

## Shoalhaven City Council (SCC)

### Observations and Concerns re General Fund Viability

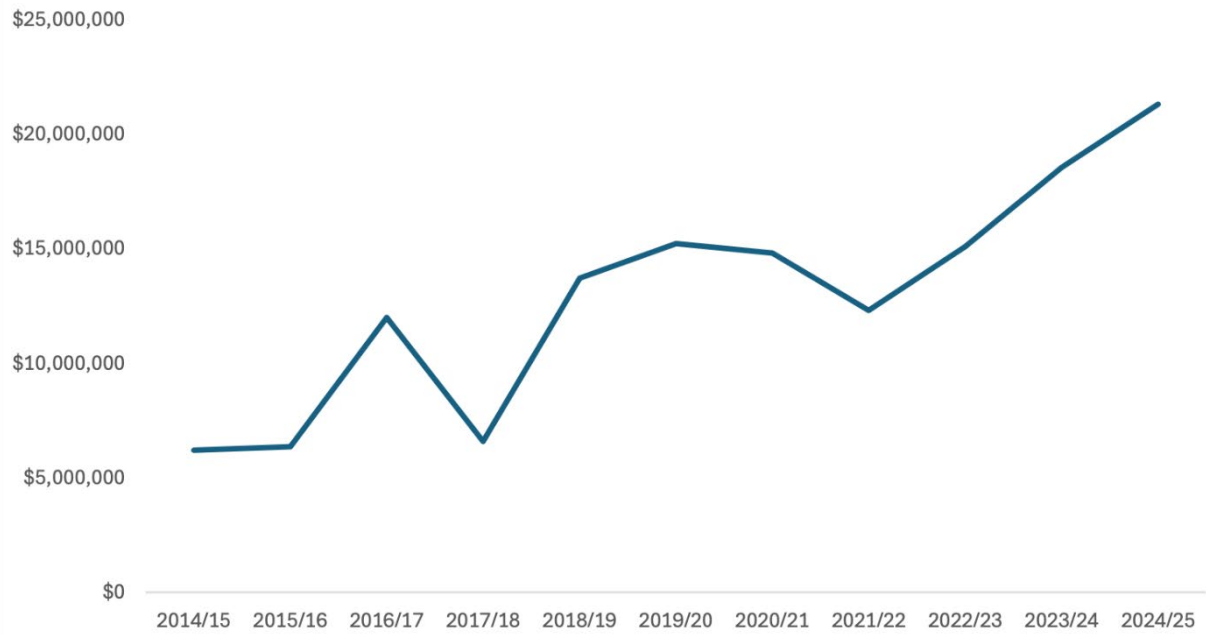
1. Key costs as a percentage of rates income –
  - Employee costs as a % of rates have increased from 67% in 2020 to **79%** in 2025.
  - Employee costs & loan repayments together have increased from 83% to **95%**.After corrections, employee costs are **82%** and employee costs/ loan repayments are **99%**.
2. To secure cash to meet imminent debt repayment obligations, SCC is now forced to sell long-held assets at potentially whatever price is offered, regardless of true value.
3. Analysis of future cash flows, based on the limited information provided, identifies a potential cumulative shortfall of around \$70m from General Fund operations (after loan repayments) over a 5-year period.
4. The accelerating increase in employee costs and loan repayments, together with the frantic search for cash as the cashflow shortfalls mount, would indicate that the financial viability of SCC's General Fund is unsustainable without immediate radical changes in operations.



### Employee Costs as a % of Rates Income



### Loan Repayments



General Fund	2024			2025 Budget	
	2022	2023	Budget	SCC	Adjusted
Rates & charges	\$107	\$116	\$121	\$129.3	\$127.4
User fees	54	67	68	71.7	71.7
Grants opex	34	31	35	22.5	22.5
Interest & investment Rev	1	5	4	5.9	3.1
Other income	5	6	5	5.0	5.0
Internal Rev less Exps		11	11	11.6	9.1
Gain from asset sales	4.8	0	0	6.1	6.1
<b>Total Income</b>	<b>\$206</b>	<b>\$235</b>	<b>\$245</b>	<b>\$252.1</b>	<b>\$245</b>
Employee costs	82	84 <sup>89</sup>	\$91 <sup>95</sup>	\$102.0	\$104.7
Materials & services	67	98	90	85.9	85.9
Depreciation	54	56	62	64.5	64.5
Borrowing costs	2	3	4	4.8	4.8
Other	18	19	17	20.2	20.2
<b>Total Expenses</b>	<b>\$224</b>	<b>\$260</b>	<b>\$264</b>	<b>\$277.4</b>	<b>\$280.1</b>
<b>Net Operating Result</b>	<b>-\$18.1</b>	<b>-\$25.1</b>	<b>-\$19.6</b>	<b>-\$25.3</b>	<b>-\$35.2</b>

<b>Rates</b>					
General Fund	\$107	\$116	\$121	\$129.3	\$127.4
Water Fund	5	5	5	8.7	8.7
Sewer Fund	48	50	52	55.1	55.1
Consolidated	\$160	\$170	\$178	\$193.1	\$191.2
<b>Employee Costs</b>					
General Fund	\$82	\$90	\$91 <sup>?</sup>	\$102.0	\$104.7
Water Fund	8	8.6	9.2	12.5	9.8
Sewer Fund	11.3	11.5	11.9	12.2	12.2
Consolidated	<b>\$102</b>	<b>\$110</b>	<b>\$112</b>	<b>\$126.7</b>	<b>\$126.7</b>
Capitalised costs	10	9		7.0	7.0
Total	<b>\$112</b>	<b>\$119</b>		<b>\$133.7</b>	<b>\$133.7</b>
<b>Materials &amp; Svcs (Consolidated)</b>					
Contractors & consultants	\$46	\$63			
Raw materials/consumbls	15	21			
Other	29	34			
Total	<b>\$90</b>	<b>\$118</b>	<b>\$110</b>	<b>\$109</b>	

**The 2025 General Fund net operating deficit of \$25m is potentially undersated by \$10m**

- > Rates - 2024 total of \$121m + 4.5%, plus \$1.1m for 3.4% increase in cost of waste red bins = \$127.4m
- > Interest & investment income overstated by \$2.8m
- > Internal transfers 'surplus' of \$2.5m is not real income
- > Abnormal 36% increase in Water Fund employee costs may conceal \$2.7m increase in GF costs.
- > Water Fund budget increase of 74% is not explained by 25% increase in meter charge.