



# RESOURCING STRATEGY 2018-2028

Adopted June 2018

Includes:

Long Term Financial Plan 2018-2028

Asset Management Strategy 2018-2028

Workforce Management Strategy 2018-2028



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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 ten years. Its component parts are a:

- 10 year Long Term Financial Plan;
- 10 year Asset Management Strategy; and
- 10 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 following each Council election. It is developed concurrently with the other plans in the IP&R framework (see diagram below). 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 Council's contribution will 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 Ku-ring-gai 2038* 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 ongoing 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 2016/17 was a surplus of \$33.14 million after allowing for the depreciation expense on Council's \$1.1 billion portfolio of depreciable assets such as roads, footpaths, drains, buildings and others. If capital grants and contributions are excluded, the operating result for 2016/17 remained in surplus, with a result of \$18.82 million. The available working capital for 2016/17 was \$4.6 million (excluding FAG grant received in advance) which is in line with the target identified in the adopted Long Term Financial Plan.

The 2018/19 budget forecasts an operating surplus of \$26.9 million after allowing for depreciation. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of \$6.6 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 moderate, and 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 2018-2028 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

The replacement value of Council's Infrastructure assets is \$1.1billion<sup>1</sup>. The carrying amount (written down value) is \$669 million. Infrastructure assets include:

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

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<sup>1</sup> *Ku-ring-gai Council's Annual Report 2016-2017 – Financial Statements – Special Schedule No. 7 – Report on Infrastructure Assets*

## Workforce Management Strategy

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

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



*Gordon Library*

## About Ku-ring-gai

The Ku-ring-gai local government area (LGA) is 85 square kilometres and located 16 kilometres from Sydney CBD. Our 'Ku-ring-gai' name is derived from the Guringai people, the traditional owners of the land. The area is predominantly residential with 27% of the dwellings being medium or high density, compared to 44% in Greater Sydney.

The area's unique natural landscape differentiates Ku-ring-gai from other parts of Sydney as 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 unique and attractive to residents and visitors.

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 by the NSW Government in December 2014. Then in November 2016, the Greater Sydney Commission put on public exhibition the forty year vision, *Towards Our Greater Sydney 2056*, and the first ever twenty year draft District Plans, one for each of Greater Sydney's six Districts. Ku-ring-gai is located in the North District.

Our Greater Sydney 2056 - North District Plan establishes 0-5 year housing targets for each of the local councils in the North District. Ku-ring-gai's target is 4,000 dwellings, which is already built into Council's planning instruments as a consequence of previous obligations to meeting metropolitan planning dwelling targets. Beyond this, the Greater Sydney Region Plan – A Metropolis of Three Cities sets a district 20 year strategic housing target of 92,000. All councils in the North District are required to develop 6-10 year housing targets which will contribute to this longer term target

The goal of these Plans is to have well-coordinated, integrated and effective planning for land use, transport and infrastructure. The District Plans set out the opportunities, priorities and actions, and provide the means by which the Greater Sydney Region Plan, *A Plan for Growing Sydney* can be put into action at a local level. At a local planning level it is anticipated that this will result in even more growth in medium and high-density development, particularly centred around the rail corridor.

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. Ku-ring-gai was ranked Australia's most advantaged local government area according to the 2016 Census of Population and Housing data (SEIFA)<sup>2</sup> with residents being well educated, affluent and having high levels of employment. Housing choice and affordability continue to be key social issues for the area.

Key demographic features of the area include:

- Ku-ring-gai's estimated resident population was 123,143 in 2016, up from 120,978 in 2014;
- the projected population by 2038 is expected to be 144,085 which is a project increase of 17%;
- the area is predominantly residential with 72.4% in detached dwellings, 19% in high rise dwellings and 8.4% in medium density dwellings;
- 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;
- there is 27.7% of the population speak a language other than English at home and 38.9% of residents are born overseas;

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<sup>2</sup> Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census.

- Ku-ring-gai's demographic profile shows a fairly unique age profile for Sydney with substantial numbers of older people (higher than Greater Sydney 2016) and families with children aged 0 -17 years compared to the average for Greater Sydney;
- there is a significantly smaller proportion of young working age (25-34 years) at 8.2% compared to 16.1% in Greater Sydney; and
- there are more couple families with children at 46%, compared with 35% in Greater Sydney.



*Ku-ring-gai Twilight Concert, 2017*



*Angophora hispida buds, David Wilks*

## 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 42,464 to approximately 48,284 by 2028;
- 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 aspirations in the Community Strategic Plan - *Our Ku-ring-gai 2038* 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. However, Council's intention is to apply for a permanent continuation of the Environmental Levy which is detailed in the Long Term Financial Plan under scenario planning.
- 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 maintain its asset base.

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

- inflation (CPI) of 2.4% per annum is applied across all years;
- the annual rates increase is limited to the rates pegging amount of 2.3% for 2018/19 and 2.5% (set by Independent Pricing and Regulatory Tribunal (IPART)) across all other years. Council's dependence on rates and annual charges is approximately 52%;
- 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 2.4% per annum. Council derives approximately 13% 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;
- proceeds from asset sales over future years will be used in part to fund future assets renewal program. Assets sales are also required to fund Council's co-contribution for developer contribution funded works;
- current outstanding loan will be discharged over time 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 (Environmental Levy): Ku-ring-gai Council's Environmental Levy program, in place since 2005, funds the annual delivery of approximately \$2.8 million of environmental initiatives and programs within the Ku-ring-gai local government area (LGA). This has enabled delivery of new and enhanced environmental programs and initiatives that would not otherwise be possible within Council's ordinary budget. The Environmental Levy is due to expire 30 June 2019, at which time the environmental programs and initiatives reliant on Levy funding will cease, if the Levy is not renewed. At its Ordinary Meeting of 13 June 2017, Council resolved to prepare a Special Rate Variation application under section 508(2) of the Local Government Act 1993 for the permanent continuation of the Environmental Levy at the amount currently paid by Ku-ring-gai ratepayers. This amount is a rate of five (5) per cent above the ordinary rate, if successful would continue from 1 July 2019. Council's intention is to seek renewal of this SRV.

Detailed scenarios have been developed in the LTFFP to model and analyse the impact of continuation of the environmental levy.

### **Growth**

With population growth, there will be an increasing demand for new and enhanced assets and services. Council spends in the range of \$14 to 18 million (excluding the Local Centre Major Projects) each year on upgrading and creating new assets. This is predominantly funded through development contributions. These assets will require maintenance and renewal in future years, and as cultural diversity and our ageing population 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 was a key challenge for Council. In 2014 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.

Since obtaining the SRV for roads Council has been able to invest heavily into local roads and has seen great results with a reported 73% of roads assets in condition 3 or better<sup>3</sup>.

Throughout 2017/18 Council staff with the assistance of an independent consultant revised the technical and financial infrastructure data to review the condition of our assets and to ensure that adequate funding was being allocated to maintenance and renewal.

### **Infrastructure backlog**

Funding shortfalls for infrastructure asset renewal is a well-documented problem facing local government.

In 2016/17 Council's Special Schedule 7 reported the infrastructure backlog for all assets classes at \$27 million. As a result of the review and changes to asset conditions and investment of additional funding into asset renewal the revised forecast backlog by end of 2018/19 will have reduced to \$16 million.

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<sup>3</sup> Ku-ring-gai Council Annual Report 2016/2017 – Special Schedule 7

Council staff have undertaken further work and are formulating new funding strategies and renewal and maintenance 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 will 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 \$11 million which has been included in the LTFP.

The reasoning for Council to divest of these assets is to ensure that Council meets the future needs of the community by providing purpose built facilities and maintaining financial sustainability. The LTFP identifies asset sales as a short, medium and long term funding strategy which relies in part on the future reclassification of land from Community to Operational.

Where Council plans a large scale "community hub" type projects such as the Lindfield Village Green, the Community Hubs in Lindfield and Turramurra, and the Gordon Civic Precinct it is expected that these projects should be commercially feasible in their own right such that they do not require 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 should consider the inclusion of commercial opportunities of sufficient return to cover ongoing operational costs of the public spaces in the precinct.

The delivery of major civic and community projects will therefore require current and future Councils to implement the strategies identified in the LTFP

### **Major Projects & Property Development Funding**

Council is planning for three major revitalisation projects over the next ten years, being in the local centres of in Lindfield, Turramurra and Gordon that will provide civic improvements and community facilities. It is assumed in the Long term Financial Plan that these projects are funded by a combination of developer contributions along with the return from retail and commercial development on the sites. Critical to the success of these projects and Council's financial sustainability is to ensure that Council has sufficient funds in reserve to insulate against the financial risks of development. As such Council has established a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales. As an added benefit of establishing this reserve, it is assumed that interest earned on these funds is allocated to renewing Council's infrastructure assets, thereby contributing to financial sustainability by looking after existing assets as well as facilitating the provision of new community facilities..

### **Sustainability Roadmap**

Following several years of uncertainty with forced amalgamations and the proposed merger of Council, then the election of a new Council a renewed vigour to concentrate on the future of Ku-ring-gai Council ensued. Throughout 2017/18 Council senior staff initiated a process to review services, identify opportunities for savings, efficiencies and additional revenue within the organisation.

There were a number of drivers that instigated the review. Council staff spent a considerable time assessing the long term financial impacts of many important projects including the local centre major projects in Lindfield, Turramurra and Gordon, along with day-to-day operational requirements, and improving the condition of existing assets to reduce our infrastructure backlog. Additionally, Council faces further challenges associated with:

- A low rate of revenue growth not keeping pace with cost increases
- Overall demand for services is growing as the population increases and changes
- The asset portfolio is growing which increases depreciation, maintenance and renewal
- FFTF benchmarks remain in force, and are being used as a basis for the state government to issue performance improvement orders.

This culminated in two key organisational focus areas being conducted:

1. Horizontal Service Review (HRS) – the HRS engaged the leadership team to identify savings within their relevant service areas. The process focussed on collecting information about what we do and opportunities for cost savings and additional revenue. As a result \$23m<sup>4</sup> was identified from the HSR over the next 10 years of the Long Term Financial Plan which has been allocated to infrastructure renewal.
2. Strategic Service Review (SSR) – the SSR has commenced to consider the delivery of services over the longer term. This involved reviewing the provision services to ensure they best meet the needs of the community. This review process will continue in coming years and will involve further planning and service level reviews with the elected Council and in consultation with the community.

### **Workforce challenges**

Ku-ring-gai Council is facing a number of challenges, both now and into the future. These are predominantly related to the nature of Local Government, the diversity of our organisation and expectations of the community. Many of these challenges will have an impact on the workforce.

The key issues that have been considered in the development of the Workforce Management Strategy include; the ageing workforce, leadership capability, skill shortages, the multigenerational workforce, workforce sustainability and continuous improvement.

### **Local Government Benchmarks**

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

In addition to the standard “Fit for the Future indicators” a new assets ratio has been included “Cost to Agreed Service level”. This new ratio is prescribed by the Office of Local Government (OLG) and provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total infrastructure assets portfolio. The impact and performance of this ratio is discussed in detail in the Asset Management Strategy and the Long Term Financial Plan.

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<sup>4</sup> 2017/18 prices.

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>Cost to Agreed Level of service</b> (Estimated Cost to bring to agreed level of service divide by Gross Replacement Cost of infrastructure assets)	▼ <i>To measure proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset</i>	<i>Condition 1</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>

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.



*Echo Point Walking Tracks*

## 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 Base Case Scenario without the special rate variation (SRV) for Environment (Environmental Levy)**
- **Scenario 2 - Scenario with the continuation of the special rate variation (SRV) for Environment (Environmental Levy)**

## Our proposal

Council's optimal scenario is Scenario 2 which assumes continuation of the current SRV for Environment (Environmental levy). This scenario is based on the continuation of the current levy and continuation of the environmental projects that this funds. This scenario provides the best balance between contributing to the priorities of the community as identified in the Community Strategic Plan and the quality of life and amenity of Ku-ring-gai and ongoing financial sustainability.

Council considers that the continuation in the level of funding is required to undertake much needed work on Ku-ring-gai's bushland, waterways and urban environment and meet community expectations in regards to sustainability. A detailed scenario has been developed to model and analyse the impact of continuation of the environmental levy and is further discussed in the LTFP.

# Contact Us

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For assistance or information regarding any of Council's services or facilities please contact us.

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# LONG TERM FINANCIAL PLAN 2018-2028

Adopted June 2018



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## Korean

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이 문서에는 중요한 정보가 담겨 있습니다. 여러분이 이해할 수 없다면, TIS (번역 및 통역 서비스)의 131 450번으로 전화하십시오. 9424 0000 번으로 여러분을 대신하여 전화해서 쿠링가이 카운슬을 연락해 달라고 요청하십시오. 영업 시간: 월요일-금요일, 오전 8시30분-오후 5시.

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This Plan has been prepared by Ku-ring-gai Council to support the delivery of its long-term strategic direction. It forms part of the Resourcing Strategy for the Community Strategic Plan and Delivery Program and should be read in conjunction with these documents.

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*Angophora in the sun, Jacob Sife*

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## INTRODUCTION

A Long Term Financial Plan (LTFP) is one of the three key Resourcing Strategies required by the NSW Integrated Planning & Reporting legislation. Local government operations are vital to its community, and it is important that stakeholders can understand the financial implications arising from its Community Strategic Plan, Delivery Program and annual Operational Plan.

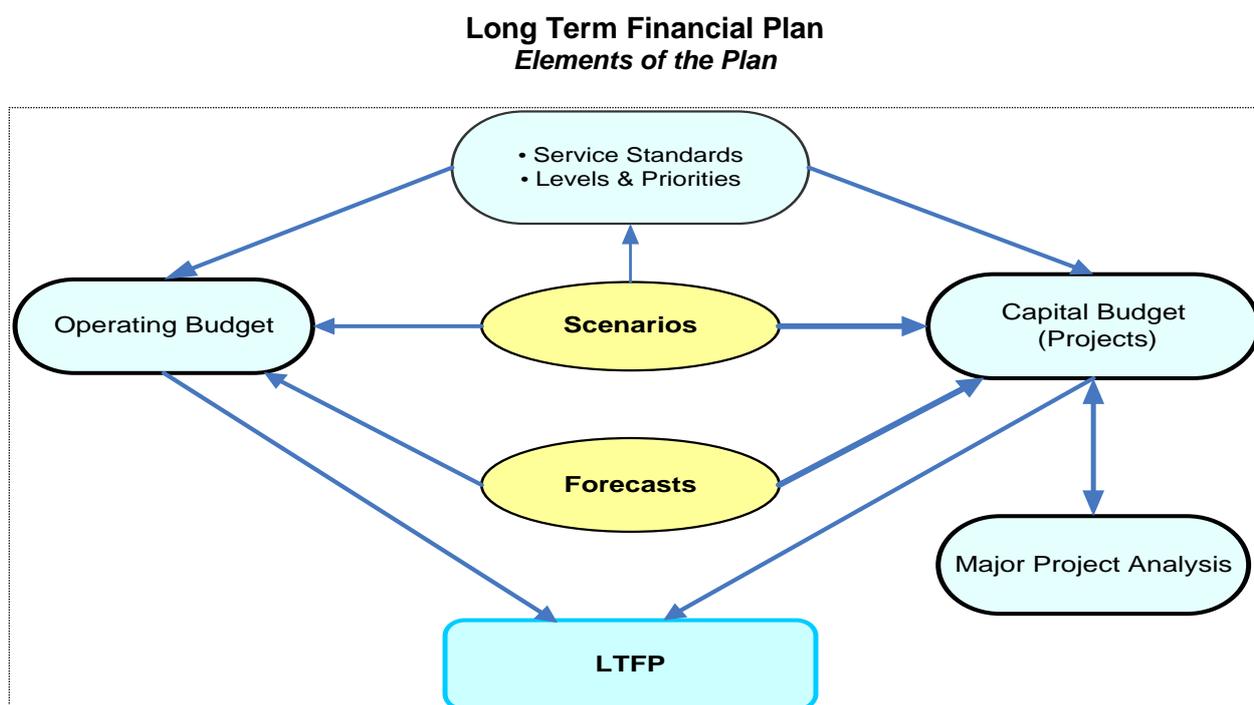
The Integrated Planning and Reporting Guidelines guide preparation of the LTFP for Local Government in NSW issued by the Office of Local Government.

The LTFP includes:

- projected income and expenditure
- balance sheet
- cash flow statement
- planning assumptions used to develop the plan
- sensitivity analysis – highlight factors most likely to affect the plan
- financial modelling for different scenarios
- methods of monitoring financial performance

The LTFP contains a core set of assumptions. These assumptions are based on CPI forecasts, interest rate expectations, employee award increases, loan repayment schedules, special price forecasts for certain Council specific items, planned asset sales and other special income and costs.

The diagram below illustrates the link between the main elements of the LTFP: service standards, levels and priorities, Capital and Operating budget, major project analysis and assumptions and scenarios.



## OVERVIEW

Ku-ring-gai Council's current Long Term Financial Plan (LTFP) covers the period 2018/19 to 2027/28. It recognises its current and future financial capacity, to continue delivering high quality services, facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals set down in its Community Strategic Plan

Financial planning over a 10-year time horizon is challenging and relies on a variety of assumptions that will undoubtedly change during this period. The LTFP is therefore closely monitored, and regularly revised, to reflect these changing circumstances. The LTFP is the core document used to guide all financial planning within Council and is the basis for annual budgets and the preparation of the Delivery Program and Operational Plan.

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's \$1.1 billion portfolio (2016/17) of largely depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the operating result remains in surplus throughout the 10 years of the LTFP. Council maintains healthy levels of working capital and reserves in the LTFP, and has a strategy in place to fund renewal of infrastructure assets and to manage its debt funding via identified sources of repayment from its investment property.

Council has identified increasing funding for infrastructure renewal and continuation of the existing environmental levy as a key priority. Two main scenarios are outlined in detail in the LTFP for consideration. The scenario that Council will adopt best addresses the infrastructure renewal requirements that have been identified and continuation of the environmental levy. This scenario includes the permanent continuation of the Special Rate Variation (SRV) for Environment. Continuation of this SRV will require the approval of IPART. If the continuation of the SRV is approved Council will be able to continue funding its environmental programs and works in future.

## LONG TERM FINANCIAL PLAN PRINCIPLES

Council's overall guiding principle is to maintain a healthy financial position, underpinned by a sound income base and commitment to control and delivery of services, facilities and infrastructure demanded by the community in an effective and efficient manner.

The LTFP puts this principle into action by formulating and applying specific objective tests of financial sustainability to the LTFP and its scenarios:

### 1. Maximise funds available for infrastructure renewal and refurbishment by:

- Maximising the operating profit before capital items
- Prioritising the use of cash reserves
- Timing project expenditure over a longer period and linking to funds availability
- Proceeds of asset sales returned to reserves for expenditure on asset renewals or major asset refurbishment.

### 2. Satisfy applied tests of financial sustainability:

- Achieve an operating surplus (excluding capital grants, contributions and asset sales).
- Target a minimum working capital of 5.5% of operating expenses (excluding depreciation) as recommended by Council's external auditors. Working capital is determined by taking net current assets less internally and externally restricted reserves and adding those current liabilities to be funded from the next year's budget. Essentially, working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. This will allow for unforeseen expenditure or reductions in revenue or other accounting adjustments.
- Maintain a minimum Unrestricted Current Ratio of 2.0 (industry benchmark is 1.5 for 'satisfactory' and 2 for 'good').
- Maintain a sustainable debt level and debt service ratio below the industry benchmark (industry green light benchmark less than 20%).
- Maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue.
- Only capital items to be funded from cash reserves.
- Maintain all Infrastructure assets ratios at a sustainable level, meeting or outperforming benchmarks.

All of the above objective tests are considered together in the overall evaluation of the LTFP and its scenarios. The tests are not necessarily strictly applied each time, particularly where an LTFP scenario only fails the test for a limited period of time. For example, during the next six years, the Infrastructure Backlog Ratio test will not be satisfied due to insufficient funding allocated to asset renewals in previous years; however, Council has now adopted a new funding strategy that will address this issue. Thus, the Plan is still regarded as sustainable. The new funding strategy is discussed further in this document.

### 3. Borrowing Strategy

Loan borrowing is a legitimate and responsible financial management tool and the use of loans to fund capital projects can be an effective mechanism of linking the payment for the assets (via debt payments) to the successive rate-paying populations who receive benefits over the life of those assets. This matching concept is frequently referred to as 'inter-generational equity'.

Borrowings are considered as a source of funding in the following circumstances:

- Capital projects that deliver long term benefit to the community
- Building or purchase of assets where sources of repayment are clearly identified and reflected into overall future cash flows over the life of the asset

As borrowings are usually the highest cost source of funds:

- Internal funding sources are considered and used first (including possible re-allocation of funds from lower priority projects or operating items)
- The proposed project may be re-timed to match internal funds availability

# LONG TERM FINANCIAL PLAN FUNDING STRATEGY

## ❖ Roads to Sustainability and Infrastructure Assets review

Council adopted a “Roads to Sustainability” funding strategy for Infrastructure assets renewals which is based on the principle that all available surplus funds will be diverted towards Council’s asset renewals as a priority. Additional funding is assumed to be generated from operational savings and income realised from a recent horizontal service review, as well as proceeds from asset sales which will be reinvested into Council’s renewal program for infrastructure assets. The new funding strategy was reinforced by a recent independent review on Council’s future financial sustainability and the state of infrastructure assets.

The aim of this independent review was to ensure that there is a consistent organisational approach to infrastructure reporting. The following was reviewed: useful lives and future depreciation on each asset class, condition of Council’s assets by asset class, Council’s methodology to determine cost to bring assets to a satisfactory condition and to agreed level of service, actual asset maintenance compared to required asset maintenance, current asset renewals and required asset renewals. All asset classes reported in Special Schedule 7 “Report on Infrastructure Assets” have been assessed as part of the review as well as the overall cost to bring infrastructure assets to a satisfactory condition and the cost to agreed level of service agreed with the community.

Based on revised condition assessment of Council’s infrastructure assets (i.e. roads):

- the current revised backlog “cost to bring assets to a satisfactory condition” has been assessed at \$20.6 million with a backlog ratio of 3.29% for 2016/17 (*original backlog reported in 2016/17 Financial statements is \$27.5 million*)
- the current revised “cost to bring to agreed level of service” has been assessed at \$47 million for 2016/17. (*original backlog reported in 2016/17 Financial statements is \$77.3 million*)

The review also identified that Council has an annual shortfall of funding for asset renewals. If this shortfall is not addressed it is likely that the infrastructure backlog will continue to increase in future years. In addition, adequate funding also needs to be directed towards asset maintenance. In light of these observations, additional renewal and maintenance costs have already been incorporated in the current plan to meet the benchmarks.

## ❖ Infrastructure Assets Renewal : Addressing the infrastructure backlog

As part of the infrastructure assets review Council considered a funding strategy that prioritises asset maintenance and renewal expenditure. Council also intends not only to address the future infrastructure assets backlog “cost to satisfactory” but also to provide funding to bring all assets to the “agreed level of service” identified by the community.

The asset renewals funding strategy ensures that Council has the capacity to provide additional funding to reduce the infrastructure gap, and continue to bring Council’s infrastructure assets to a satisfactory standard within an established timeframe. The benefits of bringing Council’s infrastructure assets to a satisfactory standard will help reduce the annual maintenance requirements as well as the cost of future infrastructure works.

The “Roads to Sustainability” funding strategy identifies additional funding from the following initiatives and sources:

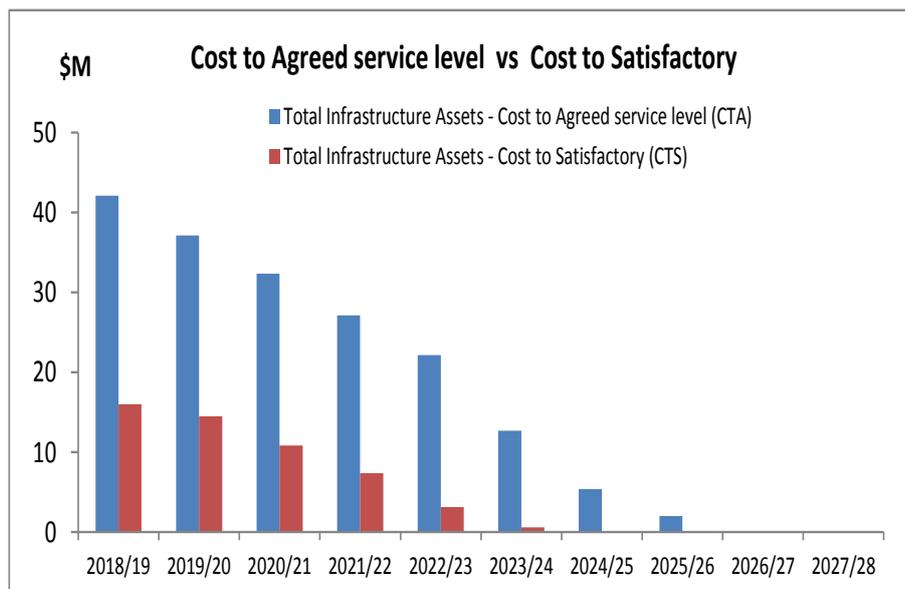
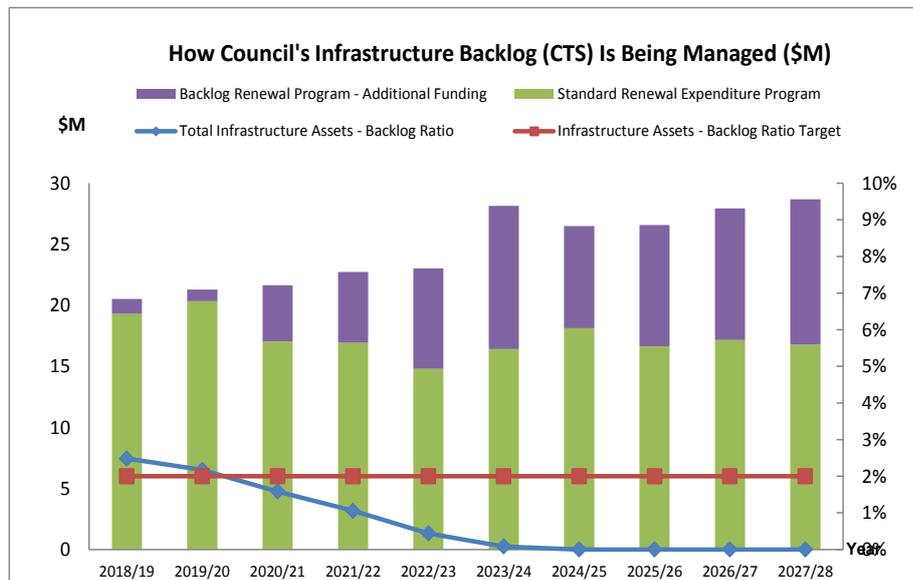
- Horizontal service review - a combination of additional operating revenue and decreases in operating expenditure
- Divestment of assets - proceeds from assets sale
- Property Development Reserve - interest earned from investing proceeds from asset sales - Council has established a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales. This reserve is created to ensure that Council has sufficient funds in reserve to insulate against the financial risks of development of three town centre revitalisation projects over the next 10 years. These projects are major developments in Lindfield, Turramurra and Gordon that will provide civic improvements and community facilities.

As a result of these initiatives the expenditure on asset renewals will increase by \$73.5 million over 10 years in addition to the standard renewal expenditure. In addition, approximately \$12 million on average will be allocated in maintenance each year as required by the Asset Management Strategy. Additional funding will also have a positive impact on Council’s infrastructure backlog, with a reduction in backlog of \$16 million by 2024/25, from a revised backlog of 3.29% in 2016/17 to nil backlog by 2024/25 meeting and overachieving the current industry benchmark for the backlog ratio. In addition the funds will reduce and eliminate the cost to agreed level of service identified by the community. As per the current plan the cost to agreed level will be fully addressed by year 2027/28.

The following table and charts display the planned asset renewal expenditure in future years, highlighting the standard renewal program and additional funding provided and the positive impact on the future asset renewal requirements.

## Projected Asset Renewal Expenditure

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Required Renewal</b>	15,555	16,293	16,844	17,514	18,090	18,636	19,210	19,748	20,333	20,912
<b>Total - Infrastructure Assets Renewal</b>	<b>20,523</b>	<b>21,277</b>	<b>21,634</b>	<b>22,734</b>	<b>23,027</b>	<b>28,150</b>	<b>26,491</b>	<b>26,580</b>	<b>27,941</b>	<b>28,675</b>
Standard Renewal	19,293	20,332	17,062	16,930	14,801	16,411	18,133	16,641	17,154	16,784
Additional Renewal Program	1,230	946	4,572	5,804	8,227	11,739	8,358	9,939	10,788	11,891
<b>Extra Renewal</b>	<b>4,968</b>	<b>4,985</b>	<b>4,790</b>	<b>5,220</b>	<b>4,938</b>	<b>9,514</b>	<b>7,281</b>	<b>6,833</b>	<b>7,608</b>	<b>7,763</b>



Additional funding is diverted into asset renewals in the first years and gradually increasing in future years, contributing to a full elimination of the assets infrastructure backlog to bring to satisfactory by 2024/25. The industry benchmark for the backlog ratio is 2% as defined by T-Corp and the OLG. As Council injects more funding into asset renewals in the first six years of the LTFP the cost to agreed level of service decreases significantly as well and is fully eliminated by 2027/28.

Over the 10 years of this LTFP a total of \$247 million is invested in infrastructure asset renewals contributing to a full elimination of the infrastructure backlog – cost to satisfactory (\$16 million in 2018/19) and the cost to agreed level of service (\$42 million in 2018/19) by 2027/28. This is shown in the “Cost to Agreed service level vs Cost to Satisfactory” chart above

As part of the infrastructure review, it was identified that some asset classes have a larger backlog than other asset classes and various allocation of future funding for renewal. The condition of assets was assessed in terms of service potential and funding redirected to those asset classes that have a larger backlog. This will ensure that all infrastructure assets provide an adequate level of service in future. The allocation of renewal funding will be reviewed annually to make sure that assets conditions do not degrade beyond an objective threshold. The average allocation of additional funding into assets classes is as follows: Buildings (35%), Roads & Transport (15%), Stormwater (25%), Parks & Recreation (25%).

### ❖ Proceeds from Asset Sales for Infrastructure renewal (excluding S94 Co-Contribution Gap)

It is estimated that proceeds from asset sales (excluding asset sales required to meet Council’s co-contribution to S94 funded projects) will produce the following increases in Council revenue over the next 10 years (a total of \$107 million) as shown below. As highlighted above a significant part of these proceeds and other operational savings will be used to fund assets renewals. Council also intends to invest a proportion of these proceeds in a Property Development Reserve. The interest earned over the life of this plan from the Property Development Reserve will be diverted back into infrastructure assets renewal.

#### Projected Asset Sales

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Property Development Reserve		-	50,000	-	-	-	-	-	-	-
Infrastructure Renewal Asset Sales	*1,565	4,000	7,400	7,400	4,400	4,400	4,600	4,600	4,600	4,600
CP2010	-	2,631	-	1,099	1,575	1,082	1,179	1,448	-	619
<b>Total Asset Sales</b>	<b>1,565</b>	<b>6,631</b>	<b>57,400</b>	<b>8,499</b>	<b>5,975</b>	<b>5,482</b>	<b>5,779</b>	<b>6,048</b>	<b>4,600</b>	<b>5,219</b>

\* 90 Babbage Rd, Roseville

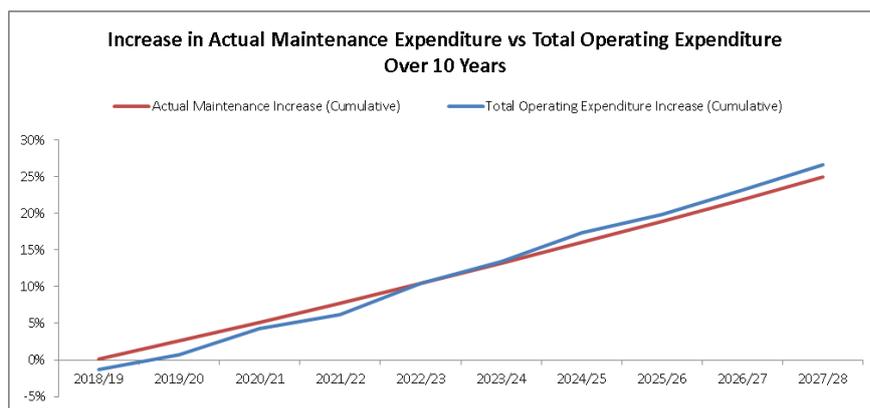
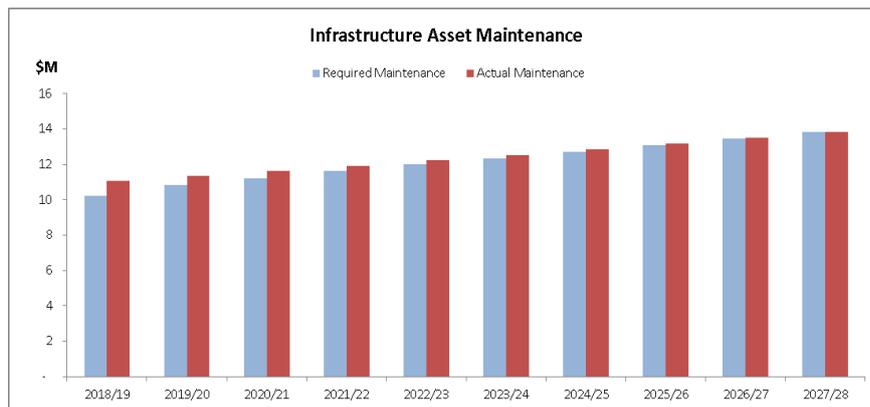
## ❖ Asset maintenance

Council’s previous Asset Management Strategy identified a shortfall in expenditure on maintenance of infrastructure assets compared to required annual maintenance estimates. Inadequate asset maintenance may result in a shortened useful life and the need for earlier than planned renewal. The current LTFP addresses this issue and allocates adequate funding towards asset maintenance in future years. Council budgeted for \$11million (compared to \$10.2 million required expenditure) in maintenance costs for infrastructure assets in 2018/19 budget with further increases in future years. Total maintenance expenditure increases in line with other operating expenses (by an average of 2.5%), however in future years the maintenance expense will also increase due to capital projects planned on new assets.

The actual asset maintenance expenditure versus required maintenance, as well as the increasing trend of maintenance expenditure and total operational expenditure are shown below. Council is investing enough funds and slightly above the required level to ensure infrastructure assets reach their useful lives and are maintained in satisfactory condition in the long term.

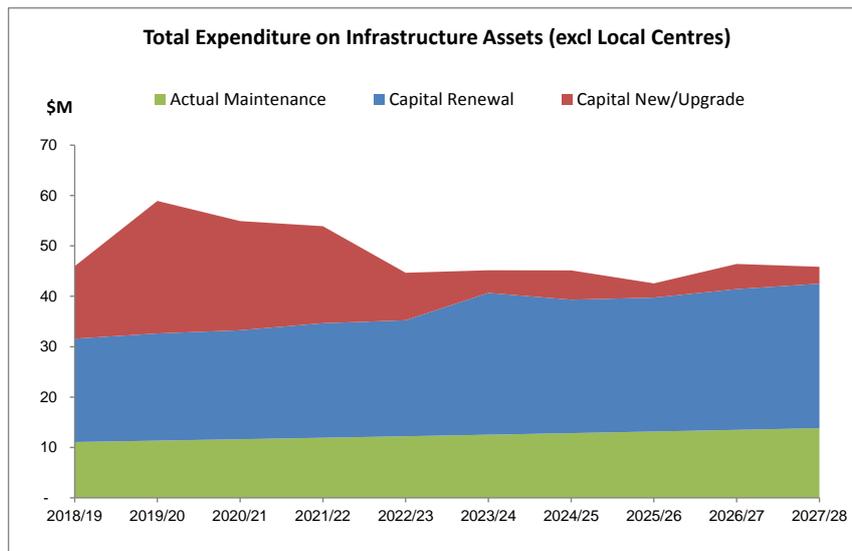
### Required Infrastructure Maintenance Expenditure

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Required Maintenance	10,234	10,840	11,227	11,612	11,996	12,336	12,715	13,072	13,460	13,845
Actual Maintenance	11,071	11,347	11,631	11,922	12,220	12,525	12,838	13,159	13,488	13,826
Variance (Actual less Required)	837	507	404	310	223	189	123	87	28	-19



## ❖ Total capital expenditure on Infrastructure Assets

The current LTFP under both Scenarios allocates adequate funding towards Infrastructure assets in terms of assets maintenance, renewal and new/upgrade as shown in the chart below. A total of \$124 million will be allocated to asset maintenance over 10 years, \$247 million to asset renewals and \$114.6 million (excluding Major Local Centre Projects) to build new or upgrade existing assets. The new/upgrade expenditure includes new or existing projects largely funded by S94 developer contributions, such as for community facilities to meet the needs of the growing community. Major capital initiatives are planned to begin from 2018/19 with most of the spend being between 2019/20 and 2023/24.



In addition to above, capital expenditure has also been allocated to major Local Centre projects (such as Lindfield Village Green, Lindfield Village Hub, Gordon Cultural Hub, Turramurra Community Hub and others) which is largely expenditure on new and upgraded assets. Details of the full capital works program including major project initiatives are discussed further in this report under the “Project capital expenditure” section.

Funding for all capital works is allocated into the following categories listed below (these figures also include expenditure on new assets funded by s94 development contributions). The largest capital expenditure goes to Streetscape & Public Domain with 36% of total expenditure for the forecast period, followed by Roads & Transport (25%) and Parks & Recreation (17%). Parks & Recreation, among others, includes acquisition of Community land, which is funded by s94 contributions.

## Projected Capital Expenditure (including Major Local Centres projects)

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Planning, Community & Other	4,386	3,078	3,076	3,614	3,053	3,067	5,523	4,896	4,933	5,074
Roads & Transport	10,452	11,713	21,591	18,800	16,143	17,354	16,022	14,597	16,120	15,580
Streetscape & Public Domain	21,688	39,603	54,329	35,185	50,565	19,769	1,083	306	313	320
Parks & Recreation	14,891	22,731	6,338	6,988	7,617	7,062	6,710	12,812	6,643	13,695
Stormwater Drainage	1,253	981	1,492	3,110	3,101	3,995	3,179	3,593	3,827	4,123
Council Buildings	3,402	11,133	12,222	10,519	4,629	3,884	3,065	3,477	3,707	4,001
Trees & Natural Environment	3,158	1,237	1,022	1,297	-	-	-	-	-	-
<b>Total Projects</b>	<b>59,230</b>	<b>90,476</b>	<b>100,070</b>	<b>79,513</b>	<b>85,108</b>	<b>55,131</b>	<b>35,582</b>	<b>39,681</b>	<b>35,543</b>	<b>42,793</b>

### ❖ Major Local Centre Projects

Council is planning for three town centre revitalisation projects over the next ten years, being in major developments in Lindfield, Turramurra and Gordon that will provide civic improvements and community facilities. It is assumed in the Long term Financial Plan that these projects are funded by a combination of developer contributions along with the return from retail and commercial development on the sites. Critical to the success of these projects and Council's financial sustainability is to ensure that Council has sufficient funds in reserve to insulate against the financial risks of development. As such Council has established a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales. As an added benefit of establishing this reserve, it is assumed in that interest earned on these funds is allocated to renewing Council's infrastructure assets, thereby contribution to financial sustainability by looking after existing assets as well as facilitating the provision of new community facilities.

### ❖ 828 Pacific Highway, Gordon

Council previously resolved to fund a specific project - Relocation of staff to a new Administration building at 828 Pacific Highway, Gordon (originally funded by external borrowing) through asset sales. Subsequently, the administration building has been reclassified into an Investment property. The building will be leased out generating revenue to cover interest and contribute to discharging the outstanding debt over time.

## SCENARIO PLANNING

The LTFP is a model to consider scenarios for the funding of operating and capital expenditure. Detailed forecasts of all sources of operating revenue and expenditure are utilised to derive the maximum surplus available to apply to Council's rolling program of capital investments in new or refurbished infrastructure.

### **Scenario 1 - Base Case Scenario without the Special Rate Variation (SRV) for Environment (Environmental Levy)**

### **Scenario 2 - Scenario with the continuation of the Special Rate Variation (SRV) for Environment (Environmental Levy)**

Both Scenario 1 and 2 are financially sustainable in terms of maintaining a balanced budget, sufficient unrestricted cash and available working capital, sufficient cash reserves and a permissible debt service ratio over the medium term. Both scenarios are also modelled to address Council's renewal assets gap as much as possible as part of the funding strategy discussed earlier, however, the variance between both scenarios is the level of funding allocated to Council's environmental programs and works.

Council's optimal scenario is Scenario 2, which assumes continuation of the SRV for Environment as this will continue the current environmental program without major impact. As this requires approval from an external authority, the Independent Pricing and Regulatory Tribunal (IPART), the base scenario cannot be scenario 1. The base scenario is non-optimal, but is the only one that can be delivered without external approval. Council has resolved to apply to IPART under Section 508(2) of the Local Government Act to continue this SRV permanently. Both scenarios are modelled for a period of 10 years. Each of them considers the impact on key financial indicators in the LTFP, impact on ratepayers and current service levels. The forecast income statement, balance sheet and cash flow statement for the scenarios are provided in appendices to this report.

## Scenario 1 - Base Case Scenario without the Special Rate Variation (SRV) for the Environment (Environmental Levy)

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2018/19 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document.

The adopted principle under this scenario is that all available surplus funds will be diverted towards Council's assets renewal as a priority. This scenario is sustainable according to the recognised financial sustainability measures and can be delivered, however, **it does not address the delivery of environmental programs and works to meet community expectations about the environment and sustainability. This scenario identifies the impact of not continuing the SRV for Environment starting from 2019/20 onwards. The associated environmental programs and works that this levy will fund is also eliminated.**

If IPART does not support the continuation of an Environmental Levy there will be a need to significantly review Council's long-term financial plan and service delivery across many areas. Council would need to assess whether or not to continue with some components of the levy program and would then need to determine a funding source from other critical areas and services should it be determined that some components of the current levy will continue. This will lead to a significant reduction in the scale and scope of Council's environmental programs and works, and will impact the operational programs and capital works reliant on Environmental Levy contributions. Council will be unable to manage its natural assets and the sustainability performance of its built assets at current service levels.

The quality of our natural environment, including our waterways and bushland, would decline, as well as the environmental performance of our buildings; support for community programs would decrease; the operational cost savings realised through Levy initiatives would fall; and the essential service functions provided by levy funded staff would be significantly compromised.

The modelling involves reduced rates collections compared to 2018/19 as the special rate variation component of Council's environmental levy, totalling approximately \$2.8 million per annum and increasing in future years should be eliminated together with the associated environmental programs that this funds. The scenario modelling shows that without additional funding, not only Council will be unable to undertake the environmental programs it has planned as described above, but also the future impact on the funding shortfall may grow over time as some environmental programs will have to be funded from Council's general revenue.

The scenario without the levy excludes additional revenue from the levy and its associated costs to fund environmental programs like, employee costs, materials & contracts, and other relevant expenses.

## ❖ Impact on ratepayers

### Scenario 1 assumes expiry of the current SRV (Environmental levy) and no continuation

Under Scenario 1 Council assumes that the current SRV is expiring at the end of 2018/19 and the proposed permanent SRV is not approved by IPART. Under this scenario Council will increase the rates each year by the rate peg which has a cumulative effect of 13.1% over 5 years. The current environmental levy of 5% will expire in June 2019 and no additional funding will be received.

The impact of the expiring levy on residential rates is explained in the table and notes below. The example is based on residential rates charged on an average land value of \$1.128 million.

- The current Environmental Levy of 5% above the ordinary rate expires in June 2019 and is not renewed. The average residential rate decreases by 2.6% from \$1,500 in 2018/19 to \$1,461 in 2019/20 due to the expiring Environmental Levy causing rates to decrease to \$1,425 and the 2.5% rate peg causing rates to increase from \$1,425 to \$1,461.
- From 2020/21 rates are impacted by the rates peg (2.5%) increase only.
- The cumulative increase in rates until 2023/24 (over 5 years) is 13.1% or \$187 (applied to the level of rates after the Environmental Levy has expired of \$1,425).
- Business rates will have similar movements in rates with a cumulative increase over 5 years of 13.1% or \$599.
- 

### **Impact on Rates with SV expiring and not being renewed (assumed rate peg of 2.5%)**

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Residential Rates</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Cumulative Increase</b>
Average residential rate under the assumed rate peg of 2.5% per annum	\$1,500	\$1,461	\$1,497	\$1,535	\$1,573	\$1,612	13.1%
Annual increase (%)		-2.6%	2.5%	2.5%	2.5%	2.5%	
Cumulative impact of Environmental Levy not being renewed above base year levels after current Environmental Levy expiry (\$1,425)		\$36	\$72	\$110	\$148	\$187	

\* Average residential rate on average Land Value of \$1,128,000

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Business Rates</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Cumulative Increase</b>
Average business rate under the assumed rate peg of 2.5% per annum	\$4,800	\$4,674	\$4,791	\$4,911	\$5,033	\$5,159	13.1%
Annual increase (%)		-2.6%	2.5%	2.5%	2.5%	2.5%	
Cumulative impact of Environmental Levy not being renewed above base year levels after current Environmental Levy expiry (\$4,560)		\$114	\$231	\$351	\$473	\$599	

\* Average business rate on average Land Value of \$905,000

Note: These tables have been developed as per the guidelines issued by IPART, however, they may not represent the exact impact on individual ratepayers due to various factors impacting Council's rating structure.

## ❖ Impact on Key Financial Indicators

There is no significant impact on financial indicators if the levy is not continued due to its size (around \$2.8m per annum) and partial offsetting of operating expenditure associated with it, however, there is still a deterioration in the main financial sustainability ratios as explained below. Most expenditure associated with the environmental levy is operating in nature therefore there is no impact on Infrastructure assets ratios.

### Operating Performance Ratio

Operating Performance Ratio is one of the most important financial indicators for Council. It measures Council's ability to contain operating expenditure within operating revenue. Council's long term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council's expenses are below its associated revenue. Council's Operating Performance Ratio from year 2 (2019/20) is expected to permanently drop on average by 0.2% if the environmental levy is not continued. This is due to reduced operating revenue generated from the levy of around \$2.8m per annum.

### Own Source Revenue Ratio

This ratio assesses the degree of Council's dependence upon grants and contributions. Council's own source revenue ratio remains above the benchmark of >60% in all future years at around 79%, however due to reduced income from the levy, this indicator will also permanently deteriorate by approximately 0.4% per annum.

As explained below if Council does not receive an approval for continuation of the environmental levy and makes no other accommodating adjustments to its spending or revenue raising policies, the operating performance ratios ratio as well as the own source revenue ratios will both continue to deteriorate in future years.

### Operating Performance Ratio

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1 - Without Environmental Levy	6.5%	3.1%	5.1%	5.1%	4.8%	4.4%	3.4%	3.5%	3.8%	4.5%
Scenario 2 - With Environmental Levy	6.5%	3.3%	5.4%	5.7%	5.2%	4.6%	3.6%	3.6%	3.9%	4.6%
<i>Impact</i>	<i>0.0%</i>	<i>-0.2%</i>	<i>-0.3%</i>	<i>-0.6%</i>	<i>-0.4%</i>	<i>-0.2%</i>	<i>-0.2%</i>	<i>-0.1%</i>	<i>-0.1%</i>	<i>-0.1%</i>

### Own Source Revenue

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1 - Without Environmental Levy	82.3%	77.8%	75.7%	74.0%	76.2%	78.6%	80.2%	82.1%	82.3%	82.3%
Scenario 2 - With Environmental Levy	82.3%	77.9%	76.1%	74.5%	76.6%	79.0%	80.6%	82.5%	82.6%	82.6%
<i>Impact</i>	<i>0.0%</i>	<i>-0.1%</i>	<i>-0.4%</i>	<i>-0.5%</i>	<i>-0.4%</i>	<i>-0.4%</i>	<i>-0.4%</i>	<i>-0.4%</i>	<i>-0.3%</i>	<i>-0.3%</i>

## Scenario 2 - Scenario with the continuation of the Special Rate Variation (SRV) for the Environment (Environmental Levy)

This scenario shows the financial results of delivering the current level of service as per the forecast 2018/19 budget expanded out over 10 years with the current Environmental Levy funding for environmental programs and works. It would mean that existing levels of rates income would be maintained and existing level of funds available for environmental programs will be maintained. This amount is estimated at \$2.8 million for 2018/19 and grows in future years with estimated rates pegging and property growth. This scenario requires approval of Council's special rate variation by IPART. Council already has an environmental levy in place and this scenario will mean continuation of the current level of funding for future environmental programs and works. This scenario is Council's preferred one and is considered sustainable. Council considers that the continuation in the level of funding is required to undertake much needed work on Ku-ring-gai's bushland, waterways and urban environment and meet community expectations in regards to sustainability.

The future Environmental Levy program will be based on the priorities and areas of importance expressed by the community through its Community Strategic Plan, as well as the consultation conducted as part of the proposed Special Rate Variation application.

As per the current Environmental Levy program, it is envisaged that programs and works will align with Council's capital works and operational programs; will have a strong focus on the delivery of on-ground outcomes to improve the condition of the natural environment and to address climate change; and will work closely with residents to facilitate behavioural change. The need to augment maintenance activities and budgets will also be important, for example, in the areas of bushland and bush fire management. Ongoing funding for the maintenance of current Environmental Levy projects will also be important. The essential service functions provided by Levy funded staff will also continue.

The result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation. Income from the continuation of the Environmental Levy will be used entirely to fund Council's environmental works

It is estimated that the special rates variation will produce the following increase in Council revenue over the next 10 years to 2027/28 ( refer table below).

Pending approval for an ongoing levy Council will receive approximately \$31.5 million in total over a 10-year period. If continuation of the special rate variation is not approved, the environmental program will need to be reduced by eliminating levy funded projects, so that the total program value each year equals only the funding available from other sources.

## Projected Environmental Levy Rates

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Special Rate Variation	2,821	2,891	2,963	3,037	3,113	3,191	3,271	3,353	3,440	3,526
Less: Pensioner Rebates	(15)	(16)	(16)	(16)	(16)	(17)	(17)	(17)	(18)	(18)
Levy available for Environmental Projects	<b>2,806</b>	<b>2,875</b>	<b>2,947</b>	<b>3,021</b>	<b>3,097</b>	<b>3,174</b>	<b>3,254</b>	<b>3,335</b>	<b>3,422</b>	<b>3,508</b>

### ❖ Impact on ratepayers

Scenario 2 assumes expiry of the current SRV and continuation of a permanent SRV for the Environment (Environmental Levy)

Under this scenario the existing SRV will expire at the end of 2018/19 and will be replaced with a permanent levy. The proposed permanent levy is equivalent to the current temporary levy of 5% of the rates income. If the SRV is approved, the additional revenue generated from the special variation will permanently go into council's revenue base.

The impact of the expiring levy and continuation of a permanent levy on residential rates is explained in the table below. It must be noted that if this Scenario is adopted and Council's application is successful there is no change to the status quo as the ratepayers will continue to pay the Environmental Levy at current rates. The increase in rates will be mainly due to the rates peg. The table and notes below explain the impact on residential and business rates. The example is based on residential rates charged on an average land value of \$1.128m.

- The current Environmental Levy of 5% above the ordinary rate expires in June 2019 and is replaced with a permanent Environmental Levy at the same rate (5%). The average residential rate increases by 2.1% from \$1,500 in 2018/19 to \$1,532 in 2019/20 due to the expiring Environmental Levy causing rates to decrease to \$1,425 and the new Environmental Levy of 5% and the 2.5% rate peg causing rates to increase from \$1,425 to \$1,532
- From 2020/21 rates are impacted by the rates peg (2.5%) increase only
- The cumulative increase in rates until 2023/24 (over 5 years) is 18.7% or \$266 (applied to the level of rates after the Environmental Levy has expired of \$1,425)
- The business rates will have similar movements in rates with a cumulative increase over 5 years of 18.7% or \$851.

### Impact on Rates with SV expiring and being renewed (assumed rate peg of 2.5%)

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Residential Rates</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Cumulative Increase</b>
Average residential rate with an expiring Environmental Levy of 5% in 2018/19 & a new Environmental Levy of 5% commencing in 2019/20	\$1,500	\$1,532	\$1,570	\$1,610	\$1,650	\$1,691	18.7%
Annual increase (%)		2.1%	2.5%	2.5%	2.5%	2.5%	
Cumulative impact (\$) of Environmental Levy being renewed above base year levels after expiry of current Environmental levy (\$1,425)		\$107	\$145	\$185	\$225	\$266	

Average rate on average Land Value of \$1,128,000

	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Business Rates</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Cumulative Increase</b>
Average business rate with an expiring Environmental Levy of 5% in 2018/19 & a new Environmental Levy of 5% commencing in 2019/20	\$4,800	\$4,908	\$5,030	\$5,150	\$5,156	\$5,285	18.7%
Annual increase (%)		2.1%	2.5%	2.5%	2.5%	2.5%	
Cumulative impact (\$) of Environmental Levy being renewed above base year levels after expiry of current Environmental levy (\$4,560)		\$342	\$465	\$590	\$719	\$851	

\* Average business rate on average Land Value of \$905,000

Note: These tables have been developed as per the guidelines issued by IPART, however, they may not represent the exact impact on individual ratepayers due to various factors impacting Council's rating structure.

Council is seeking a permanent extension of an existing infrastructure levy that has been in place since 2005. As such, the impact on the continuation of the special rate variation on the community is not significant given the size of the proposed levy, the ratepayers' capacity to pay and the fact that the levy is currently being paid by residents. The capacity to pay is also demonstrated by the Socio-Economic Indexes for Areas (SEIFA) which is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. SEIFA confirms that residents of the Ku-ring-gai Council local government area are ranked the most advantaged LGA area in the country. In 2016, household income for the Ku-ring-gai LGA stated that 46.0% of persons household income was in the highest income bracket versus the Sydney average of 28.3%.

The current environmental levy is around \$78 per annum on an average residential rate of \$1,500 and \$65 per annum on an average business rate of \$4,800. Due to strong support from the community in previous years and the factors described above it is considered reasonable to ask the ratepayers to continue to pay this levy in future to secure the ongoing delivery and continuity of Council's environmental and sustainability programs and works.

Special rate variations are also included as a rebate within Council rates and charges policy for eligible pensioners. Council's rating policy grants a voluntary pensioner rebate amount of 8.5% of the total Council rates and charges to offset the special rate variations. The

continuation of the levy will not create financial stress or hardship as the levy has been in place since 2005 and the community had indicated strong support for its continuation.

### ❖ Impact on Key Financial Indicators

All financial sustainability indicators will improve due to additional revenue of around \$2.8 million per annum from the environmental levy; however there is no significant increase in the Operating performance ratio due to additional expenditure associated with the levy offsetting the revenue. The expenditure associated with the environmental levy is mainly operating in nature and is equivalent to the amount of revenue.

The Operating Performance ratio will see a permanent improvement of around 0.2% per annum on average and the Own source operating revenue of around 0.3% per annum on average.

#### Operating Performance Ratio

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1 - Without Environmental Levy	6.5%	3.3%	5.4%	5.7%	5.2%	4.6%	3.6%	3.6%	3.9%	4.6%
Scenario 2 - With Environmental Levy	6.5%	3.1%	5.1%	5.1%	4.8%	4.4%	3.4%	3.5%	3.8%	4.5%
<i>Impact</i>	<i>0.0%</i>	<i>0.2%</i>	<i>0.3%</i>	<i>0.6%</i>	<i>0.4%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>

#### Own Source Revenue

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Scenario 1 - Without Environmental Levy	82.3%	77.9%	76.1%	74.5%	76.6%	79.0%	80.6%	82.5%	82.6%	82.6%
Scenario 2 - With Environmental Levy	82.3%	77.8%	75.7%	74.0%	76.2%	78.6%	80.2%	82.1%	82.3%	82.3%
<i>Impact</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.4%</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.4%</i>	<i>0.3%</i>	<i>0.3%</i>

## LTFP ASSUMPTIONS & SENSITIVITY ANALYSIS

The Long Term Financial Plan contains a wide range of assumptions, including assumptions about interest rates, potential effect of inflation on revenues and expenditures, current service levels and others. Major assumptions in the current version of the LTFP are listed below and a detailed list is attached to this report.

Some of these assumptions have relatively limited impact if they are inaccurate; some have a major impact on Council's future financial plan. The LTFP is a dynamic financial model and is updated quarterly to ensure the assumptions are continually updated with the latest information available. The Plan is also tested by varying the amounts of the moderate to significant assumptions and the impact is analysed.

**CPI Forecast:** An annual 2.4% increase in CPI has been built into the LTFP for both income and expenditure in line with Access Economics forecast for CPI. The Reserve Bank's target for inflation remains between 2% and 3%.

**Income from Rates** is limited to rates pegging set by IPART (2.3% for 2018/19) averaging an annual increase of 2.5% from 2019/20 onwards. In addition, the LTFP assumes an increase of 0.7% annually resulting from population and property growth. Scenario 2 of the LTFP assumes permanent continuation of the Environmental levy (special rate variation).

**Fees and charges** are expected to increase by 2.4% annually. Charges for domestic and trade waste have not been increased in the early years of the LTFP; however will increase in later years to reflect cost increases in providing the service.

**Investment revenue** has been estimated based on current cash levels and future expected earnings of BBSW + 1.1% over the 10 year period. The annual interest rate is estimated at 2.9% for 2018/19, 3.4% for 2019/20, 3.9% for 2020/21 and 4.2% for the remaining years to 2027/28.

**Grants for both Recurrent and Capital purposes** have been increased by 2.3% which is in line with CPI (if relevant for grant).

**Proceeds from Asset Sales** are projected in the LTFP to begin from 2018/19. The proceeds from sale will be used for infrastructure asset renewals & upgrades and Section 94 funding gap.

**Employee costs** have been estimated based on agreed award increases. Workers compensation has been factored by the same rate, which is an average of 3.4% per year. From 2021/22, compulsory super rates increase by 0.05% to reach 12% in 2025/26.

**Operational and capital materials and contracts** expenditure are estimated to increase by an average of 2.4% as per CPI.

**Borrowing Costs** have been estimated based on 95 basis points over 90 day BBSW per annum, rising to a maximum rate of 3.4%. The annual interest rate is estimated at 3.0% for 2018/19, 3.3% for 2019/20, and 3.4% for the remaining years to 2027/28.

## Sensitivity Analysis

The following table lists the major assumptions affecting the LTFP results and shows the impact of varying them. This impact is classified as Low, Moderate or Significant in terms of quality and quantum of service delivery to constituents.

	<b><i>Impact</i></b>	<b><i>Comment</i></b>
<b><i>Revenue</i></b>		
<i>Inflation/CPI</i>	<i>Low</i>	Changes in inflation will affect both revenue and expenditure, but increases in the assumption are likely to be negative for the projected operating surplus.
<i>Rates Income – Rate Peg</i>	<i>Moderate to Significant</i>	The rate peg for 2018/19 announced by IPART is 2.3%, and 2.5% for future years. Rates income also assumes rates growth of 0.7% per annum through increased development. Changes in rate pegging will affect revenue forecasts, and these will have a moderate impact on the LTFP Model, compared to the calculations using the average LGCI. Non-achievement of property and rates income growth forecasts will directly affect provision of new infrastructure and the rate at which existing infrastructure can be renewed.
<i>Investment Earnings</i>	<i>Moderate</i>	Investments are placed and managed in accordance with the Council's adopted Investment Policy in compliance with the Local Government Act. Council's investments portfolio is subject to fluctuations in interest rates. An adverse movement in interest rates will reduce investments income and impact on capital expenditure and service levels, with only a minor offset through savings in variable interest loan costs.
<i>Proceeds from Asset Sales</i>	<i>Significant</i>	The LTFP assumes sale of assets for the 10 years. Proceeds from asset sales will be used to fund infrastructure asset renewal leading to a reduction in Councils infrastructure backlog. If the proceeds and timing of sales are not realised as per the plan, this will have a major impact on Council's key infrastructure assets indicators. There will be insufficient funding available to address the current assets backlog. The Asset's Renewal Ratio will deteriorate together with the Infrastructure backlog ratio.  Asset sales are also planned to fund Council's co-contribution in its s94 Developer

	<i>Impact</i>	<i>Comment</i>
<b>Revenue</b>		
		<p>Contributions plan. If these asset sales are not realised, either cuts to services and other capital would have to be made or alternatively the s94 projects requiring Council co-contributions would have to be deferred or deleted from the program.</p> <p>Property Development Reserve - Council has established a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales for three town centre revitalisation projects being in major developments in Lindfield, Turramurra and Gordon that will provide civic improvements and community facilities.</p>
<b>Grants</b>	<p><i>Low for specific purpose grants.</i></p> <p><i>Moderate/Significant for general purpose grants</i></p>	<p>The LTFP model includes operational grants and capital grants that have already been awarded. The Council does not have a strong reliance on specific purpose grants revenue in comparison with other sources of revenue. Programs funded by specific purpose grants may not be offered by the Council if the grants were eliminated.</p> <p>The general purpose component of the Council's Financial Assistance Grant is currently \$3.8 million. If this grant were reduced or eliminated, the Council would need to consider significantly reducing capital expenditure and operating service levels.</p>
<b>Expenditure</b>		
<b>Employee Costs</b>	Significant	<p>This is Council's largest cost. The number of employees in operating activities is assumed to remain constant with cost increases in line with forecast or known Award changes. This volume assumption is at risk from possible future changes to conditions, further devolvement of functions from other levels of government and from growth in Council services requiring additional staffing. The Award increase assumptions are at risk as Council has no direct control over this.</p> <p>Employees engaged in capital projects may increase slightly with increased funding for infrastructure, however this would be met from the new budget allocations. Employee costs associated with the continuation of the levy are operating cost and will be eliminated if the levy is not granted by IPART.</p>
<b>Borrowing costs</b>	<i>Moderate</i>	Council's outstanding loan balance is

	<i>Impact</i>	<i>Comment</i>
<b>Revenue</b>		
		expected to decrease to \$23 million by 2018/19 and further reduced by the end of the financial plan. The outstanding loan is discharged by general revenue and future net revenue generated from leasing out the investment property at 828 Pacific Highway, Gordon. This carries a moderate risks in term of delays in realising income if the current building is not leased out as predicted in the LTFP assumptions.

The following table illustrates monetary sensitivity to variations in the assumptions.

Income & Expenditure Categories	Assumption	2018/19 Base	Sensitivity to a 10% Variation in the Assumption	Sensitivity to a 20% Variation in the Assumption
		\$'000	\$	\$
<b>INCOME:</b>				
Rates	3.00%	62,994	188,982	377,964
Fees & Charges	2.39%	20,331	48,591	97,182
Operating Grants	2.39%	6,656	15,908	31,816
Interest on Investments	2.90%	4,182	12,128	24,256
Other Income	2.39%	11,544	27,590	55,180
<b>EXPENDITURE</b>				
Employee Costs	3.30%	41,499	136,947	273,893
Borrowing Costs	2.95%	647	1,909	3,817
Materials & Contracts	2.39%	38,490	91,991	183,982
Depreciation	1.81%	17,268	31,217	62,435
Other Expenditure	2.39%	22,831	54,566	109,132

1. Annual charges have been excluded as there is NIL growth in 2018/19

The sensitivity analysis shows that Rates income and Employee costs would have the greatest impact if there is a future variation from the LTFP assumptions. If there are adverse variations in the future from the LTFP assumptions, adjustments will need to be made to operations and capital programs to maintain financial sustainability. The sensitivity analysis brings into sharp focus the need to manage employee numbers and costs.

## HIGHLIGHTS OF THE LONG TERM FINANCIAL PLAN

### Financial Performance Summary – Forecast

Ku-ring-gai Council's LTFP details Council's expected income, operational and capital expenditure within the external environment that Council is expected to face in future. Council is forecasting a strong operating result with operating surpluses in each year. All key financial ratios are predicted to meet or outperform benchmarks. The following forecast

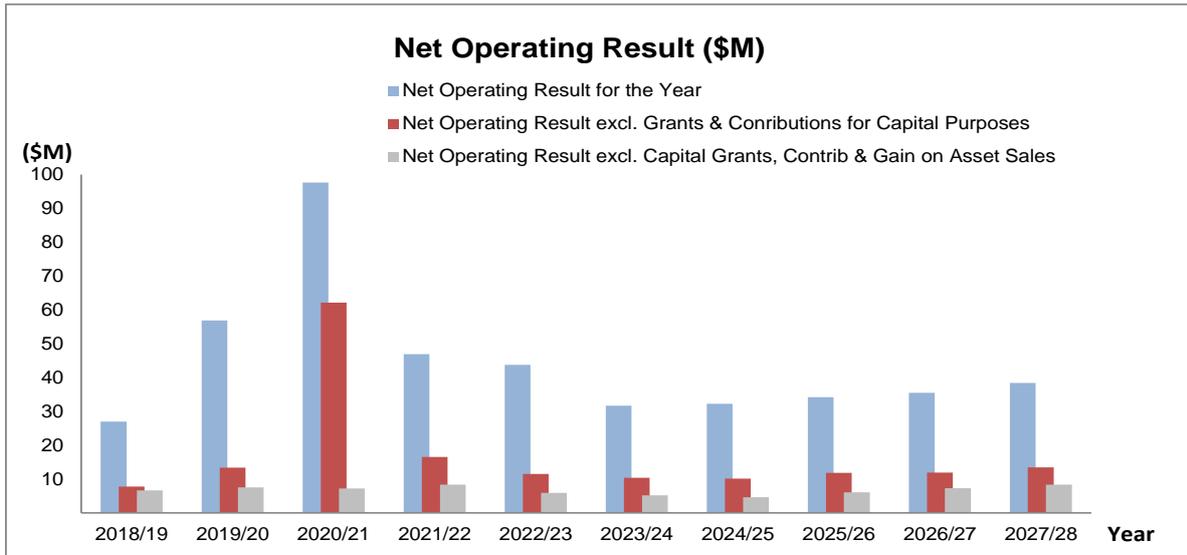
summary on financial performance is based on Scenario 2. This Scenario represents the continuation of the SRV. This is Council's optimal scenario and is financially sustainable in terms of key financial measures.

## Operating Result

The operating result after accounting for capital items is a surplus in all projected years. The overall trend in operating result is improving over the forecast period due to revenue growth (averaging 2.8% p.a.) outstripping expenditure growth (averaging 2.5% p.a.). Revenue growth is driven by rates and annual charges, user fees and charges and other revenue including rent income. Another factor in increased revenue is the inflow of additional funds from the property development activity and population growth that is expected to grow the rates base.

The strong results in 2020/21 to 2021/22 are primarily due to forecast gains from sale of assets to fund infrastructure renewal works as well as capital income from partner contributions partly funding major Town Centre projects. Planning for these projects, should consider the inclusion of commercial opportunities of sufficient return to cover ongoing operational costs of the public spaces in the precinct. The proceeds from asset sales are restricted and will be solely used for asset renewals.

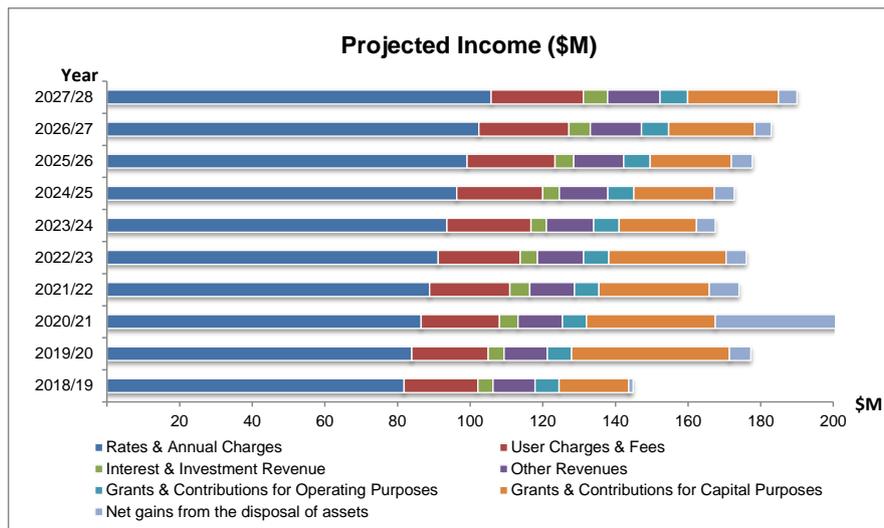
The charts below show the forecast operating result before and after capital grants and contributions items and income from sale of assets. The Net Operating Result for the year includes capital grants and contributions as well as asset sales revenue. As these items are capital in nature, it is useful to focus on the operating result that excludes capital items and assets sales. The elimination of these items are made to focus on analysis of core operating council's results. In 2018/19 Council achieves an operating surplus of \$26.9 million after allowing for the depreciation expense. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of \$7.8 million.

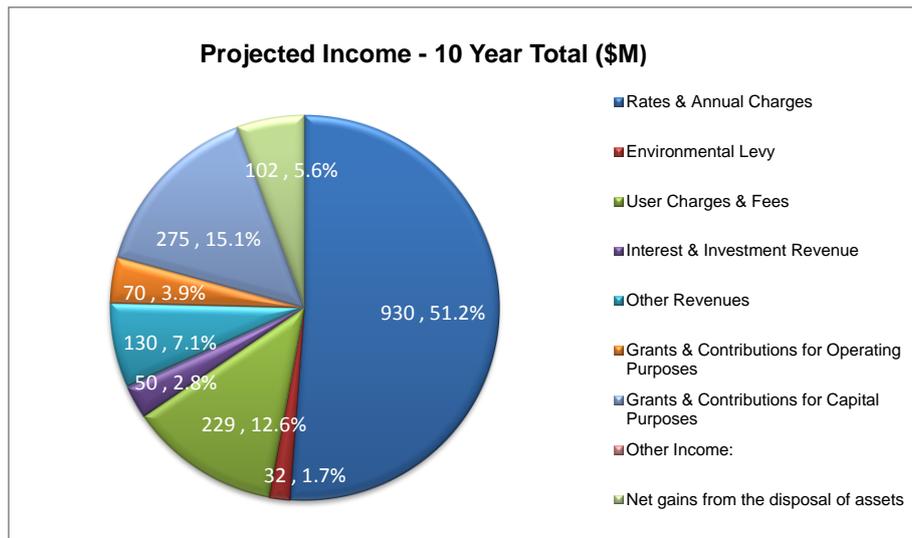


## Projected Income

Council obtains revenue from a variety of sources including rates and annual charges, user charges and fees for services, interest and investment revenue, other revenue and grants and contributions for both operating and capital purposes.

Council’s revenue has been forecast to increase from \$148 million in 2018/19 to \$194 million over the ten years, which is an average of 2.8% increase per year. The projected income for the forecast period is detailed in the chart below.





## Rates Income & Annual Charges

Council's dependence upon rates income and annual charges is approximately 51%. The rest of the costs of Council's operations are funded from non-rates income. Part of the increased income from rates is due to the forecast development activity leading to additional dwellings, which will be allocated to asset renewals from 2018/19 onwards and have been incorporated into the LTFP projections.

Two special rate variations are included in the LTFP:

- The SRV for Infrastructure is a permanent levy from 2018/19 onwards granted by IPART in 2013/14 based on Council's application for a continuation of this SRV.
- Environmental SRV - an 8-year environmental levy is in place for a special environmental program. This formally expires in 2018/19, and Council is seeking renewal of this levy. Accordingly, the scenario planning in the LTFP discusses continuation of the program of works that it funds and continuation of the levy.

## User Charges & Fees Charges

Council derives approximately 12.5% from user charges & fees and these are forecast to increase by an average of 2.4% per year over the forecast period primarily driven by.

## Interest Income

Council has forecast an earning rate on its investments of the expected BBSW rate + 1.10% over the forecast period. Interest revenue changes in line with cash and investment balances.

## Operating Grants & Contributions

Operating grants and contributions increase by an average of 1.9% p.a. Council's main form of grant assistance is the financial assistance grant, which is a federal untied grant that is distributed between the States based on their percentage of the total population. Financial assistance grants consist of two components both of which are distributed to councils: general-purpose component and a local road component.

## Capital Grants

Capital grants and contributions are volatile over the forecast period as they can relate to specific one-off major projects.

## Development Contributions

Council collects contributions from developers (s94 Contributions) to help pay for new infrastructure and facilities for the growing population of the area. The Long Term Financial Plan includes the works listed in the Ku-ring-gai Contributions Plan 2010, which came into effect on 19 December 2010. This Contributions Plan applies to development in Ku-ring-gai that gives rise to a net additional demand for infrastructure identified in the Contributions Plan. This period accounts for both the estimated pattern of receipt of Section 94 contributions as well as the delay between contribution receipt and Council's ability to complete works.

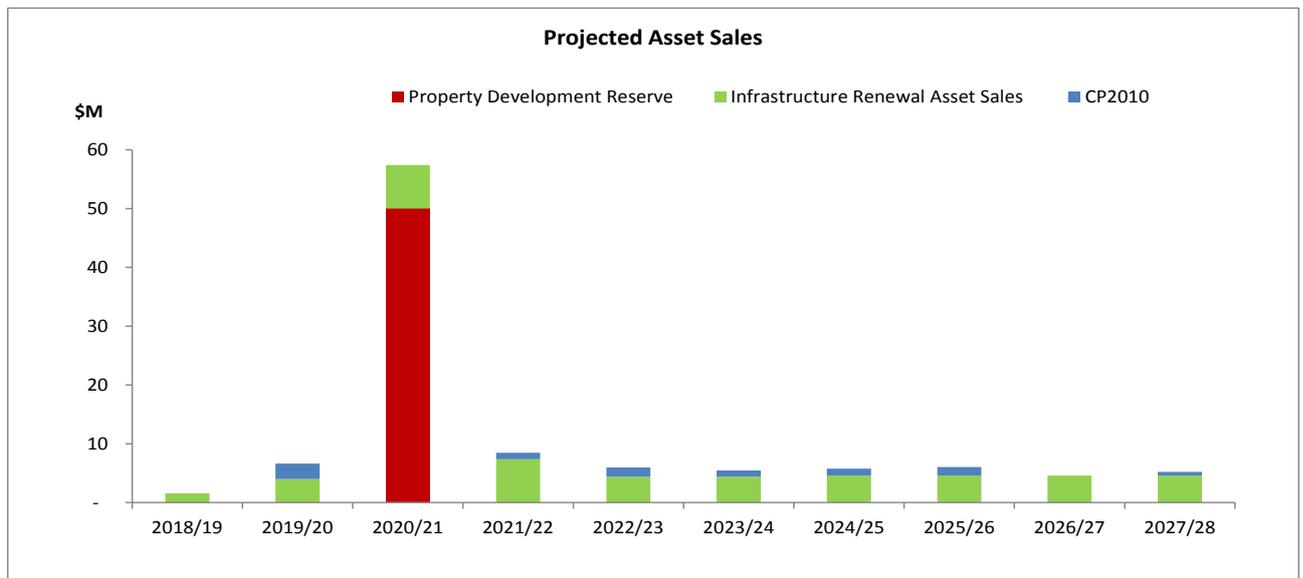
Some of the works to be undertaken in the s.94 plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its s.94 Development Contributions Plans for co-contributions of general revenues to accompany developer contributions. The amount of funding required from property asset divestment over the 10 years of the LTFP is \$9.6 million.

## Income from Asset Sales

This income from asset sales is from rationalisation of property assets that will commence in 2018/19. Planned asset sales are mainly to fund:

- Infrastructure Asset renewals
- Council’s co-contribution for projects identified in the Development Contributions Plan 2010. These sales are planned to commence in 2019/20 and continue over a 4-year period as Contribution Plan projects proceed. The total proceeds from asset sales (\$9.6 million) will be used for projects commencing in this financial plan and unspent proceeds will be restricted to the Assets Sales Reserve available for projects commencing beyond 10 years.
- Provide a “Property Development Reserve” for major Local Centre projects

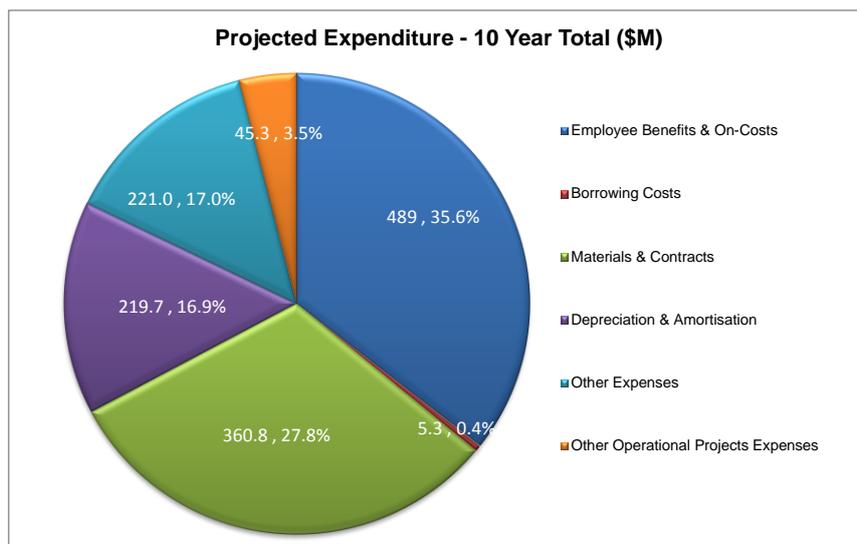
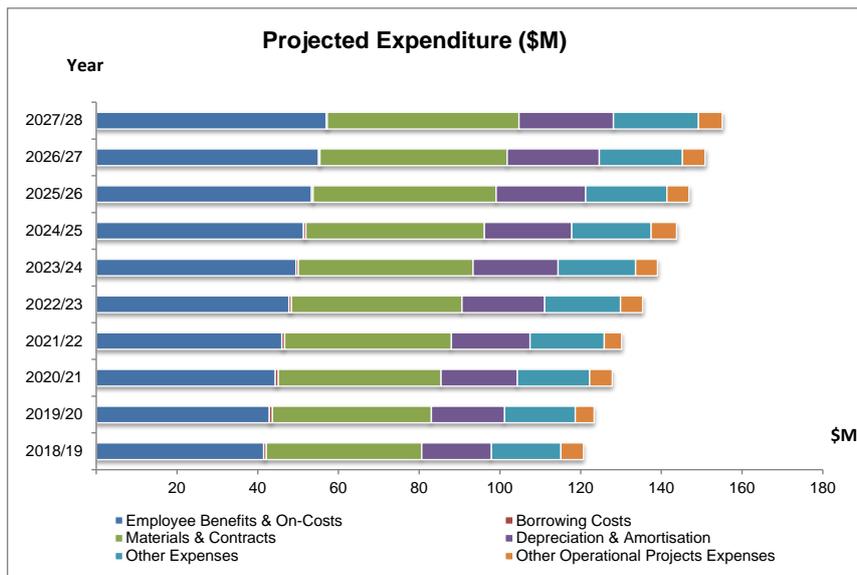
The chart below provides projected asset sales over a 10-year period and identifies the categories to which the funding will be allocated.



## Projected Operational Expenditure

Council incurs the following expenditure in the course of its operations: employee benefits and on-costs, borrowing costs, materials and contracts, depreciation, other expenses. Total operating expenses are projected to increase by an average annual increase of 2.5% over the forecast period.

The projected operational expenditure for the 10 year forecast period is detailed in the chart below.



## Employee Costs

Employee costs increase by an average of 3.4% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. The LTFP reflects the Workforce Strategy. With the allocation of additional funding to Council's infrastructure asset renewals program, workforce resourcing allocation will require review and adjustment in order to meet increased workload demands. Other employee related issues such as maintaining/improving workforce capacity are dealt with in the Workforce Strategy and have therefore not been addressed in the LTFP.

## Workers compensation

Workers compensation insurance premium payments are based on previous claims history. Projected premiums therefore take the most recent premium and increase it by CPI.

## Capitalisation rate for employee related expenditure

Council capitalises a portion of employee related expenditure that relates to the construction of assets per the requirements of AASB 116 – *Property, Plant and Equipment*. The percentage of employee related expenditure capitalised has been assumed to stay constant from year to year for the purpose of the LTFP.

## Superannuation

Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. The Government has announced an increase in the superannuation guarantee rate from 9.5% to 12% between the 2020/21 and 2025/26 financial years.

## Employee benefits

Employee leave entitlements such as annual leave and long service leave have been projected to increase at the same rate as general salaries expenditure.

## Borrowing costs

Borrowing costs incurred include interest on loans held by council. Borrowing costs form 0.4% of the total expenditure incurred by Council. Borrowing cost projections are based on current loans, including the loan facility for the investment property at 828 Pacific Highway, Gordon. The LTFP plans further borrowings of \$1.6 million in 2018/19 for future refurbishment of the Council administration building.

## Materials & Contracts

Materials and contracts expenses increase by an average of 2.2% p.a. over the forecast period. Materials and contractors is the second largest cash expense item incurred by

council (32% of total expenditure in the 2018/19 financial year). Materials and contracts payments include contractor and consultancy costs, which also relate predominantly to Council's maintenance program. Other materials and contracts costs include operating lease expenses, legal expenses, and auditor fees.

## Depreciation and Amortisation

Depreciation and amortisation expenses increase by an average of 3% p.a. Depreciation expense has been reviewed as part of the review of infrastructure assets together with a thorough review of useful lives for each asset class. Additional depreciation has been reflected in the budget to cater for new and upgraded assets. Depreciation is dealt with in the Asset Management Strategy (AMS) and Asset Management Plans, and further details on all assumptions calculations can be found in the AMS.

## Other expenses

Other expenses increase by an average of 2.5% per year from 2018/19 and include items like street lighting charges, insurance costs, utility expenses, rental rebates and other sundry expenditure.

## Projected Capital Expenditure

A significant highlight of the LTFP is its commitment to capital works program. The LTFP forecasts delivery of a total capital works and other major projects program over 10 years totalling over \$623 million (at future prices). A portfolio of all project proposals has been developed, including estimates of costs and funding sources to determine current and future funding requirements. This project portfolio has been linked to the LTFP. Some significant projects included in this and delivered in the next year are listed below:

### Major capital projects initiatives for 2018/19 and future years

Council considers a range of available projects competing for resources each year and evaluates major ones based on their financial sustainability and potential contribution to Community needs. During 2018/19, the following projects will be commenced or progressed:

- **Implementation of Koola Park Master Plan** – the first three stages of the redevelopment of this significant recreation area have been completed over the last 4 years. These include the stormwater harvesting system including a 600,000 litre underground storage tank, the construction of four cricket practice nets, a store room and plant room addition to the western amenities, and a sewer connection to replace the old septic system.

Major field redevelopment has included field levelling, drainage, irrigation, an extension of the playing fields to gain an additional full size sports ground, sports field

floodlights, fencing, outdoor exercise equipment and a perimeter exercise path. Additional car parking and an accessible entry will be constructed in the coming year.

- **Putarri Reserve** – Council is developing plans for the upgrade of Putarri Reserve as part of our long term plan to improve parks and playgrounds in areas of high need. A range of activities will be provided for various age groups and abilities. Proposed upgrades will include:
  - A playground catering for a range of age groups and abilities
  - Open areas of lawn for relaxing and sitting
  - Exercise facilities
  - A number of seats, a shelter and picnic table
  - Playful animal sculptures
  - An accessible path network to link the park's activity areas
- **Implementation of St Ives Village Green Master Plan** – early works saw the demolition of the old scouts and girl guides halls, with both groups relocated to newly renovated facilities at Warrimoo Oval St Ives Chase. This will enable the construction of the new youth precinct in the coming year. Features will include a skate and bike park, performance space, an inclusive children's playspace, and picnic facilities. Additionally the FITZ Youth Café and the central amenities building will both be upgraded to complement the precinct. In further years, we will see other parts of the master plan being implemented, including a perimeter exercise path, terraced seating around William Cowan Oval and the relocation of the tennis courts to be adjacent to the bowling club,
- **Lindfield Village Green** – this project will involve constructing a new public park on the site of Council's car park at Tryon Road Lindfield. The existing car parking will be relocated to a new basement car park freeing the surface area to create a public plaza and landscaped open space.
- **Lindfield Village Hub** – is a vibrant new urban village planned to be located on Council's car park off Woodford Lane on the western side of Lindfield. The project will deliver a new park and urban plaza, cutting edge integrated community hub which will provide library and community services, nestled alongside new homes, new retail and dining options. The hub will become a destination for community activities and shopping and dining experiences for the southern part of the Ku-ring-gai LGA.
- **Turrumurra Community Hub** - the community hub is planned to be located on Council's car park on the northern side of the Pacific Highway between Ray Street and the rail line. The project will deliver a new park and town square, as well as a new branch library and community centre. The hub will become a focus for community activities for the northern part of the Ku-ring-gai LGA.

- **Construction of St Ives Showground Regional Play Space** – a playground upgrade at St Ives Showground is planned to address the lack of play facilities at this important site, and to enable more effective public use of the Showground which is regionally significant open space.

Project funding is being assisted through a \$250,000 NSW Metropolitan Greenspace Program Grant. The objective is to provide an inclusive regional playground in a suitably sized space for outdoor and nature play.

Set within the remnant edge of Duffy's Forest bushland, the existing playground equipment will be replaced with a range of play equipment and nature-play experiences for all. This playground will sensitively blend with the Showground's character, referencing its cultural history and indigenous vegetation. The play area will not only be a destination place for children and their families, but also add recreational value to the Showground's diverse mix of existing open space opportunities. The project is planned for construction to commence late 2018.

- **Construction of new park at Duff Street & Allan Avenue, Turramurra** – the new park at Allan Avenue, is being built on land Council has purchased as part of its Open Space Acquisition Strategy. This strategy aims to provide new open space and other facilities for the community now and in the future.

Proposed works include:

- A playground catering for a range of age groups and abilities
- Open areas of lawn for relaxing and sitting
- A number of seats, a shelter and picnic table
- An accessible path network to link the park's activity areas along with accessible parking.
- A half-court basketball area.
- Site terracing and landscaping

Following extensive community consultation Council has adopted a masterplan for the site and is preparing detailed documentation to enable construction to commence early in 2019.

- **East Lindfield Community Centre, Wellington Road, East Lindfield** - renewal of the community centre building, including restoration or rebuilding.
- **Marian Street Theatre, Marian Street, Killara** – renewal of Marian street theatre.
- **Joint use indoor sports facility - St Ives Indoor Sports Complex, St Ives High School, Yarrabung Road, St Ives** – this is a proposed construction of a new indoor sports facility at St Ives High School, for joint use with the NSW Department of Education.

## Projected Capital Expenditure

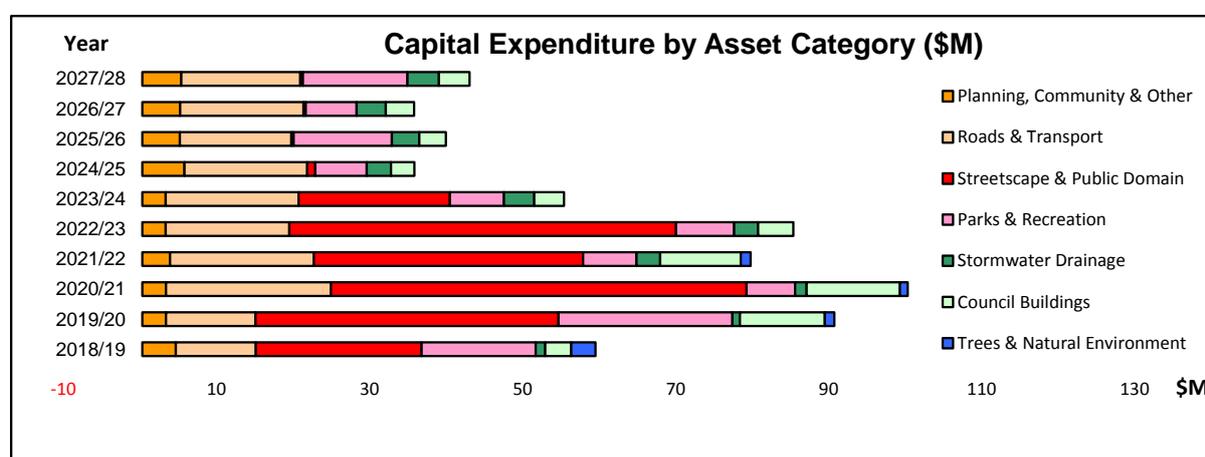
Assumptions around capital expenditure, asset valuations and asset management are covered in the Asset Management Strategy and have been incorporated into the LTFP. A summary of future capital expenditure by asset category is provided below:

### Projected Capital Expenditure (including Major Local Centre Projects)

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Planning, Community & Other	4,386	3,078	3,076	3,614	3,053	3,067	5,523	4,896	4,933	5,074
Roads & Transport	10,452	11,713	21,591	18,800	16,143	17,354	16,022	14,597	16,120	15,580
Streetscape & Public Domain	21,688	39,603	54,329	35,185	50,565	19,769	1,083	306	313	320
Parks & Recreation	14,891	22,731	6,338	6,988	7,617	7,062	6,710	12,812	6,643	13,695
Stormwater Drainage	1,253	981	1,492	3,110	3,101	3,995	3,179	3,593	3,827	4,123
Council Buildings	3,402	11,133	12,222	10,519	4,629	3,884	3,065	3,477	3,707	4,001
Trees & Natural Environment	3,158	1,237	1,022	1,297	-	-	-	-	-	-
<b>Total Projects</b>	<b>59,230</b>	<b>90,476</b>	<b>100,070</b>	<b>79,513</b>	<b>85,108</b>	<b>55,131</b>	<b>35,582</b>	<b>39,681</b>	<b>35,543</b>	<b>42,793</b>

The largest capital expenditure goes to Streetscape & Public Domain with 36% of total expenditure for the forecast period, followed by Roads & Transport (25%) and Parks & Recreation Streetscape & Public Domain (17%). Parks & Recreation, among others, includes acquisition of Community land, which is funded by s94 contributions.

The chart below provides the breakdown of capital expenditure by category for the next 10 years and the sources and use of funds for capital projects.



## Working Capital & Cash Reserves

### Working Capital

Working capital is a measure of Council's liquidity and ability to meet its obligations as they fall due. It is one of the primary measures of the overall financial position of Council, which allows for unforeseen expenditure, reductions in revenue or other accounting adjustments.

Council's current policy is to maintain a minimum working capital of 5.5% of operating expense. This equates to a projected amount of \$5 million for 2018/19. The working capital is gradually increasing by an average of 2.5% annually in future years. The level of working capital highlights an adequate liquidity position with Council being able to meet its short term liabilities when they fall due.

## Cash Reserves

Council has a number of cash reserves which are held for the following reasons:

- legal constraint (externally restricted) - e.g. Section 94 Developer Contributions
- to manage cash flow for abnormal items and thus reduce impact on service delivery
- specific revenue - e.g. contribution to works

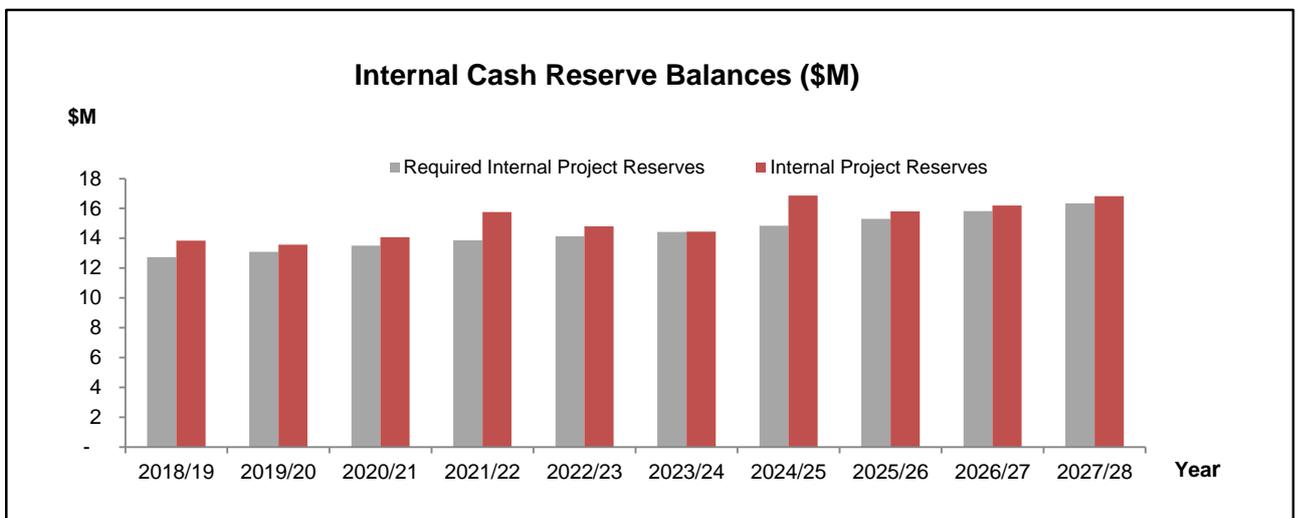
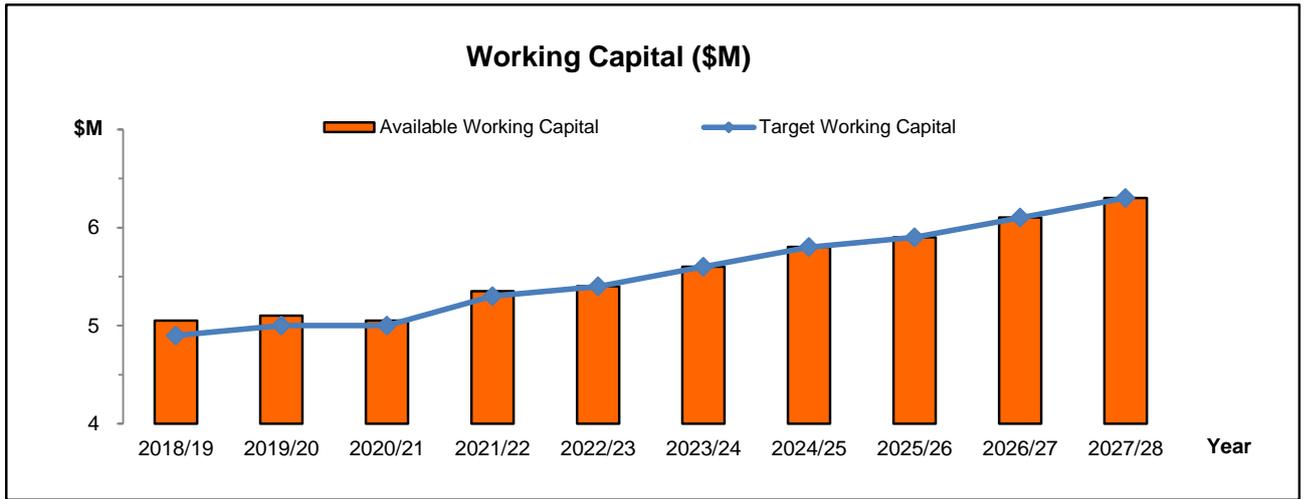
There are three (3) types of cash reserves, namely:

1. Statutory (externally restricted) – e.g. S94 Developer Contributions, Specific Purpose Unexpended Grants, Domestic Waste Management, Infrastructure Levy and Environmental Levy
2. Internal Liability Reserves – to provide for future liabilities e.g. employee entitlements
3. Internal Project Reserves – to provide for future expenditure on assets renewal and other capital projects

External reserves can only be used for the purpose for which funds were collected. Internal projects reserves are used solely to fund capital items. One of the targets identified in the LTFP is to maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue. Any surplus cash funds are allocated towards future asset renewals.

Cash reserves are carefully managed to achieve optimum investment income and to be available when needed for planned expenditures.

Charts below illustrate the level of working capital and internal cash balances reserves (projects reserves) for the 10-year forecast period.



## Summary of Borrowings

One of the major underlying principles incorporated into Council's Long Term Financial Plan is the Borrowing and Debt Strategy. As per this Strategy Council considers borrowings as a source of funding for:

- Capital projects that deliver long term benefit to the community
- Building or purchase of assets where a detailed cash flow analysis shows that full funding costs can be recovered over the life of the asset and economic investments where a new asset or service decreases existing costs or provides new revenue in excess of their funding costs

Using this strategy, the LTFP identifies a permissible level of borrowing in each year to ensure that the required level of borrowing is below this level. This is a borrowing level that the Plan regards as sustainable, principally because;

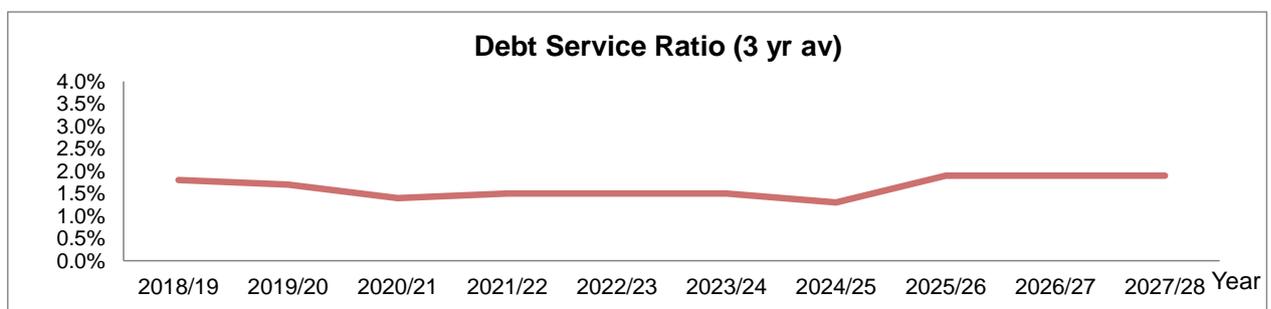
- sources of debt repayment have been identified and modelled into overall cash flows, and
- the Debt Service Ratio (DSR) is within the Fit for the Future benchmark of less than 20 %

Maintaining a maximum Debt Service Ratio below the industry benchmark of 20% in any one year is one of the key financial sustainability tests applied by the LTFP. During the current planning period, this test will be satisfied. Council's ability to service its debt remains strong for the entire period of the LTFP. As per Council's funding strategy, the outstanding debt is discharged over a longer term from net revenue generated through leasing out Council's investment property at 828 Pacific Highway, Gordon.

The acquisition of the 828 Pacific Highway Building in 2012/13 was originally funded by external borrowing with the borrowing to be subsequently discharged by future asset sales. Under the current funding strategy, this building will be fully leased out generating enough revenue over the life of the plan to discharge the outstanding debt over a longer period of time. This principle aligns with the matching concept of 'inter-generational equity'.

Currently a loan of \$1.6m is proposed in 2018/19 for future refurbishment of the Council administration building at 818 Pacific Highway, Gordon. This loan will be also be discharged from net revenue generated from leasing out the investment property at 828 Pacific Highway.

Council's Debt Service Ratio will remain in the range of 1% to 3% during the life of the plan. The debt service ratio assesses the impact of loan principal and interest repayments on the discretionary revenue of Council. As can be seen from below Council's ability to service it's debt is excellent and is below the benchmark of less than 20%. The Debt Service Ratio for the next 10 years is provided in the chart below:



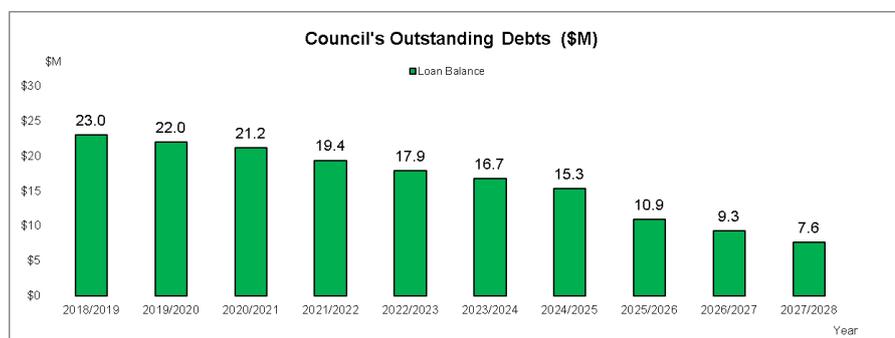
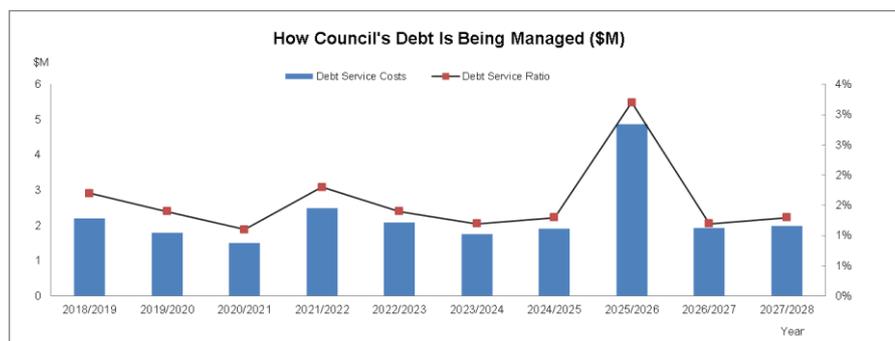
## How Council's Debt is being managed

The LTFP includes a dynamic capital management strategy which continuously monitors:

- Actual need for loan funds based on actual expenditure occurring within projects designated for loan funding
- Obtaining loans under terms which not only offer the best interest rate but also offer maximum flexibility for repayment timing and/or further loan drawdown
- Updated forecasts of sources of loan repayment
- Updated reviews of operating budgets, and
- Quoted interest rates on loans compared to interest being earned on invested funds

The LTFP provides for repayments of debt to occur on either a schedule specified by the terms of individual loans or at a time where funds are available and the overall cost of debt can be reduced by making opportunistic repayments. This results in all loans being discharged by 2034.

The following charts show Council's projected outstanding debt and the Net debt service cost for the next 10 years. Total Debt Service Cost includes total interest plus principal repayments.



## KEY FINANCIAL INDICATORS

The key financial indicators are industry accepted measures of financial health and sustainability. This section provides the financial ratios for Council's preferred scenario - Scenario 2 which assumes continuation of the environmental levy. As described in the "scenario planning" section of this document there is no significant variation between the two scenarios in terms of financial sustainability indicators ( Operating Performance ratio and Own source revenue ratio) due to the size of the levy compared to overall income and the offset of the expenditure associated with it. There is no impact on assets ratio between the two scenarios, as the majority of the expenditure associated with environmental programs and works is operational in nature.

Council's future financial performance and position is measured against the Fit for the Future (FFTF) performance indicators. In addition to the standard FFTF indicators a new ratio has been included "Cost to bring assets to Agreed Service level". This new ratio is prescribed in the latest Draft Code of Accounting Practice (Special Schedules) released by the Office of Local Government (OLG) in April 2018. As per the OLG guidelines: "The ratio indicates proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset." This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets. The ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total infrastructure assets portfolio. Council's funding strategy addressed future budget decisions in relation to the outstanding works. This ratio is discussed in more detail in the Assets Management Strategy.

A summary of these indicators and their benchmarks is provided below.

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 and 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>Cost to agreed level of service</b> (The sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets)	<i>The ratio indicates proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset</i>	<i>0</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>

The projected key financial indicators for Scenario 2 – continuation of the environmental levy for the next 10 years are presented below.

## Key Performance Indicators - Scenario 2

Description	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/24	2025/26	2026/27	2027/28
<b>SUSTAINABILITY</b>										
Operating Performance Ratio	6.5%	3.3%	5.4%	5.7%	5.2%	4.6%	3.6%	3.6%	3.9%	4.6%
Own Source Revenue	82.3%	77.9%	76.1%	74.5%	76.6%	79.0%	80.6%	82.5%	82.6%	82.6%
Building & Infrastructure Asset Renewal Ratio	132%	131%	128%	130%	127%	151%	138%	135%	137%	137%
<b>INFRASTRUCTURE AND SERVICE MANAGEMENT</b>										
Infrastructure Backlog Ratio to Bring to Satisfactory	2.5%	2.2%	1.6%	1.1%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Infrastructure Backlog Ratio to bring to Agreed Level of Service	3.6%	3.0%	2.6%	2.1%	1.6%	0.9%	0.4%	0.1%	0.0%	0.0%
Asset Maintenance Ratio	108%	105%	104%	103%	102%	102%	101%	101%	100%	100%
Debt Service Ratio (3 year Av)	1.8%	1.7%	1.4%	1.5%	1.5%	1.5%	1.3%	1.9%	1.9%	1.9%
<b>EFFICIENCY</b>										
Real Operating expenditure (per capital)	921	909	909	895	899	892	892	881	873	867

\*Council has a new funding strategy to address the current backlog and decrease it in future years as detailed under the LTFFP Funding Strategy in this document.

Scenario 2 highlights Council's strong future financial position and performance as indicated by the financial ratios above.

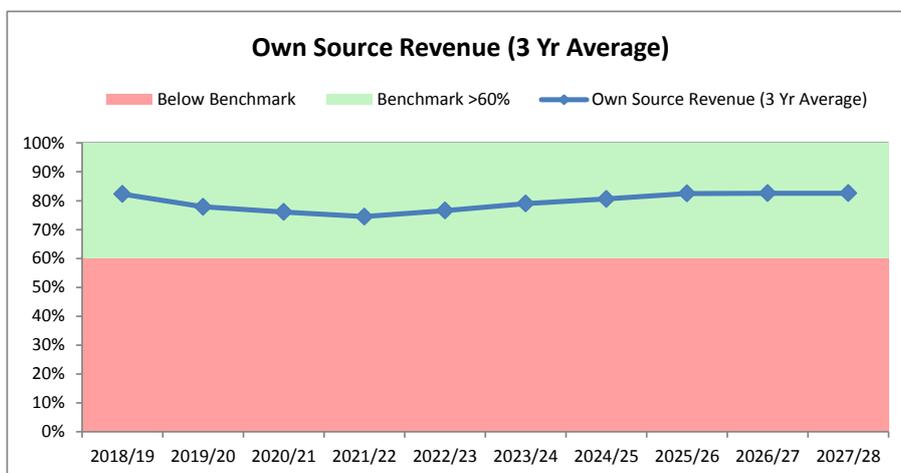
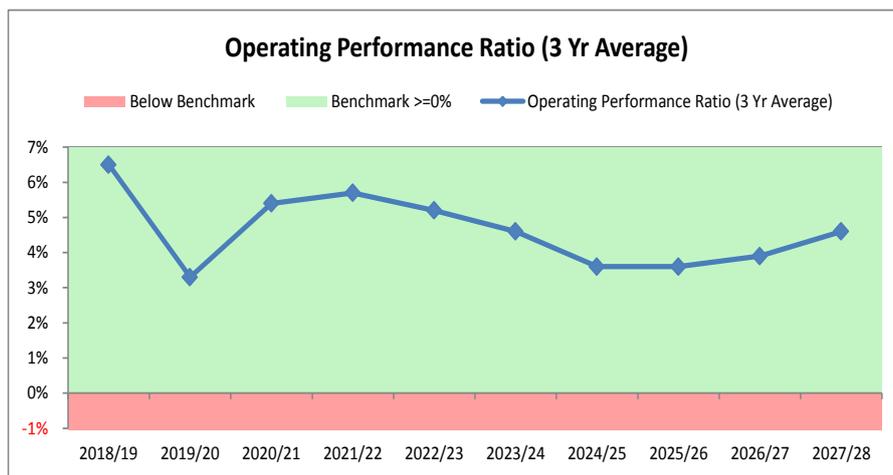
All FFTF Financial indicators are meeting current industry benchmarks in all forecast years. Council adopted a new funding strategy for asset renewals, which will see this ratio significantly decrease by 2022/23 with further reduction in future years. Council forecasts no Infrastructure backlog by 2022/23. The new funding strategy is discussed in detail under the Funding Strategy section in this document.

## Sustainability Ratios: Operating Performance Ratio, Own Source Revenue Ratio and Infrastructure Backlog Ratio

**Operating Performance Ratio** is an important financial indicator for Council. Our long-term financial sustainability is dependent upon ensuring that on average over time this indicator is positive, making sure that Council's expenses are below its associated revenue. This indicator excludes capital income and gain or loss on sale of assets.

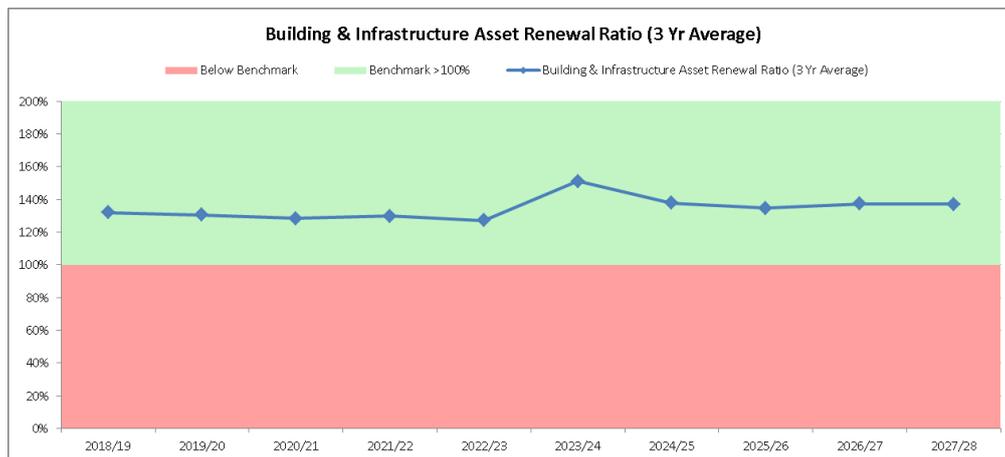
Council's current performance ratio is above the benchmark, which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio outperforms benchmark for the entire forecast period of the LTFP with an increasing trend starting from 2019/20 onwards.

**Own Source Revenue Ratio** measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's Own Source Operating Revenue Ratio remains above the benchmark of (>60%) in all future years. Council forecasts a sufficient level of fiscal flexibility, in the event of being faced with future unforeseen events.



**Building & Infrastructure Asset renewals Ratio** This indicator assesses Council’s rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. An indicator of 100% indicates that the amount spent on asset renewals equals the amount of depreciation. Council’s ratio stands at 132% in 2018/19 and will be above benchmark in all future years.

Council is continuing to focus on appropriate asset standards for renewal and maintenance.



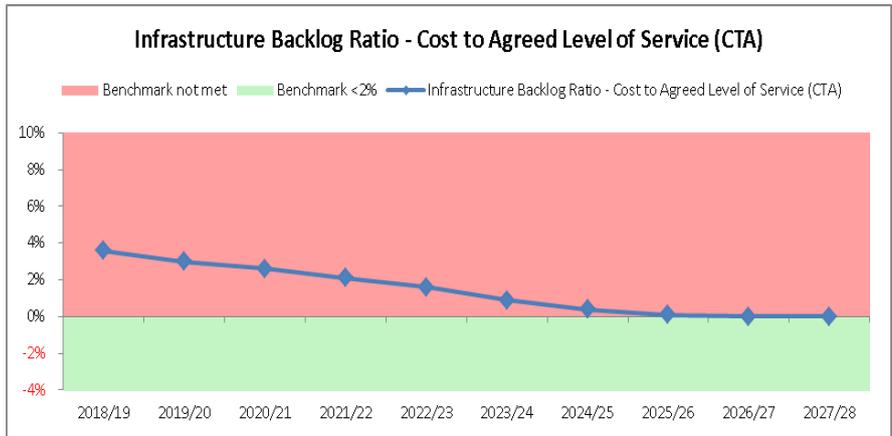
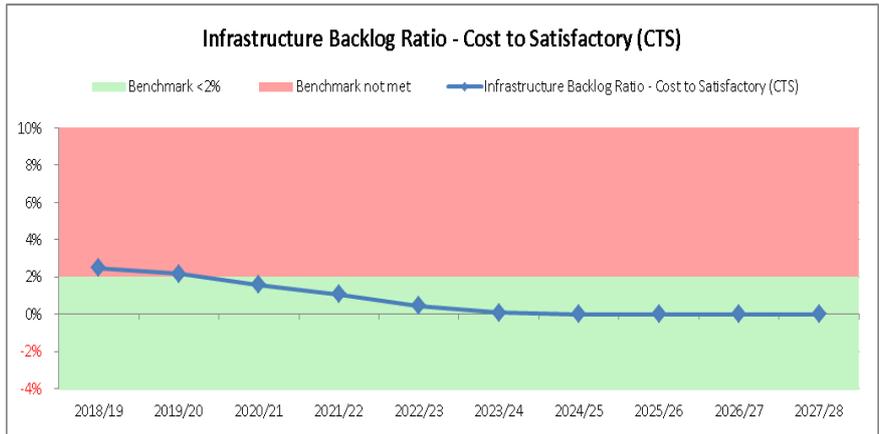
**Infrastructure and Service Management: Infrastructure Backlog Ratio, Assets Maintenance Ratio and Debt Service Ratio**

The Infrastructure Assets Ratios measure Council’s ability to renew and maintain its asset base to decrease the infrastructure asset backlog in future years. Asset Ratios have been incorporated into Council’s Asset Management Strategy and Asset Management Plans and are monitored within Council's Long Term Financial Plan. Council continues its commitment to maintain financial sustainability and decrease the infrastructure backlog.

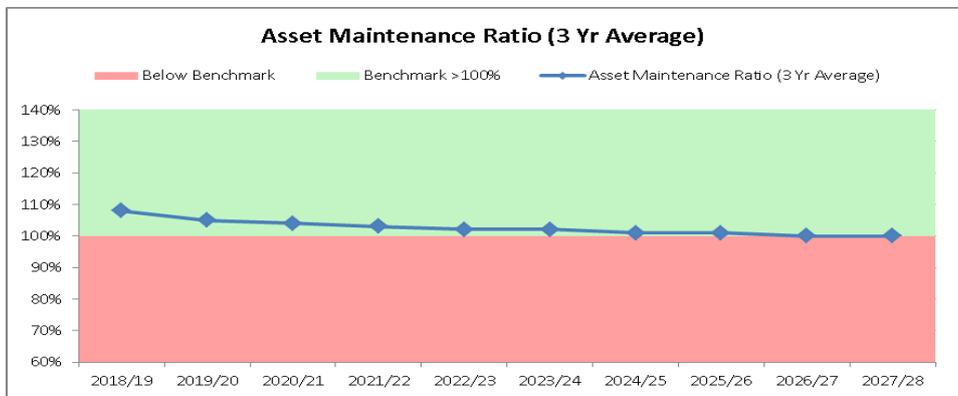
**Infrastructure Backlog Ratio** measures what proportion the backlog is against the total value of Council’s infrastructure. Council’s Infrastructure Backlog Ratio has a positive downward trend in the first 4 years, recording a decrease of 2.3% from 2.4% in 2019 to 0.09% in 2022. The infrastructure backlog will achieve the benchmark of 2% by 2020 and will be fully eliminated by 2023.

**Cost to bring assets to Agreed Service level** - this ratio indicates proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset. This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council’s assets. Council's Cost to bring to agreed level was revised in 2018 and stood at \$42 million. During the life of this plan this liability is also eliminated by 2027/28.

Over 10 years of this financial plan a total of \$247 million is invested into infrastructure asset renewals and the backlog, as well as the cost to agreed level of service is eliminated by the end of this financial plan (from \$16 million in 2018/19 for backlog and \$42 million in 2017/18 (for cost to agreed level of service) to nil by 2027/28.

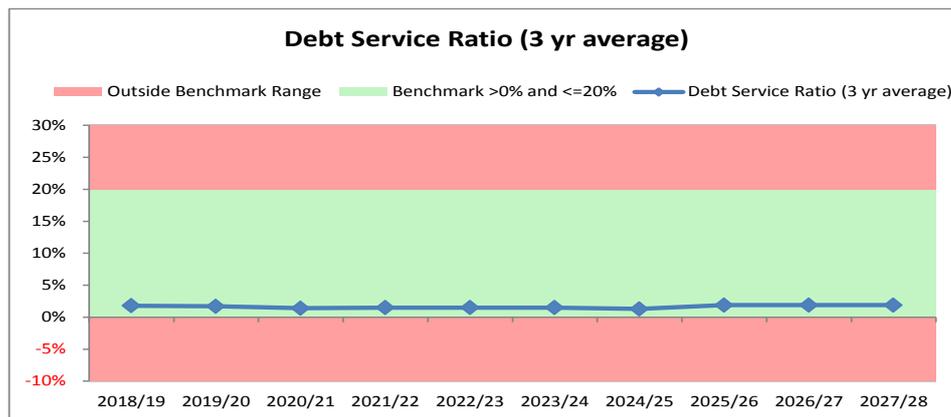


**Council’s Asset Maintenance Ratio** is above benchmark at 100.9%. An indicator above 100% indicates Council is investing enough funds to stop the Infrastructure Backlog from growing. Council is committed to increase expenditure on asset maintenance in future to stop the increase in infrastructure backlog. Assets Maintenance expenditure is explained in more detail in the Funding strategy of this document.



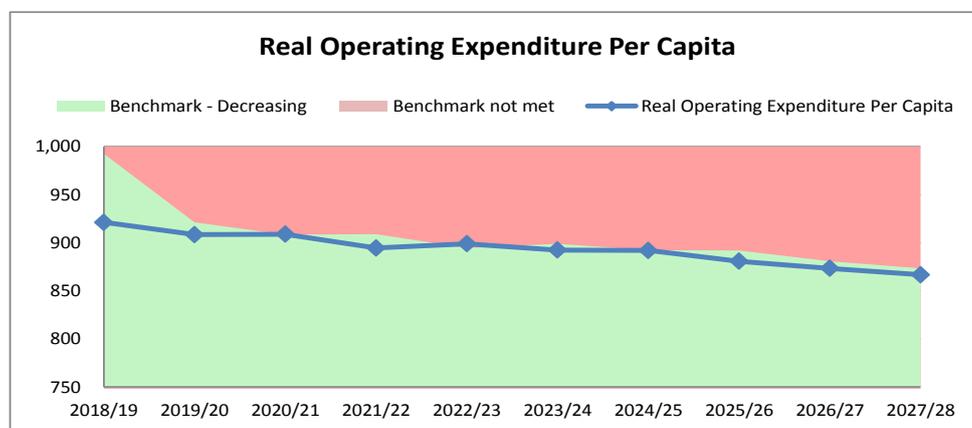
**Debt Service Ratio:** The purpose of the Debt Service Ratio is to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. In accordance with Council's Long Term Financial Plan, borrowing is only undertaken in accordance with Council's borrowing principles outlined in this document.

Council's ability to service its debt remains strong for the entire period of the LTFP. As per Council's new funding strategy, the outstanding debt for infrastructure renewal is fully discharged by 2034 from general revenue and from net revenue generated through leasing out Council's new administration building for 10 years. The level of Council's borrowing is discussed in more detail under Summary of Borrowing section of this document.



### Efficiency Ratio: Real Operating Expenditure per Capita

This indicator compares operational expenditure to population and is a ratio that measures efficiency. Council forecasts a downward trend in all future years of the financial plan. A decrease in the operating expenditure per capita of approximately 1% per year will be achieved while maintaining the same level of service. It is worth mentioning that this can be achieved while maintaining a strong operating surplus in all future years after funding depreciation on infrastructure assets.



# CONCLUSION

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's \$1.1 billion portfolio (2016/17) of largely depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the operating result remains in surplus throughout the 10 years of the LTFP. Council maintains healthy levels of working capital and reserves in the LTFP, and has a strategy in place to fund renewal of infrastructure assets and to manage its debt funding via identified sources of repayment from its investment property.

As part of the long term planning, Council has developed strategic asset management plans and is continuously reviewing and quantifying the renewal gap for infrastructure assets, identifying opportunities to broaden the revenue base, and reviewing its borrowing strategies.

The LTFP provides for the following:

- meets all Fit for the Future KPIs during the life of this Plan
- achieves operating surpluses in all years
- has affordable loan borrowing
- fully catches up on the infrastructure assets backlog ( cost to satisfactory and cost to agreed level of service) and provision of ongoing renewal expenditure to match depreciation
- invests in capital expenditure to provide new open space and community facilities for our growing community.

# Appendix A - LTFP Forecasts and Assumptions

## LTFP FORECASTS AND ASSUMPTIONS

	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2025/27	Projected 2025/28
<b>FORECASTS - ACCESS ECONOMICS</b>										
Consumer Price Index (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Average Weekly Ord Time Earnings	2.8%	2.9%	2.9%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
BBSW - 90 Day	1.8%	2.3%	2.8%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
<b>INCOME ASSUMPTIONS</b>										
<b>Rates</b>										
Rates Pegging Forecast	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Rates Growth	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
<b>Total Rates Change</b>	<b>3.0%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.3%</b>						
<b>Fees and Charges</b>										
Domestic Waste Price Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	3.0%
Pensioner Rebate Growth	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%	1.8%
Stormwater Management Charge (rates growth only)	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
Trade Waste - Annual Charges	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	3.0%	3.0%
<b>Interest Income</b>										
Interest Income - Rate	2.9%	3.4%	3.9%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
<b>Grants Income</b>										
Recurrent Grants (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Capital Grants (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Proceeds from Assets Sales</b>										
Asset Sales	1,565	6,631	57,400	8,499	5,975	5,482	5,779	6,048	4,600	5,219
<b>EXPENDITURE ASSUMPTIONS</b>										
<b>Labour Costs</b>										
Super - new scheme compulsory increase phased in. [Old Scheme employees at set rates]	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
<b>Material &amp; Contracts - Operational Expenditure</b>										
Operating Expenses (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Street Lighting Charges (IPART Decision)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Building Electricity Charges (IPART)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Water Charges (IPART Determination)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Fire Levy (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Planning Levy (CPI)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Materials &amp; Contracts - Capital Expenditure</b>										
<b>Borrowing Costs</b>										
Loan Rate [95 bps over 90 BBSW or max of 3.4%]	3.0%	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%

## Appendix B - Scenario 1 - Base Case Scenario without the Special Rate Variation for Environment

### 10 Year Financial Plan for the Years ending 30 June 2028

#### Projected Income Statement

Scenario 1- Base Case Scenario without the Special Rate Variation for Environment

\$'000	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28
<b>Income from Continuing Operations</b>										
Rates & Annual Charges	81,821	83,995	86,571	88,862	91,219	93,643	96,372	99,178	102,443	105,796
Environmental Levy	2,821	-	-	-	-	-	-	-	-	-
User Charges & Fees	20,331	21,006	21,566	22,075	22,595	23,129	23,675	24,233	24,819	25,419
Interest & Investment Revenue	4,182	4,375	5,052	5,515	4,756	4,224	4,512	5,133	5,837	6,642
Other Revenues	11,544	11,930	12,282	12,326	12,742	13,065	13,397	13,738	14,088	14,446
Grants & Contributions for Operating Purp	6,656	6,651	6,594	6,729	6,900	7,019	7,166	7,308	7,496	7,619
Grants & Contributions for Capital Purpos€	19,194	43,512	35,465	30,374	32,316	21,268	22,130	22,377	23,664	25,000
<b>Other Income:</b>										
Net gains from the disposal of assets	1,165	5,881	55,005	8,199	5,555	5,182	5,479	5,748	4,600	5,069
<b>Total Income from Continuing Ope</b>	<b>147,714</b>	<b>177,350</b>	<b>222,535</b>	<b>174,080</b>	<b>176,083</b>	<b>167,530</b>	<b>172,731</b>	<b>177,715</b>	<b>182,947</b>	<b>189,991</b>
Total Income excluding Proceeds from Asset Sales & Capital Income	127,355	127,957	132,065	135,507	138,212	141,080	145,122	149,590	154,683	159,922
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	41,499	42,903	44,354	46,007	47,727	49,515	51,376	53,312	55,116	56,980
Borrowing Costs	647	737	730	684	626	579	536	439	338	283
Materials & Contracts	38,490	39,388	40,341	41,293	42,268	43,265	44,286	45,331	46,401	47,496
Depreciation & Amortisation	17,268	18,187	18,918	19,535	20,495	21,062	21,634	22,191	22,789	23,378
Other Expenses	17,229	17,498	17,921	18,344	18,778	19,221	19,673	20,138	20,614	21,100
Other Operational Projects Expenses	5,602	2,699	3,361	2,327	2,580	2,420	3,218	2,322	2,412	2,586
<b>Total Expenses from Continuing O</b>	<b>120,735</b>	<b>121,412</b>	<b>125,625</b>	<b>128,190</b>	<b>132,474</b>	<b>136,062</b>	<b>140,723</b>	<b>143,733</b>	<b>147,670</b>	<b>151,823</b>
<b>Net Operating Result for the Year</b>	<b>26,979</b>	<b>55,938</b>	<b>96,910</b>	<b>45,890</b>	<b>43,609</b>	<b>31,468</b>	<b>32,008</b>	<b>33,982</b>	<b>35,277</b>	<b>38,168</b>
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	7,785	12,426	61,445	15,516	11,293	10,200	9,878	11,605	11,613	13,168

10 Year Financial Plan for the Years ending 30 June 2028

Projected Balance Sheet

Scenario 1 - Base Case Scenario without the Special Rate Variation for Environment

\$ '000	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	11,434	16,764	19,035	15,669	17,409	12,876	10,107	11,139	10,859	12,703
Investments	80,710	70,789	53,658	47,659	38,552	37,036	43,939	48,983	57,511	64,503
Receivables	10,750	10,918	11,234	11,491	11,642	11,808	12,124	12,491	12,926	13,372
Inventories	227	227	227	227	227	227	227	227	227	227
Other	1,900	1,900	1,900	1,900	2,000	2,000	2,100	2,100	2,200	2,200
Non-Current Assets Held for Sale	750	2,395	300	420	300	300	300	-	150	3,230
<b>Total Current Assets</b>	<b>105,771</b>	<b>102,993</b>	<b>86,355</b>	<b>77,367</b>	<b>70,130</b>	<b>64,248</b>	<b>68,798</b>	<b>74,940</b>	<b>83,873</b>	<b>96,236</b>
<b>Non-Current Assets</b>										
Investments	47,401	41,574	76,774	68,191	55,160	52,992	62,869	70,085	82,287	92,291
Receivables	195	195	195	195	195	195	195	195	195	195
Infrastructure, Property, Plant & Equipment	1,232,057	1,300,887	1,380,902	1,439,357	1,503,638	1,537,379	1,550,999	1,568,464	1,581,042	1,597,203
Investment Property	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720
Intangible Assets	533	578	618	653	685	715	742	768	793	817
<b>Total Non-Current Assets</b>	<b>1,316,906</b>	<b>1,379,954</b>	<b>1,495,208</b>	<b>1,545,116</b>	<b>1,596,398</b>	<b>1,628,001</b>	<b>1,651,525</b>	<b>1,676,232</b>	<b>1,701,037</b>	<b>1,727,226</b>
<b>TOTAL ASSETS</b>	<b>1,422,677</b>	<b>1,482,947</b>	<b>1,581,563</b>	<b>1,622,482</b>	<b>1,666,528</b>	<b>1,692,248</b>	<b>1,720,323</b>	<b>1,751,172</b>	<b>1,784,910</b>	<b>1,823,462</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	21,191	26,188	28,259	24,669	26,115	21,089	18,060	18,868	18,412	19,977
Borrowings	1,549	1,067	783	1,812	1,454	1,184	1,380	4,433	1,592	1,707
Provisions	11,499	11,890	12,294	12,712	13,145	13,592	14,054	14,531	15,026	15,536
<b>Total Current Liabilities</b>	<b>34,239</b>	<b>39,145</b>	<b>41,336</b>	<b>39,194</b>	<b>40,713</b>	<b>35,865</b>	<b>33,494</b>	<b>37,832</b>	<b>35,030</b>	<b>37,221</b>
<b>Non-Current Liabilities</b>										
Payables	21,472	20,887	20,387	17,546	16,450	15,536	13,959	6,473	7,723	5,901
Borrowings	342	354	366	379	391	405	419	433	447	463
<b>Total Non-Current Liabilities</b>	<b>21,814</b>	<b>21,241</b>	<b>20,753</b>	<b>17,925</b>	<b>16,841</b>	<b>15,941</b>	<b>14,378</b>	<b>6,906</b>	<b>8,170</b>	<b>6,364</b>
<b>TOTAL LIABILITIES</b>	<b>56,053</b>	<b>60,386</b>	<b>62,089</b>	<b>57,118</b>	<b>57,555</b>	<b>51,805</b>	<b>47,872</b>	<b>44,738</b>	<b>43,200</b>	<b>43,584</b>
<b>Net Assets</b>	<b>1,366,623</b>	<b>1,422,561</b>	<b>1,519,474</b>	<b>1,565,364</b>	<b>1,608,973</b>	<b>1,640,443</b>	<b>1,672,451</b>	<b>1,706,434</b>	<b>1,741,710</b>	<b>1,779,877</b>
<b>EQUITY</b>										
Retained Earnings	856,998	912,936	1,009,846	1,055,736	1,053,455	1,087,204	1,085,463	1,121,186	1,120,740	1,159,354
Revaluation Reserves	509,625	509,625	509,628	509,628	555,518	553,239	586,988	585,248	620,970	620,523
<b>Council Equity Interest</b>	<b>1,366,623</b>	<b>1,422,561</b>	<b>1,519,474</b>	<b>1,565,364</b>	<b>1,608,973</b>	<b>1,640,443</b>	<b>1,672,451</b>	<b>1,706,434</b>	<b>1,741,710</b>	<b>1,779,877</b>
<b>Total Equity</b>	<b>1,366,623</b>	<b>1,422,561</b>	<b>1,519,474</b>	<b>1,565,364</b>	<b>1,608,973</b>	<b>1,640,443</b>	<b>1,672,451</b>	<b>1,706,434</b>	<b>1,741,710</b>	<b>1,779,877</b>

## 10 Year Financial Plan for the Years ending 30 June 2028

### Projected Cash Flow Statement

Scenario 1 - Base Case Scenario without the Special Rate Variation for Environment

	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28
<b>\$ '000</b>										
<b>Cash Flows from Operating Activities</b>										
<b>Receipts:</b>										
Rates & Annual Charges	84,459	83,826	86,255	88,606	91,068	93,477	96,056	98,812	102,008	105,349
User Charges & Fees	20,331	21,006	21,566	22,075	22,595	23,129	23,675	24,233	24,819	25,419
Investment & Interest Revenue Received	18,830	20,123	- 13,017	20,097	26,894	7,908	- 12,268	- 7,127	- 14,893	- 10,354
Grants & Contributions	25,850	50,163	42,059	37,103	39,216	28,287	29,296	29,685	31,160	32,619
Bonds, Deposits, Retention amounts rece	-									
Other	11,444	11,930	12,282	12,326	12,642	13,065	13,297	13,738	13,988	14,446
<b>Payments:</b>										
Employee Benefits & On-Costs	- 41,121	- 42,500	- 43,938	- 45,577	- 47,282	- 49,055	- 50,900	- 52,820	- 54,607	- 56,454
Materials & Contracts	- 35,558	- 34,391	- 38,270	- 44,883	- 40,823	- 48,291	- 47,314	- 44,524	- 46,856	- 45,931
Borrowing Costs	- 647	- 737	- 730	- 684	- 626	- 579	- 536	- 439	- 338	- 283
Bonds, Deposits, Retention amounts retur	-									
Other	- 22,831	- 20,197	- 21,282	- 20,671	- 21,358	- 21,641	- 22,891	- 22,460	- 23,026	- 23,686
<b>Net Cash provided (for used) in Operati</b>	<b>60,758</b>	<b>89,223</b>	<b>44,925</b>	<b>68,392</b>	<b>82,326</b>	<b>46,300</b>	<b>28,414</b>	<b>39,098</b>	<b>32,255</b>	<b>41,125</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts:</b>										
Sale of Infrastructure, Property, Plant & E	1,565	6,631	57,400	8,499	5,975	5,482	5,779	6,048	4,600	5,219
<b>Payments:</b>										
Purchase of Infrastructure, Property, Plant	- 59,230	- 89,457	- 99,271	- 78,445	- 85,108	- 55,131	- 35,582	- 39,681	- 35,543	- 42,793
<b>Net Cash provided in Investing Activiti</b>	<b>- 57,665</b>	<b>- 82,826</b>	<b>- 41,871</b>	<b>- 69,946</b>	<b>- 79,133</b>	<b>- 49,649</b>	<b>- 29,803</b>	<b>- 33,633</b>	<b>- 30,943</b>	<b>- 37,574</b>
<b>Cash Flows from Financing Activities</b>										
<b>Receipts:</b>										
Proceeds from Borrowings & Advances	1,585	-	-	-	-	-	-	-	-	-
<b>Payments:</b>										
Repayments of Borrowings & Advances	- 1,549	- 1,067	- 783	- 1,812	- 1,454	- 1,184	- 1,380	- 4,433	- 1,592	- 1,707
<b>Net Cash provided in Financing Activit</b>	<b>36</b>	<b>- 1,067</b>	<b>- 783</b>	<b>- 1,812</b>	<b>- 1,454</b>	<b>- 1,184</b>	<b>- 1,380</b>	<b>- 4,433</b>	<b>- 1,592</b>	<b>- 1,707</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>3,129</b>	<b>5,330</b>	<b>2,271</b>	<b>- 3,366</b>	<b>1,739</b>	<b>- 4,533</b>	<b>- 2,769</b>	<b>1,032</b>	<b>- 280</b>	<b>1,844</b>
Plus: Cash & Cash Equivalents - beginni	8,305	11,434	16,764	19,035	15,669	17,409	12,876	10,107	11,139	10,859
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>11,434</b>	<b>16,764</b>	<b>19,035</b>	<b>15,669</b>	<b>17,409</b>	<b>12,876</b>	<b>10,107</b>	<b>11,139</b>	<b>10,859</b>	<b>12,703</b>
Plus: Investments on hand - end of year	128,111	112,363	130,432	115,850	93,712	90,028	106,808	119,068	139,798	156,794
<b>Total Cash, Cash Equivalents &amp; Investments</b>	<b>139,545</b>	<b>129,127</b>	<b>149,467</b>	<b>131,519</b>	<b>111,121</b>	<b>102,904</b>	<b>116,915</b>	<b>130,207</b>	<b>150,657</b>	<b>169,497</b>

# Appendix C - Scenario 2 – Scenario with the continuation of the Special Rate Variation for Environment

## 10 Year Financial Plan for the Years ending 30 June 2028

### Projected Income Statement

Scenario 2 - Scenario with the continuation of the Special Rate Variation for Environment

\$'000	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28
<b>Income from Continuing Operations</b>										
Rates & Annual Charges	81,821	83,980	86,556	88,846	91,203	93,626	96,355	99,161	102,426	105,778
Environmental Levy	2,821	2,891	2,963	3,037	3,113	3,191	3,271	3,353	3,440	3,526
User Charges & Fees	20,331	21,006	21,566	22,075	22,595	23,129	23,675	24,233	24,819	25,419
Interest & Investment Revenue	4,182	4,375	5,053	5,510	4,749	4,226	4,521	5,151	5,864	6,680
Other Revenues	11,544	11,930	12,282	12,326	12,742	13,065	13,397	13,738	14,088	14,446
Grants & Contributions for Operating Purposes	6,656	6,651	6,594	6,729	6,900	7,019	7,166	7,308	7,496	7,619
Grants & Contributions for Capital Purposes	19,194	43,512	35,465	30,374	32,316	21,268	22,130	22,377	23,664	25,000
<b>Other Income:</b>										
Net gains from the disposal of assets	1,165	5,881	55,005	8,199	5,555	5,182	5,479	5,748	4,600	5,069
<b>Total Income from Continuing Operations</b>	<b>147,714</b>	<b>180,226</b>	<b>225,484</b>	<b>177,096</b>	<b>179,173</b>	<b>170,706</b>	<b>175,994</b>	<b>181,069</b>	<b>186,397</b>	<b>193,537</b>
Total Income excluding Proceeds from Asset Sales & Capital Income	127,355	130,833	135,014	138,523	141,302	144,256	148,385	152,944	158,133	163,468
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	41,499	42,903	44,354	46,007	47,727	49,515	51,376	53,312	55,116	56,980
Borrowing Costs	647	737	730	684	626	579	536	439	338	283
Materials & Contracts	38,490	39,388	40,341	41,293	42,268	43,265	44,286	45,331	46,401	47,496
Depreciation & Amortisation	17,268	18,187	18,918	19,635	20,495	21,062	21,634	22,191	22,789	23,378
Other Expenses	17,229	17,498	17,921	18,344	18,778	19,221	19,673	20,138	20,614	21,100
Other Operational Projects Expenses	5,602	4,632	5,585	4,353	5,504	5,414	6,283	5,459	5,622	5,873
<b>Total Expenses from Continuing Operations</b>	<b>120,735</b>	<b>123,345</b>	<b>127,849</b>	<b>130,216</b>	<b>135,398</b>	<b>139,056</b>	<b>143,788</b>	<b>146,870</b>	<b>150,880</b>	<b>155,110</b>
<b>Net Operating Result for the Year</b>	<b>26,979</b>	<b>56,881</b>	<b>97,635</b>	<b>46,880</b>	<b>43,775</b>	<b>31,650</b>	<b>32,206</b>	<b>34,199</b>	<b>35,517</b>	<b>38,427</b>
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	7,785	13,369	62,170	16,506	11,459	10,382	10,076	11,822	11,853	13,427

10 Year Financial Plan for the Years ending 30 June 2028

Projected Balance Sheet

Scenario 2 - Scenario with the continuation of the Special Rate Variation for Environment

\$ '000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	11,434	17,131	19,262	16,057	17,815	13,190	10,531	11,472	11,298	13,051
Investments	80,710	70,773	53,679	47,545	38,527	37,086	44,070	49,203	57,831	64,929
Receivables	10,750	11,016	11,335	11,593	11,746	11,916	12,236	12,607	13,046	13,497
Inventories	227	227	227	227	227	227	227	227	227	227
Other	1,900	1,900	1,900	2,000	2,000	2,100	2,100	2,200	2,200	2,300
Non-Current Assets Held for Sale	750	2,395	300	420	300	300	300	-	150	3,230
<b>Total Current Assets</b>	<b>105,771</b>	<b>103,443</b>	<b>86,703</b>	<b>77,842</b>	<b>70,615</b>	<b>64,820</b>	<b>69,465</b>	<b>75,709</b>	<b>84,752</b>	<b>97,234</b>
<b>Non-Current Assets</b>										
Investments	47,401	41,565	76,804	68,028	55,124	53,063	63,056	70,400	82,744	92,901
Receivables	195	195	195	195	195	195	195	195	195	195
Infrastructure, Property, Plant & Equipment	1,232,057	1,301,906	1,382,720	1,442,243	1,506,524	1,540,265	1,553,885	1,571,350	1,583,928	1,600,089
Investment Property	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720	36,720
Intangible Assets	533	578	618	653	685	715	742	768	793	817
<b>Total Non-Current Assets</b>	<b>1,316,906</b>	<b>1,380,964</b>	<b>1,497,056</b>	<b>1,547,839</b>	<b>1,599,248</b>	<b>1,630,958</b>	<b>1,654,598</b>	<b>1,679,433</b>	<b>1,704,380</b>	<b>1,730,722</b>
<b>TOTAL ASSETS</b>	<b>1,422,677</b>	<b>1,484,406</b>	<b>1,583,760</b>	<b>1,625,681</b>	<b>1,669,863</b>	<b>1,695,778</b>	<b>1,724,063</b>	<b>1,755,142</b>	<b>1,789,133</b>	<b>1,827,957</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	21,191	26,704	28,787	25,210	26,626	21,612	18,596	19,416	18,974	20,552
Borrowings	1,549	1,067	783	1,812	1,454	1,184	1,380	4,433	1,592	1,707
Provisions	11,499	11,890	12,294	12,712	13,145	13,592	14,054	14,531	15,026	15,536
<b>Total Current Liabilities</b>	<b>34,239</b>	<b>39,661</b>	<b>41,865</b>	<b>39,735</b>	<b>41,225</b>	<b>36,388</b>	<b>34,030</b>	<b>38,381</b>	<b>35,591</b>	<b>37,795</b>
<b>Non-Current Liabilities</b>										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	21,472	20,887	20,387	17,546	16,450	15,536	13,959	6,473	7,723	5,901
Provisions	342	354	366	379	391	405	419	433	447	463
<b>Total Non-Current Liabilities</b>	<b>21,814</b>	<b>21,241</b>	<b>20,753</b>	<b>17,925</b>	<b>16,841</b>	<b>15,941</b>	<b>14,378</b>	<b>6,906</b>	<b>8,170</b>	<b>6,364</b>
<b>TOTAL LIABILITIES</b>	<b>56,053</b>	<b>60,902</b>	<b>62,618</b>	<b>57,659</b>	<b>58,066</b>	<b>52,329</b>	<b>48,408</b>	<b>45,286</b>	<b>43,762</b>	<b>44,159</b>
<b>Net Assets</b>	<b>1,366,623</b>	<b>1,423,504</b>	<b>1,521,142</b>	<b>1,568,022</b>	<b>1,611,797</b>	<b>1,643,449</b>	<b>1,675,655</b>	<b>1,709,856</b>	<b>1,745,371</b>	<b>1,783,797</b>
<b>EQUITY</b>										
Retained Earnings	856,998	913,879	1,011,514	1,058,394	1,055,289	1,090,044	1,087,495	1,124,243	1,123,012	1,162,670
Revaluation Reserves	509,625	509,625	509,628	509,628	556,508	553,405	588,160	585,613	622,359	621,127
<b>Council Equity Interest</b>	<b>1,366,623</b>	<b>1,423,504</b>	<b>1,521,142</b>	<b>1,568,022</b>	<b>1,611,797</b>	<b>1,643,449</b>	<b>1,675,655</b>	<b>1,709,856</b>	<b>1,745,371</b>	<b>1,783,797</b>
<b>Total Equity</b>	<b>1,366,623</b>	<b>1,423,504</b>	<b>1,521,142</b>	<b>1,568,022</b>	<b>1,611,797</b>	<b>1,643,449</b>	<b>1,675,655</b>	<b>1,709,856</b>	<b>1,745,371</b>	<b>1,783,797</b>

10 Year Financial Plan for the Years ending 30 June 2028

Projected Cash Flow Statement

Scenario 2 - Scenario with the continuation of the Special Rate Variation for Environment

\$'000	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28
<b>Cash Flows from Operating Activities</b>										
<b>Receipts:</b>										
Rates & Annual Charges	84,459	86,605	89,200	91,625	94,162	96,647	99,306	102,144	105,427	108,853
User Charges & Fees	20,331	21,006	21,566	22,075	22,595	23,129	23,675	24,233	24,819	25,419
Investment & Interest Revenue Received	18,830	20,148	- 13,092	20,420	26,671	7,728	- 12,456	- 7,326	- 15,108	- 10,575
Grants & Contributions	25,850	50,163	42,059	37,103	39,216	28,287	29,296	29,685	31,160	32,619
Bonds, Deposits, Retention amounts received	-	-	-	-	-	-	-	-	-	-
Other	11,444	11,930	12,282	12,226	12,742	12,965	13,397	13,638	14,088	14,346
<b>Payments:</b>										
Employee Benefits & On-Costs	- 41,121	- 42,500	- 43,938	- 45,577	- 47,282	- 49,055	- 50,900	- 52,820	- 54,607	- 56,454
Materials & Contracts	- 35,558	- 33,875	- 38,258	- 44,870	- 40,852	- 48,278	- 47,302	- 44,511	- 46,843	- 45,918
Borrowing Costs	- 647	- 737	- 730	- 684	- 626	- 579	- 536	- 439	- 338	- 283
Bonds, Deposits, Retention amounts refunded	-	-	-	-	-	-	-	-	-	-
Other	- 22,831	- 22,130	- 23,506	- 22,697	- 24,282	- 24,635	- 25,956	- 25,597	- 26,236	- 26,973
<b>Net Cash provided (or used) in Operating Activities</b>	<b>60,758</b>	<b>90,609</b>	<b>45,584</b>	<b>69,621</b>	<b>82,344</b>	<b>46,209</b>	<b>28,524</b>	<b>39,006</b>	<b>32,361</b>	<b>41,034</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts:</b>										
Sale of Infrastructure, Property, Plant & Equipment	1,565	6,631	57,400	8,499	5,975	5,482	5,779	6,048	4,600	5,219
<b>Payments:</b>										
Purchase of Infrastructure, Property, Plant & Equipment	- 59,230	- 90,476	- 100,070	- 79,513	- 85,108	- 55,131	- 35,582	- 39,681	- 35,543	- 42,793
<b>Net Cash provided in Investing Activities</b>	<b>- 57,665</b>	<b>- 83,845</b>	<b>- 42,670</b>	<b>- 71,014</b>	<b>- 79,133</b>	<b>- 49,649</b>	<b>- 29,803</b>	<b>- 33,633</b>	<b>- 30,943</b>	<b>- 37,574</b>
<b>Cash Flows from Financing Activities</b>										
<b>Receipts:</b>										
Proceeds from Borrowings & Advances	1,585	-	-	-	-	-	-	-	-	-
<b>Payments:</b>										
Repayments of Borrowings & Advances	- 1,549	- 1,067	- 783	- 1,812	- 1,454	- 1,184	- 1,380	- 4,433	- 1,592	- 1,707
<b>Net Cash provided in Financing Activities</b>	<b>36</b>	<b>- 1,067</b>	<b>- 783</b>	<b>- 1,812</b>	<b>- 1,454</b>	<b>- 1,184</b>	<b>- 1,380</b>	<b>- 4,433</b>	<b>- 1,592</b>	<b>- 1,707</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>										
Plus: Cash & Cash Equivalents - beginning of year	8,305	11,434	17,131	19,262	16,057	17,815	13,190	10,531	11,472	11,298
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>11,434</b>	<b>17,131</b>	<b>19,262</b>	<b>16,057</b>	<b>17,815</b>	<b>13,190</b>	<b>10,531</b>	<b>11,472</b>	<b>11,298</b>	<b>13,051</b>
Plus: Investments on hand - end of year	128,111	112,338	130,483	115,573	93,651	90,149	107,126	119,603	140,575	157,830
<b>Total Cash, Cash Equivalents &amp; Investments</b>	<b>139,545</b>	<b>129,469</b>	<b>149,745</b>	<b>131,630</b>	<b>111,466</b>	<b>103,339</b>	<b>117,657</b>	<b>131,075</b>	<b>151,873</b>	<b>170,881</b>

# Contact Us

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For assistance or information regarding any of Council's services or facilities please contact us.

## CONTACT DETAILS

### Address

818 Pacific Highway, Gordon NSW 2072

### Post

Locked Bag 1006, Gordon NSW 2072

### Business hours

Monday - Friday, 8.30am - 5pm

**Phone** 02 9424 0000

**Fax** 02 9424 0001

**DX** 8703 Gordon

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

### Online chat

Go to our online chat - [kmc.nsw.gov.au](http://kmc.nsw.gov.au)  
8.30am - 5pm (AEST), Monday - Friday

### Website

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

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# ASSET MANAGEMENT STRATEGY 2018-2028

Adopted June 2018



### Need help?

This document contains important information. If you do not understand it, please call the Translating and Interpreting Service on 131 450. Ask them to phone 9424 0000 on your behalf to contact Ku-ring-gai Council. Business hours: Monday to Friday, 8.30am-5pm.

### Simplified Chinese

#### 需要帮助吗？

本文件包含重要信息。如果您不理解本文件，请致电翻译口译服务 131 450。让其代表您致电 9424 0000 联系Ku-ring-gai议会。营业时间：周一至周五，上午8.30—下午5:00。

### Traditional Chinese

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### Korean

#### 도움이 필요하십니까?

이 문서에는 중요한 정보가 담겨 있습니다. 여러분이 이해할 수 없다면, TIS (번역 및 통역 서비스)의 131 450번으로 전화하십시오. 9424 0000 번으로 여러분을 대신하여 전화해서 쿠링가이 카운슬을 연락해 달라고 요청하십시오. 영업 시간: 월요일-금요일, 오전 8시30분-오후 5시.

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If you have a hearing or speech impairment, contact Ku-ring-gai Council using the National Relay Service.

TTY users call 133 677 then dial 02 9424 0000.

Speak and Listen users with ordinary handset call 1300 555 727 then ask for 02 9424 0000.

### Internet relay users

Log on to Internet relay and enter 02 9424 0000.



# Our Vision

*Ku-ring-gai will be a creative, healthy and liveable place where people respect each other, conserve the magnificent environment and society for the children and grandchildren of the future.*

Community Strategic Plan – Our Ku-ring-gai 2038



*North Turramurra Recreation Area sportsfield, North Turramurra*

This Plan has been prepared by Ku-ring-gai Council to support the delivery of its long term strategic direction. It forms part of the Resourcing Strategy for the Community Strategic Plan and Delivery Program and should be read in conjunction with these documents.

For more information on this document contact:

Ku-ring-gai Council  
818 Pacific Hwy, Gordon NSW 2072

Locked Bag 1006, Gordon NSW 2072  
Ph. (02) 9424 0000  
[kmc@kmc.nsw.gov.au](mailto:kmc@kmc.nsw.gov.au)

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## Summary

This is Council's third Asset Management Strategy and has been prepared building upon earlier strategies to demonstrate the continuous improvement of our processes. It includes outcomes from engagement with our community on Council's service delivery practices, financial sustainability indicators, asset management maturity and the objectives identified in the Community Strategic Plan.

The Strategy also includes an asset management improvement plan, which details a program of tasks and nominated resources required as part of our commitment to the continuous improvement of the organisation.

This Asset Management Strategy for Ku-ring-gai has been developed in accordance with the Integrated Planning and Reporting Framework Guidelines. The Asset Management Strategy is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future
- enable Council's Asset Management Policy to be achieved
- ensure the integration of Council's asset management with its long term strategic plan

### 1. Introduction

Council delivers a variety of services to the community and in doing so, must ensure that the assets supporting these services are managed with a whole of life asset management approach. The life cycle management approach optimises asset acquisition, maximises use of assets and manages service and operational costs.

Council demonstrates its commitment to asset management through its Asset Management Policy, Asset Management Strategy and a suite of Asset Management Plans, which apply to all infrastructure assets owned by Council.

Community and organisational goals and objectives have guided the development of this Strategy to ensure the management of Council's assets reflect the broader community long term objectives contained in the Community Strategic Plan - *Our Ku-ring-gai 2038*.

The Community Strategic Plan - *Our Ku-ring-gai 2038*, provides strategic direction, addressing the community's issues to achieve the long term objectives under the following themes;

- Community, People and Culture
- Natural Environment
- Places, Spaces and Infrastructure
- Local Economy and Employment
- Access, Traffic and Transport
- Leadership and Governance

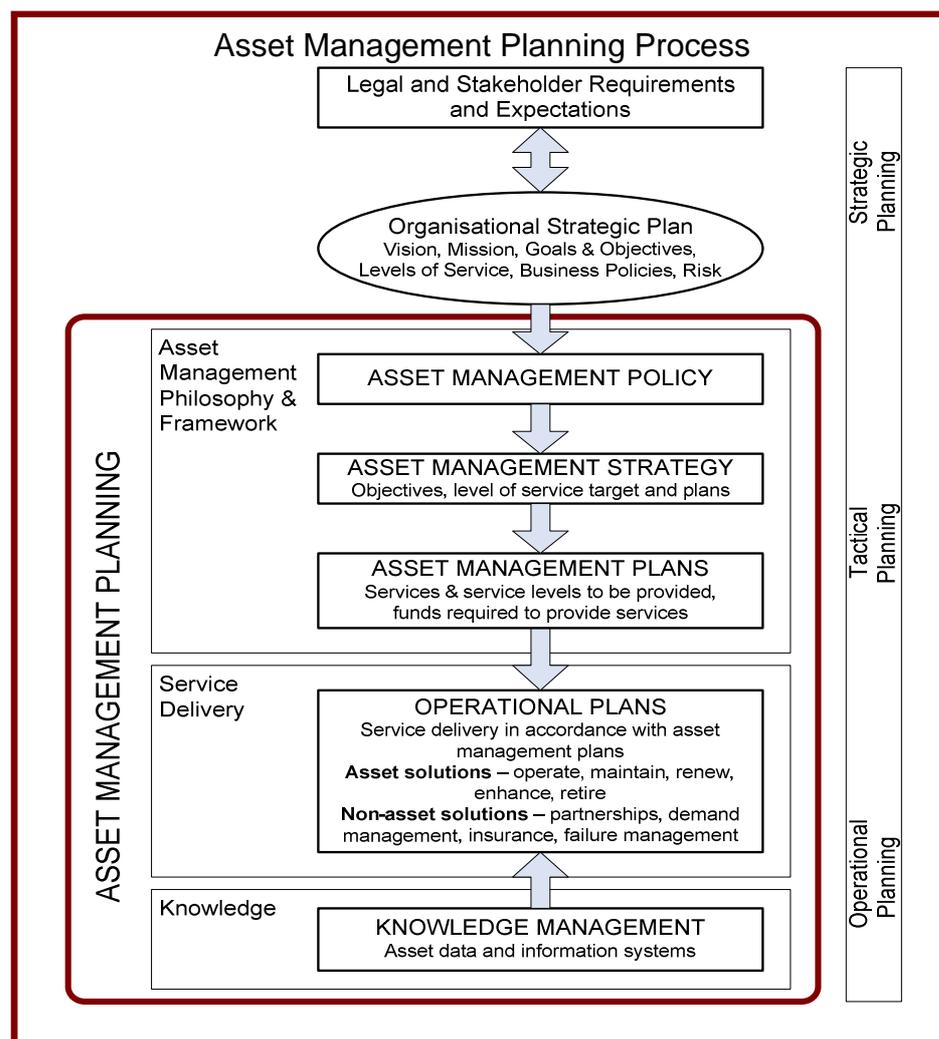
The Asset Management Strategy can be viewed as a first tier plan being supported by more detailed Asset Management Plans. It provides direction to guide asset management actions into the future and ensures the Council continually improves the management of its infrastructure.

It is vital that Council develops and maintains rigorous asset management processes, as asset management is a key driver of the 10 Year Long Term Financial Plan

## 2. Asset Management Planning Process

Asset management planning is a comprehensive process to ensure that assets are managed and maintained in a way that enables affordable and economically sustainable service delivery. In turn, affordable service levels can only be determined by assessing Council’s long term financial sustainability under scenarios with different proposed service levels.

Best practice asset management planning commences with defining stakeholder and legal requirements and needs, and then incorporating these needs into the organisation’s strategic plan, developing an asset management policy, strategy, asset management plans and operational plans, linked to a long term financial plan.



## 3. Asset Management Policy and Objectives

### 3.1 Purpose

The purpose of Council's Asset Management Policy is to guide the strategic management of Council's assets. The Asset Management Policy defines the Council's vision and service delivery objectives for asset management in accordance with legislative requirements, community needs and affordability. The Asset Management Strategy has been developed to support the Asset Management Policy.

Council's first Asset Management Policy was adopted on the 26 August 2014. The Policy has since been revised and a copy of the draft policy is attached at **Appendix A**.

### 3.2 Objectives

To ensure the long term financial sustainability of Council, it is essential to balance the community's expectations for services with their ability to pay for the infrastructure assets used to provide the services. Maintenance of service levels for infrastructure services requires appropriate investment over the whole of the asset life cycle. To assist in achieving this balance, Council develops and maintains asset management governance, skills, processes, data and systems in order to provide services to our present and future community in the most cost-effective and sustainable manner.

The objectives of the Asset Management Strategy are to:

- ensure that the Council's infrastructure services are provided in an economically optimal manner, with the appropriate level of service to residents, visitors and the environment. This is determined by reference both to:
  - community feedback about desired service levels, and
  - Council's long term financial sustainability.
- improve the condition of our assets over a ten year period by implementing optimised maintenance and renewal programs based on the remaining useful life, condition and available funding.
- manage assets in a poor and failed condition with appropriate risk management and/or disposal strategies.
- ensure that any future projects to create or upgrade assets are done with a full understanding of the whole of life costing for the asset and have an assured source of funding for both capital and ongoing costs.
- meet legislative requirements for all Council's operations.
- ensure resources and operational capabilities are identified and responsibility for asset management is clearly allocated.
- provide high-level oversight of financial and asset management responsibilities through the Asset Management Steering Group, reporting to Council on the development, revision and implementation of the Asset Management Strategy, Asset Management Plans and Resourcing Strategy.

To maximise the potential to meet the above objectives, Council will:

- continually review its Asset Management Strategy and Plans to ensure that:
  - they provide a clear connection between agreed service levels and available funding.
  - they are aligned with Council's Integrated Planning & Reporting documents.
- continually improve the quality and comprehensiveness of existing asset data by ensuring that all assets are assessed and appropriate useful lives and conditions are assigned to each component.



*Rosedale Cottage, St Ives*

## 4. Where are we now?

### 4.1 Current Situation

In 2013 the NSW Government released the Local Government Infrastructure Audit Report which reviewed all NSW councils' infrastructure management and infrastructure financial planning. The independent report determined Ku-ring-gai Council's infrastructure management as Strong. Council is keen to maintain this rating. Accordingly, in developing this new Asset Management Strategy, we have reviewed the current situation for Council's assets and their management. This has included consideration of the following:

- Identification of any new or missing assets on our asset register.
- The current condition of assets.
- Whether assets meet Council's and the community's current and forecast requirements.
- Whether the funding base for operation, maintenance and renewal is sufficient and sustainable.
- Whether Council's asset management practices, procedures and training are appropriate.

### 4.2 Asset cost, condition and value

The cost, condition and value of assets are reported each year in financial statements within the Annual Report. In 2016/17 the value and replacement cost of infrastructure assets were reported as follows<sup>1</sup>:

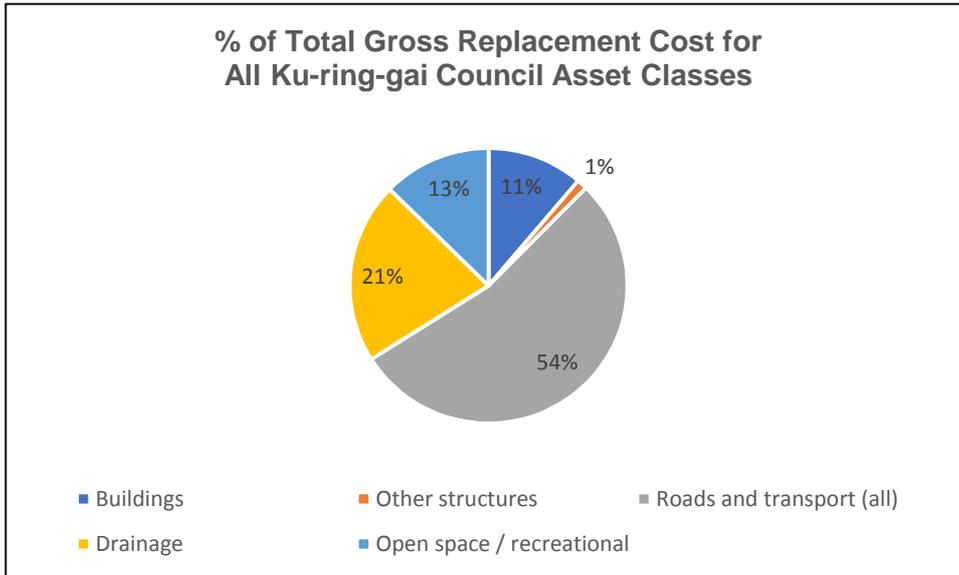
<b>Infrastructure Asset Values 2016/2017 \$'000</b>	<b>Net carrying amount (WDV)</b>	<b>Gross replacement cost</b>
Buildings	60,513	124,339
Other structures	7,965	13,572
Road and Transport assets	351,780	596,090
Drainage	160,682	237,113
Open space recreational assets	88,595	140,373
<b>Total</b>	<b>669,535</b>	<b>1,111,487</b>

In terms of the total cost to replace the infrastructure assets, Road and Transport assets and Drainage constitute the vast majority of Council's infrastructure. Road and Transport assets include roads, footpaths, bridges, kerbs and gutters, road furniture, road structures, car parks and bulk earth works.

Based on community surveys and feedback, road and transport assets and drainage are higher priority asset classes for our community. This Asset Management Strategy has therefore been developed to give priority to those asset classes and to guide funding decisions for all other essential works and priority assets.

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<sup>1</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7



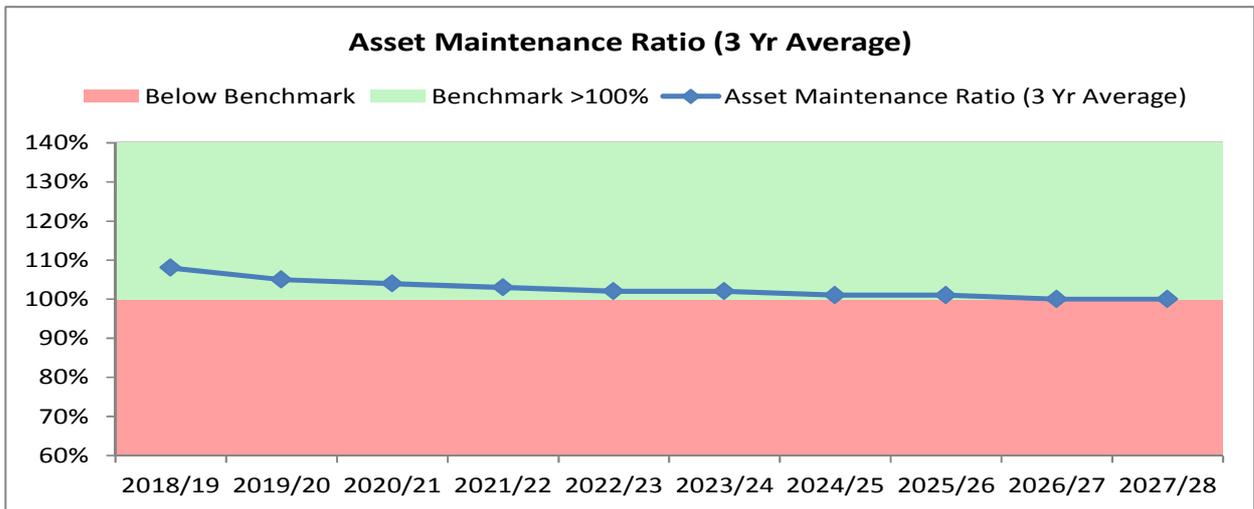
#### 4.2.1 Maintenance expenditure

Maintenance is the activities required or undertaken by Council to preserve the service capacity or durability of the assets as they age. The required maintenance, which is reported in Special Schedule 7, is the amount that Council should be spending on assets and is based on a percentage of the replacement cost. Actual maintenance includes the budgeted amount that Council will spend on preventative, corrective and reactive maintenance annually.

Ku-ring-gai Council has been successful since 2014 in meeting the benchmark ratio of >100% for required asset maintenance. This means that Council is investing enough in maintenance to stop the backlog increasing.

The table below compares the required maintenance to the projected maintenance budget. The asset maintenance ratio in the following chart compares the figures and demonstrates how Council will continue to meet and potentially exceed the benchmark of 100% in each year of the Long Term Financial Plan. Maintenance expenditure is revised each year to ensure that Council continues to meet the 100% benchmark.

<b>Asset Maintenance – Required by Asset Class \$'000</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Roads and Transport	4,009	4,122	4,290	4,441	4,580	4,714	4,842	4,963	5,091	5,219
Buildings	2,755	2,942	3,020	3,099	3,177	3,258	3,341	3,427	3,514	3,603
Stormwater Drainage	1,234	1,267	1,300	1,336	1,374	1,411	1,448	1,487	1,529	1,570
Recreational Facilities	2,235	2,510	2,617	2,736	2,865	2,953	3,084	3,196	3,326	3,452
<b>Total Required</b>	<b>10,234</b>	<b>10,840</b>	<b>11,227</b>	<b>11,612</b>	<b>11,996</b>	<b>12,336</b>	<b>12,715</b>	<b>13,072</b>	<b>13,460</b>	<b>13,845</b>
<b>Actual Maintenance</b>	<b>11,071</b>	<b>11,347</b>	<b>11,631</b>	<b>11,922</b>	<b>12,220</b>	<b>12,525</b>	<b>12,838</b>	<b>13,159</b>	<b>13,488</b>	<b>13,826</b>
<b>Variance (Actual less required)</b>	<b>837</b>	<b>507</b>	<b>404</b>	<b>310</b>	<b>223</b>	<b>189</b>	<b>123</b>	<b>87</b>	<b>28</b>	<b>19</b>



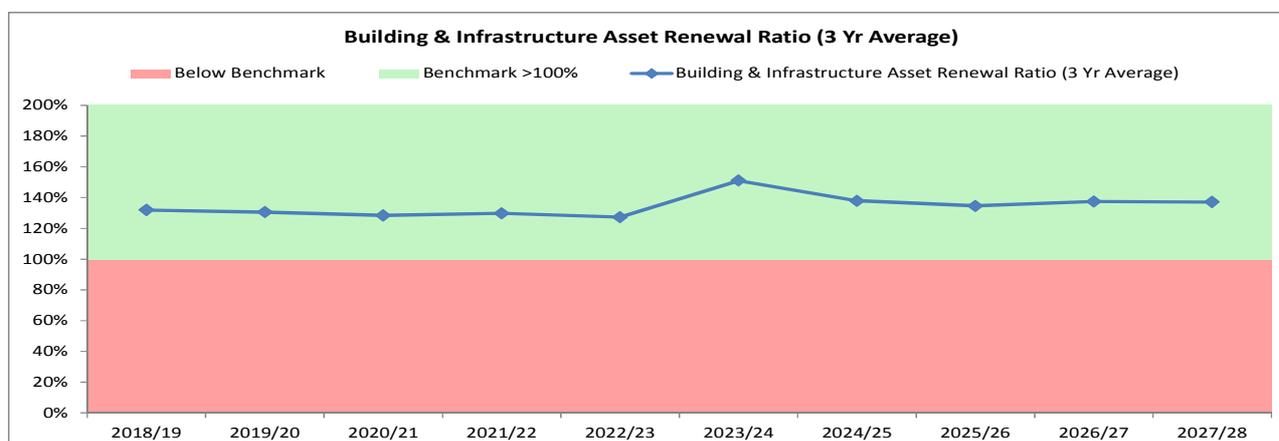
## 4.2.2 Renewal Expenditure

Renewal is the activities to refurbish or replace assets with assets of equivalent or sometimes greater service capacity. Usually this involves restoring assets to top condition. Renewal works are included in Council's Capital Works Program. The table below displays the asset renewal ratios projected for the next decade in the long term financial plan.

Renewal \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Roads and Transport	10,720	10,182	12,001	12,385	13,225	14,727	14,986	14,957	15,450	16,003
Buildings	3,910	2,998	3,759	4,160	4,578	3,833	3,010	3,428	3,664	3,964
Stormwater Drainage	788	896	1,815	1,880	2,157	3,609	2,740	3,151	3,380	3,673
Recreational Facilities	5,104	7,201	4,060	4,309	3,068	5,981	5,755	5,045	5,447	5,035
<b>Total Renewal</b>	<b>20,522</b>	<b>21,277</b>	<b>21,634</b>	<b>22,734</b>	<b>23,028</b>	<b>28,150</b>	<b>26,491</b>	<b>26,581</b>	<b>27,941</b>	<b>28,675</b>

The asset renewal ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. Performance on this ratio had declined since 2015/2016 and Council did not meet the Office of Local Government's benchmark ratio of >100% for asset renewal in the 2016/2017 financial year and achieved a ratio of 76%.

Council has reviewed this situation which arose from a reduction in available funding for capital works. This shortfall was due in part to projected assets sales' not being realised and in part due to changes in the way OLG requires expenditures to be reported. Council has since developed alternative funding strategies to ensure a progressive move towards meeting the benchmark of >100%. The chart below demonstrates that Council is aiming to meet or exceed the asset renewal benchmark of >100% in the 2018/2019 financial year.



### **4.2.3 Infrastructure Backlog**

The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community, this is commonly referred to as the backlog. This indicator should not include any planned enhancements. However, it is noted that in practical terms, the asset will be renewed to condition 1 at the time of work.

#### **Cost to Satisfactory (CTS)**

In previous years, Council's infrastructure backlog represented the cost to bring assets in a poor and failed condition up to a new standard being condition 1. In 2016/2017 Council reported a total cost of \$27,565 million to bring all infrastructure assets to a satisfactory standard being condition 3 (CTS). This is significantly lower than infrastructure backlog amount of \$165,170 million reported in 2013/14. The reduction in the total estimate of CTS is primarily due to the introduction of improved asset condition through a substantial capital renewal program and revaluation information.

During 2017/2018, Council's reported CTS for the period 2016/2017, has since been further revised due resulting in the CTS reduced to \$20.6 million for the same period.

#### **Cost to Agreed level of Service (CTA)**

In January 2017, the Office of Local Government (OLG) has introduced an additional measure for reporting on the condition of Council's infrastructure assets being the estimated cost to bring assets to the agreed level of service set by council.

The cost to bring to the agreed level of service is an estimate of the cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council. This amount is a snapshot at a point in time, being the end of the financial year. To provide flexibility to adequately manage external changes in condition (such as the impacts of varying climatic conditions) and allow good project planning, it is anticipated that Council will have works outstanding to bring to this level of service as a normal part of managing infrastructure assets on behalf of the community.

The table below shows the estimates of backlog infrastructure renewal reported for the last four years based on the costs to satisfactory. . Council has been successful in maintaining the backlog estimate at the reduced level despite the addition of new assets and an approximate 30% increase in the total written down value of infrastructure assets in the period. The table below shows the backlog infrastructure renewal reported since 2013/2014 in Council's annual reports<sup>2</sup>:

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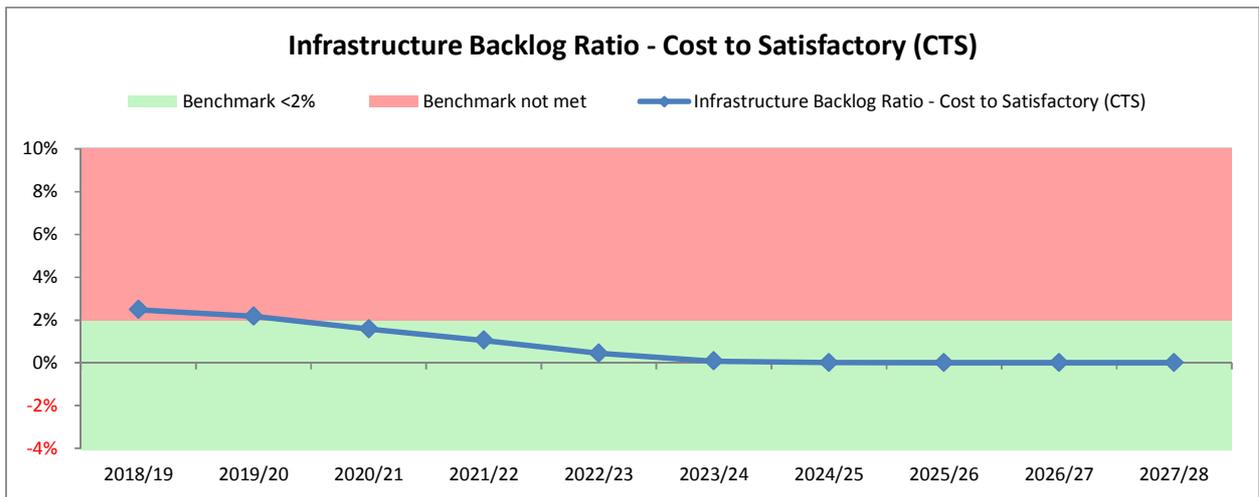
<sup>2</sup> Ku-ring-gai Council Annual Reports 2013/2014 to 2016/2017, Special Schedule No. 7

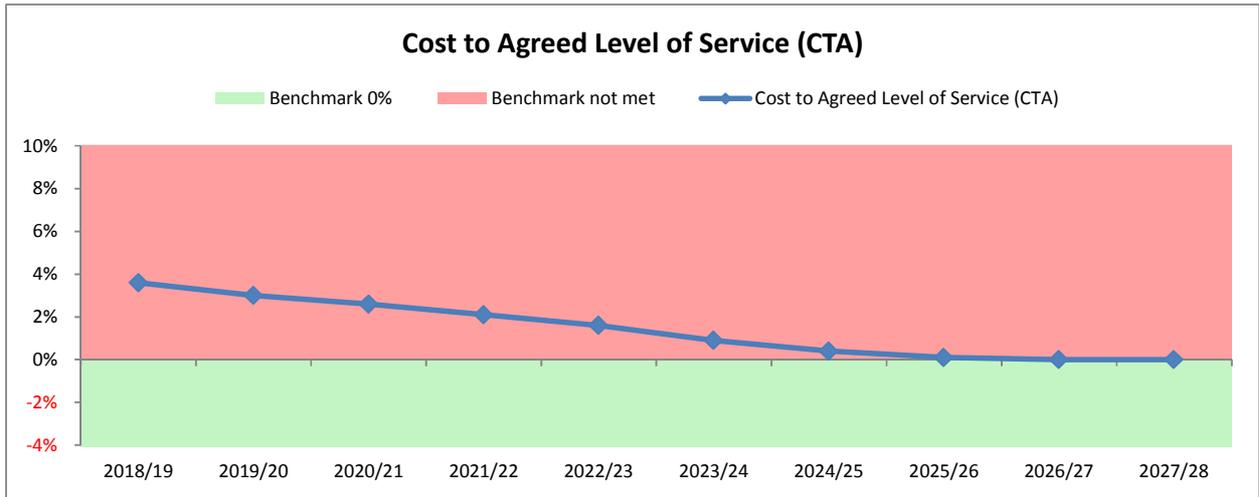
CTS Infrastructure Asset Reported Backlog Cost \$'000	2013/2014	2014/2015	2015/2016	2016/2017	Revised CTS 2016/2017
<b>Total</b>	<b>165,170</b>	<b>26,990</b>	<b>33,943</b>	<b>27,565</b>	<b>20,600</b>

To help ensure that Council is able to complete all required backlog infrastructure works, a new funding strategy for infrastructure assets renewal was adopted in 2015/2016 which prioritised asset maintenance and renewal expenditure over new and upgraded assets expenditure. This was based on the principle that all available surplus funds be diverted towards asset renewal as a priority. It was also assumed that additional funding would be generated from sales of surplus assets and reinvestment of these proceeds into infrastructure asset renewals. Adequate funding also needs to be directed towards maintenance. Council has been successful in allocating all required funds for annual asset maintenance.

To date, however, due to delays in sales of assets, this new funding policy has not allowed Council to meet the Office of Local Government’s Infrastructure Backlog Ratio benchmark of <2% by the expected date of 2016/2017.

In preparation of this new Asset Management Strategy and LTFP Council has reconsidered its funding strategies for asset renewal and has now adjusted its projection for when the infrastructure backlog benchmark ratio of <2% will be reached based on CTS and CTA, as shown in the following charts below.





The following tables show the estimated cost of eliminating the infrastructure backlog for each asset class over a ten year period for both CTS and CTA. The projections each year are based on the previous year's backlog, adding depreciating and deducting renewal expenditure. The renewal expenditure is adopted in the Long Term Financial Plan and will be revised each year to ensure that we reallocate renewal to asset groups with a higher backlog figure.

Infrastructure Backlog – Cost to bring to Satisfactory \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Roads and Transport	13,559	11,679	8,318	4,878	876	-	-	-	-	-
Buildings	775	282	-	-	-	-	-	-	-	-
Stormwater Drainage	1,691	2,547	2,531	2,499	2,243	585	-	-	-	-
Recreational Facilities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,026</b>	<b>14,508</b>	<b>10,849</b>	<b>7,377</b>	<b>3,119</b>	<b>585</b>				

<b>Infrastructure Backlog – Cost to bring to Agreed Level of Service \$'000</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Roads and Transport	24,908	23,028	19,667	16,227	12,225	6,992	1,756	-	-	-
Buildings	7,506	7,013	5,767	4,257	2,382	1,346	1,204	717	69	-
Stormwater Drainage	4,240	5,096	5,080	5,048	4,792	3,134	2,398	1,303	39	-
Recreational Facilities	5,459	1,991	1,825	1,586	2,781	1,195	28	-	-	-
<b>Total</b>	<b>42,113</b>	<b>37,129</b>	<b>32,339</b>	<b>27,118</b>	<b>22,181</b>	<b>12,666</b>	<b>5,386</b>	<b>2,020</b>	<b>108</b>	<b>-</b>

#### 4.2.4 Funding Required to Meet Benchmark Ratios

The table below shows the ten year renewal expenditure forecasts identified in Council's Long Term Financial Plan.

<b>Asset Renewal Expenditure \$'000</b>	<b>Budget 2018/19</b>	<b>Projected 2019/20</b>	<b>Projected 2020/21</b>	<b>Projected 2021/22</b>	<b>Projected 2022/23</b>	<b>Projected 2023/24</b>	<b>Projected 2024/25</b>	<b>Projected 2025/26</b>	<b>Projected 2026/27</b>	<b>Projected 2027/28</b>
Roads and Transport	10,720	10,182	12,001	12,385	13,225	14,727	14,986	14,957	15,450	16,003
Buildings	3,910	2,998	3,759	4,160	4,578	3,833	3,010	3,428	3,664	3,964
Stormwater Drainage	788	896	1,815	1,880	2,157	3,609	2,740	3,151	3,380	3,673
Recreational Facilities	5,104	7,201	4,060	4,309	3,068	5,981	5,755	5,045	5,447	5,035
<b>Total Renewal</b>	<b>20,523</b>	<b>21,277</b>	<b>21,634</b>	<b>22,734</b>	<b>23,028</b>	<b>28,150</b>	<b>26,491</b>	<b>26,581</b>	<b>27,941</b>	<b>28,675</b>

## 4.2.5 New/Upgrade Expenditure

“Capital new” expenditure creates assets which will deliver a service to community that didn’t exist beforehand whilst “capital upgrade” expenditure enhances an existing asset to provide a higher level of service to the community. New and upgrade works are included in Council’s Capital Works Program and are mostly funded by Section 94.

The table below shows the ten year capital new and upgrade expenditure forecasts identified in Council’s Long Term Financial Plan.

<b>New &amp; Upgrade Asset Expenditure \$'000</b>	<b>Budget 2018/19</b>	<b>Projected 2019/20</b>	<b>Projected 2020/21</b>	<b>Projected 2021/22</b>	<b>Projected 2022/23</b>	<b>Projected 2023/24</b>	<b>Projected 2024/25</b>	<b>Projected 2025/26</b>	<b>Projected 2026/27</b>	<b>Projected 2027/28</b>
Roads and Transport	769	1,964	10,016	6,724	4,254	3,043	1,472	93	584	97
Buildings	2,295	560	230	176	77	79	81	83	85	87
Stormwater Drainage	466	276	339	659	962	414	466	478	1,072	502
Recreational Facilities	10,876	15,591	3,186	3,846	4,314	1,190	4,068	2,461	3,618	3,068
<b>Total New &amp; Upgrade</b>	<b>14,406</b>	<b>18,391</b>	<b>13,771</b>	<b>11,405</b>	<b>9,607</b>	<b>4,726</b>	<b>6,087</b>	<b>3,115</b>	<b>5,359</b>	<b>3,754</b>

*\*NOTE : does not include local centre major projects*

### 4.3 Risk Management

In 2011, Council developed and implemented a Risk Management Framework, which meets the requirements of the International Risk Management Standard ISO31000. Key to this process was the identification of significant risks, which required action to reduce the level of risk presented to Council and the Community. Asset Management was one area that was identified as presenting a significant risk to Council – in particular the risk presented by the age of assets, condition and available resources for asset maintenance and renewal.

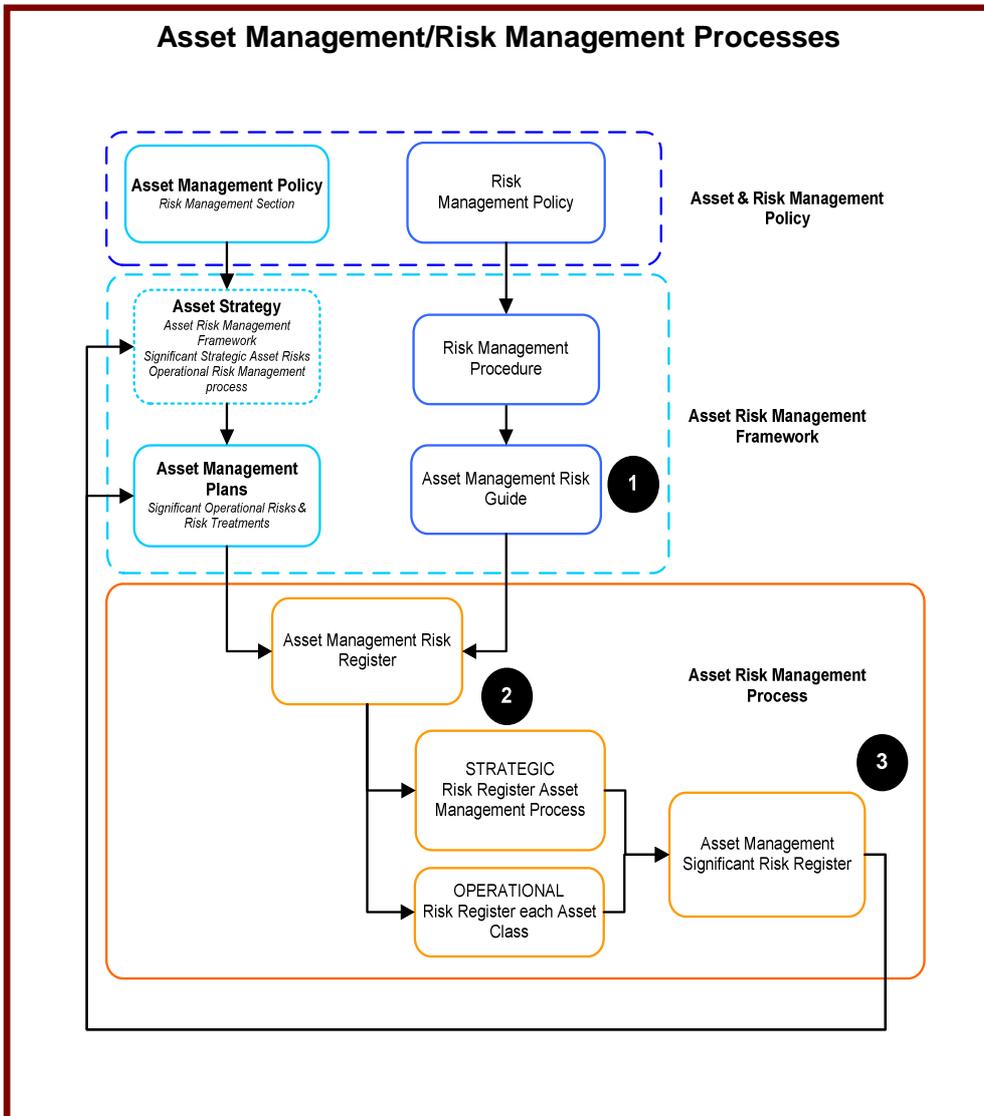
The Risk Management Procedure sets out the principles and processes the organisation uses to identify assess and manage risks in a broad context. Essentially, Council's asset management practices integrate risk management principles throughout both strategic and operational processes. However, it is important that the risk management practices are consistent and documented across all of these processes. To ensure this consistency with minimal duplication, the Asset Management Risk Guide (shown in flow chart below) defines how the risk management processes are integrated both strategically and operationally.

Each group of asset custodians are responsible for maintaining a risk register to assist in the identification of significant risks for their asset class. These detailed Risk Registers feed relevant risk information and risk treatment actions into both the Asset Management Strategy and Asset Management Plans.

Those significant or critical risks with unacceptable levels of uncontrolled risk will be monitored via the Significant Risk Register, which requires a detailed risk treatment plan to be completed for each significant risk to assist in bringing the risk to an acceptable level.

This Asset Management Strategy defines high level significant risks, which impact across asset management in general. Each asset overview has a summary of the key significant risks and risk controls for the asset class/group/type.

The Asset Management Plans for each asset class have a detailed evaluation of the significant risks, risk treatments and risk monitoring activities that are carried out by asset custodians. Council's Risk Management Coordinator provides ongoing assistance to the asset custodians, including training and technical assistance throughout the risk management process.



### 4.3.1 Critical Assets

Critical assets are those assets where the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. The following buildings are essential for Council's operations and outcomes and are considered critical assets:

- Council's administration buildings located at 818 Pacific Highway Gordon, 31 Bridge Street Pymble;
- Council works depot located at 5 Suakin St Pymble

The risks associated with these assets include public health and safety, business continuity and emergencies. With the revision of the current suite of asset management plans further investigation of critical assets and the required maintenance strategies will be developed.

## 5. Community Levels of Service

Council regularly conducts customer satisfaction surveys to determine community attitudes towards the services and facilities provided, and the quality and appropriateness of each of its services.

In 2012, Council consulted with the community on improving our infrastructure assets. The "Closing the Gap" survey, conducted by Micromex Research, asked the community to respond on the importance and satisfaction over a range of asset classes. The consultation identified that in addition to roads, the assets most important to our community are footpaths, drainage and community buildings.

In 2013/2014, Council engaged an independent research company, Woolcott Research, to complete a survey with ratepayers. The purpose of the community survey was twofold, firstly to measure the support for the continuation of the special rate variation to fund the roads renewal program in Ku-ring-gai, and secondly to explore community opinions on expected levels of service and future funding options for priority assets. In regard to preferred service levels, the community response in both the Micromex and Woolcott research projects clearly indicated the following priorities, from a community perspective, to maintain or improve the level of service for the assets as identified in the table below.

<b>Identified Community Service Level Priority Assets<sup>3</sup></b> <b>Independent community research</b>		
<b>Top priority</b>	<b>Secondary priority</b>	<b>Lowest priority</b>
Roads Drainage Community buildings Parks and playgrounds Footpaths	Sportsfields and facilities Existing Council car parking facilities	Bushland assets Kerb and guttering

<sup>3</sup> Ku-ring-gai Council Asset Management Community Survey – Micromex – June 2012

Importantly the research also found that:

- 97% of ratepayers surveyed stated that it is very or somewhat important to continue improving the condition of roads in Ku-ring-gai.
- 58% stipulated that the minimum acceptable standard for roads is “good”.
- The minimum acceptable standard for most assets was thought to be “good”:
  - 64% believed that footpaths should be in “good” condition
  - 52% believed that buildings should be in “good” condition
  - 73% believed that drainage should be in “good” condition
- 81% supported continuation of the SRV component of the Infrastructure Levy to fund the roads initiative.
- 64% were in favour of Council applying for the introduction of an increase or SRV for Infrastructure Assets, after other current levies have expired.

### **5.1 Determining how best to meet community service levels**

In consideration of the above research, Council embarked on a process of reviewing what could be afforded in terms of asset maintenance and renewal in various funding scenarios and how a satisfactory level of service from priority assets may be described or confirmed. As various industry players define “good” condition in different ways, and because the differences in these definitions can have substantial impacts on community costs, it was important to consider:

- what “good” condition might mean in Ku-ring-gai; and
- whether it was affordable or necessary from a service level point of view to maintain *all* priority assets in “good” condition *all* of the time or whether a satisfactory and cost-effective level of service could be delivered with less than 100% of priority assets being kept in “good” condition as it might be defined in guidelines issued by industry players, such as the Office of Local Government or engineering institutions.

To assist in this process Council engaged Morrison Low consultants who undertook a review of Council’s infrastructure backlog and asset management data in 2015.

After detailed assessment, Morrison Low recommended that Council determine that a satisfactory level of service, from a community point of view, could be considered to be delivered when an asset class as a whole is maintained, as a minimum, in a “fair” condition – more specifically where deterioration may be evident but failure in the short term is unlikely, the asset still functions safely and only minor components need replacement or repair now.

Council accepted this policy suggestion after assessing that it provided a reasonable guideline for achieving a cost-effective planning methodology for management of assets that will be capable of delivering services in a manner satisfactory to the Ku-ring-gai community. Backlog infrastructure renewal estimates were then revised to identify the proportion of assets in each class which would not meet the desired condition rating of “fair” or “satisfactory” (ie., Condition 3 on a 5-point scale where Condition 1 is “excellent” and Condition 5 is “poor”<sup>4</sup>).

This in turn enabled Council to revise cost-estimates for addressing backlog infrastructure renewal. The revision resulted in a drop in the cost estimate of backlog infrastructure renewal from approximately \$165 million in 2012/2013 to the level of approximately \$27 million in 2016/17<sup>5</sup>. The revision was founded on a high degree of confidence that a level of service satisfactory to the community could be delivered if:

- the assessed backlog renewal was completed, and
- ongoing expenditures were programmed to ensure that priority asset classes, at least, received the necessary funding in maintenance and renewals to ensure that they did not slip below the standard deemed satisfactory for service delivery as defined above (i.e. Condition 3).

Under this policy Council has been progressively revising and refining its estimates of the proportion of assets (in terms of their replacement value) that do and don't meet the condition rating considered necessary for satisfactory service delivery to the community. In 2017/2018 Council reported the condition of assets as per the table below:

<b>Assets in each condition rating as % of gross replacement costs</b>					
<b>Ku-ring-gai Council Annual Financial Statements 2016/2017 - Special Schedule 7</b>					
	<b>Condition 1</b>	<b>Condition 2</b>	<b>Condition 3</b>	<b>Condition 4</b>	<b>Condition 5</b>
<b>Buildings</b>	12%	12%	70%	5%	1%
<b>Other structures</b>	19%	32%	38%	9%	2%
<b>Roads* (includes other transport assets)</b>	14%	26%	44%	10%	6%
<b>Drainage</b>	12%	70%	17%	1%	0%
<b>Open space / recreational</b>	36%	38%	21%	5%	0%
<b>Total All Assets</b>	<b>16.30%</b>	<b>35.30%</b>	<b>38.20%</b>	<b>7.00%</b>	<b>3.30%</b>

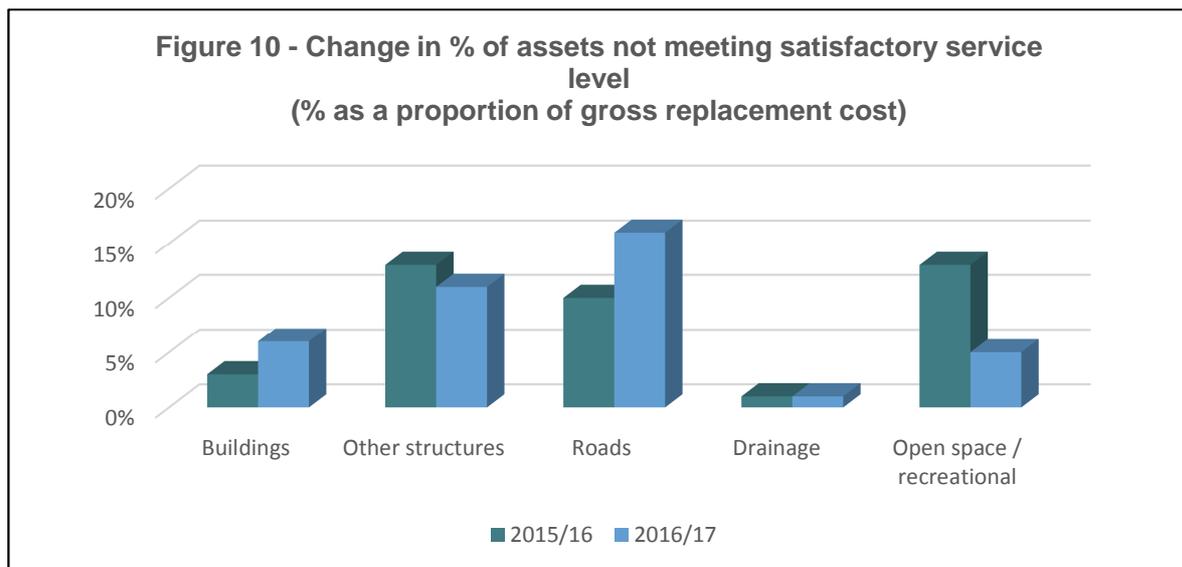
\*NOTE: In 2017/2018 the roads asset class condition & useful lives information were revised which has improved the percentage of roads in Condition 1.

<sup>4</sup> For further information on the asset condition rating scale now used by Council see the Chapter on Life Cycle Management below. In this scale Condition 1 = Excellent; Condition 2 = Good; Condition 3 = Satisfactory; Condition 4 = Worn; and Condition 5 = Poor. This condition rating scale is generally consistent with the International Infrastructure Management 2011.

<sup>5</sup> Ku-ring-gai Council Annual Report –Special Schedule 7

The condition ratings in the table above represent a slight decline in the condition of assets classes overall compared to the ratings reported in 2016/2017. This indicates that even though maintenance funding has been fully maintained at necessary levels, there is a still need for increased expenditure in asset renewal if the community's preferred service levels are to be met on an ongoing basis.

The Chart below 10 shows the change in asset condition in each class between 2015/2016 and 2016/2017. The proportion of assets which do not meet the minimum condition ratings necessary to deliver satisfactory services has increased in relation to buildings and roads – two asset classes of high importance to the community.



During 2017/2018 Council staff have continued to review and analyse its asset management data. As a result, this Asset Management Strategy provides guidance to ensure that funding for asset management will deliver infrastructure assets that are capable of meeting the service levels required by the community in priority asset classes.

For further information on how funding will be provided to ensure priority assets are capable of delivering desired service levels, see Council's Resourcing Strategy and Long Term Financial Plan.

## 6. Council's Vision, Goals and Objectives – Our Sustainable Future

This Asset Management Strategy is prepared to provide a road map to sustainable asset management and to ensure assets are capable of delivering the community's desired service levels in priority areas in the most cost-efficient manner. This is considered necessary if we are to achieve the vision, aspiration and long term objectives of our community and identified in our Community Strategic Plan.

The table below shows the link between the Community Strategic Plan and this Strategy;

<b>Theme</b>	<b>Community Aspiration</b>	<b>Long Term Objective</b>	<b>Integration with asset class</b>
<b>Community, People and Culture</b>	A healthy, safe, and diverse community that respects our history, and celebrates our differences in a vibrant culture of learning.	An equitable and inclusive community that cares and provides for its members.  A community that embraces healthier lifestyle choices and practices.	Buildings  Recreational Facilities
<b>Natural Environment</b>	Working together as a community to protect and enhance our natural environment and resources.	Our natural waterways and riparian areas are enhanced and protected.  A community addressing and responding to the impacts of climate change and extreme weather events.	Stormwater Drainage  Recreational Facilities
<b>Places, Spaces and Infrastructure</b>	A range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place.	Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time.  Recreation, sporting and leisure facilities are available to meet the community's diverse and changing needs.  Multipurpose community buildings and facilities are available to meet the community's diverse and changing needs.  An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.	Recreational Facilities  Buildings  All asset classes
<b>Access, Traffic and Transport</b>	Access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable public and private travel, transport and infrastructure.	The local road network is managed to achieve a safe and effective local road network.  An accessible public transport and regional road network that meets the diverse and changing needs of the community.	Roads and Transport
<b>Leadership and Governance</b>	Ku-ring-gai is well led, managed and supported by ethical organisations which deliver projects and services to the community by listening, advocating and responding to their needs.	Council rigorously manages its financial resources and assets to maximise delivery of services.	Roads and Transport Stormwater Drainage Buildings Recreational Facilities

## 7. Life Cycle Management

Competent and cost-efficient life cycle management for infrastructure assets commences with developing an accurate understanding of the actual condition of each asset. This requires a regular cycle of assessment of the physical condition of assets, for which funds are required for staff and training. However, this regular process results in more accurate and often lower estimates of real asset renewal costs.

In 2015 Council also undertook a major review of its infrastructure backlog and asset data with Morrison Low Consultants. This has helped to improve and standardise reporting on the actual condition of assets, which in turn is assisting staff to plan far more cost-effective programs for asset renewal and maintenance.

Continuous improvement in the integrity of asset data, particularly asset condition data, is vital to controlling costs for both backlog and future renewal programs. In this regard Council has undertaken a range of projects to improve the quality and accuracy of asset data and standardise records of asset condition. Specific actions completed in 2016/17 included:

- a review of procedures for new, renewal and upgraded assets
- benchmarking of road and transport assets
- implementation of new capital works system and targeted organisational training.

Throughout 2017/18, Council staff further interrogated its financial and technical asset management data, processes and systems as follows;

- reviewed useful lives to establish uniform and accurate application for specific construction types, materials, geographical locations and utilisation;
- benchmarking useful lives against other councils and industry experts;
- implementation of the stormwater drainage asset class into the corporate asset management system;
- reviewed roads condition data based on recent inspection program and updated condition assessments;
- analysed financial impact due to changes in asset conditions, useful lives, depreciation and revised data;
- interrogated recurrent budgets and project budgets to confirm accurate asset classification.
- investigated actual asset maintenance expenditure compared with required maintenance, and current asset renewal expenditure with required renewal.

This Asset Management Strategy is based on data acquired through physical assessments and other estimates where physical data are either not yet available or are not possible to obtain for various reasons (e.g. for drainage assets where the possibility of using CCTV for inspections is limited). All estimates are being continually refined to produce the best possible accurate assessment of asset condition and funding priorities.

Throughout this Strategy Council is using a 5-point asset condition rating scale to steer decisions regarding priorities and funding requirements. This scale is consistent with best practice for asset condition assessment and reporting as described below.

<b>Ku-ring-gai Council Asset Condition Matrix</b>		
<b>Level</b>	<b>Condition</b>	<b>Description</b>
1	Excellent	No Work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average/Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

## **8. Roads and Transport**

Council's road and transport network is comprised of:

- roads,
- bridges,
- footpaths,
- kerbs and gutters,
- car parks
- road furniture and structures, and
- bulk earth works.

These assets are maintained by Council's Engineering Services section of the Operations Department. All asset information pertaining to each group is contained within Council's asset registers and further detailed information on our road and transport assets is held within Council's Pavement Management System (SMEC).

### **8.1 Community Objectives for Road and Transport Assets**

The Roads and Transport asset class supports the long term objectives of our Community Strategic Plan through the following Themes:

- **Access, Traffic and Transport** - *An accessible public transport and regional road network that meets the diverse and changing needs of the community and the local road network is managed to achieve a safe and effective local road network.*
- **Places, Spaces and Infrastructure** - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*

- *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time*
- **Leadership and Governance** - Council rigorously manages its financial resources and assets to maximise delivery of services.

## **8.2 Preferred Condition Rating for Road and Transport Assets**

As noted above, the Ku-ring-gai community has stated that roads and footpaths, in particular, are a priority area for asset management. Based on this response, it will be a priority to maintain or improve the level of service that can be delivered from this asset class as a whole. In order to achieve that service level it has been assumed in this Strategy that it is desirable, from a community service level point of view, to ensure that 100% of road and transport assets, particularly roads and footpaths, are kept in Condition 3 or better.

It is worth noting that community research would indicate that kerb and gutter assets need not be kept in Condition 3 or better as the community has deemed them to be lower in priority for service provision. This is perhaps based on a view that kerb and gutter assets are more cosmetic than they are important for service delivery.

However, the community has rated drainage assets as a top priority asset class. Kerb and gutter assets are quite critical to the effective service delivery capacity of drainage and road safety as such it is advisable to maximise the proportion of kerb and gutter assets in Condition 3 or better, if funds are available. Bearing in mind that the significant expenditures that are required on roads may be made far less effective in service delivery terms if the roads are not properly drained with adequate guttering (the life span and safety of a road can be significantly diminished by poor drainage), it makes financial and service sense to ensure that kerb and gutter works are given the same or similar priority as roads when allocating funds for asset renewal.

The objective should be to ensure that 100% of kerbs and gutters are maintained in Condition 3 or better if long term costs are to be properly controlled.

## **8.3 Current Performance of Road and Transport Assets**

Over the last four years Council has provided detail on the condition of its road and transport assets in Special Schedule 7 of the Annual Financial Statements. In this period there has been a change in the required accounting format with a shift away from reporting the condition of assets as a percentage of written down value towards reporting instead on the basis of gross replacement costs. Nevertheless the accounting, while it implies some variability in reported performance, also indicates a moderate improvement in 2016/17 (compared to 2013/14) in the proportion of road and transport assets overall which would meet the condition rating required to deliver satisfactory service to the community (eg., in the case of roads, Condition 3 or better). Figure 12 shows the change in condition ratings since 2013/2014. There is still some way to go to meet the desired situation of 100% of road and transport assets in Condition 3 or better but progress is being made.

## 8.4 Roads

### Available data and funding

The roads data reported in Note 9a of Council's Financial Statements 2016/2017, is based on the previous revaluation completed in 2015. The data has been reviewed by a consultant who determined that the asset register was well established and recommended that condition assessments continue on an ongoing basis.

Council's roads assets were revalued as part of the fair valuation requirements and imported into the corporate asset system 30 June 2015 in line with revaluation requirements.

### Infrastructure Backlog and Future funding allocation

The tables below show the projected backlog figures, capital and maintenance expenditure for footpaths over the next 10 years.

Roads \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	12,805	10,632	8,138	4,878	876	-	-	-	-	-
Backlog - Cost to Agreed Level of Service	21,889	19,716	17,222	14,726	11,675	6,992	1,756	-	-	-
Renewal	8,605	8,996	9,634	10,252	10,689	12,487	12,690	12,603	13,038	13,531
New/Upgrade	111	57	8,529	5,909	2,134	2,967	1,396	17	116	21
Maintenance	2,204	2,259	2,316	2,374	2,433	2,494	2,556	2,620	2,686	2,753

### Condition

Accounting for asset condition in Council's Annual Financial Statements over the past four years implies a moderate improvement in the proportion of roads which would meet the condition rating required to deliver satisfactory service to the community (ie., in the case of roads, Condition 3 or better). The table below shows the change in condition ratings since 2013/2014.

Change in Condition of Roads 2013/14 to 2016/17				
	2013/2014*	2014/2015*	2015/2016**	2016/2017**
% meeting required "satisfactory" condition rating	66%	87%	85%	73%
% not meeting required condition rating	34%	13%	15%	27%
* Assets in each condition rating as % of written down value				
** Assets in each condition rating as % of gross replacement costs				

## Service level expectations

The community consultation identified our roads as a high priority and residents support reducing any funding gaps to improve the condition of our footpaths. The community's high expectation of our roads influences our investment in renewal funding which is strengthened by a Special Rate Variation (SRV) for local roads.

## Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced. The condition of the roads will continue to be assessed and updated on a regular basis.

## 8.5 Footpaths

### Available data and funding

The footpath data reported in Note 9a of Council's Financial Statements 2016/2017, is based on the previous revaluation completed in 2015. The data has been reviewed by a consultant who determined that the asset register was well established and recommended that condition assessments continue on an ongoing basis.

Council's footpath assets were revalued as part of the fair valuation requirements and imported into the corporate asset system 30 June 2015 in line with revaluation requirements.

### Infrastructure Backlog and Future funding allocation

The table below shows the projected capital and maintenance expenditure and the backlog figures for footpaths over the next ten years. Where there is no projected backlog for these assets adequate levels of capital and maintenance investment is proposed over the next ten years. The baseline data for the projected backlog figures have been formulated using the reported Cost to Satisfactory (CTS). The reported CTS is based on the Nett Carrying Amount of the asset class and the percentage of those assets in various conditions<sup>6</sup>.

Footpaths \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	754	1,047	180	-	-	-	-	-	-	-
Backlog - Cost to Agreed Level of Service	3,019	3,312	2,445	1,500	550	-	-	-	-	-
Renewal	639	476	1,655	1,752	1,796	1,841	1,887	1,934	1,983	2,032
New/Upgrade	379	1,554	-	-	1,193	-	-	-	-	-
Maintenance	989	1,014	1,039	1,065	1,092	1,119	1,147	1,176	1,205	1,235

<sup>6</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7

### Service level expectations

The community consultation identified our footpaths as a medium to high priority and residents support reducing any funding gaps to improve the condition of our footpaths. The community's high expectation of our footpaths influences our investment in renewal funding.

### Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced.

The condition of the footpaths will continue to be assessed and updated on a regular basis.



*Beans Farm Road, Gordon*

## 8.6 Kerb and Gutter, Car Parks, Road Structures and Bridges

### Available data

Council's kerb and gutter assets were revalued as part of the fair valuation requirements and imported into the corporate asset system 30 June 2015 in line with revaluation requirements.

Council's car park, road structures and bridges assets are being revalued as part of the fair valuation requirements. The register will be imported into the new corporate asset system by 30 June 2015 in line with revaluation requirements

## Infrastructure Backlog and Future Funding Allocation

The table below shows the projected capital and maintenance expenditure and the backlog figures for kerb and gutter, car park, road structures and bridges. There is no projected backlog figures for these assets due to the levels of capital and maintenance investment proposed over the next ten years. The baseline data for the projected backlog figures have been formulated using the reported Cost to Satisfactory (CTS). The reported CTS is based on the Nett Carrying Amount of the asset class and the percentage of those assets in various conditions<sup>7</sup>.

Kerb and Gutter, Car Parks, Road Structures and Bridges \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	-	-	-	-	-	-	-	-	-	-
Backlog - Cost to Agreed Level of Service	-	-	-	-	-	-	-	-	-	-
Renewal	1,477	710	712	380	740	399	409	419	430	440
New/Upgrade	279	353	1,488	814	927	76	76	76	468	76
Maintenance	734	752	771	790	810	830	851	872	894	917

### Service level expectations

The community consultation identified kerb and gutter as a low priority and it is the community's low expectation of our kerb and gutter that influences the investment in renewal funding. It should be noted that kerb and gutter renewal is carried out in line with Council's roads renewal program. The community consultation identified car parks as a moderate priority and to date there has been no community consultation for bridges and road structures.

<sup>7</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7

## Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations reduced.

A condition assessment program will be developed for these asset groups and the asset register is updated on a regular basis. The tables above show the projected capital and maintenance expenditure and the backlog figures for these assets.

It's important to note that the substantial amount of the capital new/upgrade funding is partially funded through Section 94 and will be spent on upgrading our local centre structures over the next ten years.



*Pedestrian Refuge Island, Cowan Road St Ives*

## 9. Buildings

Council's building asset class is separated into operational, community and commercial asset groups. Operational buildings include Council offices and depot while commercial assets consist of council owned and leased residential properties and retail services. Community buildings comprise of public toilet amenities, libraries, child care centres, halls, community centres, clubhouses and shelters. All asset information pertaining to each group is contained within Council's fair valuation register.

### Community Objective

The Buildings asset class supports the long term objectives of our Community Strategic Plan through the following Themes;

- Community, People & Culture - *An equitable and inclusive community that cares and provides for its members.*
- Places, Spaces and Infrastructure - *Multipurpose community buildings and facilities are available to meet the community's diverse and changing needs.*
  - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*
  - *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time.*
- Leadership and Governance - *Council rigorously manages its financial resources and assets to maximise delivery of services.*

### Available data

Council's building asset data is based on the revaluation completed by a registered valuer. Previously only buildings over \$750,000 were valued at a component level whilst buildings below \$750,000 were giving an overall value and an average condition rating. The Building Register was reviewed by an independent consultant who recommended a reassessment of condition ratings and the useful lives of heritage buildings.

## Infrastructure Backlog and Future funding allocation

The table below shows the projected capital and maintenance expenditure and the backlog figures for buildings. Where there is no projected backlog for these assets adequate levels of capital and maintenance investment is proposed over the next ten years. The baseline data for the projected backlog figures have been formulated using the reported Cost to Satisfactory (CTS). The reported CTS is based on the Nett Carrying Amount of the asset class and the percentage of those assets in various conditions<sup>8</sup>.

Important to note that a substantial amount of the capital new/upgrade funding in 2018/2019 is partially funded through Section 94 and will be spent on the redevelopment of our local centres for the provision of new community facilities.

Buildings \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	775	282	-	-	-	-	-	-	-	-
Backlog - Cost to Agreed Level of Service	7,506	7,013	5,767	4,257	2,382	1,346	1,204	717	69	-
Renewal	3,910	2,998	3,759	4,160	4,578	3,833	3,010	3,428	3,664	3,964
New/Upgrade	2,295	560	230	176	77	79	81	83	85	87
Maintenance	3,411	3,496	3,584	3,673	3,765	3,859	3,956	4,055	4,156	4,260

## Service level expectations

The community consultation identified our buildings as an asset priority and support reducing any funding gaps to improve the condition of the buildings. The community's high expectation of our buildings influences the investment in renewal funding for this asset class.

## Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced.

Council has completed an internal condition assessment of all buildings at a component level. The current building asset register is a standalone NAMS Plus asset management system which does not integrate with Council's corporate asset management system. The transfer of the NAMS Plus asset management data into the corporate asset management system is due for completion in 2018/2019.

<sup>8</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7



Firs Estate Cottage, Roseville

## 10. Stormwater Drainage

Council's stormwater drainage network includes underground assets such as pits and pipes and surface drainage assets including detention basins and open channels. The stormwater drainage asset components are maintained by Council Engineering Services section within the Operations Department.

Council levies a stormwater management levy and this funding source is used to improve the drainage system and the maintenance of Council's drainage systems.

### Community Objective

The Stormwater Drainage asset class supports the long term objectives of our Community Strategic Plan through the following Themes;

- Natural Environment – *Our natural waterways and riparian areas are enhanced and protected.*
- Places, Spaces and Infrastructure - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*

- Leadership and Governance - Council rigorously manages its financial resources and assets to maximise delivery of services.

### Available data

Council's stormwater drainage data reported in Note 9a of Council's Financial Statements 2016/2017, is based on the previous revaluation completed in 2015. In 2017/2018 Council transferred this asset class data into the corporate asset management system. The transfer of data included a review of useful lives and unit rates and as a result a further revaluation of this asset class will be conducted effective 30 June 2018.

Council conducted CCTV inspections on a small percentage of the drainage network as a representative sample to determine the overall condition of our stormwater drainage infrastructure. At present Council inspects drainage on a reactive basis or through customer requests.

### Infrastructure Backlog and Future Funding Allocation

The table below shows the projected capital and maintenance expenditure and the backlog figures for this asset class. The baseline data for the projected backlog figures have been formulated using the reported Cost to Satisfactory (CTS). The reported CTS is based on the Nett Carrying Amount of the asset class and the percentage of those assets in various conditions<sup>9</sup>.

Stormwater \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	1,691	2,547	2,531	2,499	2,243	585	-	-	-	-
Backlog - Cost to Agreed Level of Service	4,240	5,096	5,080	5,048	4,792	3,134	2,398	1,303	39	-
Renewal	788	896	1,815	1,880	2,157	3,609	2,740	3,151	3,380	3,673
New/Upgrade	466	276	339	659	962	414	466	478	1,072	502
Maintenance	1,537	1,575	1,614	1,655	1,696	1,738	1,782	1,826	1,872	1,919

<sup>9</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7

## Service level expectations

The community consultation identified our stormwater drainage assets as a priority and supported reducing funding gaps to improve the condition of these assets. The community's high expectation of our stormwater drainage influences the investment in capital and operational funding.

## Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced.

Council will also continue to monitor asset condition utilising cost effective measures where possible and that CCTV inspections should only be used where there is an identified problem or when other methods of assessment are not practical.



*Drainage works, Lady Game Drive, Lindfield, Jim Turner*

## 11. Recreational Facilities

The Recreational Facilities asset class comprises of all assets within our sports fields, parks and bushland locations. Asset groups within these areas include ovals, golf courses, playgrounds, playing courts, walking tracks and fire trails. The assets are maintained by the Open Space Section within the Operations Department.

The recreational facilities asset register is contained within a corporate assets system and technical and financial asset information is integrated in this system.

### Community Objective

The Recreational Facilities asset class supports the long term objectives of our Community Strategic Plan through the following Themes;

- Community, People and Culture – *A community that embraces healthier lifestyle choices and practices.*
- Natural Environment - *A community addressing and responding to the impacts of climate change and extreme weather events.*
- Places, Spaces and Infrastructure - *Recreation, sporting and leisure facilities are available to meet the community's diverse and changing needs.*
  - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*
  - *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time.*
- Leadership and Governance - *Council rigorously manages its financial resources and assets to maximise delivery of services.*

### Available data

The recreational facilities asset data reported in Note 9a of Council's Financial Statements 2016/2017, is based on the revaluation completed in 2014 as part of the import into the new corporate system. The data has been reviewed by a consultant who determined that the asset register was well established and recommended that condition assessments continue on an ongoing basis.

## Future infrastructure backlog and Future funding allocations

The table below shows the projected capital and maintenance expenditure and the backlog figures for this asset class. The baseline data for the projected backlog figures have been formulated using the reported Cost to Satisfactory (CTS). The reported CTS is based on the Nett Carrying Amount of the asset class and the percentage of those assets in various conditions<sup>10</sup>.

Recreational Facilities \$'000	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Backlog - Cost to Satisfactory	0	0	0	0	0	0	0	0	0	0
Backlog - Cost to Agreed Level of Service	5,459	1,991	1,825	1,586	2,781	1,195	28	-	-	-
Renewal	5,104	7,201	4,060	4,309	3,068	5,981	5,755	5,045	5,447	5,035
New/Upgrade	10,876	15,591	3,186	3,846	4,314	1,190	4,068	2,461	3,618	3,068
Maintenance	2,196	2,250	2,307	2,364	2,423	2,484	2,546	2,610	2,675	2,742

## Service level expectations

Community consultation identified the sports field and playground assets as having moderate importance to our community. The level of support to reduce the funding gap was also moderate. The community considered bushland infrastructure to be of low priority.

The community's high expectation of our sport fields, playgrounds and golf courses influences the investment in capital and operational funding.

## Future directions

Council will continue to review operational and capital expenditure and where necessary reallocate funding to ensure these assets are maintained to community expectations and the infrastructure backlog is reduced.

Council will continue to undertake condition assessments and review asset data to ensure that the asset register is updated on a regular basis.

<sup>10</sup> Ku-ring-gai Council Annual Report 2016/2017 – Financial Statements Special Schedule 7

## 12. How will we get there?

The Asset Management Strategy proposes the following strategies to enable the objectives of the Community Strategic Plan to be achieved.

No	Strategy	Desired Outcome
1	Long Term Financial Planning	The long term implications of Council services are considered in annual budget deliberations.
2	Develop and annually review Asset Management Plans covering at least 10 years for all major asset classes (80% of asset value).	Identification of services needed by the community and required funding to optimise 'whole of life' costs.
3	Update Long Term Financial Plan to incorporate asset management Strategy expenditure projections.	Funding model to provide Council services.
4	Review and update asset management plans and long term financial plans after adoption of annual budgets. Communicate any consequence of funding decisions on service levels and service risks.	Council and the community are aware of changes to service levels and costs arising from budget decisions.
5	Report Council's financial position at Fair Value in accordance with Australian Accounting Standards, financial sustainability and performance against strategic objectives in Annual Reports.	Financial sustainability information is available for Council and the community.
6	Ensure Council's decisions are made from accurate and current information in asset registers, on service level performance and costs and 'whole of life' costs.	Improved decision making and greater value for money.
7	Report on Council's resources and operational capability to deliver the services needed by the community in the Annual Report.	Services delivery is matched to available resources and operational capabilities.
8	Ensure responsibilities for asset management are identified	Responsibility for asset management is defined.
9	Implement an Improvement Plan to realise 'core' maturity for the financial and asset management competencies within 2 years.	Improved financial and asset management capacity within Council.
10	Report to Council on development and implementation of Asset Management Strategy, AM Plans and Long Term Financial Plans.	Oversight of resource allocation and performance.

## 12.1 Asset Management Improvement Plan

To ensure the Asset Management Strategy is implemented effectively and efficiently, an Improvement Plan has been prepared.

The actions required to undertake improvement of Council's asset management capabilities are impacted by both internal and external influences and require resources or enablers. These enablers can be in the areas of people, processes, technology and information and data.

The Improvement Plan prioritises specific capability areas which were identified through a gap analysis process, and where action is required to raise Council's asset management capacity to the desired level of maturity. Implementation of these improvements requires resourcing and monitoring. The actions have been integrated into Council's Delivery Program to ensure ongoing resourcing, implementation and performance monitoring.



*Construction of Bicentennial Park Golden Grove Playground, West Pymble*

## Roads and Transport

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Assets and procedures for cost and risk assessment documented.  Continual maintenance of procedures	Review of processes and practices	Ongoing	Director Operations Risk Management Coordinator Manager Engineering Services Strategic Asset Coordinator
Data and Knowledge	Improve data knowledge	Continue to develop data collection procedure and program for all assets  Consultant to assess the condition of all road surface and pavement assets  Inspect all road structures and street furniture assets and update in register  Inspect all other assets on an ongoing basis	Ongoing  Completed  2018/2019  2019/2020	Director Operations Manager Engineering Services Civil Works Coordinator Pavement Engineer Assets Coordinator Team Leader Design and Projects
Asset Management Plans	Advanced asset management plans	Update Asset Management Plan	2018/2019	Director Operations Manager Engineering Services Strategic Asset Coordinator Civil Works Coordinator Pavement Engineer
Asset Information Systems	Corporate Asset Management System	Transfer data to corporate system  Provide training to asset custodians	Completed  Ongoing	Director Operations Business System Analyst
People and Organisational Issues	Understanding of road asset management	Provide staff training for all facets of road asset management	Ongoing	Director Operations Manager Engineering Services Strategic Asset Coordinator
Implementation Tactics	Outline of required road asset management activities	Review core and non-core activities	Annually	Director Operations

<p>Strategy and planning</p>	<p>Advanced maintenance and renewal plans</p> <p>Life cycle cost analysis</p> <p>Service level review</p>	<p>Develop advanced asset renewal and maintenance plans.</p> <p>Improve life cycle cost data knowledge</p> <p>Review and update service levels for each asset group with the Roads &amp; Transport asset</p>		<p>Director Operations Manager Engineering Services</p> <p>Manager IP, Property &amp; Assets Strategic Asset Coordinator</p> <p>Civil Works Coordinator and Pavement Engineer</p>
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## Buildings

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Implement and/or improve building asset management processes	Review of processes and practices	Ongoing	Director Operations Risk Management Coordinator
	Assets and procedures for cost and risk documented		Ongoing	Manager Engineering Services Manager IP, Property & Assets
	Continual maintenance of procedures		Ongoing	Strategic Asset Coordinator
Data and Knowledge	Complete database of assets	Develop an asset register that captures all building components	Phase 1 completed Phase 2 2018/2019	Building Assets Coordinator
Asset Management Plans	Advanced AMP	Update Asset Management Plan	2019/2020	Director Operations Strategic Asset Coordinator Building Assets Coordinator
Asset Information Systems	Asset register	Update all asset components and assign	Completed	Director Operations Manager Engineering Services
	Transfer data to works and assets	Values, useful lives and conditions.	2018/2019	Building Assets Coordinator
		Include buildings data into corporate system	2018/2019	Business Systems Analyst
People and Organisational Issues	Understanding of building asset management	Provide staff training for all facets of building asset management	Commenced	Director Operations Manager Engineering Services
	Asset performance register	Review and measure asset performance	Ongoing	Building Assets Coordinator
Implementation Tactics	Outline of required building asset management activities	Review core and non-core activities	Annually	Director Operations
Strategy and planning	Advanced maintenance and renewal plans	Develop advanced asset renewal and maintenance plans.	2019/2020	Director Operations Manager Engineering Services
	Life cycle costs analysis	Improve required life cycle costs	2020/2021	Manager IP, Property & Assets Strategic Asset Coordinator
	Service level review	Review and update all service levels		Building Assets Coordinator

## Drainage

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Implement and/or improve drainage asset management processes  Continual maintenance of procedures	Review of processes and practices	2018/2019  Ongoing	Director Operations Manager Engineering Services Drainage Assets Engineer Manager IP, Property & Assets Strategic Asset Coordinator
Data and Knowledge	Complete database of assets	Ongoing development of data collection procedure and program. Review useful lives, condition and capacity	Ongoing	Strategic Asset Coordinator Drainage Engineer  Director Operations
Asset Management Plans (AMP)	Advanced Drainage AMP	Update Asset Management Plan	2019/2020	Director Operations Strategic Asset Coordinator Drainage Assets Engineer
Asset Information Systems	Corporate asset management system	Update data into corporate system	Completed	Business Systems Analyst
People and Organisational Issues	Understanding of drainage asset management  Asset performance register	Provide staff training for all facets of drainage asset management  Review and measure asset performance	Ongoing  Annually	Director Operations Strategic Asset Coordinator  Manager Engineering Services Drainage Engineer
Implementation Tactics	Outline of required drainage asset management activities	Review core and non-core activities	Annually	Director Operations
Strategy and planning	Advanced maintenance and renewal plans  Life cycle cost analysis  Service levels	Develop advanced asset renewal and maintenance plans.  Update required life cycle costs  Update service levels	2018/2019  2018/2019  2018/2019	Director Operations Manager Engineering Services  Manager IP, Property & Assets Strategic Asset Coordinator  Drainage Assets Engineer

## Recreation Facilities

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Implement and/or improve recreational asset management processes  Continual maintenance of procedures	Review of processes and practices	Ongoing  Ongoing	Director Operations Manager Open Space Strategic Asset Coordinator
Asset Management Plans	Advanced RFAMP	Update Asset Management Plan	2020/2021	Manager Open Space Strategic Asset Officer Open Space Asset Supervisor
People and Organisational Issues	Asset performance register  Training	Review and measure asset performance  Ongoing support and training for asset procedures	Annually	Manager Open Space Operations  Strategic Asset Coordinator
Implementation Tactics	Outline of required parks and recreation asset management activities	Review core and non-core activities	Annually	Manager Open Space Operations
Strategy and planning	Advanced maintenance and renewal plans  Life cycle cost analysis  Service levels	Develop advanced asset renewal and maintenance plans.  Improve life cycle costs  Update service levels	2020/2021  2020/2021  2020/2021	Director Operations Manager Open Space  Manager IP, Property & Assets Strategic Asset Coordinator  Open Space Asset Supervisors

## 13. Reporting and Assessment - measuring our performance

The approach to assessing performance in relation to asset planning and measurement will be both quantitative and qualitative.

Council's Integrated Planning and Reporting processes form the core of our continuous improvement programs and are embedded within the organisation.

The development of term achievements, tasks and key performance measures relating to the delivery of infrastructure asset programs are contained in the Delivery Program and annual Operational Plan, and subsequent reporting is conducted bi-annually and annually to ensure progress and/or achievements are measured and reported.

Reporting on these indicators is the responsibility of all Asset Managers who are custodians and have control of specific asset classes.

Regular periodic surveys with the community, gauging perceptions between satisfaction of built asset classes and services being provided are conducted. The ongoing use of community surveys will be tailored to include specific asset management issues to ensure relevance of the programs at the required levels of service continue.

## 14. Conclusion

Whilst significant work has been undertaken in providing more consistent asset management planning, continued diligence is required to allow ongoing improvements for all infrastructure assets under the Council's control and management.

This strategy, together with asset managers, custodians, staff and the community will allow a continued progression toward service excellence.

Management techniques drawing on the financial, risk, environmental and social drivers will assist in providing an improved asset management performance by enabling Council to work with the community to ensure operations are better understood.

Although adopted as a 10 year Asset Management Strategy, annual revisions of the Strategy are carried out to ensure relevance in responding to government and our community. Specifically, with the review of the Community Strategic Plan, the development of each new Delivery Program and Resourcing Strategy every four years we need to ensure what we provide aligns with community objectives and priorities, and that the community understands the implications of these directions.

Ku-ring-gai Council

# Policy

## Asset Management Policy

Version Number 3

Adopted: 26/06/2018

Effective: 27/06/2018



# Asset Management Policy

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## Controlled Document Information

### Authorisation Details

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### Related Document Information, Standards & References

<b>Related Legislation</b>	Local Government Act 1993	Provides the legal framework for an effective, efficient, environmentally responsible and open system of local government in NSW. To regulate the relationships between the people and bodies comprising the system, and to encourage and assist the effective participation of local communities in the affairs of local government. Includes the preparation of strategic plans and a long term financial plan supported by Asset Management Plans for sustainable service delivery.
	Environmental Planning and Assessment Act 1979	Sets out to encourage the proper management, development and conservation of natural and artificial resources for the purpose of promoting the social and economic welfare of the community and a better environment and the protection of the environment, including the protection and conservation of native animals and plants, including threatened species, populations and ecological communities, and their habitats.
	Heritage Act 1977	To promote understanding of heritage issues and conservation of items of heritage significance.
	Occupational Health and Safety Act 2000	Sets out the responsibilities of Council to secure and promote the health, safety and welfare of people at work.
	Disability Discrimination legislation including - Commonwealth Disability Discrimination Act 1992 (DDA)	Sets out the responsibilities of Council and staff in dealing with access and use of public infrastructure.

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	- NSW Anti- Discrimination Act 1997	
<b>Related Documents</b>	<p>Our Ku-ring-gai- Community Strategic Plan 2038</p> <p>Resourcing Strategy 2018-2028</p> <p>Delivery Program 2018-2021 and Operational Plan 2018-2019</p> <p>Asset Management Strategy 2018 – 2028</p> <p>Asset Management Plans</p> <p>Procedures for New, Upgraded, Renewed and Disposed assets</p>	<p>The policy integrates with Council's Integrated Planning and Reporting documents.</p> <p>The Asset Management Policy guides the asset management strategy, plans and procedures</p>
<b>Other References</b>	<p>Integrated Planning and Reporting Guidelines for Local Government in NSW March 2013</p> <p>Integrated Planning and Reporting Manual for Local Government in NSW-March 2013</p> <p>Local Government Code of Accounting Practice and Financial Reporting</p> <p>Australian Accounting Standards</p> <p>IPWEA International Infrastructure Management Manual (IIMM) 2015</p> <p>Australian Infrastructure Audit Report May 2015</p>	<p>The Policy was developed in line with the IP&amp;R guidelines and manual.</p> <p>The accounting standards and code define how our assets are accounted for.</p> <p>The development of the Policy considered the IPWEA IIMM manual and Infrastructure Australia Strategic Policies &amp; Plans.</p>

**Version History**

<b>Version Number</b>	<b>Version Start Date</b>	<b>Version End Date</b>	<b>Author</b>	<b>Details and Comments</b>
1	04/02/2009	26/08/2014	Deborah Silva	Original
2	26/08/2014	26/06/2018	Vanessa Young	First review
3	27/06/2018	To be advised	Parissa Ghanem	Policy revised in line with Integrated Planning & Reporting processes.

## Policy

### Background

Asset management practices impact directly on the core business of Council and appropriate asset management is required to achieve our strategic service delivery objectives.

Sustainable service delivery ensures that services are delivered in a socially, economically and environmentally responsible manner that does not compromise the ability of future generations to make their own choices.

### Purpose and Objectives

The purpose of this policy is to demonstrate Ku-ring-gai Council's commitment to the responsible management of its assets. The policy sets out principles, requirements and responsibilities for implementing consistent asset management processes throughout Council. It also ensures that Council as the custodian of public infrastructure, has mechanisms in place to deliver infrastructure services in the most effective manner.

### Objective

To ensure that adequate provision is made for the long-term management of Council's assets by:

- ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- safeguarding infrastructure assets, physical assets and employees by implementing appropriate asset management strategies and financial resources for those assets.
- implementing appropriate asset management strategies, plans and financial resources for the preservation of assets.
- creating an environment where all employees play an integral part in the overall management of infrastructure assets by creating and sustaining a culture of asset management awareness through training and development.
- meeting legislative requirements for asset management.
- ensuring resources and operational capabilities are identified and allocated for asset management.
- demonstrating transparent and responsible asset management processes that align with best practice.

## Scope

This policy applies to all asset classes owned by Council. Council's asset classes identified in the asset hierarchy are:

- Buildings and Land
- Roads and Transport
- Stormwater Drainage
- Recreational Facilities
- Fleet and Plant
- Information Technology

Other assets accounted for include library books, furniture and fittings, and office equipment.

## Responsibilities

The following key roles and responsibilities are identified in the management of this policy:

### Mayor and Councillors

Are responsible for adopting the completed policy objectives and ensuring sufficient resources are applied to manage the assets.

### Council

Council is responsible for:

- providing stewardship
- adopting a corporate asset management policy and strategy
- considering the impact of financial and service level decisions on Council's assets
- ensuring that organisational resources are allocated to safeguard sustainable service delivery.

### Asset Management Steering Group

The Asset Management Steering Group is responsible for:

- reviewing the Asset Management Policy and Asset Management Strategy and ensuring integration with the Long Term Financial Plan and other Integrated Planning & Reporting documents
- monitoring the implementation of Asset Management Policy, Strategy and Plans
- developing and reviewing processes and practices to ensure assets are managed effectively
- ensuring that asset information is captured and updated into asset registers
- operating within an agreed 'Terms of Reference'

### Directors/Managers

Directors and Managers are responsible for:

- allocating resources to the implementation of the Asset Management Strategy and Plans
- ensuring that actions identified in the Asset Management Strategy and Improvement Plan are completed within timeframes
- integrating asset management principles and practices into the organisation's business processes
- developing and implementing maintenance and capital works programs in accordance with the Integrated Planning and Reporting documents
- delivering Levels of Service to agreed risk and cost standards
- managing infrastructure assets in consideration of long term sustainability
- presenting information to Council on lifecycle risks and costs

- ensuring that individual asset management responsibilities are identified in relevant staff position descriptions

### Asset Management Framework

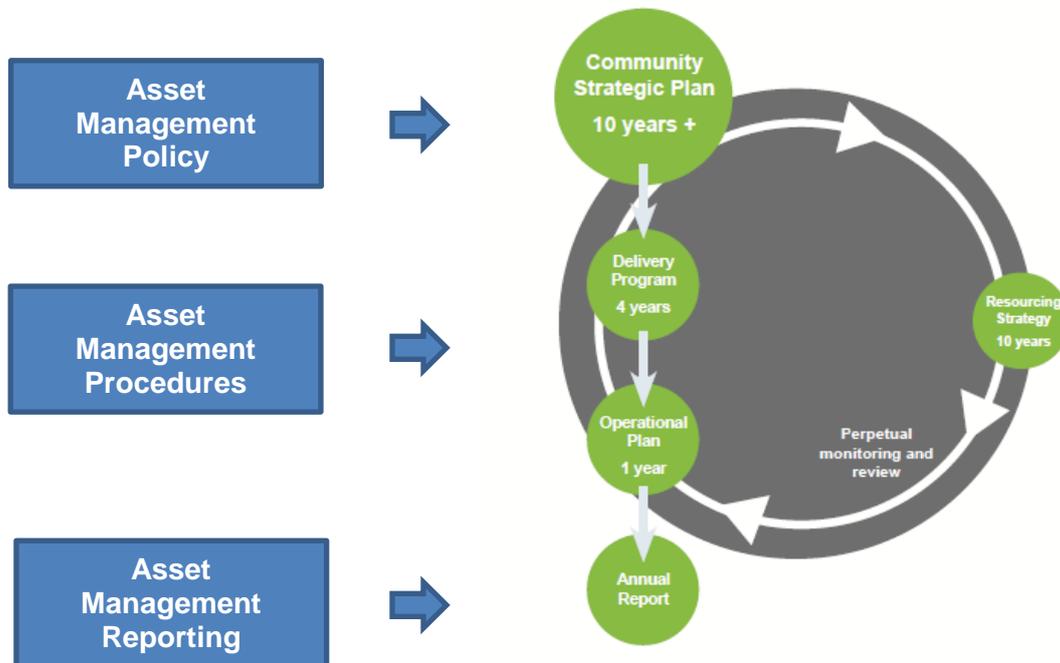


Figure 1 Councils Asset Management aligns with the Integrated Planning and Reporting Framework

## Policy Statement

### Asset Management Principles

The organisation's sustainable service delivery requirements will be met by adequately providing for the long-term planning, financing, operation, maintenance, renewal, upgrade, and disposal of assets. This is accomplished by ensuring that:

- All relevant legislative requirements together with social, political and economic environments are taken into account in asset management
- The Asset Management Strategy outlines the implementation of systematic asset management and appropriate best practice throughout Council
- The Asset Management Plans are revised to align with the Resourcing Strategy. The Plans are informed by community consultation, technical and financial planning and reporting
- Service levels are developed and defined in each asset management plan. The Service Levels will form the basis of annual budget estimates
- Inspection programs are developed for each asset class and regular inspections are carried out to maintain the agreed service levels and to identify asset renewal priorities
- Assets are managed, valued, and accounted for in accordance with appropriate best practice
- Future service levels are determined in consultation with the community
- Renewal plans are developed based on service levels, conditions and risk
- Future life cycle costs are reported and considered in all decisions relating to new services and assets and upgrading existing services and assets
- An organisational culture is promoted whereby all employees with asset management responsibilities are provided the necessary training and professional development
- The require operation capabilities and resources are provided and asset management responsibilities are effectively allocated

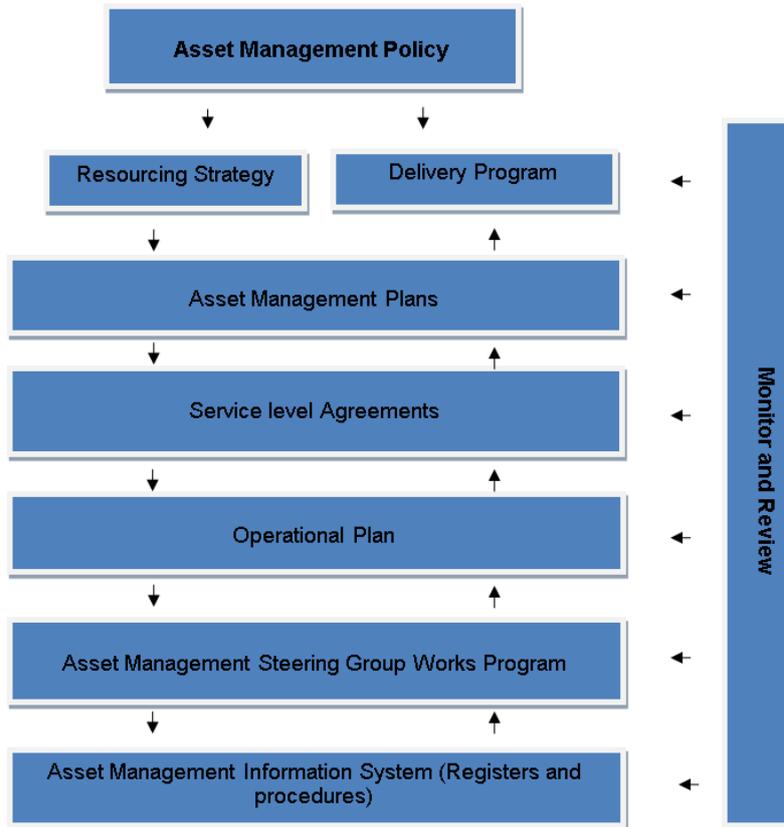
### Policy implementation

Council's assets will be managed in the most cost effective manner, driven by defined service levels and performance standards. This will require ongoing assessment of the following key issues:

- Customer and community expectations;
- Strategic and corporate goals;
- Long term financial model; and
- Legislative requirements

This should be achieved through strategic planning, service level review, output review, and development/ implementation of the asset management framework.

The Asset Management Steering Group will oversee the implementation of the asset management reporting framework as identified in Figure 2.



## Definitions

Term	Definition
Asset	A physical item owned by council that has economic value and enables services to be provided.
Asset life cycle	The life of an asset; from its acquisition to disposal.
Asset Management Information System	An asset management information system is a combination of processes, data and software applied to provide the essential outputs for effective asset management such as reduced risk and optimum infrastructure investment.
Asset management	Asset management (AM) is a systematic process to guide the planning, acquisition, creation, operation and maintenance, renewal and disposal of assets.
Asset Management Plan	A plan developed for the management of an asset class that combines multi-disciplinary management techniques (including technical and financial) over the life cycle of the asset, in the most cost effective manner to provide a specified level of service.
Asset Management Strategy	The Asset Management Strategy is a component of the Resourcing Strategy. It demonstrates how our assets support service delivery in consultation with the community and within available funding.
Asset register	A record of asset information including inventory, historical, financial, condition, construction, technical, and financial details.
Infrastructure asset	Infrastructure assets are typically large, interconnected networks or portfolios of composite assets, comprising components and sub-components
Level of service	The defined service quality for a particular activity or service area against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.
Life cycle cost	The total cost of an asset throughout its useful life.
Operational Plan	The Operational plan comprises detailed implementation plans and information with a 1-year outlook (short-term). The plans typically cover operational control to ensure delivery of asset management policy, strategies and plans. The plans also detail structure, authority, responsibilities, defined levels of service and emergency responses.
Useful life of an asset	The period over which a depreciable asset is expected to be used

# Contact Us

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For assistance or information regarding any of Council's services or facilities please contact us.

## CONTACT DETAILS

### Address

818 Pacific Highway, Gordon NSW 2072

### Post

Locked Bag 1006, Gordon NSW 2072

### Business hours

Monday - Friday, 8.30am - 5pm

**Phone** 02 9424 0000

**Fax** 02 9424 0001

**DX** 8703 Gordon

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

### Online chat

Go to our online chat - [kmc.nsw.gov.au](http://kmc.nsw.gov.au)  
8.30am - 5pm (AEST), Monday - Friday

### Website

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

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# **WORKFORCE MANAGEMENT STRATEGY 2018-2028**

Adopted June 2018



### Need help?

This document contains important information. If you do not understand it, please call the Translating and Interpreting Service on 131 450. Ask them to phone 9424 0000 on your behalf to contact Ku-ring-gai Council. Business hours: Monday to Friday, 8.30am-5pm.

### Simplified Chinese

#### 需要帮助吗？

本文件包含重要信息。如果您不理解本文件，请致电翻译口译服务 131 450。让其代表您致电 9424 0000 联系Ku-ring-gai议会。营业时间：周一至周五，上午8.30—下午5:00。

### Traditional Chinese

#### 需要幫助嗎？

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### Korean

#### 도움이 필요하십니까?

이 문서에는 중요한 정보가 담겨 있습니다. 여러분이 이해할 수 없다면, TIS (번역 및 통역 서비스)의 131 450번으로 전화하십시오. 9424 0000 번으로 여러분을 대신하여 전화해서 쿠링가이 카운슬을 연락해 달라고 요청하십시오. 영업 시간: 월요일-금요일, 오전 8시30분-오후 5시.

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### National Relay Service

If you have a hearing or speech impairment, contact Ku-ring-gai Council using the National Relay Service.

TTY users call 133 677 then dial 02 9424 0000.

Speak and Listen users with ordinary handset call 1300 555 727 then ask for 02 9424 0000.

### Internet relay users

Log on to Internet relay and enter 02 9424 0000.



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## Introduction

Ku-ring-gai Council's Workforce Management Strategy outlines our commitment to ensuring Council has both the capacity and capability within its workforce to deliver positive outcomes for the organisation and ultimately the community.

The Workforce Management Strategy together with the Asset Management Strategy and Long Term Financial Plan, provide the resources necessary to achieve Council's Delivery Program and Operational Plan that support our Community Strategic Plan. It aligns with and supports our key planning and strategy documents to ensure that we have a capable, skilled, engaged and sustainable workforce in order to deliver on our commitments.

This strategy meets the Division of Local Government's Integrated Planning and Reporting (IP&R) requirements where assets, finances and the workforce are planned in an integrated framework. It identifies high level issues and themes and provides a strategic framework to guide our people management strategies over the next 10 years.

It is anticipated that the local government industry and our workforce will experience moderate changes during the period and as such the Workforce Management Strategy 2018-28 will be reviewed extensively in line with the annual IR&P annual cycle.

## Workforce planning and development

Standards Australia defines *Workforce Planning* as a management technique which is used to effectively manage workforce demand and supply.

It is the process used to align the needs of a business with those of its workforce by identifying current and future staffing needs.

Workforce Planning focuses on retaining existing staff as well as attracting new employees to ensure an organisation has the right number of people, with the right skills in the right jobs at the right time.

The Workforce Management Strategy details Council's strategic approach to workforce development, whilst the outcomes of our workforce planning are detailed in the Long Term Financial Plan.



## **Organisational Context**

### **The External Environment**

#### **NSW Labour Market & Economy**

In January 2018, the unemployment rate for New South Wales was 4.8%, with the Greater Sydney (North Sydney to Hornsby) region having an unemployment rate of 4.1%. The annual employment growth for this area was -0.2% compared to NSW at 1.8%. Employment participation was sitting at 67.3% compared to the State at 63.9%.

#### **Ku-ring-gai Local Government Area**

Between 2011 and 2016, Ku-ring-gai Council area's population increased by 8,771 people (8.0%) to 123,143. This represents an average annual change of 1.56% per year over the period (ABS 2016).

Ku-ring-gai has a vibrant and increasingly diverse population spanning all generations. It is a popular area for families with school aged children attracted to the area for its open spaces, range of sporting facilities, access to schools and health services and close proximity to major employment areas.

Our residents are generally employed as professionals in the health, social assistance, education and finance sectors.

About 40 per cent of residents were born overseas, mainly in the United Kingdom, South Africa, Hong Kong, New Zealand, China or South Korea. Aside from English, the most commonly spoken languages at home are Cantonese, Mandarin and Korean.

We face many challenges in catering for our population growth and meeting the ever changing needs of our diverse community.

#### **NSW Local Government Sector**

Approximately 45,000 FTE (full time equivalent) staff work in local government in NSW. NSW councils are diverse in geographical size, population and cultural mix, rates of growth and functions performed. Many are significant local employers, offering jobs in a wide range of occupations. Yet most councils face similar workforce challenges as they compete for labour drawn from within and outside their local areas.

Within the local government industry there continues to be strong competition for key professional appointments such as Building Surveyors, Town Planners Engineers and Early Childhood Teachers.

Research undertaken by NSW Local Government in 2015 indicates that the greatest future workforce challenges facing NSW Councils are as follows:

1. Ageing Workforce
2. Uncertainty surrounding local government reform
3. Skills shortages across a number of professional areas
4. Limitations in leadership capability
5. Gender imbalance in senior roles
6. Lack of skills and experience in workforce planning
7. Lack of workforce trend data
8. Difficulty in recruiting staff
9. Resistance to more flexible work practices
10. Lack of cultural diversity

(NSW Local Government Workforce Strategy 2016-2020)

There are two recent key strategic documents that have been designed to support the Local Government workforce at a State and National level. A brief overview of each is provided below.

#### *National Local Government Workforce Strategy 2013 - 2020*

The National Local Government Workforce Strategy 2013-2020 is designed to futureproof the challenges faced by local government, and to move the sector towards a more sustainable workforce through retention, attraction and development at a time when Australia is confronted by decreasing supply and an increasing demand for skilled workers.

It recognises that local governments are often significant local employers and require a diverse workforce that encompasses a wide range of occupations. Without effective local governments, local economies and communities struggle to operate, especially in regional Australia. In addition, as the functions of local government increase and expand, workforce capacity, capability and innovation become even more critical.

The following 8 key themes identified within this strategy are designed to provide a consistent national methodology for workforce development in order to encourage a strategic approach to meeting current and emerging challenges.

1. **Improving workforce planning and development** - The first strategy explores workforce demands and skill shortages, and identifies the extent to which planning for these exists in councils, and what barriers exist. Data gathered through the ALGWECensus informs where demands and shortages lie, as does information from the Environmental Scans of the various Industry Skills Councils. The identification of demands and skills shortages is an essential first step in developing an informed and appropriate workforce.

2. **Promoting Local Government as a Place-Based Employer of Choice** - Local government is uniquely placed as a local employer with national reach to position its employment offerings to retain and attract workers. This is explored in the second strategy. The focus is on place-based Employment Value Propositions (EVPs) and removing barriers to workforce mobility.
3. **Retaining and Attracting a Diverse Workforce** - The third strategy is about workplace diversity and equity. A flexible and multi-skilled workforce is informed by the multifaceted community which it serves. The diversity of the workforce encapsulates the tapping of underemployed talent, the re-engagement of former employees, a focus on women in leadership, increasing the participation of Indigenous Australians and those from a culturally and linguistically diverse (CALD) background, and the recruitment of skilled migrants.
4. **Creating a Contemporary Workplace** - Flexibility and sustainability are the key issues of the fourth strategy. By being responsive to the needs and desires of the current and potential workforce, local government is better equipped to combat skill shortages and better retain and attract workers. New ways of working flexibly and sustainably can include job sharing, flexible working hours, compressed working weeks, part-time work, and working from home.
5. **Investing in Skills** - Combating skill shortages and ensuring the sector has the skills it requires to deal with current and future service needs is the focus of the fifth strategy. There are opportunities to increase skills by taking advantage of government training programs, and by using good people management to create and increase skills.
6. **Improving Productivity and Leveraging Technology** - Embracing and investing in technology to increase workplace productivity are the key themes of strategy six. Broadband rollout and the potential benefits it provides is a critical contributor to the National Productivity Agenda, along with other investments in technology to allow the sector to be more productive.
7. **Maximising Management and Leadership** - Strategy seven is focused on enabling staff to realise their potential through effective leadership and good people management. Retention is about cultivating staff to perform at their best through the maximisation of leadership and by building capacity for good management.
8. **Implementation and Collaboration** - The final strategy is about implementation and integration so that all of the strategies and their actions can be properly aligned and realised. It is about tailoring actions to particular circumstances in a changing political and operating environment at national, state and local levels.

## *NSW Local Government Workforce Strategy 2016 – 2020*

The NSW Local Government Workforce Strategy 2016-2020 was prepared by Local Government NSW in collaboration with the NSW Office of Local Government, Local Government Professionals Australia, Institute of Public Works Engineering (IPWEA) (NSW Division), the NSW Public Sector Industry Training Advisory Body (ITAB) and the Institute for Public Policy and Governance, University of Technology Sydney (formerly a partner in the Australian Centre of Excellence for Local Government, ACELG).

Two key drivers underpin the Strategy:

1. The development of a national workforce strategy, Future-Proofing Local Government: National Workforce Strategy 2013-2020.
2. Recommendations emerging from the local government reform process, particularly actions from Destination 2036 and recommendations of the Independent Local Government Review Panel and the NSW Government.

The Strategy adopts the eight strategic themes of the National Workforce Strategy 2013 – 2020 and sets direction for a range of initiatives to address the workforce challenges facing local government in NSW over its term.



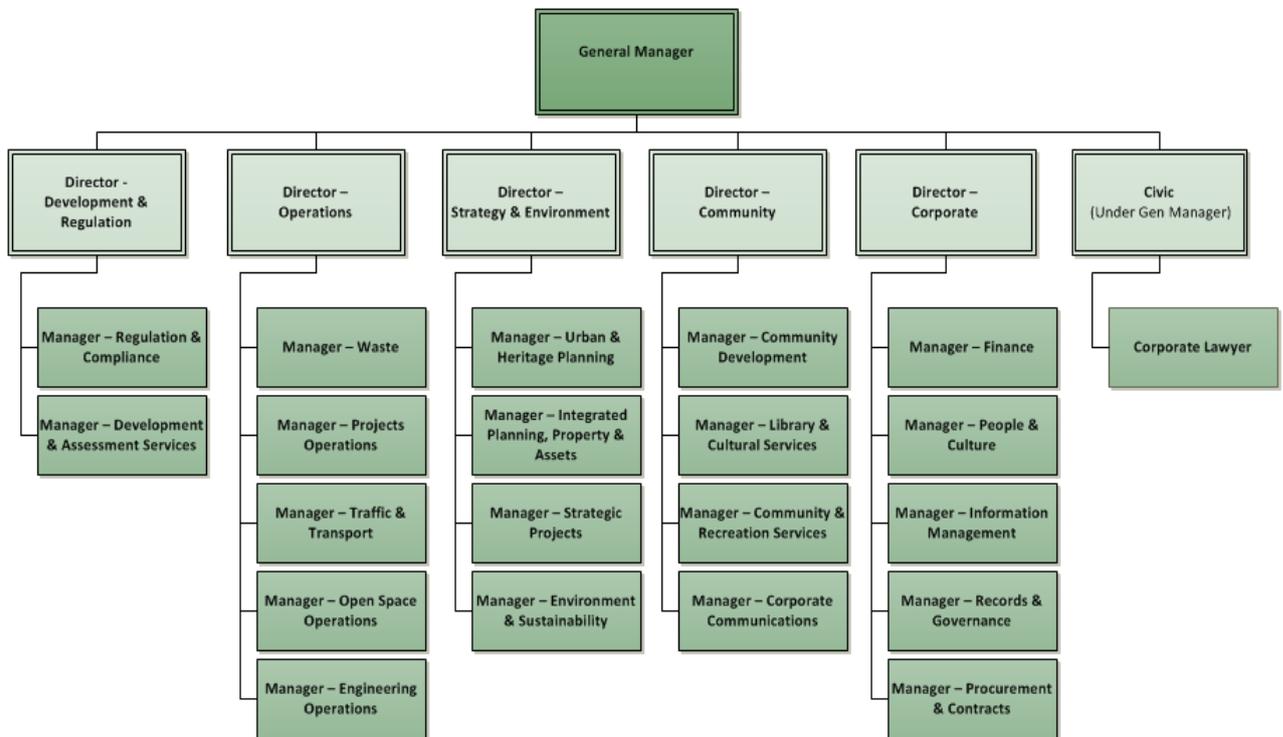
*Asset Refurbishment Team working at Jubes Mountain Bike Park, Chris Houghton*

# The Internal Environment

## Organisational structure

At Ku-ring-gai Council services are delivered to the community via five departments together with the General Managers unit (Civic).

Each discrete service is provided by one of the twenty business units that operate across these departments.



## Corporate Values

In 2014 it was identified that a new set of Corporate Values were needed for our organisation.

At Ku-ring-gai Council we recognise the importance of having a set of shared common values that everyone has helped establish to leverage a stronger culture for our organisation and help lead us to a more positive outlook on our environment, the people we work with, and the work we produce.

In light of this, we facilitated a number of values workshops and invited all permanent and fixed term staff to attend. During these workshops, staff were asked to complete a series of exercises aimed at promoting the importance of personal values and identifying how they align with the principles, beliefs or philosophies of other individuals and groups across the organisation. A set of common values were identified from each of the sessions, which were then categorised into common themes by the leadership team, and a set of common values were identified.

The four values, *Do What Is right*, *Show Respect*, *Own Our Actions* and *Strive For Excellence* were identified as the most common values from across all workshops. These were then defined and described using the words staff contributed during the feedback sessions.

	<b>We Will...</b>	<b>We Won't...</b>
 <ul style="list-style-type: none"> <li>We act with integrity in everything that we do and say</li> <li>We make transparent, ethical and consistent decisions that support the vision of Council</li> </ul>	<ul style="list-style-type: none"> <li>Act with honesty and transparency</li> <li>Be fair and unbiased</li> <li>Be trustworthy and sincere</li> </ul>	<ul style="list-style-type: none"> <li>Be dishonest, corrupt and/or deceptive</li> <li>Take the soft option and avoid hard conversations</li> <li>Serve individual interests above those of Council</li> </ul>
 <ul style="list-style-type: none"> <li>We are considerate towards others ensuring fairness, dignity and equality</li> <li>We practice and encourage transparent communication</li> </ul>	<ul style="list-style-type: none"> <li>Be open and have honest interactions</li> <li>Treat people fairly and equally</li> <li>Be open to all points of view</li> </ul>	<ul style="list-style-type: none"> <li>Disregard the views of others</li> <li>Disrespect others through gossip and innuendo</li> <li>Bully, harass and/or discriminate</li> </ul>
 <ul style="list-style-type: none"> <li>We are accountable for our decisions</li> <li>We take responsibility for the outcomes of our choices, behaviours and actions</li> </ul>	<ul style="list-style-type: none"> <li>Be responsive, available and inclusive</li> <li>Be receptive to constructive feedback</li> <li>Hold ourselves and others accountable</li> </ul>	<ul style="list-style-type: none"> <li>Hide mistakes and shift blame</li> <li>Fail to meet our commitments</li> <li>Be white-anting and /or undermine colleagues or decisions</li> </ul>
 <ul style="list-style-type: none"> <li>We work together as a team to achieve our full potential</li> <li>We have the insight and passion to lead Council into the future</li> </ul>	<ul style="list-style-type: none"> <li>Have a 'can do' attitude</li> <li>Make courageous decisions</li> <li>Encourage new ideas</li> </ul>	<ul style="list-style-type: none"> <li>Be closed-off to new ideas</li> <li>Be complacent, lazy and/or negative</li> <li>Settle for the status quo</li> </ul>

Our values are critical in driving our organisation forward in the right direction, building our culture and energising our people.

## **Culture**

### *Employee Engagement*

The EP (Engagement and Performance) Boost Survey was conducted in December 2017 via an external company. A total of 70% of the workforce (inclusive of casuals) participated in the survey which included questions that measured the organisation's overall Engagement and Performance levels.

The survey responses were reviewed, collated and analysed by the provider, with the key findings communicated to all staff.

Overall, we scored well in Engagement, with more than 50% of the workforce indicating they are committed to the organisation, and have intentions to stay, and more than 80% indicating they are satisfied with their jobs.

On the Performance end of the spectrum, more than 50% of staff indicated they understand and are supportive of Council's objectives, and believe that it does well in delivering service excellence.

Change and Innovation was identified as an opportunity for improvement, with more than 50% of participants suggesting that a stronger commitment and focus needs to be dedicated to this area. Other areas for improvement include: Council facilities (workplaces), career progression, performance management and leadership communication.

### *Work/Life Balance*

Council recognises the need to create and support a healthy work/life balance for our employees. Initiatives such as the Transition to Retirement scheme, Self-funded Leave program together with our flexible working hour's arrangements are key in fostering this approach.

### *Equal Employment Opportunity (EEO)*

The 2016-2020 EEO Management Plan was created and implemented during 2016/17.

Contributions to the plan were made by the EEO Committee which comprises of representatives from each of Department across Council. Prior to its inception, a number of parties including the leadership team and Joint Consultative Committee were consulted and asked to make additional contributions to the plan.

The purpose of the plan is to promote diversity and respect amongst all staff and operational facets. It consists of four key objective areas, Recruitment & Selection, Learning & Development, Promotions & Transfers, and Conditions of Service. Under each are a number of important initiatives that focus on ensuring equality, fair standards and best practice.

The plan incorporates initiatives related to Councils policy and procedures associated with bullying and harassment, grievance handling, training and recruitment which are aimed at ensuring that such documents are updated and appropriately designed to promote equity, respect and diversity. The plan is also designed to provide staff with access to EEO Contact Officers and improve conditions for staff with special needs or responsibilities.

### *Safe Working Environment*

A full review of our Work Health Safety (WHS) Management System is currently underway. We are seeking to further automate our system and facilitate the use of mobile computing technology which will allow staff 'instant' access to safety documents, data and systems.

The innovative SafeStart – Human Error Reduction program was delivered in-house to over one third of Council staff in 2012, with refresher training delivered in 2013, 2014, 2015 and 2016. We are continuing with annual refresher training but also considering including a component of this training in our Induction Program. This program has continued to deliver quantifiable benefits to Council.

Mandatory WHS training history and attendance is recorded centrally in Councils Human Resources Information System (HRIS) which enables forward planning around renewal/recertification of mandatory qualifications. This in turn increases the cost effectiveness of the training and lessens the impact on productivity.

We are continuing to see a reduction in the number and severity of Lost Time Injuries, despite an increase in their reporting. Workers Compensation claims continue to decline.

In an effort to improve staff health and wellbeing, Ku-ring-gai Council promotes a number of key events and initiatives throughout the year. Staff are invited to join group activities which are coordinated by People & Culture and the Wellness Working Group. Ku-ring-gai Council has an ongoing commitment to its employees' wellbeing at work which is supported by the Wellbeing Program Benefit Policy.

In addition to the many events and programs that are delivered annually Council also provides a financial benefit for a wide range of activities that contribute to individual wellbeing.

On production of a receipt(s) evidencing enrolment into a health and well-being program or activity, Council will contribute up to a maximum value of \$100 for eligible employees.

As part of our Wellness Program we also offer annual flu injections, skin cancer screening and hearing tests, which yield an excellent take up by staff.

## Workforce Demographics

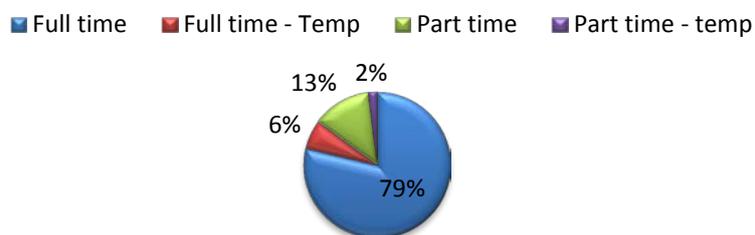
Council employees work across a number of locations within the Ku-ring-gai area and in a diverse range of occupations. The majority of staff (84%) commutes from outside of the local government area (LGA) with only 16% of staff living locally.

The following workforce demographics are provided as at 30 June 2017.

### Employment Type

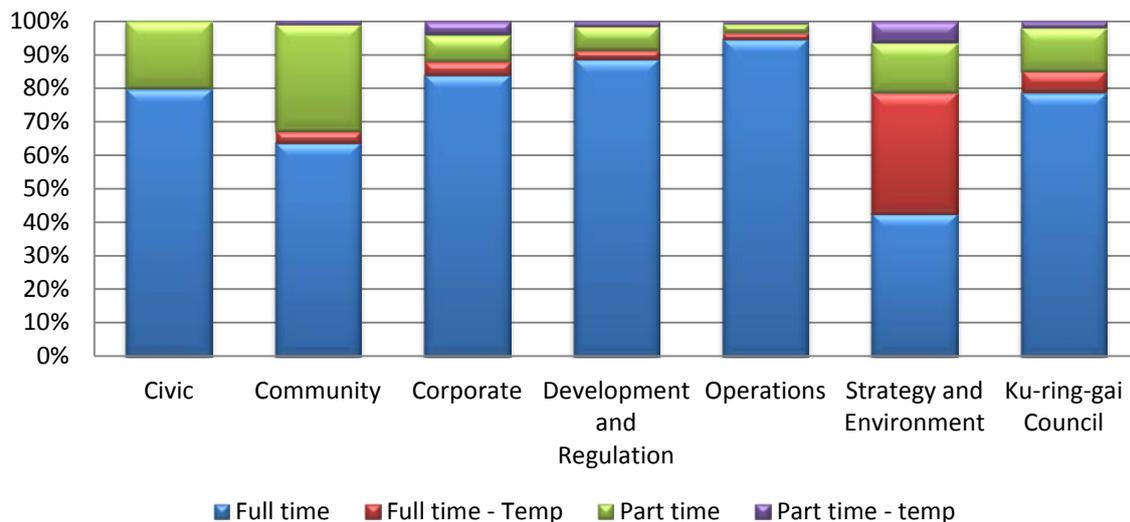
Council employs a total of 437 employees in both a full time and part time capacity. A total of 86% of these positions are full time providing significant employment opportunities for local residents.

**Workforce Total Headcount by Employment Type**



Departments meet their service delivery requirements by employing a mixture of labour to support operational imperatives and fluctuating resource requirements.

**Workforce by Employment Type**



Council also engages non-permanent staff, including casuals and labour hire staff in a range of seasonal and vacation care roles.

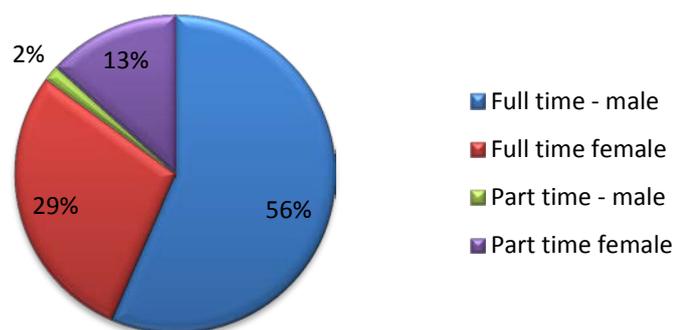
## Gender

Council is an equal opportunity employer and is committed to ensuring gender equity in employment.

Employee profile - snapshot	2016/17
<b>Number employees (full and part-time)</b>	437
<b>Median age range (years)</b>	45 – 54 years
<b>Retention rate</b>	88%
<b>Percentage of females</b>	42%
<b>Percentage of males</b>	58%
<b>Females in Band 6 and above</b>	10.27%
<b>Males in Band 6 and above</b>	17.12%

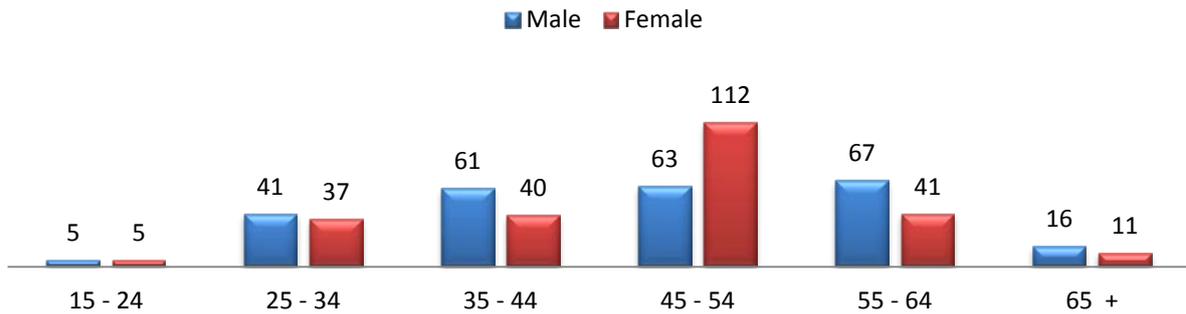
The current workforce gender balance is split approximately 40:60, female to male, with the disparity appearing to result from the high percentage of outdoor operational roles (20% of the workforce) which are traditionally undertaken by males.

**Workforce by Employment Type and Gender**



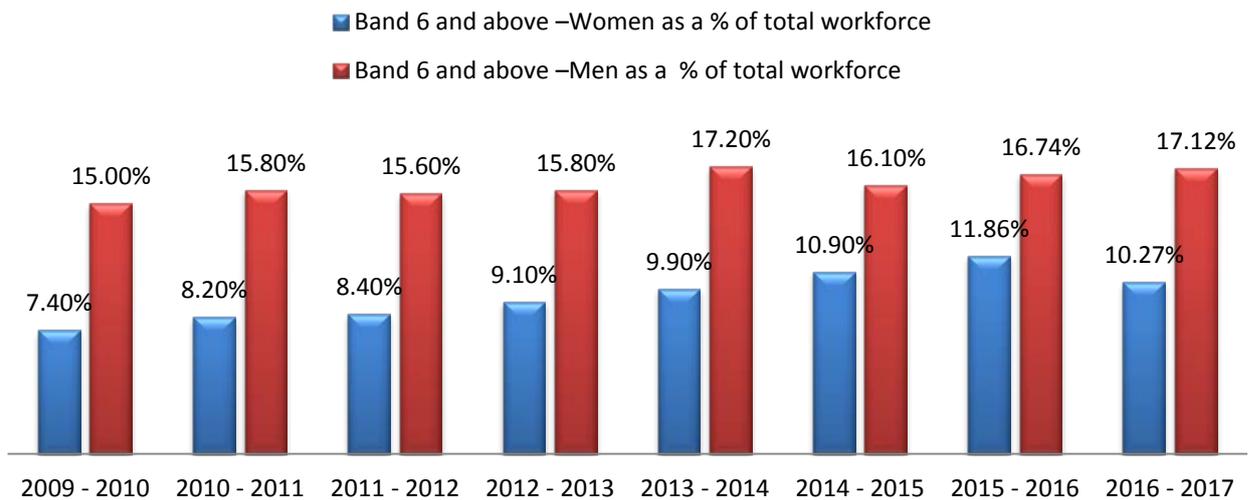
Males and females are proportionally represented in all age demographics.

### Workforce by Age and Gender



It must be noted that women are under represented in higher level and senior roles (categorised as roles sized at band 6 or higher) which has been a trend over the past five year period. Strategies are currently being considered in order to address this deficiency.

### Employees Band 6 and Above by Gender



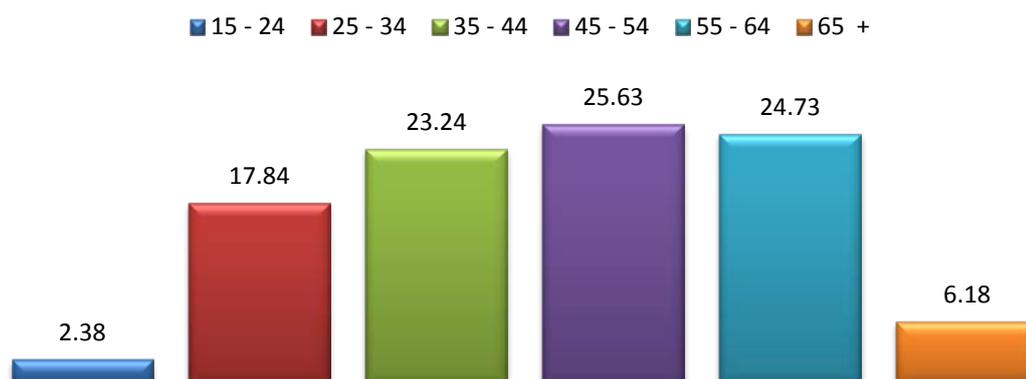
### Age

Over 50% of Council’s workforce is aged 45 years or over. This profile is more closely aligned with the NSW public sector than the general workforce population in NSW.

Council’s age profile provides an indication of the number of employees likely to retire in the next five to ten years, which will inform the development of strategies for both attracting and retaining younger workers (e.g. graduate recruitment and career path development) and attracting older workers (e.g. flexible work options, reducing physical demands). Job redesign and technological innovation will also assist in ensuring the ongoing delivery of services to the community within the constraints of an ageing workforce.

Council continues to monitor and devise strategies to meet the challenges of an ageing workforce. Initial indications are that we remain an employer of choice for many staff and Council continues to offer opportunities for continued employment for all age groups.

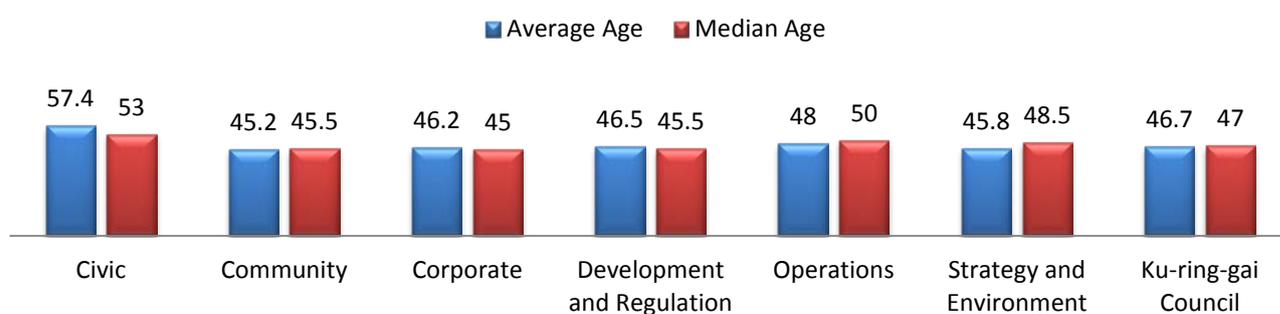
### Workforce by Age



The median age of employees is 46.7 (as at 30 June 2017), however this varies across each department which may be a result of a number of variables. Job families vary in anticipated tenure and career opportunities. Council is typically a stable employer and length of tenure can reflect the constant and ongoing requirement for employment in a particular area.

They can also reflect high levels of satisfaction with the types of employment offered by local government and the ability of employees to maintain active career paths and productive longer term employment.

### Average and Median Age by Department

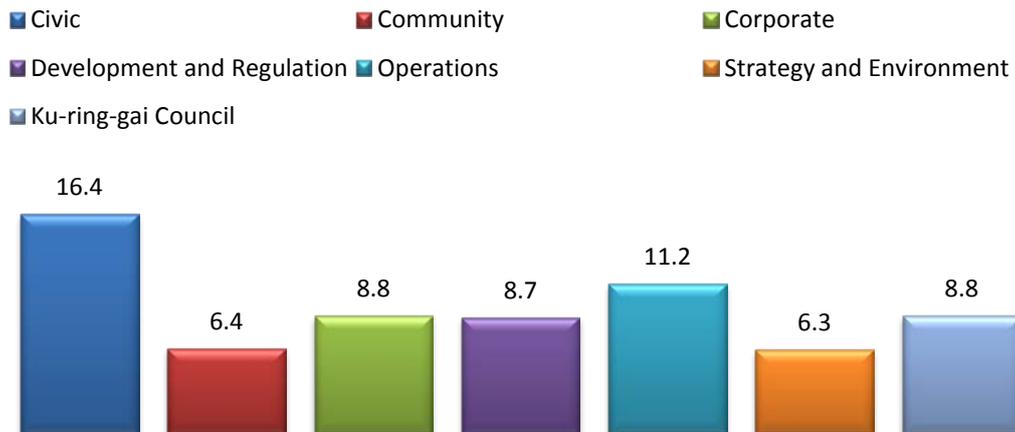


### Length of Service

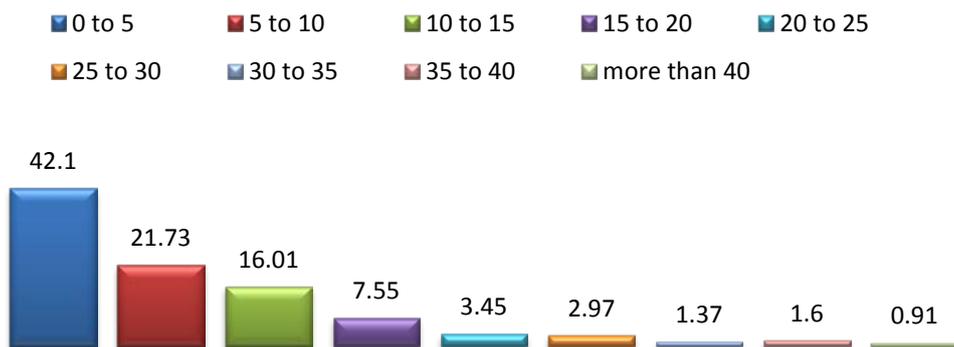
Council's turnover rate is 12% per annum which is reflective of the relatively high average years of service across all departments. 40% of staff have tenure of between one and five years with 46% having from six to more than twenty years of service.

The workforce reflects a mix of new and old knowledge and the smooth transition of ideas and practices as Council continues with ongoing organisational renewal.

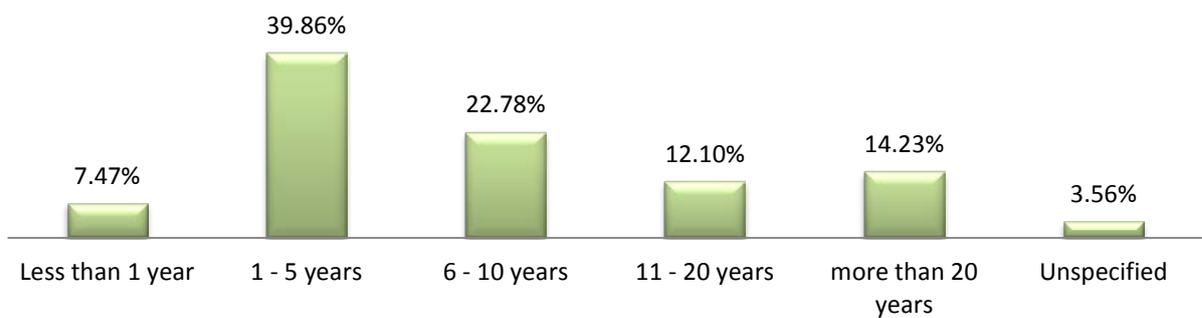
### Average Years of Service by Department



### Employees (Percentage) by Years of Service



### Workforce Intention to Continue Employment



## Influences

In developing an effective Workforce Management Strategy it is crucial to identify and understand current and future internal and external factors that may have an impact on the workforce.

The 'influences' identified below will be monitored as part of the annual review of this strategy to ensure our response to workforce planning remains effective.

### External

- Current and future labour market
- Current and future economic environment
- Operational and strategic workings of the Local Government environment
- Local Government reform
- The demographics within the Local Government area
- Legislation and regulatory requirements
- National Local Government Workforce Strategy 2013 – 2020
- NSW Local Government Workforce Strategy 2016 – 2020
- Community expectations

### Internal

- Community Strategic Plan, Delivery Program & Operational Plans
- Resourcing Strategy
- Major Projects portfolio
- Equal Employment Opportunity Management Plan
- Ageing Workforce Strategy
- WHS Management System
- Enterprise Risk Management System
- Corporate Sustainability Action Plan
- Employee Opinion Survey's
- Staff accommodation arrangements
- Workforce metrics
- Leave liability



*Thomas Carlyle Children's Centre*

## Key Challenges

Ku-ring-gai Council is facing a number of challenges, both now and into the future. These are predominantly related to the nature of Local Government, the diversity of our organisation and expectations of the community.

Many of these challenges will have an impact on this Strategy with the current key issues identified below:

1. *Ageing workforce* - As identified by an analysis of Council's current workforce approximately one half of our staff are aged 45 years or over with more than 40% indicating their intention to leave Council within the next 5 year period. The biggest risk to Council of this ageing workforce is therefore associated with the underutilisation or loss of knowledge critical to organisational performance. Knowledge loss impairs performance and results, achievement of plans and objectives. It is therefore imperative that we are vigilant in addressing issues associated with our ageing workforce in order to minimise its impact on our business and operational imperatives.
2. *Leadership* – Council's most recent Employee Opinion Survey identified, among other areas, leadership as an opportunity for improvement particularly in regard to communication, consistency in decision making and accountability. Whether it be a matter of perception or reality, in order to achieve and maintain an engaged workforce it is imperative that appropriate strategies are implemented in order to further develop our leaders and alleviate these concerns. In addition to this it must be acknowledged that there is a notable gender imbalance within staff occupying key leadership roles.
3. *Skill shortages* – the ageing workforce continues to expand, especially in areas that are already significantly impacted. Existing areas of skills shortages and tight labour supply in jobs such as civil engineering, early childhood, trades (plumbing, mechanic) are likely to become even more constricted.
4. *Multigenerational workforce* – Council's workforce is currently made up of four distinct and unique generations requiring a thorough understanding of intergenerational differences to ensure effective staff attraction, retention and management whilst being mindful that generational workgroup cohorts create the culture of an organisation.
5. *Workforce sustainability* – A highly skilled and sustainable workforce is critical to the delivery of Council services. The current and future limitations on Council's financial resources together with issues surrounding ageing assets and infrastructure create a significant challenge with respect to the development and maintenance of our workforce in order to ensure that the needs of the community continue to be met.

As recruitment and retention is forecast to become more competitive in areas vital to our business, Council needs to ensure it is primarily positioned in the employment market. This requires innovating in key areas to bring the right people into the business and keep critical talent. As the labour market tightens, we need a greater focus on how we value, lead and develop the workforce.

6. *Continuous Improvement* – Increasing community expectations and the complexity of community needs result in an added emphasis on strategy and management of resources. Council's workforce faces increasing demands to deliver results and the need to make sound decisions based on guiding priorities.

## Our Future Workforce

The Ku-ring-gai local government area has a growing residential population which provides Council with the opportunity to offer employment to a greater number of locally based residents together with job seekers in the broader Sydney metropolitan area.

Council seeks to provide employment that offers flexibility and values work/life balance in exchange for retention and development of high potential employees to support its service delivery to the community.

Our long term objective is be recognised as an employer of choice and to a focus on developing Council's ability to foster and maintain a productive, flexible and adaptable workforce. Ongoing and effective management will ensure that Council remains capable of maintaining a sustainable workforce.

In support of this objective the four key focus areas reflected in this strategy are: Workforce Planning, Attraction and Retention, Learning & Development, Organisational Development.

STRATEGY	ACTIONS
<b>OBJECTIVE 1: INCREASE OUR WORKFORCE PLANNING CAPABILITY</b>  <i><u><a href="#">Link to NSW Workforce Strategy: Improving Workforce Planning and Development</a></u></i>	
<b>Maximise workforce sustainability through effective Workforce Planning</b>	Develop criteria in order to identify critical position's based on current and future needs
	Create a register of critical positions, skills and qualifications
	Monitor turnover of critical positions and create customised retention and attraction strategies as required
	Monitor turnover of critical positions to identify and address current/emerging skill gaps
	Develop and implement succession planning processes for critical positions
	Review the employee Exit Interview process
<b>Enable effective identification of key resourcing issues using workforce metrics</b>	Continue to monitor, analyse and workforce demographics to the Executive team on a quarterly basis
	Review existing business processes to improve the capture and reporting of workforce metrics
	Develop strategies to address workforce sustainability issues as required

STRATEGY	ACTIONS
<b>OBJECTIVE 2: ATTRACT AND RETAIN THE RIGHT PEOPLE</b>  <i>Link to NSW Workforce Strategy: Attracting and Retaining a Diverse Workforce, Promoting Local Government as a Place Based Employer of Choice</i>	
<b>Appropriately respond to the impacts of an Ageing Workforce</b>	Engage with the Leadership team and staff to finalise Councils' Ageing Workforce Strategy
	Implement Ageing Workforce Strategy actions in accordance with planned timeframes
	Monitor and report progress on a quarterly basis
<b>Address staff attraction issues</b>	Identify 'hard to fill' positions based on occupational groups and job families
	Develop, implement and monitor a targeted staff attraction program to address significant workforce issues
	Undertake an annual industry based review of remuneration and benefits and recommend adjustments where required
	Subscribe to at least two Local Government Remuneration surveys
	Develop an Employee Value Proposition and integrate this into the Recruitment & Selection process
	Participate in career related events with higher education institutions to build relationships and promote Council as an employer of choice
<b>Address staff retention issues</b>	Identify and monitor areas of high turnover
	Develop, implement and monitor a targeted staff retention program to address significant workforce issues
	Develop, implement and monitor a Rewards & Recognition program
	Develop, implement and monitor a Talent Management Strategy
	Engage with staff in order to undertake an annual review of the Performance Appraisal System
	Develop, implement and monitor an Employee Engagement Strategy
	Continually review and evaluate our workplace policies to ensure it is a fair workplace whose policies are modern, reasonable and easy to understand

STRATEGY	ACTIONS
<b>OBJECTIVE 3: LEVERAGE THE CAPABILITY OF OUR WORKFORCE</b>	
<i>Link to NSW Workforce Strategy: Investing in Skills, Maximising Management and Leadership</i>	
<b>Quantify employee capabilities</b>	Review the NSW Local Government Capability Framework and articulate a 'best fit' framework that aligns with Councils requirements
	Integrate the capability framework with Councils Job Evaluation and Salary Systems
	Undertake a gap analysis of staff capabilities against position requirements and develop individual training plans
	Integrate capabilities into Councils Recruitment & Selection process
	Integrate capabilities into Councils Performance Appraisal process
<b>Maximise leadership capabilities at all levels of the organisation</b>	Continue to roll out the planned suite of leadership programs at all levels across the organisation
	Maintain internal accreditation to support ongoing delivery of this program to new staff, and refresher sessions for existing staff
	Identify and implement new mechanisms for measuring leadership effectiveness
	Develop, implement and monitor targeted leadership programs to support and promote women in leadership and aspiring leaders
	Develop, implement and monitor a Succession Planning Strategy
	Promote participation in and leadership of cross functional projects by emerging and developing leaders
<b>Optimise the On-Boarding of new starters</b>	Undertake an annual review of the current employee induction program and implement required changes
	Undertake an annual review of the online induction program and implement required changes
	Continually review and develop on-boarding processes and programs
<b>Promote consistent and effective staff supervision</b>	Provide training for Managers and Supervisors in performance management and coaching
	Provide training for Managers and Supervisors on intergenerational staff management

	Engage with Managers and Supervisors to identify other areas of upskilling required and develop relevant training programs
<b>Expand our capacity for e-learning</b>	Continue to review and develop e-learning resources
	Engage with Managers in relation to their e-learning requirements and develop programs as required
	Regularly communicate with staff regarding e-learning resources and opportunities
<b>Improve accessibility to and awareness of learning and development opportunities</b>	Review the training application process and implement required changes
	Review the Staff Sponsorship policy and process
	Regularly communicate with staff regarding learning and development opportunities
<b>Create succession pathways</b>	Investigate opportunities to offer traineeships, apprenticeships and graduate programs
	Partner with local educational institutions to develop formal work experience programs
	Design and implement a formal succession planning program
	Investigate opportunities for resource sharing across departments to enhance career pathways for staff
	Investigate the viability of implementing Job Rotation programs in targeted workplaces
	Review the Higher Duties Policy and process
	Create an Additional Duties Policy and process
<b>Enhance our Knowledge Management capabilities</b>	Define and identify subject matter experts
	Develop a Knowledge Management Strategy
	Develop and implement a formal mentoring program to assist in the transfer of knowledge and skills between staff
<b>Improve workplace facilities</b>	Review staff accommodation arrangements and implement improvements as required

STRATEGY	ACTIONS
<b>OBJECTIVE 4: CONTINUE OUR FOCUS ON ORGANISATIONAL DEVELOPMENT</b>  <i>Link to NSW Workforce Strategy: Creating a contemporary Workplace, Attracting and Retaining a Diverse Workforce</i>	
<b>Continually enhance our organisational culture</b>	Undertake an Employee Opinion Survey on a biennial basis
	Communicate the results of each survey to staff
	Engage with the Leadership team to develop Organisational Action Plans to address the feedback received in each Employee Opinion Survey
	Engage with Directors, Managers and staff to develop Departmental Action Plans to address the feedback received in each Employee Opinion Survey
	Engage with Managers and staff to develop Business unit Action Plans to address the feedback received in each Employee Opinion Survey
	Integrate Councils' Vision and Values into the Recruitment & Selection process
	Design, develop and implement programs that reinforce Councils Vision and Values
	Develop and implement a clear communication strategy for the Leadership team
<b>Celebrate the diversity of our workforce</b>	Continue to implement Councils EEO Management Plan
	Design, develop and implement programs and initiatives that promote diversity and inclusiveness
	Communicate with staff in relation to the generational differences
<b>Promote staff wellbeing</b>	Review of the Wellbeing Program and implement changes as required
	Review of Flexible Working Arrangements Policy and practices and implement changes as required
	Review of the Employee Assistance Provider arrangements and implement changes as required
	Design and implement a Mental Health First Aid program
	Investigate cost effective options to provide additional services to staff that enhance their overall wellbeing

<b>Foster a culture of continuous improvement and innovation</b>	Develop and implement a continuous improvement program
	Investigate opportunities to encourage and support innovation

### Monitoring and review

Detailed project plans identifying key milestones and completion timeframes will be developed for each Strategy contained within this document. These plans will be closely monitored and progress reports will be provided to the Executive team on a quarterly basis.

The Workforce Management Strategy will be reviewed on an annual basis.



*People and Culture staff*

# Contact Us

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For assistance or information regarding any of Council's services or facilities please contact us.

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### Online chat

Go to our online chat - [kmc.nsw.gov.au](http://kmc.nsw.gov.au)  
8.30am - 5pm (AEST), Monday - Friday

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