REVISED RESOURCING STRATEGY 2014/15 - 2023/24

ADOPTED 24 FEBRUARY 2014

Ku-ring-gai Council

SERVIENDO GUBERNO

INCLUDES

Long Term Financial Plan 2014/15 - 2023/24

Asset Management Strategy 2014/15 - 2023/24

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About this Strategy

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

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

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

Council’s role

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

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

Supporting documents

In February 2009, Council adopted the Sustainability Vision Report. This was developed in consultation with individuals and groups between 9-99 years old. This intergenerational consultation approach enabled peers of similar ages to share their concerns and aspirations for the future across social, environmental, economic and governance aspects directed or influenced by council. The outcomes of this report formed the basis of Council’s first Community Strategic Plan.

In September 2009, Council adopted its first Community Strategic Plan (the plan). The plan is a 20-year blueprint for the future of the Ku-ring-gai Local Government Area (LGA). It is both a process and a document designed to bring together the community to set goals and aspirations for the future and to plan how to go about achieving those goals. It was informed by the current activities of council, future aspirations of residents, businesses and Councillors and State and regional directions such as the Northern Sydney Regional Organisation of Councils (NSROC) Regional Sustainability Plan 2009-2014 and the Metropolitan Plan for Sydney 2005.

Council has recently reviewed its first Community Strategic Plan to reflect reflecting the changes that have taken place in community thinking, needs and expectations over the past four years and to provide a vehicle for our community to express its long-term aspirations.

The revised Community Strategic Plan *Our Community - Our Future 2030*, provides the council with the strategic direction to align its policies, programs and services. It will also act as a guide for other organisations and individuals in planning and delivering services. The plan addresses the community's issues to achieve the long term objectives under the following themes:

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

Long-Term Financial Plan (LTFP)

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

This is an important document, which will test the community aspirations and goals against financial realities. Contained in this plan are:

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

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

Current state of Council's Finances

Ku-ring-gai Council is in a sound financial position. The Net Operating Result for 2012/2013 was a surplus of $15.8 million after allowing for the depreciation expense on Council's $474 million portfolio of depreciable assets such as roads, footpaths, drains and buildings. If capital grants and contributions are excluded, the Operating result for 2012/13 remained in surplus, with a result of $4.8 million.

The available working capital for 2012/2013 was $5.9 million compared to $5.6 million for 2011/12. Council's financial position was reinforced as part of an independent review carried out by the NSW Government's Treasury Corporation (TCorp), which rated Council's position as sound and a neutral outlook into the future.

The 2014 -15 budget provides for an Operating Surplus of $20.9 million after allowing for depreciation. If capital grants and contributions are excluded, the Operating result remains in Surplus, with a result of $3.4 million. This is consistent with Council's long term financial plan which provides a framework to achieve continued Operating Surpluses and maintain healthy levels of working capital and reserves. Loan borrowing is significant but manageable and will be substantially repaid within 2 years subject to divestment of property assets as planned by Council.

Asset Management Strategy (AMS)

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

- Asset Management Policy
- Asset Management Strategy

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

The revised Asset Management Strategy 2015-2024 included in this document has been developed with input from Council and the community. The Strategy demonstrates to Ku-ring-gai residents and stakeholders how Council's asset portfolio supports the service delivery needs of the community both now and into the future (10 years). The revised Strategy also includes an Asset Management Improvement Plan to ensure that organisational practices and procedures are continually improved.

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

Asset Portfolio

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

Ku-ring-gai Council's Infrastructure assets have a replacement cost of more than $1billion and a depreciated value (fair value) of $590 million. Infrastructure assets include:

- Roads and Transport (roads, footpaths, kerb and gutters, car parks located at business areas, road structure and street furniture, bridges)
- Buildings (operational, community and commercial)
- Stormwater drainage
- Recreation facilities (sports fields, parks, bushland).

Workforce Strategy (WS)

The third and final part of the Resourcing Strategy is the Workforce Strategy. An effective workforce strategy establishes a framework for building the capability of our workforce to provide Council with the people best able to inform its strategic direction, develop innovative approaches to complex issues, and deliver appropriate services effectively and efficiently.

The Workforce Strategy provides a link between service and strategic objectives and associated workforce implications. In addressing the human resource requirements for Council's Delivery Program the Workforce Strategy spans four years and considers all potential resources and knowledge requirements.

About Ku-ring-gai

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

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

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

Key demographic features of the area include:

- Ku-ring-gai's estimated resident population was 116,569 in 2012, up from 105,103 in 2006, giving an annual growth rate of 1.74%. Between 2011 and 2012 Ku-ring-gai's population increased by 1,865 or 1.6% compared with 1.3% for Greater Sydney.
- The population is expected to reach over 130,000 people by 2036.
- Cultural diversity is also increasing consistent with trends across Greater Sydney. New residents are mainly from Chinese and Korean backgrounds along with residents from the UK, South Africa and Europe.
- Ku-ring-gai's demographic profile shows a fairly unique age profile for Sydney with substantial numbers of ageing and families with children aged 5-17 years compared to the average for Greater Sydney.
- There is a significantly smaller proportion of young working age (25-34 years) at 7.2% compared to 15.4% in Greater Sydney
- There are more couple families with children at 46%, compared with 34.8% in Greater Sydney

Key assumptions

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

- The number of rateable properties in Ku-ring-gai is expected to increase from 40,556 to approximately 44,984 by 2024.
- Business as usual – services and service levels will remain at similar levels unless otherwise identified.
- Efficiencies – Council must continually investigate and adopt service delivery and process efficiencies so that rates remain within capped levels.
- Strategic direction – the broad themes and aspiration in the Community Strategic Plan *Our Community-Our Future 2030* will be regularly reviewed but are unlikely to change significantly over time.
- External funding – fixed term external grant funding such as the Waste Less, Recycle More (Waste and Resource Recovery Initiative) or our Environmental SRV may cease in the future at which point delivery of the associated programs may finish.
- Infrastructure – we must prioritise funding for asset renewal based on community consultation and technical assessment.
- Financial sustainability – Council seeks to be financially sustainable, which means that it must achieve a fully funded operational position, maintain sufficient cash reserves, have a fully funded capital program and must maintain its asset base.

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

- Inflation (CPI) between 2.2% and 2.8% per annum is applied across all years
- The annual rates increase is limited to the rates pegging amount of 2.3% set by IPART across all years. Council's dependence on rates and annual charges is approximately 53%.
- Rates growth is expected to increase by 0.7 % per annum across all years through increased development.
- User charges and fees are expected to increase by an average of 2.6% per annum. Council derives approximately 11% of total income from user charges and fees.
- Total income is forecast to increase by an average of 4.3 % per annum
- New infrastructure to support property growth will be funded by s94 contributions
- Significant asset sales over the next three years will be used to reduce debt that funded the new operational building in 2012/13 (the service relocation project) and the major swimming pool redevelopment. Assets sales are also required to fund Council's co-contribution for developer contribution funded works.

Key challenges

Condition of our roads

Maintaining road assets to a satisfactory condition continues to be a key challenge in Ku-ring-gai. Roads are both critical assets (consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation) and high priority assets (as identified through community consultation). At present 56% of our roads are in a poor condition.

Infrastructure renewal

As with road assets, there is a significant shortfall in funding for long-term renewal of all our infrastructure asset classes. The required funding to our assets currently identified in a poor condition is estimated at $16.5 million per annum. The average annual budgeted amount is $12.5 million per annum, resulting in a funding gap of $4 million. This has resulted in the deteriorating condition of community infrastructure assets.

Funding shortfalls for infrastructure asset renewal is a well-documented problem facing local government. In 2005, it was estimated that in NSW alone the asset renewal backlog was around $6 billion, and forecast to rise to almost $12 million over the next 15 years.

Recent community consultation identified roads, footpaths and stormwater drainage as the main Council service areas in need of additional resource allocation, with community building, parks and playgrounds also mentioned as priorities.

Rate pegging

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

Special rates variations

Three Special Rate Variations are projected in the LTFP**.** These are;

- The SRV - Infrastructure
- The SRV - Environmental

- The SRV - New Facilities

In 2013, Council applied to IPART for a continuation of the SRV for Infrastructure for a further five (5) years. However, IPART only granted Council a further one (1) year extension of this SRV until 30 June 2014. As a result, further analysis has been undertaken in consultation with the community to determine the level of support for Council to apply for a Special Rate Variation that funds the renewal and upgrade of all our community and infrastructure assets.

Based on the result of the community engagement a resounding 81% of ratepayers are in support of continuing the SRV in perpetuity for local roads improvements.

It also became apparent to Council staff that more work and analyse needs to be carried out with the community before embarking on a further SRV application to fund the renewal and upgrade of all our community and infrastructure assets. This is due to the fact that there are currently three SRV's in place and Council is cognisant of over burdening our ratepayers. These SRV's are discussed further below.

An eight year environmental SRV is in place for special environmental programmes such as stormwater harvesting systems and bushland and waterway rehabilitation. This formally expires in 2018/19, although it is Council's intention to seek renewal of this SRV.

The new facilities SRV used to fund the Turramurra Recreational Facility expires in 2014/15, and although there is currently no plan to renew it further investigations into the required funding for the renewal and upgrade of all our community and infrastructure assets needs to be completed with the community.

If the infrastructure and environmental levies cease, further pressure will be put on council's ability to fund maintenance and renewal of its assets.

Asset Sales

Council has resolved to fund specific civic and community projects through the sale of under-utilised or surplus assets (property). These projects are intent on delivering new civic and community assets and infrastructure either through the acquisition and development of new facilities and/or through Council's co-contribution to deliver facilities and infrastructure identified in the Ku-ring-gai Contributions Plan 2010. The Contributions Plan works program for the next 10 years requires a co-contribution from Council of $54 million which has been included in the LTFP. In addition, Council has resolved to progress and fund the following projects through assets sales;

- Acquisition 828 Pacific Highway Gordon as Council's new Civic and Administration Centre
- West Pymble Pool & Aquatic Centre

The reasoning for Council to divest of these assets is to ensure that our financial sustainability is maintained without the dependency on large long term borrowings and associated interest expense, that adequate funding is invested into asset renewal and upgrade of existing assets, and to reduce the impact of the financial burden on the community through additional levies.

The LTFP identifies assets sales as a medium to long term funding strategy which relies on the reclassification of land from Community to Operational. This will require current and future Councils to sustain decisions made by previous Councils to ensure our fiscal sustainability identified in the LTFP is achieved.

Asset information

Asset information is incomplete for some asset classes and asset components, such as stormwater and road structures and street furniture. Without accurate information on the condition and capacity of our assets it is difficult to accurately determine the required funding. Ongoing inspections and assessments are required to improve asset information and mitigate risk.

Growth

With population growth, there will be an increasing demand for new and enhanced assets and services. Council spends approximately $22 million per annum to fund new and upgraded assets which are predominantly funded through Development Contributions. These assets will require maintenance and renewal in the future, exacerbating the funding shortfall and backlog of asset renewal. As cultural diversity and ageing increases, there will be competing demands for services, programs and access to community facilities,

Workforce challenges

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

Our options - scenario planning

The Resource Strategy considers two options or ‘scenarios’ to address the key challenges facing the Council. The two scenarios are explored in detail to determine the impact on Council’s funding, workforce and assets.

The two scenarios are outlined below and are discussed in more detail in the LFTP and Asset Management Strategy.

1. Scenario 1 – Base case without the continuation of Special Rate Variation (SRV) for Infrastructure

Under this scenario, it is assumed that the application to IPART for the continuation of the SRV for Infrastructure that contributes to the renewal of Council’s road network is unsuccessful. As a result the LTFP and recurrent budget for infrastructure renewal would be reduced by the amount of the SRV ($2.7 million annually constant prices). Over time the infrastructure renewal backlog would increase and the condition of our roads and other assets deteriorate, impacting negatively on overall amenity and quality of life in Ku-ring-gai. Further this would unfairly defer or shift the financial burden for renewing assets to future generations.

2. Scenario 2 – Continuation of the SRV for Infrastructure

This scenario represents a continuation of the current level of funding and expenditure. It assumes the application to IPART for the continuation of the SRV for Infrastructure that contributes to the renewal of Council’s road network is successful and becomes a permanent rates increase. This scenario would continue to reduce the funding gap between what the council spends on roads and the projected funding required to renew assets to an acceptable condition. This scenario is considered financially sustainable.

Scenario 3: Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

The “Closing the Gap” Scenario represents Scenario 2 (the base case scenario plus additional income from the SRV for Infrastructure), and an additional $44.650 million over 10 years capital investment required to renew our infrastructure assets to service levels identified in recent community consultation. This scenario seeks to develop an adequate infrastructure renewal program to ensure that the community continues to be served by its assets at their desired level.

If Council was to close the annual asset renewal gap over the 10 years of this LTFP, additional funds of $44.650 million will need to be found on top of the proposed special rate variation for Infrastructure.

Projected financial statements have not been produced for this scenario, as this is currently unfunded and does not meet most of the financial sustainability tests identified in the LTFP. The scenario is work in progress and requires significant financial analysis and modelling to determine future revenue streams and funding sources to address the shortfall between required expenditure and current affordable expenditure.

Our proposal

Council's optimal scenario is Scenario 2. This scenario assumes the continuation of the SRV for Infrastructure. This scenario provides the best balance between maintaining the condition of priority assets to contribute to the quality of life and amenity of Ku-ring-gai and ongoing financial sustainability.

ADOPTED LONG TERM FINANCIAL PLAN
2014/15 - 2023/24

Ku-ring-gai Council
SERVIENDO GUBERNO

This Plan has been prepared by Ku-ring-gai Council to support the delivery of its long-term strategic direction.

It forms part of the Resourcing Strategy for the Community Strategic Plan and Delivery Program and should be read in conjunction with these documents.

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INTRODUCTION

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

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

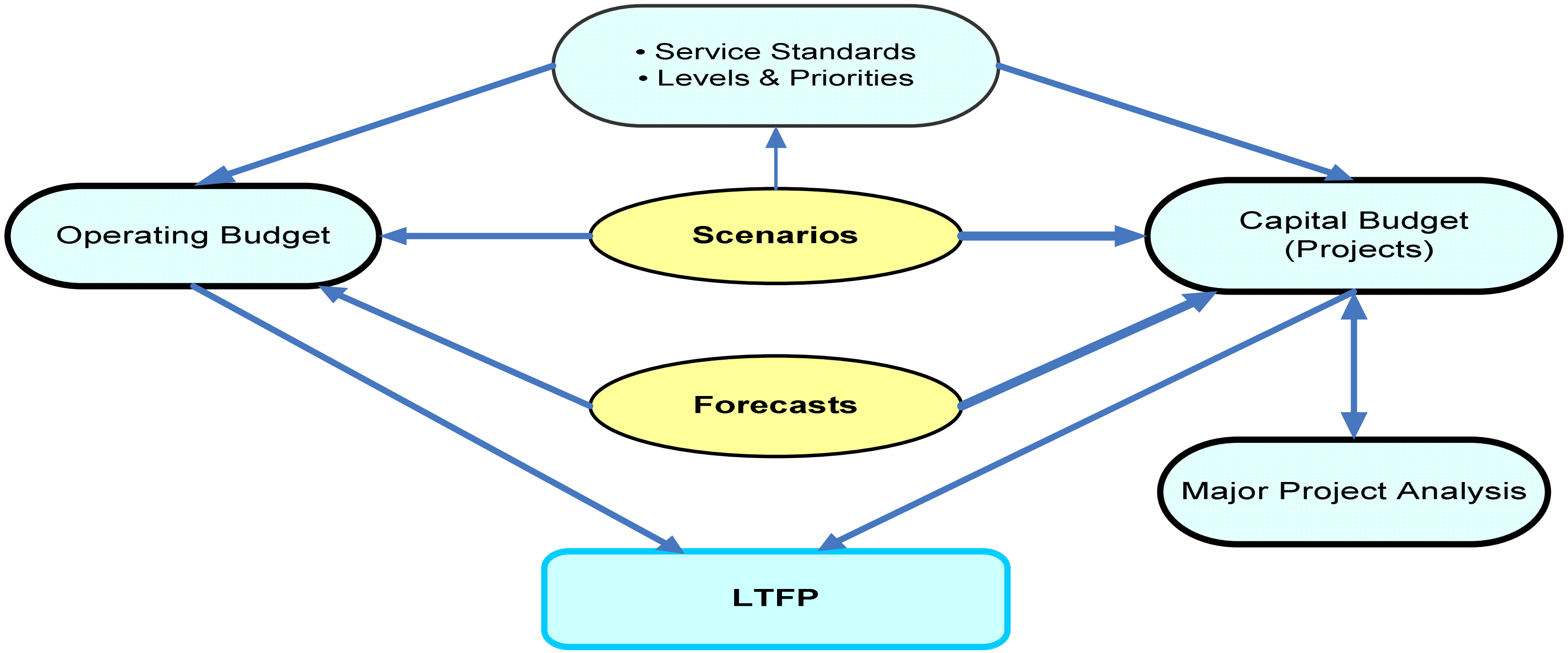
The LTFP includes:

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

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

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

Long Term Financial Plan
Elements of the Plan



OVERVIEW

Ku-ring-gai Council's current Long Term Financial Plan (LTFP) covers the period 2014/15 to 2023/24. 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 (2030).

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. Council first adopted an LTFP on 4 December 2001 for a ten year period commencing 2002/03. Since that time, it has been the core document used to guide all financial planning within Council and is the basis for annual budgets and the preparation of the Delivery Program and Operational Plan.

Ku-ring-gai Council is in a sound financial position. The LTFP provides for Operating Surpluses after allowing for the depreciation expense on Council's $474 million portfolio of 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 manage its debt funding for major projects via the divestment of property assets.

Council has identified increasing funding for infrastructure renewal as a key priority. Two main scenarios have been outlined in detail in the LTFP for consideration. The scenario that Council wishes to follow is one it believes best addresses the infrastructure renewal requirements that have been identified. This scenario includes the continuation of a Special Rate Variation (SRV) for Infrastructure. Continuation of this SRV will require the approval of IPART. If the continuation of the SRV for Infrastructure is approved, Council will be able to continue to close the gap between the required level of infrastructure renewal funding and the actual funding available.

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 these principles into action by formulating and applying specific objective tests of financial sustainability to the LTFP and its scenarios:

1. Maximise funds available for projects to upgrade or renew infrastructure by:

- Maximising the operating profit before capital items
- Prioritizing the use of Council cash reserves
- Borrowing in accordance with policy
- Timing project expenditure over a longer period and linking to funds availability

2. Satisfy applied tests of financial sustainability:

- 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')
- Maximum debt service ratio of 4% in any one year (industry green light benchmark less than 10%).
- Achieve an operating surplus (excluding capital grants and contributions),
- Maintain a minimum level of internal discretionary cash reserves (excluding liability cash reserves) of 10% of revenue
- Maintain a minimum level of s94 Development Contribution reserves of $5m
- Only capital items to be funded from cash reserves
- Proceeds of asset sales returned to reserves for expenditure on new assets or major asset refurbishment

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 three years, the Debt Service Ratio test will not be satisfied due to:

- The LIRS (Local Infrastructure Renewal Scheme) loan, and
- The special loan for the Services Relocation Strategy which will have major repayments of principal, in excess of required minimums, timed to coincide with asset sales.

Thus, the Plan is still regarded as sustainable as both of these projects involve loans which have known sources of repayment.

3. Borrowing Strategy

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

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

As borrowings are usually the highest cost source of funds:

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

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. These forecasts consider both changes in price levels for individual items as well as the benefits of ongoing productivity improvements.

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

Scenario 2 - Continuation of the Special Rate Variation for Infrastructure

Scenario 3 - Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

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.
Council's optimal scenario is Scenario 2, which assumes continuation of the SRV for Infrastructure as this will help address the asset renewal backlog. As this requires approval from an external authority, the Independent Pricing and Regulatory Tribunal (IPART), it cannot be the Base Case scenario. The Base Case scenario is non-optimal, but is the only one that can be delivered without external approval. Council has resolved to apply to IPART under Section 508(2) of the Local Government Act to continue this SRV permanently.

Both scenarios are modelled for a period of 10 years. Each of them considers the impact on key financial indicators in the LTFP, current service levels and asset management. The forecast income statement, balance sheet and cash flow statement for the scenarios are provided in appendices to this report.

Scenario 3 requires funding, in addition to the Special Variation for Infrastructure, in order to meet the identified target renewal expenditure levels. This level of funding is not achieveable without significant additional revenue or reduction in operational services.

Scenario 1 – Base Case Scenario without continuation of the SRV for Infrastructure

The base scenario of the LTFP shows the financial results of delivering the current level of service as per the 2013/14 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document. As with other scenarios, this scenario is modelled to address Council's renewal assets gap as much as possible. The adopted principle under this scenario is that all available surplus funds will be diverted towards Council's assets renewal as a priority.

This scenario is sustainable according to the recognised financial sustainability measures and can be delivered, however, it does not address the asset renewal backlog and community concerns about the roads network. This scenario identifies the impact of not receiving the continuation of the SRV for Infrastructure starting from 2014/15 onwards. The associated road works that this levy will fund is also eliminated.

Council's revised Asset Management Strategy and the updated Roads and Transport Asset Management Plan confirm the need to increase the level of funding for roads to address the backlog. Several research surveys have also been undertaken with the Community to identify the service level requirements. These surveys confirmed that roads represented the highest concern in the community. If Council does not get an approval for the continuation of the Special Rate Variation, it will not be possible to maintain Council's roads to this service level standard in the future.

Capital expenditure

Capital expenditure is based on the current and projected capital works program and Council's Asset Management Strategy (AMS). Council's AMS outlines the renewal strategies for each assets class. These include Roads and Transport, Buildings, Drainage and Recreational Facilities. The AMS also provides and quantifies the required renewal expenditure to close the assets renewal gap. As indicated above, all available surplus funds have been allocated towards partially funding this gap for the next 10 to 20 years. The required renewal funding is based on the cost to renew assets currently in a poor condition.

The required renewal expenditure as per the AMS is displayed below.

Required Renewal Expenditure	Current prices ($M)		Future prices ($M)	
Asset Classes	**1 Year**	**10 Year**	**1 Year**	**10 Year**
Roads and Transport	12,151	121,510	12,151	140,213
Drainage	1,500	15,000	1,500	17,309
Buildings	2,398	23,980	2,398	27,671
Recreational facilities	467	4,670	467	5,389
Total	**16,516**	**165,160**	**16,516**	**190,581**

The base scenario allocates capital funding as follows:

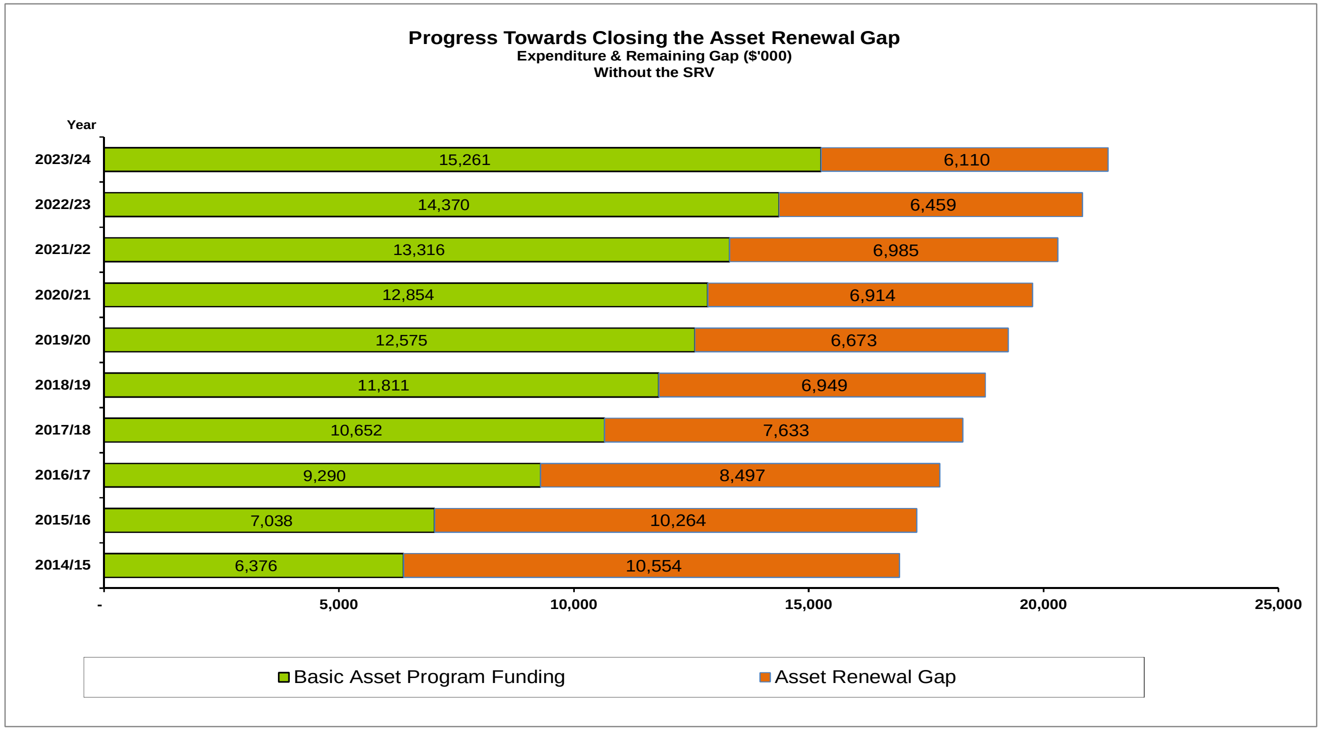
Projected Capital Expenditure

Scenario 1 - Without the SRV

Capital expenditure by category	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
$'000	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Planning, Community & Other	3,623	2,266	2,202	2,346	2,415	2,504	2,569	2,651	2,780	2,898
Roads & Transport	8,502	15,070	13,408	19,725	10,807	20,242	15,636	18,863	16,660	23,673
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,301	27,047	15,425	21,860	12,406	31,199	15,595	7,418	5,036	7,036
Stormwater Drainage	455	620	774	902	1,568	1,659	1,700	1,771	1,937	2,078
Council Buildings	1,660	770	1,056	18,438	1,758	11,871	1,978	2,069	2,303	22,633
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**29,937**	**47,143**	**35,117**	**65,451**	**30,133**	**68,078**	**37,748**	**33,049**	**29,498**	**58,610**

Table below displays the Asset renewal gap after additional funds from cash reserves (subject to maintaining target KPI's for liquidity/reserves) allocated towards assets renewal, but without the SRV. Even with the investment of additional funds from cash reserves, the renewal gap remains significant. The loss of funding from the SRV would also have a negative impact on the funding shortfall, as this will grow in a compound way over time as shown below.

Assets Renewal Funding ($M)	10 Year										
Future Prices	Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,543	6,376	7,038	9,290	10,652	11,811	12,575	12,854	13,316	14,370	15,261
Projects funded by SRV	-	-	-	-	-	-	-	-	-	-	-
Asset Renewal Gap	77,038	10,554	10,264	8,497	7,633	6,949	6,673	6,914	6,985	6,459	6,110



The total length of each individual bar in the chart above shows the estimated expenditure required each year to adequately maintain and renew Council's community assets. This grows into the future with inflation of the cost of the works required. The components of the bar chart are divided into:

- (green section) - The amount met from Council's traditional level of asset renewal expenditure programs
- (red section) - The remaining asset renewal gap (funding shortfall)

Table below displays the balances of internal and external cash reserves under the Scenario 1.

Projected Internal Cash Balance Reserves

Scenario 1 - Without the SRV

Cash Reserve Balances **$'000**	**Budget** **2014/15**	**Projected** **2015/16**	**Projected** **2016/17**	**Projected** **2017/18**	**Projected** **2018/19**	**Projected** **2019/20**	**Projected** **2020/21**	**Projected** **2021/22**	**Projected** **2022/23**	**Projected** **2023/24**
Internal Liability Reserves	4,050	4,250	3,800	4,010	4,230	4,450	3,950	4,180	4,420	4,670
Internal Project Reserves	10,810	11,220	11,860	12,440	12,830	13,180	13,510	13,980	14,490	14,640
Total Internal Reserves	**14,860**	**15,470**	**15,660**	**16,450**	**17,060**	**17,630**	**17,460**	**18,160**	**18,910**	**19,310**

Scenario 2: Continuation of the SRV for Infrastructure

This Scenario represents the base case scenario plus additional income from the SRV for Infrastructure and increased expenditure on Infrastructure assets funded by this income.

This scenario is Council's preferred one and is also considered sustainable. The LTFP has assumed in this scenario that the levy will be continued permanently. Council considers that this increase in funding is necessary to address the current renewal backlog and meet community expectations in regard to service levels and the management of essential community assets.

Income from the continuation to the Infrastructure Levy will be used entirely to fund Council's road works.

It is estimated that the special rates variation will produce the following increase in Council revenue over the next 10 years to 2023/24.

$M	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Special Rate Variation	2,752	2,851	2,965	3,083	3,200	3,319	3,445	3,576	3,708	3,845
Less: Pensioner Rebates	- 24	- 24	- 24	- 25	- 25	- 26	- 26	- 26	- 27	- 27
Levy available for Infrastructure Projects	**2,728**	**2,827**	**2,941**	**3,058**	**3,175**	**3,293**	**3,419**	**3,550**	**3,681**	**3,818**

Pending approval for an ongoing levy Council will receive approximately $32.5 million in total over a 10-year period. If continuation of the special rate variation is not approved, the roads program will need to be reduced by eliminating levy funded projects, so that the total program value each year equals only the funding available from other sources, as factored into the Base Scenario above. The levy ensures that Council has the capacity to provide additional funding to reduce the infrastructure gap, and continue to bring Council's roads to a fair standard within an established time frame. The benefits of bringing Council's roads to a satisfactory standard will help reduce the annual maintenance requirements as well as the cost of future road works.

Scenario 2 allocates capital funding as follows (note that these figures include expenditure on some new assets, largely funded from Development Contributions):

Projected Capital Expenditure

Scenario 2 - With the SRV

Capital expenditure by category $'000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Planning, Community & Other	3,611	2,265	2,201	2,347	2,415	2,504	2,569	2,652	2,781	2,898
Roads & Transport	11,133	17,892	16,339	22,791	13,976	23,536	19,050	22,418	20,345	27,491
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,236	27,045	15,420	21,867	12,403	31,201	15,594	7,424	5,042	7,039
Stormwater Drainage	432	619	772	904	1,567	1,660	1,700	1,773	1,939	2,079
Council Buildings	1,625	768	1,053	18,441	1,756	11,872	1,978	2,072	2,306	22,635
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**32,433**	**49,959**	**38,037**	**68,530**	**33,296**	**71,376**	**41,161**	**36,616**	**33,195**	**62,434**

The balances of internal and external cash reserves under Scenario 2 are shown below:

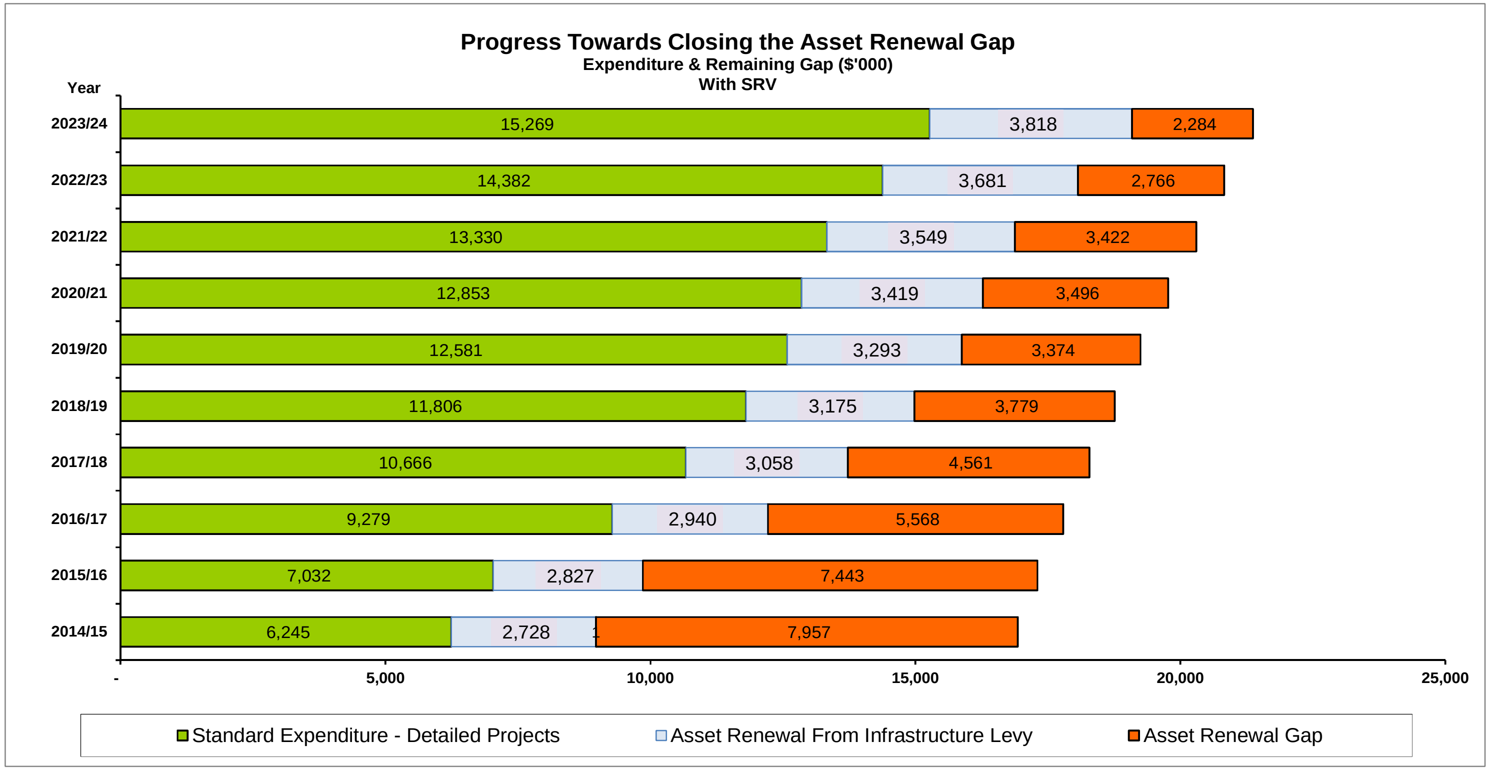
Projected Internal Cash Balance Reserves

Scenario 2 - With the SRV

Cash Reserve Balances	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
$'000	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Internal Liability Reserves	4,050	4,250	3,800	4,010	4,230	4,450	3,950	4,180	4,420	4,670
Internal Project Reserves	11,080	11,500	12,180	12,740	13,150	13,510	13,870	14,340	14,860	15,010
Total Internal Reserves	**15,130**	**15,750**	**15,980**	**16,750**	**17,380**	**17,960**	**17,820**	**18,520**	**19,280**	**19,680**

The table and chart below displays the Asset renewal gap after additional funds allocated towards assets renewal (with SRV). The additional income from the SRV has a positive impact on the size of the future asset renewal gap, reducing it by the amount of the levy. The chart is similar to the chart in Scenario 1 but shows the additional reduction in the asset renewal gap caused by the levy.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Special Rate Variation	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Asset Renewal Gap	**44,650**	**7,957**	**7,443**	**5,568**	**4,561**	**3,779**	**3,374**	**3,496**	**3,422**	**2,766**	**2,284**



Scenario 3: Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

The "Closing the Gap" Scenario represents Scenario 2 (the base case scenario plus additional income from the SRV for Infrastructure), and an additional $44.650 million over 10 years capital investment required to renew our infrastructure assets to service levels identified in recent community consultation. This scenario seeks to develop an adequate infrastructure renewal program to ensure that the community continues to be served by its assets at their desired level.

If Council was to close the annual asset renewal gap over the 10 years of this LTFP, additional funds of $44.650 million will need to be found on top of the proposed special rate variation for Infrastructure. If additional revenues cannot be raised an option would be to reduce operational costs, however this will require significant cuts to existing services. Another option available to Council would be to borrow the funds with the resulting impact on debt levels and operational cost. As all revenues are committed to fund existing operational expenditure plus asset renewals the actual amount borrowed would be much higher as Council would also need to borrow to fund the interest costs on the loans. The extra borrowing will also be in contravention of Council's borrowing strategy in that it has no significant future cash flow benefit and the debt could only be serviced by eliminating or curtailing other capital works projects. In the long term borrowing for infrastructure renewal is not sustainable.

Projected financial statements have not been produced for this scenario, as this is currently unfunded and does not meet most of the financial sustainability tests identified in the LTFP. The scenario is work in progress and requires significant financial analysis and modelling to determine future revenue streams and funding sources to address the shortfall between required expenditure and current affordable expenditure. Council is not prepared to consider borrowing for this shortfall until it can be assured that it will only be addressing a short-term requirement and that there would be future asset renewal reductions to enable the debt to be repaid.

The table below shows that Council requires funding of $44.650 million from unidentified sources to close the assets renewal gap.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure - Detailed Projects	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Infrastructure Levy (SRV)	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Closing the Gap - unidentified funding	44,650	7,957	7,443	5,568	4,561	3,779	3,374	3,496	3,422	2,766	2,284
Asset Renewal Gap	-	-	-	-	-	-	-	-	-	-	-

LTFP ASSUMPTIONS & SENSITIVITY ANALYSIS

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

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

CPI Forecast: An annual **2.2%** 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 averaging an annual increase of **2.3%.** In addition, the LTFP assumes an increase of **0.7%** annually resulting from population and property growth. The LTFP assumes continuation of the special rate variations for Infrastructure for Environmental for the ten year period. The New Facilities SRV rate was primarily designed to fund 2 major community sport and recreation facilities and will expire in 2014/15 with completion of the projects.

Fees and charges are expected to increase by **2.8%** annually in line with LGCI. Charges for domestic and trade waste have been increased to reflect cost increases in providing the service.

Investment revenue has been estimated based on current cash levels and future expected earnings of BBSW + 0.7% over the 10 year period. The annual interest rate is estimated to **3.9%** for 2014/15, **4.4%** for 2015/16, **5.3%** for 2016/17 and **5.4%** for the remaining years to 2023/24.

Grants for both Recurrent and Capital purposes have been increased by **2.2%** as per CPI.

Proceeds from Asset Sales are projected in the LTFP for the life of the plan. The next 3 years are the most critical as the proceeds from sale will be used to discharge the external loan to fund the new Council's operational building.

Employee costs have been estimated based on agreed award increases. Superannuation and workers compensation have been factored by the same rate, which is an average of 3% per year.

Operational materials and contracts expenditure are estimated to increase by **2.2%** as per CPI, **2.6%** for 2015/16, **2.8%** for 2016/17 and **2.6%** for the remaining years. **Capital materials and contracts** expenditure is assumed to increase by an average **2.6%.**annually based on ABS' infrastructure index.

Borrowing Costs have been estimated based on 200 basis points over 90 day BBSW per annum. The annual interest rate is estimated at **4.7%** for 2014/15, **5.7%** for 2015/16, **6.6%** for 2016/17, and **6.7%** for the remaining years to 2023/24

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.

	Impact	***Comment***
Revenue		
Inflation/CPI	*Low*	Changes in inflation will affect both revenue and expenditure, but increases in the assumption are likely to be negative for the projected operating surplus.
Rates Income – Rate Peg	*Moderate to Significant*	The rate peg for 2014/15 announced by IPART is 2.3%. Rates income also assumes rates growth of 0.7% per annum through increased development. Changes in rate pegging will affect revenue forecasts, and these will have a moderate impact on the LTFP Model, compared to the calculations using the average LGCI. Non-achievement of property and rates income growth forecasts will directly affect provision of new infrastructure and the rate at which existing infrastructure can be renewed.
Investment Earnings and Interest Expense	*Moderate*	Investments are placed and managed in accordance with the Council's adopted Investment Policy in compliance with the Local Government Act. As a custodian of the community's funds, the Council ensures funds are invested with the same care, diligence and skill that a prudent person would exercise. Council's investments portfolio is subject to fluctuations in interest rates. Interest Rate risk is closely managed where it affects Council's investments income. 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.
Proceeds from Asset Sales	*Significant*	The LTFP assumes sale of assets for the 10 years. Proceeds from asset sales will be used to discharge external borrowings and associated interest that funded the acquisition of the operational building during 2012/13 financial year. The loan is planned to be discharged by 2016/17. If the proceeds and timing of sales are not realised as per the plan, this will have a major impact on Council's key financial indicators. Operating result and working capital will deteriorate, borrowing costs will

	Impact	*Comment*
Revenue		
		increase. This will also have a negative impact on council services over an extended period, as capital expenditure will be cut and available funds will be used towards repayment of borrowings. Asset sales are also forecast to be used to fund Council's co-contribution in its s94 Developer Contributions plan. If these asset sales are not realised, either cuts to services and other capital would have to be made or alternatively the s94 projects requiring Council co-contributions would have to be deferred or deleted from the program.
Grants	*Low for specific purpose grants.* *Moderate/Significant for general purpose grants*	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. A number of the grants that are received, fund specific programs that may not be offered by the Council if the grants were eliminated. An example of this type of grant is WASIP (Waste Sustainability Improvement Payment Program). The general purpose component of the Council's Financial Assistance Grant is currently $3.2 million. If this grant were reduced or eliminated, the Council would need to consider significantly reducing capital expenditure and operating service levels.
Expenditure		
Employee Costs	Significant	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.
Borrowing costs	*Moderate*	Council's outstanding loan balance is expected to decrease to $36.5 M 2014/15. This includes a line of credit loan where interest capitalises and is discharged by future asset sales. This carries the risks highlighted above.

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

Sensitivity Analysis				
Income & Expenditure Categories	**Assumption**	**2014/15 Base $'000**	**Sensitivity to a 10% variation in the assumption $**	**Sensitivity to a 20% variation in the assumption $**
INCOME:				
Rates	3.00%	57,568	+/-172,704	+/- 345,408
Annual Charges	10.00%	19,204	+/- 192,040	+/- 384,080
Fees & Charges	2.80%	15,700	+/- 43,960	+/- 87,920
Operating Grants	2.20%	5,906	+/- 12,993	+/- 25,986
Interest on Investments	3.90%	3,745	+/- 14,606	+/- 29,211
Other Income	2.80%	9,165	+/- 25,662	+/- 51,324
EXPENDITURE:				
Employee Costs	3.05%	36,620	+/- 111,691	+/- 223,382
Borrowing Costs	4.70%	2,087	+/- 9809	+/- 19,618
Materials & Contracts	2.20%	34,791	+/- 76,540	+/- 153,080
Depreciation	(5%/10%)	19,486	+/- 97,430	+/- 194,860
Other Expenditure	2.20%	18,576	+/- 40,867	+/- 81,734

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

HIGHLIGHTS OF THE LONG TERM FINANCIAL PLAN

Financial Performance Summary – Forecast

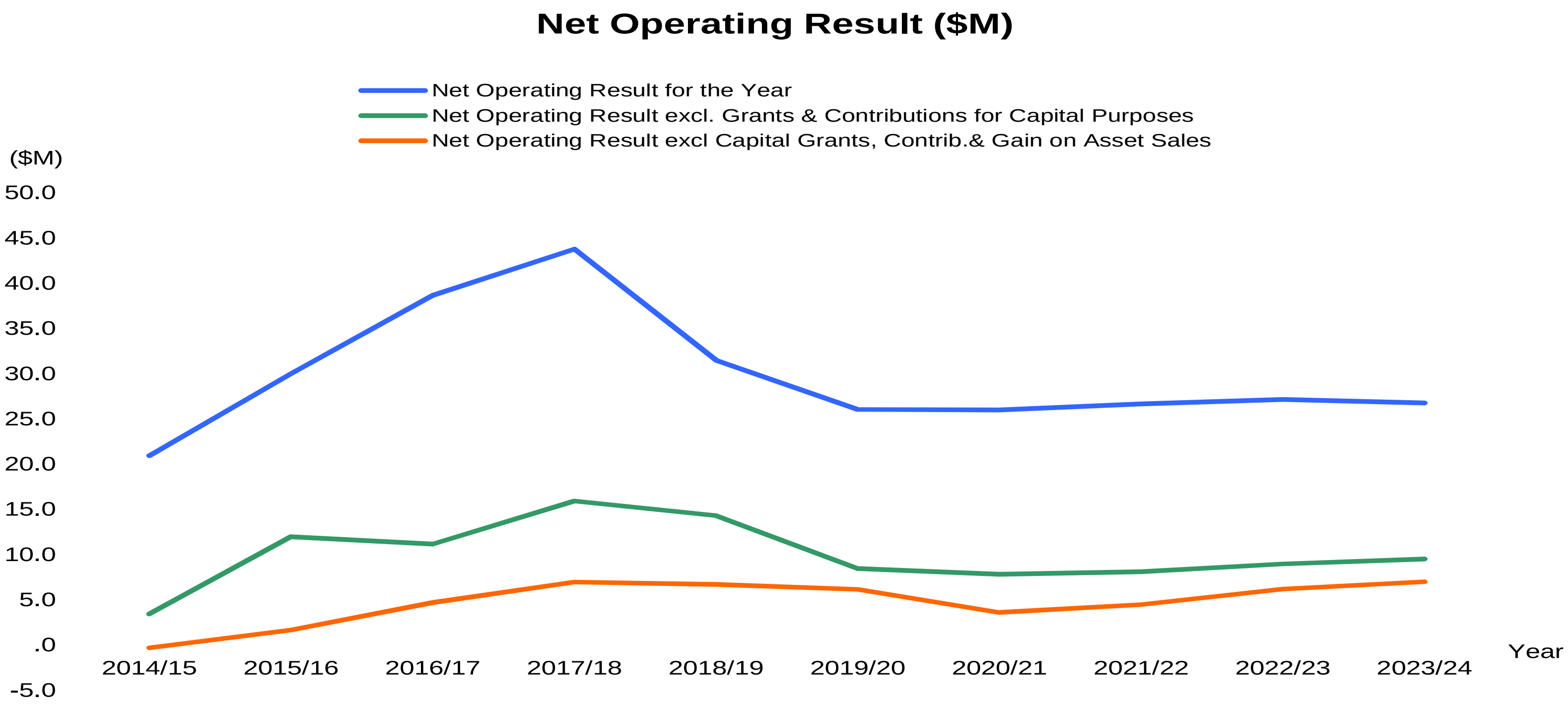
Ku-ring-gai Council's LTFP details Council's expected income, operational and capital expenditure within the external environment that Council is expected to face in future. The following forecast summary on financial performance is based on Scenario 2. This Scenario represents the base case scenario plus additional income from the continuation of the SRV for Infrastructure and increased expenditure on Infrastructure assets funded by this income. This is Council's optimal scenario and is subject to approval by IPART.

Operating Result

The operating result after accounting for capital items is a surplus in all projected years. The overall trend in operating result is improving over the forecast period due to revenue growth (averaging 4.5% p.a.) outstripping expenditure growth (averaging 3.3% p.a.). Revenue growth is driven by rates and annual charges, user fees and charges and other revenue. Another factor in increased revenue is the inflow of additional funds from the property development activity that is expected to grow the rates base.

The strong results in 2015/16 and 2017/18 are primarily due to forecast gains from sale of assets from the services relocations project. The proceeds from these sales are restricted and will be solely used to discharge future borrowings for this project.

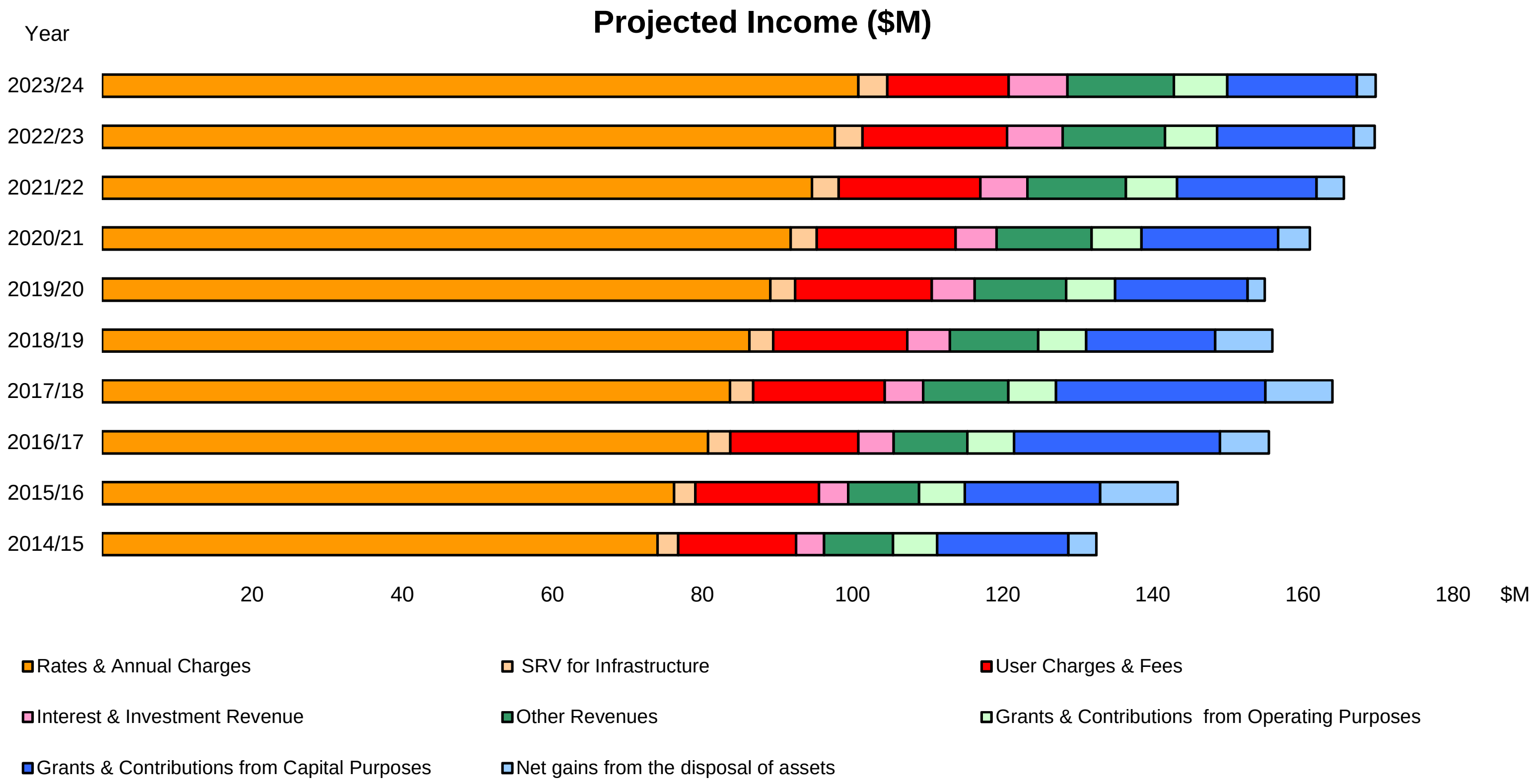
The graph below shows the forecast operating result before and after capital grants and contributions items and income from sale of assets. The Net Operating Result for the year includes capital grants and contributions as well as asset sales revenue. These are items that Council has no control over, therefore it is more appropriate to focus on the operating result that excludes capital items and assets sales. The elimination of these items are made to focus on analysis of core operating council's results.



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 $132.5M in 2014/15 to $172M over the ten years, which is an average of 3.3% increase per year. The projected income for the forecast period is detailed in the chart below.



Rates Income & Annual Charges

Council's dependence upon rates income and annual charges is approximately 56%. The rest of the costs of Council's operations are funded from non-rates income. Increased income from rates is due to the forecast development activity leading to additional dwellings which will be allocated to Assets Renewal from 2014/15 onwards and have been incorporated into the LTFP scenarios.

Three special rate variations are included in the LTFP:

- The SRV for Infrastructure is due to expire in 2013/14 and Council will apply to IPART for a permanent continuation from 2014/15 onwards. This is explained in more detail under the scenario section of this document. The SRV for infrastructure is used to renew infrastructure assets.
- SRV for Environmental - An 8 year environmental levy is in place for a special environmental program. This formally expires in 2018/19, although it is Council's intention to seek renewal of this levy. Accordingly, the LTFP assumes continuation of the program of works that it funds and continuation of the levy.
- SRV for New Facilities – used to fund North Turramurra Recreational Facility. This expires in 2014/15.

Council derives approximately 10% from user charges & fees and these are forecast to increase by an average of 3.2% per year over the forecast period primarily driven by expected revenue from the services relocation project.

Interest Income

Council has forecast an earning rate on its investments of the expected BBSW rate + 0.7% 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 5.3% 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. These grants are indexed each year for increases in CPI and population. Financial assistance grants consist of two components both of which are distributed to councils: general purpose component and a local road component.

Capital Grants

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

Developer Contributions

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

Some of the works to be undertaken in the s.94 plan cater for the existing population and these works require a co-contribution from Council's general funds. Revenue from divestment of Council property assets will be used to meet Council's commitment in its s.94 Developer

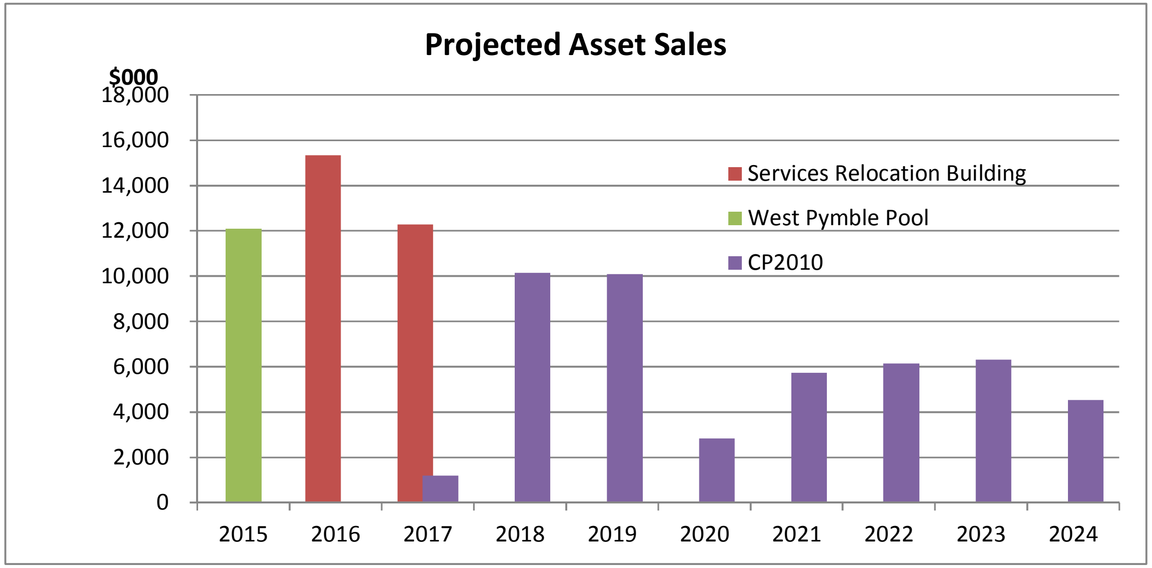
Contributions Plans for co-contributions of general revenues to accompany developer contributions. The amount of funding required from property asset divestment over the 10 years of the LTFP is $54 million.

Income from Asset Sales

This income from asset sales is from rationalisation of property assets that will start in 2014/15. Planned asset sales are to fund:

- Capital and interest costs for the Service Relocation Project and the new West Pymble Aquatic Centre. These are planned to occur over 3 years starting from 2014/15 onwards.
- Council's co-contribution for projects identified in the Development Contributions Plan 2010. These sales are planned to commence in 2015/16 and continue over a 10 year period as Contribution Plan projects proceed.

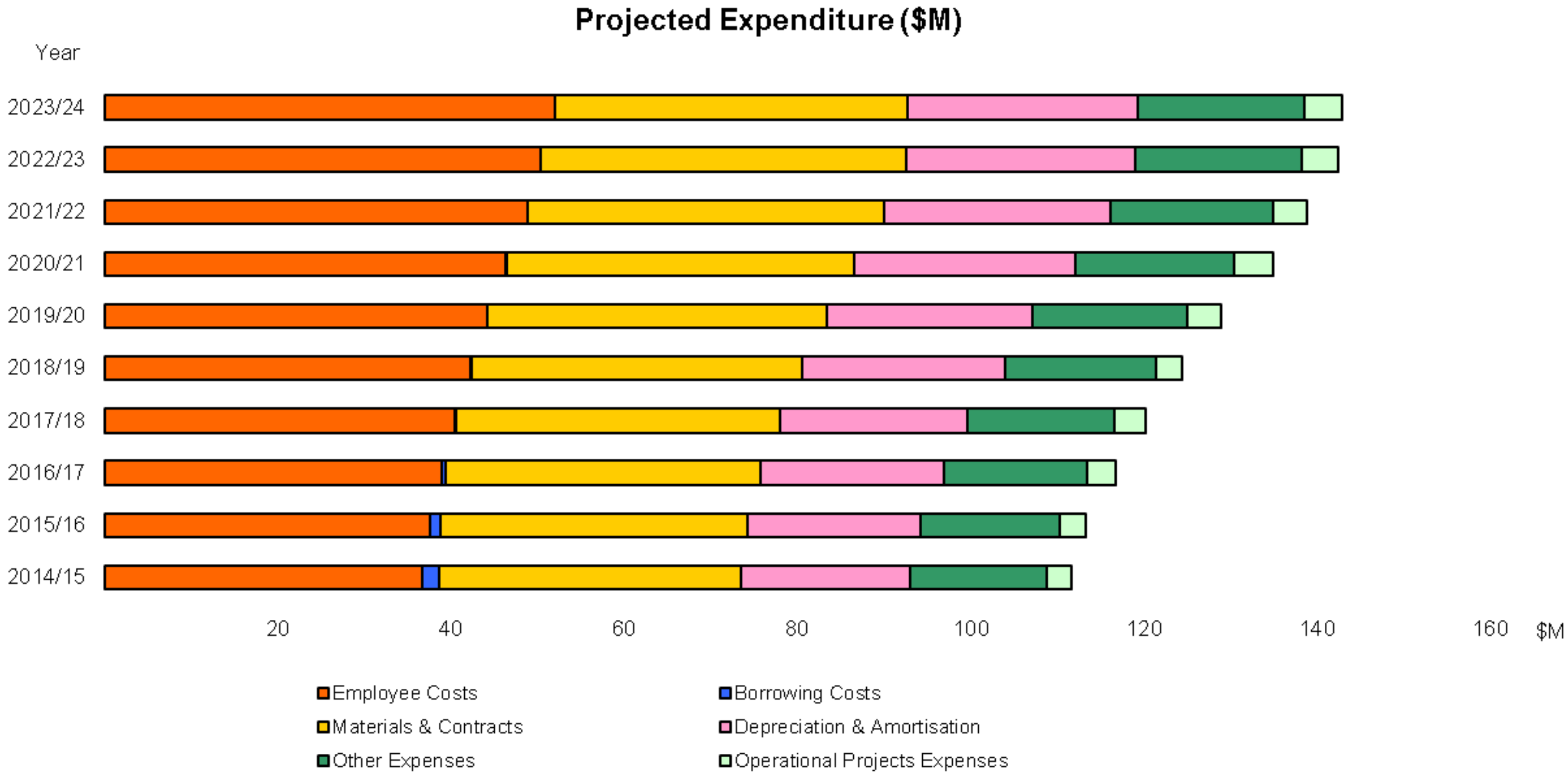
Chart below provides projected asset sales over a 10 year period and identifies the projects to which the funding will be allocated.



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 3.2% 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 4.3% p.a. over the forecast period. Employee related expenditure is the largest expense type incurred by Council. Council currently employs 418 staff members. The LTFP reflects the Workforce Strategy and does not allow for increase in Council's workforce. Other employee related issues such as maintaining/improving workforce capacity are dealt with in the Workforce Strategy and have therefore not been addressed in the LTFP.

Workers compensation

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

Capitalisation rate for employee related expenditure

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

Superannuation

Contributions by Council to both defined benefit and defined contribution superannuation plans have been forecast to increase per the increase in salaries and wages plus the expected increase in the superannuation guarantee. The Government has announced an increase in the superannuation guarantee rate from 9% to 12% between the 2013/14 and 2019/20 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 2% of the total expenditure incurred by Council. Borrowing cost projections are based on current loans, including the loan facility for the services relocation projects and a $2M loan for the Local Infrastructure Renewal Scheme that Council took in 2012/13. This loan is used for Gordon Library upgrade and public toilet upgrades and will involve a ten year repayment schedule. The LTFP plans a further $930K in 2014/14 in borrowings for the services relocation program.

Materials & Contracts

Materials and contracts expenses increase by an average of 2.8% p.a. over the forecast period.

Materials and contractors is the second largest cash expense item incurred by council (29% of total expenditure in the 2014/15 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 including operating lease expenses, legal expenses, and auditor fees.

Depreciation and Amortisation

Depreciation and amortisation expenses increase by an average of 4.% p.a.
Depreciation and amortisation are dealt with in the Asset Management Strategy (AMS), and details on all assumptions used in depreciation/amortisation calculations can be found in the AMS.

Other expenses

Other expenses increase by an average of 2.5% per year from 2014/15. There will be increased expenditure in this category in 2014/15 due to the start of operating expenses from the services relocation project.

Projected Capital Expenditure

A significant highlight of the LTFP is it's commitment to capital works program. The LTFP forecasts delivery of a total capital works and other major projects program over 10 years totalling over $473 (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 2014/15

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 2014/15 the following projects will be commenced or progressed:

- **Local Infrastructure Renewal Scheme (LIRS)** – this initiative, funded by loans at subsidised interest rates, will allow the renewal and upgrade of Council's main library and many Public Toilet amenity buildings.

- **The Waste Less, Recycle More (Waste and Resource Recovery Initiative)** – will provide a range of new waste related project initiatives funded by payments received form the State Government following increased recycling of domestic waste

- **Implementation of Koola Park Master Plan** – the first two stages of the redevelopment of this significant recreation area have been completed over the last 2 years. These include the stormwater harvesting system from Rocky Creek, a 600,000 litre underground storage tank, the relocation and expansion of cricket practice nets, and a sewer connection to replace the old septic system. In 2014/15 we will see the construction of stages 3 & 4. These stages include field levelling, drainage, irrigation, an extension of the playing fields to gain an additional full size sports ground for the Ku-ring-gai community, floodlights, as well as a children's playground, outdoor exercise equipment, perimeter exercise path and additional car parking facilities.

- **Cameron Park, Turramurra** – this project will see the doubling in size of Cameron Park between Eastern Road and Gilroy Road during 2014/15 following on from Council's purchase of four residential properties in late 2013. Community consultation for the park design has already been conducted and demolition of the houses has been completed. Construction of the park and new toilet block will occur during 2014/15.

- **Carcoola Reserve, St Ives** – following Council's purchase of two lots of vacant land from the state government during 2013 which bordered a single Council lot, this project will see the creation of a new public park and playground during 2014/15. While used informally by local residents for many years, Council's purchase of the land will enable the development of a vastly improved local park. Local residents have already been involved in the concept designs and will be further consulted as detailed designs for the park are developed.

- **Implementation of St Ives Village Green Master Plan** – the project will see the demolition of the old scouts and girl guides halls, with the groups relocated to Warrimoo Oval in early 2014. This will enable the construction of the new youth precinct, including skate and bike park, basketball court and performance space, as well as a new and expanded children's playground, picnic and BBQ facilities. The following years will see other parts of the master plan being implemented, including a perimeter exercise path, terraced seating around William Cowan Oval, relocation of the tennis courts to be adjacent to the bowling club, additional car parking in Cowan Road and Memorial Avenue, and an additional footpath on the park side of the Village Green. This path will provide much improved safety and access to and around the park.

- **Lindfield Village Green** – this project will involve constructing a new public park on the site of Council's car park on Tryon Road Lindfield. The existing car parking will be relocated to a new basement car park under the park. The park will become a focus for community events, markets and outdoor dining.

- **Lindfield Community Hub** – the community hub is 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 town square, as well as a new branch library and community centre. The hub will become a focus for community activities for the southern part of the Ku-ring-gai LGA.

- **St Johns Avenue, Gordon streetscape upgrade works** – this project will involve the reconstruction of the footpath areas on St Johns Avenue between the Pacific Highway and the railway station. The footpaths will be made wider to cater for outdoor dining; the work will also include new high quality paving, street furniture, street trees and LED street lighting.

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:

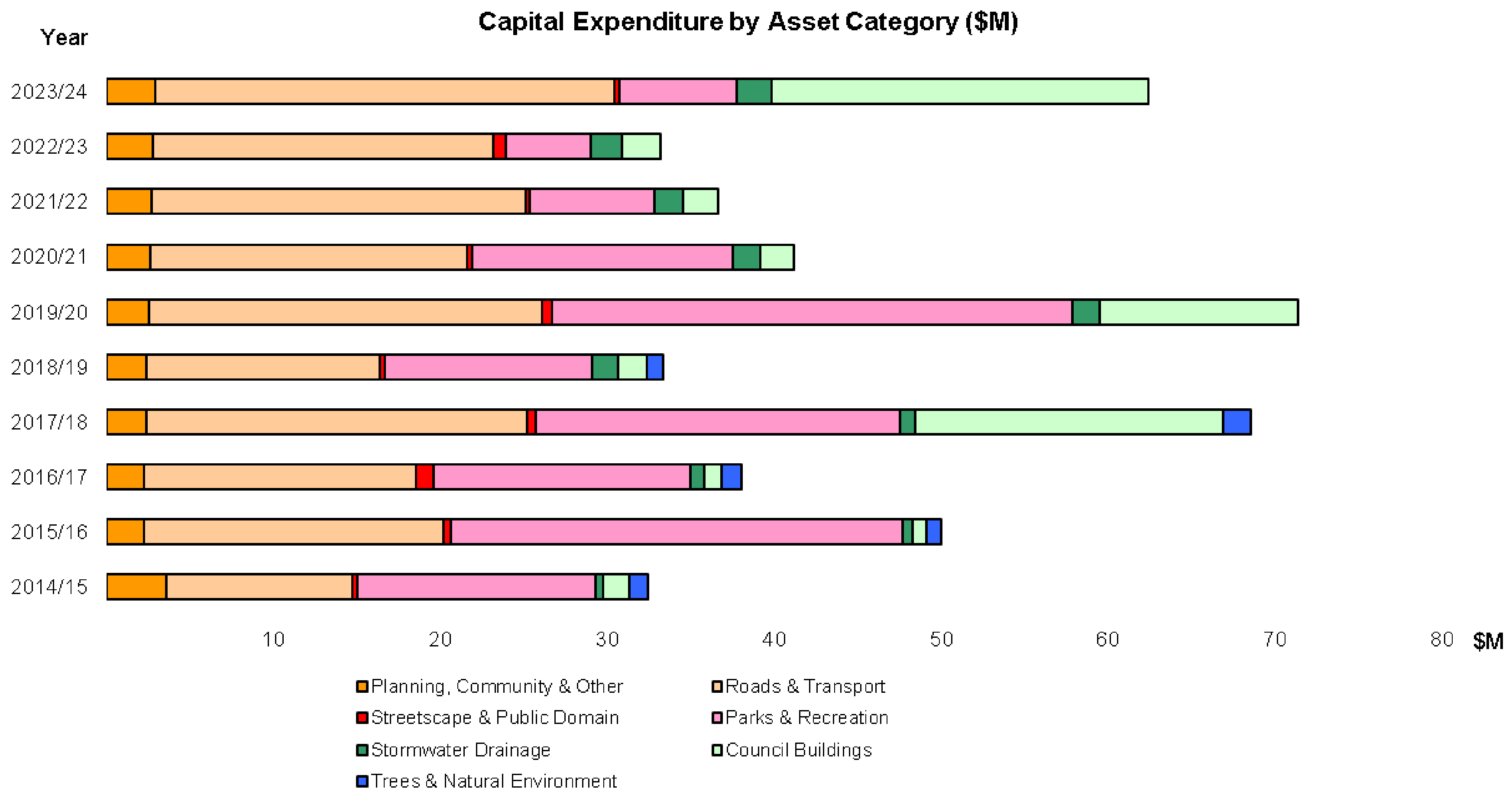
Projected Capital Expenditure

Scenario 2 - With continuation of SRV

Capital expenditure by category $'000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Planning, Community & Other	3,611	2,265	2,201	2,347	2,415	2,504	2,569	2,652	2,781	2,898
Roads & Transport	11,133	17,892	16,339	22,791	13,976	23,536	19,050	22,418	20,345	27,491
Streetscape & Public Domain	286	469	1,037	534	256	603	270	277	782	292
Parks & Recreation	14,236	27,045	15,420	21,867	12,403	31,201	15,594	7,424	5,042	7,039
Stormwater Drainage	432	619	772	904	1,567	1,660	1,700	1,773	1,939	2,079
Council Buildings	1,625	768	1,053	18,441	1,756	11,872	1,978	2,072	2,306	22,635
Trees & Natural Environment	1,110	901	1,215	1,646	923	-	-	-	-	-
Total	**32,433**	**49,959**	**38,037**	**68,530**	**33,296**	**71,376**	**41,161**	**36,616**	**33,195**	**62,434**

The largest capital expenditure will be invested into Roads & Transport with 39% of total expenditure for the forecast period, followed by Parks & Recreation with 35.6%. Parks & Recreation includes acquisition of Community land, which is funded by Section 94 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



Capital Expenditure by Asset Category ($M)
Year
2023/24
2022/23
2021/22
2020/21
2019/20
2018/19
2017/18
2016/17
2015/16
2014/15
10
20
30
40
50
60
70
80
$M
Planning, Community & Other
Roads & Transport
Streetscape & Public Domain
Parks & Recreation
Stormwater Drainage
Council Buildings
Trees & Natural Environment

Working Capital & Cash Reserves

Working Capital

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

Council's current policy is to maintain a minimum working capital of 5.5% of operating expense. This equates to a projected amount of $4.4M for 2014/15. The working capital is gradually increasing by an average of 4% annually in future years. The level of working capital highlights an adequate liquidity position with Council being able to meet its short term liabilities when they fall due.

Cash Reserves

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

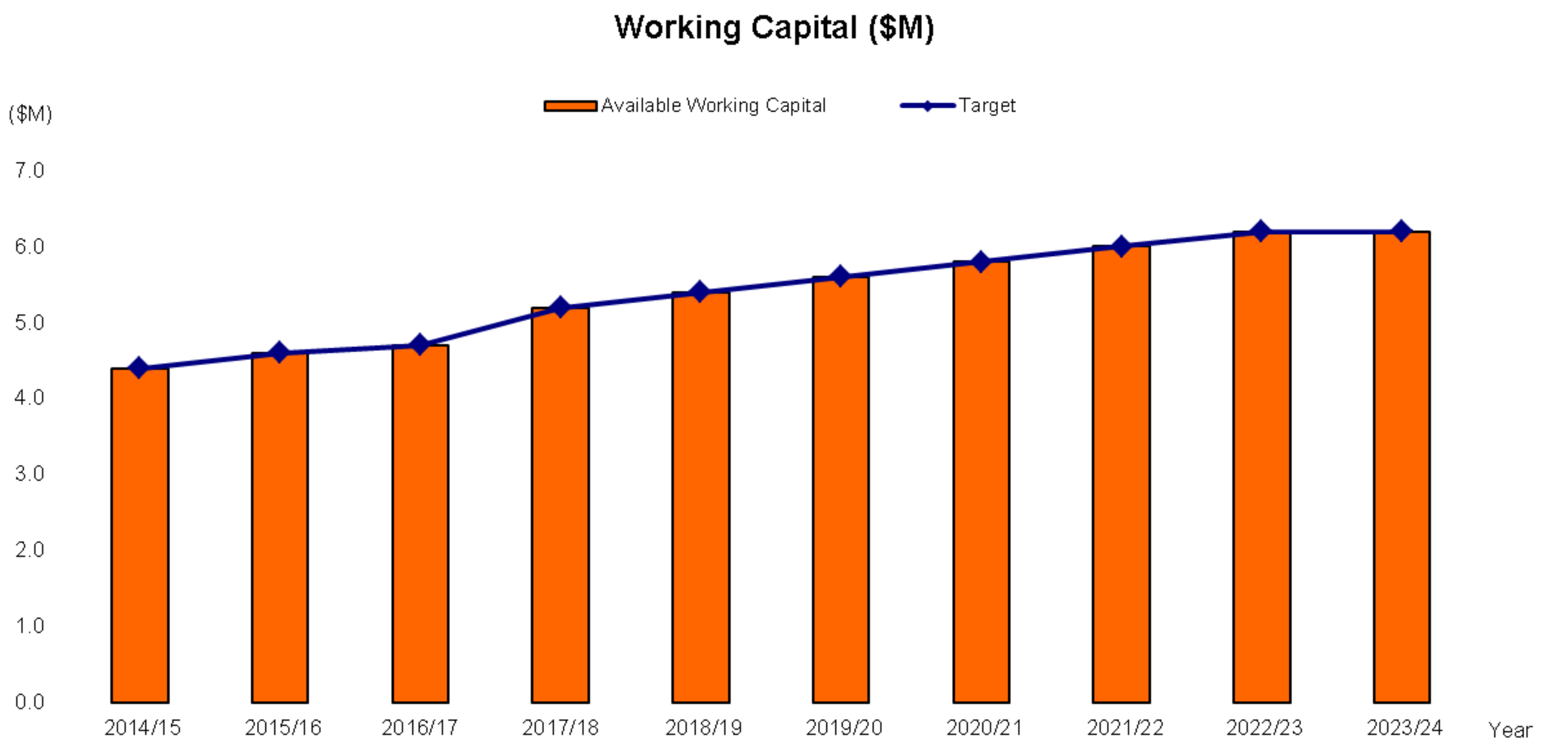
- legal constraint (externally restricted) - e.g. Section 94 Developer Contributions
- to manage cash flow for abnormal items and thus reduce impact on service delivery
- specific revenue - e.g. contribution to works

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

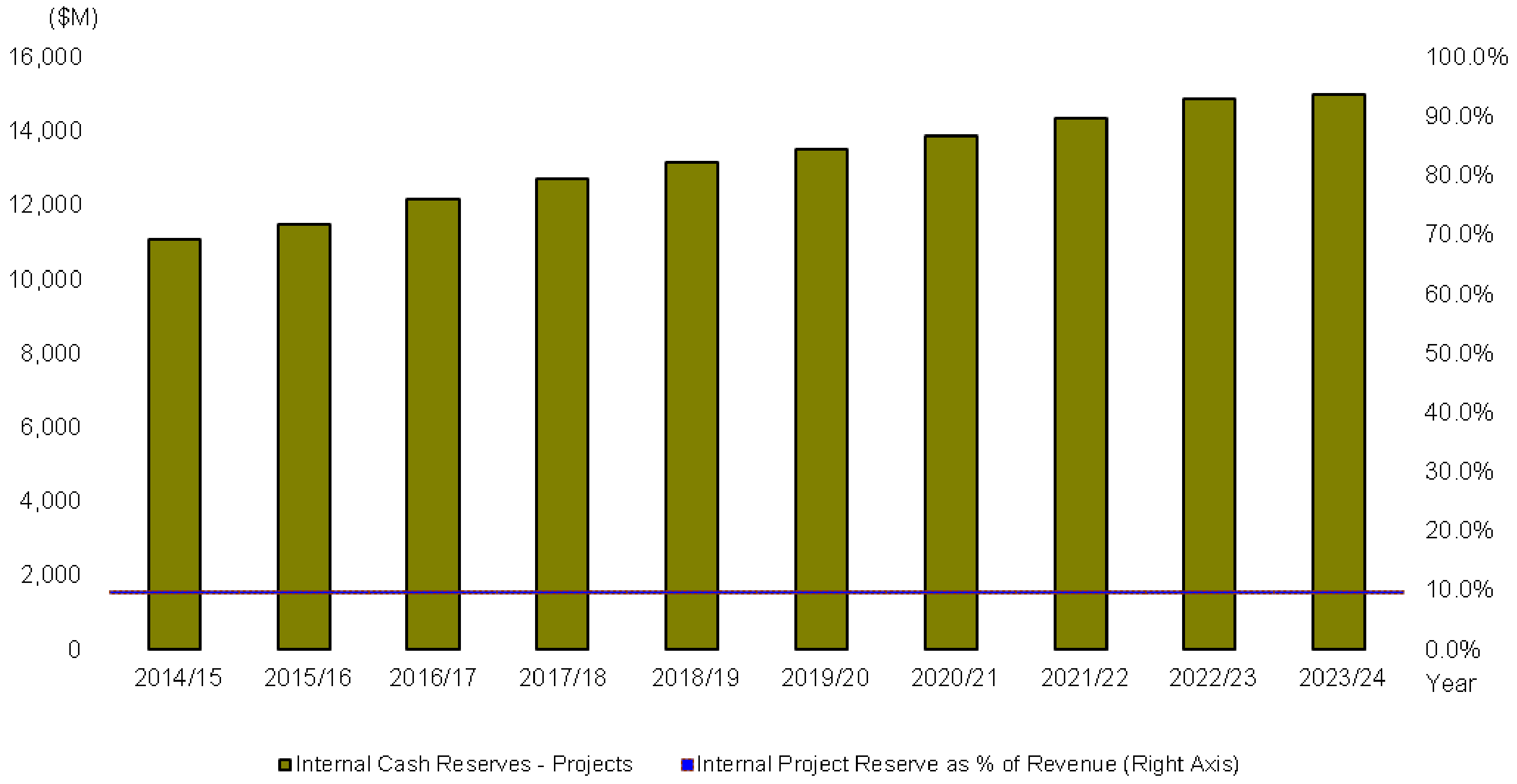
1. Statutory (externally restricted) - eg S94 Developer Contributions, Specific Purpose Unexpended Grants, Domestic Waste Management, Infrastructure Levy and Environmental Levy
2. Internal Liability Reserves – to provide for future liabilities e.g. employee entitlements
3. Internal Project Reserves – to provide for future expenditure on 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 assets renewal.
Cash reserves are carefully managed to achieve optimum investment income and to be available when needed for planned expenditures.

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



Internal Cash Reserve Balances ($M)



Summary of Borrowings

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

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

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

- sources of debt repayment have been identified and modelled into overall cash flows, and
- the Debt Service Ratio (DSR) is within Council's target band of less than 4%.

Maintaining a maximum Debt Service Ratio of 4% in any one year is one of the key financial sustainability tests applied by the LTFP. During the current planning period, this test will not be satisfied due to Council borrowing for the LIRS (Local Infrastructure & renewal Scheme) loan, and the special loan for the Services Relocation Strategy which will have major repayments of principle, in excess of required minimums, timed to co-inside with asset sales.

Due to the above borrowings Council's Debt Service Ratio will exceed the sustainable borrowing level of 4% in 2014/15 to 2016/17, after which the ratio level will fall below 4%. The Debt Service Ratio for the next 10 years is provided in the table below:

Borrowings Summary and Debt Service Ratio

$000's	Borrowings			Debt Service Ratio		
Financial Year	Proposed Borrowings	Principal Repayments	Net Borrowing(-) or Repayment(+)	Interest Component	Principle Repayment	Total
2014/2015	$930	$12,392	$11,462	1.9%	11.3%	13.2%
2015/2016	$0	$17,640	$17,640	1.1%	15.6%	16.7%
2016/2017	$0	$14,657	$14,657	0.4%	12.2%	12.6%
2017/2018	$0	$861	$861	0.1%	0.7%	0.8%
2018/2019	$0	$819	$819	0.1%	0.0%	0.1%
2019/2020	$0	$679	$679	0.1%	0.0%	0.1%
2020/2021	$0	$360	$360	0.0%	0.0%	0.0%
2021/2022	$0	$360	$360	0.0%	0.0%	0.0%
2022/2023	$0	$180	$180	0.0%	0.0%	0.0%
2023/2024	$0	$0	$0	0.0%	0.0%	0.0%
TOTAL	**$930**	**$47,948**	**$47,018**			

How Council's Debt is being managed

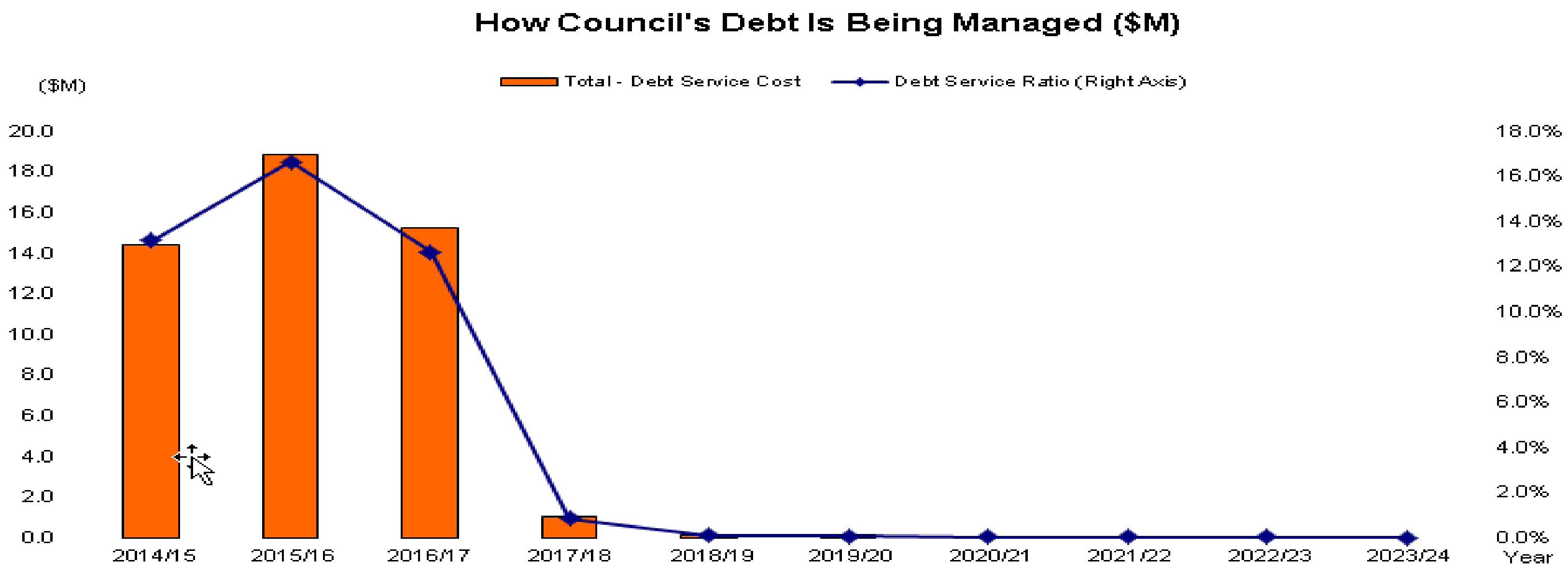
The LTFP proposes a dynamic capital management strategy which continuously monitors:

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

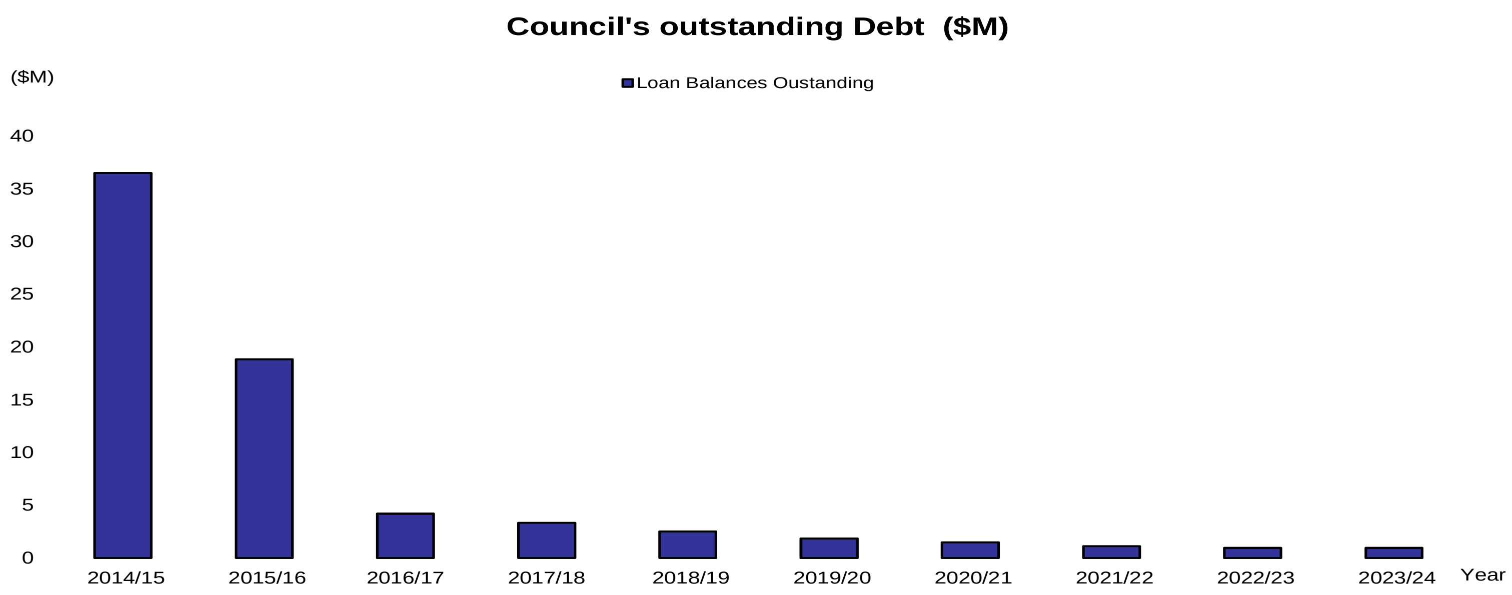
Currently no borrowings are proposed beyond 2015/16. The LTFP provides for repayments of debt to occur on either a schedule specified by the terms of individual loans or at a time where funds are available and the overall cost of debt can be reduced by making opportunistic repayments. This results in all loans being discharged by 2023/24.

Council will have borrowing capacity available in the future for capital projects. It should be noted that Council does not consider loan borrowing as a sustainable funding source for ongoing infrastructure renewal requirements. As such, the LTFP does not utilise loan borrowing for this purpose.

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 chart below shows Council's outstanding debt over a 10 year period



KEY FINANCIAL INDICATORS

The key financial indicators are an industry accepted measures of financial health and sustainability. This section will highlight the financial ratios for the two sustainable Scenarios presented in this Long Term Financial Plan.

Council's financial performance and position is measured against the following performance indicators:

- Operating balance ratio (net operating result (excluding capital items) as a percentage of operating revenue.

To assess Council's ability to fund operations including asset renewals/upgrades (and depreciation).

- Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities.)

The ability to meet short term financial obligations such as loans, payroll and leave entitlements (measures liquidity)

- Rates and annual charges ratio (rates and annual charges divided by total revenue)

To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income

- Debt service ratio (net debt service cost divided by revenue from continuing operations)

To assess the impact of loan principal and interest repayment on the discretionary revenue of Council

- *Broad liabilities ratio* (total debt plus cost to clear infrastructure backlogs divided by operating revenue)

To assess the impact of total debt plus infrastructure backlog relative to total operating revenue

- Building & Infrastructure Renewal ratio (asset renewals expenditure divided by depreciation, amortisations & impairment expenses)

To assess the rates at which assets are renewed relative to the rate at which they are depreciated(consumed)

The projected key financial indicators for each scenario for the next 10 years are presented below.

Scenario 1. Key Performance Indicators without the SRV

Description	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Operating Balance Ratio (%)	0.6%	6.6%	5.5%	8.2%	7.5%	3.7%	3.2%	3.2%	3.7%	4.0%
Unrestricted Current Ratio	2.12:1	2.00:1	1.99:1	2.00:1	1.88:1	2.09:1	2.05:2	2.09:3	2.01:4	2.07:5
Rates & Annual Charges Ratio (%)	57%	54%	53%	52%	56%	59%	58%	58%	59%	61%
Debt Service Ratio (%)	13.5%	17.0%	13.0%	0.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Broad Liabilities Ratio (%)	155%	133%	117%	118%	126%	124%	124%	122%	121%	123%
Building & Infrastructure Renewal Ratio (%)	54.6%	58.4%	72.4%	78.7%	81.4%	85.3%	81.4%	82.8%	88.1%	93.0%

Operating Balance Ratio is an important financial indicators 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.

Council's Operating Balance Ratio for the year 2014/15 is expected to drop to (0.6%), well below the target level of 4%. Council will run an operating deficit before capital income and gain on Asset Sales in 2014/15 and 2015/16 due to increased borrowing expense, after which an operating surplus is projected from 2016/17 onwards.

Debt Service Ratio is considerably high between 2014/15 and 2016/17 due to increased level of borrowing costs. This ratio will drop significantly in 2017/18. The level of Council's borrowing is discussed under Summary of Borrowing section of this document.

The Broad Liabilities ratio will also see an increase to 155% from 152%(with SRV) , mainly due to high level of borrowing in the next couple of years but also due to a decrease in the Operating revenue from loss of the Infrastructure levy.

Scenario 2. Key Performance Indicators with continuation of SRV

Description	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Operating Balance Ratio (%)	2.6%	8.4%	7.2%	9.7%	9.2%	5.5%	4.9%	4.9%	5.3%	5.6%
Unrestricted Current Ratio	2.16:1	2.03:1	2.03:1	2.04:1	2.00:1	2.13:1	2.08:2	2.13:3	2.04:4	2.10:5
Rates & Annual Charges Ratio (%)	58%	55%	54%	53%	57%	60%	59%	59%	60%	62%
Debt Service Ratio (%)	13.2%	16.6%	12.6%	0.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Broad Liabilities Ratio (%)	152%	131%	114%	116%	123%	122%	121%	119%	118%	121%
Building & Infrastructure Renewal Ratio (%)	71.5%	76.2%	89.5%	95.8%	97.4%	101.2%	96.7%	98.1%	103.4%	108.2%

Overall, financial indicators will improve with the continuation of the Infrastructure Levy. Council's Operating Balance Ratio for the year 2014/15 is expected to increase to 2.6%, an improvement from the Base scenario due to additional income generated from the infrastructure levy. Debt Service Ratio will also improve over time. Even with the continuation of the levy the Broad Liabilities Ratio is large mainly because of the sizeable infrastructure backlog that Council experiences.

CONCLUSION

Council's Long Term Financial Plan ensures financial sustainability, whilst maintaining service delivery to the community, renewing ageing assets, and providing for new facilities. 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.

Some of the major benefits and achievements that have resulted from Council's focus on its financial sustainability and use of its long term financial plan include:

- Setting and maintaining financial key performance indicators (KPIs) that ensure Council's long term financial future.
- Providing a dynamic decision making tool that enables Council to test financial scenarios and how this may affect future projects.
- Achieving an adequate working capital balance in future years
- Funding for major projects such as North Turramurra Recreation Area and West Pymble Aquatic Centre
- Rationalising Council's cash reserves, including significant increases to internal liability reserves to meet statutory and audit requirements.
- Increasing expenditure on asset renewal by a total of $90M over 10 years (including $32.2M if the application for a special rate variation is approved)

APPENDICES Appendix A - LTFP Forecasts and Assumptions

LTFP FORECASTS AND ASSUMPTIONS										
	Projected 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
FORECASTS - ACCESS ECONOMICS										
CPI (Underlying - Fin Yr)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Average Weekly Ord Time Earnings	2.7%	3.7%	4.6%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
BBSW - 90 Day	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
NEW LOANS	930,000	0	0	0	0	0	0	0	0	0
COUNCIL INCOME - ASSUMPTIONS										
Rates										
Rates Pegging Forecast	2.3%	2.9%	3.3%	3.4%	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%
+ Rates Growth (enhanced by 0.5% from Rates Restructure)	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Total Rates Change	3.0%	3.6%	4.0%	4.1%	3.9%	3.8%	3.9%	3.9%	3.9%	3.9%
Domestic Waste Price Increase	10.0%	10.0%	10.0%	2.0%	0.0%	1.0%	0.0%	0.0%	1.0%	1.0%
Pensioner Rebate Growth	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%
Stormwater Management Charge	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
User Fees & Charges - average	2.8%	2.6%	2.8%	2.7%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Trade Waste	10.0%	10.0%	10.0%	2.0%	0.0%	1.0%	0.0%	0.0%	1.0%	1.0%
Interest Income	3.9%	4.4%	5.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Recurrent Grants (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
RTA Grants (Flat)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Grants (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Asset Sales ($000)	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
COUNCIL EXPENDITURE - ASSUMPTIONS										
Labour Costs	3.05%	2.30%	3.30%	3.40%	3.20%	3.20%	3.30%	3.30%	3.20%	3.20%
Super - new scheme compulsory increase phased in. (Old Scheme employees at set rates)	9.25%	9.25%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%
Training (CPI)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Operating Expenses (CPI -unless special forecast applies)	2.2%	2.6%	2.8%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Materials & Contracts & Project Costs (ABS Infrastructure index forecast)	2.5%	2.2%	2.8%	2.8%	2.6%	2.6%	2.7%	2.7%	2.6%	2.6%
Loan Rate	4.70%	5.70%	6.60%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%	6.70%

Appendix B Scenario 1 - Base Case Scenario without the Special Rate Variation (SRV) for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2024

Projected Income Statement

Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Income from Continuing Operations										
Rates & Annual Charges	74,044	76,233	80,746	83,703	86,254	89,056	91,786	94,611	97,653	100,795
SRV for Infrastructure	-	-	-	-	-	-	-	-	-	-
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Interest & Investment Revenue	3,738	3,869	4,707	5,110	5,669	5,714	5,440	6,245	7,381	7,836
Other Revenues	9,165	9,467	9,809	11,352	11,764	12,195	12,655	13,145	13,661	14,203
Grants & Contributions for Operating Purposes	5,906	6,086	6,217	6,341	6,402	6,531	6,664	6,800	6,939	7,081
Grants & Contributions for Capital Purposes	17,479	18,019	27,481	27,858	17,184	17,616	18,147	18,546	18,155	17,242
Other Income:										
Net gains from the disposal of assets	3,745	10,338	6,464	8,952	7,597	2,282	4,245	3,646	2,805	2,529
Total Income from Continuing Operations	**129,777**	**140,479**	**152,494**	**160,853**	**152,723**	**151,594**	**157,470**	**161,868**	**165,842**	**165,856**
Total Income excluding Proceeds from Asset Sales & Capital Income	**108,553**	**112,122**	**118,549**	**124,043**	**127,942**	**131,696**	**135,078**	**139,676**	**144,882**	**146,085**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,620	37,528	38,896	40,490	42,211	44,150	46,367	48,840	50,396	51,956
Borrowing Costs	2,091	1,196	496	159	113	72	46	29	8	-
Materials & Contracts	34,791	35,495	36,404	37,341	38,248	39,179	40,163	41,174	42,181	40,753
Depreciation & Amortisation	19,486	19,865	20,852	21,368	22,964	23,223	24,848	25,315	25,595	25,736
Other Expenses	15,755	16,145	16,573	16,991	17,419	17,858	18,310	18,772	19,246	19,212
Other Operational Projects Expenses	2,821	2,970	3,369	3,478	3,070	3,853	4,571	3,939	4,162	4,346
Total Expenses from Continuing Operations	**111,564**	**113,199**	**116,590**	**119,827**	**124,025**	**128,335**	**134,305**	**138,069**	**141,588**	**142,003**
Net Operating Result for the Year	**18,213**	**27,280**	**35,904**	**41,026**	**28,698**	**23,259**	**23,165**	**23,799**	**24,254**	**23,853**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	**734**	**9,261**	**8,423**	**13,168**	**11,514**	**5,643**	**5,018**	**5,253**	**6,099**	**6,611**
Net Operating Result before Grants & Contributions for Capital Purposes & Asset Sales	**- 3,011**	**- 1,077**	**1,959**	**4,216**	**3,917**	**3,361**	**773**	**1,607**	**3,294**	**4,082**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Balance Sheet

Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
ASSETS										
Current Assets										
Cash & Cash Equivalents	10,496	748	11,951	10,210	34,876	14,529	26,313	45,149	69,598	63,910
Investments	49,061	47,083	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061
Receivables	8,988	9,304	10,919	11,387	10,251	10,515	10,751	11,119	11,441	11,165
Inventories	118	121	124	127	130	133	137	140	143	139
Other	1,334	1,365	1,409	1,445	1,468	1,522	1,576	1,597	1,640	1,608
Non-Current Asets Held for Sale	5,000	7,000	1,200	2,500	550	1,500	2,500	3,500	2,000	-
Total Current Assets	**74,999**	**65,621**	**74,663**	**74,730**	**96,337**	**77,261**	**90,338**	**110,566**	**133,884**	**125,882**
Non-Current Assets										
Investments	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814
Receivables	213	220	233	241	249	257	265	273	281	291
Infrastructure, Property, Plant & Equipment	977,008	997,314	1,010,452	1,052,024	1,058,719	1,102,162	1,112,608	1,116,885	1,118,823	1,151,725
Intangible Assets	833	805	732	743	657	589	534	491	456	428
Total Non-Current Assets	**1,006,868**	**1,027,152**	**1,040,230**	**1,081,822**	**1,088,438**	**1,131,821**	**1,142,220**	**1,146,462**	**1,148,374**	**1,181,257**
TOTAL ASSETS	**1,081,867**	**1,092,774**	**1,114,894**	**1,156,552**	**1,184,775**	**1,209,082**	**1,232,558**	**1,257,029**	**1,282,258**	**1,307,139**
LIABILITIES										
Current Liabilities										
Payables	12,851	13,411	13,658	14,495	14,149	15,152	15,069	15,309	15,633	15,789
Borrowings	2,016	1,348	855	813	672	360	180	-	-	-
Provisions	11,376	12,059	12,662	13,295	13,960	14,658	15,390	16,160	16,968	17,816
Total Current Liabilities	**26,243**	**26,817**	**27,175**	**28,603**	**28,781**	**30,169**	**30,639**	**31,469**	**32,601**	**33,605**
Non-Current Liabilities										
Borrowings	34,468	17,501	3,343	2,529	1,858	1,497	1,317	1,137	957	957
Provisions	323	343	360	378	397	417	438	460	483	507
Total Non-Current Liabilities	**34,791**	**17,844**	**3,703**	**2,907**	**2,255**	**1,914**	**1,755**	**1,597**	**1,440**	**1,464**
TOTAL LIABILITIES	**61,035**	**44,662**	**30,878**	**31,510**	**31,035**	**32,083**	**32,394**	**33,066**	**34,041**	**35,069**
Net Assets	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**
EQUITY										
Retained Earnings	705,214	732,494	768,398	809,424	838,122	861,381	884,546	908,345	908,800	932,198
Revaluation Reserves	315,618	315,618	315,618	315,618	315,618	315,618	315,618	315,618	339,417	339,872
Council Equity Interest	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**
Total Equity	**1,020,832**	**1,048,112**	**1,084,016**	**1,125,042**	**1,153,740**	**1,176,999**	**1,200,164**	**1,223,963**	**1,248,217**	**1,272,070**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Cash Flow Statement
Scenario 1 - Base Case Scenario without the SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	73,421	75,911	79,118	83,227	87,382	88,784	91,542	94,235	97,322	101,062
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Investment & Interest Revenue Received	3,738	3,869	4,707	5,110	5,669	5,714	5,440	6,245	7,381	7,836
Grants & Contributions	23,385	24,105	33,698	34,199	23,586	24,147	24,811	25,346	25,094	24,323
Bonds, Deposits & Retention amounts received	90	80	75	-	-	-	-	-	-	-
Other	9,121	9,436	9,766	11,315	11,741	12,141	12,601	13,124	13,618	14,235
Payments:									-	-
Employee Benefits & On-Costs	- 35,856	- 36,826	- 38,276	- 39,839	- 41,527	- 43,432	- 45,613	- 48,049	- 49,565	- 51,083
Materials & Contracts	- 34,483	- 34,936	- 36,156	- 36,504	- 38,594	- 38,176	- 40,246	- 40,934	- 41,857	- 40,597
Borrowing Costs	- 922	- 329	- 223	- 159	- 113	- 72	- 46	- 29	- 8	-
Bonds, Deposits & Retention amounts refunded	- 90	- 80	- 75	-	-	-	-	-	-	-
Other	- 18,576	- 19,115	- 19,942	- 20,469	- 20,489	- 21,711	- 22,881	- 22,711	- 23,408	- 23,558
Net Cash provided (or used in) Operating Activities	**35,528**	**38,583**	**49,762**	**54,417**	**45,507**	**45,594**	**44,141**	**46,103**	**47,826**	**48,388**
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	- 31,239	- 45,143	- 40,917	- 65,454	- 30,126	- 68,102	- 37,742	- 33,053	- 29,501	- 58,605
Net Cash provided in Investing Activities	**- 19,156**	**- 29,805**	**- 27,453**	**- 55,302**	**- 20,029**	**- 65,270**	**- 31,997**	**- 26,907**	**- 23,196**	**- 54,076**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	900	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	- 12,270	- 18,526	- 11,106	- 855	- 813	- 672	- 360	- 360	- 180	
Net Cash Flow provided in Financing Activities	**- 11,370**	**- 18,526**	**- 11,106**	**- 855**	**- 813**	**- 672**	**- 360**	**- 360**	**- 180**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**5,001**	**- 9,748**	**11,203**	**- 1,740**	**24,666**	**- 20,348**	**11,784**	**18,836**	**24,450**	**- 5,688**
plus: Cash & Cash Equivalents - beginning of year	5,495	10,496	748	11,951	10,211	34,876	14,529	26,313	45,148	69,598
Cash & Cash Equivalents - end of the year	**10,496**	**748**	**11,951**	**10,211**	**34,876**	**14,529**	**26,313**	**45,148**	**69,598**	**63,910**
plus: Investments on hand - end of year	77,875	75,897	77,875	77,875	77,875	77,875	77,875	77,875	77,875	77,875
Total Cash, Cash Equivalents & Investments	**88,371**	**76,645**	**89,826**	**88,086**	**112,751**	**92,404**	**104,188**	**123,023**	**147,473**	**141,785**

Appendix C Scenario 2 - With continuation of the SRV for Infrastructure

10 Year Financial Plan for the Years ending 30 June 2024

Projected Income Statement

Scenario 2 - With continuation of SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Income from Continuing Operations										
Rates & Annual Charges	74,044	76,233	80,746	83,702	86,253	89,055	91,784	94,609	97,650	100,792
SRV for Infrastructure	2,728	2,827	2,941	3,059	3,176	3,295	3,421	3,552	3,684	3,821
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Interest & Investment Revenue	3,743	3,881	4,723	5,126	5,685	5,731	5,459	6,264	7,400	7,856
Other Revenues	9,165	9,467	9,809	11,352	11,764	12,195	12,655	13,145	13,661	14,203
Grants & Contributions for Operating Purpc	5,906	6,086	6,217	6,341	6,402	6,531	6,664	6,800	6,939	7,081
Grants & Contributions for Capital Purpos	17,479	18,019	27,481	27,858	17,184	17,616	18,147	18,546	18,155	17,242
Other Income:										
Net gains from the disposal of assets	3,745	10,338	6,464	8,952	7,597	2,282	4,245	3,646	2,805	2,529
Total Income from Continuing Operations	**132,510**	**143,318**	**155,451**	**163,927**	**155,914**	**154,905**	**160,908**	**165,437**	**169,542**	**169,694**
Total Income excluding Proceeds from Asset Sales & Capital Income	**111,286**	**114,961**	**121,506**	**127,117**	**131,133**	**135,007**	**138,516**	**143,245**	**148,582**	**149,923**
Expenses from Continuing Operations										
Employee Benefits & On-Costs	36,620	37,528	38,896	40,490	42,211	44,150	46,367	48,840	50,396	51,956
Borrowing Costs	2,091	1,198	497	160	113	73	46	29	8	-
Materials & Contracts	34,791	35,495	36,404	37,341	38,248	39,179	40,163	41,174	42,181	40,753
Depreciation & Amortisation	19,486	19,955	21,041	21,656	23,353	23,713	25,439	26,008	26,392	26,638
Other Expenses	15,755	16,145	16,573	16,991	17,419	17,858	18,310	18,772	19,246	19,212
Other Operational Projects Expenses	2,821	2,970	3,369	3,478	3,070	3,853	4,571	3,939	4,162	4,346
Total Expenses from Continuing Operations	**111,564**	**113,291**	**116,780**	**120,116**	**124,414**	**128,826**	**134,896**	**138,762**	**142,385**	**142,905**
Net Operating Result for the Year	**20,946**	**30,027**	**38,671**	**43,811**	**31,500**	**26,079**	**26,012**	**26,675**	**27,157**	**26,789**
Net Operating Result for the year before Grants & Contributions provided for Capital Purposes	**3,467**	**12,008**	**11,190**	**15,953**	**14,316**	**8,463**	**7,865**	**8,129**	**9,002**	**9,547**
Net Operating Result before Grants & Contributions for Capital Purposes & Asset Sales	**- 278**	**1,670**	**4,726**	**7,001**	**6,719**	**6,181**	**3,620**	**4,483**	**6,197**	**7,018**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Balance Sheet
Scenario 2 - With continuation of SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
ASSETS										
Current Assets										
Cash & Cash Equivalents	10,732	1,000	12,232	10,479	35,155	14,832	26,630	45,467	69,918	64,242
Investments	49,061	47,083	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061
Receivables	9,071	9,391	11,009	11,481	10,349	10,617	10,857	11,228	11,554	11,282
Inventories	118	121	124	127	130	133	137	140	143	139
Other	1,334	1,365	1,409	1,445	1,468	1,522	1,576	1,597	1,640	1,608
Non-Current Asets Held for Sale	5,000	7,000	1,200	2,500	550	1,500	2,500	3,500	2,000	-
Total Current Assets	**75,317**	**65,960**	**75,035**	**75,093**	**96,713**	**77,665**	**90,761**	**110,994**	**134,317**	**126,332**
Non-Current Assets										
Investments	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814	28,814
Receivables	221	228	241	250	258	266	274	283	292	302
Infrastructure, Property, Plant & Equipmen	979,504	1,002,536	1,018,405	1,062,768	1,072,247	1,118,478	1,131,755	1,138,906	1,143,744	1,179,568
Intangible Assets	833	805	732	743	657	589	534	491	456	428
Total Non-Current Assets	**1,009,372**	**1,032,383**	**1,048,192**	**1,092,575**	**1,101,975**	**1,148,147**	**1,161,377**	**1,168,494**	**1,173,306**	**1,209,111**
TOTAL ASSETS	**1,084,689**	**1,098,343**	**1,123,227**	**1,167,668**	**1,198,689**	**1,225,812**	**1,252,138**	**1,279,488**	**1,307,623**	**1,335,444**
LIABILITIES										
Current Liabilities										
Payables	12,910	13,476	13,726	14,566	14,222	15,227	15,148	15,391	15,718	15,877
Borrowings	2,016	1,348	855	813	672	360	180	-	-	-
Provisions	11,376	12,059	12,662	13,295	13,960	14,658	15,390	16,160	16,968	17,816
Total Current Liabilities	**26,302**	**26,882**	**27,243**	**28,674**	**28,854**	**30,245**	**30,718**	**31,551**	**32,686**	**33,693**
Non-Current Liabilities										
Payables	-	-	-	-	-	-	-	-	-	-
Borrowings	34,498	17,526	3,361	2,542	1,864	1,497	1,317	1,137	957	957
Provisions	323	343	360	378	397	417	438	460	483	507
Total Non-Current Liabilities	**34,821**	**17,869**	**3,721**	**2,920**	**2,261**	**1,914**	**1,755**	**1,597**	**1,440**	**1,464**
TOTAL LIABILITIES	**61,124**	**44,751**	**30,964**	**31,594**	**31,115**	**32,159**	**32,473**	**33,148**	**34,126**	**35,158**
Net Assets	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**
EQUITY										
Retained Earnings	707,947	737,974	776,645	820,456	851,956	878,035	904,047	930,722	931,204	957,511
Revaluation Reserves	315,618	315,618	315,618	315,618	315,618	315,618	315,618	315,618	342,293	342,775
Council Equity Interest	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**
Total Equity	**1,023,565**	**1,053,592**	**1,092,263**	**1,136,074**	**1,167,574**	**1,193,653**	**1,219,665**	**1,246,340**	**1,273,497**	**1,300,286**

10 Year Financial Plan for the Years ending 30 June 2024

Projected Cash Flow Statement

Scenario 2 - With continuation of SRV

$ '000	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Cash Flows from Operating Activities										
Receipts:										
Rates & Annual Charges	76,058	78,734	82,055	86,281	90,553	92,074	94,957	97,781	100,999	104,875
User Charges & Fees	15,700	16,467	17,070	17,537	17,853	18,200	18,533	18,875	19,248	16,170
Investment & Interest Revenue Received	3,743	3,881	4,723	5,126	5,685	5,731	5,459	6,264	7,400	7,856
Grants & Contributions	23,385	24,105	33,698	34,199	23,586	24,147	24,811	25,346	25,094	24,323
Bonds, Deposits & Retention amounts received	90	80	75	-	-	-	-	-	-	-
Other	9,121	9,436	9,766	11,315	11,741	12,141	12,601	13,124	13,618	14,235
Payments:									-	-
Employee Benefits & On-Costs	- 35,856	- 36,826	- 38,276	- 39,839	- 41,527	- 43,432	- 45,613	- 48,049	- 49,565	- 51,083
Materials & Contracts	- 34,424	- 34,930	- 36,154	- 36,501	- 38,592	- 38,174	- 40,243	- 40,931	- 41,854	- 40,594
Borrowing Costs	- 922	- 331	- 224	- 160	- 113	- 73	- 46	- 29	- 8	-
Bonds, Deposits & Retention amounts refunded	- 90	- 80	- 75	-	-	-	-	-	-	-
Other	- 18,576	- 19,115	- 19,942	- 20,469	- 20,489	- 21,711	- 22,881	- 22,711	- 23,408	- 23,558
Net Cash provided (or used in) Operating Activities	**38,229**	**41,421**	**52,716**	**57,490**	**48,697**	**48,903**	**47,578**	**49,671**	**51,525**	**52,224**
Cash Flows from Investing Activities										
Receipts:										
Sale of Infrastructure, Property, Plant & Equipment	12,083	15,338	13,464	10,152	10,097	2,832	5,745	6,146	6,305	4,529
Payments:										
Purchase of Infrastructure, Property, Plant & Equipment	- 33,735	- 47,959	- 43,837	- 68,533	- 33,299	- 71,380	- 41,164	- 36,620	- 33,198	- 62,429
Net Cash provided in Investing Activities	**- 21,652**	**- 32,621**	**- 30,373**	**- 58,381**	**- 23,202**	**- 68,548**	**- 35,419**	**- 30,474**	**- 26,893**	**- 57,900**
Cash Flows from Financing Activities										
Receipts:										
Proceeds from Borrowings & Advances	930	-	-	-	-	-	-	-	-	-
Payments:										
Repayment of Borrowings & Advances	- 12,270	- 18,531	- 11,111	- 861	- 819	- 679	- 360	- 360	- 180	
Net Cash Flow provided in Financing Activities	**- 11,340**	**- 18,531**	**- 11,111**	**- 861**	**- 819**	**- 679**	**- 360**	**- 360**	**- 180**	**-**
Net Increase/(Decrease) in Cash & Cash Equivalents	**5,237**	**- 9,731**	**11,232**	**- 1,753**	**24,676**	**- 20,324**	**11,799**	**18,837**	**24,452**	**- 5,676**
plus: Cash & Cash Equivalents - beginning of year	5,495	10,732	1,001	12,232	10,479	35,155	14,831	26,630	45,467	69,918
Cash & Cash Equivalents - end of the year	**10,732**	**1,001**	**12,232**	**10,479**	**35,155**	**14,831**	**26,630**	**45,467**	**69,918**	**64,242**
plus: Investments on hand - end of year	77,875	75,897	77,875	77,875	77,875	77,875	77,875	77,875	77,875	77,875
Total Cash, Cash Equivalents & Investments	**88,607**	**76,898**	**90,107**	**88,354**	**113,030**	**92,706**	**104,505**	**123,342**	**147,793**	**142,117**

ADOPTED ASSET MANAGEMENT STRATEGY
2014/15 - 2023/24

Ku·ring·gai Council
SERVIENDO GUBERNO

Our Vision

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

Community Strategic Plan 2030

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

For more information on this document contact:

Ku-ring-gai Council
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Contents

Summary

The Asset Management Strategy has been prepared following 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 to bring council to a minimum 'core' level of asset maturity and competence as part of our commitment to the continuous improvement of the organisation.

This Asset Management Strategy for Ku-ring-gai has been developed in accordance with the Integrated Planning and Reporting Framework Guidelines.

The Asset Management Strategy is to enable Council to show:

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

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.

Ku-ring-gai Council's infrastructure assets represent a vast investment over many generations that support modern living in the community. Millions of dollars are spent annually managing Council's infrastructure and it is imperative that Council employs the best asset management skills and practices to ensure that related services are delivered economically and sustainably.

Council demonstrates its commitment to asset management the 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 Community, Our Future' 2030.

The Community Strategic Plan *'Our Community, Our Future' 2030*, 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

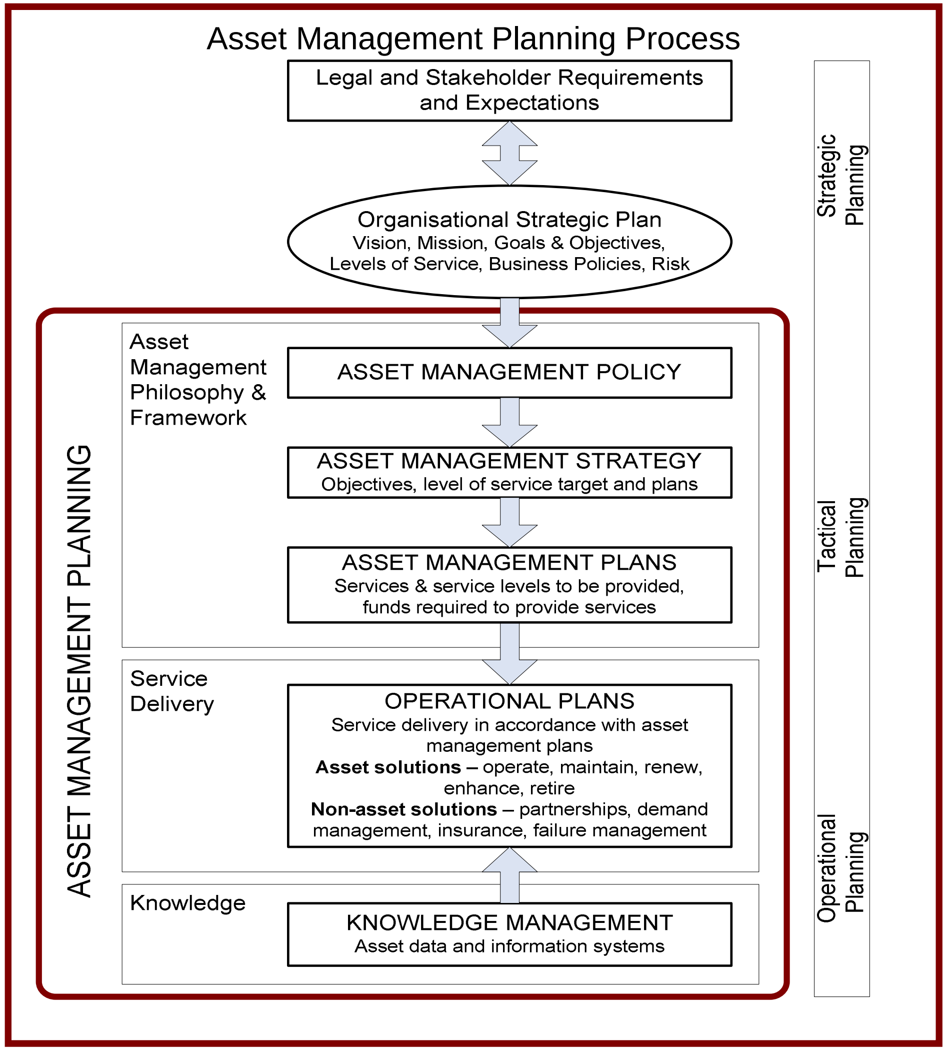
The Asset Management Strategy can be viewed as a first tier plan being supported by more detailed Asset Management Plans. It provides direction to guide asset management actions into the future and ensures the Council continually improves the management of its infrastructure.

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 through its capital works program.

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 services from infrastructure to be provided in an economically optimal way. In turn, affordable service levels can only be determined by assessing Council's financially sustainability under scenarios with different proposed service levels.

Asset management planning commences with defining stakeholder and legal requirements and needs, 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.



Asset Management Policy and Objectives

Purpose

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

The Policy was adopted by Council on the 3 February 2009. A copy of the policy is attached at Appendix A.

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 way, with the appropriate level of service to residents, visitors and the environment determined by reference to Council's financial sustainability.
- improve the condition of our assets over a ten year period by implementing optimised maintenance and renewal programs based on the remaining useful life, condition and allocated funding.
- manage assets in a poor and failed condition with appropriate risk management strategies.
- Improve our existing data by ensuring that all assets are assessed and appropriate useful lives and conditions assigned to each component.
- any future projects that aim to create or upgrade assets are done with a full understanding of the whole of life costing for the asset.
- Asset Management Plans are developed into advanced plans that provide detailed service levels, funding and future maintenance and capital works for each asset group.
- the Asset Management Strategy and Plans are reviewed to ensure alignment with Council's Integrated Planning & Reporting documents.
- safeguard Council's assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets.

- adopt the long term financial plan as the basis for all service and budget funding decisions.
- meet legislative requirements for all Council's operations.
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated.
- provide high level oversight of financial and asset management responsibilities through the Asset Management Steering Group. reporting to Council on the development, revision and implementation of the Asset Management Strategy, Asset Management Plans and Resourcing Strategy.

Where are we now?

Current Situation

In developing the Asset Management Strategy we needed to understand the current situation of Council's assets and their management. This included consideration of the following:

- What assets do we have and where are they?
- What is the current condition of assets?
- Do they meet Council's and community current and forecast needs?
- Is the funding base for operation, maintenance and renewal appropriate and affordable?
- What is the state of Council's asset management practices, procedures and training?

A recent NSW Government report completed Treasury Corporation (TCorp) has assessed Council's infrastructure management and infrastructure financial planning. This independent report has determined Council's infrastructure management as Strong.

Asset cost, condition and value

The cost, condition and value of assets are reported each year in Council's Annual Report. The values are documented in Financial Statements, and the condition and expenditures in Special Schedule 7. The valuation figure of all infrastructure assets reported in Special Schedule 7 is $826Million[1]. The carrying amount (WDV) is $474Million. These values are reported each year in Council's Annual Report.

The figures above are not aligned with the technical asset registers, which are updated on a more regular basis. The replacement cost of all assets in the technical asset registers is $1billion and a depreciated value is $590Million.

Council has completed an assessment of all its infrastructure assets to determine the required amount of funding to renew assets identified in a poor and failed condition. As a result, the average annual cost required to renew these assets is $16.5Million. The annual budgeted renewal amount (average over ten years) identified in the Long Term Financial Plan is $12.5Million, which results in a funding gap of $4Million annually[2].

The infrastructure gap described above is the difference between what Council should be spending on asset renewal, and what Council can afford to spend on asset renewal. The term Infrastructure backlog refers to the total amount, or value, of renewal works that need to be

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[1]Ku-ring-gai Council Annual Report 2012-2013 - Financial Statements Note 9
[2] Based on current prices

undertaken to bring Council's asset stock up to an acceptable condition. The greater the backlog, the higher the risks associated with our infrastructure.

Council's infrastructure backlog represents the cost to bring assets in a poor condition to an acceptable standard. It does not take into account the deterioration or depreciation of fair and good assets over the ten year period. Hence, the cost to achieve an acceptable standard is greater than currently projected. This will be determined with further asset modelling in the future.

Council spends approximately $22Million per annum to fund new and upgraded assets, and these assets will require additional funding for maintenance and renewal in the future. The funding spent on upgraded and new assets is predominately a requirement of our s.94 Contribution Plan (CP), and are funded through restricted reserves – not general revenue. In addition there is a Council co-contribution requirement of $54M to deliver these new and upgraded assets/facilities listed in the CP and this is identified in the 10 year LTFP.

Figure 1 Financial status of each asset class (identified in the long term financial model)

($000)	AT CURRENT PRICES											
Asset Category		10 Year Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Roads & Transport	Required Funding (Annual)	121,513	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151	12,151
	Less: Current Allocations	99,436	7,964	8,421	9,933	10,440	9,798	10,347	10,332	10,413	10,766	11,022
	Variance	**22,076**	**4,187**	**3,731**	**2,218**	**1,711**	**2,353**	**1,804**	**1,820**	**1,738**	**1,385**	**1,130**
Recreational Facilities	Required Funding (Annual)	4,671	467	467	467	467	467	467	467	467	467	467
	Less: Current Allocations	4,407	203	195	120	460	572	572	572	572	572	572
	Variance	**264**	**264**	**272**	**347**	**7**	**-104**	**-104**	**-104**	**-104**	**-104**	**-104**
Buildings	Required Funding (Annual)	23,982	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398	2,398
	Less: Current Allocations	13,488	533	605	1,030	1,120	1,440	1,659	1,653	1,686	1,829	1,932

Asset Category		10 Year Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Variance	10,494	1,865	1,793	1,368	1,278	958	739	745	712	569	466
Drainage	Required Funding (Annual)	15,004	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
	Less: Current Allocations	7,793	53	191	263	376	1,379	1,044	1,040	1,062	1,157	1,226
	Variance	7,211	1,447	1,309	1,237	1,124	121	456	461	438	343	274
	TOTALS - ALL ASSET CLASSES											
TOTAL	Required Funding (Annual)	165,169	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517	16,517
Current Prices	Less: Current Allocations	125,123	8,754	9,412	11,347	12,397	13,189	13,621	13,596	13,732	14,323	14,752
	FUNDS REQUIRED TO CLOSE THE GAP	40,046	7,763	7,105	5,170	4,120	3,328	2,896	2,921	2,784	2,194	1,765
	AT FUTURE PRICES											
TOTAL	Required Funding (Annual)	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Future Prices	Less: Current Allocations	145,930	8,973	9,859	12,219	13,724	14,981	15,874	16,272	16,879	18,063	19,087
	FUNDS REQUIRED TO CLOSE THE GAP	44,652	7,957	7,443	5,568	4,561	3,779	3,374	3,496	3,422	2,766	2,284

The table above shows the required funding and the current allocated funding for each asset class. The variance identifies the amount of funding required for asset renewal over the next ten years (this includes the funding from the Special Rate Variation).

Asset ($000)	Replacement Cost	Fair Value	Annual Depreciation	Asset consumption ratio	Asset renewal funding ratio with SRV	Asset renewal funding ratio without SRV
Roads (including formation)	$ 370,301	$ 227,582	$ 6,432	61%	100%	72%
Footpaths	$ 43,761	$ 29,870	$ 1,418	68%	88%	N/A[3]
Kerb and Gutter	$ 105,450	$ 42,535	$ 1,768	40%	0%	
Bridges	$ 9,212	$ 6,875	$ 167	75%	0%	
Buildings	$ 137,672	$ 77,009	$ 2,418	56%	56%	
Drainage	$ 235,700	$ 136,672	$ 2,122	58%	52%	
Street Furniture and Structures	$ 10,198	$ 7,072	$ 436	69%	0%	
Car Parks - Pavement (including formation)	$ 6,787	$ 4,195	$ 148	62%	0%	
Car Parks - Structures	$ 3,176	$ 2,088	$ 145	66%	0%	
Recreational facilities	$ 84,632	$ 53,358	$ 2,820	63%	94%	
TOTALS	**$ 1,006,890**	**$ 587,256**	**$ 17, 875**			

Figure 2 – Financial status and sustainability ratios (Technical asset registers).

Figure 2 shows the current value (replacement cost), the depreciable amount (fair value) and the annual depreciation for each of our asset groups. The table also shows the asset consumption ratio and the asset renewal funding ratio.

[3] The SRV is only for Councils roads

The Asset Consumption ratio

This ratio indicates, the average proportion of “as new” condition remaining for assets. This ratio shows the written down current value of the Council’s depreciable assets relative to their “as new” value. It highlights the aged condition of Council’s stock of physical assets and the potential magnitude of capital outlays required in future to preserve their service potential. A ratio of less that 50% indicates a rapid deterioration of Council’s asset base. Urgent investment may be required to ensure service levels are maintained.

The Asset Renewal funding ratio

This ratio is a measure of the ability of Council to fund its projected asset renewals and replacements in the future. Council’s Long Term Financial Plan makes annual provisions to renew assets where their condition has degraded beyond an objective threshold. This requirement will vary from year by year, potentially creating different short term and long term renewal funding needs. A ratio of between 95 and 105% indicates that the Long Term Financial Plan makes adequate provision to maintain existing levels of service and renew or replace assets.

Risk Management

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

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

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

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

This Asset Management Strategy defines high level significant strategic 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.

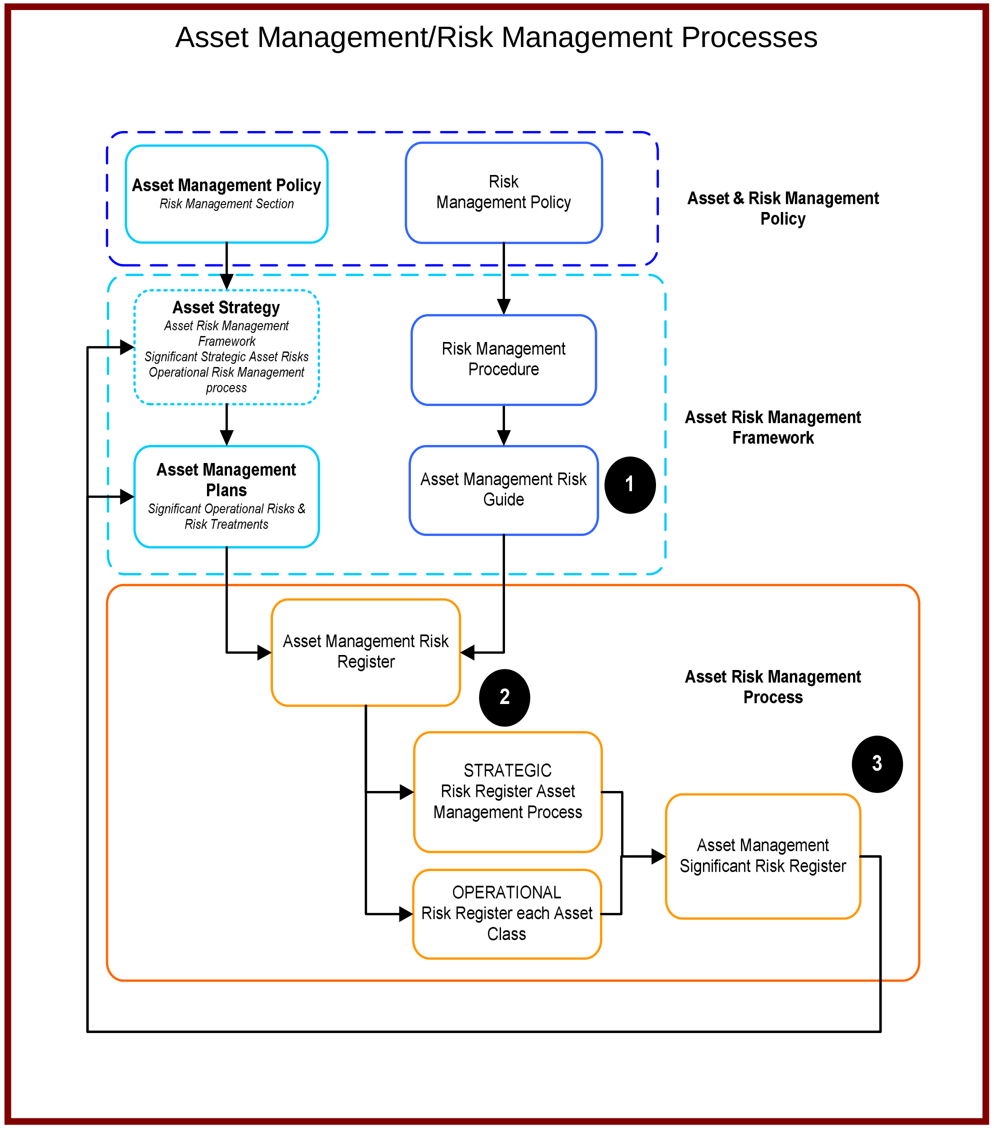
The Asset Management Plans for each asset class have a detailed evaluation of the significant risks, risk treatments and risk monitoring activities that are carried out by asset custodians. Council's Risk Management Coordinator provides ongoing assistance to the asset custodians, including training and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

Critical Assets

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

- Council's administration buildings located at 818 Pacific Highway Gordon, 31 Bridge Street Pymble;
- Council's future administration building located at 828 Pacific Highway Gordon;
- Council works depot located at 5 Suakin St Pymble

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



Community Consultation

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

Throughout 2012, Council further consulted with the community on improving our infrastructure assets. The *'Closing the Gap'* survey 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 buildings.

The Resident's Survey results may be accessed from Council's website. Figure 3 below shows the outcome of the community consultation.

In 2013-2014, Council engaged an independent research company to complete a survey with ratepayers. The purpose of the community survey was twofold, firstly to measure the support for the continuation of the special rate variation to fund the roads renewal program in Ku-ring-gai, and secondly to explore community opinions on expected levels of service and to future funding options for priority assets.

The community consultation carried out in 2013-2014, and the survey results indicated that there was a high level of support for the continuation of the special rate variation, with 81% of all respondents indicating they supported it.

Further community consultation was conducted through a deliberative forum with ratepayers who had participated in the survey. The objectives of the forum were to discuss the outcomes of the survey and to gauge community opinions on the options for future funding of footpaths, drainage and building assets. Four options were presented to the participants and option 2 (apply for an additional levy to fund priority assets) was the preferred option.

An important body of work will be to explore further funding options with the community throughout 2014-2015.

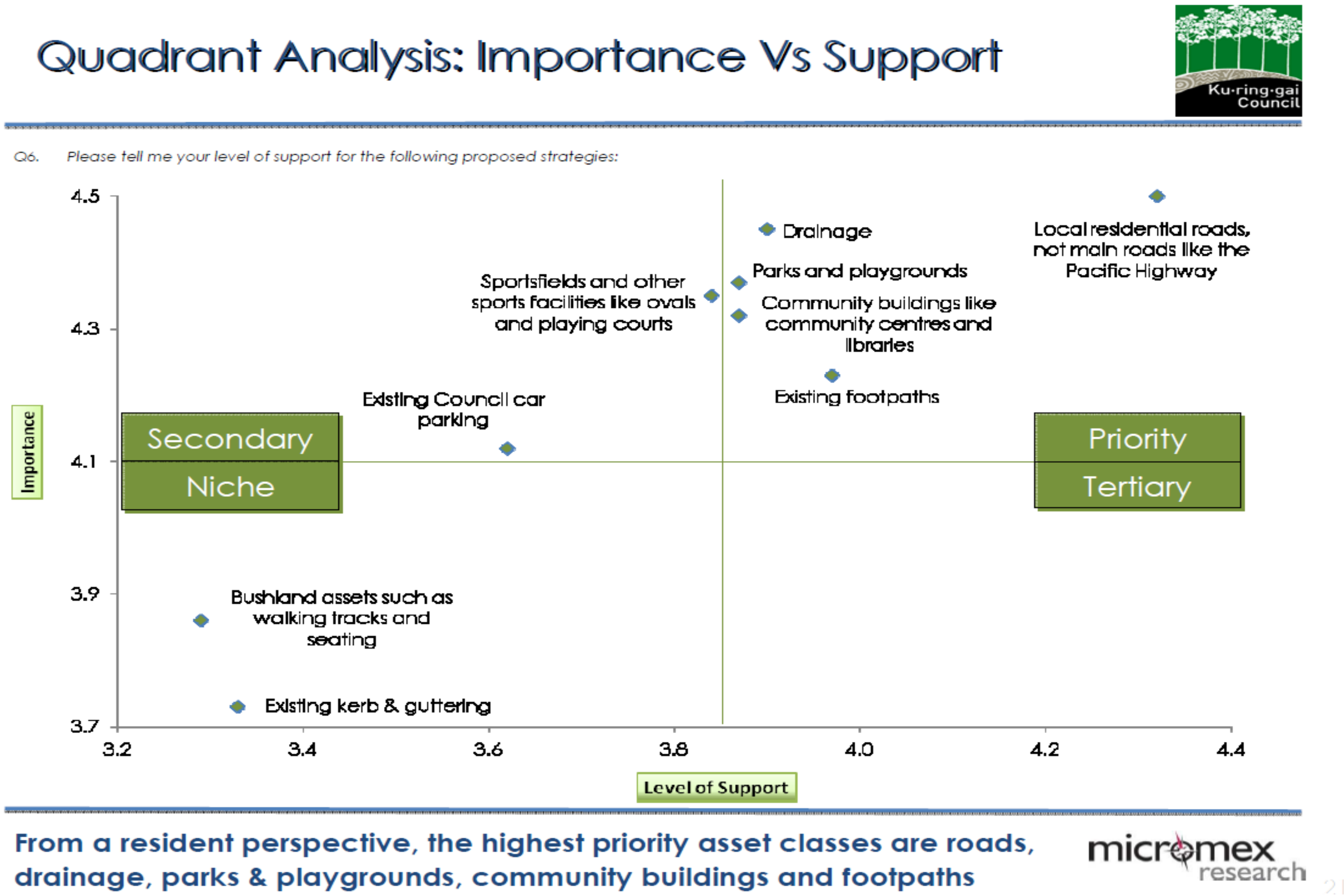


Figure 3 Results from community consultation – Closing the Gap survey

Levels of Service

Council's recent community consultation assisted with determining priorities and understanding the community's desired service levels. This information has been incorporated into the Strategy and assists with funding decisions identified in the LTFP to deliver the community's outcomes.

The recommendations from the community engagement identified roads, footpaths and drainage as the main Council service areas in need of additional resource allocation, with community buildings, parks and playgrounds also mentioned as priorities. Bushland assets and kerb and gutter were identified as having the least importance and there was only a small percentage of support to reduce the gap in funding in these areas.

We also need to measure our performance to know whether we are achieving or making progress towards achieving these outcomes and to make choices about the services we deliver and what should be increased or decreased. There may even be new services required and we need to look at the full program of services to ensure they are affordable and sustainable.

Until recently the 'Level of Service' provided by Council's assets was primarily governed by the condition of these assets. Currently, there are limited formally adopted service levels. Council will further develop service levels in the next revision of its Asset Management Plans for each asset group and link these service levels with community priorities. To do this we plan to undertake regular surveys with our residents to ensure the services we provide are important to them, and also that they are satisfied with those services.

Where do we want to be in 2023?

Council's Vision, Goals and Objectives

This Asset Management Strategy is prepared to achieve the vision, aspiration and long term objectives of our community and identified in our Community Strategic Plan. The table below shows the link between the community strategic plan and this Strategy;

Theme	Community Aspiration	Long Term Objective	Integration with asset class
Community, People and Culture	A healthy, safe, and inclusive community that respects our history, and celebrates the contributions of a diverse culture through learning about our differences	An equitable and inclusive community that cares and provides for its members A community that embraces healthier lifestyle choices and practices	Buildings Recreational Facilities
Natural Environment	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
Places, Spaces and Infrastructure	A range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place	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

Theme	Community Aspiration	Long Term Objective	Integration with asset class
Access, Traffic and Transport	Access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable 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 The local road network is managed to achieve a safe and effective local road network.	Roads and Transport
Local Economy and employment	Developing partnerships and create opportunities that attract investment and business innovation to stimulate local economic growth and employment	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	Roads and Transport Buildings Recreational Facilities
Leadership and Governance	Ku-ring-gai is ethical, well led and managed and delivers and facilities the delivery of 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

Lifecycle Management

Roads and Transport

Council's road and transport network comprises of our roads, footpaths, car parks, road structures, kerb and gutter and street furniture and bridges network. These assets are maintained by Councils Engineering Services section of the Operations Department. All asset information pertaining to each group is contained within Councils fair valuation register and further detailed information on our roads is held within Council's Pavement Management System (SMEC).

The annual average required amount of renewal funding for roads and transport assets is estimated to be $12Million**.** The amount of renewal funding allocated in the LTFP is $10Million**,** resulting in a gap of $2Million. Unless additional funds are allocated to transport asset renewal, the overall asset condition will continue to decline (these figures are based on current prices). Without the special rate variation the gap would increase to $4.7Million.

Community Objective

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

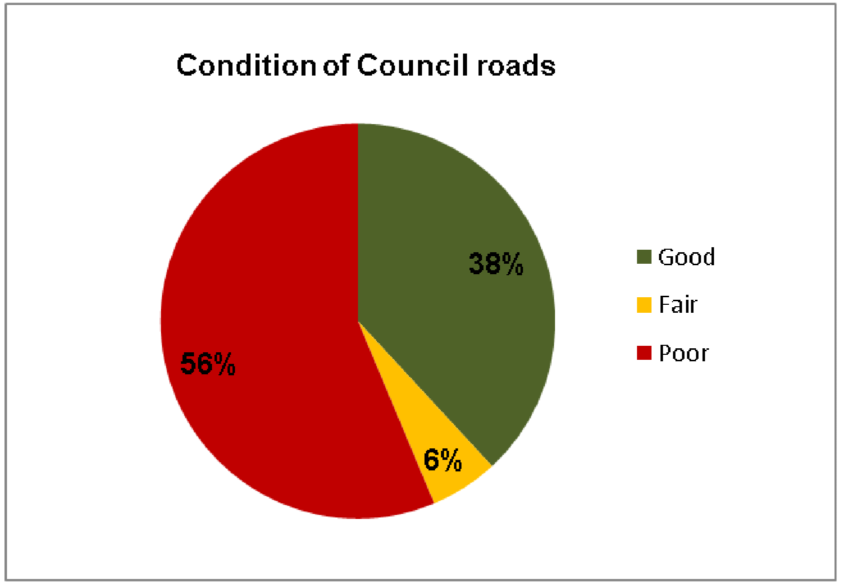
- Access, Traffic and Transport - *An accessible public transport and regional road network that meets the diverse and changing needs of the community and the local road network is managed to achieve a safe and effective local road network.*

- Places, Spaces and Infrastructure - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian of our community assets.*

- Local Economy and employment - *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time*

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

Roads



Available data

Asset inspections of our road pavement and surface was completed as part of the fair valuation requirements in 2009. The roads are now inspected as part of a 4 year inspection program that identifies condition changes. All roads are assigned a condition rating and a useful life to determine the remaining useful life of the road components.

Asset condition

Asset inspections have determined that 56% of our roads are in a poor and failed condition (2013/2014).

Sustainability indicators

The asset consumption ratio of 61% indicates that an adequate usable level of service exists. The renewal ratio shows that adequate funds are available for roads. However, without the special rate variation the percentage will change to 72% which means that funding for roads will be insufficient.

Budget requirements

Council invests approximately $9.6Million each year to renew our roads. This includes the special rate variation which contributes $2.7Million per year[4] The required annual renewal funding for existing roads is estimated is equal to the budgeted figure as Council has invested more funding into roads in the past year. Without the special rate variation the funding would increase by $2.7Million each year.

Desired service levels

Community consultation has confirmed that our residents support reducing the gap in funding and the continuation of the special rate variation to improve the condition of our roads.

Future directions

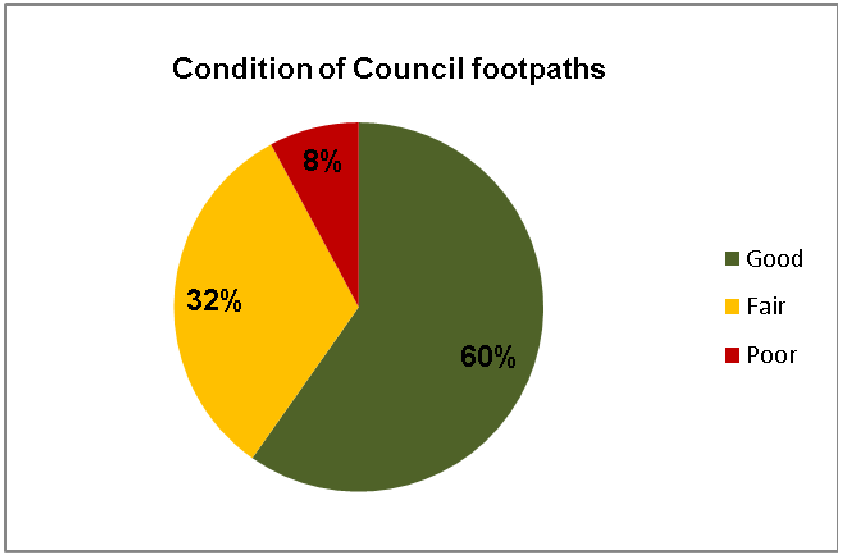
Council has applied for an extension of the special rate variation for infrastructure which contributes an average of $2.7Million per year for road renewals. This is in addition to the funding provided by Council for the renewal of roads and this is identified in the current LTFP. These funds

[4] At current prices

will need to be reviewed if the IPART application is unsuccessful. If the special rate variation is not successful, Council will have to re-allocate funding from other asset classes, identified by the community as being of low to moderate priority.

Reallocation of funding will impact on the levels of service and condition of these assets. Council constantly monitors the impact on service levels and will redirect funding as required in the future to minimise risk.

Footpaths



Avaliable data
Council inspected all footpaths in 2010 as part of the fair valuation requirements. The footpaths are now inspected as part of an ongoing assessment program that identifies condition changes and asset performance.

Asset condition
It has been determined that 8% of our footpaths are in a poor and failed condition.

Asset sustainability indicators
The asset consumption ratio of 68% indicates that an adequate usable level of service across the asset categories. The asset renewal ratio of 88% shows should be spending more to fund the gap.

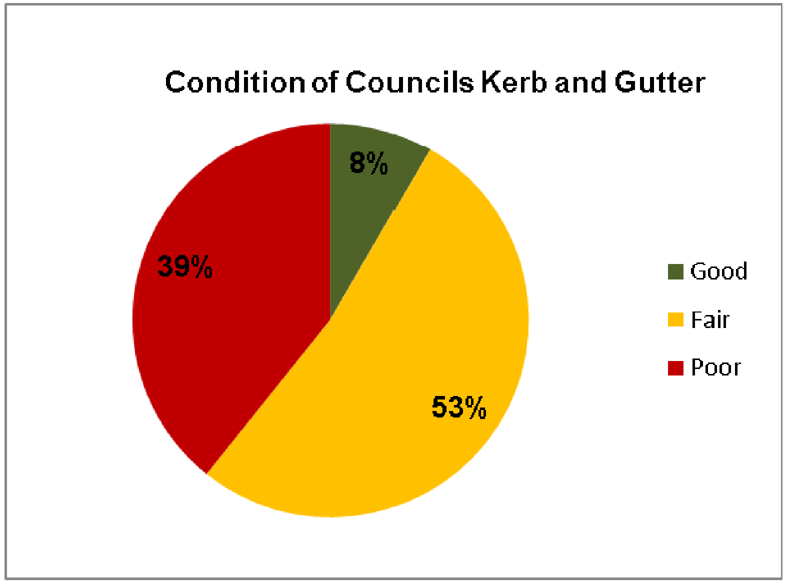
Budget requirements
Council invests approximately $302K each year to renew our footpaths. The required annual renewal funding for existing footpath assets is estimated at $344K. The difference between the required and budgeted funding equals an annual gap of $42K.

Desired service levels
The community consultation has confirmed that our residents support reducing the funding gap to improve the condition of our footpaths. The community has identified our footpaths are a medium- high priority.

Future directions
To reduce the gap in funding, council has already reallocated funds from assets identified by the community as low to medium asset priorities.

This will reduce the levels of service and the asset condition currently held by other asset groups. Council will monitor the impacts on other services and review funding as required in the future to minimise the risks.

Kerb and Gutter



Available data

Council inspected its kerb and gutter assets in 2010 as part of the fair valuation requirements. These assets are inspected on a reactive basis when a customer request for maintenance and renewal has been identified.

Asset condition

It has been determined that 39% of our kerb and gutter are in a poor and failed condition.

Asset sustainability indicators

The asset consumption ratio of 40% indicates that investment may be required to ensure service levels are maintained. The asset renewal ratio shows that we are not allocating renewal funding to kerb and gutter.

Budget requirements

No funding is allocated in the LTFP for capital works. Therefore the required average annual amount to renew existing kerb and gutter is also the funding gap of $2.1Million.

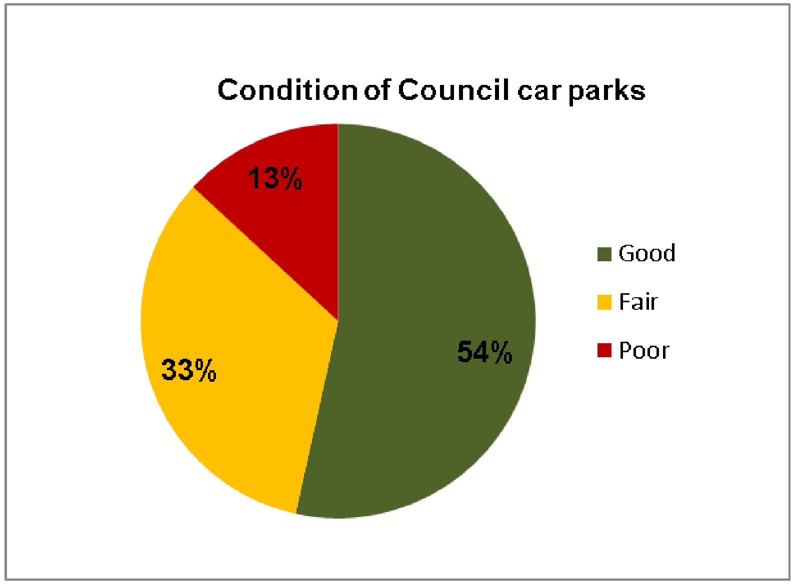
Service level expectation

The community consultation identified kerb and gutter as a low priority and there was lack of support to reduce the funding gap.

Future directions

The funding allocated for maintenance of kerb and gutter has been determined to be sufficient in managing the risks for failure of the assets. Council will monitor the funding and condition levels and review budget if required.

Car Parks (Located at business areas)



The car parks located within the recreational facilities (parks & sports fields) are not included in this asset group. Funding for these assets is identified within the associated asset class.

Available data

Council inspected the surface and pavement and the structures within our car parks in 2011 as part of the fair valuation requirements. Council now inspects these assets on a reactive basis as customer requests for maintenance or renewal are identified.

Asset condition

It has been determined that 13% of our car park pavements and structures are in a poor condition.

Asset sustainability indicators

The asset consumption ratio of greater than 60% indicates an adequate usable level of service of car park pavement and car park structures. The asset renewal ratio shows that we are not allocating renewal funding to car parks.

Budget requirements

The LTFP does not identify car park renewal as a separate item within projects so although some funding may be allocated this cannot be determined at this stage. The required annual renewal funding equals the funding gap of $59K.

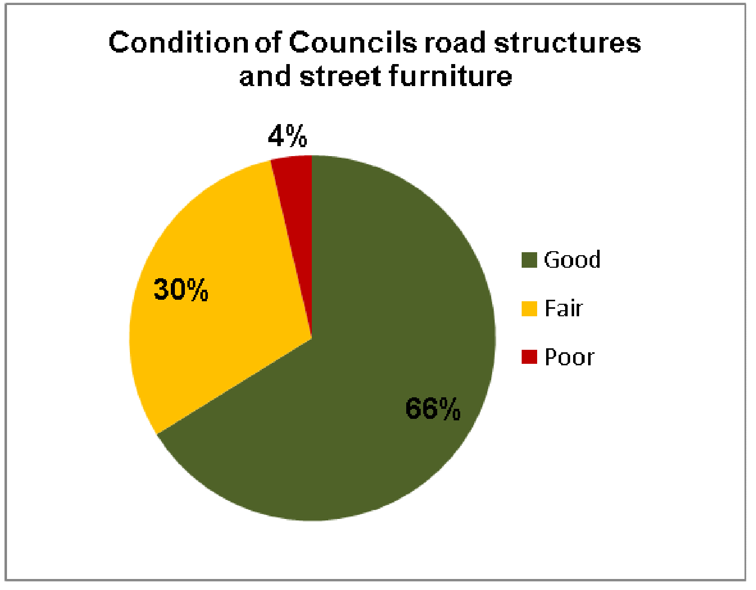
Service level expectation

The community consultation identified car parks as a moderate priority.

Future directions

The funding allocated for maintenance of Council car parks has been determined to be sufficient in managing the risks for failure of the assets. Through regular inspections Council monitors the condition and reviews funding levels as required.

Road Structures and Street Furniture



Available data

Council's roads structures and street furniture were inspected as part of the fair valuation requirements in 2010. The Road Structures and Street furniture asset register does not contain a comprehensive list of all asset components within this group. Due to a lack of resources the previous inspection regime only captured those assets located in business centres and other prominent locations across the local government area (LGA).

These assets are now inspected on a reactive basis as customer requests for maintenance or renewal are identified.

Asset condition

It has been determined that 4% of these assets are in a poor and failed condition.

Asset sustainability indicators

The asset consumption ratio of 69% indicates an adequate usable level of service exists. The asset renewal ratio shows that we are not allocating renewal funding to road structures and street furniture. The funding allocated to this asset group is for new and upgraded assets.

Budget requirements

There is currently no renewal budget for our road structures and street furniture. Therefore the annual required renewal funding equals the funding gap of $37K.

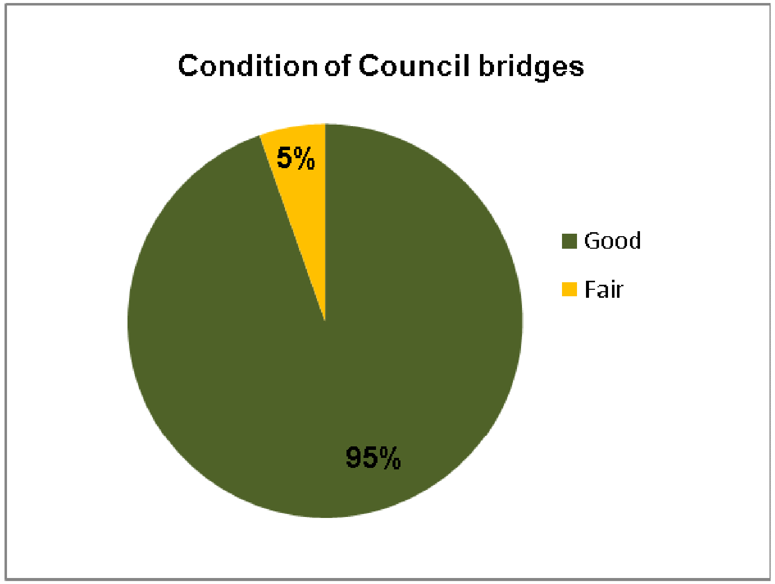
Service level expectation

Council has not consulted with the community to determine service levels for this asset group.

Future direction

Council will develop an inspection program to improve asset data in the road structures and street furniture register.

Bridges



Available data

Council inspected the condition of all bridges as part of the fair valuation requirements in 2010. Council now inspects our road and pedestrian bridges on a reactive basis as customer requests for maintenance are identified. All bridges will be assessed by Council in the future as part of the fair valuation requirements.

Asset condition

No bridges were identified in a poor condition and 95% are in a good and excellent condition.

Asset sustainability indicators

The asset consumption ratio of 75% indicates that the assets are possibly newly constructed or renewed. The asset renewal ratio shows that we are not allocating renewal funding to bridges.

Budget requirements

There is no funding allocated for the renewal of bridges. Therefore the funding gap equals the required amount of $750.

Service level expectation

Council has not consulted with the community to determine service levels for this asset group.

Future directions

The funding allocated for maintenance of Council bridges has been determined to be sufficient in managing the risks for failure of the assets. Through regular inspections Council monitors the condition and reviews funding levels as required.

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.

The operational and community buildings are maintained by Council's Engineering Services section within the Operations Department. The residential and commercial properties are managed by the Integrated Planning, Property and Assets section within the Strategy Department. All asset information pertaining to each group is contained within Council's fair valuation register.

Community Objective

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

- Community, People & Culture – *An equitable and inclusive community that cares and provides for its members*

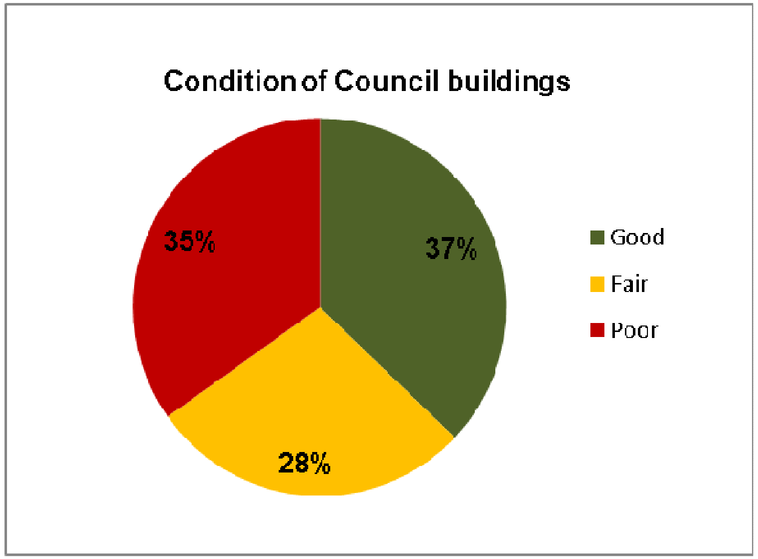
- Places, Spaces and Infrastructure - *Multipurpose community buildings and facilities are available to meet the community's diverse and changing needs*

  - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian or our community assets.*

- Local Economy and Employment - *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time*

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

Building Assets



Available data

The current building asset register is based on inspections and the fair valuation assessment completed by a Registered Valuer in June 2013. Buildings with a fair value over $500,000 have been componentised with a condition rating and remaining useful life allocated to each component. All buildings with a fair value under $500,000 have been given an estimated average condition rating to establish remaining useful lives.

Council is in the process of inspecting buildings at a component level and this will be completed by late 2014.

Asset condition

It has been determined that 34% of our buildings are in a poor condition

Asset sustainability indicators

The asset consumption ratio of 56% indicates an adequate usable level of service. The asset renewal ratio of 56% indicates that Council may be under investing in our building assets.

Budget requirements

Council invests approximately $1.3Million to renew our buildings components each year. The required annual renewal funding for existing buildings is $2.4Million. The difference between the required funding and the budgeted funding equals a gap of $1.1Million.

The required amount is currently based on the renewal of individual buildings as they are not yet componentised. This figure will be updated once all buildings are broken into components with useful lives assigned to each component and the condition assessed.

Service level expectations

Council consulted with residents on the condition of our child care centres, public toilets and community centres. It was identified that these buildings are viewed as priority assets and received moderate support to reduce the gap in funding.

Future directions

Council has increased the renewal budget for buildings located at business centres and public toilet amenities. The additional funding is sourced from a combination of budget redirections from other asset groups and loan obtain through the Local Infrastructure Renewal Scheme.

As a result this may reduce the levels of service currently held by other asset groups. Council will monitor the impacts on other services and review funding as required in the future to minimise the risks.

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.

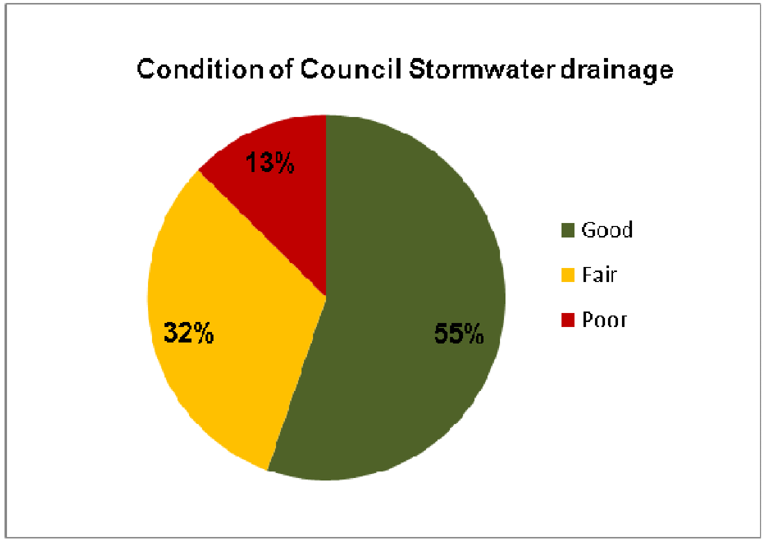
Council levies a stormwater management levy and this funding source is used to improve the drainage system and the maintenance of Council's drainage systems.

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

Drainage assets



Available data

Council has conducted CCTV inspections on 5% of our drainage network as a representative sample to determine the overall condition of our stormwater drainage infrastructure. All asset data was updated into the drainage register in 2010. At present Council inspects drainage on a reactive basis or through customer requests.

Asset condition

Based on known information it has been determined that 13% of our drainage assets are in a poor or failed condition.

Asset sustainability indicators

The asset consumption ratio reveals that 58% indicates an adequate usable level of service for drainage assets. The asset renewal ratio of 52% indicates that Council is underinvesting in drainage renewal expenditure.

Budget requirements

Council invests approximately $780K for the renewal of our drainage assets each year. The required annual renewal funding for existing drainage assets is $1.5Million. The difference between the required and budgeted funding equals a gap of $720K.

Service level expectations

Consultation with the community on the condition of our drainage asset has identified these assets are high priority.

Future direction

The average annual required funding for drainage cannot be determined accurately without review of the current data and assessment of the condition and capacity of the drainage network. Due to current resources funding is allocated for drainage improvements where new development is being effected and/or through improved flood assessment and flood management information.

Council's asset register for drainage is based on a representative sample of a drainage network. Further investigation into the condition of a drainage network and identification of capacity requirements will have to be complete in order to improve the data accuracy. As the data captured on the condition and capacity of our drainage asset is only a representative sample, ongoing annual inspections are required to improve asset information[5] . Overtime, this will improve data knowledge and assist with accurately determining life cycle costs and capacity requirements.

[5] Refer to Asset Improvement Action Plan

Recreational Facilities

The Recreational Facilities asset class comprises of all assets within our sports fields, parks and bushland locations. Asset groups within these areas include ovals, golf courses, playgrounds, playing courts, walking tracks and fire trails.

The assets within the recreational facilities asset class are maintained by the Open Space Section within the Operations Department.

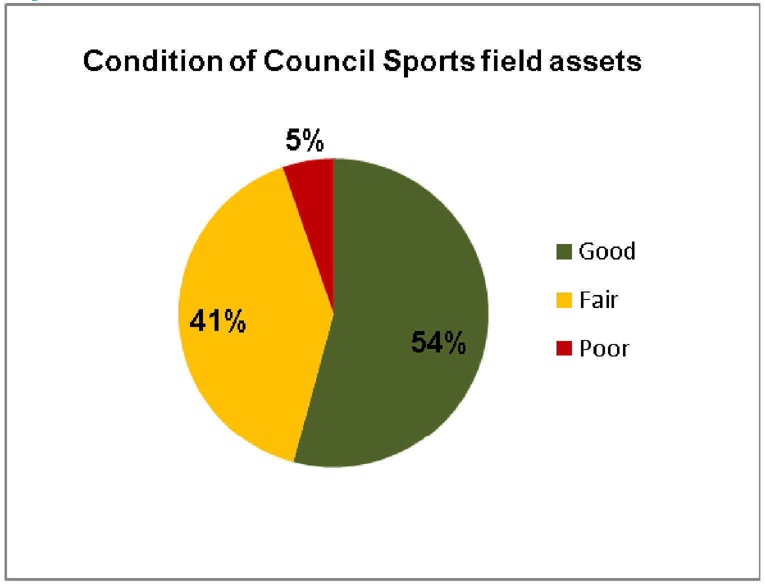
Community Objective

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

- Community, People and Culture – *A community that embraces healthier lifestyle choices and practices*
- Natural Environment - *A community addressing and responding to the impacts of climate change and extreme weather events.*
- Places, Spaces and Infrastructure - *Recreation, sporting and leisure facilities are available to meet the community's diverse and changing needs*

  - *An improved standard of infrastructure that meets the community's service level standards and Council's obligations as the custodian or our community assets.*
- Local Economy and Employment - *Our centres offer a broad range of shops and services and contain lively urban village spaces and places where people can live, work, shop, meet and spend leisure time*
- Leadership and Governance - *Council rigorously manages its financial resources and assets to maximise delivery of services*

Sports fields



Available data

Council inspected all assets within our sports fields in 2010/2011. These assets are now on the Open Space asset assessment program and assessed every 4 years.

Asset Condition

Council's assessment reveals that only 5% of assets are in a poor or failed condition.

Asset sustainability indicators

The asset consumption ratio of 63% indicates an adequate usable level of service for sporting field assets. There is adequate funding allocated towards assets within our sports field locations.

Budget requirements

Council invests approximately $361K towards the renewal of our Sports field assets. The required renewal funding for existing sports field assets is estimated at $266K. This shows that Council is spending more than what is required on sports field assets. This is due to the renewal component included in some of our major projects that will be completed over the next ten years.

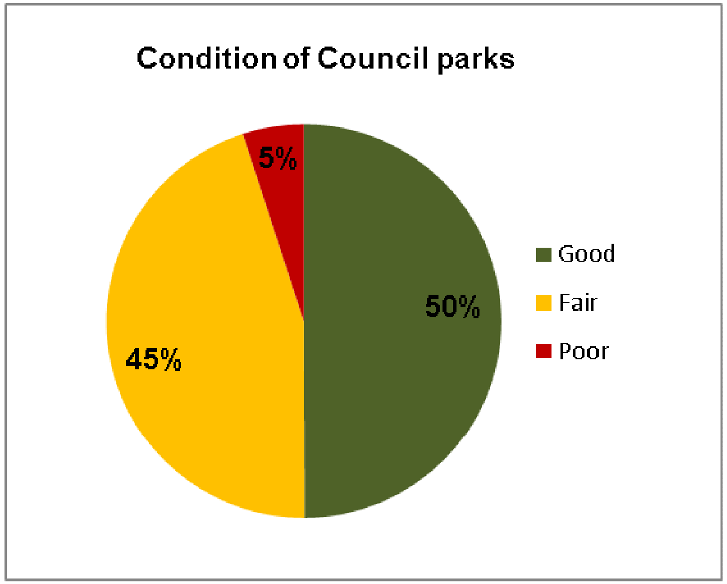
Service level expectations

Community consultation identified the sports field assets as having moderate importance to our community. The level of support to reduce the funding gap was also moderate.

Future directions

The funding allocated for maintenance of Council sports fields has been determined to be sufficient in managing the risks for failure of the assets. Through regular inspections Council monitors the condition and reviews funding levels as required.

Parks



Available data
Council inspected all assets within our parks in 2010/2011. These assets are now on the Open Space asset assessment program and inspected on a 4year cycle.

Asset condition
Council's assessment reveals that only 5% of assets are in a poor or failed condition.

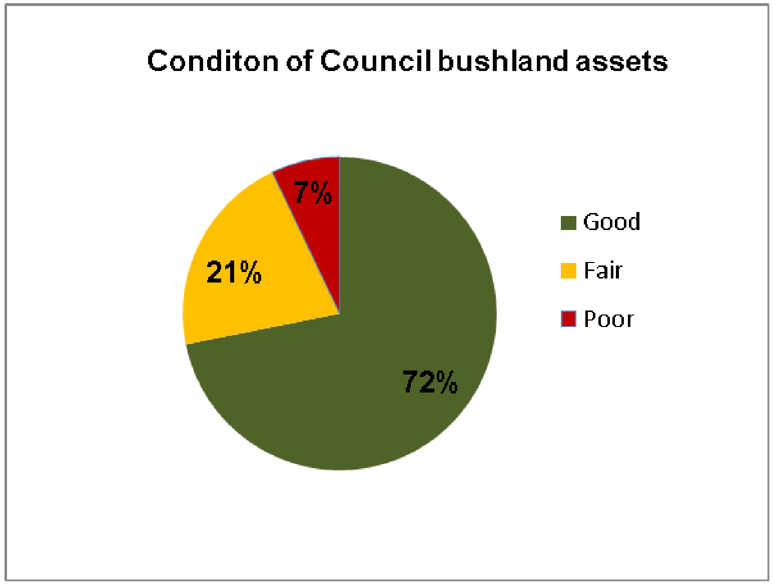
Asset sustainability ratios
The asset consumption ratio of 61% indicates an adequate usable level of service for park assets. The asset renewal ratio of 76% shows that Council may be under investing on park asset renewals.

Current Funding
Council invests approximately $79K each year towards the renewal of assets within our park locations. The required average renewal funding for existing park assets is estimated at $104K. The difference between the required and budgeted funding equals a gap of $25K.

Service level expectations
Community consultation identified the parks assets as having moderate importance to our community. The level of support to reduce the funding gap was also moderate.

Future directions
The funding allocated for maintenance of Council parks has been determined to be sufficient in managing the risks for failure of the assets. Through regular inspections Council monitors the condition and reviews funding levels as required.

Bushland



Available data

Council inspected all assets within our bushland locations in 2010/2011. These assets are now on the Open Space asset assessment program and inspected on a 4year cycle.

Asset Condition

Council's assessment reveals that only 7% of assets are in a poor or failed condition.

Asset sustainability ratio

The asset consumption ratio of 64% indicates an adequate usable level of service for park assets. The asset renewal ratio shows that Council will not be investing in the renewal of bushland assets over the next ten years.

Budget requirements

No renewal funding is located towards bushland assets in the LTFP.
The required annual renewal funding for existing bushland assets equals the funding gap of $97K.

Service level expectations

Community consultation identified the bushland assets being a low priority and there was minimal support in reducing the funding gap for these assets.

Future directions

The funding allocated for maintenance of Council Bushland has been determined to be sufficient in managing the risks for failure of the assets. Through regular inspections Council monitors the condition and reviews funding levels as required. Any built assets should minimise adverse impacts on the natural environment.

How will we get there?

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

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

Scenario Planning

Scenario planning is an important part of asset management as it explores different options to determine the best plan for improving asset condition based on available funding. The three scenarios and how they impact on our infrastructure are shown below;

Scenario 1 – Base Case Scenario without continuation of the Special Rate Variation (SRV) for Infrastructure

The base scenario of the Long Term Financial Plan (LTFP) shows the financial results of delivering the current level of service as per the 2013/14 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document.

As with other scenarios, this scenario is modelled to address Council's asset renewal gap and maintain all categories of assets at an acceptable level. While available funding sources are not sufficient to close Council's infrastructure backlog over the next 10 years, it still partially addresses this liability. The adopted principle under this scenario is that all available surplus funds will be diverted towards Council's asset renewal program as a priority.

This scenario is sustainable according to the recognised financial sustainability measures and can be delivered, however, it does not address the asset renewal backlog and community concerns about the roads network. This scenario identifies the impact of not receiving the continuation of the SRV for Infrastructure starting from 2014/15 onwards. The associated road works that this levy will fund are also eliminated.

Council's revised Asset Management Strategy and the updated Roads and Transport Asset Management Plan confirm the need to maintain the level of funding for roads to address the backlog. Several research surveys have been undertaken with the Community to establish acceptable levels of service. These surveys confirmed that roads represented the highest concern in the community. If Council does not get an approval for the continuation of the SRV, it will not be possible to renew Council's roads to this service level standard in the future.

Capital expenditure

Capital expenditure is based on the current and projected capital works program and Council's Asset Management Strategy (AMS). Council's AMS outlines the renewal strategies for each asset class. These include Roads and Transport, Buildings, Drainage and Recreational Facilities. The AMS also provides and quantifies the required renewal expenditure to close the assets renewal gap. As indicated above, all available surplus funds have been allocated towards partially funding this gap for the next 10 to 20 years. The required renewal funding is based on the cost to renew assets in a poor condition.

The required renewal expenditure as per the AMS is presented below;

Required Renewal Expenditure	Current prices ($M)		Future prices ($M)	
Asset Classes	**1 Year**	**10 Year**	**1 Year**	**10 Year**
Roads and Transport	12,151	121,510	12,151	140,213
Drainage	1,500	15,000	1,500	17,309
Buildings	2,398	23,980	2,398	27,671
Recreational facilities	467	4,670	467	5,389
Total	**16,516**	**165,160**	**16,516**	**190,581**

The base scenario allocates capital funding as follows whilst the table below displays the Asset renewal gap after additional funds allocated towards assets renewal (without the SRV)

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,543	6,376	7,038	9,290	10,652	11,811	12,575	12,854	13,316	14,370	15,261
Projects funded by SRV	-	-	-	-	-	-	-	-	-	-	-
Asset Renewal Gap	77,038	10,554	10,264	8,497	7,633	6,949	6,673	6,914	6,985	6,459	6,110

Scenario 2 – Continuation of the Special Rate Variation (SRV)

This Scenario represents the base case scenario plus additional income from the Special Rate Variation (SRV) and increased expenditure on Infrastructure assets funded by this income.

This scenario is Council's preferred one and is considered sustainable. The LTFP has assumed in this scenario that the levy will be continued permanently. Council considers that this increase in funding is necessary to address the current renewal backlog and meet community expectations in regard to service levels and the management of essential community assets.

Income from the continuation to the Infrastructure Levy will be used entirely to fund Council's road works.

It is estimated that the special rates variation will produce the following increase in Council revenue over the next 10 years to 2023/24.

$M	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Special Rate Variation	2,752	2,851	2,965	3,083	3,200	3,319	3,445	3,576	3,708	3,845
Less: Pensioner Rebates	- 24	- 24	- 24	- 25	- 25	- 26	- 26	- 26	- 27	- 27
Levy available for Infrastructure Projects	**2,728**	**2,827**	**2,941**	**3,058**	**3,175**	**3,293**	**3,419**	**3,550**	**3,681**	**3,818**

Pending approval of the SRV, Council will receive approximately $32.5million[6] in total over a 10-year period (future prices). If the SRV is not approved, the roads program will need to be reduced by eliminating projects funded by the SRV. This means that the total program value each year equals only the funding available from other sources, as factored into the Base Scenario above.

The SRV ensures that Council has the capacity to provide additional funding to reduce the funding gap, and continue to bring Council's roads to an acceptable condition[7] within an established time frame. The benefits of bringing Council's roads to an acceptable standard will help reduce the annual maintenance requirements as well as the cost of future road works.

[6] Future prices
[7] An acceptable standard is condition 3 (fair) or above. This has been determined by consultation with the community.

The table and chart below displays the Asset renewal gap after additional funds allocated towards assets renewal (with SRV). The additional income from the SRV has a positive impact on the size of the future asset renewal gap, reducing it by the amount of the levy. The chart is similar to the chart in Scenario 1 but shows the additional reduction in the asset renewal gap caused by the levy.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Special Rate Variation	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Asset Renewal Gap	**44,650**	**7,957**	**7,443**	**5,568**	**4,561**	**3,779**	**3,374**	**3,496**	**3,422**	**2,766**	**2,284**

Scenario 3 - Scenario 3 - Continuation of the Special Rate Variation for Infrastructure plus additional funding to Close the Infrastructure Gap

The “Closing the Gap” Scenario represents Scenario 2 (the base case scenario plus additional income from the SRV for Infrastructure), and an additional $44.650 million[8] over 10 years required to renew our infrastructure assets to acceptable service levels identified in recent community consultation. This scenario seeks to develop an adequate infrastructure renewal program to ensure that the community continues to be served by its assets at their desired level.

If Council was to close the annual asset renewal gap over the 10 years of this LTFP, additional funds of $44.650 million will need to be found on top of the proposed special rate variation for Infrastructure. If additional revenues cannot be raised an option would be to reduce operational costs, however this will require significant cuts to existing services. Another option available to Council would be to borrow the funds with the resulting impact on debt levels and operational cost. As all revenues are committed to fund existing operational expenditure plus asset renewals the actual amount borrowed would be much higher as Council would also need to borrow to fund the interest costs on the loans. The extra borrowing will also be in contravention of Council’s borrowing strategy in that it has no significant future cash flow benefit and the debt could only be serviced by eliminating or curtailing other capital works projects. In the long term borrowing for infrastructure renewal is not sustainable.

Projected financial statements have not been produced for this scenario, as this is currently unfunded and does not meet most of the financial sustainability tests identified in the LTFP. The scenario is a work in progress and requires significant financial analysis and modelling to determine future revenue streams and funding sources to address the shortfall between required expenditure and current affordable

[8] Future prices

expenditure. Council is not prepared to consider borrowing for this shortfall until it can be assured that it will only be addressing a short-term requirement and that there would be future asset renewal reductions to enable the debt to be repaid.

The table below shows that Council requires funding of $44.650 million from unidentified sources to close the assets renewal gap.

Assets Renewal Funding ($M) Future Prices	10 Year Total	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Required Renewal Funding	190,581	16,930	17,302	17,787	18,285	18,760	19,248	19,768	20,301	20,829	21,371
Standard Expenditure - Detailed Projects	113,443	6,245	7,032	9,279	10,666	11,806	12,581	12,853	13,330	14,382	15,269
Infrastructure Levy (SRV)	32,488	2,728	2,827	2,940	3,058	3,175	3,293	3,419	3,549	3,681	3,818
Closing the Gap - unidentified funding	44,650	7,957	7,443	5,568	4,561	3,779	3,374	3,496	3,422	2,766	2,284
Asset Renewal Gap	-	-	-	-	-	-	-	-	-	-	-

Asset Management Improvement Plan

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

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

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

Roads and Transport

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Assets and procedures for cost and risk assessment documented. Continual maintenance of procedures	Review of processes and practices	Ongoing	Director Operations Risk Management Coordinator
Data and Knowledge	Improve data knowledge	Continue to develop data collection procedure and program for all assets Inspect all road structures and street furniture assets and update in register	Ongoing Ongoing	Director Operations Pavement Engineer Building Assets Coordinator and Team Leader Design and Projects
Asset Management Plans	Advanced asset management plans	Develop advanced Asset Management Plan	2015/2016	Director Operations Strategic Asset Coordinator Pavement Engineer
Asset Information Systems	Corporate Asset Management System	Transfer data to corporate system	2015/2016	Business System Analyst
People and Organisational Issues	Understanding of road asset management	Provide staff training for all facets of road asset management	Ongoing	Director Operations Strategic Asset Coordinator
Implementation Tactics	Outline of required road asset management activities	Review core and non-core activities	2014/2015	AMSG

Strategy and planning	Advanced maintenance and renewal plans Life cycle cost analysis Service level review	Develop advanced asset renewal and maintenance plans. Improve life cycle cost data knowledge Review and update service levels for each asset class	2014/2015 2014/2015	Director Operations Manager IP & R & Assets Strategic Asset Coordinator Civil Works Coordinator and Pavement Engineer

Buildings

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Implement and/or improve building asset management processes Assets and procedures for cost and risk documented Continual maintenance of procedures	Review of processes and practices	2014/2015 (ongoing)	Director Operations Manager Engineering Services Manager IP & R & Assets
Data and Knowledge	Complete database of assets	Develop an asset register that captures all building components	2014/2015	Building Assets Coordinator
Asset Management Plans	Advanced AMP	Develop advanced AMP	2015/2016	Director Operations Strategic Asset Coordinator Building Assets Coordinator
Asset Information Systems	Asset register Transfer data to works and assets	Update all asset components and assign Values, useful lives and conditions. Include buildings data into corporate system	2014/2015 2015/2016	Engineering Services Coordinator Business Systems Analyst

People and Organisational Issues	Understanding of building asset management Asset performance register	Provide staff training for all facets of building asset management Review and measure asset performance	Commenced (annually)	Director Operations Manager Engineering Services
Implementation Tactics	Outline of required building asset management activities	Review core and non-core activities	2014/2015	AMSG
Strategy and planning	Advanced maintenance and renewal plans life cycle costs analysis Service level review	Develop advanced asset renewal and maintenance plans. Improve required life cycle costs Review and update all service levels	2015/2016 2014/2015	Building Assets Coordinator Manager IP & R & Assets Strategic Asset Coordinator Manager Engineering Services

Drainage

Quality Elements	Action Item	Objectives	Timeframe	Responsible Officer
Processes and Practices	Implement and/or improve drainage asset management processes Continual maintenance of procedures	Review of processes and practices	2014/2015 Ongoing	Strategic Asset Coordinator Director Operations
Data and Knowledge	Complete database of assets	Ongoing development of data collection procedure and program. Review useful lives, condition and capacity	Ongoing	Strategic Asset Coordinator Drainage Engineer Director Operations
Asset Management Plans (AMP)	Advanced Drainage AMP	Develop advanced Drainage AMP	2015/2016	Director Operations Strategic Asset Coordinator Drainage Assets Engineer

Asset Information Systems	Corporate asset management system	Update data into corporate system	2016/2017	Business Systems Analyst
People and Organisational Issues	Understanding of drainage asset management Asset performance register	Provide staff training for all facets of drainage asset management Review and measure asset	Ongoing Annually	Director Operations Strategic Asset Coordinator Manager Engineering Services
Implementation Tactics	Outline of required drainage 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 levels	Develop advanced asset renewal and maintenance plans. update required life cycle costs Update service levels	2014/2015	Director Operations Manager IP & R & Assets Strategic Asset Coordinator Drainage Assets Engineer

Recreational Facilities

Quality Elements	**Action Item**	**Objectives**	**Timeframe**	**Responsible Officer**
Processes and Practices	Implement and/or improve recreational asset management processes Continual maintenance of procedures	Review of processes and practices	Ongoing Ongoing	Strategic Asset Coordinator Open Space Manager
Asset Management Plans	Advanced RFAMP	Develop advanced Asset Management Plan	2015/2016	Strategic Asset Officer Open Space Asset Supervisor
People and Organisational Issues	Asset performance register Training	Review and measure asset performance Ongoing support and training for asset procedures	Annually	Manager Open Space Operations Strategic Asset Coordinator

Implementation Tactics	Outline of required parks and recreation asset management activities	Review core and non-core activities	Annually	Manager Open Space Operations
Strategy and planning	Advanced maintenance and renewal plans Life cycle cost analysis Service levels	Develop advanced asset renewal and maintenance plans. Improve life cycle costs Update service levels	2014/2015	Manager Open Space Operations Strategic Asset Coordinator

Reporting and Assessment
Measuring our performance

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

To assist councils in determining that the Integrated Planning and Reporting Framework (IPRF) and guidelines have been met, the Division of Local Government has circulated a Self Assessment Checklist. This forms part of the initial assessment around current asset management planning.

The development of key performance measures relating to the delivery of maintenance programs in the annual Operational Plans and subsequent reporting that will ensure the path to success is measured.

Reporting on these indicators will be the responsibility of all Asset Managers who have control of specific asset classes.

Ongoing periodic surveys with the community, gauging perceptions between satisfaction of built asset classes and services being provided, will be required. The ongoing use of community surveys will be tailored to include specific asset management issues to ensure relevance of the programs continues.

Conclusion

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

This strategy, together with asset managers, custodians, staff and the community will allow a continued progression toward service excellence. Management techniques drawing on the financial, risk, environmental and social drivers will assist in providing an improved asset management performance by enabling Council to work with the community to ensure operations are better understood.

Although adopted as a 10year Asset Management Strategy, ongoing review of this document will be required and be guided by our community. Specifically, with 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.

Appendix A Asset Management Policy 2009

Ku·ring·gai Council

Asset Management Policy

February 2009

Ku·ring·gai Council

SERVIENDO GUBERNO

Doc distribution	Internal/External	**Doc Status**	Approved	**File No**	S06232
Document Owner	Director Strategy	**Contact officer/s**	Manager Strategic Assets and Services, Asset Management Coordinator		
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History of Approved Versions					
Version	**Effective Date**	**Summary of changes**			

Table of Contents

Introduction

The focus of this policy is on how council's assets are to be managed and what service levels are to be provided. Whilst council is the custodian of a large and diverse asset portfolio that has accumulated over a long period, the purpose of strategic asset management is to determine the optimum method for maintaining council's assets and providing the desired service levels for current and future generations.

Ku-ring-gai Council currently owns and maintains over $1.8 billion worth of assets including infrastructure (e.g. roads, drainage), land, buildings, furniture and fittings, and equipment. These assets make up the economic and social infrastructure that enables the provision of services to the community and businesses, playing a vital role in the local economy and quality of life. Asset management is a tool that facilitates corporate accountability and impacts on all areas of service planning and delivery.

This policy sets the principles that will govern the provision of asset related services. The asset management framework and strategy sets out the process to determine the life cycle cost of each asset and a funding model to achieve and sustain the target service levels. The framework will define accountabilities for service planning and delivery.

2. Purpose

The purpose of this policy is to guide the strategic management of council's assets, to ensure:

- clear direction and ownership of asset management
- clear lines of responsibility for the management of each asset class;
- a guide to better and more informed decision-making by council, staff and relevant stakeholders;
- integration of resources and knowledge providing the ability to plan for the present and future generations;
- a framework to implement continuous improvement in asset management;
- community needs and expectations are considered;
- council's risk is effectively managed;
- greater resource efficiency through the use of integrated systems;
- compliance with state legislation; and
- development of funding strategies for the managements of council's assets.

The asset management policy will be complemented by:

a) an asset management strategy;

b) individual asset management plans for specific asset classes;

c) operational/service plans for specific asset classes; and

d) an asset management information system.

Together, these documents, processes, software and data will deliver a comprehensive asset management framework.

3. Objectives

Asset management should be included as a key objective in Council's Management Plan and be incorporated into the corporate planning cycle, annual operational plans, financial and risk management plans.

3.1 To provide and promote a constructive environment for undertaking asset management to ensure that:

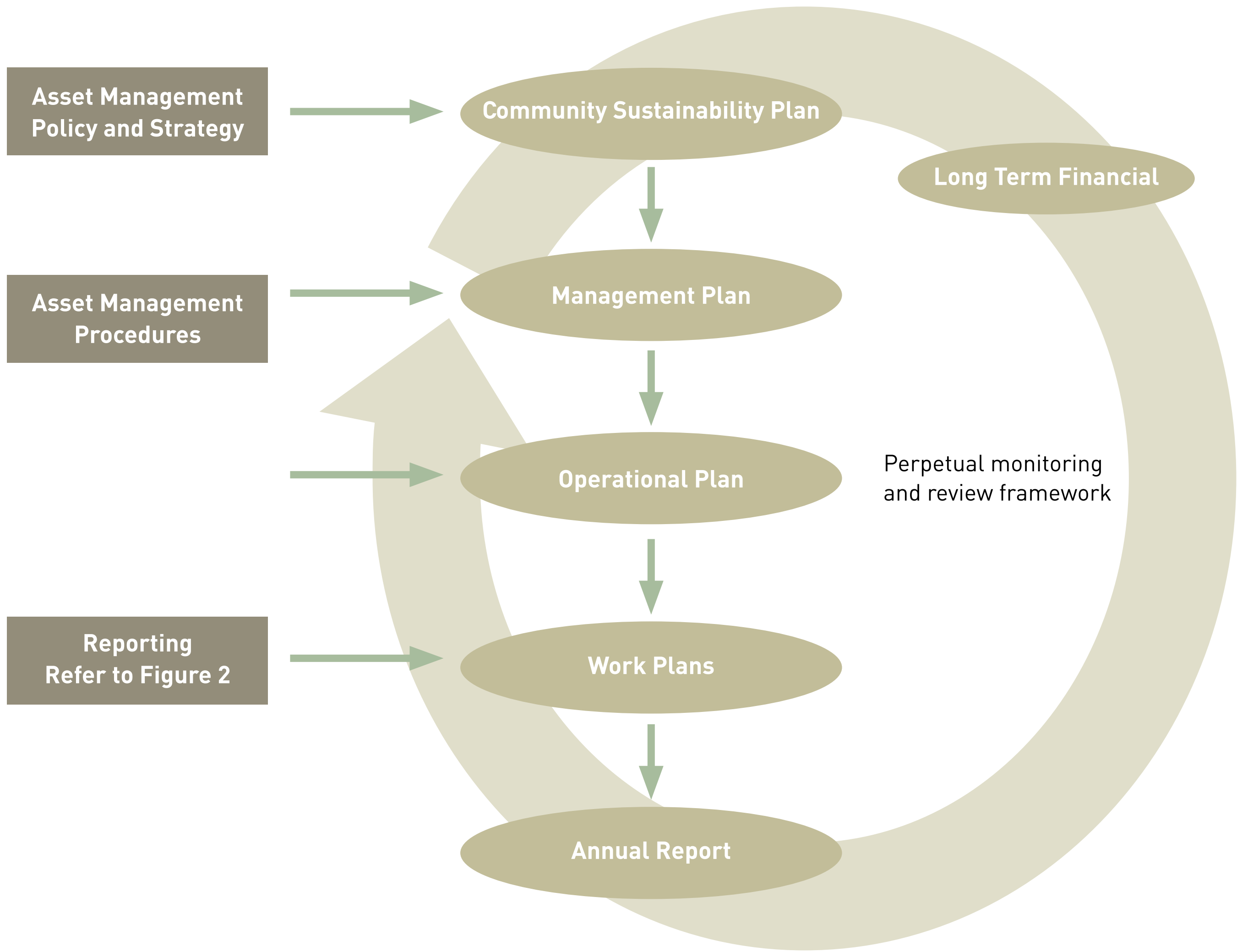
- assets are managed in accordance with relevant legislation;
- assets are managed in accordance with recognised best practice;
- future funding needs are identified and allocated so that assets can function to their defined levels of service;
- asset performance is measured against defined levels of service;
- a life cycle approach is taken in the development of operational, maintenance, renewal/refurbishment, augmentation and investment strategies;
- full financial considerations are developed in regard to acquisition, construction and divestment of council's assets; and
- risk is considered in the development of asset strategies.

3.2 The asset management policy and strategy should complement council's strategic financial planning goals and aim to ensure that:

- sufficient funds are allocated as a priority each year for operating, maintenance and refurbishment costs of existing assets;
- investments in new asset creation should consider whole-of-life costs rather than just the capital cost component and accordingly reflected in the long term financial model;
- where appropriate this should involve assessing the economic benefits including benefit/cost ratios & net present values, the environmental & social benefits of investments, revenue generation opportunities and future strategic benefits; and
- asset utilisation/service levels should be regularly reviewed as part of the asset management process. These service levels should be considered when prioritising investments in infrastructure. The community and key stakeholders should be consulted when determining service levels.

3.3 The Department of Local Government has recommended an integrated planning and asset management framework as identified in Figure 1 below.

Figure 1: The Asset Management Overarching Objectives



4. Definitions

4.1 Asset

A physical item owned by council which has economic value and enables services to be provided.

4.2 Asset life cycle

The life of an asset; from it's acquisition to its disposal.

4.3 Asset management

Asset management (AM) is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets.

4.4 Asset Management Information System

An asset management information system is the foundation of all asset management practices. It 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. The asset management information system links to other information systems within council such as the Property System, Geographic Information System [GIS], Finance System and Document Management System.

4.5 Asset Management Plan

A plan developed for the management of an infrastructure asset or 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.

4.6 Asset Management Strategy

Includes development and implementation of plans and programs for asset creation, operation, maintenance, refurbishment/replacement, disposal and performance monitoring to ensure desired level of service and other operational objectives are achieved at optimum cost. The asset management strategic plan typically has a 10-20 year horizon and aligns asset management with Council's Management Plan and long term financial model [LTFM].

4.7 Asset register

A record of asset information including inventory, historical, financial, condition, construction, technical, and financial details.

4.8 Infrastructure asset

Infrastructure assets are typically large, interconnected networks or portfolios of composite assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. Infrastructure assets include roads (including bridges and pathways), drainage, parks and nature reserves and buildings.

4.9 Level of service

Defining and considering community expectations within funding constraints in relation to the quality and quantity of services delivered by council.

4.10 Life cycle cost

The total cost of an asset throughout its useful life.

4.11 Operational Plan

Operational plans generally comprise detailed implementation plans and information with a 1-3 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.

4.12 Predictive modelling

Use of asset deterioration models and condition monitoring to predict failure and the timing of asset refurbishment and renewal.

4.13 Useful life of an asset

The period over which a depreciable asset is expected to be used.

5. Asset Management Principles

Asset management is a systematic process to guide the planning, acquisition, construction, operation, maintenance, renewal and disposal of assets. Its objective is to maximise asset service delivery potential and manage related risks and funding requirements over the assets useful life.

Council recognises that infrastructure assets are critical to the local community and are fundamental to council's overall service delivery. Effective planning and management requires strong and informed decision making.

6. Scope

This policy applies to all asset classes owned by council. Council's asset classes are:

- buildings;
- plant and equipment;
- roads;
- stormwater drainage; and
- parks and recreation.

7. Policy implementation

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

a) customer and community expectations;

b) strategic and corporate goals;

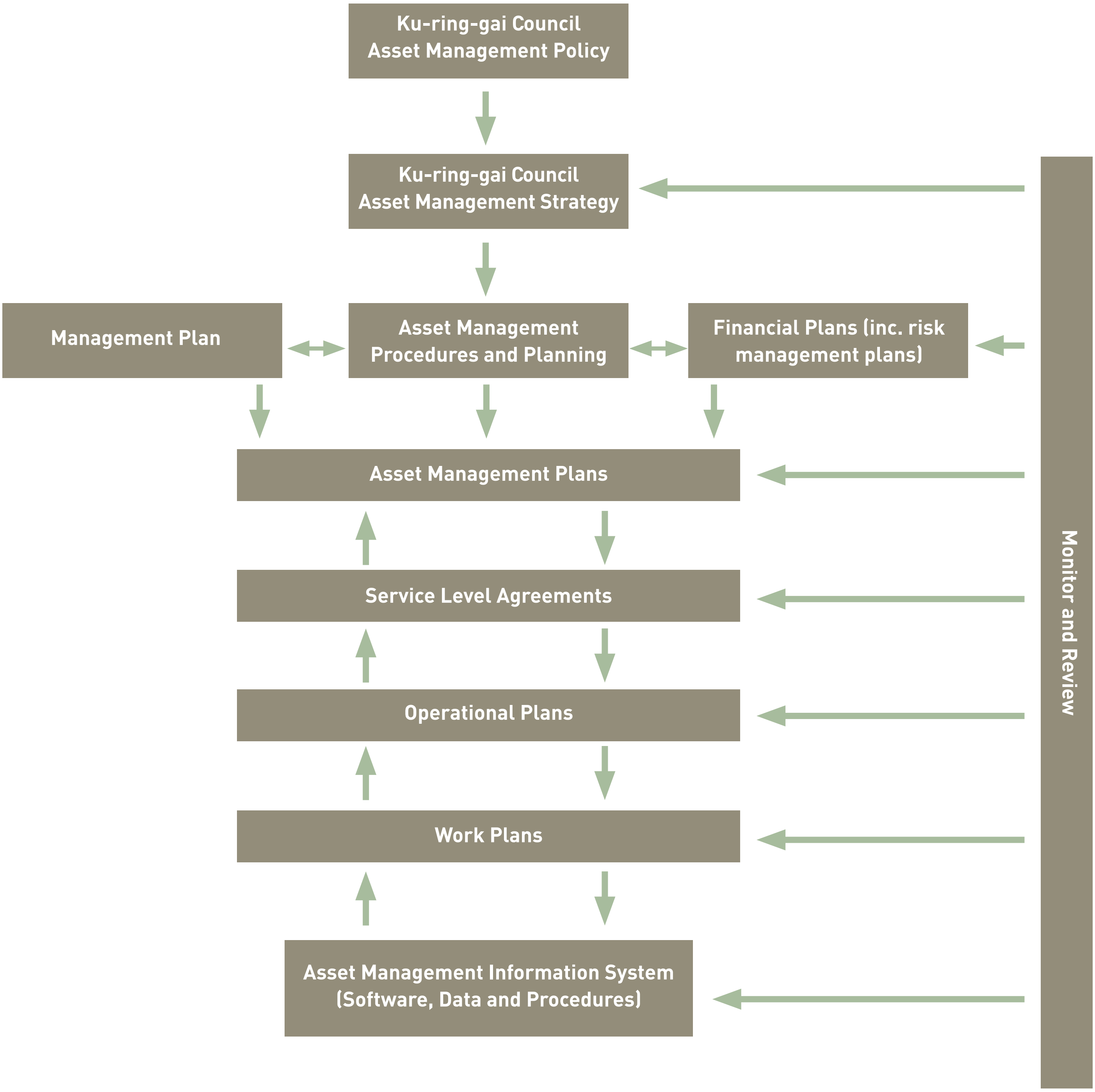
c) long term financial model; and

c) legislative requirements.

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

An asset management working group (AMWG) has been formed to progress and co-ordinate asset management issues. The asset management working group will oversee the implementation of the asset management process as identified in Figure 2. This illustrates the means by which the asset management policy, strategy, plans, operational plans and asset management information system interacts with each other.

Figure 2: Asset Management Reporting



7.1 Asset Management Strategy

This policy applies to all asset classes owned by council. Council's asset classes are:

- link and integrate council's plan and resources, illustrating the means by which assets will deliver services;
- develop criteria for determining satisfactory standards;
- forecast future service delivery needs and the capacity of assets to meet those, on a short, medium and long-term basis;
- provide a full overview of expenditure on new assets and the existing asset base;
- specify asset management procedures, systems, resources and training; and
- establish systems for asset performance measurement and to ensure that effective implementation is realised in practice.

7.2 Asset Management Plan

The asset management plan establishes, for each asset class:

- levels of service (performance, construction, maintenance, and operational standards);
- future demand (rational basis for demand forecasting and analysis of options for providing new assets);
- life cycle management plan (including acquisition and construction, operations and maintenance, renewals and replacements, expansion and refurbishment);
- financial projections;
- asset management practices; and
- performance monitoring and improvement.

8. Accountabilities

8.1 Council

This policy is enacted through council, as the custodians of community assets, demonstrating the organisation's commitment, vision and strategic objectives via an integrated and resourced asset management framework. Council will:

- act as stewards for infrastructure assets;
- adopt a corporate asset management policy and vision which links to the Sustainability Plan;
- set levels of service, risk and cost standards;
- approve and review asset management plans;
- ensure appropriate resources and funding for asset management activities are made available which demonstrate optimum efficiency having considered the limited resources available to Council.

8.2. Senior Management Team

The objectives of the senior management team are:

- to continue to refine the asset management policy and the initial asset management strategy with linkage to the Sustainability Plan for consideration by council;
- to foster and support the multi-discipline cross-functional asset management working group;
- to implement and continuously review the corporate asset management policy and strategy;
- to monitor the performance of the staff in implementing asset management.
- to ensure the community and key stakeholders inputs are integrated into the asset management plans; and
- to ensure that timely, accurate and reliable information is presented to council for decision making.

8.3 The Asset Management Working Group (AMWG)

A multi-disciplinary and cross-functional asset management working group will be established to assist with the strategic asset management planning.

The development of Council's asset management strategy is overseen by the asset management working group. The group consists of the General Manager, Directors and Managers from each department, who are responsible for the development and implementation of asset management plans and policies. This group will be supported by council officers, providing specialist/technical information and assistance with system implementation.

The function of the group is to overview the implementation of this policy and to provide the strategic direction for asset management by developing council's asset management strategy and asset management plans. The core function of the group is to ensure the needs and obligations of council outlined above, are being fulfilled on behalf of the community and to:

- draft an asset management policy and procedures to implement policy;
- develop an implementation strategy for asset management that reflects a corporate approach;
- develop an asset usage policy;
- monitor the implementation of asset management policy and strategy;
- ensure continued enhancement and co-ordination of the implementation of council's policy and strategy;

- ensure effective communication between the community, key stakeholders and council's asset managers;
- encourage continuous improvement, innovation and cost effective methods to enhance asset management practices;
- facilitate the development of asset management plans and capital works

  programs with a reporting mechanism to council and the senior management team; and
- operate within the agreed Terms of Reference.

8.4 Staff responsibilities for asset management activities

8.4.1 An asset management working group shall be established which will be responsible for developing and reviewing the asset management policy, strategy and asset management plans for adoption by council and the senior management team.

8.4.2 The Director Strategy and Manager Strategic Assets and Services shall be responsible for coordinating the development and implementation of an asset management strategy and asset management plans.

8.4.3 Individual staff with asset management responsibilities will have this included in their workplans and position descriptions.

9. Review

This policy shall be reviewed not less than every three (3) years, or considered within the first year of each newly elected council

10. Legislation

10.1 Section 8 of the Local Government Act 1993 (NSW) outlines council's responsibilities for accounting and managing public assets.

10.2 Section 428 2(d) of the Local Government Act 1993 (NSW) requires council report on the condition of its public works each financial year. This includes estimates of costs to bring works up to a satisfactory standard and maintaining them at that standard.

Whilst there is no current legislative requirement for local government to establish long term asset management plans, a position paper on asset management planning prepared by the Department of Local Government has recommended that amendments be made to the Local Government Act 1993 (NSW) to address long-term strategic asset management planning. It is envisioned that these amendments will be made in the near future.

11. Reference Documents

- Sustainability Vision Report Ku-ring-gai to Global 2008-2033
- Management Plan 2008-2012
- Asset Management Service Plans - [developed and to be developed]
- N.S.R.O.C - Asset Management Guidelines June 2007
- DLG: Asset Management Planning for NSW Local Government 2006
- Local Government & Planning Ministers Council - Framework 2: Asset Planning & Management May 2007
- DLG: Capital Expenditure Project Guidelines May 2008
- International Infrastructure Management Manual - Version 3.0 2006
- National Asset Management Steering [NAMS] Group - Developing Levels of Service and Performance Measures - Version 2.0 2007
- Australian Accounting Standards - AAS116B

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Ku·ring·gai Council

SERVIENDO GUBERNO

WORKFORCE STRATEGY 2013 - 2017

This Plan has been prepared by Ku-ring-gai Council to support the delivery of its long-term strategic direction.

It forms part of the Resourcing Strategy for the Community Strategic Plan and Delivery Program and should be read in conjunction with these documents.

For more information on this document contact:
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Contents

Introduction

The initial 2009 Workforce Strategy was developed with the principle in mind that there is not a correct starting or finishing point when strategically planning for Council's workforce. Rather it represented the first attempt to employ a strategic framework to ensure that Council has "the right number of people with the right skills in the right jobs at the right time". The plan identified a number of recommendations and outcomes that have since been implemented to mitigate the critical organisational staffing risks associated with the loss of corporate knowledge and systems expertise. This in turn ensures that Council has the capability and capacity to give effect to its strategies and goals.

Council's Workforce Strategy 2013-2017 aims to build on the 2009 Strategy while integrating and complementing the rest of the resourcing plans that make up the Integrated Planning and Reporting framework. As a key element of the Resourcing Strategy it elevates workforce planning from an operational focus to the strategic level by informing our Long Term Financial Plan (employee costs) and our Asset Management Strategy in terms of the skills required to ensure the sustainable renewal of Council assets. Further, it aims to ensure a high quality force of dedicated professionals servicing Ku-ring-gai and delivering the Community priorities articulated in the Community Strategic Plan.

About the Workforce Strategy

The Workforce Strategy meets the Division of Local Government's Integrated Planning and Reporting (IPR) 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 four years (2013 – 2017).

The Workforce Strategy was developed by examining our workforce profile and consulting with a broad representative group of employees. While there is a focus on managers' perceptions of workforce requirements, employees have been consulted about the type of workplace they would like to experience and their role in building the workplace culture of the Council.

This strategy and its supporting Workforce Action Plan aims to provide managers with a framework for making staffing decisions based on our mission, strategic plan, budgetary resources, likely future scenarios for Council and a set of desired workforce knowledge requirements. The links will be transparent in workforce planning by clearly stating what we stand for and retaining people by positioning Council as an employer of choice in the Ku-ring-gai area. The strategy addresses projected workforce loss of knowledge and the requirements to meet Councils objectives through leadership and management development.

Scenarios

These three scenarios have been employed as a universal baseline for strategic planning for Council across all strategic planning documents. The three scenarios that are considered probable and underpin the Workforce Strategy

1. **Scenario 1 - Base Case Scenario without the Special Rate Variation (Infrastructure Levy)**
2. **Scenario 2 – Continuation of the Special Rate Variation (Infrastructure Levy)**
3. **Scenario 3 – "Closing the Gap" Scenario incorporating required level of renewal expenditure to close the infrastructure gap – unfunded scenario**

All three scenarios cover a period of 10 years and in this Workforce Strategy considers the impact on workforce planning over the 4 year period from 2013 - 2017.

Scenario 1 - Base Case Scenario without the Special Rate Variation (Infrastructure Levy)

The base scenario is currently sustainable and shows the financial results of delivering the current level of service as per 2012/13 budget expanded out over 10 years and adjusted by various price forecast indexes as detailed in the financial assumptions section of this document. The adopted principle under this scenario is that all available surplus funds will be diverted towards Council's assets renewal as a priority.

This scenario does not assume the continuation of the Infrastructure Levy as this expires at the end of 2012/13 financial year. The infrastructure Levy is used to fund infrastructure works and in particular roads. Council applied for a continuation of this levy and a decision is expected in June 2013.

The Base scenario identifies the implications of not receiving the continuation of the infrastructure levy starting from 2013/14. Council's Asset Management Plan confirms the need to increase the level of funding for roads to address the backlog. Several research surveys have also been undertaken with the Community to identify the service level requirements. These surveys confirmed that roads represented the highest concern in the community and the service level accepted by the community for roads was considered to be "Fair". Consequently, Council's Asset Management Plan for Roads indicates the level of funding required to maintain Council's road network at a "fair" standard. If Council does not get an approval for the continuation of this levy, it will not be possible to maintain Council's roads to this service level standard in the future.
As the outcome of the decision from IPART is not certain, an alternative scenario has been modelled to analyse the implications for the Workforce Strategy if the Special rate variation is approved.

Anticipated impact on the workforce
Increased financial constraints and the need to reallocate funds for infrastructure renewal will mean productivity and efficiency gains will need to be identified through a reduced or maintained workforce.

Scenario 2 – Continuation of the Special Rate Variation (Infrastructure Levy)

This Scenario represents the base case scenario plus additional income from the Infrastructure Levy and increased expenditure on Infrastructure assets funded by this income.

In March 2013 Council applied to the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) for an extension of its Infrastructure Levy for five years. IPART's final decision on this application is expected to be announced in June 2013.

This scenario is Council's preferred one and is considered sustainable. It is assumed in this scenario that the levy will be continued beyond the five year period currently applied for as it is Council's current intent to apply for a permanent rates increase of at least the amount of the levy.

Income from the extension to the Infrastructure Levy will be used entirely to fund Council's road works, that is; additional to the funding provided by Council and the Federal Government under the Roads to Recovery program.

Anticipated impact on the workforce
Productivity and efficiency gains will need to be identified in workforce processes and improved capacity building of the workforce in order to contribute to sustainable funding levels for infrastructure renewal.

Scenario 3 – "Closing the Gap" Scenario incorporating required level of renewal expenditure to close the infrastructure gap – unfunded scenario

The 'Closing the Gap' Scenario is the base case, with continuation of the levy, plus allocation of further capital investment required to maintain our infrastructure assets to service levels identified in recent community consultation. This scenario seeks to develop an adequate infrastructure maintenance and renewal program to ensure that the community continues to be served by its assets at their desired level.

This scenario is currently unsustainable due to limited funding available to bring the assets to a level of serviceability determined through the community consultation and requires significant additional funding to be allocated in future plans. Council is seeking to redirect excess revenue towards discharging this funding liability in future years over a 20 to 30 year timeframe to close the gap.

Council has developed its asset management planning to a stage where we can quantify the required asset renewal funding gap, but are not yet able to plan in exact detail the most effective way of applying some of the available funds in closing the renewal gap. This has meant that, whilst we have defined in detail the majority of our spending down to individual projects in the short term, we have only broadly allocated the balance of funds to major assets categories in future years.

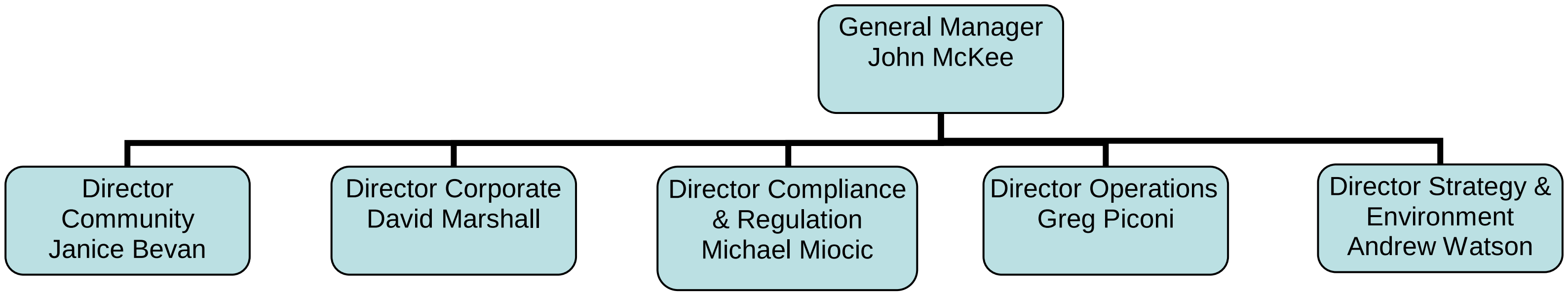
Anticipated impact on the workforce

The increased funding for infrastructure renewal is likely to require growth of the workforce to support an increased program. However identifying efficiencies in workforce processes and improved capacity building of the workforce will continue to be required to contribute to the reallocation of funding for infrastructure renewal.

Who are we?

Ku-ring-gai has recently been ranked as one of the State's fastest growing communities. Our population is rising by around 3,000 each year and has now reached 114,000. We face many challenges in catering for this growth and meeting the ever changing needs of our community. About 40 per cent of us were born overseas, mainly in the UK, 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.

Ku-ring-gai Council delivers services to the community through five directorates plus Civic – the General Manager's unit. The current structure has been in place since 2009.

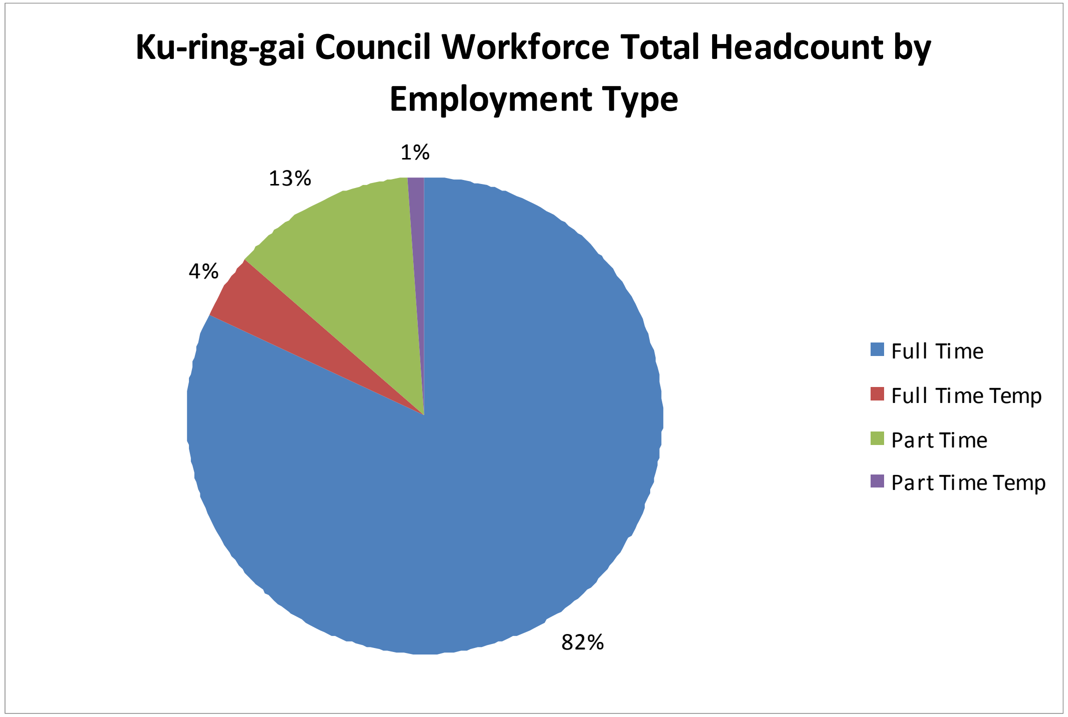


Staff profile

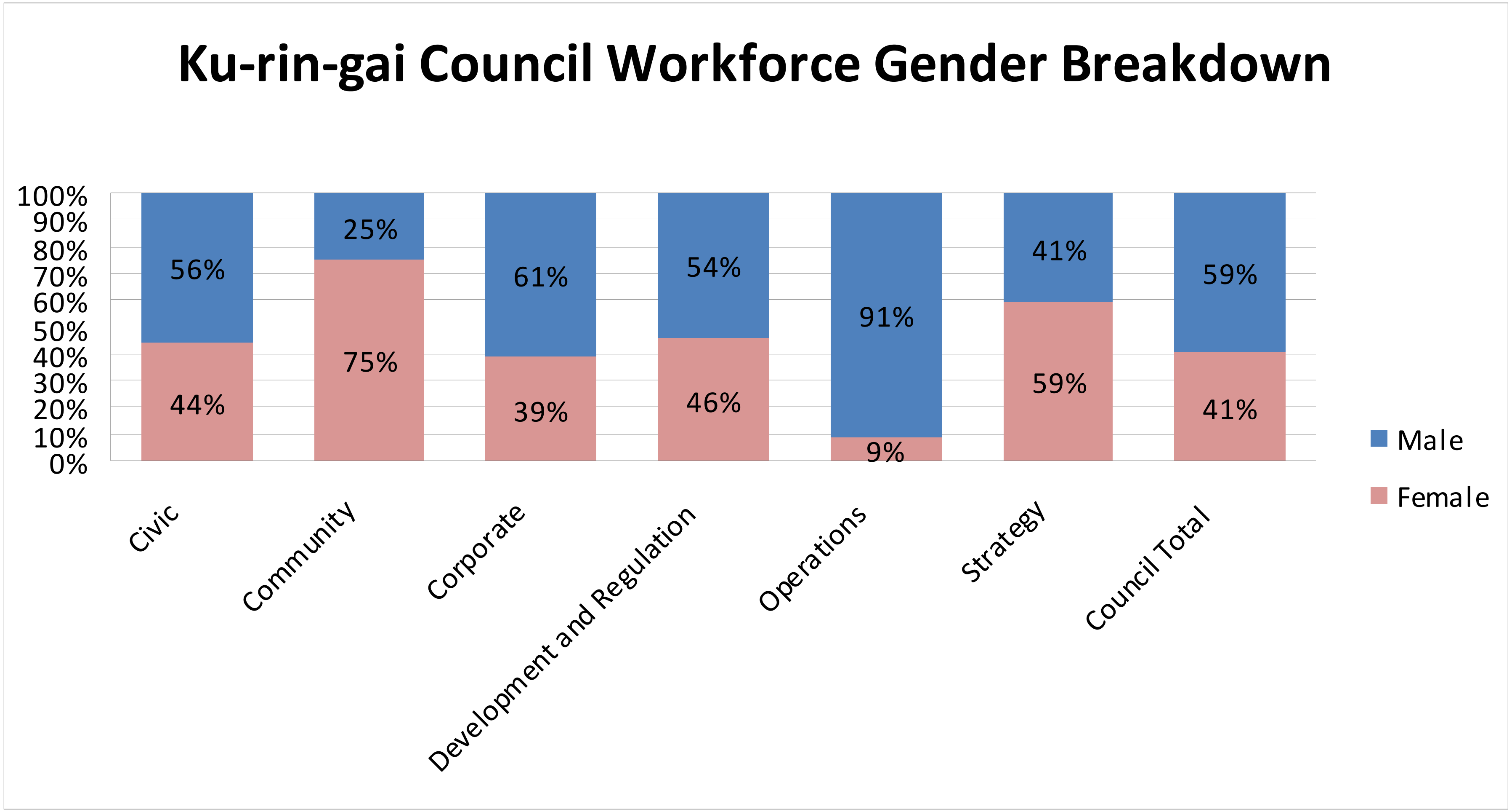
Our employees operate out of a number of locations across Council. As at 30 June 2012, Ku-ring-gai Council employed 454 people. We have:

392 full-time staff
62 part-time staff

Council also engages non-permanent staff, including casuals and labour hire staff in a range of seasonal and vacation care roles. The breakdown of staff as at 30 June 2012 is depicted in the graph below.

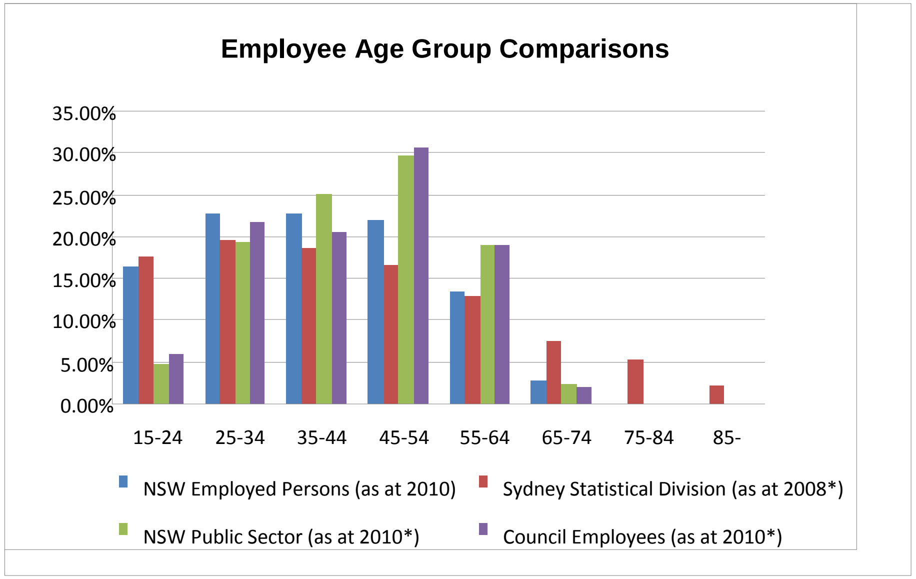


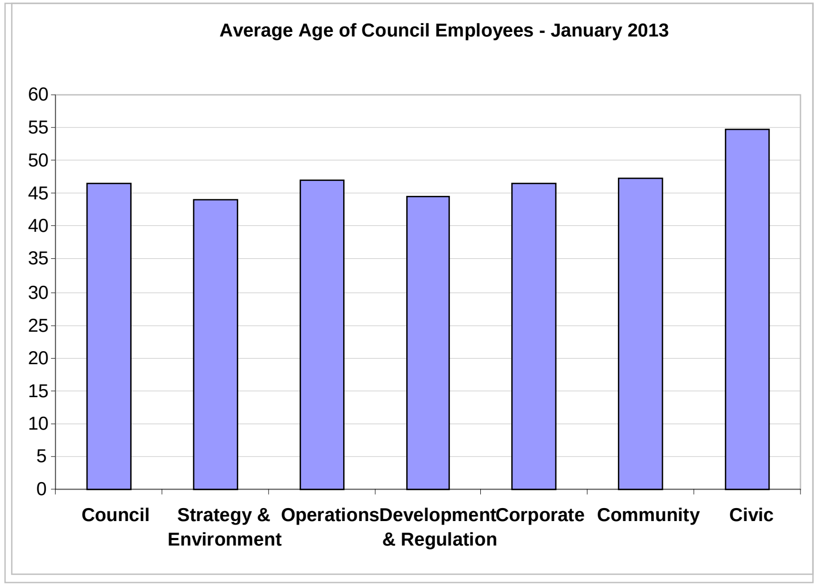
The gender balance of staff as at 30 June 2012 shown in the chart below is split approximately 41 per cent female and 59 per cent male.



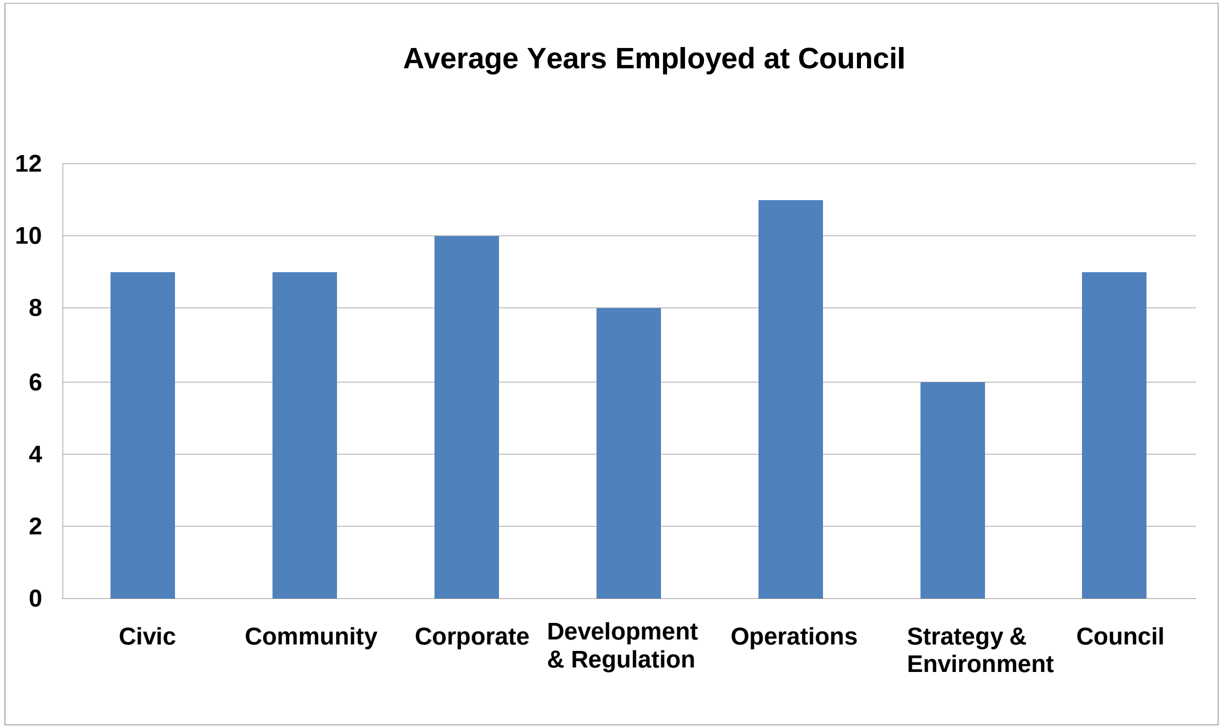
Council's workforce is highly diverse and dispersed reflecting the wide range of facilities, services and activities Council delivers to the community. 16% of staff live within the Ku-ring-gai area; many more come from outside Ku-ring-gai to contribute to achieving Council's objectives. Council engages a workforce that operates across four generations with a significant number of staff aged 55 or over. Each generation provides a unique set of skills and knowledge to the work environment as well as a diverse set of work values. Council's challenge will be to meet the expectations as an employer of Baby Boomers, Generation X and Generation Y. It will also be required to create career opportunities and reward structures that will contribute to the ongoing job satisfaction and retention of staff.

The following provides an outline of the Organisation by average team age that delivers services to the community. This is the first step in Council identifying risks to the organisation through retirement and skilled staff leaving the workforce. One key focus area will be to ensure the continuity of services to the community in the high risk areas. Analysis of the staff age profile (as at 31 July 2012) indicates that based on the assumption that the age profile doesn't change dramatically by 2014/2015; approximately 25% of staff may exercise the option to retire from the workforce. When a comparison with the NSW public sector, NSW employed population generally was last undertaken in 2010 Council had a higher proportion of staff in this age bracket. This represents a sizeable organisational risk to the maintenance of operational efficiencies and the potential loss of the corporate knowledge held by those employees.





Council's turnover rate is 8% per annum. This low turnover rate is reflected in the relatively high average years of employment at Council across all departments (as at July 2012). As noted above when comparing to other NSW public sector employees a large group of Council's staff are entering the retirement period. These employees will be seeking greater flexibility and job-share opportunities as they continue working and will transition into retirement gradually over a longer period of time (over the next two decades).



Organisational Culture

Council managers and supervisors are positive of the value of older workers; their experience, work ethic, commitment and achievements. There is, however, a perception from managers and supervisors that older workers have problems with technology and are resistant to change.

Human Resource retention strategies will be targeted to reinforce the importance of older workers and continue to adopt preventative measures to reduce health risks and absences related to ill health. As well as being proactive in addressing the needs of older workers by communicating alternative work arrangements.

A further retention strategy for Council is to encourage openness through a positive workplace culture that enables staff to communicate with their manager on caring responsibilities or health issues that are impacting their work/life balance and their need for short to medium term flexibility in working arrangements.

Work Life Balance

At Council we recognise that work is just one part of our employees' lives. Policies such as Transition to Retirement and Self-funded Leave have been two of the programs that have assisted in staff retention and enabled a better work-life balance.

Safe working environment

Following the commencement of the Work Health & Safety (WHS) Act 2011 on 1 January 2012 Council updated the WHS Management System, policies and documentation to reflect the new legislative environment. A Manager's guide was published and briefings held advising of changes to individuals responsibilities.

During February and March 2012 the innovative SafeStart – Human Error Reduction program was delivered in-house to over one third of Council staff. Mandatory WHS training for staff is now recorded centrally. This enables HR to identify and plan for renewal/recertification of mandatory qualifications, reducing the cost of training and lessening the impact of team disruption.

As at June 2012 Council has recorded a reduction of 37% in Workers Compensation Claims, 10% reduction in incidents reported, 14% in Lost Time Injuries and 52% reduction in hours lost to injury.

Equal Opportunity

Ku-ring-gai Council is an equal opportunity employer and will not discriminate against any employee or applicant on the basis of age, colour, disability, gender, national origin, race, religion, sexual orientation, veteran status, or any classification protected by federal or state law.

Our challenges

Council faces significant future challenges as it realises *Our Community Our Future 2030*. Looking forward, the next four years offer more challenges as ageing workforce issues will become more dominant, especially in areas already significantly impacted. Existing areas of skills shortage and tight labour supply in jobs such as urban planning, engineering, policy, surveying, environmental health and child care are likely to become even more constricted.

Increasing community expectations and the complexity of community needs result in an added emphasis on strategy and management of resources. The people who work at the council face increasing demands to deliver results and need to make sound decisions based on guiding priorities.

As detailed earlier, Scenario 2 is viewed by Council as being the most preferable and likely. Under this scenario there are no anticipated increases to the workforce as Council will continue providing current levels of service. Productivity and efficiency gains will be sought through workforce systems and processes with the goal of contributing to sustainable funding levels for infrastructure renewal.

The key workforce challenges in order to deliver on Our Community Our Future 2030 and Council's Delivery Program over the next four years include:

- Managing rising community expectations
- Responding to rapid change and increasing complexity
- Overcoming skills shortages and ageing workforce issues
- Creating a high performing collaborative work environment

- Achieving greater productivity and efficiency to provide the community with best value for money
- Responding to NSW State Government reform

As recruitment and retention is forecast to become more competitive in areas vital to our business, Council needs to position itself better in the employment market. This requires more than defining what we need, it 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 people who work here. A key feature of leadership is engaging the workforce to be part of the solution.

Our workforce strategy long term goal

Ku-ring-gai is one of the local government areas with a growing residential population which provides Council with the opportunity to offer employment to a greater number of locally based employees. This also allows Council to provide employment that supports a work/life balance for its workforce and the opportunity to retain and develop high potential staff in support of its service delivery to the community.

The long term workforce strategy goal is focused on building Councils managers understanding and capabilities in Workforce Planning through supported IT systems, thereby integrating it into normal business practice.

Our four main areas for focus which are reflected in this strategy are:

- Workforce Planning
- Recruitment and Retention
- Organisational Development
- People and Culture

Workforce planning

Workforce planning needs to become a key strategic process within Council. A sophisticated understanding of the current internal workforce is being established with the development of HR metrics and reporting processes to capture internal workforce data. This is an ongoing process.

Corporate risk management is a key component of workforce planning process developing strategies to manage identified 'high risk' positions. Council has implemented a number of strategies as well as currently reviewing how we can better support and meet the needs of our older workforce (to encourage continuance of employment). These include:

- a transition to retirement program
- part time and job share opportunities
- requesting opportunities to work from home and
- taking up the option of purchasing additional leave through the self-funded leave policy

Recruitment and retention

Whilst our current staff turnover rate of 8% is modest, an aging workforce and skills shortages in key positions mean Council must ensure staff are attracted and retained in strategic areas. While there is no provision in this strategy for additional staff when council has to recruit replacement staff in these key areas these pressures will be felt more acutely.

According to research undertaken in Council's last Climate Survey, the key issues when attracting candidates are:

- The People: Dedicated, passionate, talented colleagues who are friendly, supportive and mutually respectful
- The level of autonomy and responsibility a role provides
- The variety and complexity of a role that interests, challenges and develops people
- Recognition and acknowledgement
- Worthwhile work with meaningful outcomes
- Job security
- Flexible work patterns and work-life balance.

What retains people to work here is based on:

- Professional development
- Respect, trust and autonomy
- Job security
- Good supportive managers
- Work variety
- Career progression
- Personal achievement
- The right tools and resources to do the job
- The ability to be creative and add value
- Being treated fairly

The Climate Survey also identified improvements that have been picked up in this strategy and the associated Workforce Action Plan, namely:

- The need for greater clarity and awareness by staff of Councils work and priorities
- Improved collaboration across Directorates

- Greater investment in Learning and Development.

Council is has a growing residential population which provides opportunity to offer employment to a greater number of locally based employees. As some people may have a preference of working locally, the fast growth of the regional community has the potential to partially offset constraints in the labour market. A key strategy for the attraction and retention of staff will be the mapping of clearly defined career paths within Council. Council has a competitive advantage in that it is able to define synergistic career paths that acknowledge and accommodate the desire for individuals to change careers throughout their working life.

Organisational development

Key to the delivery of Council's services is the development of its workforce both as individuals and as part of a complex organisation. Organisational development includes learning and development, executive coaching, leadership development and team building.

The 2009 Workforce Action Plan included the implementation of an Executive Coaching Program which supports and engages the senior level of management in meeting the challenges of a dynamic work environment. A leadership program will also be developed and implemented to support and engage with the management level of Council, its key objective being to facilitate positive innovative changes in management and leadership styles in the workplace whilst assisting in meeting the community expectations. A coaching/mentoring program will be piloted to enable the sharing and transfer of skills and knowledge between members of the workforce and enhance the ability of individuals to both develop their personal career path and to enhance their effectiveness and the value of their contribution to Council's activities.

Through innovative organisational development practices opportunities to investigate new technologies and approaches to the delivery of training will be investigated. This will involve implementing blended learning practices where the organisation is able to deliver information to employees across a number of different platforms. This will include a combination of in house or external face to face instruction with links to online educational seminars to deliver course content.

To increase the ability of the workforce to engage with key corporate processes and systems a training program for significant corporate systems will be developed and implemented. This will assist new employees to quickly deliver on their potential within Council's workplace and enable existing employees to engage with significant corporate processes more effectively.

Providing opportunities to individuals to undertake research projects and secondments in other tiers of government or Regional Councils will also be investigated as retention and further skill development strategies.

Staff performance is assessed annually and exceptional performance is incentivised through its rewards and recognition program.

People and culture

One of the keys to the success of the Workforce Strategy will be to develop actions and strategies that engage a workforce that mirrors a generationally, socially and culturally diverse community.

Developing a whole of organisation vision and values and then embedding this within the culture of the Council is seen as a key action making Council a more desirable place to work. Diversity in the workplace can lead to increased productivity as individuals with different ways of solving problems work together towards creating a common workable solution and an organisational vision and values is seen as important in supporting diversity in the workplace.

HR will update the performance assessment review system in consultation with staff to ensure a process of continuous improvement is maintained and the development of a performance based culture at Ku-ring-gai is supported. Part of the longer term strategy will be to align the performance assessment review system with an individual's personal career objectives and aspirations. The Executive team regularly reviews the organisational structure and inter-department relationships for opportunities to improve service delivery.

Next steps

Known issues such as skills shortages in the jobs market underscore the push for increased staff attraction and retention. This approach is essential for addressing Council's ageing workforce and the associated loss of skill and institutional knowledge. As our research has demonstrated a key driver of staff retention is professional and career development. Organisational development, through leadership and coaching/mentoring program and the mapping of clearly defined career paths aims to further increase the appeal of Council as an employer of choice. Contrasting the necessity of creating a desirable work environment is the need for an effective and efficient workforce.

The implementation phase of the Workforce Strategy will be delivered through a review and update of the Workforce Action Plan 2009 to a Workforce Action Plan 2013 - 2017 with a focus on the themes of this strategy:

- Workforce Planning
- Recruitment and Retention
- Organisational Development
- People and Culture

One of the first Actions within that plan is intended to be the development of an Organisational Vision and Values and aligning the requirement of the workforce with the Delivery Program and Operational Plan.

Ku·ring·gai Council

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