

Good Afternoon Mr Mayor & Councillors,

The purpose of this email is to provide all Councillors additional information relating to Agenda 10.11 - Quarterly Budget Review and Operational Plan Status, with particular reference to the recommended deferral of specific Water and Sewer fund projects.

It is important to note that these recommended capital works program deferrals are a crucial part of the revised LTFP financial modelling underway which aims to ensure that sufficient cash funding capacity is available in the respective Water & Sewer funds to allow the key priority projects to proceed (ie Cowarra WTP and Thrumster WWTP).

Key points to note:

1. These recommended deferrals are the result of a joint effort from the Water & Sewer and Finance teams over the last few months to reprofile the 10 year capital works program in the Water and Sewer funds to address the Long Term Financial Plan (LTFP) insolvent position of these funds which was forecasted in the LTFP update in August presented to Council.
2. The reprofiled capital works program (with the approval of the deferrals) is forecasted to support the full funding of the priority projects, Cowarra & Thrumster, through a mix of reserves, revenues and borrowings and is projected to provide sufficient cash funding to service the borrowings.
3. Even with the deferrals, the cash funding of the Water and Sewer funds is extremely tight and also assumes no Water or Sewer dividends being paid for the foreseeable future into the General Fund.
4. The revised Water and Sewer funds LTFP, and the borrowings flagged to support Cowarra and Thrumster, are projected to not only exhaust current Water and Sewer reserves, which was already a known, but will most likely exhaust what would be an acceptable use of our borrowing capacity in order to deliver these projects. It should be noted that we also need to hold some borrowing capacity for potential project delivery costs that may be in excess of current expectations, which may become evident through the tender process.
5. The projects requested for deferral either have no, or an acceptable minimal, impact on infrastructure which supports growth. Prioritising Cowarra & Thrumster projects will ensure focus on those key projects which have the most significant impact on supporting growth.
6. The approval of the deferrals does not preclude the deferred projects from being reprofiled to earlier years in the future should any funding capacity become available, and they meet strategic priorities to do so. This would be managed through future annual updates of the LTFP.
7. The recommendation to Council to defer these projects does not tie Council a specific works program view at this point of the IP&R development cycle, but it does allow procurement for Thrumster and Cowarra to proceed given the projected cash positions of the Water & Sewer funds having been revised from the insolvent position reported in the LTFP in August.

8. Final approval of the works program would come later in June 2025 when the whole suite of IP&R documents and LTFP are adopted by Council. There will be multiple IP&R and budget briefings over the next 5 months or so to articulate the decisions/reasonings/options that are incorporated within the new LTFP. The key focus of the LTFP updates will be to provide the plan and options that will allow the key projects to be delivered, noting that Council will not have the financial capacity to deliver everything it may wish to.

Implications of the deferrals not being supported by Council:

9. Without the approval of these deferrals, the Director of Business & Performance cannot support the commencement of the procurement process for Cowarra & Thrumster given the LTFP position of the Water & Sewer funds would remain as insolvent, indicating that these projects are not affordable. The procurement process is very close to being ready to go.
10. This will also create uncertainty in our LTFP development as part of the Resourcing Strategy which is on a very tight schedule. The first key part of this was to resolve the insolvent position of the Water and Sewer funds, whilst enabling the key projects to proceed, before considering the residual funding issues and options within the General Fund.

Specific information relating to projects recommended for deferral:

The Water & Sewer team have provided the below to provide details on the individual project deferrals and how they may or may not impact supporting growth:

Out of the 13 projects identified for deferral, the 8 listed below are not related to supporting growth, but rather are asset renewals projects:

- WAS 09 Water Network Planning - Trunk Mains Upgrade- Chalmers St (O'Briens)
- WAS 12 Water Network Planning - Trunk Mains Upgrade- Yarramundi Rd Trunk Mains
- WAS 21 Water Network Planning - Transit Hill Reservoir instrumentation, pipework and valves renewal
- WAW 09 Wastewater Network - Reticulation Mains and Rising Mains - Camden Haven Sewer Pump Station (SPS) #11 - Rising main renewal works
- WAW 10 Wastewater Network - Reticulation Mains and Rising Mains - Camden Haven Sewer Pump Station (SPS) #15 - Rising main renewal works
- WAW 21 Wastewater Network - Reticulation Mains and Rising Mains - Camden Haven Sewer Pump Station (SPS) #23 Catchment Relining
- WAW 22 Wastewater Network - Reticulation Mains and Rising Mains - Port Macquarie Sewer Pump Station #71 Catchment Investigations
- WAW 31 Sewer Pumping Stations (SPS) - Wauchope Sewer Pump Station (SPS) #01 - Pump Station Upgrade

The risk of not progressing these projects to support the delivery of growth-related projects has been assessed as acceptable. The only impact is the potential slight increase in reactive maintenance, however none of the assets are identified as needing urgent replacement in the short term.

The following 5 projects have some relationship to supporting growth, however further advisory information is provided to support the action deferrals proposed:

- *WAS 11 Water Network Planning - Trunk Mains Upgrade - Sancrox Residential Area*
 - *This project is the upgrade of water distribution trunk mains along Bushlands Drive, Sancrox Road and Rawdon Island Road. These capacity upgrades are needed to support the proposed 'greenfield' development identified in the draft Sancrox/Fernbank Creek Structure Plan. This area is not currently zoned, and no planning proposals are progressing until after the contracts are awarded for the Thrumster Wastewater and Cowarra Water Supply Scheme projects are signed. Deferring this project does not impact any current zoned land development.*
- *WAS 13 Water Network Planning - Trunk Mains - Yippin Creek Northern Trunk Mains*
 - *This project is the upgrade of water distribution trunk mains along Yippin Creek Road. This capacity upgrade is needed to support the proposed 'greenfield' development identified in the Yippin Creek Structure Plan. This area is not currently zoned and no planning proposals are currently progressing until after the completion of the Beechwood Road upgrade. Deferring this project does not impact any current zoned land development.*
- *WAS 33 Reservoirs - Trunk Main from Bonny Hills to Kew (Area 15) reservoir*
 - *This project is the upgrade of the water trunk main for bulk water movement between Bonny Hills and the Camden Haven. This deferral is due to additional environmental investigations with construction planned to commence in the latter half of 2025. Deferring this project does not impact any current development.*
- *WAW 28 Sewer Pumping Stations (SPS) - Port Macquarie Sewer Pump Station (SPS) #05 - Pump Station Upgrade*
 - *This project is the capacity upgrade and renewal of SPS#05 in the west Port Macquarie area. This upgrade will cater for in-fill development. This pump station pumps into PMSPS#06, therefore SPS#06 needs to be upgraded first. There are also consideration around diverting parts of SPS#04 catchment to SPS#05 catchment to optimise upgrades. This finer detail requires the completion of the Port Macquarie Wastewater Servicing investigations, which is planned to be completed by mid-2025. It is proposed to defer this project to be delivered across 2031/32 2032/33 2033/34 and in conjunction with SPS#04 upgrade, however this timing can be amended following periodisation from the LGA wide Wastewater Servicing investigations and once the costs for the delivery of the Thrumster Wastewater Scheme are known.*
- *WAW 29 Sewer Pumping Stations (SPS) - Port Macquarie Sewer Pump Station (SPS) #06 - Pump Station Upgrade*
 - *This project is the capacity upgrade and renewal of SPS#06. This is a major pump station that pumps directly to the Port Macquarie treatment plant and receives flows from several other pump station catchments, including SPS#05. The detailed design of this upgrade requires inputs from the Port Macquarie Wastewater Servicing investigations which is planned to be*

completed by mid-2025. The project design phase is proposed to be deferred to 2025/26 with construction commencing in 2026/27.

Please note the deferrals (except WAS 33 given a project related delay) requested support the capacity within the Water and Sewer Funds to progress the delivery of the Cowarra Water Treatment Plant and Thrumster Wastewater Treatment Plant, both critical to providing for our growth needs. Without these deferrals delivery of these major projects will be impacted due to the projected cash shortfalls within those funds.

One final point, should Council decide not to approve the deferrals, an amendment would also be required for **Agenda item 10.12 Monthly Budget Review** which contains the budget impact of the deferrals. An amendment would be required to remove this component of the budget adjustments from the recommendation.

Rgds,

Keith Hentschke
Director Business & Performance