



Ku-ring-gai  
Council

## RESOURCING STRATEGY 2013 - 2025

REVISED JUNE 2015

### INCLUDES

- Long Term Financial Plan 2015/16 – 2024/25 - Revised June 2015
- Asset Management Strategy 2015/16 – 2024/25 - Revised June 2015
- Workforce Strategy 2013-2017 – Revised April 2015



**Ku-ring-gai Council**

818 Pacific Highway, Gordon NSW 2072

**T** 02 9424 0000 **F** 02 9424 0001

**E** [kmc@kmc.nsw.gov.au](mailto:kmc@kmc.nsw.gov.au)

**W** [www.kmc.nsw.gov.au](http://www.kmc.nsw.gov.au)

*June 2015*







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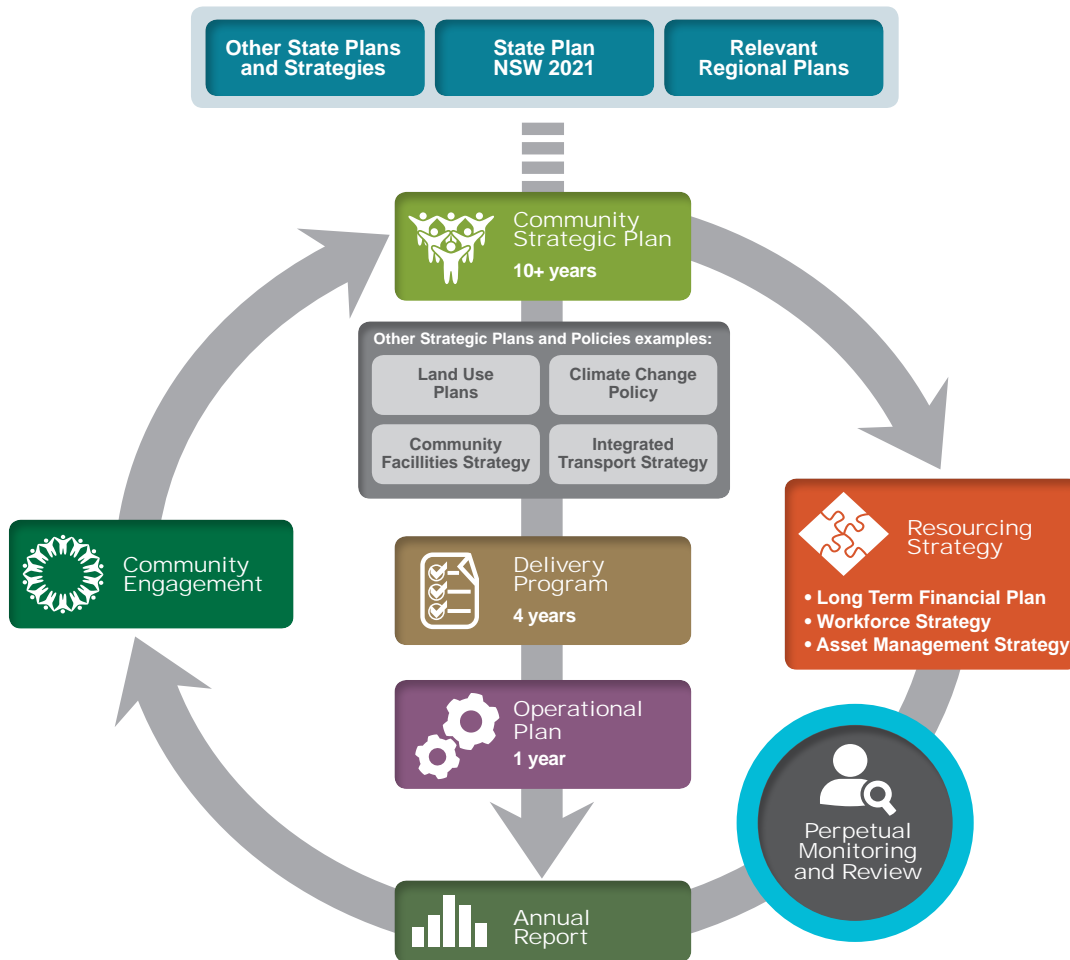
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## ABOUT THIS STRATEGY

Councils in New South Wales are required under the Local Government Act 1993 to prepare a suite of documents that form the Integrated Planning and Reporting (IP&R) framework. The Resourcing Strategy is one of these documents. It details how the strategic aspirations of Ku-ring-gai can be achieved in terms of time, money, people and assets. The Resourcing Strategy spans a minimum of ten years. Its component parts are a:

- 10-year Long-term Financial Plan;
- 10-year Asset Management Strategy; and
- Four-year Workforce Strategy.

The Resourcing Strategy is the link between the long-term Community Strategic Plan (CSP) and the medium-term Delivery Program. It is prepared every four years following each Council election. It is developed concurrently with the other plans in the IP&R framework (see diagram to left). The Resourcing Strategy is designed to be a living document to reflect changing financial and asset information. Initiatives within the Resourcing Strategy will be reviewed annually to ensure relevance in the changing environment and to incorporate any community feedback.



## COUNCIL'S ROLE

It is Council's responsibility to develop the Resourcing Strategy to show how it will allocate its resources to deliver the objectives and strategies identified in the Community Strategic Plan. Councils do not have full responsibility for implementing or resourcing all the community aspirations identified in the Community Strategic Plan. Other stakeholders, such as state agencies, non-government organisations, community groups and individuals also have a role to play in delivering these outcomes. The Resourcing Strategy process provides an opportunity to quantify what the council's contribution might be.

The Resourcing Strategy is difficult to prepare due to its iterative and integrated nature. The community and council need basic information about assets and their condition to help inform its priority setting but the final asset management strategy can't be adopted until the Community Strategic Plan has been finalised. The CSP can't be finalised until financial projections and rating implications have been prepared and discussed with the community. The Long Term Financial Plan will not take on a level of detail until the Delivery Program and Operational Plans are developed. The documents are prepared with the best available information but are designed to be dynamic to reflect changing priorities.

## SUPPORTING DOCUMENTS

Council adopted Community Strategic Plan Our Community - Our Future 2030 is a 20-year blueprint for the future of the Ku-ring-gai local government area (LGA). It is both a process and a document designed to bring together the community to set goals and aspirations for the future and to plan how to go about achieving those goals. It was informed by the current activities of council, future aspirations of residents, businesses, Councillors and State and regional directions. The CSP provides Council with the strategic direction to align its policies, programs and services. It will also act as a guide for other organisations and individuals in planning and delivering services. The plan addresses the community's issues to achieve the long term objectives under the following themes:

1. Community, People and Culture
2. Natural Environment
3. Places, Spaces and Infrastructure
4. Local Economy and Employment
5. Access, Traffic and Transport
6. Leadership and Governance



## LONG TERM FINANCIAL PLAN

The first part of the Resourcing Strategy consists of Council's Long Term Financial Plan (LTFP). The LTFP is Council's ten-year financial planning document and the emphasis is on long-term financial sustainability. Financial sustainability is one of the key issues facing local government due to several contributing factors including cost shifting from other levels of government, ageing infrastructure and constraints on revenue growth. A financially sustainable Council is one that has the ability to fund on-going service delivery and renew and replace assets without imposing excessive debt or rate increases on future generations. This is an important document, which will test the community aspirations and goals against financial realities. Contained in this plan are:

- assumptions used to develop the plan;
- financial modelling for different scenarios;
- projected income and expenditure, balance sheet and cash-flow statements; and
- methods of monitoring financial performance.

Balancing expectations, uncertainty of future revenue and expenditure forecasts is one of the most challenging aspects of the financial planning process. As such, the longer the planning horizon, the more general the plan will be in the later years. Every effort has been taken to present the most current estimates and project scopes to be included in this plan.

## CURRENT STATE OF COUNCIL'S FINANCES

Ku-ring-gai Council is in a sound financial position. The Net Operating Result for 2013/14 was a surplus of \$16.04 million after allowing for the depreciation expense on Council's \$976 million portfolio of depreciable assets such as roads, footpaths, drains, buildings and others. If capital grants and contributions are excluded, the operating result for 2013/14 remained in surplus, with a result of \$3.1 million. The available working capital for 2013/14 was \$4.6 million compared to \$5.9 million for 2012/13. Council's financial position was reinforced as part of an independent review carried out by the NSW Government's Treasury Corporation (TCorp), which rated Council's position as sound and a neutral outlook into the future.

The 2015/16 budget provides for an operating surplus of \$27.2 million after allowing for depreciation. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of \$9.1 million. This is consistent with Council's LTFP which provides a framework to achieve continued operating surpluses and maintain healthy levels of working capital and reserves. Loan borrowing is significant but manageable and will be substantially repaid over the life of the plan from identified sources of repayments in line with Council's new funding strategy.

## ASSET MANAGEMENT STRATEGY

The second part of the Resourcing Strategy deals with asset management planning, in particular the Council's:

- Asset Management Policy (AMP); and
- Asset Management Strategy (AMS).

The Asset Management Strategy is supported by Asset Management Plans for each asset class. Together, these documents and our processes, data and systems (including asset registers and technical databases) make up Council's Asset Management Framework.

The revised Asset Management Strategy 2015-2025 included in this document has been developed with input from Council and the community. The Strategy demonstrates to Ku-ring-gai residents and stakeholders how Council's asset portfolio supports the service delivery needs of the community both now and into the future (10 years). The revised Strategy also includes an Asset Management Improvement Plan to ensure that organisational practices and procedures are continually improved.

The Strategy establishes the current condition and value of all assets; the preferred condition and level of service of all assets; and the systems, resources, processes and financing options to achieve the preferred condition and level of service.

## ASSET PORTFOLIO

NSW local governments are the custodians of approximately \$50 billion of community assets, which enable councils to provide services to their community. These assets need to be managed in the most appropriate manner on behalf of and to service the community.

The replacement value of Council's Infrastructure assets is \$927 million<sup>1</sup>. The carrying amount (written down value) is \$518 million. Infrastructure assets include:

- roads and transport (roads, footpaths, kerb and gutters, car parks, road structure and street furniture and bridges);
- buildings (operational, community and commercial);
- stormwater drainage; and
- recreation facilities (sports fields, parks, bushland).

1. Ku-ring-gai Council's Annual Report 2013 - 2014 - Financial Statements - Note 9a Infrastructure, Property, Plant & Equipment



## WORKFORCE STRATEGY

The third and final part of the Resourcing Strategy is the Workforce Strategy (WS). An effective Workforce Strategy provides a systematic framework for developing organisational capability in order to meet emerging needs and effectively respond to unexpected change.

Council's Workforce Strategy provides a link between operational and strategic objectives and considers the associated workforce implications. In addressing the human capital requirements for Council's Delivery Program, this strategy spans four years and considers all potential resourcing and knowledge requirements.







## ABOUT KU-RING-GAI

The Ku-ring-gai area is located in Sydney's northern suburbs, 16 kilometres north of the city centre. The area is predominantly residential with 95 percent of residential areas having low-density housing. There are significant areas of park and bushland with very little commercial, and no industrial, land use. Ku-ring-gai has a unique natural setting and diverse fauna and flora. The extent of bushland and biodiversity of the area is unique for a local government area situated so close to the centre of Sydney's central business district. The established tree canopy in Ku-ring-gai is a defining characteristic.

Historically, Ku-ring-gai's urban areas developed as a series of villages along the main ridgelines, each with their own identity, and always bounded by or close to large tracts of natural bushland and national parks. Over time subdivision and residential development have connected the villages into larger suburbs, although their distinct characteristics still largely remain intact. The nine distinct suburbs are Gordon, Killara, Lindfield, Pymble, Roseville, St Ives, Turramurra, Wahroonga and Warrawee. Today, with the increasing population and redevelopment of established areas, there is a greater focus on defining and preserving those visual landscapes and built characteristics that make Ku-ring-gai attractive to its residents and visitors.

Ku-ring-gai's local government area is comparatively well educated and affluent with high levels of employment. Housing choice and affordability are key social issues. In 2011, 77.5% of dwelling types were separate houses, compared with 58.9% in Greater Sydney and down from 84.3% in 2006. The former Sydney Metropolitan Strategy (2036) and North Subregion Strategy (2008) set a target of 10,000 additional dwellings in Ku-ring-gai by 2036.

Council accommodated this growth in its Local Centres and Principal LEPs. A Plan for Growing Sydney, the new metropolitan strategy, was released in December 2014. Subregional planning by the Department of Planning and Environment is currently underway. It is anticipated that this process will require even more growth in medium and high-density development, particularly centred around the rail corridor. Key demographic features of the area include:

- Ku-ring-gai's estimated resident population was 120,978 in 2014, up from 116,596 in 2012, giving an annual growth rate of 1.66%;
- the population is expected to reach over 147,000 people by 2031;
- cultural diversity is also increasing consistent with trends across Greater Sydney. New residents are mainly from Chinese and Korean backgrounds along with residents from the United Kingdom, South Africa and Europe;
- Ku-ring-gai's demographic profile shows a fairly unique age profile for Sydney with substantial numbers of ageing and families with children aged 5 -17 years compared to the average for Greater Sydney;
- there is a significantly smaller proportion of young working age (25-34 years) at 7.2% compared to 15.4% in Greater Sydney; and
- there are more couple families with children at 46%, compared with 35% in Greater Sydney.



# Ku-ring-gai snapshot

120,978



RESIDENTS (ERP 2014)



50

CHILDCARE CENTRES AND PRESCHOOLS

38

PRIMARY AND HIGH SCHOOLS



40.5%

OF RESIDENTS AGED 15YRS+ ARE EMPLOYED

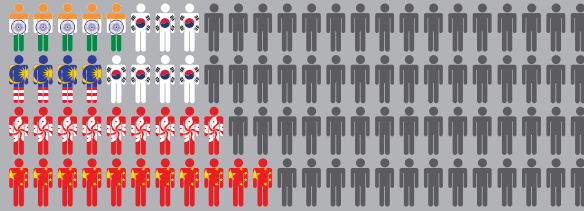
*In the professional, scientific, technical, financial, insurance, healthcare and social assistance sectors*

147,700

RESIDENTS BY 2031

24%

Projected increase by 2031



36% BORN OVERSEAS

*Mainly China, Hong Kong, South Korea, India and Malaysia*

85KM<sup>2</sup>

AREA OF COUNCIL



7 MAIN CENTRES

6 LOCAL CENTRES

1 TOWN CENTRE

34,369

LOCAL JOBS

13,173

LOCAL BUSINESSES



12,314

RESIDENTS LIVE AND WORK IN KU-RING-GAI



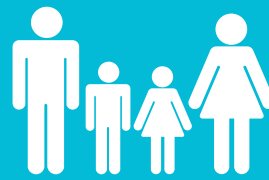
POSITIVE

NET OVERSEAS MIGRATION

*The key driver of our population change*

21%

SPEAK A LANGUAGE OTHER THAN ENGLISH AT HOME



46%

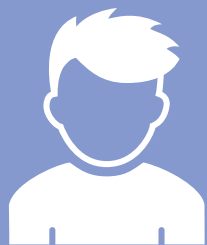
HOUSEHOLDS ARE FAMILIES WITH CHILDREN

34,369

LOCAL JOBS



FURTHER READING:  
[kmc.nsw.gov.au](http://kmc.nsw.gov.au)



26% YOUNG RESIDENTS

23%

OLDER AGE RESIDENTS



54%

OF RESIDENTS AGED 15YRS+ HAVE A TERTIARY QUALIFICATION

1

REGIONAL HOSPITAL



86.9%

OF HOUSEHOLDS HAVE A BROADBAND INTERNET CONNECTION



## KEY ASSUMPTIONS

In order to project future resource requirements, Council has to make assumptions about the key impacts and drivers that will influence Council's finances, assets and workforce into the future. High level assumptions over the 10 year period include:

- the number of rateable properties in Ku-ring-gai is expected to increase from 41,455 to approximately 45,738 by 2025;
- business as usual – services and service levels will remain at similar levels unless otherwise identified;
- efficiencies – Council must continually investigate and adopt service delivery and process efficiencies so that rates remain within capped levels;
- strategic direction – the broad themes and aspiration in the Community Strategic Plan Our Community-Our Future 2030 will be regularly reviewed but are unlikely to change significantly over time;
- external funding – fixed term external grant funding such as the Waste Less, Recycle More (Waste and Resource Recovery Initiative) or our Environmental Special Rate Variation (SRV) may cease in the future at which point delivery of the associated programs may finish;
- infrastructure – we must prioritise funding for asset renewal based on community consultation and technical assessment; and
- financial sustainability – Council seeks to be financially sustainable, which means that it must achieve a fully funded operational position, maintain sufficient cash reserves, have a fully funded capital program and must maintain its asset base.

More specific income and expenditure assumptions are listed in the LTFP. Key income assumptions include:

- inflation (CPI) between 2.4% and 2.9% per annum is applied across all years;
- the annual rates increase is limited to the rates pegging amount of 2.4% set by Independent Pricing and Regulatory Tribunal (IPART) across all years. Council's dependence on rates and annual charges is approximately 56%;
- rates growth is expected to increase by 0.7% per annum across all years through increased development;

- user charges and fees are expected to increase by an average of 4.5% per annum. Council derives approximately 12% of total income from user charges and fees;
- total income is forecast to increase by an average of 3% per annum;
- new infrastructure to support population growth will be funded by s94 contributions where possible;
- significant asset sales over the next two years will be used to discharge current outstanding debt for the acquisition of the new operational building. Assets sales are also required to fund Council's co-contribution for developer contribution funded works;
- loan funds will be drawn and invested into asset renewals to decrease the infrastructure backlog. Outstanding infrastructure loan will be discharged over a longer term from net revenue generated from leasing out the new operational building.



## KEY CHALLENGES

### RATE PEGGING

Council's ability to align funding with expenditure is restrained by 'rate pegging', which means that the annual increase in rating revenue is determined by an external body, namely the Independent Pricing and Regulatory Tribunal (IPART). Over half of Council's income is dependent on rates.

### SPECIAL RATES VARIATIONS

There are two Special Rate Variations (SRV) projected in the LTFP. These are:

1. The SRV – Infrastructure: In 2014, Council successfully obtained a continuation of the SRV for Infrastructure in perpetuity. Based on the result of the community engagement a resounding 81% of ratepayers supported continuing the SRV for local roads improvements.
2. The SRV – Environmental: An eight year environmental SRV is in place for special environmental programmes such as stormwater harvesting systems and bushland and waterway rehabilitation. This formally expires in 2018/19, although it is Council's intention to seek renewal of this SRV.

### GROWTH

With population growth, there will be an increasing demand for new and enhanced assets and services. Council spends approximately \$23 million each year on upgrading and creating new assets. This is predominantly funded through development contributions. These assets will require maintenance and renewal in the future, exacerbating the funding shortfall and backlog of asset renewal. As cultural diversity and ageing increases, there will be competing demands for services, programs and access to community facilities.

### CONDITION OF OUR ASSETS

Maintaining our infrastructure assets to an acceptable condition continues to be a key challenge in Ku-ring-gai. Recent community consultation identified roads, footpaths and stormwater drainage as the main Council service areas in need of additional resource allocation, with community building, parks and playgrounds also mentioned as priorities.

Throughout 2014/15 Council staff with the assistance of an independent consultant revised the technical and financial infrastructure asset data to determine the true condition of our assets and to ensure that adequate funding was being allocated to maintenance and renewal. As a result of the independent review, Council has been able to establish that the condition of some asset classes was far better than previously assessed, and that a number of improvements had occurred over the years that had not been captured correctly in the technical and financial registers. Additionally, the independent review triggered further and ongoing investigation into how Council assesses satisfactory condition, the alignment between the technical and financial registers and improving asset inspection programs.

### INFRASTRUCTURE BACKLOG

Funding shortfalls for infrastructure asset renewal is a well-documented problem facing local government. In 2005, it was estimated that in NSW alone the asset renewal backlog was around \$6 billion, and forecast to double over the next 15 years.

In 2013/14 Council's Special Schedule 7 reported the infrastructure backlog for all assets classes at \$165,000,000. This figure was reduced to \$25,000,000 for the same period as a result of the changes to asset conditions and the methodology for determining the backlog.

Council staff have undertaken further work based on the recommendations from the independent review and are formulating new renewal and maintenance funding strategies and programs to achieve further reductions in the infrastructure backlog. The strategies and how Council proposes to fund these programs are detailed in the Long Term Financial Plan and the Asset Management Strategy.

### INFRASTRUCTURE RENEWAL AND MAINTENANCE FUNDING

The review of Council's asset information and infrastructure backlog has led to an internal review of capital and operational expenditure. As a result, additional funding has been allocated to improving our existing assets. Whilst operational expenditure has also been reviewed and additional funding is allocated towards asset maintenance.

### ASSET SALES

Council has resolved to fund specific civic and community projects through the sale of under-utilised or surplus assets (property). These projects are intent on delivering new civic and community assets and infrastructure either through the acquisition and development of new facilities and/or through Council's co-contribution to deliver facilities and infrastructure identified in the Ku-ring-gai Contributions Plan 2010. The Contributions Plan works program for the next 10 years requires a co-contribution from Council of \$15 million which has been included in the LTFP.

Where Council plans a large scale "community hub" type project, such as are planned for Woodford Lane Lindfield, Ray Street Turramurra, the Gordon Civic Precinct, and the St Ives Shopping Village precinct, it is expected that these projects should be commercially feasible in their own right such that they do not require the disposal of other assets, long term borrowings, or a drain on ordinary rates revenue.

Further, where feasible, such projects will be expected to produce a dividend for Council above and beyond the community facilities incorporated in the precinct. Planning for these projects, and projects such as the Lindfield Village Green, should consider the inclusion of commercial opportunities of sufficient return to cover ongoing operational costs of the public spaces in the precinct.

The reasoning for Council to divest of these assets is to ensure that Council meets the future needs of the community by providing fit for purpose facilities and maintaining financial sustainability. The LTFP identifies assets sales as a short, medium and long term funding strategy which relies in part on the future reclassification of land from Community to Operational. The delivery of major civic and community projects will therefore require current and future Councils to implement the strategies identified in the LTFP.

### WORKFORCE CHALLENGES

Council's workforce has a high proportion of employees nearing retirement age. Council's ageing workforce represents a significant organisational risk to the maintaining and operational efficiencies through the potential loss of corporate knowledge. Existing areas of skills shortage and tight labour supply are expected to worsen, particularly in areas of urban planning, engineering, policy, surveying, environmental health and child care.



## LOCAL GOVERNMENT REFORMS

The NSW Government has requested all councils demonstrate that they are Fit for the Future and to prepare a submission on how it will be Fit for the Future by 30 June 2015. Although the NSW Government states that there will be no forced mergers under their proposal, the number of Sydney metropolitan councils is proposed to be reduced from 41 to 14.

Fit for the Future presents major risks for Council and the community in relation to the future structure of the local government area, including unknown impact on rates, services and representation.

All NSW councils are required to meet a number of financial and infrastructure benchmarks and ratios to demonstrate they are Fit for the Future. The key financial indicators are an industry accepted measures of financial health and sustainability. A summary of these indicators and benchmarks are provided below.

Within the Long Term Financial Plan and the Asset Management Strategy there is demonstrable evidence on how Ku-ring-gai Council is meeting and/or will meet the benchmarks established by the NSW Government over the next 10 years.

Key Financial Indicators	Purpose of indicator	Benchmark
<b>▼ SUSTAINABILITY</b>		
▼ <b>Operating Performance Ratio</b> (Operating revenue excluding capital grants and Contributions-operating expenses divided by Operating revenue excluding capital grants and contributions)	<i>To measure Council's ability to contain operating expenditure within operating revenue</i>	<i>&gt;=break-even average over 3 years</i>
▼ <b>Own Source Revenue Ratio</b> (Total operating revenue less grants & contributions divided by total operating revenue)	▼ <i>To assess the degree of Council's dependence upon grants and contributions</i>	<i>&gt;60% average over 3 years</i>
▼ <b>Building &amp; Infrastructure Renewal Ratio</b> (Asset renewals expenditure divided by depreciation, amortisations & impairment expenses)	▼ <i>To assess the rates at which assets are renewed relative to the rate at which they are depreciated(consumed)</i>	<i>&gt;100% average over 3 years</i>
<b>▼ INFRASTRUCTURE AND SERVICE MANAGEMENT</b>		
▼ <b>Infrastructure Backlog Ratio</b> (Estimated cost to bring assets to a satisfactory condition (from Special Schedule 7) divided by total infrastructure assets)	<i>To measure the proportion of assets backlog against total value of Council's infrastructure assets</i>	<i>&lt;2%</i>
▼ <b>Asset Maintenance Ratio</b> (Actual maintenance expenditure divided by required annual asset maintenance)	▼ <i>To assess the actual asset maintenance expenditure relative to required asset maintenance</i>	<i>&gt;100% average over 3 years</i>
▼ <b>Debt service ratio</b> (Net debt service cost divided by revenue from continuing operations)	▼ <i>To assess the impact of loan principal and interest repayment on the discretionary revenue of Council</i>	<i>&lt;20% average over 3 years</i>
<b>▼ EFFICIENCY</b>		
▼ <b>Real Operating Expenditure per capita</b> (Operating expenditure divided by total population)	▼ <i>To assess real operational expenditure per capita</i>	<i>Decreasing</i>

## OUR OPTIONS - SCENARIO PLANNING

The Resourcing Strategy considers two options or 'scenarios' to address the key challenges facing Council. The two scenarios are explored in detail to determine the impact on Council's funding, workforce and assets. The two scenarios are outlined below and are discussed in more detail in the Long Term Financial Plan (LTFP) and Asset Management Strategy (AMS).

### SCENARIO 1

#### **Fit for the Future (FFTF) Base Case Scenario with additional funding for infrastructure renewal**

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2015/16 budget expanded out over 10 years and adjusted by various price forecast indexes and is modelled to address Council's asset renewal gap and is discussed in detail in the financial assumptions section of the LTFP.

Following the infrastructure assets review Council considered funding strategies that prioritises asset maintenance and renewal expenditure over new and upgraded assets expenditure. Council previously resolved to fund the relocation of staff into a new Administration Building (Service Relocation Project) through asset sales. The proceeds from asset sales will discharge the current loan obtained to fund the Services Relocation Project, and under the new funding strategy an equivalent amount of loan funds will be drawn for the purpose of asset renewal. The infrastructure loan funds will be used solely on the assets renewal program and will have an identified repayment source as described in Council's adopted Long term Financial Plan.

This scenario is financially sustainable according to the recognised financial sustainability measures and is Council's adopted strategy.

### SCENARIO 2

#### **Scenario without additional funding for infrastructure renewal**

This scenario represents a continuation of the current level of service and expenditure as per the forecast 2015/16 budget expanded out over 10 years without additional funding for infrastructure assets renewal in the short term.. The funding strategy under this scenario assumes no additional funding is available for asset renewal. It is assumed that proceeds from asset sales will fund Council's outstanding debt over a shorter period of time and Council staff will relocate to the new administration building. Increased funding is also required to refurbish the existing building before relocating staff.

With insufficient asset renewal funding, over time, the infrastructure renewal backlog would increase and the condition of our infrastructure assets will deteriorate, impacting negatively on overall amenity and quality of life in Ku-ring-gai. Further this would unfairly defer or shift the financial burden for renewing assets to future generations.

This scenario is sustainable according to the recognised financial sustainability measures and can be delivered, however, since it does not address the asset renewal backlog and community concerns about the infrastructure assets it is not Council adopted strategy.

## OUR PROPOSAL

Council's optimal scenario is Scenario 1. This scenario is based on the new funding strategy for asset renewal. This scenario provides the best balance between maintaining the condition of priority assets to contribute to the quality of life and amenity of Ku-ring-gai and ongoing financial sustainability.





*June 2015*