

# RESOURCING STRATEGY 2020-2030

Adopted June 2018. Revised April 2020.

Includes:

Long Term Financial Plan 2020-2030

Asset Management Strategy 2020-2030

Workforce Management Strategy 2020-2030



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*Ku-ring-gai Council drainage team at work*

## About this revised strategy

Council adopted a new Resourcing Strategy in June 2018 to support its new long term Community Strategic Plan – Our Ku-ring-gai 2038 and three year Delivery Program 2018 – 2021.

The strategy details the funding and resourcing requirements to achieve the community and Council's medium and long term strategic objectives and priorities for Ku-ring-gai. Preparation and content of the Resourcing Strategy must be consistent with the requirements of the *Local Government Act, 1993*, Integrated Planning and Reporting Guidelines and Manual.

Every year Council must review the Resourcing Strategy as part of its review of its Delivery Program and preparation of an annual Operational Plan. Preparation of this revised strategy was informed by the following:

- A review of project proposal cost estimates and funding sources to identify any changes to current and future funding requirements
- A review of assumptions underlying the financial, asset management and workforce components of the strategy including any known changes
- Consultation with departments across Council to identify external policy or legislative factors that may affect the strategy assumptions, project timeframes and costings
- Council's continued commitment to improving our financial sustainability, asset management and workforce practices and processes.

# Integrated Planning and Reporting Framework

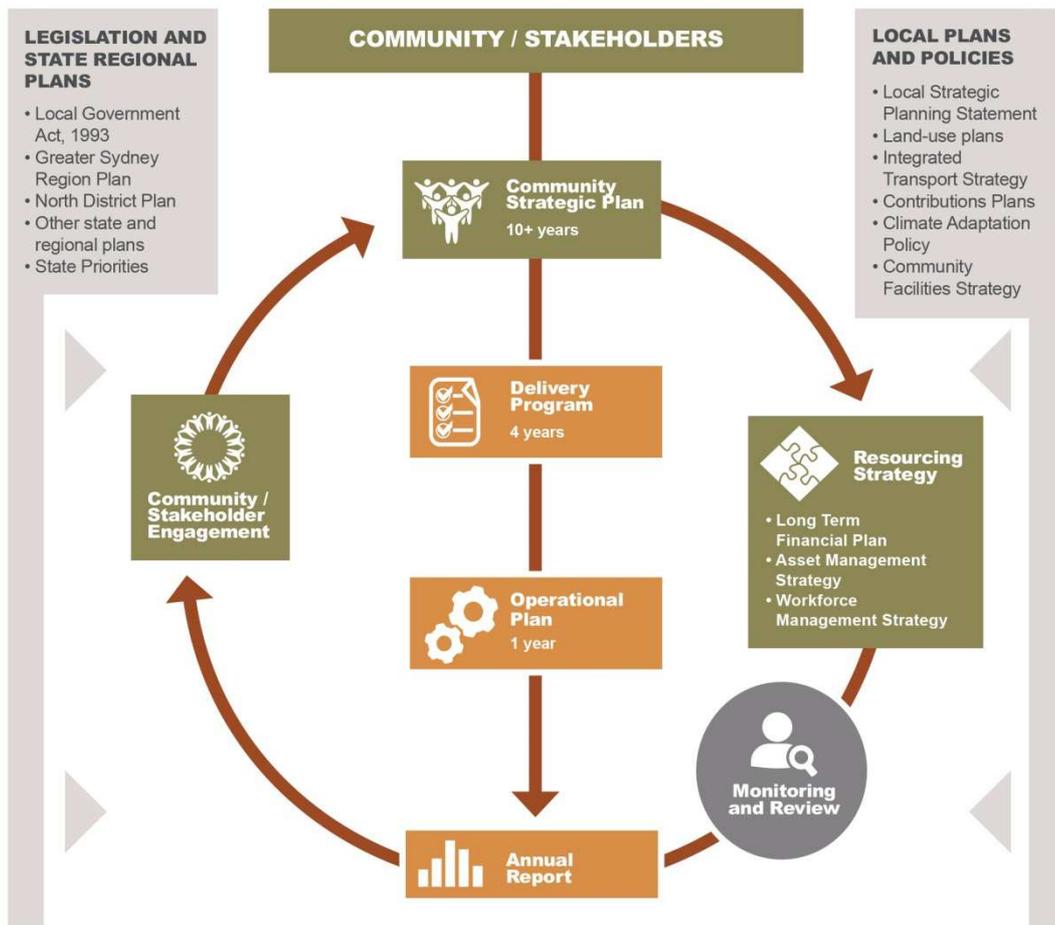
Councils in New South Wales are required under the *Local Government Act, 1993* to prepare a suite of documents that form the Integrated Planning and Reporting (IP&R) framework.

The Resourcing Strategy is one of these documents. It details the funding and resourcing requirements to achieve the community and Council’s medium and long term strategic objectives and priorities for Ku-ring-gai in terms of time, money, people and assets. The Strategy spans ten years. It includes the following components:

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

The Resourcing Strategy is the link between the long term Community Strategic Plan and the medium term Delivery Program. It is prepared following each council election and 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. Initiatives within the strategy are reviewed annually to ensure relevance in the changing environment, reflect changing financial and asset information and to incorporate any community feedback.



Source: Adapted from NSW Office of Local Government – Integrated Planning and Reporting Framework.

Website: [olg.nsw.gov.au](http://olg.nsw.gov.au)

## Council's role

It is Council's responsibility to develop the Resourcing Strategy to show how it will allocate its resources to deliver the long term objectives identified in the Community Strategic Plan and medium term objectives contained in the Delivery Program. However, 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, nongovernment organisations, community groups, business 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.

Preparation of the Resourcing Strategy is an iterative process integrated with the preparation of the Community Strategic Plan and Delivery Program. The community and Council need information about assets and their condition to inform the setting of priorities. However, the final Asset Management Strategy cannot be adopted by Council until the Community Strategic Plan has been finalised, financial projections and rating implications have been prepared and discussed with the community and the Long Term Financial Plan has been advanced enough to enable the Delivery Program and Operational Plans to be developed.

These plans are all prepared with the best available information but are designed to be dynamic to reflect changing priorities.

## Risk management approach

Council has an internal audit function shared with other northern Sydney Councils that provides an objective and independent service to Council. An annual internal audit plan is prepared with a risk based approach incorporating financial, operational and compliance processes across Council with the following objectives:

- to determine whether processes and systems are designed to ensure that assets are safeguarded to prevent misuse or fraud occurring
- to recommend improvements to increase efficiency or to lower operating costs
- to encourage continuous improvement
- to assess whether processes are adequate to ensure compliance with applicable laws, regulations, contracts, policies and procedures
- to preserve the accuracy and reliability of data controls for the safeguarding of assets.

Recent internal audits have included the service areas of asset management, purchasing and records management.

Council's Audit, Risk and Improvement Committee provides independent assurance and assistance to Council on risk management, control, governance, and external accountability responsibilities including financial reporting, and compliance with laws and regulations. This ensures an adequate and effective system of internal control throughout Council and assists in the operation and implementation of internal and external audit plans.

The Audit, Risk and Improvement Committee monitors progress in implementing any action plans arising from the annual external audit, undertaken by Council's external auditor, the NSW Audit Office.

## Supporting documents

Council's 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). The plan is the result of a process that brings 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 Council's activities, future aspirations of residents, businesses, Councillors and State and regional policy and legislation. The Community Strategic Plan provides Council with the strategic direction to align its policies, programs and services. It also acts 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 second part of the Resourcing Strategy consists of Council's Long Term Financial Plan (LTFP). The LTFP is Council's ten-year financial planning document with an emphasis on long term financial sustainability. Financial sustainability is one of the key issues facing local government due to several contributing factors. This includes 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 is used to 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
- methods of monitoring financial performance.

Balancing expectations, the 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 2018/19 was a surplus of \$29.3 million after allowing for the depreciation expense on Council's \$1.39 billion portfolio of depreciable assets such as roads, footpaths, drains, buildings and others. If capital grants and contributions are excluded, the operating result for 2018/19 remained in surplus, with a result of \$15.5 million. The available working capital for 2018/19 was \$4.8 million (excluding FAG grant received in advance) which is in line with the target identified in the adopted Long Term Financial Plan.

The 2020/21 budget forecasts an operating surplus of \$26 million after allowing for depreciation. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of \$12.8 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 funding strategy.

## Asset Management Strategy

The third part of the Resourcing Strategy contains asset management planning and includes the following two documents:

1. Asset Management Policy (AMP);
2. Asset Management Strategy (AMS).

### Asset Management Policy

The Asset Management 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. The Asset Management Policy was adopted by Council in June 2018 and will be reviewed as part of the preparation of the next Community Strategic Plan.

### Asset Management Strategy

An Asset Management Strategy 2018-2028 was adopted by Council in June 2018, along with the Community Strategic Plan and Council's Delivery Program.

This revised strategy was developed in consultation with departments across Council, and demonstrates to Ku-ring-gai residents and stakeholders how Council's asset portfolio continues to support the service delivery needs of the community both now and into the future (10 years). The revised strategy also includes an updated Asset Management Improvement Plan (consistent with best practice) to ensure that organisational practices and procedures are continually improved.

The revised strategy includes 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.

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.

### Asset Portfolio

The replacement value of Council's Infrastructure assets is \$1.15 billion<sup>1</sup>. The carrying amount (written down value) is \$690 million<sup>2</sup>. 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)
- stormwater drainage
- recreation facilities (swimming pools, sports fields, parks, bushland).

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<sup>1</sup> Ku-ring-gai Council's Annual Report 2018-2019 – Financial Statements – Special Schedule – Report on Infrastructure Assets - Values.

<sup>2</sup> Ku-ring-gai Council's Annual Report 2018-2019 – Financial Statements – Special Schedule – Report on Infrastructure Assets - Values.

## Workforce Management Strategy

The fourth part of the Resourcing Strategy is the Workforce Management Strategy (WMS).

Council's Workforce Management Strategy 2018-2028 was adopted by Council in June 2018. It provides a link between desired operational outcomes and strategic objectives and considers the associated workforce implications. This revised strategy, in addressing the workforce requirements for Council's Delivery Program, spans ten years to 2030 and considers potential resourcing and knowledge requirements.

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.



*Bus stop in Lindfield*

## 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 limited 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.

The new plan for the Sydney metropolitan area, 'A Metropolis of Three Cities – The Greater Sydney Region Plan' came into effect in March 2018, along with the North District Plan. The North District Plan establishes new 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 meet metropolitan planning dwelling targets. Beyond this, the Sydney Region Plan sets a total North 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 can be put into action at a regional level. At a local planning level it is anticipated that this will result in more growth in medium and higher density development, particularly centred around the rail corridor.

Ku-ring-gai was ranked Australia's most advantaged local government area according to the 2016 Census of Population and Housing data (SEIFA)<sup>3</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.

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<sup>3</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.

Key demographic features of the area include:

- the estimated resident population as at 30 June 2019 was 127,153<sup>4</sup>
- the projected population by 2036 is expected to be 147,800<sup>5</sup>, an increase of 15%
- the area is predominantly residential with 72.4% detached dwellings, 19% high rise dwellings and 8.4% medium density dwellings<sup>6</sup>
- cultural diversity is increasing consistent with trends across Greater Sydney. New residents are mainly from Chinese, Indian and Korean backgrounds along with residents from the United Kingdom, South Africa and Europe<sup>7</sup>
- 27.7% of the population speak a language other than English at home and 38.9% of residents were born overseas<sup>8</sup>
- a fairly unique age profile for Sydney with substantial numbers of older people (65+ years), and primary and secondary school age children (5-17 years) compared to the average for Greater Sydney<sup>9</sup>
- a significantly smaller proportion of young working age people (25-34 years) at 8.2% compared to 16.1% in Greater Sydney<sup>10</sup>
- more couple families with children at 46%, compared with 35% in Greater Sydney<sup>11</sup>.



*Families enjoying Council's first night noodle market on the Village Green at St Ives in January 2020*

<sup>4</sup> Australian Bureau of Statistics, Estimated Resident Population, 2019

<sup>5</sup> NSW Planning and Environment, Population Projections, 2019

<sup>6</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016

<sup>7</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016

<sup>8</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016

<sup>9</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016. Compiled and presented in profile.id

<sup>10</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016. Compiled and presented in profile.id

<sup>11</sup> Australian Bureau of Statistics, Census of Population and Housing, 2016. Compiled and presented in profile.id

## 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 that were revised for the 10 year period 2020 – 2030 include:

- continued increased income from rates due to forecast development activity resulting in significant additional dwellings
- maintain service levels – 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 Kuring-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) may cease in the future at which point delivery of the associated programs may finish.
- infrastructure – we must prioritise funding for asset renewal based on community consultation and technical assessment
- 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:

- An average annual 2.1% increase in CPI has been built into the LTFP for both income and expenditure
- Income from Rates is limited to rates pegging set by IPART (2.6% for 2020/21) averaging an annual increase of 2.5% from 2021/22 onwards. In addition, the LTFP assumes an average increase of 0.7% annually resulting from population and property growth.
- Fees and charges are expected to increase by an average 2.1% annually.
- total income (after excluding asset sales and capital income) is forecast to increase by an average of 3% per annum
- new infrastructure to support population growth will be funded by Section 7.11 contributions where possible
- Proceeds from Asset Sales are projected in the LTFP to begin from 2020/21. The proceeds will be used for infrastructure asset renewals and upgrades, Property Development Reserve and Section 7.11 funding gap.
- The current outstanding loan is discharged by general revenue and future net revenue generated from leasing out the investment property at 828 Pacific Highway, Gordon.

# 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 rate 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. This followed significant community ratepayer support for continuing the SRV for local roads improvements.
2. **The SRV – Environmental (Environmental Levy):** In 2019, Council successfully obtained a continuation of the SRV for environmental initiatives and programs in perpetuity. This followed significant community ratepayer support for continuing the SRV.

## Growth

With population growth, there will be an increasing demand for new and enhanced assets and services. Council spends around \$30 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 buildings, 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 an estimated 90.4% of roads assets in condition 3 or better<sup>12</sup>.

Council staff, with the assistance of an independent consultant, revised the technical and financial infrastructure data throughout 2017/18, 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 \$17.3 million.

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.

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<sup>12</sup> Ku-ring-gai Asset Management Strategy 2020-2030

## **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 will deliver 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 \$14.8 million which has been included in the LTFP.

Divestment of these assets is necessary 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 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 will 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 four major revitalisation projects that will provide civic improvements and community facilities over the next ten years, being in the local centres of Lindfield, Turramurra, Gordon and St Ives. 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 ensuring 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.

## Sustainability Roadmap

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 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
- Fit for the Future (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 reviews being conducted:

1. **Horizontal Service Review (HRS)** – the HRS engaged the leadership team in identifying savings within their relevant service areas. The process focused on collecting information about what we do and opportunities for cost savings and additional revenue. As a result \$23m<sup>13</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 objective of the SSR is to consider the delivery of services over the longer term. This involves reviewing the provision of 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 need for 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 is provided below.

In addition to the standard 'Fit for the Future' indicators a new assets ratio, 'Cost to Agreed Service level' has been included. 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 more detail in the Asset Management Strategy and the Long Term Financial Plan.

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<sup>13</sup> 2017/18 prices.

## Key Financial Indicators

The key financial indicators are industry accepted measures of financial health and sustainability. 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 and 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>

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

## 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 with additional funding for Infrastructure

### Scenario 2 - Scenario with reduced funding for Infrastructure

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 asset sales funding.

Council's optimal scenario is Scenario 1, which assumes additional funding of \$52 million invested in infrastructure renewal from a combination of proceeds on assets and additional income gained from horizontal service review initiatives.



*Turramurra Memorial Park*

# 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 2020-2030

Adopted June 2018. Revised April 2020.



## 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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Wahroonga Park, Wahroonga

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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 and 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.

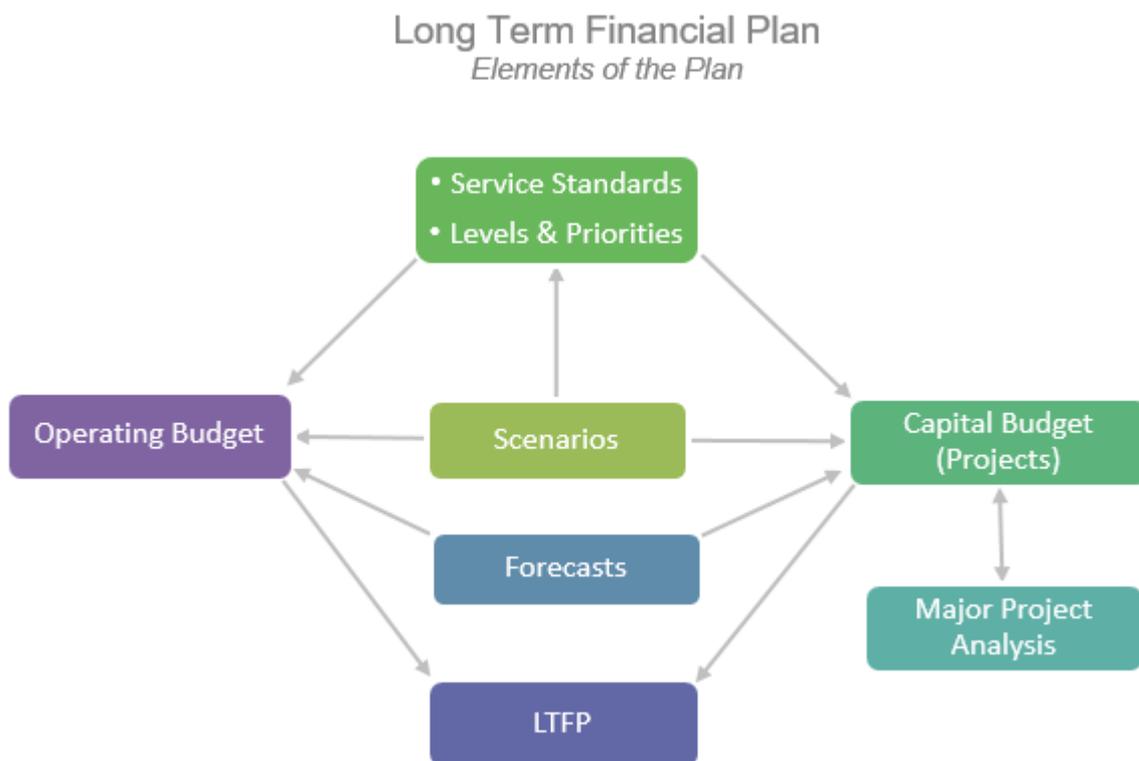
The Integrated Planning and Reporting Guidelines and Manual guide preparation of the LTFP for Local Government in NSW, as issued by the Office of Local Government.

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 Consumer Price Index (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, assumptions and scenarios.



## Overview

Ku-ring-gai Council's revised Long Term Financial Plan (LTFP) covers the period 2020/21 to 2029/30. 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 as part of 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 \$1.418 billion portfolio (2018/19) 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 as a key priority. Two main scenarios are outlined in detail in the LTFP for consideration:

### **Scenario 1 - Base Case Scenario with additional funding for Infrastructure**

### **Scenario 2 - Scenario with reduced funding for Infrastructure**

The scenario that Council will adopt best addresses the infrastructure renewal requirements that have been identified. This is introduced as Scenario 1 and it includes increased funding for asset renewal on infrastructure assets.

## 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 two years, the Infrastructure 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 'intergenerational equity'.

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

- Capital projects that deliver long term benefits 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 reallocation 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

In June 2018 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 Council’s horizontal service review, as well as proceeds from asset sales which will be reinvested into Council’s renewal program for infrastructure assets. The current funding strategy was reinforced by an independent review on Council’s future financial sustainability and the state of infrastructure assets.

The aim of the independent review was to ensure that there is a consistent organisational approach to infrastructure reporting. In addition to the independent review Council reviews with regularity the state of its assets: 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” are assessed as part of the regular 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 the condition assessment of Council’s infrastructure assets:

- the current backlog “cost to bring assets to a satisfactory condition” has been assessed at \$17.3 million with a backlog ratio of 2.51% for 2018/19<sup>1</sup>
- the current revised “cost to bring to agreed level of service” has been assessed at \$72 million for 2018/19<sup>2</sup>

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.

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<sup>1</sup> Ku-ring-gai Council Annual Financial Statements 2018-19

<sup>2</sup> Ku-ring-gai Council Annual Financial Statements 2018-19

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

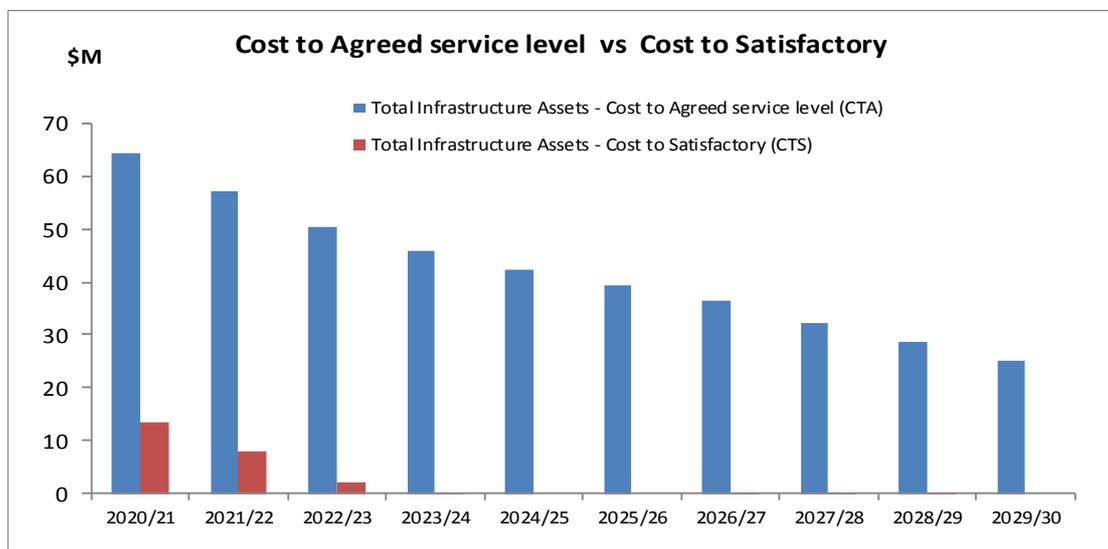
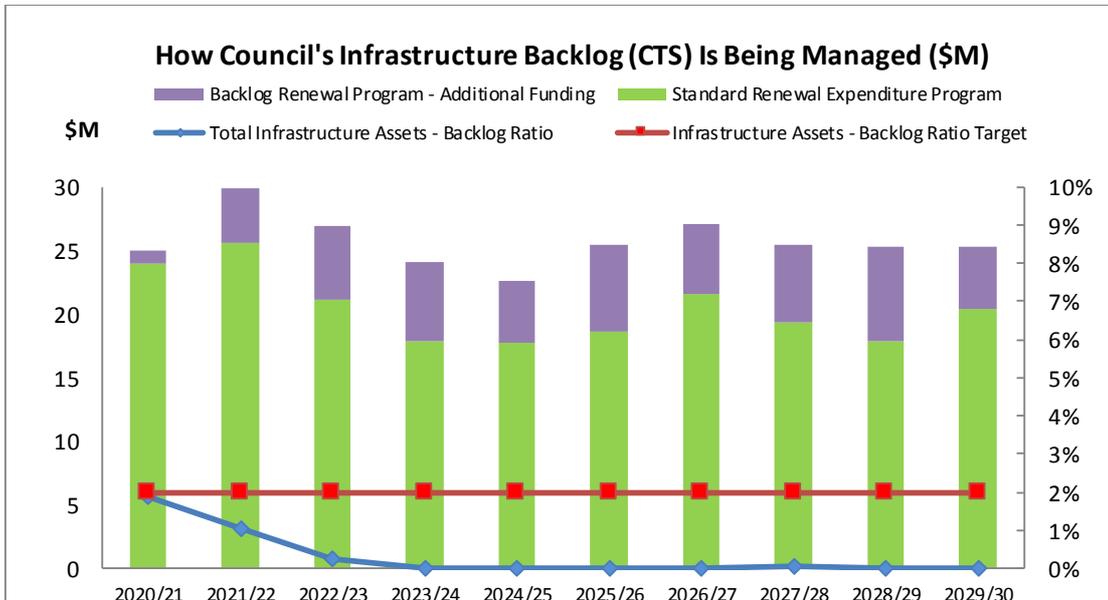
- Horizontal Service Review - a combination of additional operating revenue and decreases in operating expenditure
- Divestment of assets - proceeds from assets sale

As a result of these initiatives the expenditure on asset renewals will increase by \$52 million over 10 years in addition to the standard renewal expenditure. Approximately \$18 million on average per annum will also be allocated in maintenance 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 \$23 million by 2023/24, from a revised backlog of 2.51% in 2018/19 to nil backlog by 2023/24 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 after 2029/30.

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 future asset renewal requirements.

### Projected Asset Renewal Expenditure

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Required Renewal	15,771	16,968	17,571	18,193	18,931	19,512	20,160	20,804	21,549	22,233
Total - Infrastructure Assets Renewal	24,993	29,803	26,833	24,100	22,541	25,352	26,986	25,366	25,292	25,338
Standard Renewal	23,999	25,557	21,150	17,803	17,715	18,613	21,531	19,416	17,798	20,322
Additional Renewal Program	994	4,246	5,683	6,298	4,826	6,740	5,455	5,950	7,493	5,016
<b>Extra Renewal</b>	<b>9,222</b>	<b>12,835</b>	<b>9,262</b>	<b>5,908</b>	<b>3,610</b>	<b>5,840</b>	<b>6,825</b>	<b>4,561</b>	<b>3,743</b>	<b>3,105</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 2023/24. The industry benchmark for the backlog ratio is 2% as defined by NSW Treasury Corporation (T-Corp) and the Office of Local Government (OLG). As Council injects more funding into asset renewals across the next ten years of the LTFP, the cost to agreed level of service decreases significantly as well.

Over the 10 years of this LTFP a total of \$257 million is invested in infrastructure asset renewals contributing to a full elimination of the infrastructure backlog – cost to satisfactory in 2023/24 and the cost to agreed level of service after 2029/30. 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 (55%), Roads & Transport (2%), Stormwater (25%) and Parks & Recreation (18%).

## Proceeds from Asset Sales for Infrastructure renewal and new assets

It is estimated that proceeds from asset sales will produce the following increases in Council revenue over the next 10 years (a total of \$120 million including \$7.11 Co-contributions gap) 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.

### Projected Asset Sales

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Property Development Reserve			-	-	-	45,000	-	-	-	-
Infrastructure Renewal Asset Sales	6,100	25,354	4,500	3,600	3,100	3,900	5,100	5,000	2,500	700
CP2010 – New Assets	-	4,035	-	1,453	1,108	1,359	-	580	6,240	-
<b>Total Asset Sales</b>	<b>6,100</b>	<b>29,389</b>	<b>4,500</b>	<b>5,053</b>	<b>4,208</b>	<b>50,259</b>	<b>5,100</b>	<b>5,580</b>	<b>8,740</b>	<b>700</b>

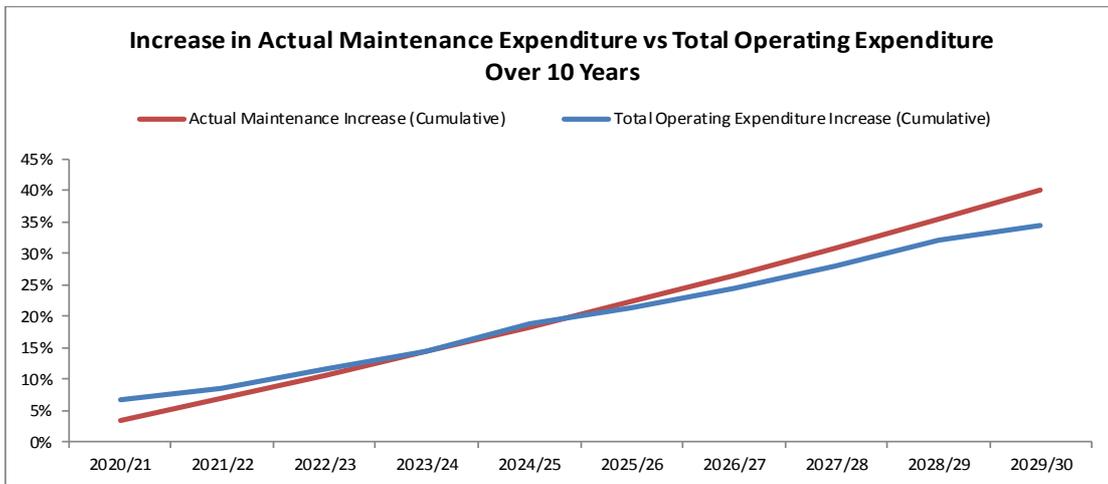
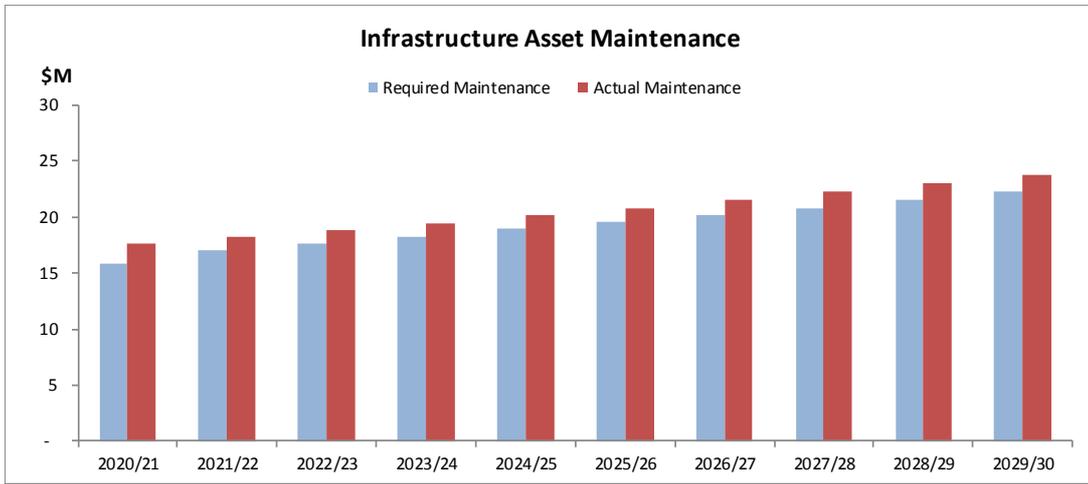
### Asset maintenance

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 revised LTFP addresses this issue and allocates adequate funding towards asset maintenance in future years. Council has budgeted for \$17.6 million in maintenance costs for infrastructure assets in the 2020/21 budget with further increases in future years. Total maintenance expenditure increases in line with other operating expenses, 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.

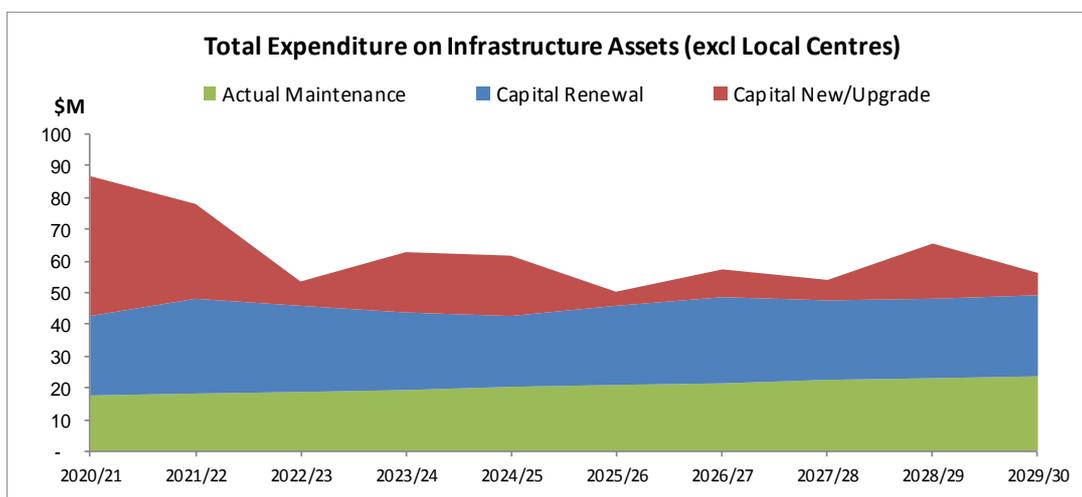
### Required Infrastructure Maintenance Expenditure

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Required Maintenance	15,771	16,968	17,571	18,193	18,931	19,512	20,160	20,804	21,549	22,233
Actual Maintenance	17,622	18,222	18,846	19,490	20,155	20,843	21,554	22,289	23,049	23,835
<b>Variance (Actual less Required)</b>	<b>1,851</b>	<b>1,255</b>	<b>1,275</b>	<b>1,297</b>	<b>1,224</b>	<b>1,331</b>	<b>1,394</b>	<b>1,485</b>	<b>1,500</b>	<b>1,602</b>



### 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 \$206 million will be allocated to asset maintenance over 10 years, \$257 million to asset renewals and \$163 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 S7.11 development contributions, such as for community facilities to meet the needs of the growing community. Major capital initiatives are planned to begin from 2020/21 with most of the expenditure occurring in the next 3 years of the LTFP.



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, Turrumurra 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 document under the “Project capital expenditure” section.

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 as a contingency for the financial risks of development for local centre revitalisation projects.

Funding for all capital works is allocated into the following categories listed below (these figures also include expenditure on new assets funded by s7.11 development contributions). The largest capital expenditure goes to Streetscape & Public Domain with 29% of total expenditure for the forecast period, followed by Roads & Transport (25%) and Parks & Recreation (24%). Parks & Recreation, among others, includes acquisition of Community land, which is funded by s7.11 contributions.

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

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Planning, Community & Other	3,350	2,443	2,499	2,997	5,593	4,973	5,004	5,139	5,239	5,371
Roads & Transport	19,128	13,724	12,528	23,045	21,523	12,783	15,547	14,720	19,151	16,864
Streetscape & Public Domain	22,439	12,097	18,516	55,455	24,682	13,617	8,129	8,396	3,982	32,365
Parks & Recreation	40,650	30,057	14,794	6,355	8,001	13,582	7,304	12,712	17,082	13,829
Stormwater Drainage	1,558	3,186	2,831	2,376	2,567	3,096	1,842	2,334	3,002	3,068
Council Buildings	12,524	14,293	5,472	4,415	4,814	4,460	5,608	6,569	5,203	5,592
Trees & Natural Environment	1,929	2,563	2,506	1,188	272	278	284	290	297	303
<b>Total Projects</b>	<b>101,578</b>	<b>78,363</b>	<b>59,146</b>	<b>95,831</b>	<b>67,452</b>	<b>52,789</b>	<b>43,718</b>	<b>50,160</b>	<b>53,956</b>	<b>77,392</b>

## Major Local Centre Projects

Council is planning for four local centre revitalisation projects over the next ten years, being major developments in Lindfield, Turramurra, Gordon and St Ives 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.

## 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 with additional funding for Infrastructure**

### **Scenario 2 - Scenario with reduced funding for Infrastructure**

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 asset sales funding.

Council's optimal scenario is Scenario 1, which assumes additional funding of \$52 million invested in infrastructure renewal from a combination of proceeds on assets and additional income gained from horizontal service review initiatives.

## Scenario 1 - Base Case Scenario with additional funding for Infrastructure

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2020/21 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 \$52 million of funds will be diverted towards Council's assets renewal as a priority, from a combination of asset sales and horizontal service review initiatives. This scenario is sustainable according to the recognised financial sustainability measures and aligns with Council's current funding strategy described earlier in the document.

In addition to the standard renewal expenditure, approximately \$18 million per year on average will also be allocated in maintenance 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 \$23 million by 2023/24, meeting and overachieving the current industry benchmark for the backlog ratio. In addition, the funds will significantly reduce 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 after 2029/30.

### Impact on Key Financial indicators

Under the current Scenario 1 Council is forecasting healthy financial sustainability and asset benchmarks as discussed further in the document.

#### *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 is forecasting future operating surpluses resulting in Operating Performance Ratio being above benchmark in all future years of the LTFP.

<b>Operating Performance Ratio</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>	<b>2028/29</b>	<b>2029/30</b>
<b>Benchmark &gt; 0%</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Scenario 1 - With Additional Infrastructure</b>	6.6%	4.4%	4.9%	4.9%	4.3%	3.8%	3.4%	3.8%	3.8%	4.1%
<b>Scenario 2 – With Reduced Infrastructure</b>	6.6%	4.4%	4.6%	3.8%	2.7%	1.8%	1.9%	2.3%	1.9%	1.6%
<b>Impact</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>1.1%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>2.5%</b>

#### *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 81%. This is based on the assumption that additional operating income identified through the recent horizontal service review initiatives will eventuate and the funds will be diverted toward assets renewal.

Own Source Revenue Ratio	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>Benchmark &gt; 60%</b>	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
<b>Scenario 1 - With Additional Infrastructure</b>	84.2%	82.3%	82.4%	78.6%	78.4%	77.8%	80.6%	81.5%	81.9%	80.9%
<b>Scenario 2 – With Reduced Infrastructure</b>	84.2%	82.3%	82.3%	78.4%	78.1%	77.4%	80.3%	81.3%	81.6%	80.5%
<b>Impact</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.4%</b>

#### Infrastructure Assets Renewal Ratio (IARR)

The Infrastructure Assets Renewal Ratio assesses the rate at which assets are renewed compared to the rate at which they are depreciating. Under this Scenario Council is planning to invest an additional \$52 million over 10 years in assets renewal in addition to the standard renewal expenditure. This will continue to bring Council's assets to an improved standard within an established timeframe and keep the ratio well above benchmark in all future years. The benefits are significant, as this will help reduce the cost of future works on all infrastructure assets in future and reduce the current infrastructure backlog.

Infrastructure Asset Renewal Ratio	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>Benchmark &gt; 100%</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Scenario 1 - With Additional Infrastructure</b>	150%	170%	148%	128%	115%	126%	130%	119%	115%	111%
<b>Scenario 2 – With Reduced Infrastructure</b>	144%	145%	115%	92%	88%	88%	100%	86%	74%	85%
<b>Impact</b>	<b>-6%</b>	<b>-25%</b>	<b>-33%</b>	<b>-36%</b>	<b>-27%</b>	<b>-38%</b>	<b>-30%</b>	<b>-33%</b>	<b>-40%</b>	<b>-27%</b>

#### Infrastructure Backlog Ratio – Cost to Satisfactory (CTS)

This ratio measures what proportion the backlog is against the total value of Council's infrastructure. The ratio has a positive downward trend in the first three years (from 1.9% in 2020/21 to 0.3% in 2022/23) with a full elimination by year 2023/24. This can be achieved only under Scenario 1 which provides increased funding for infrastructure.

Infrastructure Backlog Ratio CTS	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>Benchmark &lt;2%</b>	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Scenario 1 - With Additional Infrastructure</b>	1.9%	1.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Scenario 2 – With Reduced Infrastructure</b>	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
<b>Impact</b>	<b>-0.1%</b>	<b>-0.9%</b>	<b>-1.7%</b>	<b>-1.9%</b>						

## Scenario 2 - Scenario with reduced funding for Infrastructure

The current scenario assumes reduced funding for infrastructure. Funding of \$52 million originally identified through the Horizontal Service Review and Divestment of Assets (proceeds from assets sale) may not eventuate resulting in significantly reduced funding and deterioration of the state of Council's assets in the long term. Most financial sustainability indicators will be negatively impacted due to reduced revenue.

This scenario shows the financial results (impact on key indicators) of delivering the current level of service as per the forecast 2020/21 budget expanded out over 10 years with reduced funding for infrastructure. This scenario is not Council's preferred one and is not considered sustainable.

### Impact on Key Financial indicators

The impact on key financial indicators has been assessed to understand the long term effects on Council's financial performance and the state of infrastructure assets.

The table below shows the impact on main indicators (expressed as the variance between two scenarios: with and without additional funding for infrastructure). In all cases the impact is unfavourable, with a major effect on assets indicators.

Impact (Scenario 1 vs Scenario 2)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<i>Financial Sustainability Ratios</i>										
Operating Performance Ratio	0.0%	0.0%	-0.3%	-1.1%	-1.6%	-2.0%	-1.5%	-1.5%	-1.9%	-2.5%
Own Source Revenue	0.0%	0.0%	-0.1%	-0.2%	-0.3%	-0.4%	-0.3%	-0.2%	-0.3%	-0.4%
<i>Assets Ratios</i>										
Infrastructure Renewal Ratio	-6%	-25%	-33%	-36%	-27%	-38%	-30%	-33%	-40%	-27%
Infrastructure Backlog Ratio (CTS)	-0.1%	-0.9%	-1.7%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%

The **Operating Performance Ratio** will see a permanent reduction of around 1.2% per annum on average. This is because funding, approximately \$9 million of operating income, (from a combination of additional revenue and reduced operational costs) will not eventuate therefore impacting on Council's operating surplus in future.

The **Own Source Revenue** 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 81%, however due to reduced income, this indicator will also permanently deteriorate by approximately 0.2% per annum.

The **Renewal Ratio** will see a significant decrease of around 30% per year, impacting negatively on the state of infrastructure of assets. Decreased funding will fail to ensure that all infrastructure assets provide an adequate level of service in future and may lead to degradation of assets conditions. It may take significantly longer to decrease the infrastructure backlog and Council will not be able to eliminate the backlog in this term of the LTFP. The Infrastructure Backlog (Cost to Satisfactory) will remain at 1.9% for the life of the LTFP.

## LTFP Assumptions and 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 document.

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 average annual 2.1% 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 (2.6% for 2020/21) averaging an annual increase of 2.5% from 2021/22 onwards. In addition, the LTFP assumes an average increase of 0.7% annually resulting from population and property growth.

**Fees and charges** are expected to increase by an average 2.1% 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 the Bank Bill Swap Rate (BBSW) + 1.1% over the 10 year period. The annual interest rate is estimated at 2.5% for 2020/21, 2.3% for 2021/22, 3% for 2022/23 and 3.3% for the remaining years to 2029/30.

**Grants for Recurrent and Capital purposes** have been increased by an average of 2.1% which is in line with CPI (if relevant for grant).

**Proceeds from Asset Sales** are projected in the LTFP to begin from 2020/21. The proceeds from sales will be used for infrastructure asset renewals and upgrades, Property Development Reserve and Section 7.11 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 3.3% 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 2.1% 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 2.1% for 2020/21, 2.2% for 2021/22, 2.9% for 2022/23 and 3.2% for the remaining years to 2029/30.

## 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>Impact</b>	<b>Comment</b>
<b>Revenue</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>	<p>The rate peg for 2020/21 announced by IPART is 2.6%, and 2.5% for future years. Rates income also assumes rates growth of 0.7% per annum through increased development.</p> <p>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 Local Government Cost Index (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.</p>
<i>Investment Earnings</i>	<i>Moderate</i>	<p>Investments are placed and managed in accordance with the Council's adopted Investment Policy in compliance with the <i>Local Government Act, 1993</i>.</p> <p>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. Council is forecasting a reduction in interest earning in short term and has adjusted the future budgets accordingly</p>
<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

	<b><i>Impact</i></b>	<b><i>Comment</i></b>
<b><i>Revenue</i></b>		
		<p>Infrastructure backlog ratio.</p> <p>Asset sales are also planned to fund Council's co-contribution in its S7.11 Development Contributions Plan. If these asset sales are not realised, either cuts to services and other capital would have to be made or alternatively the S7.11 projects requiring Council co-contributions would have to be deferred or deleted from the program.</p> <p>Council has established a Property Development Reserve in the Long Term Financial Plan, accumulated from the proceeds of asset sales for town centre revitalisation projects.</p>
<b><i>Grants</i></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><i>Expenditure</i></b>		
<b><i>Employee Costs</i></b>	<b><i>Significant</i></b>	<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. Employees engaged in capital projects may increase slightly with increased funding for infrastructure, however this would be met from the new budget allocations.</p>
<b><i>Borrowing costs</i></b>	<b><i>Moderate</i></b>	<p>Council's outstanding loan balance will reach \$22 million in 2020/21 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</p>

	<b>Impact</b>	<b>Comment</b>
<b>Revenue</b>		
		property at 828 Pacific Highway, Gordon. This carries a moderate risk in terms of delays in realising income if the current building in future is leased out at a lower occupancy rate than predicted in the LTFP.

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

Income & Expenditure Categories	Assumption	2020/21 Base	Sensitivity to a 10% Variation in the Assumption	Sensitivity to a 20% Variation in the Assumption
		\$'000	\$	\$
<b>INCOME:</b>				
Rates	3.30%	67,821	223,809	447,619
Fees & Charges	2.08%	22,032	45,827	91,653
Operating Grants	1.70%	8,540	14,518	29,036
Interest on Investments	2.50%	3,700	9,250	18,500
Other Income	1.70%	12,836	21,821	43,642
<b>EXPENDITURE</b>				
Employee Costs	3.30%	44,699	147,507	295,013
Borrowing Costs	2.12%	531	1,126	2,251
Materials & Contracts	1.70%	41,661	70,824	141,647
Depreciation	1.83%	18,751	34,312	68,625
Other Expenditure	1.70%	24,943	42,403	84,806

1. Annual charges have been excluded as there is NIL growth in 2020/21

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

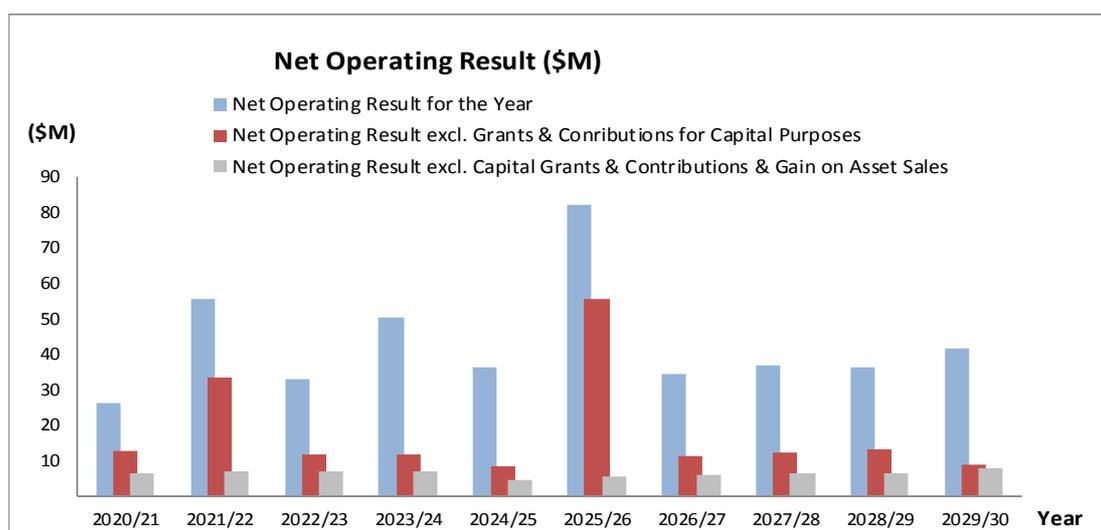
Ku-ring-gai Council's LTFP details Council's expected income, operational and capital expenditure within the external environment that Council is expected to face in the future. Council is forecasting a strong operating result with operating surpluses in each year. All key financial ratios are predicted to meet or outperform benchmarks. The following forecast summary on financial performance is based on Scenario 1. This Scenario represents investment of additional funding for infrastructure renewal. 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 increasing over the forecast period due to revenue growth, after excluding the impact of asset sales (averaging 3.0% p.a.) being higher than expenditure growth (averaging 2.4% 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 2021/22 and 2025/26 are primarily due to forecast gains from sale of assets to fund Marian Street Theatre, a new St Ives Indoor Sport Court and infrastructure renewal works as well as capital income from partner contributions partly funding major town centre revitalisation 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 in addition to funding major projects will be also be used for asset renewals.

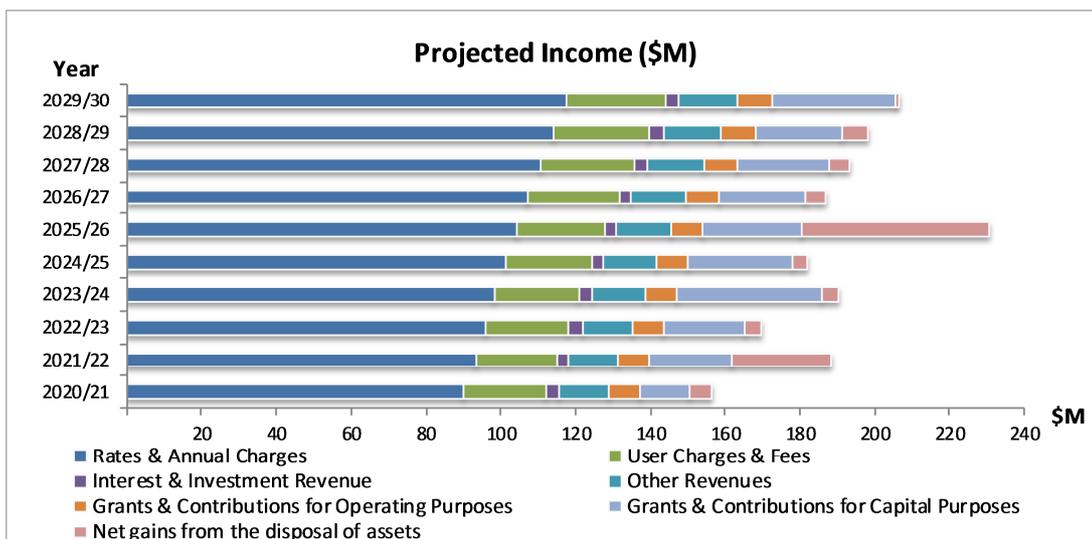
The chart below shows the forecast operating result before and after capital grants and contributions items and income from sale of assets. The Net Operating Result for the year includes capital grants and contributions as well as asset sales revenue. As these items are capital in nature, it is useful to focus on the operating result that excludes capital items and assets sales. These items are eliminated to focus on analysis of Council's core operating results. In 2020/21 Council will achieve an operating surplus of \$26 million after allowing for the depreciation expense. If capital grants and contributions are excluded, the operating result remains in surplus, with a result of \$13 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 \$156 million in 2020/21 to \$206 million over the ten years, which (after excluding the impact of asset sales) increases by an average of 3.0% per year. Major increases in revenue are due to rates and annual charges, user fees and charges and other revenue including rent income from Council's investment property. 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 54%. 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 2020/21 onwards and have been incorporated into the LTFP projections.

Two special rate variations are included in the LTFP:

1. The SRV for Infrastructure is a permanent levy from 2018/19 granted by IPART in 2013/14.
2. The SRV for Environment is a permanent levy from 2019/20 onwards granted by IPART in 2018/19.

## User Charges & Fees Charges

Council derives approximately 12.5% from user charges & fees and these are forecast to increase by an average of 2.2% per year over the forecast period.

## 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 1.1% 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. The Roads to Recovery grant, which impacts local roads has been reduced from FY2024/25.

## **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 (s7.11 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 in 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 7.11 contributions as well as the delay between contribution receipt and Council's ability to complete works.

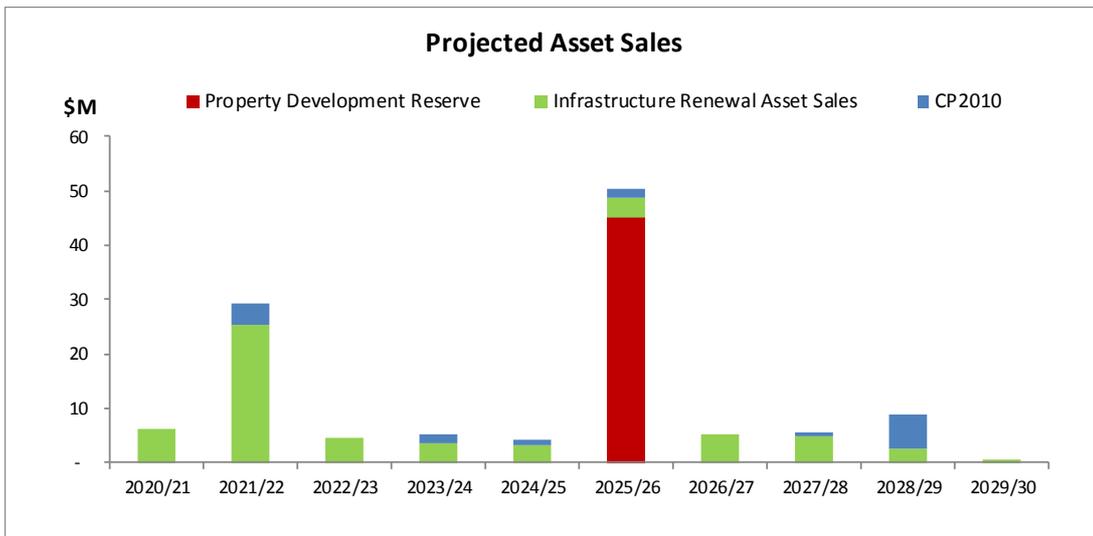
Some of the works to be undertaken in the 2010 Contributions plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its Development Contributions Plans 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 \$14.8 million.

## **Income from Asset Sales**

This income from asset sales is from rationalisation of property assets that will commence in 2020/21. Planned asset sales, totalling \$120 million 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 2020/21 and continue over a 4 year period as Contribution Plan projects proceed. The total proceeds from asset sales (\$14.8 million) will be used for projects commencing in the next 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 town centre revitalisation projects.

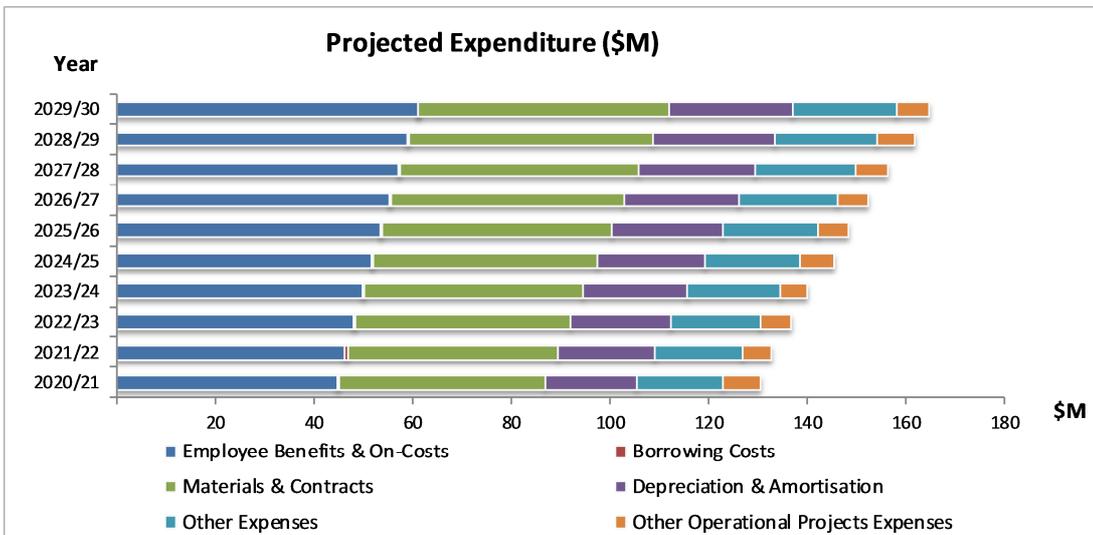
The chart below provides projected asset sales over a 10 year period and identifies the categories to which the funding will be allocated.



### 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 2.4% 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 3.5% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. The LTFP reflects the Workforce Management 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 Management 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 are based on the most recent premium and increased 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 0.3% 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 reflects borrowings of:

- \$3 million reflected in the 2019/20 budget for future refurbishment of the Council administration building.
- a new loan of \$11.3 million reflected in 2020/21 to 2021/22 to fund Council's contribution to the joint Department of Education project, to build a joint use indoor sports centre at St Ives High School.

## **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 (31% of total expenditure in the 2020/21 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 3.4% 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 2.2% per year from 2020/21 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 \$680 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 2020/21 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 2020/21, the following projects will be commenced or progressed:

- **Implementation of Koola Park Master Plan** – The first four stages in the redevelopment of this significant recreation area have been completed. Works included a stormwater harvesting system with a 600,000 litre underground storage tank, four cricket practice nets, store room and plant room additions to the western amenities, new sewer connection, and reconstruction of the sports ground with an extended playing surface providing an extra full sized field, new field drainage, irrigation, floodlighting, fencing and a perimeter path with outdoor exercise equipment.

Major site redevelopment has also included the construction of a new carpark with an accessible park entry. Proposed works will include reconstruction of the access road and rear carpark areas

- **Implementation of St Ives Village Green Master Plan** – Staged works have commenced with demolition of the old scouts and girl guides halls, and relocation of a pedestrian crossing in Village Green Parade providing a safer link between the park and accessible car parking.

Construction of the new recreation precinct is anticipated to start late 2020. Key features will include a skate and bike park, performance space, an inclusive children's playspace, and picnic facilities. Additionally the central amenities building and the St Ives Community Hall FITZ Youth Café will both be upgraded to complement the new precinct.

Future years will see further parts of the masterplan implemented, including terraced seating to William Cowan Oval, relocation of the tennis courts adjacent to the bowling club and construction of a perimeter exercise path.

- **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 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.
- **Turramurra 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 major playground upgrade is underway to address the current lack of inclusive play facilities at St Ives Showground, and to enable more effective public use of this regionally significant open space area.

The existing playground will be replaced by an inclusive play space design with new equipment and nature-play experiences suitable for users with a range of abilities. Enclosed by remnant Duffy's Forest bushland, the new play space will sensitively blend with the Showground's character, referencing its cultural history and its indigenous vegetation. The new play space will become a regional destination for children and their families, adding recreational value to the Showground's diverse mix of open space opportunities.

Funding assistance has been provided via a \$250,000 NSW Metropolitan Greenspace Program Grant and project completion is anticipated in mid-2020.

- **Marian Street Theatre, Marian Street, Killara** – refurbishment of theatre.
- **Joint use indoor sports facility - St Ives Indoor Sports Complex, St Ives High School, Horace 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.
- **St Johns Avenue, Gordon** – The vision for St Johns Avenue is to create a vibrant “eat street” to activate the precinct and promote a night time economy that will serve local residents and visitors to Gordon. The proposed design will deliver wider footpaths, outdoor dining, new pavements, street furniture and tree planting. Key pedestrian areas will be greatly improved by the proposal. Improvements to Heritage Square and the footpaths in Werona Avenue, and Henry Street, between St Johns Avenue and the underpass, will also be part of the project. Council has adopted the concept design and has programmed the construction works in the Delivery Program 2018–2021 and Operational Plan 2020–2021. The works will be funded through Section 94 contributions and the project will be managed by Council.
- **Gordon Recreation Area – Master Plan Implementation** – The adopted Landscape Masterplan prioritises improvements for progressive implementation over the next 10 years. Staged works have commenced with the construction of an inclusive play space. Works enabling adaptive reuse of the storm damaged Tennis Pavilion and an upgrade of the entrance gateway are proposed during 2020 with further improvements including new shelters, paths, exercise equipment and site landscaping to follow.
- **Local Centre Public Domain Improvements** - Council is commencing works to upgrade the streets, footpaths and parks in the Local Centres of Turrumurra and St Ives. The works will include new footpaths and paving, street trees and gardens, new LED street lights, underground power lines and new street furniture. Where possible footpaths will be widened to improve pedestrian conditions and provide opportunities for outdoor dining. Overall the vision is to create safer pedestrian spaces and places that are welcoming, clean and accessible. The works are part of the Activate Ku-ring-gai programme which aims to revitalise Ku-ring-gai's centres. The first project will be St Johns Avenue in Gordon and will move progressively throughout the other centres. The programme is funded by development contributions collected by Council since 2010.
- **Council Chambers Upgrade** – Undertaking of refurbishment, compliance and improvement works to the Council Chambers building 818 Pacific Highway Gordon. Works include structural works to rectify subsidence issues and bank stabilisation below the building, drainage works to prevent water ingress, roof repairs, landscape improvements to building entries, internal design inclusive of rationalisation of office layouts, modifications/replacement of air conditioning systems.

## Projected Capital Expenditure

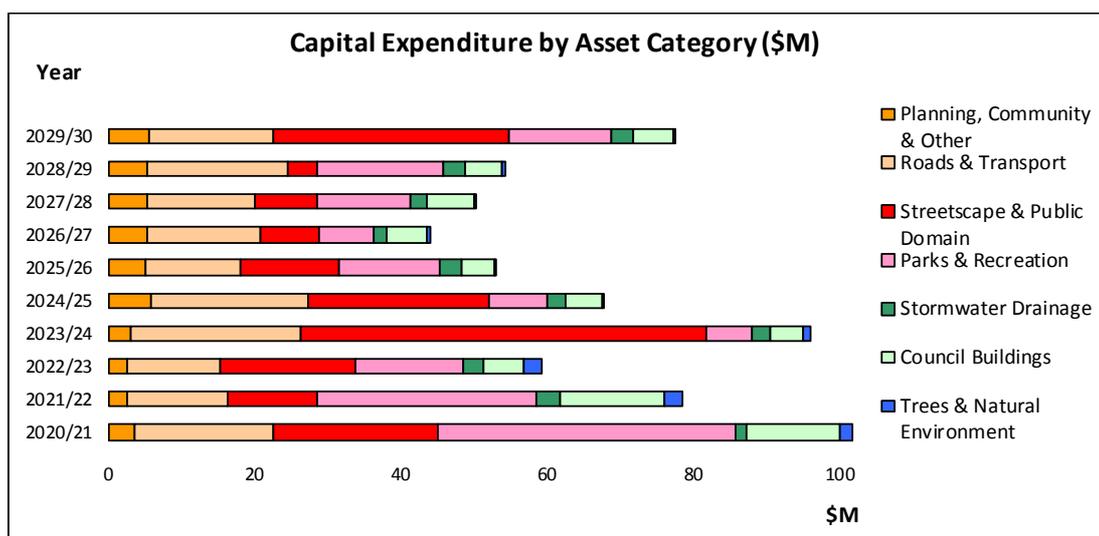
Assumptions around capital expenditure, asset valuations and asset management are covered in the Asset Management Strategy and have been incorporated into the LTFP. A summary of future capital expenditure by asset category is provided below:

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

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Planning, Community & Other	3,350	2,443	2,499	2,997	5,593	4,973	5,004	5,139	5,239	5,371
Roads & Transport	19,128	13,724	12,528	23,045	21,523	12,783	15,547	14,720	19,151	16,864
Streetscape & Public Domain	22,439	12,097	18,516	55,455	24,682	13,617	8,129	8,396	3,982	32,365
Parks & Recreation	40,650	30,057	14,794	6,355	8,001	13,582	7,304	12,712	17,082	13,829
Stormwater Drainage	1,558	3,186	2,831	2,376	2,567	3,096	1,842	2,334	3,002	3,068
Council Buildings	12,524	14,293	5,472	4,415	4,814	4,460	5,608	6,569	5,203	5,592
Trees & Natural Environment	1,929	2,563	2,506	1,188	272	278	284	290	297	303
<b>Total Projects</b>	<b>101,578</b>	<b>78,363</b>	<b>59,146</b>	<b>95,831</b>	<b>67,452</b>	<b>52,789</b>	<b>43,718</b>	<b>50,160</b>	<b>53,956</b>	<b>77,392</b>

The largest capital expenditure goes to Streetscape & Public Domain with 29% of total expenditure for the forecast period, followed by Roads & Transport (25%) and Parks & Recreation (24%). Parks & Recreation, among others, includes acquisition of Community land, which is funded by s7.11 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. The working capital is projected at \$5 million for 2020/21. The working capital is gradually increasing by an average of 3.3% 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 7.11 Development Contributions
- To manage cash flow for abnormal items and thus reduce impact on service delivery
- Specific revenue - e.g. contribution to works.

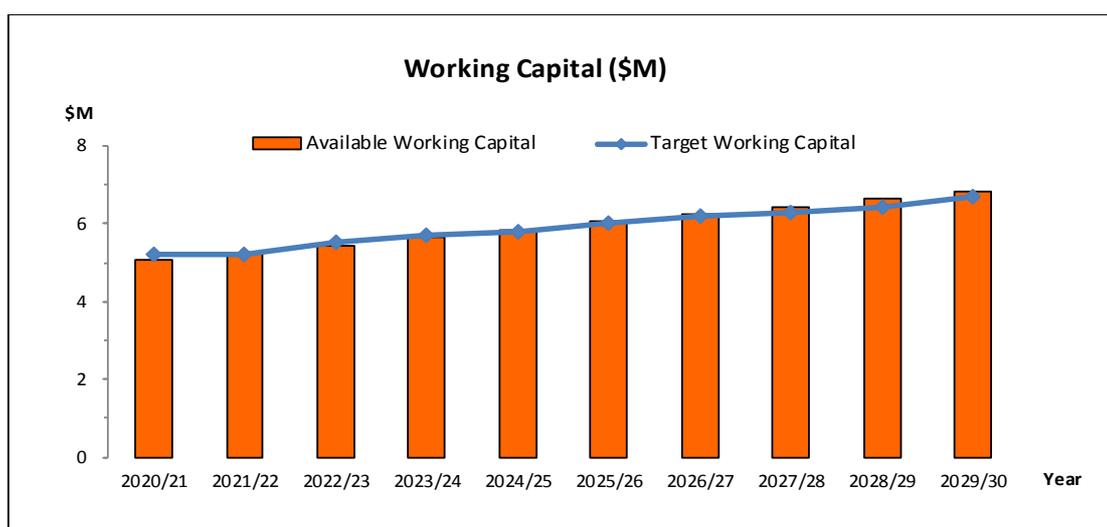
There are three (3) types of cash reserves, namely:

1. Statutory (externally restricted) – e.g. S7.11 Development 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 unplanned expenditure. Internal Cash reserves are kept at a sustainable level for all future years of the LTFP.

The level of working capital for the 10 year forecast period is illustrated in the Chart below:



## Summary of Borrowings

One of the major underlying principles incorporated into Council's Long Term Financial Plan is the Borrowing and Debt Strategy.

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
- 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. The Debt Service Ratio is discussed further under the section Key Financial Indicators.

Council's outstanding debt at the end of 2019/20 stands at \$23 million mainly from the acquisition of Council's investment property at 828 Pacific Highway, Gordon. The building has currently been fully leased out and will generate enough revenue over the life of the Plan to discharge the outstanding debt in future years. This principle aligns with Council's current funding strategy and the matching concept of "inter-generational equity".

Currently additional loans are reflected in the LTFP for the following purpose:

- \$3 million reflected in the 2019/20 budget for future refurbishment of the Council administration and investment property to be repaid from net surplus from the investment property
- \$11.3 million loan during 2020/21 and 2021/22, to fund Council's contribution to the new St Ives Indoor Sport Court facility. This loan will be repaid from proposed asset sales in 2022.

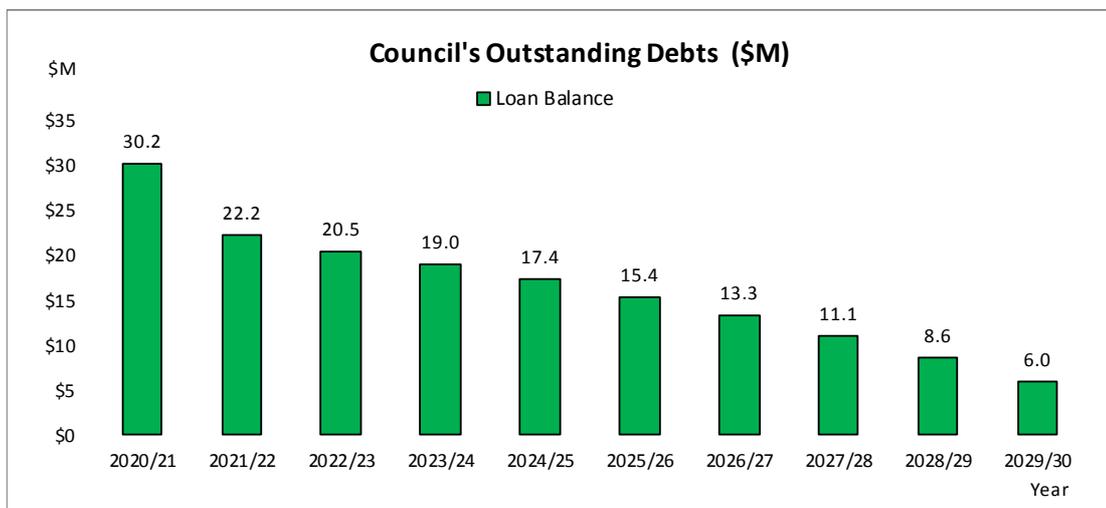
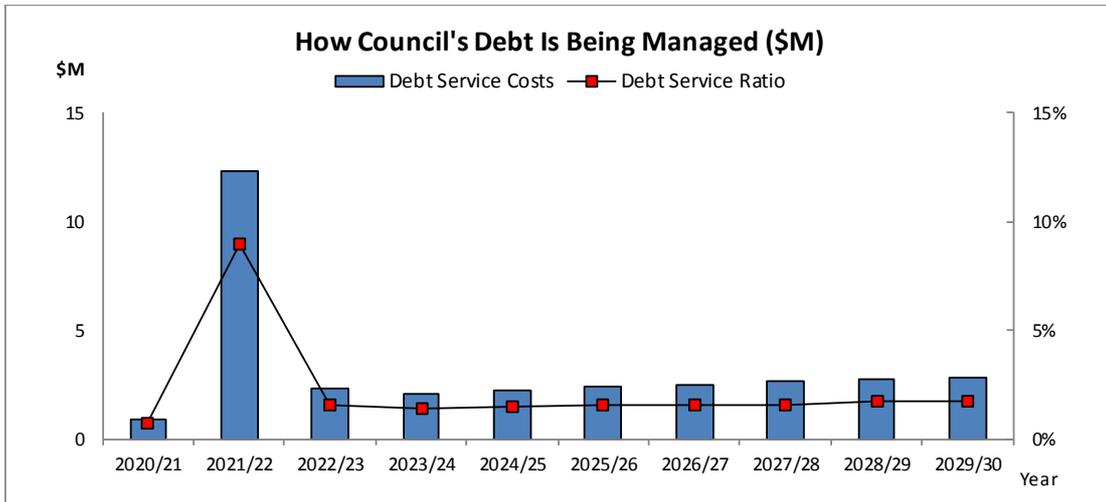
### How Council's Debt is being managed

As described above 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.

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.

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. The high debt service cost in 2021/22 is due to full repayment of the loan associated with funding the St Ives Indoor Sport Court facility. This loan is reflected in the LTFP as a short-term loan to be repaid from proceeds on asset sales.



## 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 1 with additional funding for Infrastructure.

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 Asset 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 and 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 1 – with additional funding for Infrastructure are presented below.

### Key Performance Indicators - Scenario 1

Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>SUSTAINABILITY</b>										
Operating Performance Ratio	6.6%	4.4%	4.9%	4.9%	4.3%	3.8%	3.4%	3.8%	3.8%	4.1%
Own Source Revenue	84.2%	82.3%	82.4%	78.6%	78.4%	77.8%	80.6%	81.5%	81.9%	80.9%
Building & Infrastructure Asset Renewal Ratio	150%	170%	148%	128%	115%	126%	130%	119%	115%	111%
<b>INFRASTRUCTURE AND SERVICE MANAGEMENT</b>										
Infrastructure Backlog Ratio to Bring to Satisfactory	1.9%	1.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Infrastructure Backlog Ratio to bring to Agreed Level of Service	5.1%	4.3%	3.7%	3.2%	2.9%	2.6%	2.3%	2.0%	1.7%	1.5%
Asset Maintenance Ratio	112%	107%	107%	107%	106%	107%	107%	107%	107%	107%
Debt Service Ratio (3 year Av)	0.8%	3.5%	3.8%	4.0%	1.5%	1.5%	1.6%	1.6%	1.6%	1.7%
<b>EFFICIENCY</b>										
Real Operating expenditure (per capita)	968	953	946	937	940	926	925	923	927	917

Scenario 1 highlights Council's strong future financial position and performance as indicated by the financial ratios above.

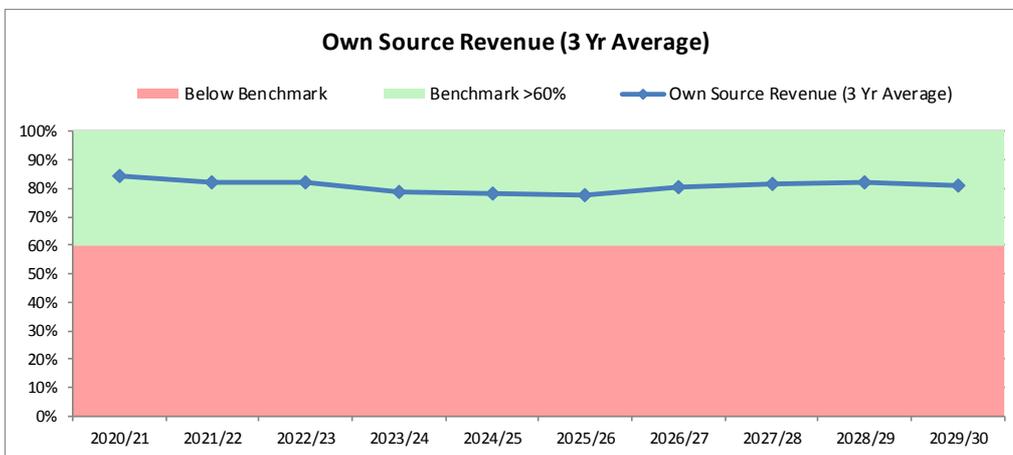
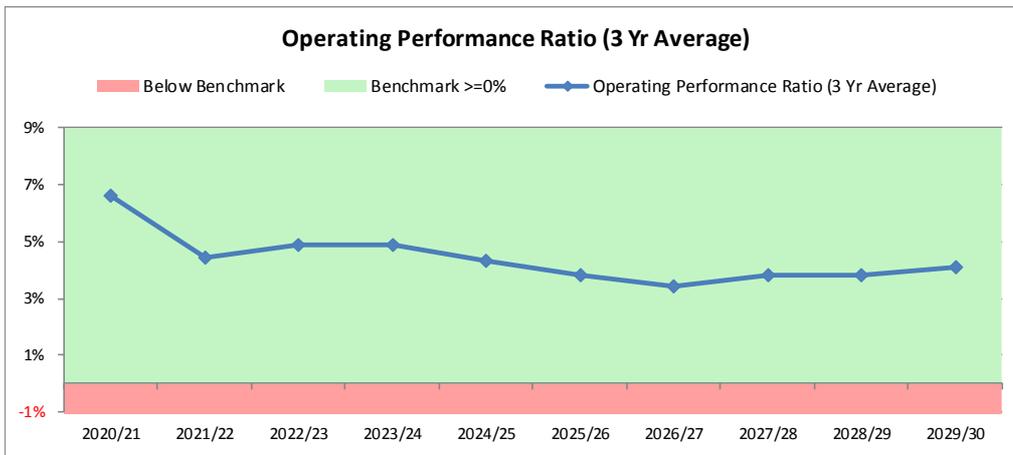
All FFTF financial indicators are meeting current industry benchmarks in all forecast years. Council adopted a new funding strategy for asset renewals, which will see the assets ratios significantly improve in future years. Council forecasts no infrastructure backlog by 2023/24. The current funding strategy 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.

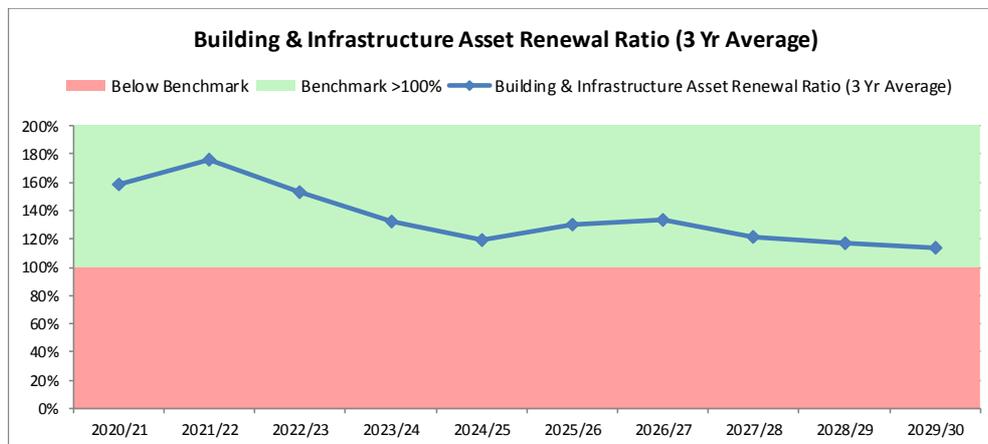
Council's current performance ratio is above the benchmark, which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio outperforms benchmark for the entire forecast period of the LTFP with an increasing trend starting from 2020/21 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** 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 150% in 2020/21 and will be above benchmark in all future years. This is due to additional expenditure on infrastructure renewal related to a number of major projects planned in the early years of the LTFP.

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



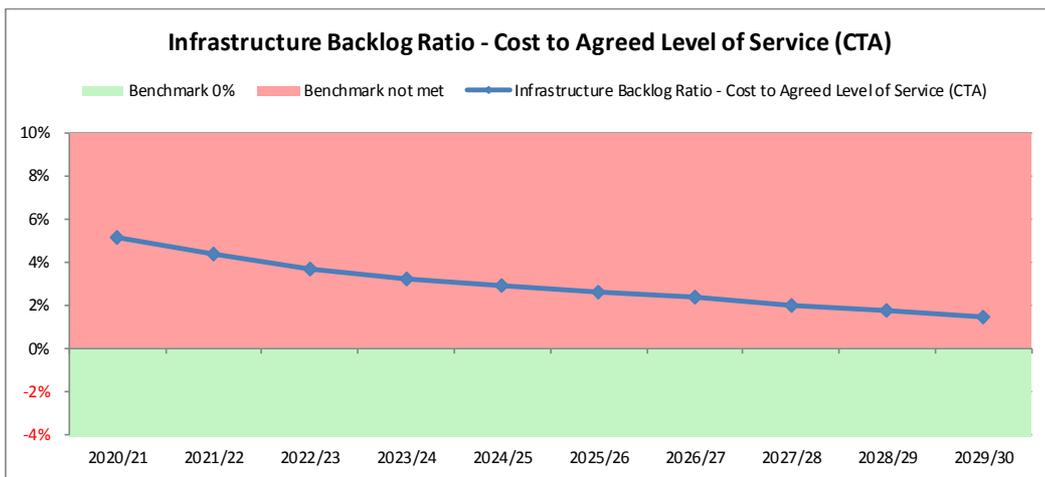
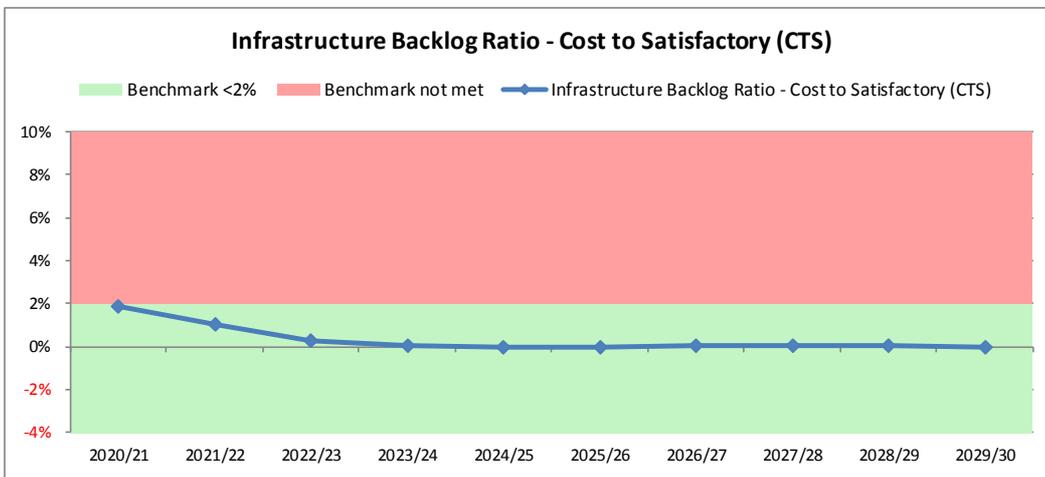
**Infrastructure and Service Management: Infrastructure Backlog Ratio, Assets Maintenance Ratio and Debt Service Ratio**

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.

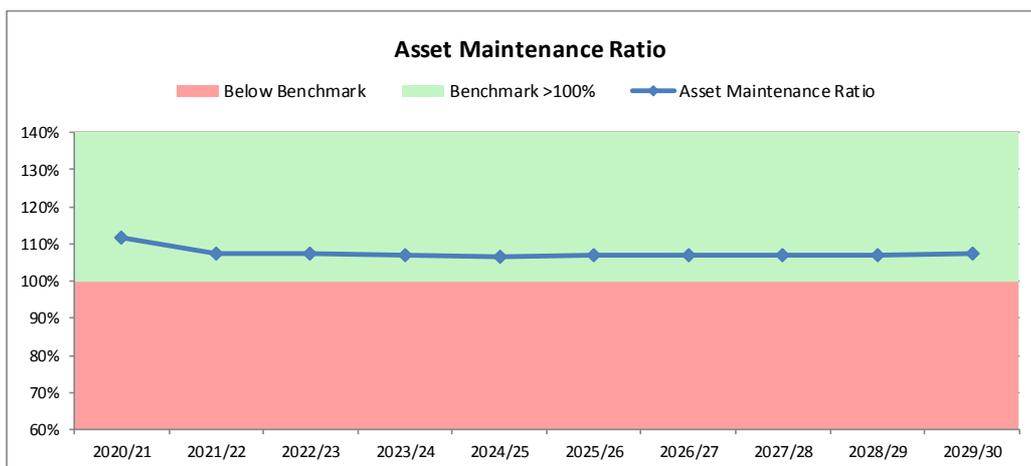
**Infrastructure Backlog Ratio** measures what proportion the backlog is against the total value of Council’s infrastructure. Council’s Infrastructure Backlog Ratio has a positive downward trend in the first four years, recording a decrease from 1.9% in 2021 to 0.03% in 2023. The infrastructure backlog will achieve the benchmark of 2% by 2021 and will be fully eliminated by 2024.

**Cost to bring assets to Agreed Service** level 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. With the allocated amount of funding this liability can only be eliminated after 2029/30.

Over 10 years of this financial plan a total of \$257 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.

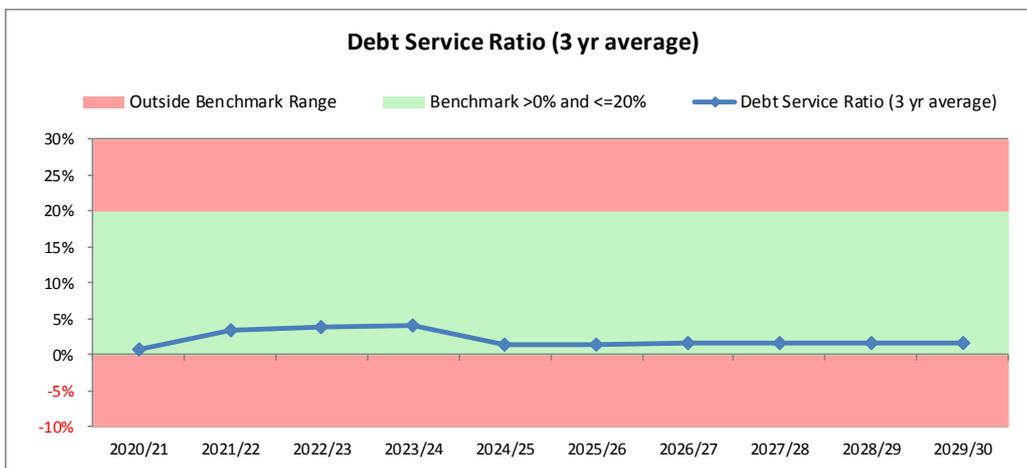


**Council's Asset Maintenance Ratio** is on average above benchmark at 107.4%. An indicator above 100% indicates Council is investing enough funds to stop the Infrastructure Backlog from growing. Council is committed to increase expenditure on asset maintenance in future to stop the increase in infrastructure backlog. Asset maintenance expenditure is explained in more detail in the funding strategy section of this document.



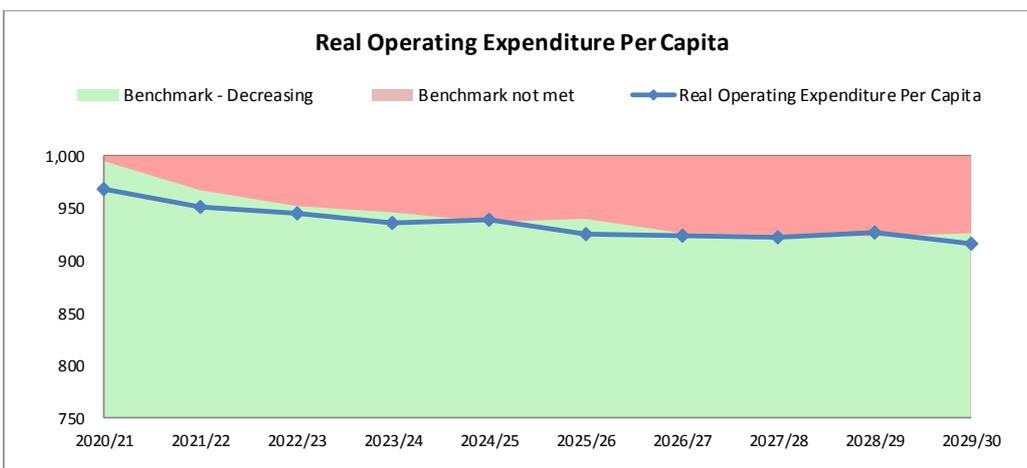
**Debt Service Ratio:** The purpose of the Debt Service Ratio is to assess the impact of loan principal and interest repayments on the discretionary revenue of Council. In accordance with Council's Long Term Financial Plan, borrowing is only undertaken in accordance with Council's borrowing principles 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 2032 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 \$1.418 billion portfolio 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 Key Performance Indicators 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 significantly reduces cost to agreed level of service while providing for 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 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>FORECASTS - ACCESS ECONOMICS</b>										
Consumer Price Index (CPI)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Average Weekly Ord Time Earnings	2.5%	2.7%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
BBSW - 90 Day	0.7%	1.2%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>INCOME ASSUMPTIONS</b>										
<b>Rates</b>										
Rates Pegging Forecast	2.6%	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%	0.8%	0.8%	0.8%
<b>Total Rates Change</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.3%</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%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%
Pensioner Rebate Growth	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%	1.8%	1.8%
Stormwater Management Charge (rates growth only)	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%
Trade Waste - Annual Charges	2.1%	2.0%	2.3%	2.2%	2.2%	2.2%	3.0%	3.0%	3.0%	3.0%
<b>Interest Income</b>										
Interest Income - Rate	2.5%	2.3%	3.0%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
<b>Grants Income</b>										
Recurrent Grants (CPI)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Capital Grants (CPI)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>Proceeds from Assets Sales</b>										
Asset Sales	6,100	29,389	4,500	5,053	4,208	50,259	5,100	5,580	8,740	700
<b>EXPENDITURE ASSUMPTIONS</b>										
<b>Labour Costs</b>										
Superannuation	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.5%	3.5%
<b>Material &amp; Contracts - Operational Expenditure</b>										
Operating Expenses (CPI)	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%	12.0%	12.0%	12.0%	12.0%
Street Lighting Charges (IPART Decision)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Building Electricity Charges (IPART)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Water Charges (IPART Determination)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Fire Levy (CPI)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Planning Levy (CPI)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>Materials &amp; Contracts - Capital Expenditure</b>										
<b>Borrowing Costs</b>										
Loan Rate (95 bps over 90 BBSW or max of 3.4%)	1.7%	2.0%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
	2.1%	2.2%	2.9%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

# Appendix B - Scenario 1 - Base Case Scenario additional funding for Infrastructure

## 10 Year Financial Plan for the Years ending 30 June 2030

### Projected Income Statement

Scenario 1 - Base Case Scenario with additional funding for Infrastructure

	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>Income from Continuing Operations</b>										
Rates & Annual Charges	90,140	93,373	95,850	98,393	101,404	104,298	107,413	110,795	114,268	117,840
User Charges & Fees	22,032	21,853	22,331	22,822	23,324	23,837	24,379	24,934	25,501	26,081
Interest & Investment Revenue	3,700	3,019	3,665	3,478	2,888	2,804	3,085	3,413	3,654	3,551
Other Revenues	12,836	13,132	13,474	13,815	14,166	14,526	14,895	15,274	15,664	16,064
Grants & Contributions for Operating Purposes	8,540	8,373	8,576	8,719	8,250	8,404	8,602	8,736	8,918	9,084
Grants & Contributions for Capital Purposes	13,286	22,056	21,303	38,631	28,119	26,715	23,238	24,575	23,305	33,111
<i>Other Income:</i>										
Net gains from the disposal of assets	6,100	26,529	4,500	4,652	3,807	49,900	5,100	5,434	6,977	700
<b>Total Income from Continuing Operations</b>	<b>156,634</b>	<b>188,335</b>	<b>169,699</b>	<b>190,510</b>	<b>181,958</b>	<b>230,484</b>	<b>186,712</b>	<b>193,161</b>	<b>198,287</b>	<b>206,431</b>
Total Income excluding Proceeds from Asset Sales & Capital Income	137,248	139,750	143,896	147,227	150,032	153,869	158,374	163,152	168,005	172,620
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	44,689	46,319	48,003	49,753	51,571	53,461	55,217	57,031	59,017	61,072
Borrowing Costs	531	669	601	612	564	508	446	379	306	227
Materials & Contracts	41,661	42,494	43,472	44,428	45,405	46,404	47,425	48,469	49,535	50,625
Depreciation & Amortisation	18,751	19,680	20,294	21,060	21,854	22,457	23,128	23,793	24,607	25,244
Other Expenses	17,479	17,845	18,256	18,657	19,067	19,487	19,916	20,354	20,801	21,259
Other Operational Projects Expenses	7,464	5,799	6,121	5,656	7,040	6,125	6,294	6,584	7,530	6,256
<b>Total Expenses from Continuing Operations</b>	<b>130,585</b>	<b>132,806</b>	<b>136,747</b>	<b>140,166</b>	<b>145,501</b>	<b>148,442</b>	<b>152,426</b>	<b>156,610</b>	<b>161,796</b>	<b>164,683</b>
<b>Net Operating Result for the Year</b>	<b>26,049</b>	<b>55,529</b>	<b>32,952</b>	<b>50,344</b>	<b>36,457</b>	<b>82,042</b>	<b>34,286</b>	<b>36,551</b>	<b>36,491</b>	<b>41,748</b>
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	12,763	33,473	11,649	11,713	8,338	55,327	11,048	11,976	13,186	8,637

10 Year Financial Plan for the Years ending 30 June 2030

Projected Balance Sheet

Scenario 1- Base Case Scenario with additional funding for Infrastructure

\$ '000	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>ASSETS</b>										
Current Assets										
Cash & Cash Equivalents	14,119	10,443	7,526	14,481	10,470	8,244	7,221	8,832	10,239	17,055
Investments	42,834	39,941	37,250	28,445	24,813	41,937	45,849	48,546	50,693	46,154
Receivables	11,591	11,677	12,011	12,228	12,368	12,639	12,991	13,363	13,738	14,072
Inventories	220	220	220	220	220	220	220	220	220	220
Other	2,000	2,000	2,100	2,100	2,100	2,200	2,200	2,300	2,300	-
Non-Current Assets Held for Sale	2,860	-	401	401	359	-	146	1,763	-	-
<b>Total Current Assets</b>	<b>73,624</b>	<b>64,281</b>	<b>59,507</b>	<b>57,875</b>	<b>50,330</b>	<b>65,239</b>	<b>68,627</b>	<b>75,024</b>	<b>77,190</b>	<b>77,501</b>
Non-Current Assets										
Investments	82,108	76,561	71,404	54,526	47,563	80,388	87,886	93,057	97,171	88,471
Receivables	182	182	182	182	182	182	182	182	182	182
Infrastructure, Property, Plant & Equipment	1,461,985	1,520,560	1,558,905	1,633,170	1,678,306	1,708,537	1,728,883	1,753,390	1,782,642	1,834,864
Investment Property	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866
Intangible Assets	645	754	860	965	1,067	1,168	1,267	1,364	1,460	1,387
<b>Total Non-Current Assets</b>	<b>1,584,785</b>	<b>1,637,922</b>	<b>1,671,217</b>	<b>1,728,708</b>	<b>1,766,984</b>	<b>1,830,140</b>	<b>1,858,083</b>	<b>1,887,859</b>	<b>1,921,321</b>	<b>1,964,769</b>
<b>TOTAL ASSETS</b>	<b>1,658,409</b>	<b>1,702,202</b>	<b>1,730,724</b>	<b>1,786,583</b>	<b>1,817,314</b>	<b>1,895,379</b>	<b>1,926,710</b>	<b>1,962,883</b>	<b>1,998,511</b>	<b>2,042,270</b>
<b>LIABILITIES</b>										
Current Liabilities										
Payables	29,498	25,382	22,309	28,881	24,396	21,910	20,596	22,021	23,102	27,233
Borrowings	397	11,697	1,748	1,459	1,655	1,920	2,086	2,261	2,445	2,640
Provisions	11,100	11,466	11,845	12,235	12,639	13,056	13,487	13,932	14,420	14,925
<b>Total Current Liabilities</b>	<b>40,995</b>	<b>48,545</b>	<b>35,902</b>	<b>42,576</b>	<b>38,690</b>	<b>36,886</b>	<b>36,170</b>	<b>38,214</b>	<b>39,967</b>	<b>44,798</b>
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	29,814	10,517	18,718	17,548	15,697	13,512	11,260	8,824	6,195	3,360
Provisions	322	333	344	355	367	379	392	404	419	433
<b>Total Non-Current Liabilities</b>	<b>30,136</b>	<b>10,850</b>	<b>19,062</b>	<b>17,903</b>	<b>16,064</b>	<b>13,891</b>	<b>11,652</b>	<b>9,228</b>	<b>6,614</b>	<b>3,793</b>
<b>TOTAL LIABILITIES</b>	<b>71,132</b>	<b>59,395</b>	<b>54,964</b>	<b>60,479</b>	<b>54,754</b>	<b>50,778</b>	<b>47,821</b>	<b>47,443</b>	<b>46,580</b>	<b>48,591</b>
<b>Net Assets</b>	<b>1,587,278</b>	<b>1,642,807</b>	<b>1,675,760</b>	<b>1,726,104</b>	<b>1,762,561</b>	<b>1,844,602</b>	<b>1,878,889</b>	<b>1,915,441</b>	<b>1,951,930</b>	<b>1,993,679</b>
<b>EQUITY</b>										
Retained Earnings	922,586	978,115	1,011,067	1,061,411	1,097,868	1,179,910	1,214,196	1,250,747	1,287,238	1,328,986
Revaluation Reserves	664,692	664,692	664,693	664,693	664,693	664,692	664,693	664,694	664,692	664,693
Council Equity Interest	1,587,278	1,642,807	1,675,760	1,726,104	1,762,561	1,844,602	1,878,889	1,915,441	1,951,930	1,993,679
<b>Total Equity</b>	<b>1,587,278</b>	<b>1,642,807</b>	<b>1,675,760</b>	<b>1,726,104</b>	<b>1,762,561</b>	<b>1,844,602</b>	<b>1,878,889</b>	<b>1,915,441</b>	<b>1,951,930</b>	<b>1,993,679</b>

10 Year Financial Plan for the Years ending 30 June 2030

**Projected Cash Flow Statement**

Scenario 1- Base Case Scenario with additional funding for Infrastructure

	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>Cash Flows from Operating Activities</b>										
<b>Receipts:</b>										
Rates & Annual Charges	89,980	93,287	95,517	98,175	101,264	104,027	107,061	110,422	113,893	117,506
User Charges & Fees	22,032	21,853	22,331	22,822	23,324	23,837	24,379	24,934	25,501	26,081
Investment & Interest Revenue Received	53,426	11,459	11,513	29,161	13,483	- 47,145	- 8,325	- 4,455	- 2,607	16,790
Grants & Contributions	21,826	30,429	29,879	47,350	36,369	35,119	31,840	33,311	32,223	42,195
Bonds, Deposits, Retention amounts received										
Other	12,836	13,132	13,374	13,815	14,166	14,426	14,895	15,174	15,664	18,364
<b>Payments:</b>										
Employee Benefits & On-Costs	- 44,334	- 45,942	- 47,614	- 49,351	- 51,156	- 53,032	- 54,774	- 56,573	- 58,515	- 60,553
Materials & Contracts	- 34,924	- 46,610	- 46,545	- 37,856	- 49,891	- 48,889	- 48,739	- 47,045	- 48,454	- 46,493
Borrowing Costs	- 531	- 669	- 601	- 612	- 564	- 508	- 446	- 379	- 306	- 227
Bonds, Deposits, Retention amounts refunded										
Other	- 24,943	- 23,644	- 24,377	- 24,313	- 26,107	- 25,612	- 26,210	- 26,938	- 28,331	- 27,515
<b>Net Cash provided (or used) in Operating Activities</b>	<b>95,367</b>	<b>53,295</b>	<b>53,477</b>	<b>99,192</b>	<b>60,889</b>	<b>2,223</b>	<b>39,681</b>	<b>48,452</b>	<b>49,068</b>	<b>86,148</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts:</b>										
Sale of Infrastructure, Property, Plant & Equipment	6,100	29,389	4,500	5,053	4,208	50,259	5,100	5,580	8,740	700
<b>Payments:</b>										
Purchase of Infrastructure, Property, Plant & Equipment	- 101,578	- 78,363	- 59,146	- 95,831	- 67,452	- 52,789	- 43,718	- 50,160	- 53,956	- 77,392
<b>Net Cash provided in Investing Activities</b>	<b>- 95,478</b>	<b>- 48,974</b>	<b>- 54,646</b>	<b>- 90,778</b>	<b>- 63,244</b>	<b>- 2,530</b>	<b>- 38,618</b>	<b>- 44,580</b>	<b>- 45,216</b>	<b>- 76,692</b>
<b>Cash Flows from Financing Activities</b>										
<b>Receipts:</b>										
Proceeds from Borrowings & Advances	7,600	3,700	-	-	-	-	-	-	-	-
<b>Payments:</b>										
Repayments of Borrowings & Advances	- 397	- 11,697	- 1,748	- 1,459	- 1,655	- 1,920	- 2,086	- 2,261	- 2,445	- 2,640
<b>Net Cash provided in Financing Activities</b>	<b>7,203</b>	<b>- 7,997</b>	<b>- 1,748</b>	<b>- 1,459</b>	<b>- 1,655</b>	<b>- 1,920</b>	<b>- 2,086</b>	<b>- 2,261</b>	<b>- 2,445</b>	<b>- 2,640</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>7,092</b>	<b>- 3,676</b>	<b>- 2,917</b>	<b>6,955</b>	<b>- 4,010</b>	<b>- 2,227</b>	<b>- 1,023</b>	<b>1,611</b>	<b>1,407</b>	<b>6,816</b>
Plus: Cash & Cash Equivalents - beginning of year	7,027	14,119	10,443	7,526	14,481	10,470	8,244	7,221	8,832	10,239
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>14,119</b>	<b>10,443</b>	<b>7,526</b>	<b>14,481</b>	<b>10,470</b>	<b>8,244</b>	<b>7,221</b>	<b>8,832</b>	<b>10,239</b>	<b>17,055</b>
Plus: Investments on hand - end of year	124,942	116,502	108,654	82,971	72,376	122,325	133,735	141,603	147,864	134,625
<b>Total Cash, Cash Equivalents &amp; Investments</b>	<b>139,061</b>	<b>126,945</b>	<b>116,180</b>	<b>97,452</b>	<b>82,846</b>	<b>130,569</b>	<b>140,956</b>	<b>150,435</b>	<b>158,103</b>	<b>151,680</b>

# Appendix C - Scenario 2 – Scenario with reduced funding for Infrastructure

## 10 Year Financial Plan for the Years ending 30 June 2030

### Projected Income Statement

Scenario 2 - Scenario with reduced funding for Infrastructure

	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>Income from Continuing Operations</b>										
Rates & Annual Charges	90,140	93,373	95,850	98,383	101,404	104,288	107,413	110,795	114,288	117,840
User Charges & Fees	22,032	21,853	22,331	22,822	23,324	23,837	24,379	24,934	25,501	26,081
Interest & Investment Revenue	3,700	3,018	3,664	3,480	2,893	2,810	3,093	3,423	3,667	3,583
Other Revenues	12,836	13,132	11,932	10,538	11,914	10,750	13,724	13,244	9,097	11,601
Grants & Contributions for Operating Purposes	8,540	8,373	8,576	8,719	8,250	8,404	8,602	8,736	8,918	9,084
Grants & Contributions for Capital Purposes	13,286	22,056	21,303	38,631	28,119	26,715	23,238	24,575	23,305	33,111
<b>Other Income:</b>										
Net gains from the disposal of assets	5,000	22,029	-	1,052	707	46,000	-	434	4,477	-
<b>Total Income from Continuing Operations</b>	<b>155,534</b>	<b>183,834</b>	<b>163,656</b>	<b>183,635</b>	<b>176,611</b>	<b>222,814</b>	<b>180,449</b>	<b>186,141</b>	<b>189,233</b>	<b>201,300</b>
Total Income excluding Proceeds from Asset Sales & Capital Income	137,248	139,749	142,353	143,952	147,785	150,099	157,211	161,132	161,451	168,189
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	44,689	46,319	48,003	49,753	51,571	53,461	55,217	57,031	59,017	61,072
Borrowing Costs	531	669	601	612	564	508	446	379	306	227
Materials & Contracts	41,661	42,494	43,472	44,428	45,405	46,404	47,425	48,469	49,535	50,625
Depreciation & Amortisation	18,751	19,680	20,294	21,060	21,854	22,457	23,128	23,793	24,607	25,244
Other Expenses	17,479	17,845	18,256	18,657	19,067	19,487	19,916	20,354	20,801	21,259
Other Operational Projects Expenses	7,464	5,799	6,121	5,656	7,040	6,125	6,294	6,584	7,530	6,256
<b>Total Expenses from Continuing Operations</b>	<b>130,585</b>	<b>132,806</b>	<b>136,747</b>	<b>140,166</b>	<b>145,501</b>	<b>148,442</b>	<b>152,426</b>	<b>156,610</b>	<b>161,796</b>	<b>164,683</b>
<b>Net Operating Result for the Year</b>	<b>24,949</b>	<b>51,028</b>	<b>26,909</b>	<b>43,469</b>	<b>31,110</b>	<b>74,372</b>	<b>28,023</b>	<b>29,531</b>	<b>27,437</b>	<b>36,617</b>
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	11,663	28,972	5,606	4,838	2,991	47,657	4,785	4,956	4,132	3,506

10 Year Financial Plan for the Years ending 30 June 2030

Projected Balance Sheet

Scenario 2 - Scenario with reduced funding for Infrastructure

\$ '000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	13,891	9,571	6,428	13,376	9,436	6,965	5,771	7,321	8,931	15,915
Investments	42,821	39,912	37,268	28,481	24,867	41,996	45,944	48,665	50,831	46,675
Receivables	11,591	11,677	11,804	11,790	12,068	12,134	12,835	13,093	12,862	13,479
Inventories	220	220	220	220	220	220	220	220	220	220
Other	2,000	2,000	2,100	2,100	2,100	2,200	2,200	2,300	2,300	-
Non-Current Assets Held for Sale	2,860	-	401	401	359	-	146	1,763	-	-
<b>Total Current Assets</b>	<b>73,383</b>	<b>63,380</b>	<b>58,221</b>	<b>56,368</b>	<b>49,050</b>	<b>63,515</b>	<b>67,116</b>	<b>73,362</b>	<b>75,143</b>	<b>76,289</b>
<b>Non-Current Assets</b>										
Investments	82,063	76,506	71,438	54,595	47,668	80,501	88,069	93,284	97,437	89,471
Receivables	182	182	182	182	182	182	182	182	182	182
Infrastructure, Property, Plant & Equipment	1,460,974	1,515,144	1,547,459	1,614,894	1,654,681	1,677,277	1,691,308	1,708,776	1,728,966	1,774,989
Investment Property	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866	39,866
Intangible Assets	645	754	860	965	1,067	1,168	1,267	1,364	1,460	1,387
<b>Total Non-Current Assets</b>	<b>1,583,750</b>	<b>1,632,452</b>	<b>1,659,805</b>	<b>1,710,501</b>	<b>1,743,464</b>	<b>1,798,993</b>	<b>1,820,691</b>	<b>1,843,472</b>	<b>1,867,911</b>	<b>1,905,895</b>
<b>TOTAL ASSETS</b>	<b>1,657,133</b>	<b>1,695,832</b>	<b>1,718,026</b>	<b>1,766,870</b>	<b>1,792,514</b>	<b>1,862,509</b>	<b>1,887,808</b>	<b>1,916,834</b>	<b>1,943,054</b>	<b>1,982,184</b>
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	29,322	24,612	21,255	27,687	23,460	20,575	19,492	20,790	21,517	26,150
Borrowings	397	11,687	1,748	1,459	1,655	1,920	2,086	2,261	2,445	2,640
Provisions	11,100	11,466	11,845	12,235	12,639	13,056	13,487	13,932	14,420	14,925
<b>Total Current Liabilities</b>	<b>40,818</b>	<b>47,775</b>	<b>34,848</b>	<b>41,382</b>	<b>37,754</b>	<b>35,552</b>	<b>35,065</b>	<b>36,983</b>	<b>38,382</b>	<b>43,714</b>
<b>Non-Current Liabilities</b>										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	29,814	10,517	18,718	17,548	15,697	13,512	11,260	8,824	6,195	3,360
Provisions	322	333	344	355	367	379	392	404	419	433
<b>Total Non-Current Liabilities</b>	<b>30,136</b>	<b>10,850</b>	<b>19,062</b>	<b>17,903</b>	<b>16,064</b>	<b>13,891</b>	<b>11,652</b>	<b>9,228</b>	<b>6,614</b>	<b>3,793</b>
<b>TOTAL LIABILITIES</b>	<b>70,954</b>	<b>58,625</b>	<b>53,909</b>	<b>59,285</b>	<b>53,818</b>	<b>49,443</b>	<b>46,717</b>	<b>46,212</b>	<b>44,996</b>	<b>47,507</b>
<b>Net Assets</b>	<b>1,586,178</b>	<b>1,637,207</b>	<b>1,664,117</b>	<b>1,707,585</b>	<b>1,738,695</b>	<b>1,813,066</b>	<b>1,841,091</b>	<b>1,870,622</b>	<b>1,898,059</b>	<b>1,934,677</b>
<b>EQUITY</b>										
Retained Earnings	921,486	972,514	999,423	1,042,892	1,074,002	1,148,374	1,176,397	1,205,928	1,233,365	1,269,982
Revaluation Reserves	664,692	664,693	664,694	664,693	664,693	664,692	664,694	664,694	664,694	664,695
<b>Council Equity Interest</b>	<b>1,586,178</b>	<b>1,637,207</b>	<b>1,664,117</b>	<b>1,707,585</b>	<b>1,738,695</b>	<b>1,813,066</b>	<b>1,841,091</b>	<b>1,870,622</b>	<b>1,898,059</b>	<b>1,934,677</b>
<b>Total Equity</b>	<b>1,586,178</b>	<b>1,637,207</b>	<b>1,664,117</b>	<b>1,707,585</b>	<b>1,738,695</b>	<b>1,813,066</b>	<b>1,841,091</b>	<b>1,870,622</b>	<b>1,898,059</b>	<b>1,934,677</b>

10 Year Financial Plan for the Years ending 30 June 2030

**Projected Cash Flow Statement**

Scenario 2 - Scenario with reduced funding for Infrastructure

\$ '000	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
<b>Cash Flows from Operating Activities</b>										
<b>Receipts:</b>										
Rates & Annual Charges	89,980	93,287	95,723	98,407	101,127	104,231	106,712	110,537	114,500	117,222
User Charges & Fees	22,032	21,853	22,331	22,822	23,324	23,837	24,379	24,934	25,501	26,081
Investment & Interest Revenue Received	53,464	11,504	11,376	29,110	13,434	-47,152	-8,423	-4,513	-2,652	15,705
Grants & Contributions	21,826	30,429	29,879	47,350	36,369	35,119	31,840	33,311	32,223	42,195
Bonds, Deposits, Retention amounts received										
Other	12,836	13,132	11,832	10,538	11,914	10,650	13,724	13,144	9,097	13,901
<b>Payments:</b>										
Employee Benefits & On-Costs	-44,334	-45,942	-47,614	-49,351	-51,156	-53,032	-54,774	-56,573	-58,515	-60,553
Materials & Contracts	-35,101	-47,204	-46,829	-37,996	-49,632	-49,289	-48,508	-47,171	-48,808	-45,993
Borrowing Costs	-531	-669	-601	-612	-564	-508	-446	-379	-306	-227
Bonds, Deposits, Retention amounts refunded										
Other	-24,943	-23,644	-24,377	-24,313	-26,107	-25,612	-26,210	-26,938	-28,331	-27,515
<b>Net Cash provided (or used) in Operating Activities</b>	<b>95,228</b>	<b>52,746</b>	<b>51,720</b>	<b>95,955</b>	<b>58,709</b>	<b>-1,755</b>	<b>38,294</b>	<b>46,352</b>	<b>42,709</b>	<b>80,817</b>
<b>Cash Flows from Investing Activities</b>										
<b>Receipts:</b>										
Sale of Infrastructure, Property, Plant & Equipment	5,000	24,889	-	1,453	1,108	46,359	-	580	6,240	-
<b>Payments:</b>										
Purchase of Infrastructure, Property, Plant & Equipment	-100,567	-73,958	-53,116	-89,001	-62,102	-45,155	-37,402	-43,121	-44,894	-71,193
<b>Net Cash provided in Investing Activities</b>	<b>-95,567</b>	<b>-49,069</b>	<b>-53,116</b>	<b>-87,548</b>	<b>-60,994</b>	<b>1,204</b>	<b>-37,402</b>	<b>-42,541</b>	<b>-38,654</b>	<b>-71,193</b>
<b>Cash Flows from Financing Activities</b>										
<b>Receipts:</b>										
Proceeds from Borrowings & Advances	7,600	3,700	-	-	-	-	-	-	-	-
<b>Payments:</b>										
Repayments of Borrowings & Advances	-397	-11,697	-1,748	-1,459	-1,655	-1,920	-2,086	-2,261	-2,445	-2,640
<b>Net Cash provided in Financing Activities</b>	<b>7,203</b>	<b>-7,997</b>	<b>-1,748</b>	<b>-1,459</b>	<b>-1,655</b>	<b>-1,920</b>	<b>-2,086</b>	<b>-2,261</b>	<b>-2,445</b>	<b>-2,640</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>										
Plus: Cash & Cash Equivalents - beginning of year	7,027	13,891	9,571	6,428	13,376	9,436	6,965	5,771	7,321	8,931
<b>Cash &amp; Cash Equivalents - end of year</b>	<b>13,891</b>	<b>9,571</b>	<b>6,428</b>	<b>13,376</b>	<b>9,436</b>	<b>6,965</b>	<b>5,771</b>	<b>7,321</b>	<b>8,931</b>	<b>15,915</b>
Plus: Investments on hand - end of year	124,904	116,418	108,706	83,076	72,535	122,497	134,013	141,949	148,268	136,146
<b>Total Cash, Cash Equivalents &amp; Investments</b>	<b>138,795</b>	<b>125,989</b>	<b>115,134</b>	<b>96,452</b>	<b>81,971</b>	<b>129,462</b>	<b>139,784</b>	<b>149,270</b>	<b>157,199</b>	<b>152,061</b>

# Contact Us

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

## CONTACT DETAILS

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# ASSET MANAGEMENT STRATEGY 2020-2030

Adopted June 2018. Revised April 2020.



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## Simplified Chinese

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## 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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## Summary

This is Council's revised 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 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 enables Council to demonstrate:

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

## 1.0 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 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.

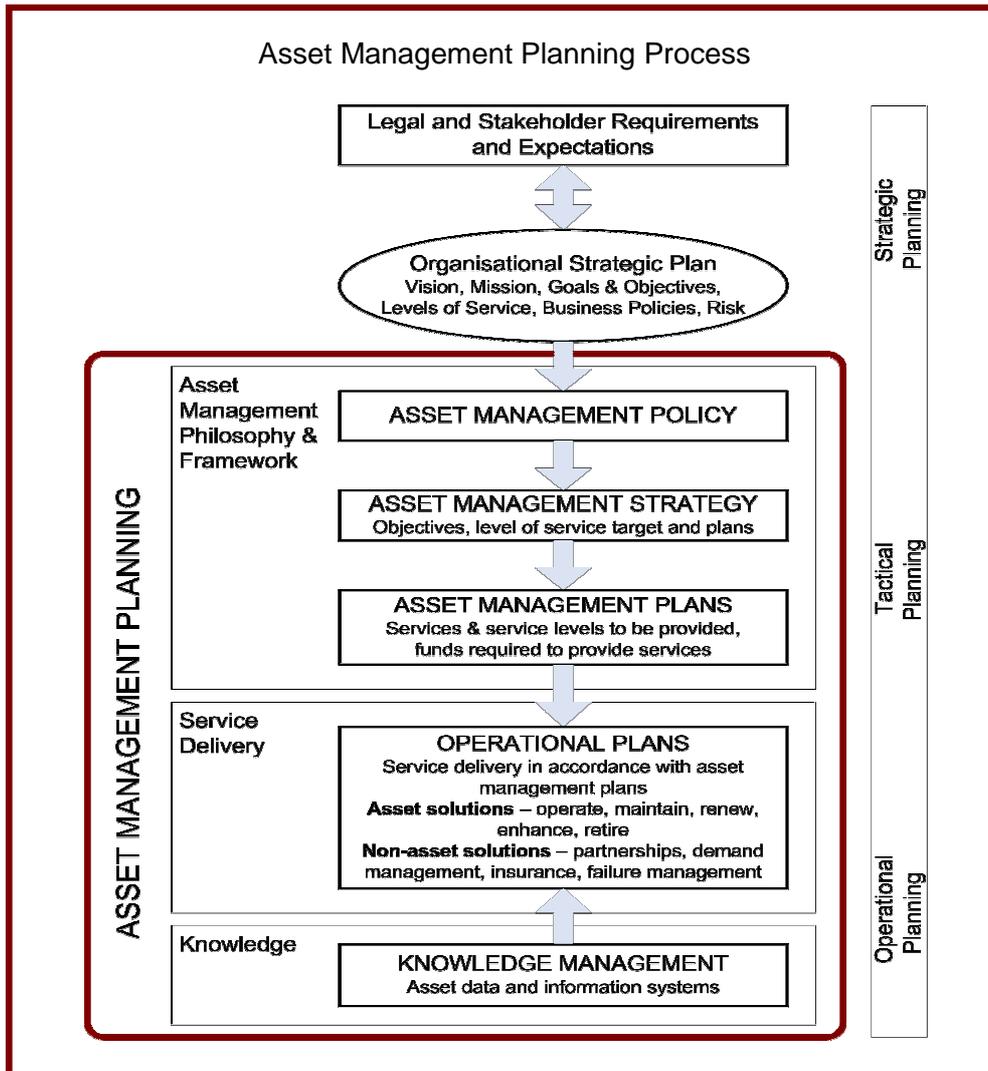
The Asset Management Strategy can be viewed as a first tier plan being supported by more detailed Asset Management Plans. It provides direction to guide asset management actions into the future and ensures the Council continually improves the management of its infrastructure.

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 (LTFP).

## 2.0 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.



## 3.0 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 Council's vision and service delivery objectives for asset management in accordance with legislative requirements, community needs and affordability. The Asset Management Strategy (AMS) 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 adopted in June 2018 (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 holistically applied lifecycle principles, remaining useful life as per asset 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 by reporting to Council on the development, revision and implementation of the AMS, 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 and Reporting documents.
- continually improve the quality and scope of existing asset data by ensuring that all assets are assessed and appropriate useful lives and conditions are assigned to each component.

## 4.0 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. To maintain this rating Council has reviewed the current situation for Council's assets and their management in the development of the AMS. 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 2018/19 the value and replacement cost of infrastructure assets were reported as follows<sup>1</sup>:

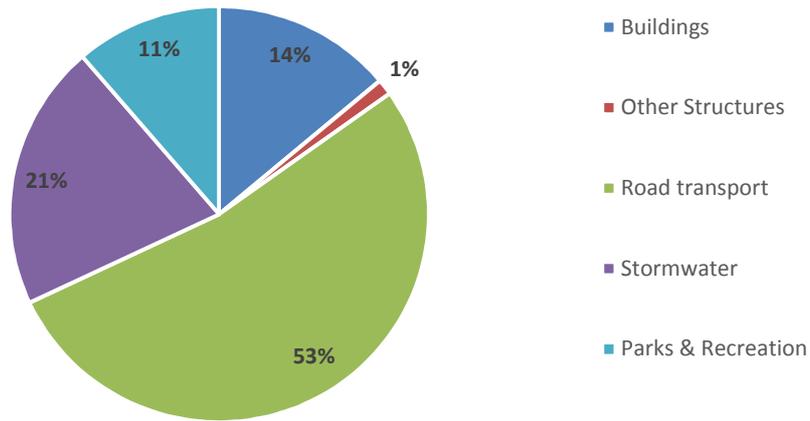
Infrastructure Asset Values 2018/2019	Net carrying amount (WDV) \$'000	Gross replacement cost \$'000
Buildings	93,975	160,287
Other structures	8,463	14,196
Road and Transport assets	354,071	609,195
Drainage	161,250	238,543
Open space recreational assets	75,251	130,185
<b>Total</b>	<b>693,010</b>	<b>1,152,406</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.

<sup>1</sup> Ku-ring-gai Council Annual Report 2018/2019 – Financial Statements Special Schedule 7.

### Percentage (%) of Total Gross Replacement Cost Ku-ring-gai Council All Asset Classes



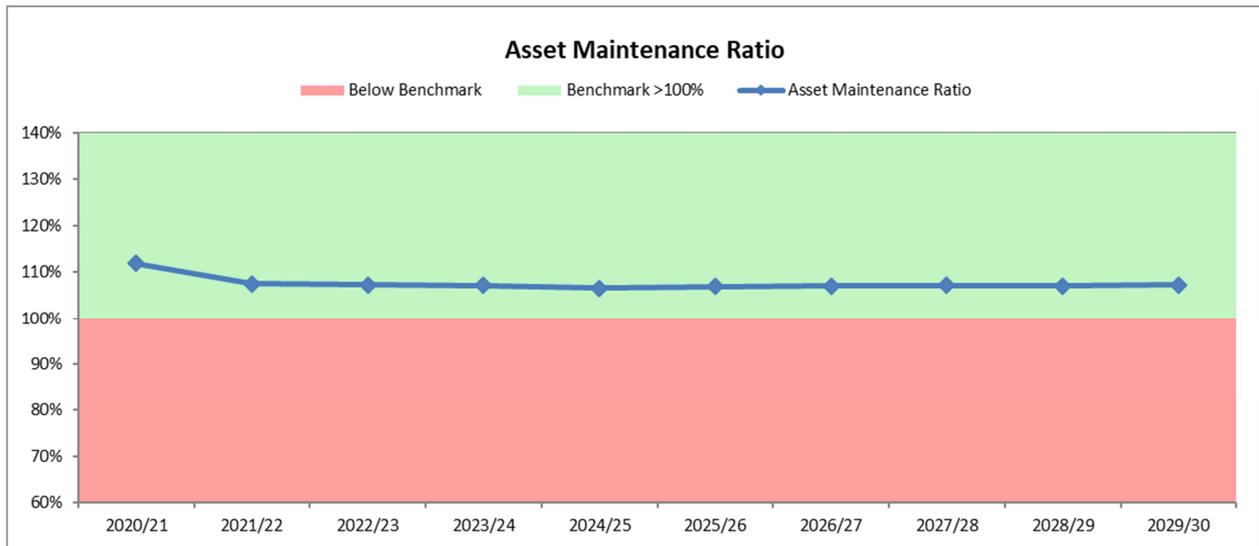
#### 4.2.1 Maintenance expenditure

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>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>	<b>2028/29</b>	<b>2029/30</b>
Buildings	4,253	4,638	4,792	4,928	5,065	5,205	5,350	5,497	5,649	5,805
Road transport	4,709	4,842	4,972	5,198	5,408	5,551	5,713	5,875	6,092	6,277
Stormwater	877	901	927	952	977	1,003	1,031	1,058	1,087	1,115
Parks & Recreation	5,932	6,586	6,880	7,115	7,481	7,753	8,066	8,373	8,721	9,035
<b>Total REQUIRED</b>	<b>15,771</b>	<b>16,968</b>	<b>17,571</b>	<b>18,193</b>	<b>18,931</b>	<b>19,512</b>	<b>20,160</b>	<b>20,804</b>	<b>21,549</b>	<b>22,233</b>
Actual Maintenance	17,622	18,222	18,846	19,490	20,155	20,843	21,554	22,289	23,049	23,835
<b>Variance (Actual less required)</b>	<b>1,851</b>	<b>1,255</b>	<b>1,275</b>	<b>1,297</b>	<b>1,224</b>	<b>1,330</b>	<b>1,394</b>	<b>1,485</b>	<b>1,500</b>	<b>1,602</b>



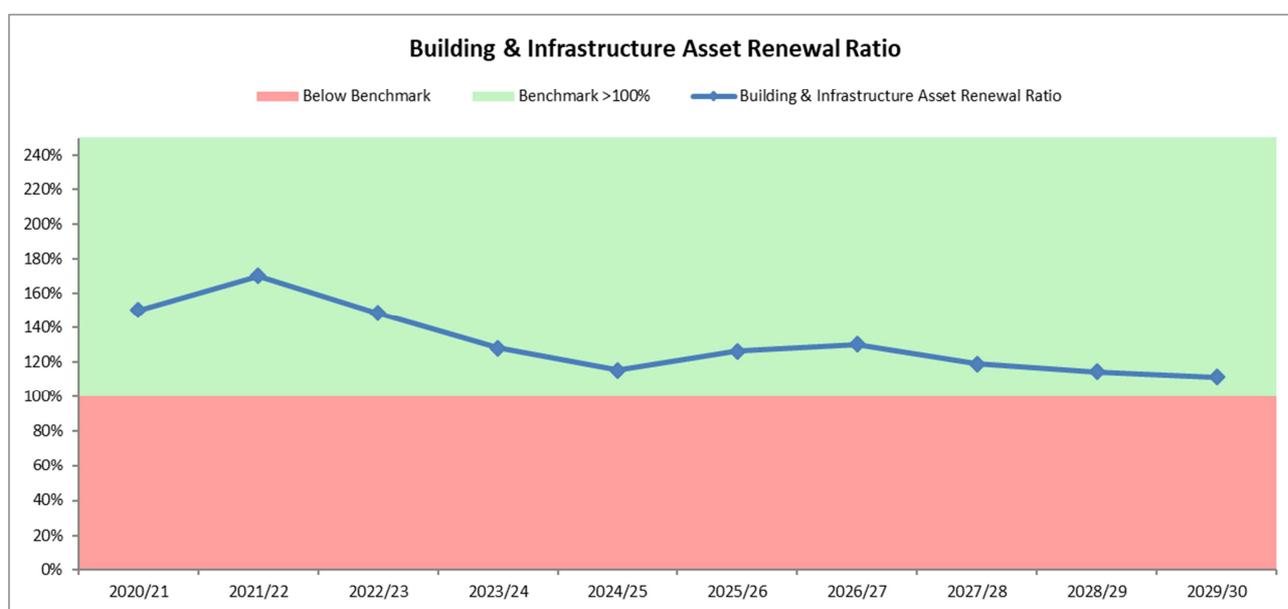
## 4.2.2 Renewal Expenditure

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	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Buildings	3,043	3,842	5,961	4,360	4,447	4,080	5,200	6,128	4,754	5,112
Road transport	14,474	15,633	15,737	12,934	12,547	14,342	17,142	15,518	13,595	16,433
Stormwater	601	3,075	1,859	1,966	2,104	2,615	1,356	1,828	2,470	2,516
Parks & Recreation	6,875	7,253	3,276	4,841	3,442	4,315	3,288	1,891	4,473	1,278
<b>Total Renewal</b>	<b>24,993</b>	<b>29,803</b>	<b>26,833</b>	<b>24,100</b>	<b>22,541</b>	<b>25,352</b>	<b>26,986</b>	<b>25,366</b>	<b>25,292</b>	<b>25,338</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 2018/2019 financial year and achieved a ratio of 66%.

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 Office of Local Government 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% starting 2020/21 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 2018/2019 Council reported a total cost of \$17.3 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 2013/2014. The reduction in the total estimate of CTS is primarily due to improved asset condition through substantial capital renewal program and revaluation information.

#### 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 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 five 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 3% increase in the total written down value of infrastructure assets in the period. The table below shows the backlog infrastructure renewal reported since 2014/2015 in Council's annual reports<sup>2</sup>:

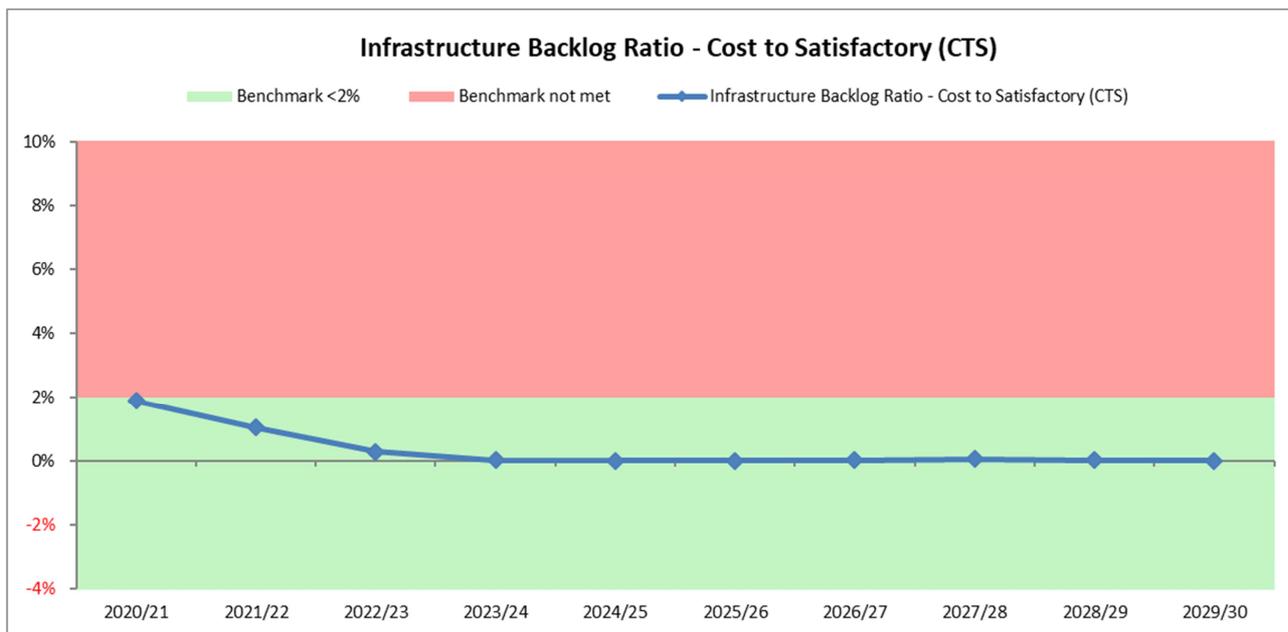
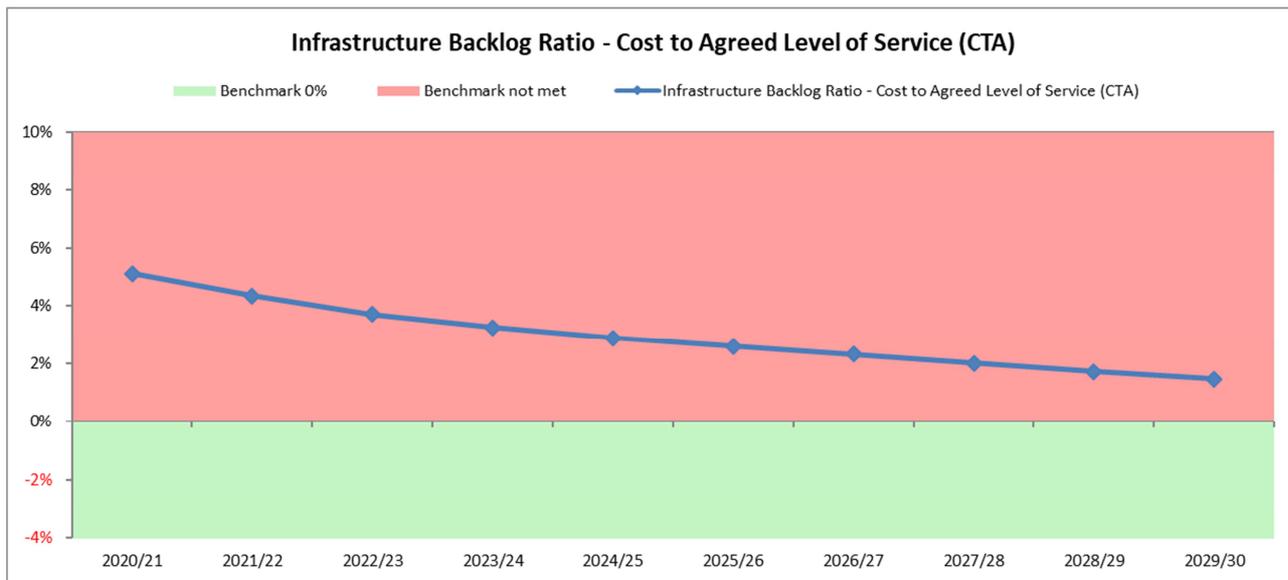
<b>CTS Infrastructure Asset Reported Backlog Cost \$'000</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
<b>Total</b>	<b>26,990</b>	<b>33,943</b>	<b>27,565</b>	<b>20,017</b>	<b>17,379</b>

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 which was 2018/2019.

<sup>2</sup> Ku-ring-gai Council Annual Reports 2014/2015 to 2018/2019, Special Schedule No. 7

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**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Buildings	1,993	1,933								
Road transport	9,857	5,700	1,899	-	-	-	-	-	-	-
Stormwater	1,486	212	206	143						
Parks & Recreation										
<b>Total</b>	<b>13,336</b>	<b>7,845</b>	<b>2,105</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**INFRASTRUCTURE BACKLOG - COST TO BRING TO AGREED LEVEL OF SERVICE**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Buildings	8,962	8,902	6,866	6,542	6,243	6,426	5,608	3,982	3,854	3,497
Road transport	52,853	47,184	42,439	38,284	35,258	32,481	29,703	26,908	23,868	20,794
Stormwater	2,425	1,151	1,145	1,082	931	321	1,026	1,313	1,015	729
Parks & Recreation										
<b>Total</b>	<b>64,240</b>	<b>57,237</b>	<b>50,450</b>	<b>45,908</b>	<b>42,432</b>	<b>39,228</b>	<b>36,336</b>	<b>32,203</b>	<b>28,737</b>	<b>25,020</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.

Asset Renewal Expenditure \$'000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Buildings	3,043	3,842	5,961	4,360	4,447	4,080	5,200	6,128	4,754	5,112
Road transport	14,474	15,633	15,737	12,934	12,547	14,342	17,142	15,518	13,595	16,433
Stormwater	601	3,075	1,859	1,966	2,104	2,615	1,356	1,828	2,470	2,516
Parks & Recreation	6,875	7,253	3,276	4,841	3,442	4,315	3,288	1,891	4,473	1,278
<b>Total Renewal</b>	<b>24,993</b>	<b>29,803</b>	<b>26,833</b>	<b>24,100</b>	<b>22,541</b>	<b>25,352</b>	<b>26,986</b>	<b>25,366</b>	<b>25,292</b>	<b>25,338</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 7.11.

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

NEW & UPGRADE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Buildings	11,198	12,827	1,777	763	618	630	642	655	667	679
Road transport	11,974	2,631	1,396	16,403	12,741	850	3,764	2,333	11,928	3,000
Stormwater	1,093	599	969	404	453	462	791	480	489	498
Parks & Recreation	19,705	14,149	3,601	1,769	5,246	2,380	3,356	2,934	3,881	2,687
<b>Total</b>	<b>43,971</b>	<b>30,206</b>	<b>7,743</b>	<b>19,339</b>	<b>19,057</b>	<b>4,322</b>	<b>8,553</b>	<b>6,401</b>	<b>16,965</b>	<b>6,864</b>

### **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 defines how the risk management processes are integrated both strategically and operationally.

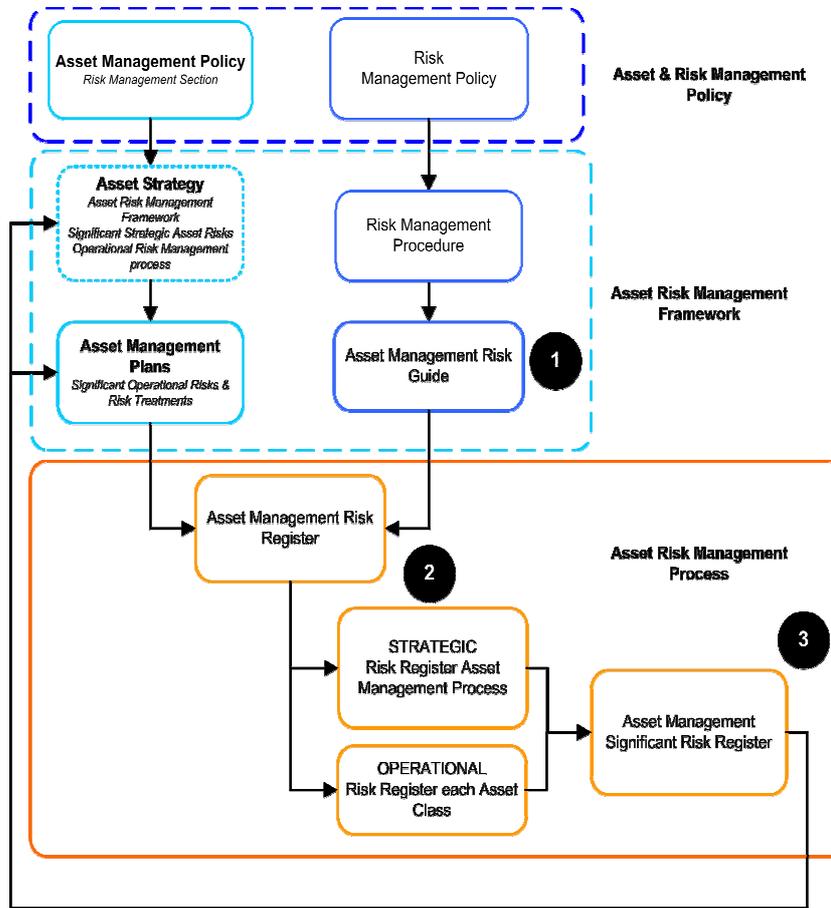
Each group of asset custodians are responsible for maintaining a risk register to assist in the identification of significant risks for their asset class. These detailed Risk Registers feed relevant risk information and risk treatment actions into both the Asset Management Strategy and Asset Management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

## Asset Management/Risk Management Processes



### **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 and 31 Bridge Street Pymble.
- Council works depot located at 5 Suakin Street 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.

## 5.0 Community Levels of Service

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 (SRV) 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

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.

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

## 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 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.
- 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 \$17 million in 2018/2019<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 2018/2019 Council reported the condition of assets as per the table below:

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<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.

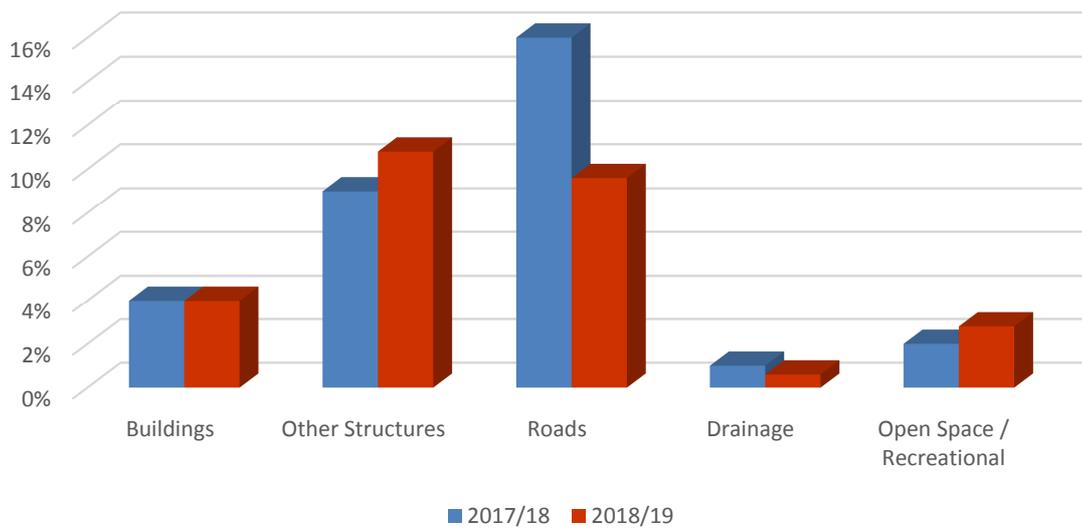
<sup>5</sup> Ku-ring-gai Council Annual Report –Special Schedule 7.

<b>Assets in each condition rating as % of gross replacement costs</b>					
<b>Ku-ring-gai Council Annual Financial Statements 2018/2019 - 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>	25.4%	25.6%	44.6%	4.4%	0.0%
<b>Other structures</b>	23.4%	30.0%	35.8%	8.7%	2.1%
<b>Roads</b>	21.3%	27.4%	41.7%	7.8%	1.8%
<b>Stormwater Drainage</b>	12.3%	69.9%	17.3%	0.4%	0.2%
<b>Open space / recreational</b>	38.1%	30.7%	28.5%	2.7%	0.1%
<b>Total All Assets</b>	<b>21.9%</b>	<b>36.3%</b>	<b>35.5%</b>	<b>5.2%</b>	<b>1.0%</b>

The condition ratings in the table above represents a general improvement in the condition of asset classes overall compared to the ratings reported in 2017/2018. Council's level of investment is required to be maintained in order to match continuously increasing demand for service, with adequate renewal of assets being undertaken.

Figure 10 (below) shows the change in asset condition in each class between 2017/2018 and 2018/2019. The proportion of assets which do not meet the minimum condition ratings necessary to deliver satisfactory services has decreased for Council's roads assets – an asset class of high importance to the community.

Figure 10 - Change in % of assets not meeting satisfactory service levels (% as a proportion of gross replacement cost)



During 2018/2019 Council staff have continued to review and analyse 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 Long Term Financial Plan.

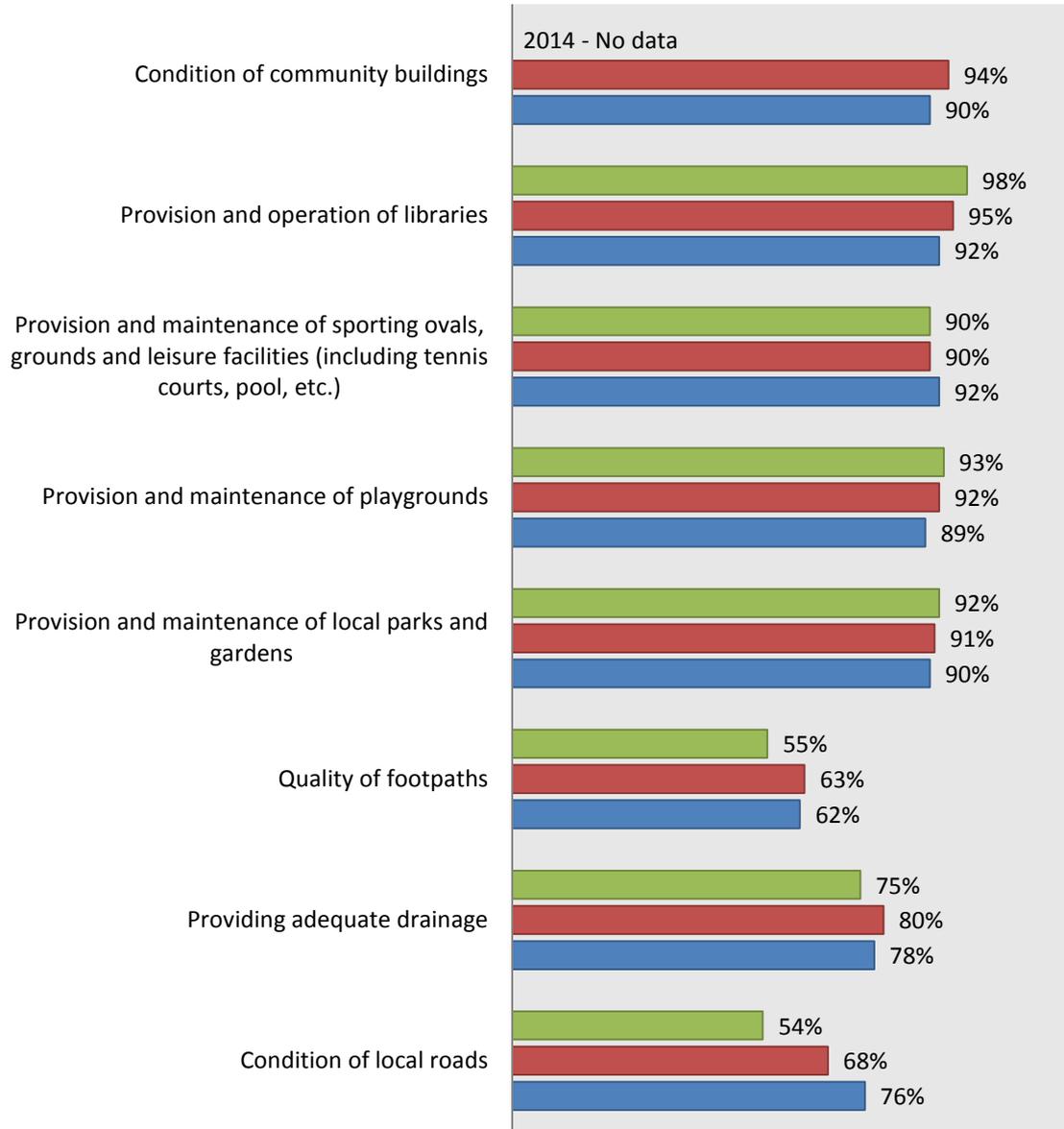
## 5.2 Community Satisfaction Trends

Community satisfaction research undertaken for key asset categories in 2014, 2017 and 2019 indicates that satisfaction levels are generally being maintained or are increasing over that timeframe. These are positive results overall, taking into consideration population growth and increased development over that timeframe.

A significant increasing trend in community satisfaction (40% increase) with the condition of roads for the three research periods can be attributed to the significant additional funding that Council has been allocating to road renewal over that timeframe. A small 6% decrease in satisfaction with the operation of Council's libraries is likely due to the limited capacity and functionality of older established libraries at Turramurra, St Ives and Lindfield. A new Lindfield Library will be included in the current revitalisation project for the Lindfield Village Hub. Similarly a 4% decrease in satisfaction with the condition of Council's community buildings is consistent with Council's assessment of these assets.

## Percentage of satisfied residents

2014 2017 2019



Source: Ku-ring-gai Council Community Satisfaction Research 2014, 2017 and 2019.

## 6.0 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, aspirations and long term objectives of our community as identified in our Community Strategic Plan.

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

Theme	Community Aspiration	Long Term Objective	Integration with asset class
<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 Kuring-gai provides safe, reliable and affordable	The local road network is managed to achieve a safe and effective local road network.	Roads and Transport

Theme	Community Aspiration	Long Term Objective	Integration with asset class
	public and private travel, transport and infrastructure.	An accessible public transport and regional road network that meets the diverse and changing needs of the community.	
<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

## 7.0 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 2016/2017 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.

In 2018/2019, 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 assessment information and indices
- analysed financial impact due to changes in asset conditions, useful lives, depreciation and intervention strategies
- 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

## 8.0 Roads and Transport

Council's road and transport network is comprised of:

- roads
- bridges
- footpaths
- kerbs and gutters
- car parks
- road furniture and structures
- 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:

- **Places, Spaces and Infrastructure** – (1) *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.* (2) *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*
- **Access, Traffic and Transport** – (1) *The local road network is managed to achieve a safe and effective local road network.* (2) *An accessible public transport and regional road network that meets the diverse and changing needs of the community.*
- **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 from a service delivery perspective. 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 well as durability of the pavement beside, 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 kerb and gutter assets 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 2016/2017 (compared to 2013/2014) 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). The table “Change in Condition of Roads 2014/2015 to 2018/2019” shows the change in condition ratings since 2014/2015. 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 10a of Council’s Financial Statements 2018/2019, is based on the previous revaluation completed in 2015.

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 table below shows the projected backlog figures, capital and maintenance expenditure for roads over the next 10 years.

ROADS \$'000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Backlog - Cost to Satisfactory	9,857	5,700	1,899							
Backlog - Cost to Agreed Level of Service	49,745	45,588	41,787	38,284	35,258	32,481	29,703	26,908	23,868	20,794
										-
Renewal	9,814	10,596	10,403	10,427	10,269	10,200	10,400	10,625	11,135	11,379
New/Upgrade	5,955	1,053	188	10,558	9,740	-	842	1,204	4,624	562
Maintenance	1,665	1,723	1,783	1,846	1,910	1,977	2,046	2,118	2,192	2,269

## 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 2014/2015.

<b>Change in Condition of Roads 2014/2015 to 2018/2019</b>					
	<b>2014/2015*</b>	<b>2015/2016*</b>	<b>2016/2017**</b>	<b>2017/2018**</b>	<b>208/2019**</b>
<b>% meeting required "satisfactory" condition rating</b>	87%	85%	73%	84%	90.4%
<b>% not meeting required condition rating</b>	13%	15%	27%	16%	9.6%
* 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 10a of Council's Financial Statements 2018/2019, 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>.

FOOTPATH \$'000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Backlog - Cost to Satisfactory										
Backlog - Cost to Agreed Level of Service	2,522	1,596	652							
Renewal	1,642	1,706	1,743	1,780	1,816	1,852	2,518	1,924	1,960	1,997
New/Upgrade	602	60	62	63	64	217	178	356	69	1,145
Maintenance	1,064	1,085	1,109	1,132	1,154	1,177	1,200	1,223	1,246	1,268

### 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.

<sup>6</sup> Ku-ring-gai Council Annual Report 2018/2019 – Financial Statements Special Schedule 7.

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

### Available data

Council's kerb and gutter assets will be revalued as part of the fair valuation requirements; and then be imported into the corporate asset system 30 June 2020 in line with revaluation requirements.

Council's car park, road structures and bridges assets are to be revalued as part of the fair valuation requirements. The register will be imported into the new corporate asset system by 30 June 2020 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 parks, 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	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Backlog - Cost to Satisfactory										
Backlog	586									
Renewal	3,018	3,332	3,590	727	463	2,290	4,225	2,970	499	3,057
New/Upgrade	5,418	1,518	1,146	5,782	2,937	633	2,744	773	7,235	1,293
Maintenance	1,397	1,446	1,496	1,549	1,603	1,659	1,717	1,777	1,839	1,904

### 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 2018/2019 – 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.

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 is important to note that the substantial amount of the capital new/upgrade funding is partially funded through Section 7.11 and will be spent on upgrading our local centre structures over the next ten years.

## 9.0 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 building 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** - *(1) 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. (2) Multipurpose community buildings and facilities are available to meet the community's diverse and changing needs. (3) 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 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 given 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>.

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<sup>8</sup> Ku-ring-gai Council Annual Report 2018/2019 – Financial Statements Special Schedule 7.

<b>BUILDINGS \$'000</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>	<b>2028/29</b>	<b>2029/30</b>
Backlog - Cost to Satisfactory	1,993	1,933								
Backlog - Cost to Agreed Level of Service	8,962	8,902	6,866	6,542	6,243	6,426	5,608	3,982	3,854	3,497
Renewal	3,043	3,842	5,961	4,360	4,447	4,080	5,200	6,128	4,754	5,112
New/Upgrade	11,198	12,827	1,777	763	618	630	642	655	667	679
Maintenance	3,967	4,106	4,249	4,398	4,552	4,711	4,876	5,047	5,223	5,406

### **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 2020/2021.

## 10.0 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 10a of Council's Financial Statements 2018/2019, 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.

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. In 2019/2020, Council commenced a proactive CCTV inspection program of its drainage network in addition to undertaking inspections 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>.

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<sup>9</sup> Ku-ring-gai Council Annual Report 2018/2019 – Financial Statements Special Schedule 7.

<b>STORMWATER \$'000</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>	<b>2028/29</b>	<b>2029/30</b>
Backlog - Cost to Satisfactory	1,486	212	206	143						
Backlog - Cost to Agreed Level of Service	2,425	1,151	1,145	1,082	931	321	1,026	1,313	1,015	729
Renewal	601	3,075	1,859	1,966	2,104	2,615	1,356	1,828	2,470	2,516
New/Upgrade	1,093	599	969	404	453	462	791	480	489	498
Maintenance	1,582	1,638	1,695	1,754	1,816	1,879	1,945	2,013	2,083	2,156

### **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.

## 11.0 Recreational Facilities

The recreational facilities asset class comprises of all assets within our sportsfields, 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 Infrastructure Services 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** - *(1) 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. (2) Recreation, sporting and leisure facilities are available to meet the community's diverse and changing needs. (3) 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

The recreational facilities asset data reported in Note 10a of Council's Financial Statements 2018/2019, is based on the revaluation completed in 2016 as part of the import into the new corporate system.

### 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>.

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<sup>10</sup> Ku-ring-gai Council Annual Report 2018/2019 – Financial Statements Special Schedule 7.

<b>RECREATIONAL FACILITIES \$'000</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>	<b>2028/29</b>	<b>2029/30</b>
Backlog - Cost to Satisfactory										
Backlog - Cost to Agreed Level of Service										
Renewal	6,875	7,253	3,276	4,841	3,442	4,315	3,288	1,891	4,473	1,278
New/Upgrade	19,705	14,149	3,601	1,769	5,246	2,380	3,356	2,934	3,881	2,687
Maintenance	7,947	8,226	8,513	8,811	9,120	9,439	9,769	10,111	10,465	10,832

### **Service level expectations**

Community consultation identified sportsfield 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 sportsfields, 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.

## 12.0 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.	Service 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, Asset Management 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 Asset Management 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 Asset Management 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 and Operational Plans to ensure ongoing resourcing, implementation and performance monitoring.

# Roads and Transport

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
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 Technical Services
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  2019/2020 – 2020/2021  (All road structures inspected with revaluations in 2019/2020)  Ongoing	Director Operations Manager Technical Services Civil Works Coordinator Pavement Engineer Engineering Assets Coordinator Team Leader Design and Projects
Asset Management Plans	Better asset planning and management	Review and update asset management plans and associated processes	2020/2021 (Building Asset Management Plan)	Director Operations Manager Technical Services Civil Works Coordinator Pavement Engineer

## Roads and Transport (cont)

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
Asset Information Systems	Corporate-wide integrated asset management system	Incorporating road asset data into Enterprise Asset Management (EAM)  Provide training to asset custodians	2020/2021 (Regularly updated)  Ongoing	Director Operations Manager Technical Services Coordinator Business Systems
People and Organisational Issues	Understanding of road asset management	Provide staff training for all facets of road asset management	Ongoing	Director Operations Manager Technical Services
Implementation Tactics	Outline of required road asset management activities	Review core and non-core activities	Ongoing	Director Operations
Strategy and planning	Advanced maintenance and renewal plans  Life cycle cost analysis  Service level review	Develop robust asset renewal, maintenance and operational plans.  Improve life cycle cost data knowledge  Review and update service levels for each asset category within transport asset class	2019/2020	Director Operations Manager Technical Services Civil Works Coordinator Pavement Engineer

## Buildings

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
Processes and Practices	Improved management processes	Implement and/or improve building asset management processes	Ongoing	Director Operations Risk Management Coordinator Manager Technical Services
		Assets and procedures for cost and risk documented	Ongoing	
		Continual maintenance of procedures	Ongoing	
Data and Knowledge	Complete database of assets	Develop an asset register that captures all building components	Phase 1 - completed Phase 2 - 2020/2021	Building Assets Coordinator
Asset Management Plans	Better asset planning and management	Review and update asset management plans and associated processes	2020/2021 (Building Asset Management Plan)	Director Operations Building Assets Coordinator
Asset Information Systems	Asset register  Transfer data to works and assets	Update all asset components and assign	Completed	Director Operations  Manager Technical Services
		Values, useful lives and conditions	2020/2021	Building Assets Coordinator
		Include buildings data into corporate system	2020/2021	Coordinator Business Systems
People and Organisational Issues	Understanding of building asset management  Asset performance register	Provide staff training for all facets of building asset management	Ongoing	Director Operations  Manager Technical Services
		Review and measure asset performance	Ongoing	Building Assets Coordinator

## Buildings (cont)

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
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	2020/2021	Director Operations Manager Technical Services
	Life cycle costs analysis	Improve required life cycle costs	2020/2021	Manager Technical Services
	Service level review	Review and update all service levels	2020/2021	Building Assets Coordinator

## Drainage

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
Processes and Practices	Improved management processes	Implement and/or improve drainage asset management processes  Continual maintenance of procedures	2020/2021  Ongoing	Director Operations  Manager Technical Services  Drainage Assets Engineer
Data and Knowledge	Complete database of assets	Ongoing development of data collection procedure and program  Review useful lives, condition and capacity	Ongoing	Drainage Engineer  Director Operations
Asset Management Plans	Advanced Drainage Asset Management Plan	Update Asset Management Plan	2020/2021	Director Operations  Drainage Assets Engineer
Asset Information Systems	Corporate asset management system	Update data into corporate system	2020/2021  (regularly updated)	Manager Technical Services  Drainage Assets Engineer  Coordinator Business Systems
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  Manager Technical Services  Drainage Engineer

## Drainage (cont)

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
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	Develop advanced asset renewal and maintenance plans	2020/2021	Director Operations Manager Technical Services
	Life cycle cost analysis	Update required life cycle costs	2020/2021	Manager Technical Services Drainage Assets Engineer
	Service levels	Update service levels	2020/2021	

## Recreation Facilities

Quality Element(s)	Objectives	Action Items	Timeframe	Responsible Officer/s
Processes and Practices	Improved management processes	Implement and/or improve recreational asset management processes	Ongoing	Director Operations
		Continual maintenance of procedures	Ongoing	Manager Infrastructure Services
Asset Management Plans	Advanced Recreation Facilities Asset Management Plan	Update Asset Management Plan	2020/2021	Manager Infrastructure Services Open Space Asset Supervisor
People and Organisational Issues	Asset performance register	Review and measure asset performance	Annually	Manager Infrastructure Services
	Training	Ongoing support and training for asset procedures		
Implementation Tactics	Outline of required parks and recreation asset management activities	Review core and non-core activities	Annually	Manager Infrastructure Services
Strategy and planning	Advanced maintenance and renewal plans	Develop advanced asset renewal and maintenance plans	2020/2021	Director Operations
	Life cycle cost analysis	Improve life cycle costs	2020/2021	Manager Infrastructure Services
	Service levels	Update service levels	2020/2021	Open Space Asset Supervisors

## 13.0 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 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.

## 14.0 Conclusion

Whilst significant work has been undertaken in providing more consistent asset management planning, continued diligence is required to facilitate 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 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.



Warrimoo Downhill Track, St Ives Chase. Photographer: Matt Staggs

# Appendix A - Asset Management Policy 2018

Ku-ring-gai Council

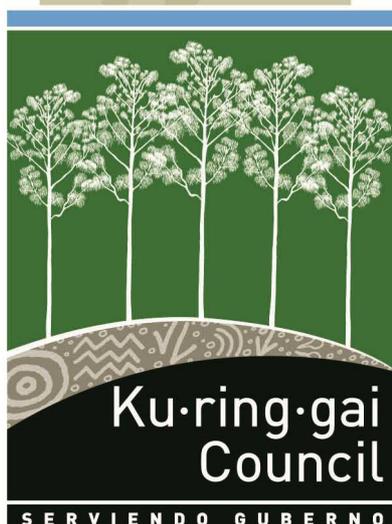
# Policy

## 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

This is a Controlled Document. Before using this document check it is the latest version by referring to Council's Controlled Document Register. Unless otherwise indicated, printed or downloaded versions of this document are uncontrolled.			
<b>Controlled Document Number:</b>	77	<b>TRIM Record No:</b>	2018/112988
<b>Controlled Document Type:</b>	Policy		
<b>Controlled Document Name:</b>	Asset Management Policy		
<b>Version Number:</b>	3		
<b>Department:</b>	Strategy & Environment		
<b>Distribution:</b>	Internal and External		
<b>Review Period:</b> Max < 4 years	4 years	<b>Next Review Date:</b>	27/06/2022
<b>Document Status:</b>	Approved		
<b>Approval Type:</b>	Adopted by Council		
<b>Version Start Date:</b>	27/06/2018	<b>Version End Date:</b>	(if applicable enter the date that this version was superseded or cancelled)

### 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

Version Number	Version Start Date	Version End Date	Author	Details and Comments
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	30/06/2021	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

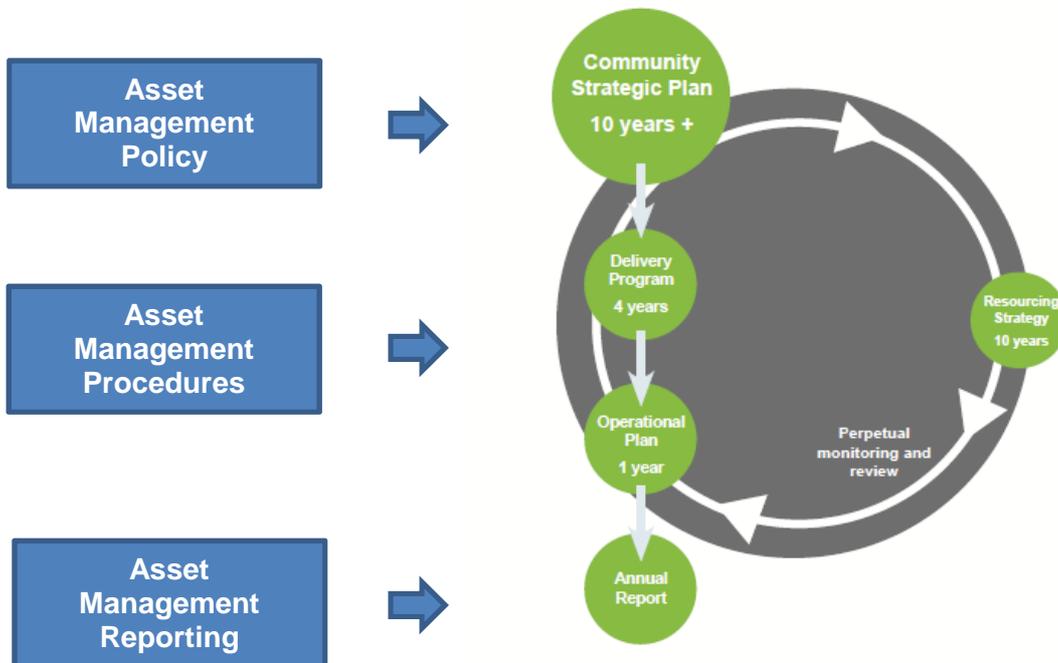


Figure 1 Councils Asset Management aligns with the Integrated Planning and Reporting Framework

## 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

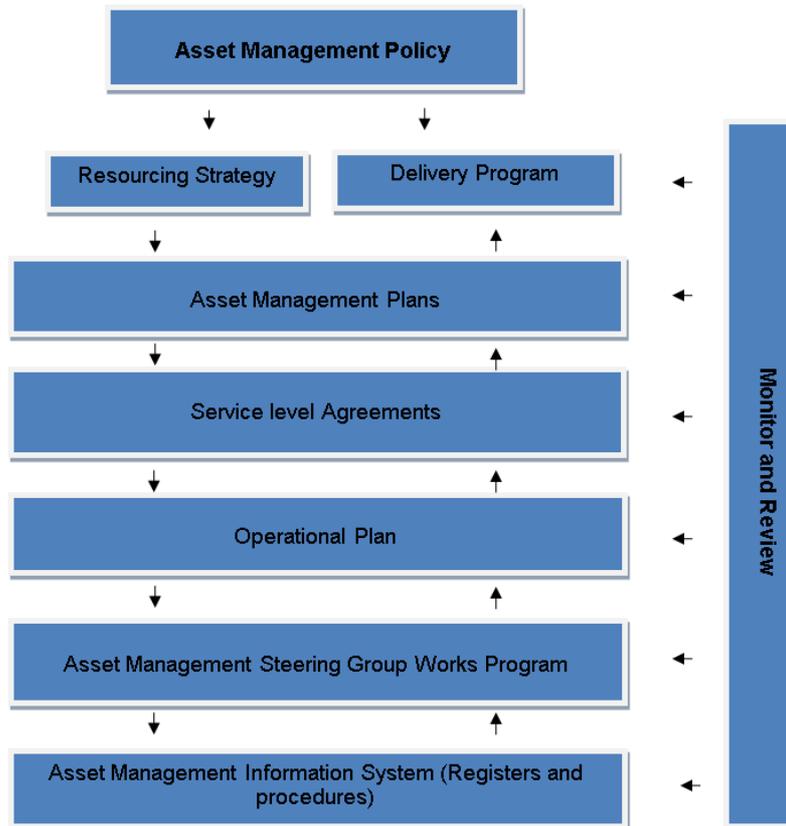
### Policy implementation

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

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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 2020-2030

Adopted June 2018. Revised April 2020.



### 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?

本檔包含重要資訊。如果您不理解本檔，請致電翻譯口譯服務 131 450。讓其代表您致電 9424 0000 聯繫Ku-ring-gai議會。營業時間：週一至週五，上午8.30—下午5:00。

### 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.





*Ku-ring-gai Council mechanic*

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## Introduction

Ku-ring-gai Council's revised 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 2020-2030 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 2020, the unemployment rate for New South Wales was 4.6% (unchanged from 2019), with the Greater Sydney (North Sydney to Hornsby) region having an unemployment rate of 3.4%. The annual employment growth for this area was 1.7% compared to NSW at 2.9%. Employment participation was sitting at 70.7% compared to the State at 65.6%.

### Ku-ring-gai Local Government Area

Between 2011 and 2016, Ku-ring-gai Council area's population increased by 7,868 people (6.4%) to 122,472. This represents an average annual change of 1.4% per year over the period (ABS 2016).

The official population estimate of the Ku-ring-gai Council area as of 30 June 2019 is 127,153. Since the previous year, the population has grown by 1.23% (profile.id).

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.

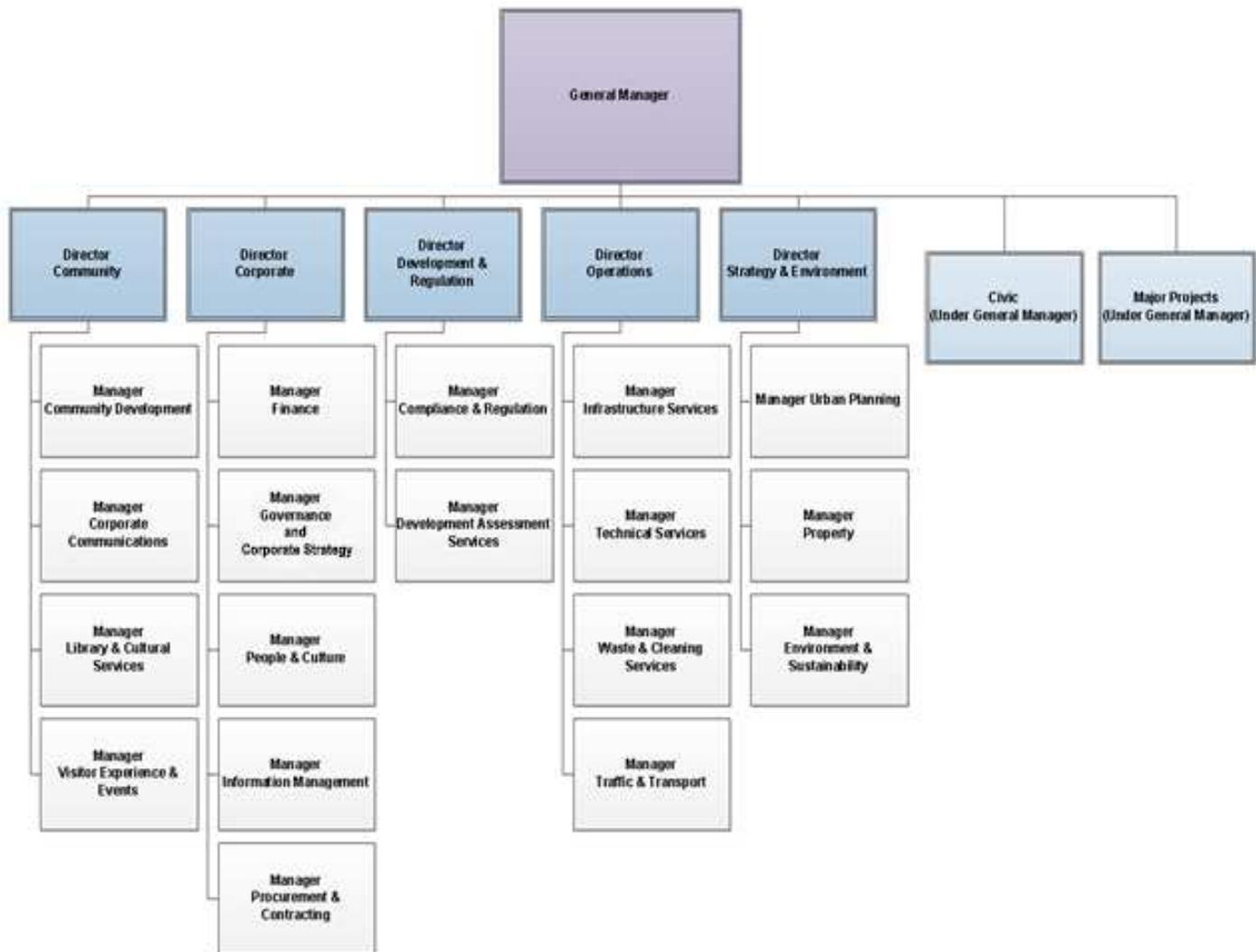
The Strategy adopts the eight strategic themes of the National Workforce Strategy 2013-2020 and sets direction for a range of initiatives to address the workforce challenges facing local government in NSW over its term.

# 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) and Major Projects.

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.

 <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>	<p><b>We Will...</b></p> <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>	<p><b>We Won't...</b></p> <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 provider. 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 each year since 2013. 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 Council's 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

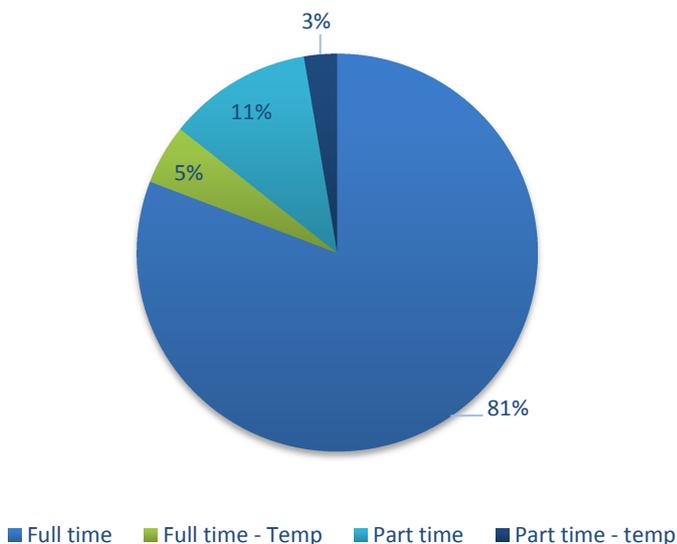
Council employees work across a number of locations within the Ku-ring-gai area and in a diverse range of occupations. The majority of staff (81%) commutes from outside of the local government area (LGA) with only 19% of staff living locally.

The following workforce demographics are provided as at 30 June 2019.

### Employment Type

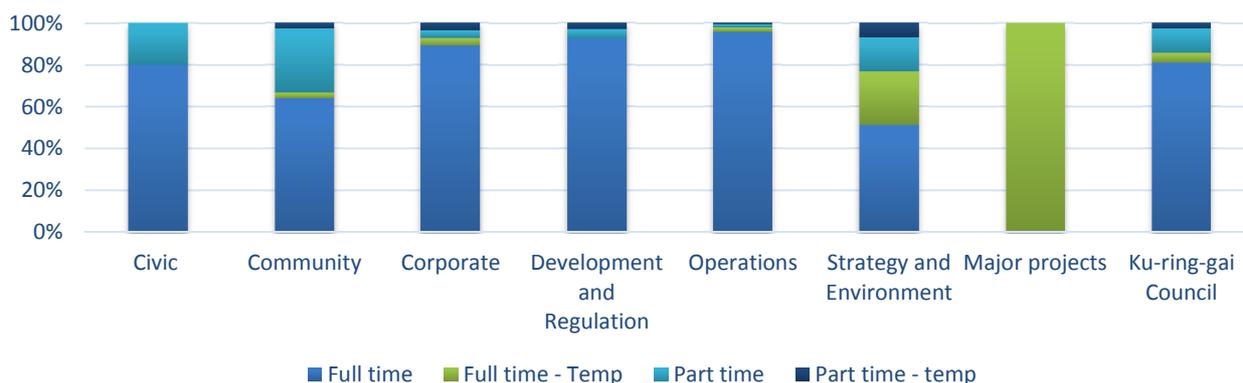
Council employs a total of 412 employees in both a full time and part time capacity. A total of 86% of these positions are full time providing significant employment opportunities for local residents.

### 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 (by Department)



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

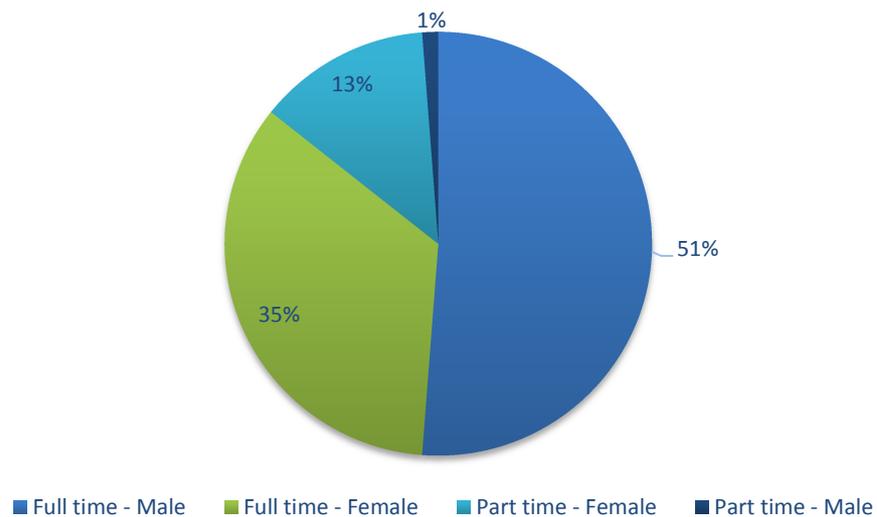
## Gender

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

Employee profile - snapshot	2018/19
Number employees (full and part-time)	412
Median age range (years)	45 – 54 years
Retention rate	88%
Percentage of females	48%
Percentage of males	52%
Females in Band 6 and above	11%
Males in Band 6 and above	17%

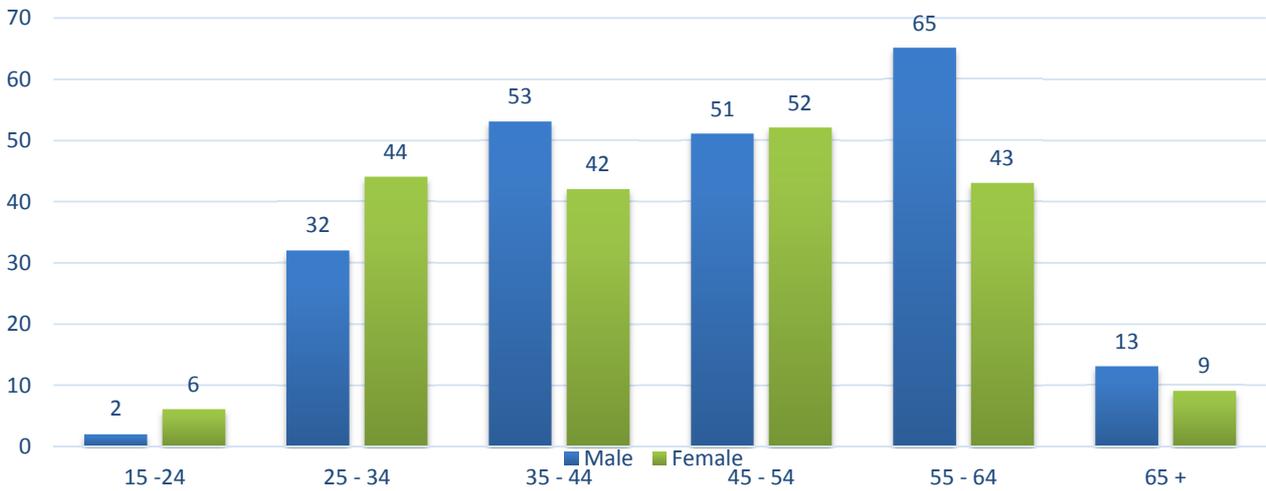
The current workforce gender balance is split approximately 48:52, female to male, with the disparity appearing to result from the high percentage of outdoor operational roles (20% of the workforce) which are traditionally undertaken by males.

### Workforce by Employment Type and Gender



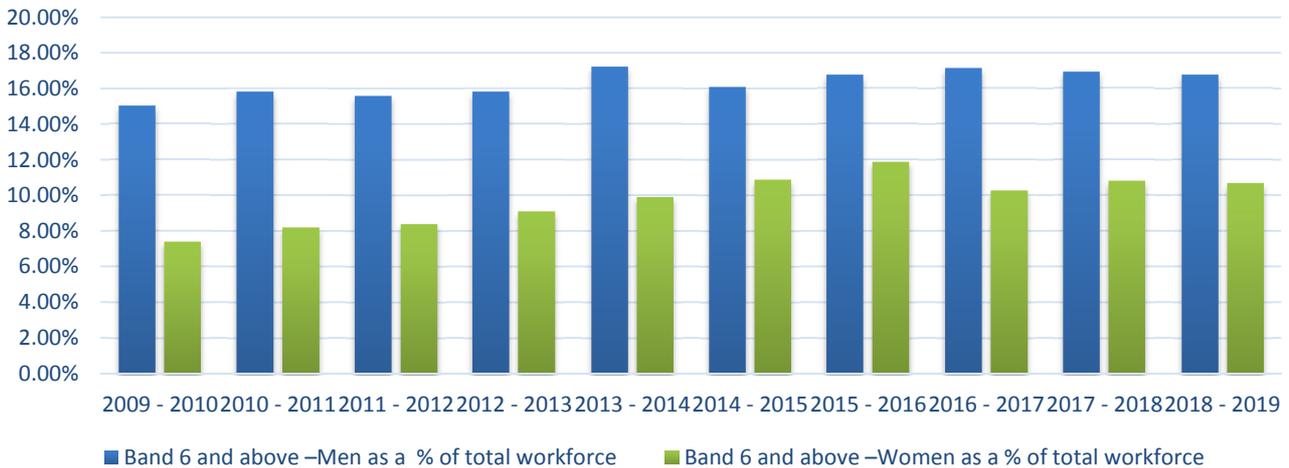
Males and females are proportionally represented in all age demographics.

## 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



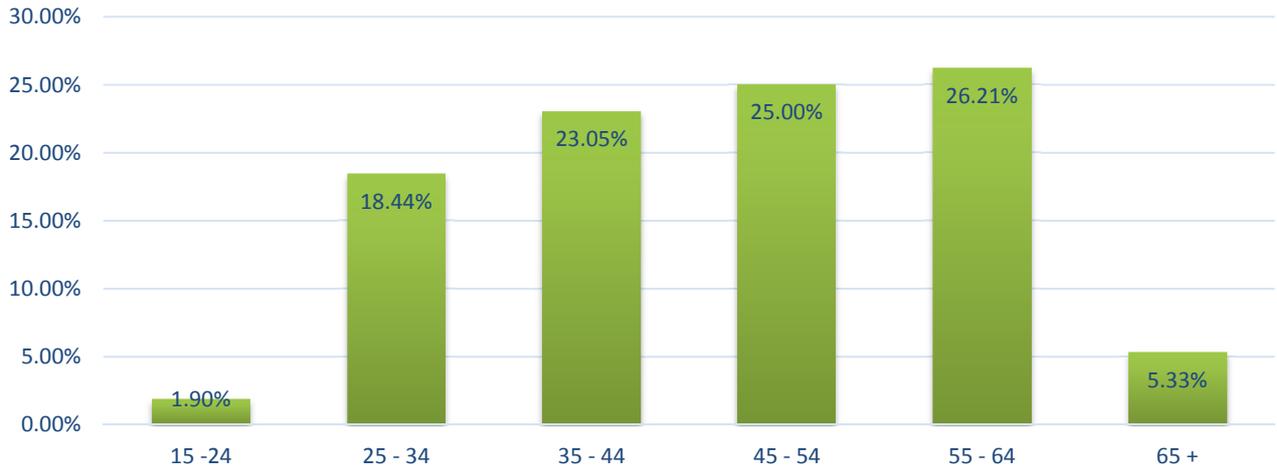
### Age

Over 56% of Council's workforce is aged 45 years or over with a median age of 48. This compares to a median age of 44 for the NSW public Sector. This profile is more closely aligned with the NSW public sector than the general workforce population in NSW. At June 2019, the median age (the age at which half the population is older and half is younger) of the New South Wales (NSW) working population was 39 years. While Council was broadly comparable in employment percentages across the 35 – 54 year age brackets, Council employs significantly more people in the 55 to 64 year age group than both the NSW Public Sector and the wider NSW employed persons group.

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 (Percentage)



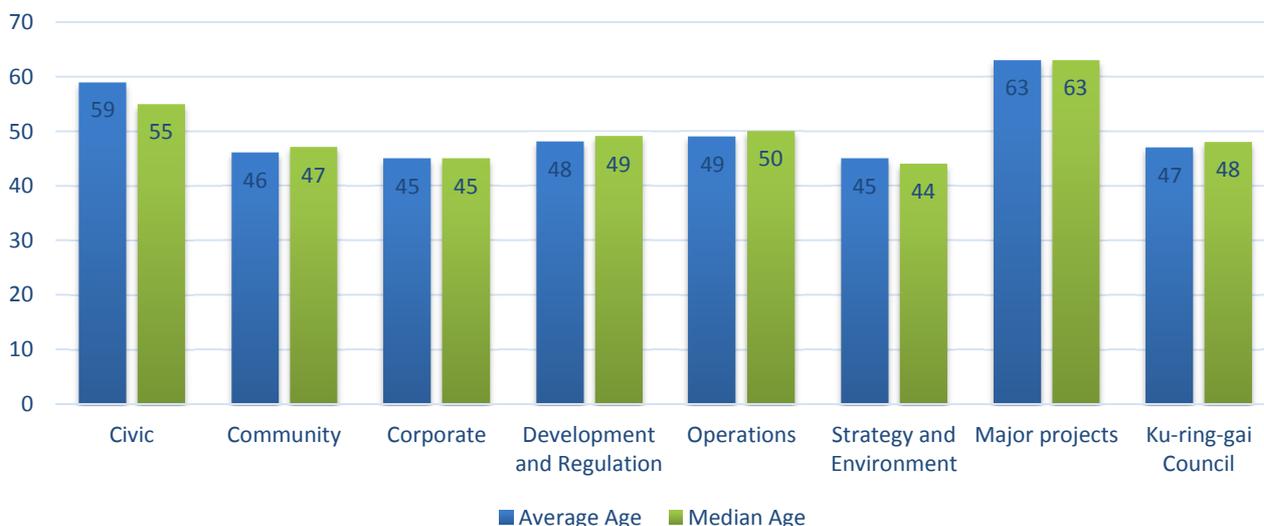
### Age Profile Comparing Ku-ring-gai Council, NSW Public Sector And NSW Employed Persons



The median age of Council's employees is 48 (as at 30 June 2019), 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.

The median age 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. In comparison, the NSW public service has 23.8% of its workforce over 55 years, NSW Employed persons has 19.5% of the workforce over 55 and Council 31.5% over 55 of age, reflecting the active career paths and productive longer term employment opportunities provided by Council.

### Average and Median Age by Department

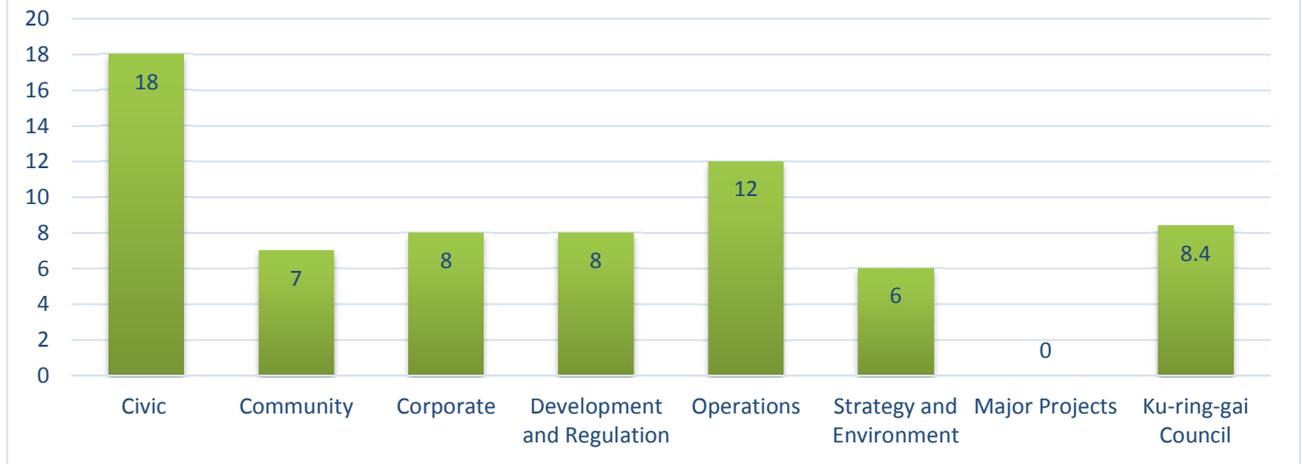


#### Length of Service

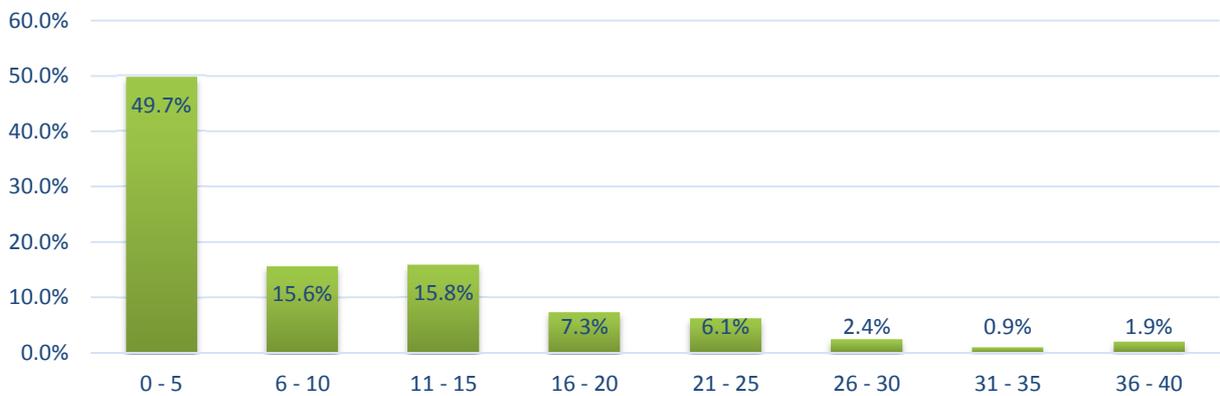
Council's turnover rate is 12% per annum which is reflective of the relatively high average years of service across all departments and an organisational restructure implemented in 2018. 49.7% of staff have tenure of between one and five years with 43.8% having from six to twenty five years of service.

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.

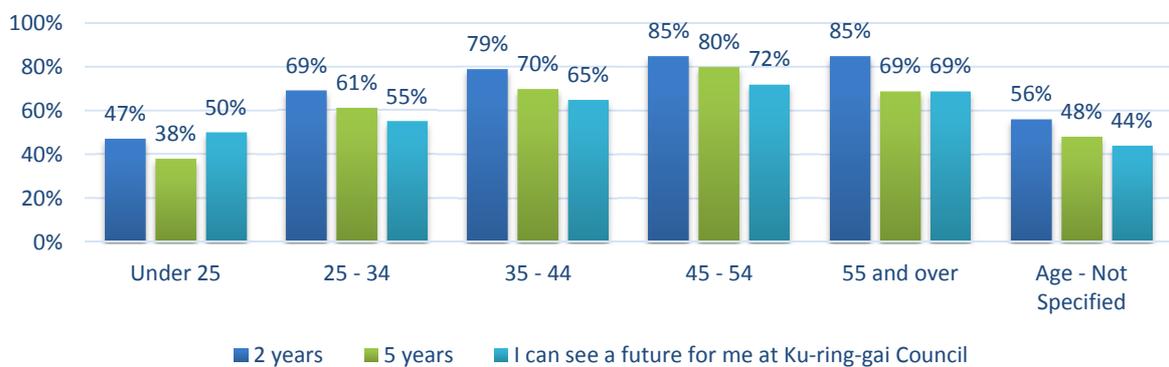
## Average Years of Service by Department



## Percentage of Employees 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

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

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>	<p>Review the NSW Local Government Capability Framework and articulate a 'best fit' framework that aligns with Councils requirements</p> <p>Integrate the capability framework with Councils Job Evaluation and Salary Systems</p> <p>Undertake a gap analysis of staff capabilities against position requirements and develop individual training plans</p> <p>Integrate capabilities into Councils Recruitment &amp; Selection process</p> <p>Integrate capabilities into Councils Performance Appraisal process</p>
<b>Maximise leadership capabilities at all levels of the organisation</b>	<p>Continue to roll out the planned suite of leadership programs at all levels across the organisation</p> <p>Maintain internal accreditation to support ongoing delivery of this program to new staff, and refresher sessions for existing staff</p> <p>Identify and implement new mechanisms for measuring leadership effectiveness</p> <p>Develop, implement and monitor targeted leadership programs to support and promote women in leadership and aspiring leaders</p> <p>Develop, implement and monitor a Succession Planning Strategy</p> <p>Promote participation in and leadership of cross functional projects by emerging and developing leaders</p>
<b>Optimise the On-Boarding of new starters</b>	<p>Undertake an annual review of the current employee induction program and implement required changes</p> <p>Undertake an annual review of the online induction program and implement required changes</p> <p>Continually review and develop on-boarding processes and programs</p>
<b>Promote consistent and effective staff supervision</b>	<p>Provide training for Managers and Supervisors in performance management and coaching</p> <p>Provide training for Managers and Supervisors on intergenerational staff management</p> <p>Engage with Managers and Supervisors to identify other areas of upskilling required and develop relevant training programs</p>
<b>Expand our capacity for e-learning</b>	<p>Continue to review and develop e-learning resources</p> <p>Engage with Managers in relation to their e-learning requirements and develop programs as required</p> <p>Regularly communicate with staff regarding e-learning resources and opportunities</p>

*Continued over page*

STRATEGY	ACTIONS
<b>OBJECTIVE 3: LEVERAGE THE CAPABILITY OF OUR WORKFORCE (continued)</b>	
<i>Link to NSW Workforce Strategy: Investing in Skills, Maximising Management and Leadership</i>	
<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 are being 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.



*School students at the Ku-ring-gai Wildflower Garden on a ranger led tour*

# 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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