenues	3,981	3,793	3,595	3,537	3,480	3,524	3,567	3,611	3,655	3,764
Grants and Contributions provided for Operating Purposes	724	724	724	724	724	724	724	724	724	724
Interest and Investment Revenue	-	-	-	-	-	-	-	-	-	-
Other income	47	72	64	64	62	62	59	59	57	57
TOTAL INCOME	9,260	10,609	14,678	16,929	19,167	21,196	23,645	27,270	29,732	31,818

EXPENSE	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Employee Costs	16,547	19,080	20,059	19,810	20,110	20,206	20,422	21,707	21,875	21,995
Materials and Services	8,490	9,121	10,108	10,560	12,522	11,625	12,150	12,491	13,943	13,211
Borrowing Cost	63	47	154	124	111	99	87	74	62	50
Depreciation	-	-	-	-	-	-	-	-	-	-
Other Expenses	540	540	540	540	540	540	540	540	540	540
TOTAL EXPENSE	25,640	28,787	30,861	31,034	33,282	32,470	33,198	34,812	36,419	35,796

OPERATING RESULT SURPLUS/(DEFICIT)	(16,380)	(18,178)	(16,183)	(14,105)	(14,115)	(11,274)	(9,553)	(7,542)	(6,687)	(3,978)
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Appendix A – Strategies and Plans and Supporting Resourcing

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
Chief Executive Officer	Chief Internal Auditor	Internal Audit Plan (3 year rolling plan, revised annually)	Co-source internal audit model. 1.6 FTE with 2 audits outsourced annually.
Chief Executive Officer	Chief Internal Auditor	ARIC annual workplan	
Chief Executive Officer	Chief Internal Auditor	ARIC and Internal Audit Charter	
Chief Executive Officer	Manager - Media & Communications	Shoalhaven Community Engagement Strategy	A community engagement framework will be developed to support the strategy, that will determine additional resources
City Development	Manager – Business Support	NSW Planning Portal & ePlanning strategy	The Business Support Portal Team was established to undertake pre-vetting applications – currently only resourced to prevet DAs; service could be expanded with resourcing to create a single touch point for all Applicants/Application types to increase efficiency and improve customer experience.
City Development	Manager – Business Support	ICT Strategy	Ongoing digitisation of the Planning process and development of the NSW Planning Portal will drive continuous re configuration (systems) work to achieve integration of the Portal with Council's solutions. Constant portal developments impact the capability of the Council's systems to support business transformation. Ongoing development of reporting tools is required to drive use of data as a strategic asset.
City Development	Manager - Certification & Compliance	Development of Standard Operating Procedures for Ranger Services Unit	SOPs remain a live document and continue support by staff to update and amend as they develop.
City Development	Manager - Certification & Compliance	Business Plans for DA Assessment, Certification, Compliance and Rangers Unit	Continued support by staff to update, review and implement plans.
City Development	Manager - Certification & Compliance	Stakeholder Management Plan	??????
City Development	Manager - Certification & Compliance	LEP/DCP	Guiding planning and development principals for both certification and complying and development and development audit /regulation
City Development	Manager - Certification & Compliance	Compliance and Enforcement Policy	Guides the risk-based approach to resourcing required for compliance and enforcement matters under relevant NSW legislation
City Development	Manager - Certification & Compliance	Dog Off Leash Policy	Guides Councils approach to dog off leash areas required to be enforced by Rangers

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Development	Manager - Certification & Compliance	Parking Control	Guides Councils approach to regulate parking arrangements in accordance with the Nowra CBD parking study (2015)
City Development	Manager - Certification & Compliance	Regional Illegal Dumping MOU	Outlines financial and resourcing contributions to meet State program objectives
City Development	Manager - Certification & Compliance	Swimming Pool Program	To systematically inspect private and commercial properties
City Development	Manager - Development Services	State planning legislation inclusive of Local Environmental Plans and subordinate development control plans and policies.	The rate of change in legislation and legal interpretation often requires the provision of legal advice. The changing demographics and resultant community expectations may result in policies not be contemporary or commensurate with community expectations. There is the potential for increased litigation. Complex policies, outdated policies, difficult and protracted assessments may trigger deemed refusal appeals.
City Development	Manager - Development Services	NSW Planning Portal & ePlanning	A new Portal team has been established (see Business Support). The production of determination notices in the Portal has impacted on the ability to issue a prompt determination notice. The Department's changes to the Portal impact on Council processes and procedures. These changes can affect processing and delivery of determination notices as well as systems within Council.
City Development	Manager - Development Services	Stakeholder Management Plan	Overarching strategic document guiding our engagement our stakeholders relevant to the Industry.
City Development	Manager - Environmental Services	Coastal Zone Management Plan (CZMP) – prepared and adopted under the Coastal Protection Act 1979 (repealed)	There are currently three (3) FTE in the Coastal Management Unit to deliver the CZMP actions. These resources are actively involved in the development of the CMPs in preparation for adoption.
City Development	Manager - Environmental Services	Coastal Management Programs (CMP) – currently being developed in accordance with the Coastal Management Act 2016 (NSW)	As the team transitions from CZMP to CMPs, the resource and budgeting requirements will increase by a significant order of magnitude. Internal resources will at least need to double to enable Stage 5 CMP implementation as Council's commitment through the CMP legislative process. Associated Council budgets will also need to significantly increasingly.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Development	Manager - Environmental Services	Floodplain Risk Management Program – additional studies currently being prepared in accordance with the NSW Flood Risk Management Manual (2023) and Floodprone Land Policy.	As the team completes a Floodplain Risk Management Study and Floodplain Risk Management Plan for a number of high flood risk and previously unstudied catchments, resourcing and budgeting requirements will need to increase in order to implement mitigation measures from existing and ongoing flood investigations in order to reduce the current, future and residual flood risk to the Shoalhaven community as far as reasonably practicable.
City Development	Manager - Environmental Services	NSW Planning Portal	The NSW Planning Portal impacts upon Council's processes and procedures. The processing, assessment and determinations in the Portal has impacted on the ability to issue prompt customer service and resulted in duplication of systems. The Portal requires careful integration with Council's existing systems which are already going through a major change.
City Development	Manager - Environmental Services	Natural Areas Plans of Management including: generic plans for Crown Land (draft); generic plan for Council-owned land (2016, in need of review); and site-specific plans of management (Bawley Point 1996, Berrara Creek 2006, Crookhaven Headland 2006, Grays Beach and The Grotto 2004, Mahogany Creek 1999) all in need of review/retirement).	There is currently a lack of resources to revise these plans of management. There is one full-time Natural Areas Coordinator, and we are currently initiating a casual position to assist with day-to-day operational activities. However, this position will largely be reliant on grant funding. An additional full-time permanent operational position would enable the coordinator to, over time, undertake the strategic work required. These plans will include the support of Bushcare which is currently delivered by Council, under existing Policy and Procedures. Additional resources are being sought to continue to deliver this program, where volunteers (around 700 are currently registered) undertake asset improvement works for Natural Areas.
City Development	Manager - Environmental Services	Pest Animal Plan	A consultant is currently assisting with the development of a pest animal plan to determine strategies for pest animal management activities on Council-managed land. There are currently no funds identified to implement this work.
City Development	Manager - Environmental Services	NSW Government Regulations and Policies	A range of state and federal policy and legislated requirements must be carried out by local government as the appropriate regulatory authority and must be resourced.

SHOALHAVEN CITY COUNCIL – FINANCIAL SUSTAINABILITY REVIEW

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Futures	Manager - Corporate Performance & Reporting	A number of "proposed" strategies / plans were identified by the organisation through the development of the Local Strategic Planning Statement 2040	<p>Flagging that the financial/workforce requirements for future development of any proposed strategies will need Organisational / Council endorsement and inclusion on a Strategy development roadmap.</p> <p>There is not currently consistent inclusion of forward budget for strategy development in the LTFP across the organisation.</p>
City Futures	Economic Development Manager	Economic Development Strategy	This is a wholistic strategy currently very under resourced.
City Futures	Economic Development Manager	Regional Economic Strategy – Shoalhaven	Whole of region strategy, cross government responsibility
City Futures	Economic Development Manager	Employment Land Strategy	This is a wholistic strategy currently very under resourced.
City Futures	Manager - Strategic Planning	Local Strategic Planning Statement	No additional resources required for implementation,
City Futures	Manager - Strategic Planning	Shoalhaven Affordable Housing Strategy	Review is currently underway and being resourced via grant funding. No additional resources required.
City Futures	Manager - Strategic Planning	Nowra Bomaderry Structure Plan	All require review which is subject to endorsement of Council (New Shoalhaven Land Use Planning Scheme). Additional resources will be required, possibly an additional 3 planners.
City Futures	Manager - Strategic Planning	Growth Management Strategy	
City Futures	Manager - Strategic Planning	Shoalhaven Housing Strategy	
City Futures	Manager - Strategic Planning	Jervis Bay Settlement Strategy	
City Futures	Manager - Strategic Planning	Sussex Inlet Strategy	
City Futures	Manager - Strategic Planning	Milton Ulladulla Structure Plan	
City Futures	Manager - Strategic Planning	Shoalhaven Heritage Strategy	Need for additional heritage planner resources. Refer to workplace change and proposed new Urban Design and Heritage Planner Position.
City Futures	Manager – Tourism	Destination Management Plan	Currently resourced in operational plans
City Futures	Director – City Futures / Strategic Property Manager / Principal Traffic Engineer	Property Strategy – 2017/18	This strategy is out of date. A new strategic property approach is to be developed and endorsed by Council.
City Futures	Director – City Futures / Strategic Property Manager / Principal Traffic Engineer	PAMP – Pedestrian and Mobility Plan	This strategy is under development and not funded, includes range of footpath projects across the city, delivery would cost significant financial commitment over the next years.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager - Arts & Culture	Shoalhaven Regional Gallery Strategic Plan 2024-2027 (Draft)	Plan outlines intent to grow our audience engagement through public programs – recommendation to move casual staff to part time roles to deliver goal. Intent to move away from the current high volume of community shows – impact on revenue received through the “Gallery for hire” model (\$4,000 in 22/23)
City Lifestyles	Manager - Arts & Culture	Gallery Visioning Project (Draft)	Outlines community vision for a new regional gallery – new build
City Lifestyles	Manager - Community Connections	Disability Inclusion Action Plan (DIAP)	Community Connections is responsible for ongoing monitoring and annual reporting to the Disability Council NSW. The Unit is also responsible (through Social Planning) for updating the plan every 4 years. This is a mandatory plan. Within the DIAP Action Plan, the team have a number of unfunded actions which will require the team to request funds through the budget bidding process. There are no funds identified to update the plan (2025/26) which will require significant community engagement.
City Lifestyles	Manager - Community Connections	Community Wellbeing Plan	Community Connections is responsible for ongoing monitoring of the plan and provides advice to Council teams on how to use the plan. The Strategy will require updating at least every 10 years. The team has a number of actions in the Community Wellbeing Plan Action Plan. Most actions are incorporated in ongoing business as usual activity however some will require funding which will be achieved through grant applications or internal budget reviews / budget bids.
City Lifestyles	Manager - Community Connections	Crime Prevention Plan	Community Connections is responsible for the ongoing monitoring of the plan and updating the plan. This plan is due to be updated in the 2023/2024 financial year, however this is currently unfunded.
City Lifestyles	Manager - Community Connections	Adaptation Plan	Community Connections has two actions within the Adaptation Plan that can be incorporated into business as usual.
City Lifestyles	Manager - Community Connections	Reconciliation Action Plan	This strategic document is currently being developed but it is anticipated that there will be substantial actions in the document for the CC team. There is currently no implementation fund identified, nor funds for updating the plan in 2 years time.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Community Infrastructure Strategic Plan (CISP)	The Plan makes recommendations for the future provision, priorities and funding of community infrastructure at local, district and regional levels. The current CISP is outdated. A review process is commencing in 2023-4 however is underfunded. Implementing the CISP will require filling the currently vacant Strategic Asset Officer FTE and changing the current fixed term Project Officer OS&RP into a permanent FTE role. Funding required to implement the plan is \$250,000 (Some funding of \$50,000 is allocated in the 2023-4 DPOP). It won't be until the plan is implemented that Council will have an understanding of the ongoing planning, design and capital costs for the LGA.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Plans of Management x11 to be developed: General Community Use; Parks; Sportsgrounds; Green Street Ulladulla; Lady Denman Reserve; Ulladulla Cemetery; Ulladulla Rotary Park; Berry Showground; Kangaroo Valley Showground (Osbourne Park); Milton Showground; Nowra Showground.	These are the currently identified Plans of Management to be developed. More may follow as the CISP process unfolds. Implementation of the Plans of Management requires significant staff resourcing and attention, which is managed in priority along with projects listed in the DPOP and with new incoming enquiries. An additional Project Officer resource would assist in expediting the Plans of Management.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Masterplans – Scarp, MSG, KVSG, BSG, NSG	A review of the overall SCArP Masterplan, prior to commencing detailed design for Northern SCArP, has commenced. Budgeting is tight: project management has been allocated to Council's Building and Landscape Services, who will manage a process to engage an external consultant.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Dogs Policy - Signage	The Access Areas for Dogs Policy has recently been reviewed, with consultation results to be reported to Council September 2023. Subsequently, a review of all current Access Area for Dogs Signage will be undertaken across the LGA. This project involves travel to many sites, meticulous attention to detail to ensure accuracy for the many varieties of sign, and liaison with key internal stakeholders to ensure currency with dogs access prohibitions.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Community Gardens Policy	Enquiries about the use of Community Land to feature community gardens, plus storage sheds and associated amenities has been received. In conjunction with the CISP review, an assessment for such needs across the community will need to be undertaken.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Plaques & Memorials	
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Community Driven Projects Policy	Council receives enquiries from local community organisations and groups of people who are keen to fund raise or apply for grants in order to develop community facilities and/ or outdoor recreation spaces. It is important to support this enthusiasm and community spirit, yet to maintain equitable service provision across the LGA, adhere to Council's procurement policy and minimise disputes between different groups. This is a much-needed policy, as the complexity of negotiating such issues has been increasing with community efforts following the floods, fires and COVID. Complex issues are involved so this investigation will involve considerable staff resourcing, including a new FTE Open Space and Recreation Planning Community Engagement Officer, plus additional FTE as noted above.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	10-year program of works/project plan (for social infrastructure renewals, replacement, capital infrastructure, compliance updates supported by the CISP)	Implementation of this advanced planning will require significant time investment from the currently vacant position - Strategic Asset Officer, plus from the Lead – Open Space and Recreation Planning.
City Lifestyles	Manager – Recreational Projects Planning & Delivery	Policy to review the retention of Council's open space assets (see Efficiency and Productivity Opportunities below)	The current outdated CISP cites an overprovision of open space assets within Shoalhaven LGA. The existing CISP cites an under-embellishment and underusage of many of these open spaces. Some of these spaces have strong value to the local residential community, to the local environment and ecosystem, and as a destination to attract tourists to the Shoalhaven, thus supporting our local economy. However, some of these open space assets are potentially being maintained and resourced by Council with little return value. While the existing CISP identified that the continuation of some Open Space assets needs to be reviewed, substantive progress has not been made due to under-resourcing. The currently vacant Strategic Asset Officer position may undertake this task following the CISP review, however additional FTE staff are needed for the volume and complexity of this work as noted above.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager - Library Services	Shoalhaven Libraries Strategic Plan 2021	This is the current strategic plan that has been completed – resourcing for this plan has been factored into the current budget
City Lifestyles	Manager - Library Services	Draft Shoalhaven Libraries Strategic Plan (2023 – 2026)	<p>This is Shoalhaven Libraries' new strategic plan, which will be presented to Council next month – this plan includes information regarding:</p> <ul style="list-style-type: none"> • The new Sanctuary Point Library project, which will deliver a new library for the community to replace the current undersized library in the Bay & Basin Area, this new building will require a larger operational and capital budget to operate and maintain (see below). • A mobile library that is required to replace the current aged truck – capital funding sits with Fleet and is resourced, and operational costs will be provided from the current library budget.
City Lifestyles	Manager - Library Services	Draft Sanctuary Point Library Operating Plan	This document provides information on the collection, staffing, maintenance and financial costs for the new library – it is not yet factored into Council's resourcing strategy
City Lifestyles	Manager - Library Services	Ulladulla Civic Centre Asset Management Plan (2017)	This document needs to be reviewed and updated; however, it is the latest AMP we have for the venue. It is not funded, and there is no dedicated capital budget for the Centre.
City Lifestyles	Manager - Library Services	Draft Shoalhaven Libraries Local Heritage Strategic Plan	This document is currently a work in progress. This will be funded from the library operational budget.
City Lifestyles	Manager - Shoalhaven Entertainment Centre	SEC Strategic Business & Marketing Plan 2023-2028 (Final draft in preparation)	Workforce Plan: 5 additional full-time staff: 1xEFT Business and Philanthropy Officer; 1xEFT Audience Development/Community Engagement Officer; 2 x EFT theatre technicians, 1xEFT administrator (Approximately \$500,000 per annum)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Masterplan	\$65,000 (estimated)
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Asset Management Plan (Building)	The 10 year average: \$810,000 per annum (Report commissioned in 2018 D18/57574) Not funded.
City Lifestyles	Manager - Shoalhaven Entertainment Centre	Asset Management Plan (Fit-out)	Catering; technical, fit-out inventory renewal and replacement average p.a. \$335,000 per annum. Not funded.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager - Shoalhaven Entertainment Centre	LTFP	Captured in Strat Plan. Medium Growth Model sees Council subsidy reducing as a percentage of income in 2018/19 of 138.9% to 2026-27 98.5%. In the High Growth Model Council subsidy reduces as a percentage of income to 71.2 over the same period.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Current Shoalhaven Swim Sport Fitness Business 2016 – 2020	
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Draft Shoalhaven Swim Sport Fitness Business Plan 2023 – 2028	<p>The revised Shoalhaven Swim Sport Fitness (SSF) Department Business Plan was borne out of the major structural change that the department underwent in May 2021 when Shoalhaven City Council moved to an Asset Custodian model.</p> <p>With the addition of 53 assets including Sporting Precincts, Showgrounds and Destination Park's, the department found itself in need of a new Business Plan that not only reflects the new structure, but also recognises the expectations that as Asset Custodians, SSF have to improve service provision for the Shoalhaven community. The development of the 2023 SSSF Business Plan has captured the new position of SSSF within the Council and community landscape, providing analysis and recommendations for the department to continue on it's improvement and refinement journey. The process undertaken to develop the 2023 SSSF Business Plan was consultative within the department at senior and middle management level and developed the following new Vision Statement and Mission/Principles for Future Direction to help guide SSSF in the coming years.</p>
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Precinct Manual	Sets out the service and maintenance information for Shoalhaven Swim Sport Fitness Precincts.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Artie Smith Draft Management Plan	Sets out the provisions for operations for the newly constructed Artie Smith Oval.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Management Committee Guidelines	<p>The guidelines provide a comprehensive guide on the responsibilities, functions and operations of community facilities.</p> <p>The Management Committee Guidelines also clarify Council's and the Committee Members role in this partnership.</p>

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Sportsground Policy	The purpose of the Sportsground Policy is to provide policy guidance for the management of Council's sportsgrounds.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Capital Works Program	Defines the capital replacement and renewal needs of Shoalhaven Swim Sport Fitness facilities over a 10-year program.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Long Term Financial Plan	
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Asset Management Plan	Is the comprehensive process to ensure the delivery of services for infrastructure are provided in a financially sustainable manner. The Asset Management Plan details information about Shoalhaven Swim Sport Fitness service and the associated infrastructure needs.
City Lifestyles	Manager - Shoalhaven Swim Sport Fitness	Master Plans (various)	Nowra Showground Master Plan Paringa Park Master Plan Marriot Park Master Plan Shoalhaven Heads Landscape Master Plan Regional Sports and Community Precinct Master Planning study (SCaRP) Ulladulla Sports Park Master Plan Titania Park Master Plan
City Services	Manager - Building Services	Community Buildings AMP 2023 Public Amenities AMP 2022	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Building Services	Forecast remaining AMP categories	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Building Services	Community Infrastructure Strategic Plan 2017 - 2036	Community consultation, planning, Capital works delivery
City Services	Manager - Building Services	Future Works Program - part of Community Infrastructure Strategic Plan 2017 - 2036	Community consultation, planning, Capital works delivery
City Services	Manager - Building Services	DPOP 2023/24	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Building Services	Asset Management Strategy	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Building Services	Asset Management Policy	
City Services	Manager - Building Services	Community Strategic Plan	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Building Services	10-year Capital Plan	Capital works delivery
City Services	Manager - Building Services	355 Management Committee Guidelines	Operations and resource levels
City Services	Manager - Building Services	Service Level Agreements	Operations and Maintenance, asset renewal, disposal and growth

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Services	Manager - Building Services	Resourcing Strategy 2022 - 2026	Operations and Maintenance, asset renewal, disposal and growth
City Services	Manager - Commercial Services	FM - IVMS - (Previously known as GPS)	Safety review & asset utilisation. Scope all operational vehicles, including leaseback. Supports fleet replacement planning, utilisation reviews, electrification needs, WHS obligations, requires additional headcount
City Services	Manager - Commercial Services	FM - Replacement Programs	Visibility of replacement & workforce to plan acquisitions
City Services	Manager - Commercial Services	BER - New Chapel & Office Space	Outdated facility no longer meeting community expectations or capacities and additional funding required
City Services	Manager - Commercial Services	BER - Compliance with CCNSW Licensing requirements starting 2024	Additional funding and headcount required to meet minimum requirements
City Services	Manager - Commercial Services	BER - Competitors (Cremations)	Revise pricing to remain competitive within current market, to recognise competitors' facilities within the market.
City Services	Manager - Commercial Services	HH - PoM & Concept Plans	Budget to implement PoM & Concept Plans with additional resources to administer the delivery of concept plans.
City Services	Manager - Commercial Services	Marketing Plans, AMP, BP	Additional resource in the marketing team, AMP and business plan and funding to deliver the AMP and business plan.
City Services	Manager - Waste Services	Waste Services Business Plan 2022	It is noted that the new Materials Recovery Facility (MRF) will be operational in July 2024, requiring additional staffing, plant and equipment. The cost of these resources will be offset by the additional income received at the facility.
City Services	Manager - Waste Services	Waste Services Asset Management Plan 2022 - Yet to be adopted by Council	Incorporated into the Annual Operational Budget
City Services	Manager - Waste Services	Waste Reduction Management Strategy 2022-2027	Future processing of mixed residual waste (red bin) has been delayed due to a contractor insolvency. It is anticipated that a new process will be available within 5 years. The basis of a contract with the technology provider is likely to be Council paying a gate fee for every tonne of waste delivered, which is likely to be lower than the landfill gate fee.
City Services	Manager - Waste Services	Long Term Financial Plan 2022	
Shoalhaven Water	Manager – Water Asset Planning & Development	Water Asset Management Plan	Asset Management functions are under-resourced and require additional resources to manage the asset data, scheduled maintenance, and asset accounting functions.
Shoalhaven Water	Manager – Water Asset Planning & Development	Wastewater Asset Management Plan	Asset Management functions are under-resourced and require additional resources to manage the asset data, scheduled maintenance, and asset accounting functions.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
Shoalhaven Water	Manager – Water Asset Planning & Development	Sewer and Water Strategies and Models	Funding for capital works delivery will be impacted once new strategies are developed as cost escalations will flow through to the LTFFP.
Shoalhaven Water	Manager – Water Asset Planning & Development	Asset Management Strategy	The AM Strategy requires updates and increases to the ratios in line with OLG expectations. These increases will impact capital works funding and execution.
Shoalhaven Water	Manager – Water Asset Planning & Development	Development Servicing Plans	Current Draft DSP's due to be released later this year however costings for some projects may be under par due to old data from 2016 Strategies.
Shoalhaven Water	Manager – Water Asset Planning & Development	Customer Service Plan	The increased level of service for Customer First program has not been assessed against overall workload or resourcing requirements.
Shoalhaven Water	Manager – Water Asset Planning & Development	New Regulatory and Assurance Framework	THE New regulatory and assurance framework, implemented by the Department of Primary Industry and Environment places more onus on LWU to demonstrate strategic planning. The full cost implication of managing this new framework and the implication of changes to the dividend payment structures is not yet known.
Shoalhaven Water	Manager – Water Asset Planning & Development	Strategic Business Plan	
Shoalhaven Water	Manager – Water Business Services	Customer Service Plan	Customer service levels and response times, rebates and financial assistance
Shoalhaven Water	Manager – Water Business Services	Long term financial plan	Maximise revenue while balance support for community experiencing financial stress through Payment Assistance Scheme (PAS) - additional staff to proactively manage debts and early engagement of customers facing financial stress
Shoalhaven Water	Manager – Water Business Services	Drought Management plan	Reduced revenue from decreased water consumption
Shoalhaven Water	Manager – Water Business Services	Strategic Business Plan	
Shoalhaven Water	Manager – Water Operations & Maintenance	Dam Safety and Emergency Management Plans	Operational costs for reporting and survey
Shoalhaven Water	Manager – Water Operations & Maintenance	Water Quality Management Plan	Operational costs to provide quality of service
City Performance	Manager - Business Assurance & Risk	Privacy Management Plan	No resourcing provided for education of all staff to continue adherence with plan requirements
City Performance	Manager - Business Assurance & Risk	Fraud and Corruption Prevention Policy	No resourcing provided for the establishment and implementation of a Fraud and Corruption framework for the Council as an entity (refer to identified strategic risks below)

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Performance	Manager - Customer Experience	Customer First Programme	Developing a customer centric culture at Shoalhaven City Council. Currently the programme is resourced with the Customer Experience Manager only, which does not allow the projects to work at pace. This programme requires Business Analysts and Project Officers to deliver council-wide results. Requests for this operational project funding where not able to be accommodated in the 23/24 budget year.
City Performance	Manager - Customer Experience	Bookable phase 3 implementation	Project is in 23/24 DPOP but no operational funds were provided to deliver the project. Requires one Project Officer for 12 months.
City Performance	Chief Financial Officer	Delivery Program and Operational Plan	<p>No additional resources required in the finance team to prepare and implement the DPOP.</p> <p>However, under the IP&R framework, the DPOP should be budgeted by action. Council current chart of accounts is not appropriately set up to allow for this. Investment would need to be made to restructure the chart in order to budget and report actuals, by action. This would require the assistance of consultants and Finance has no consultant budget. Estimated cost \$40k (have built an increase in consultants into Workbook E – increase over 3 years FY25, 26 and 27).</p>
City Performance	Chief Financial Officer	Long Term Financial Plan	<p>Council is lacking the skill set to prepare, and revise the LTFP, on an annually basis. Council needs to implement a software solution to enable a live LTFP model to be established.</p> <p>Resources needed – Software solution such as the LGS offering (\$30k annual subscription), staff to prepare, monitor and report on the revised LTFP on a quarterly basis as part of the Quarterly Budget Review – estimated about 0.25 FTE on top of current resources (approx \$25k annually)</p> <p>Have built into Workbook D and additional; FTE in the budget team. This role would manage the LTFP ongoing, and would also manage the ISJO accounting (currently done by an unfunded temp position)</p>
City Performance	Chief Information Officer	Resourcing Strategy – Information Communications Technology Strategy	The Information Communications Technology Strategy will be implemented through the Information Services Capital and Operational budget.

Directorate	Responsible Manager	Current Plans & Strategies	Impact on Resourcing to implement Strategy/Plan
City Performance	Manager - People & Culture	Workforce Management Strategy 2022-2026	2 FTE in HR required (HR Project Manager and Recruitment Officer) and 1 FTE for Training
City Performance	Manager - People & Culture	Equal Employment Opportunity Management Plan 2022-2025	Included in above additional FTE
City Performance	Manager - People & Culture	Disability & Inclusion Action Plan	Included in above additional FTE
City Performance	Manager - People & Culture	Work Health Safety & Injury Management Strategic Plan 2022-2025	1 additional FTE required in WHS (WHS Officer)
City Performance	Manager - People & Culture	Delivery Program and Operational Plan	No additional resources required
City Performance	Manager - People & Culture	Child Safe Standards	No additional resources required however need to determine where this responsibility sits (People & Culture or Community Connections). A child safe delegate to be appointed within current resources.

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