



Finance Strategy
2024-28

Eurobodalla
Shire Council

Acknowledgment of Country

Eurobodalla Shire Council recognises Aboriginal people as the original inhabitants and custodians of all land and water in the Eurobodalla and respects their enduring cultural and spiritual connection to it. Eurobodalla Shire Council acknowledges the Traditional Owners of the land in which we live. Council pays respect to Elders past, present and future.

How to contact us

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Eurobodalla Shire Council – Finance Strategy

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Executive Summary

Eurobodalla Shire Council's Finance Strategy 2024-28 (The Strategy) aims to achieve and maintain the financial resilience of Council and minimise the impact of unknown events or events outside the control of Council.

The Strategy has three strategic themes:

1. Financial resilience
2. Prudent asset management
3. Accountability

These themes are supported by 12 priority actions and deliverables to track progress.

The actions outlined in The Strategy aim to provide and maintain Council's existing levels of service to the community. These outcomes are consistent with the aspirations and activities identified in the Community Strategic Plan (Our Eurobodalla 2042) and Delivery Program 2022-26. Development of The Strategy is a key action in Council's Operational Plan 2023-24.

Some of the actions in The Strategy may require consideration of operations and policies. Any changes to existing services or service levels will not occur without having appropriate conversations and engagement with the community.

The Strategy does not focus on any one functional service area or fund of Council and applies an organisational approach to addressing the challenges of financial resilience.

Action List

Legend

CARS: Community, Arts and Recreation Services

FACS: Finance and Corporate Services

GM: General Manager

IS: Infrastructure Services

PSS: Planning and Sustainability Services

| # | Action | Summary | Directorate | Timeline |
|----|-----------------------------------|--|-------------|---------------|
| 1 | Cash Reserves | A review of existing internal and external cash reserves. | FACS | March 2024 |
| 2 | Property Strategy | A review of current property holdings comparing future service and revenue potential with short term divestment opportunities. | PSS | March 2024 |
| 3 | Budget Reset 2023 | Council wide 'reset' of the 2024 Operational Plan Budget targeting 10% ongoing cash savings. | FACS | March 2024 |
| 4 | Borrowings | A review of existing loans by value, time remaining, purpose and eligibility for payout. | FACS | March 2024 |
| 5 | Capital Program Review | A review of the capital works program for the next four years. | IS | Ongoing |
| 6 | Major Projects Governance | Establishment of a project management function. | GM | December 2025 |
| 7 | Procurement Training & Framework | Targeted training in procurement and contract management. | FACS | June 2024 |
| 8 | Bay Pavilions Sustainability Plan | Develop and implement a Sustainability Plan for the Bay Pavilions. | CARS | Ongoing |
| 9 | Grants Strategy | A review of the current approach to grants and advocacy. | GM | December 2023 |
| 10 | Processes | Assess if any administrative or other processes are being duplicated. | FACS | June 2025 |
| 11 | Financial Transparency | Improved financial reporting and community engagement. | FACS | Ongoing |
| 12 | Risk Framework | Develop a risk management framework. | FACS | June 2024 |

Background

In late 2022 Council undertook an independent financial health check. The financial health check identified that Council was planning for large future operating deficits, increasing levels of debt and a work program that stretched resources.

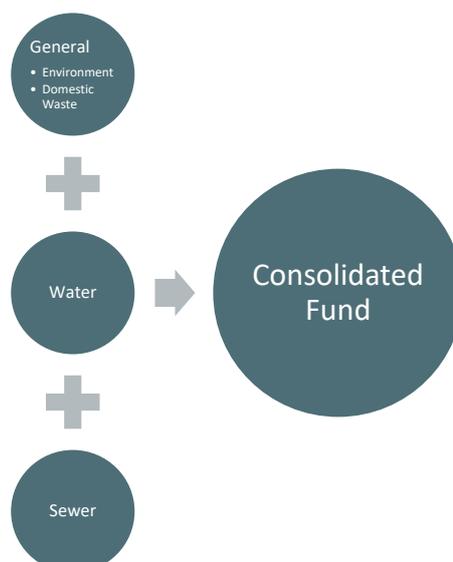
Many councils in NSW are struggling to maintain financial sustainability and provide essential services and infrastructure to their communities; Eurobodalla Shire Council is no exception.

The Audit Office of NSW 2023 report on financial management and governance in MidCoast Council states

“Effective financial management is important in ensuring that councils achieve their long-term objectives, remain financially viable and deliver intended benefits to the community”.

Eurobodalla Shire Council is a local authority regulated by the Local Government Act 1993. For reporting purposes Council currently operates three separate funds:

- General
- Water
- Sewer



From a consolidated (all three funds) perspective, Council has achieved reasonably good results in terms of its annual performance measures and meeting the benchmarks set by the Office of Local Government (OLG), however, for Council's general fund the trend emerging is a pattern outside of the benchmark in these performance measures. This highlights Council's sensitivity to any shocks or unknown events outside the control of Council.

SWOT Analysis

A critical stage in developing The Strategy was to gauge Council's current financial position and determine what works well for Council and where there is room for improvement from both an internal and external perspective. The SWOT (strengths, weaknesses, opportunities, and threats) analysis allowed actions to be developed by leveraging Council's strengths and minimising risk.

Whilst Council may have broader influences that impact on its ability to deliver services or operate effectively as an organisation, this SWOT analysis focuses on the factors that are, or could contribute to the three outcomes of The Strategy (financial resilience, prudent asset management, accountability).

| | | |
|----------|--|---|
| Internal | Strengths | Weaknesses |
| | <ul style="list-style-type: none"> • New corporate directorate • Internal restrictions • Skilled workforce • Audit, Risk and Improvement Committee • Appetite for strategic improvement across the organisation | <ul style="list-style-type: none"> • Existing debt levels • Multi-service business structure • Lack of project management framework • Lack of accountability • Asset rich, income poor • Unrestricted cash levels |
| External | Opportunities | Threats |
| | <ul style="list-style-type: none"> • Growth in population • Grant funding for existing projects and services | <ul style="list-style-type: none"> • Rate pegging • Natural disasters • Inflation • Reliance on grant funding • Legislative obligations with conflicting timelines • Compliance burden • Cost shifting from federal and state government |

Legislative Context

NSW councils have legislative obligations around financial management principles that are outlined in [Section 8B of the Local Government Act 1993](#)

Council has a [Fiscal Responsibility Policy](#) to ensure that reasonable financial health and sustainability is maintained. This policy outlines the guiding principles to be applied in the preparation of annual budget and long-term strategic documents and financial reports.

Each year Council develops its operational plan that sets out the annual activities Council will undertake to achieve the vision and goals outlined in the [Community Strategic Plan – Our Eurobodalla 2042](#). The Resourcing Strategy identifies the resources (money, assets, and people) required to deliver on these identified actions and activities. The Resourcing Strategy includes the [10-year long term financial plan \(LTFP\)](#).

The Strategy seeks to outline Council's current financial resilience challenges and short-term actions to address these challenges. It will set the tone for how Council does business. The Strategy will assist in developing processes and structures that will underpin decision making, at the same time ensuring decision making and reporting is transparent. It is intended as a tool to remediate the current financial situation and address the current financial challenges of Council. It does not seek to replace the LTFP, Fiscal Responsibility Policy or other relevant policies.

Achievements

Since February 2023 Council has taken several steps towards addressing its current financial challenges including:

- ✓ Reduced the 2023-24 general fund deficit from \$13.6 million to \$11 million through reprioritisation of work and utilising grant funds for existing programmed works and services.
- ✓ Negotiated with grant funding bodies (as required) for extensions to grant funding arrangements to deliver reprogrammed capital works.
- ✓ Revised the organisational structure to create a new Finance and Corporate Services Directorate.
- ✓ Limited new borrowings to projects that provide long term service benefits, as opposed to borrowings for business-as-usual expenditure.
- ✓ A strategic workshop of Councillors and senior staff was held in March 2023. The focus of the workshop was to gain a clearer understanding of the financial position and challenges.
- ✓ Three community briefings were held in May 2023 to inform and educate the community about Council's financial position, followed in June by briefings for Council staff.

Strategic Theme One – Financial Resilience

Achieving and sustaining key performance benchmarks that ensure Council’s ability to cope with financial shock or unplanned events.

Sometimes referred to as fiscal flexibility, financial resilience means striking the right balance between planning for today and for the future.

The OLG sets several measures and performance benchmarks, two of which are measures for this strategic theme:

Operating Performance Ratio: measures how well Council contains operating expenditure within operating revenue.

Own Source Operating Revenue Ratio: measures Council’s fiscal flexibility and the degree to which it relies on external funding.

Council’s general fund has failed to achieve the benchmark operating performance ratio in two of the last five years (see appendix 1). In addition to this, Council has projected general fund operating losses in all outer years of the LTFP.

Council failed to achieve the benchmark of 60% own source operating revenue ratio in the last three years. This is also the trend for the consolidated fund (see appendix 2).

Council maintains a pool of unrestricted cash as a mechanism to address the risk of any unplanned events, however this pool has reduced over time (see appendix 3).

The actions in The Strategy that strive to turn around Council’s performance against these benchmarks are:

| # | Action | Outcome | Measure |
|----|--|---|--|
| 1 | A review of existing internal and external cash reserves. | Formally document the intended purpose and calculation methods for cash reserves. Outline the agreed direction with respect to the extent of reserves required for strategic purposes and goals of Council. | A cash reserves policy developed and adopted. |
| 3 | Council wide 'reset' of the 2024 Operational Plan Budget targeting 10% ongoing cash savings. | Clearer understanding of the cost of delivering Council services. Efficiencies in the method of delivery of Council services. | Net \$2 million improvement in operating result. A program developed for scheduled service reviews. |
| 4 | A review of existing loans by value, time remaining, purpose and eligibility for payout. | Minimise the reliance on debt funding and decrease borrowing costs. | General fund borrowings reduced by \$12 million by 2027. |
| 8 | Develop and implement a Sustainability Plan for the Bay Pavilions. | A greater return on investment at the Bay Pavilions. | Sustainability plan developed and actions implemented. |
| 10 | Assess if any administrative or other processes are being duplicated. | Cost reduction where resources are doubling up on the same processes. | Reduction in administrative overheads. |
| 12 | Develop a risk management framework. | A structured approach to handling uncertainties that can impact Council. | Risk Management Framework developed. |

Strategic Theme Two – Prudent Asset Management

Council’s long term financial plans and annual budgets are developed so that strategic priorities and services are delivered to meet community needs now and in the future.

Council is responsible for maintaining \$1.6 billion of critical community infrastructure assets. Management of these assets is key to meeting Council’s strategic goals within its Integrated Planning and Reporting Framework. Developing an achievable program of works that includes an adequate level of asset renewal will minimise risk, maintain the service potential of the assets and minimise maintenance costs and depreciation expense.

The OLG’s infrastructure backlog is a measure for this strategic theme:

Infrastructure Backlog Ratio: measures the estimated cost to bring assets to satisfactory standard as a proportion of the net carrying amount of infrastructure assets.

Council has not met the benchmark for the infrastructure backlog ratio in any of the funds. If Council continues to grow its infrastructure base and not address the backlog the margin between the benchmark will grow further (see appendix 4).

Council has more recently set unrealistic capital works programs resulting in significant carry forward spends, increasing from an average of \$5 million prior to 2020 to \$32.5 million and \$34.2 million in 2021 and 2022 respectively.

The ongoing operating deficits identified in the previous theme further inhibit Council’s ability to maintain and renew assets into the future to meet community needs.

The actions in The Strategy that address the infrastructure backlog and significant risk and cost that comes from a large capital works program are:

| # | Action | Outcome | Measure |
|---|---|---|---|
| 2 | A review of current property holdings comparing future service and revenue potential with short term divestment opportunities | Assets held meet the strategic objectives of the Council. | Property Strategy developed and presented to Council. |
| 5 | A review of the capital works program for the next four years. | Council funds are appropriately directed towards capital projects that align to the strategic goals for the Council. | Realistic, achievable capital works program with the Delivery Plan. |
| 6 | Establishment of a project management function. | Project objectives and deliverables are completed on time and within budget maintaining transparency, governance and minimising risk. | Project management function formalised in Council's structure. |

Strategic Theme Three – Accountability

Sound decision making is supported by good governance and information flow.

Good governance is essential for Council to achieve its objectives and ensure continuous improvement. The scale of Council’s budget and the exposure to risk and influences outside the control of the Council highlight the importance of transparency, accountability, and good governance in decision making.

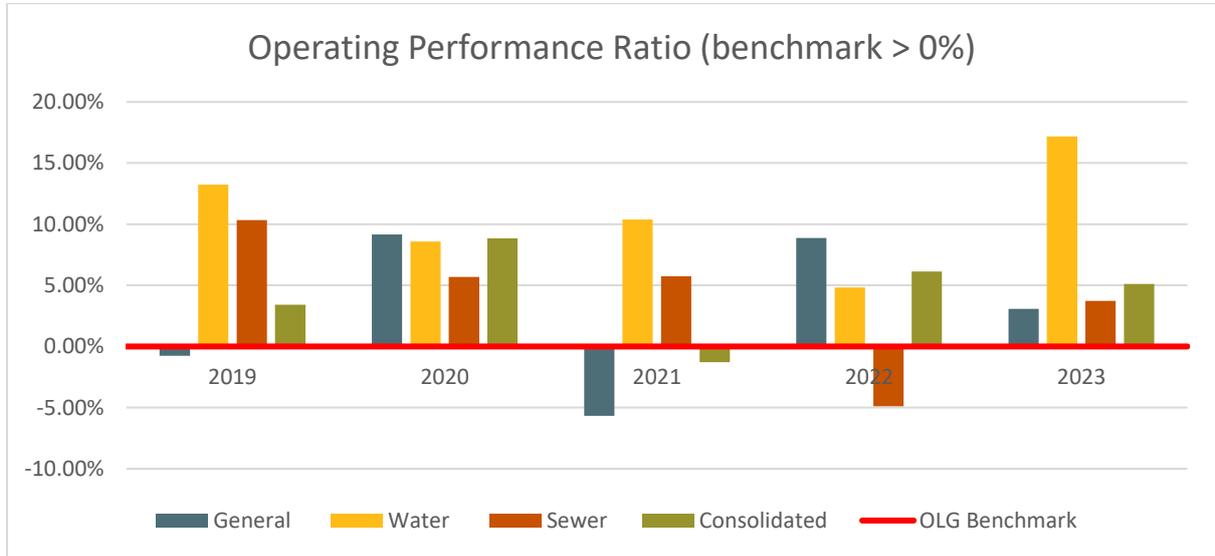
The financial health check identified that in some instances financial reporting to Council was less than transparent. A “lack of project management framework” and “lack of accountability” were also identified in the SWOT analysis.

The actions in The Strategy that address the reporting deficiencies and project management governance issues are:

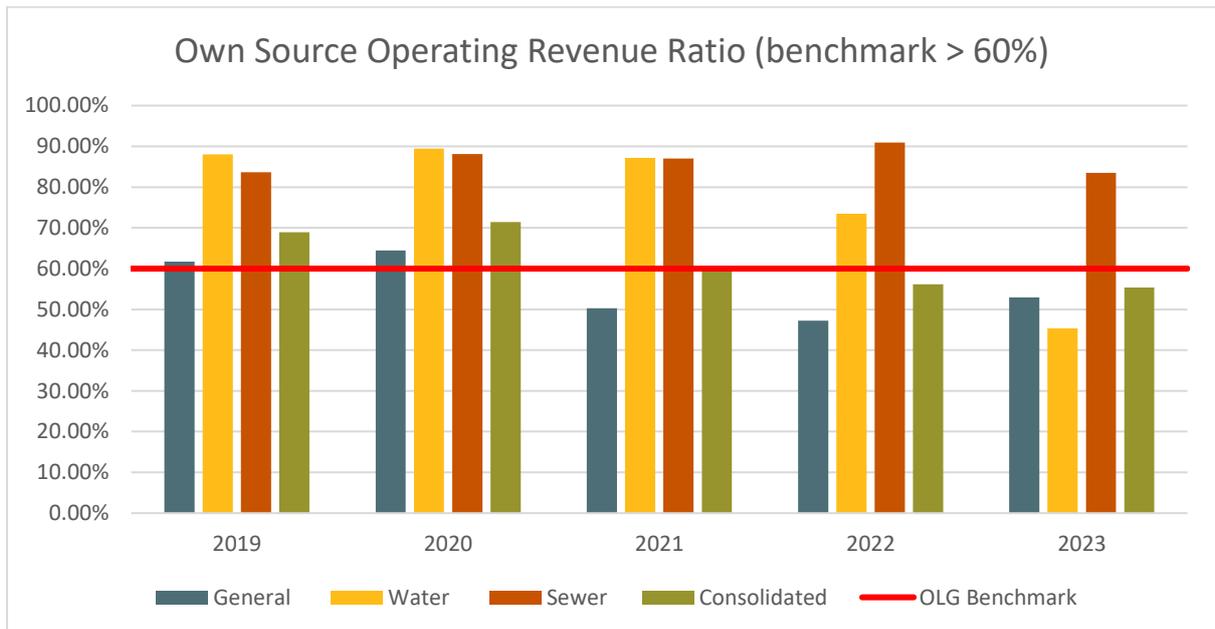
| # | Action | Outcome | Measure |
|----|---|---|--|
| 7 | Targeted training in procurement and contract management. | Council spending is undertaken in a fair, equitable, transparent manner that upholds value for money. | Training program implemented and delivered. |
| 9 | A review of the current approach to grants and advocacy. | Formalise how and when Council seeks and applies for grant funding for capital and programmed projects and their impact on staff resourcing, ongoing maintenance, and depreciation. | Grants Strategy developed. |
| 11 | Improved financial reporting and community engagement. | Better understand the factors impacting on Council’s overall financial performance and improve performance monitoring | Workshops and engagement with the Community. |

Appendices

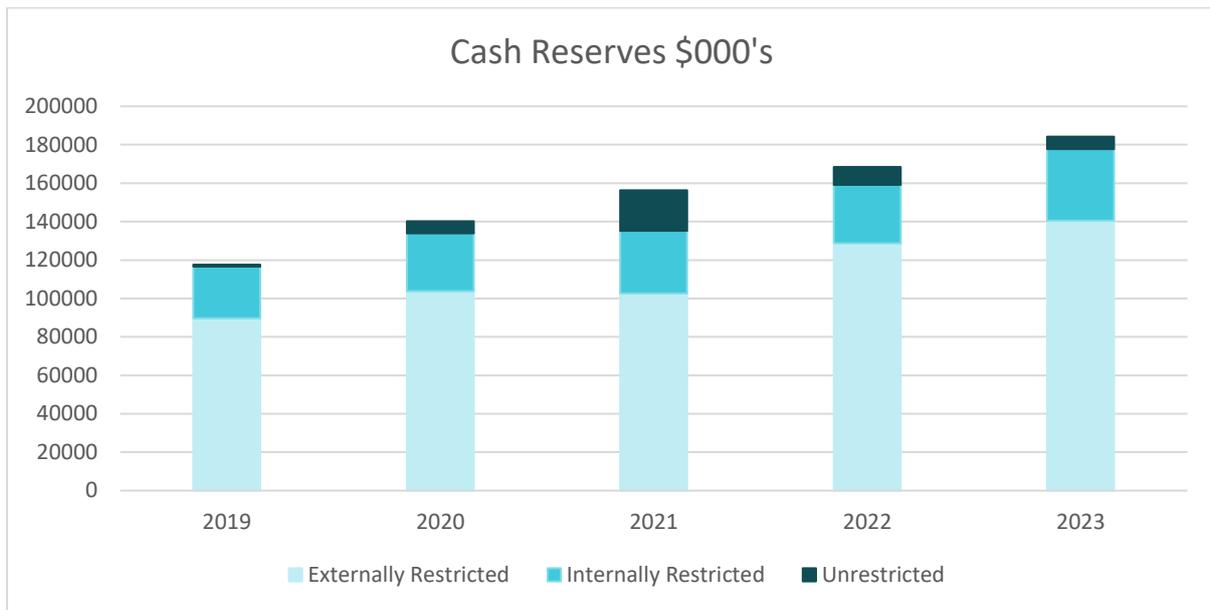
Appendix 1



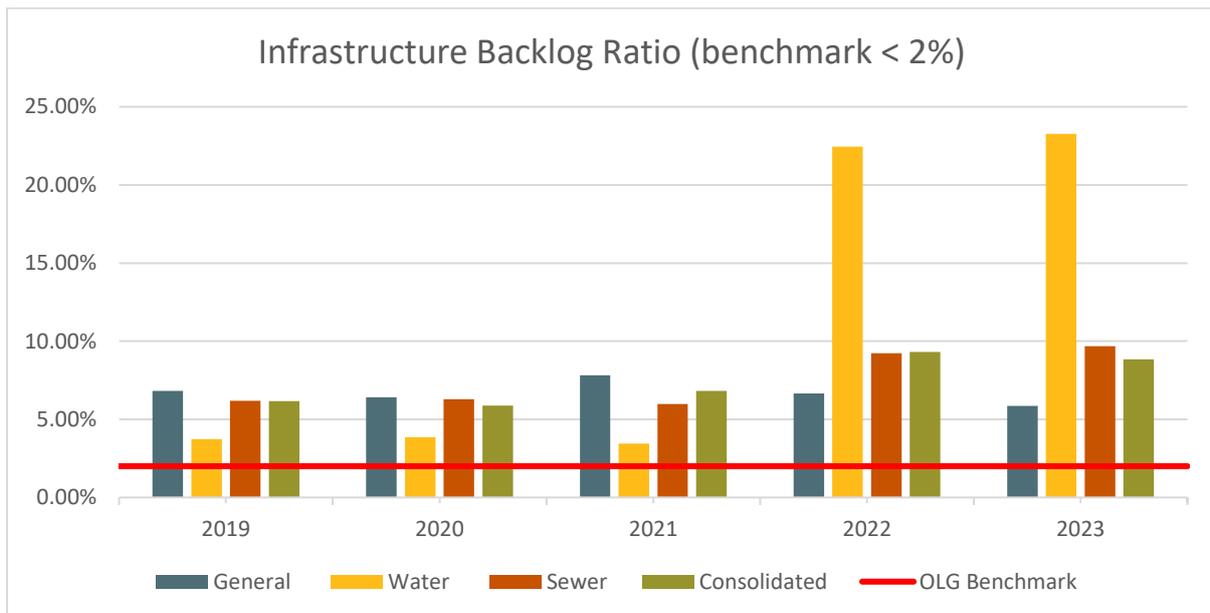
Appendix 2



Appendix 3



Appendix 4

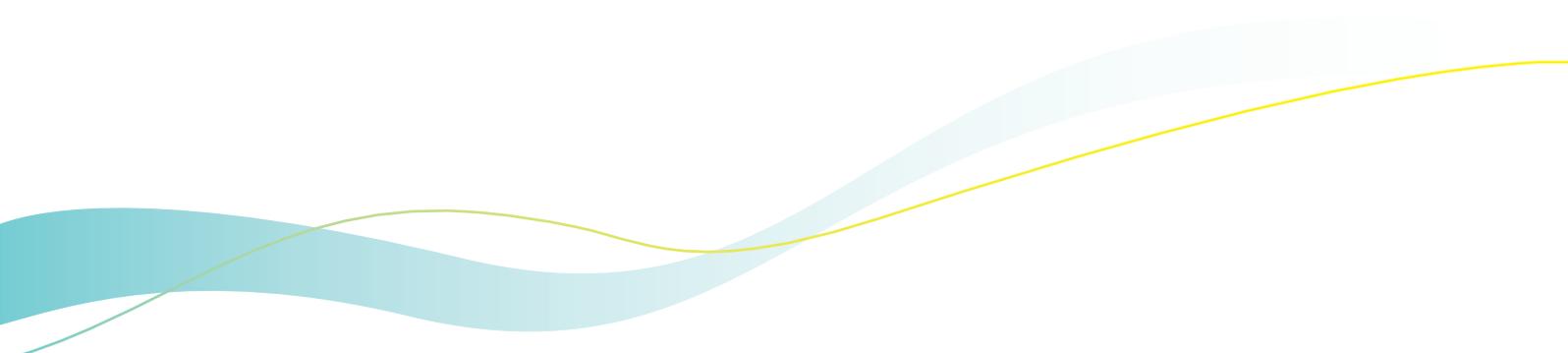


Related links

[ESC Delivery Program 2022-2026 & Operational Plan 2023-2024](#)

[ESC 2023-24 10 Year Long Term Financial Plan](#)

[ESC Annual Financial Statements for the year ended 30 June 2023](#)



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