



NORTH SYDNEY COUNCIL RESOURCING STRATEGY 2018-2028

progressive *vibrant* diverse



Council's Resourcing Strategy has been prepared in-house in accordance with Integrated Planning and Reporting Framework requirements.

This plan reflects our intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.

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GENERAL MANAGER'S FOREWORD

This Resourcing Strategy is one of the most significant documents that North Sydney Council prepares. It is our statement of the assets, finance and people we need to achieve the desired outcomes of the *North Sydney Community Strategic Plan 2018-2028* and the accompanying *Delivery Program 2018/19-2020/21*.

The Resourcing Strategy has three inter-related elements:

- The *Long Term Financial Plan* details three financial scenarios for the next ten years. Rate increase in 2018/19 have been restricted to the rate peg in all scenarios.
- The *Asset Management Strategy* and *Asset Management Policy* outlines the framework we use to manage our infrastructure while the supporting *Asset Management Plan* details comprehensive plans for each type of asset.
- The *Workforce Management Strategy* analyses our workforce, forecasts future gaps and identifies the skills we need now and in the future.

Scenario 1 is based on revenue being limited to the annual rate peg, which has been modelled 2.7% in 2019/20 and 2.5% from 2020/21 to 2027/28. This is not the ideal scenario as it will result in a decline in our capacity and will not meet the expectations of the community as reflected in the *Community Strategic Plan* consultation i.e. we cannot continue to deliver services and infrastructure at the rate of the past three years and remain financially viable.

Scenarios 2 and 3 are both based on rate revenue being restricted to the 2.3% peg in 2018/19 followed by increases of 5.5% and 7% respectively thereafter from 2019/20 to 2023/24. Scenario 2 would allow Council to maintain existing services but limit capacity to maintain infrastructure to the high standard demanded by the community and provide minimal capacity to expand services. Scenario 3 more closely represents community expectations on services as reflected in the *Community Strategic Plan* consultation. It would enable the high level of services demanded by the community to be maintained, the maintenance of infrastructure to a high standard and some capacity to expand services to meet growth and changing demands.

On 25 June 2018 the Council resolved to adopt Scenario 3 as its preferred scenario. On 29 October 2018 the Council resolved its 'intent to apply' for a SRV, enabling extensive community consultation to occur from 1 November 2018 to 16 January 2019. The engagement outcomes will be reported to the Council in late January 2019, at which point it will determine whether to proceed to submit a SRV application to IPART.

Whilst the Resourcing Strategy is a fixed term plan, it is intended to be a living document that is reviewed annually in conjunction with preparation of the annual *Operational Plan and Budget*. Council operates in a dynamic environment and our activities are influenced, and sometimes constrained, by changes in the wider economic, political and cultural landscapes. To ensure financial sustainability, Council needs to retain the capacity to absorb or manage unexpected changes in the broader environment in which it operates.



Ken Gouldthorp
GENERAL MANAGER

EXECUTIVE SUMMARY

Authority for council functions in NSW comes from the *Local Government Act 1993* (The Act). The Act classifies council functions as services, regulatory, ancillary, revenue, administrative and enforcement. Councils have a broad discretion in the services they provide and the way they provide them. The Act makes councils directly accountable to their residents and ratepayers.

Local councils are required to undertake their planning and reporting activities in accordance with the Act and the *Local Government (General) Regulation 2005* (the Regulation). Councils are required to plan effectively for future sustainability through longer-term planning - by developing an integrated suite of medium to long term plans, publishing these and reviewing progress annually. The community and the State then have the best information available to judge progress against the plan, and local governments can make necessary adjustments.

The *North Sydney Community Strategic Plan 2018-2028* sits at the top of North Sydney Council's planning, reporting and decision making framework. It outlines the community's shared vision for its future, by providing a vehicle for expressing the long-term community aspirations. However, these will not be achieved without sufficient resources - time, money, assets and people - to actually carry them out.

Council's *Delivery Program 2018/19-2020/21* and this *Resourcing Strategy* is the point where Council assists the community by sorting out who is responsible for what, in terms of the issues identified in the *Community Strategic Plan*. Some strategies are clearly the responsibility of Council, while some are the responsibility of other levels of government and some will rely on input from community groups or individuals.

Note: Council is usually required to prepare a four-year fixed term *Delivery Program*, however the *Delivery Program* is for a three-year period 2018/19 to 2020/21, due to the disruptions associated with the recent State proposed amalgamation process i.e. North Sydney Council is of a number of councils whose *Delivery Program* period is less one year to enable alignment with the next scheduled local government elections.

The *Resourcing Strategy* focuses in detail on matters that are the responsibility of North Sydney Council and looks generally at matters that are the responsibility of others. The *Resourcing Strategy* provides an opportunity to quantify Council's contribution to the achievement of the community's shared vision.

The *Resourcing Strategy* consists of interrelated and interdependent medium to long term strategies, in three key areas:

- financial planning;
- asset management planning; and
- workforce management planning.

The three components have been prepared concurrently. Cross referencing and adjustment of each component has been required as the development of each plan progressed, this will continue into the implementation phase of the plans.

LEVELS OF SERVICE

Identification of the community's desired levels of service is one of the most important aspects in the development of the *Community Strategic Plan* and *Resourcing Strategy*. Council used its periodic *Customer Satisfaction Survey* to assist with this discussion in addition to specific consultations with target groups and distribution of a Discussion Paper highlighting key local issues. The survey indicates both resident and business opinions and priorities. Pages 53 to 56 detail the findings of the 2016 survey, detailing resident and business relative importance of services as well as satisfaction with services.

The *Community Strategic Plan* outlines the community's aspirations for North Sydney. Council consulted widely in developing the plan with residents, businesses, ratepayers, community groups and other stakeholders. At every stage of the consultation, the community made it clear that it has high expectations of Council services and infrastructure. The community indicated that they do not want a reduction in current service delivery levels.

IMPLEMENTATION

Council's internal IPR Working Group will oversee the implementation of this strategy. The Group will periodically report against progress and an Asset Management Sub Committee (or steering group) will oversee the implementation of the Asset Management Improvement Plan.

Each component of the *Resourcing Strategy* is detailed below:

LONG TERM FINANCIAL PLAN 2018/19-2027/28

Council's *Long Term Financial Plan* (LTFP) is a fixed term 10-year plan, which is reviewed and updated annually. It enables Council to better understand and plan its long term financial requirements. The plan includes consideration of sustainability, service provision levels and the creation, upgrading and renewal of infrastructure.

FINANCIAL SUSTAINABILITY

As with all levels of government, there has been a growing increase in community expectations and demand for transparency. Council has been on the front foot for some time now, adopting an 'open government' approach back in the 1980s and actively having an open dialogue with the community to manage expectations and optimise service delivery.

Council has long operated from a position of financial sustainability and has, over many years, consistently achieved an operating surplus. The overall objective of this plan is to ensure that Council remains a financially viable and sustainable organisation. Council's adopted integrated approach to its planning, reporting and decision making enables a better understanding of its long term financial position.

SCENARIO PLANNING

The LTFP includes three scenarios, all of which maintain current services levels but propose differing levels of capital expenditure on the renewal of Council's ageing infrastructure assets. In summary:

- Scenario 1 (Base Case/Reduce Services) - this scenario reflects the implementation of the annual IPART determination (rate peg) as the basis of rates revenue projections. It results in a decline in Council's capacity to provide current levels of service.

- Scenario 2 (Maintain existing services and invest \$15.3m in infrastructure) - incorporating a 5.5% special rate variation (SRV) for five years, inclusive of the annual rate peg, commencing in 2019/20 (Year 2).
- Scenario 3 (Maintain Existing services and invest \$27.1m in infrastructure) - incorporating a 7.0% SRV for five years, inclusive of the annual rate peg, commencing in 2019/20 (Year 2). On 25 June 2018 Council resolved to adopt this scenario as its 'preferred' scenario.

The plan details the assumptions used when compiling each scenario, which includes asset management and maintenance and workforce structure projections, as well as the financial outcomes over a 10-year period.

Regardless of the scenario adopted, Council will need to carefully manage its income and investments to sustain its operations over the coming years in the event of unforeseen challenges, e.g. unexpected changes in asset conditions resulting from severe weather events or shift in demand for services.

The LTFP has been prepared using assumptions which are outlined in this document. The assumptions are correct as at the time of publication and will need frequent review. Regardless of its currency, the plan is a useful guidance tool, helping Council to identify financial issues in advance and enabling planned approaches to be put in place to deal with them.

Council will use the indicators outlined in this plan to measure its financial performance. These indicators are used by the Office of Local Government (OLG) in its annual publication on comparative information of NSW councils. This means the measures are both transparent and comparable.

LINKS TO THE COMMUNITY STRATEGIC PLAN

This plan, by seeking to maximise efficiency in financial planning and management, addresses some of the key challenges and priorities in the *Community Strategic Plan*, as outlined in the following table, while other outcomes will in turn be indirectly helped by improved financial planning and management practices.

DIRECTION	OUTCOME	STRATEGY
5. Our Civic Leadership	5.1 Council leads the strategic direction of North Sydney	5.1.4 Manage funding and resources effectively to achieve community outcomes
		5.1.5 Explore new funding sources and revenue

ASSET MANAGEMENT STRATEGY 2018/19-2027/28

Council's *Asset Management Strategy* has been prepared to assist Council in improving the way it delivers services from infrastructure. Council's infrastructure assets have a replacement value of approximately \$1.1 billion as at 30 June 2018 (\$964 million as at 30 June 2017)¹. The purpose of this strategy is to enable Council to show:

- how its asset portfolio will meet the service delivery needs of its community into the future;
- that its asset management policies are being achieved; and
- that existing asset management practices integrate with the *Community Strategic Plan*.

¹ Note 9a Audited Financial Statements 30 June 2018. Excludes land, non-depreciable and miscellaneous assets.

COUNCIL'S ASSETS

The following table provides an overview of Council's asset classes and current total replacement value as at 30 June 2018. Detailed information about each asset class is outlined within Council's *Asset Management Plans*, which are available from the Council's website.

ASSET CLASS	REPLACEMENT COST 2017/18 (\$)
Open Space and Recreation Facilities	12,308,602
Depreciable land improvements	22,102,776
Footpaths	91,425,235
Other Infrastructure	222,388,027
Roads	323,244,341
Stormwater Drainage	196,432,897
Buildings	204,841,324
Swimming Pools	22,472,003
Investment Properties	97,740,000
Public Art	2,217,098
TOTAL	1,195,712,303

ASSET MANAGEMENT IMPROVEMENT

The strategy has been prepared following a review of the Council's service delivery practices, financial sustainability indicators, asset management maturity and fit with the community's vision as outlined in the *Community Strategic Plan*. An Improvement Plan is outlined, detailing a program of tasks to be completed as well as the timeline that these tasks are expected to be completed by. The Improvement Plan will be periodically reviewed and re-prioritised to match the available resources within Council's *Delivery Program* and *Long Term Financial Plan*.

The *Asset Management Plans* will be periodically reviewed. While these plans will produce information for a 20-year horizon, the identification of how renewals are to be funded can allow for considered community consultation regarding desired service levels, capacity to pay, risk consequences and links with the *Long Term Financial Plan*.

LINKS TO THE COMMUNITY STRATEGIC PLAN

This strategy, by seeking to maximise efficiency in asset management, addresses some of the key challenges and priorities in the *Community Strategic Plan*, as outlined in the following table, while other outcomes will be in turn indirectly helped by improved asset management practices.

DIRECTION	OUTCOME	STRATEGY
2. Our Built Infrastructure	2.1 Infrastructure and assets meet community needs	2.1.1 Expand and adapt existing infrastructure to meet future needs
		2.1.2 Advocate for improved state infrastructure and adequate funding for maintenance and improvement of community assets

WORKFORCE MANAGEMENT STRATEGY 2018/19-2020/21

Council's *Workforce Management Strategy* will help guide organisational development, while providing a safe, supportive and stimulating work environment for all employees. While there are human resource challenges ahead - including an ageing workforce, the need for work-life balance

and retaining quality employees - there are also many opportunities to improve and grow as an organisation. A committed and engaged workforce will result in improved organisational outcome, ultimately better service delivery and facilities for the community.

The key strategic challenges addressed by the strategy include:

COMMUNITY EXPECTATIONS AND ASPIRATIONS

All government organisations, especially local government, are faced with meeting the challenge of rising community expectations. The North Sydney community expects Council to be an efficient, effective and transparent organisation; one that is ethically committed to its employees and its community and to deliver a high level of discretionary services. Council is faced with the challenge of doing more with less in terms of financial resources, and needs to ensure that the functions performed by Council are aligned with quality of life and sense of community of current and future generations.

STAFFING

Australia as a nation is faced with challenge of an ageing workforce. North Sydney Council is no different; a significant number of employees across the organisation are reaching retirement age. Council must ensure it has strong succession plans in place to make sure it is able to adequately resource the organisation and have in place robust programs to ensure that transfer of corporate knowledge occurs. Council is also faced with the challenge of retaining and recruiting some core professions. Council needs to ensure it has in place effective programs and processes to retain and reward its employees in line with market trends as well as attract new generations of workers. Council also needs to ensure it has career development plans in place to allow up-skilling of existing employees.

Council must respond quickly and comprehensively to address these challenges, by ensuring we have strategies in place that account for the diversity of our workforce and are able to ensure the ongoing sustainability of our workforce into the future.

WORKFORCE PLANNING IMPROVEMENT PLAN

An Improvement Plan has been prepared. These improvement items are prioritised, considering economic factors and current resources as presented on pages 81 to 82. The plan will be periodically reviewed and re-prioritised to match the available resources.

LINKS TO THE COMMUNITY STRATEGIC PLAN

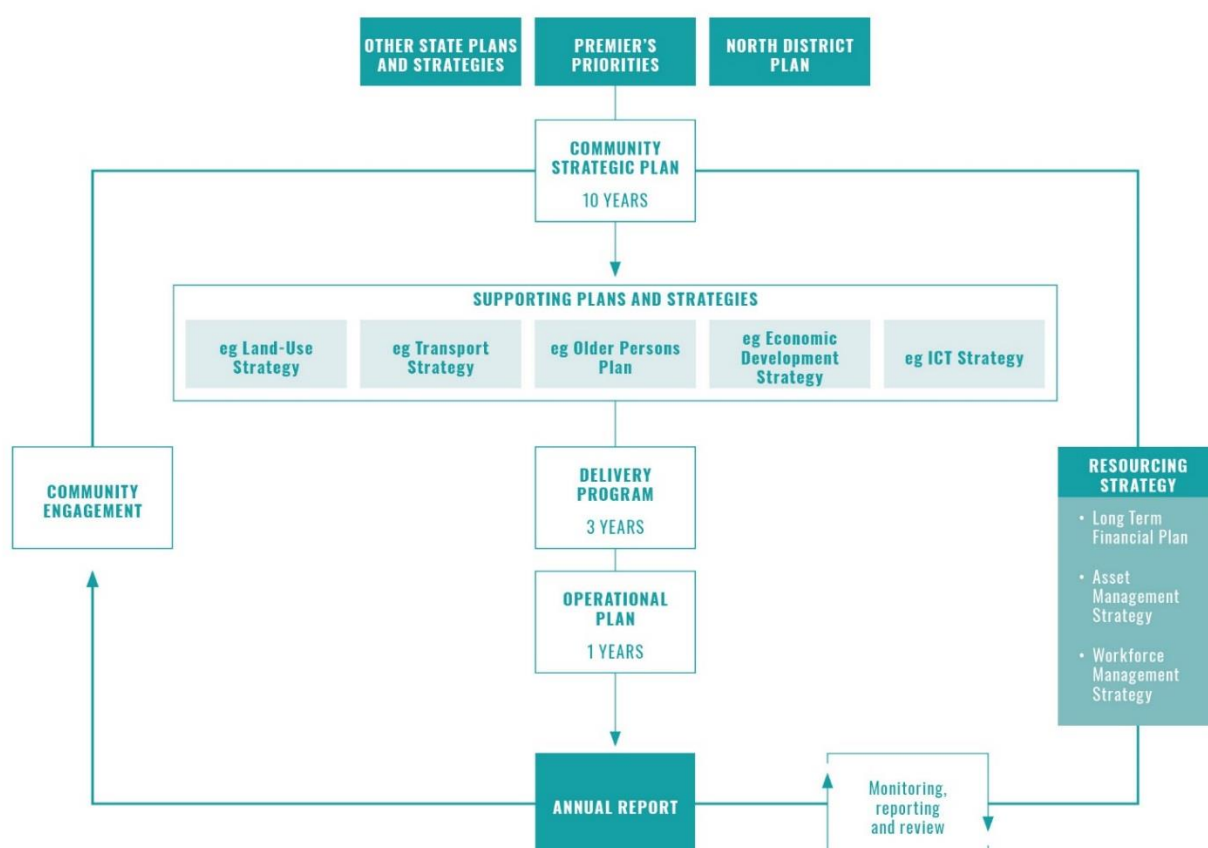
This strategy, by seeking to maximise efficiency in Council's organisational structure and human resource management, addresses some of the key challenges and priorities in the Community Strategic Plan as outlined in the following table, while other outcomes will be in turn indirectly helped by improved human resource policies and practices.

DIRECTION	OUTCOME	STRATEGY
5. Our Civic Leadership	5.5 Council is an employer of choice	5.5.1 Attract, develop and retain highly skilled staff and provide a safe workplace
		5.5.2 Help Council divisions fulfil their workforce needs

INTRODUCTION

In accordance with Integrated Planning and Reporting (IPR) requirements councils are required to draw together their various plans, to understand how they interact and to get the maximum leverage from their efforts by planning holistically for the future.

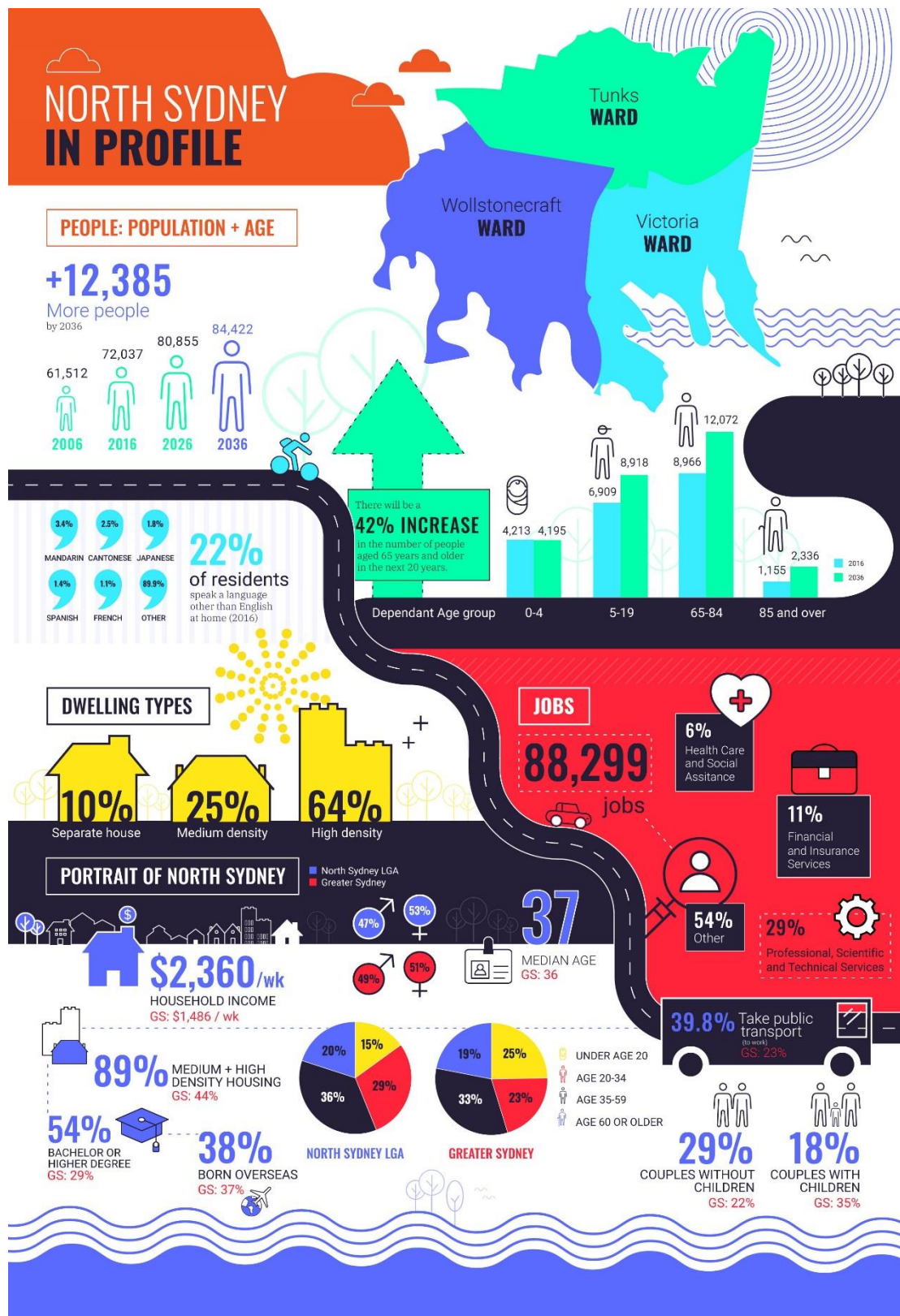
The North Sydney *Community Strategic Plan 2018/19-2027/28* provides a vehicle for expressing long term community aspirations. However, these aspirations can only be achieved if sufficient resources - time, money, assets and people - are allocated. Council through its *Delivery Program 2018/19-2020/21* outlines how the objectives of the *Community Strategic Plan* will be implemented through strategies and actions during its term of office. Implementation will be within the resources available under the accompanying long term Resourcing Strategy.



The Local Government Amendment (Planning and Reporting) Act 2009 (No. 67) requires councils to have a long term strategy (called its resourcing strategy) for the provision of the resources required to implement the strategies established by the *Community Strategic Plan* that council is responsible for.

The *Resourcing Strategy* is the critical link between the *Community Strategic Plan* and the *Delivery Program*, detailing the provision of resources required to implement strategies established by the long term vision. The *Resourcing Strategy* focuses on long term strategies in three key areas - financial planning; asset management planning; and workforce management planning.

Council's internal IPR Working Group will oversee the implementation of this strategy. The Group will periodically report against progress and an Asset Management Sub Committee (or steering group) will oversee the implementation of the *Asset Management Improvement Plan*.



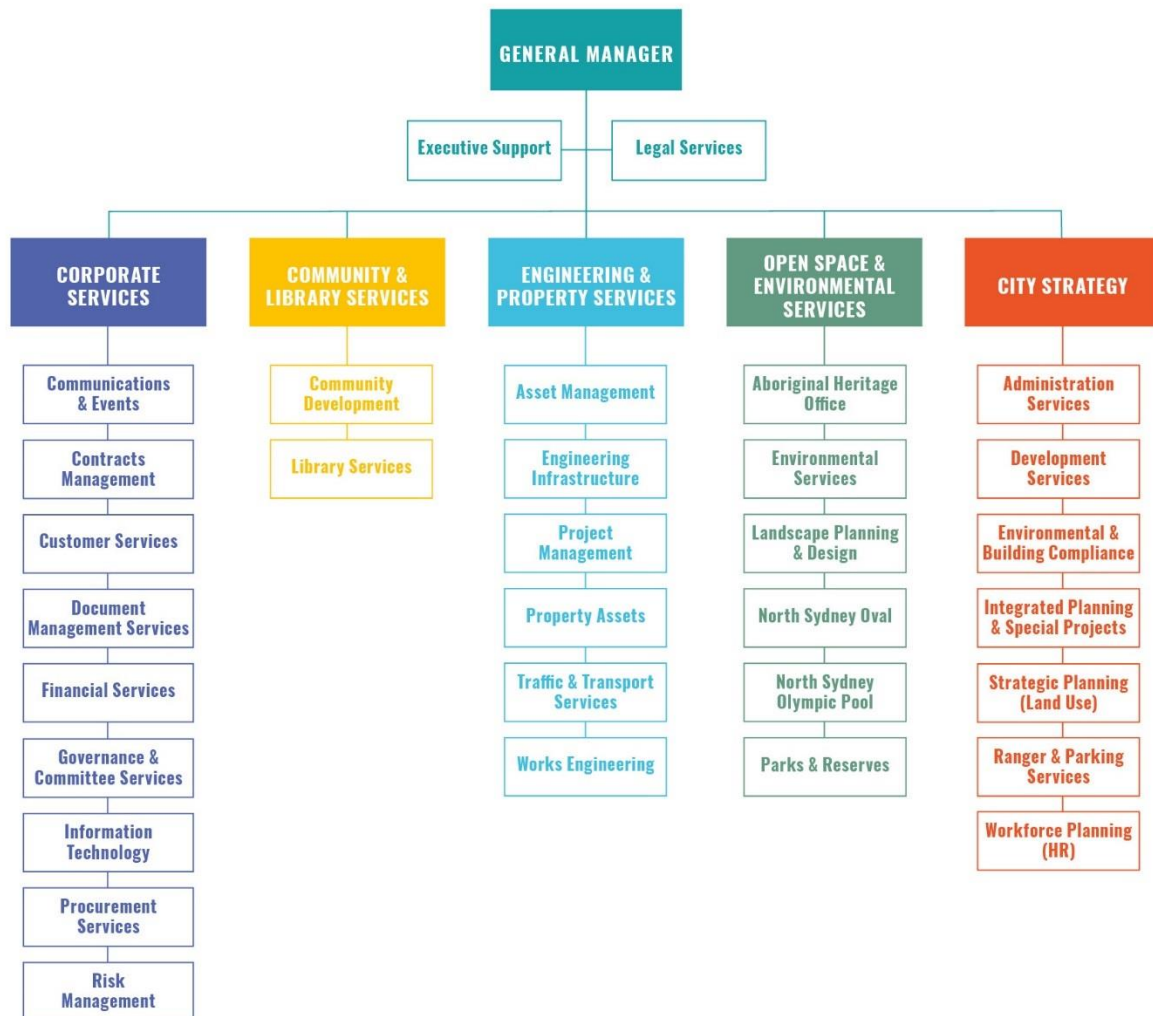
ELECTED MEMBERS



Left to right - back row: Cr Samuel Gunning, Cr Zoë Baker, Cr MaryAnn Beregi, Cr Stephen Barbour, Cr Ian Mutton; front row: Cr Kathy Brodie, Cr Alanya Drummond, Major Jilly Gibson, Cr Jessica Keen and Cr Tony Carr.

ORGANISATIONAL STRUCTURE

North Sydney Council is constituted under the Local Government Act 1993. Council consists of five divisions as well as the General Manager's Office which are responsible for the implementing the *Delivery Program* and annual *Operational Plan*.





LONG TERM FINANCIAL PLAN

2018/19-2027/28



OVERVIEW

Council's *Long Term Financial Plan 2018/19-2027/28* is a decision making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. It is not intended to be a document that specifically indicates what services/projects should receive funding; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means i.e. ensuring financial sustainability. It establishes the financial framework upon which sound financial decisions are made.

Council's *Long Term Financial Plan* is underpinned by its *Financial Management Policy*. The policy outlines Council's guiding principles when preparing the plan and its ongoing financial sustainability. In order to live sustainably, the Council has to look into the future and provide future generations with a sustainable infrastructure and environment without the burden of excessive debt.

The plan seeks to answer four key questions:

- can we survive the pressures of the future?
- what are the opportunities for future income and economic growth?
- can we afford what the community wants?
- how can we go about achieving these outcomes?

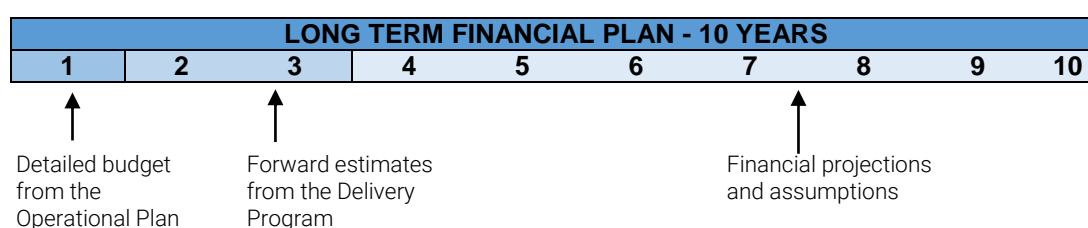
The plan includes:

- planning assumptions used to develop the plan;
- projected income statement, balance sheet, equity statement and cash flow statement;
- sensitivity analysis (factors/assumptions most likely to affect the plan);
- modelling for different scenarios (planned/optimistic/conservative); and
- methods of monitoring financial performance.

The plan intends to achieve the following objectives of the 10-year time frame:

- maintain existing service levels;
- maintain a strong cash position;
- maintain a balanced budget position after allowing for transfers to/from reserves;
- maintain a sufficient employee leave entitlement cash reserve based on the age and entitlements of all employees, in accordance with Council's *Workforce Management Strategy*; and
- maintain a capital expenditure program which facilitates the renewal of assets at similar rates to which they are depreciating.

The longer the planning horizon, the more general the plan will be in the later years, i.e. it is not expected that the tenth year of the plan will include specific detail. As decisions are made more detail can be added to the plan. The following diagram illustrates the relationships and integration within the Framework:



CURRENT FINANCIAL POSITION

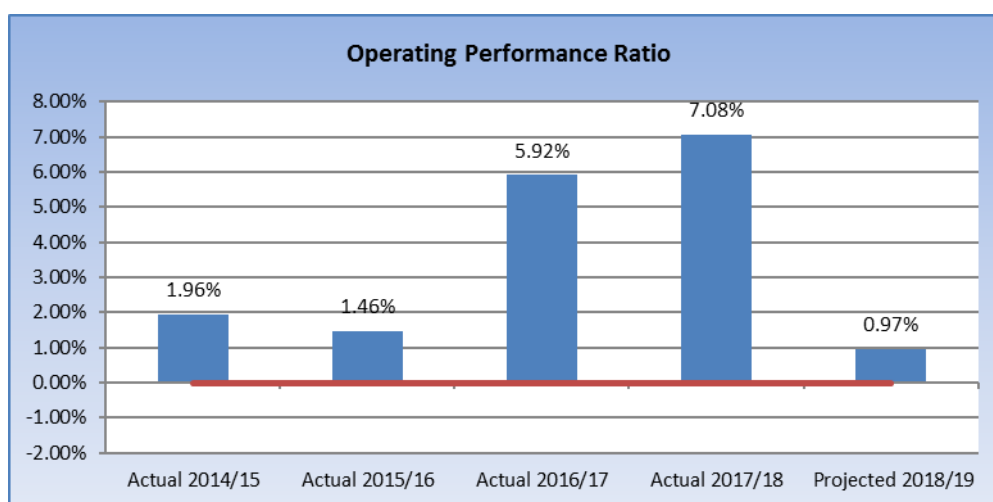
As at 30 June 2017, Council's financial position was sound, with total net assets of \$954 million, including cash and investments of \$80.7 million, of which \$25.6 million was externally restricted and \$49.8 million was internally restricted. The remaining \$5.3 million was unrestricted.

As at 30 June 2018, Council's financial position was sound, with total net assets of \$1.148 million, including cash and investments of \$68.9 million, of which \$18.9 million was externally restricted and \$45.5 million was internally restricted. The remaining \$4.5 million was unrestricted.

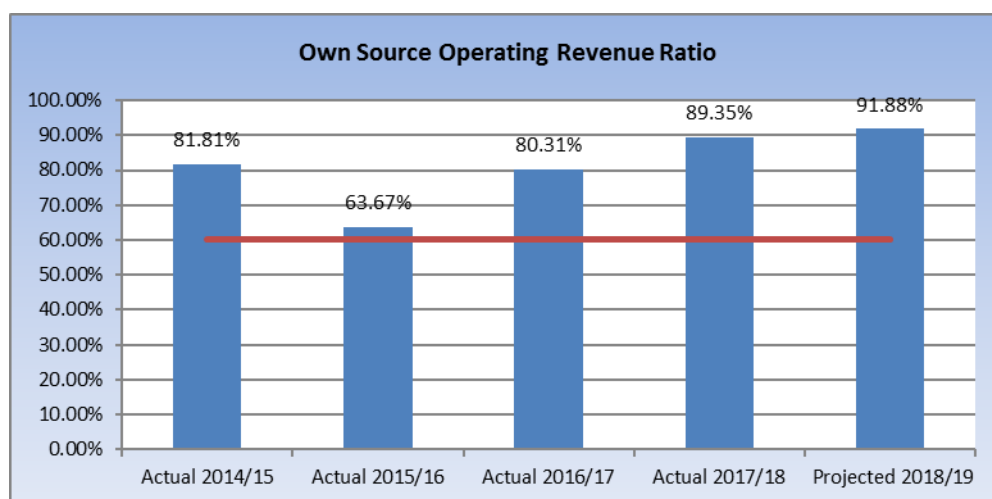
Available working capital was \$2.8 million (\$3.4 million as at 30 June 2017), a level sufficient to comfortably manage Council's day to day operations and provide a 'buffer' against unforeseen and unbudgeted expenditures after taking into consideration the nature and level of internally restricted reserves.

In terms of the key performance measures, performance has been better than the industry benchmark, however, the long term forecast suggests a deterioration and identifies the need for the introduction of a Special Rate Variation in the near future.

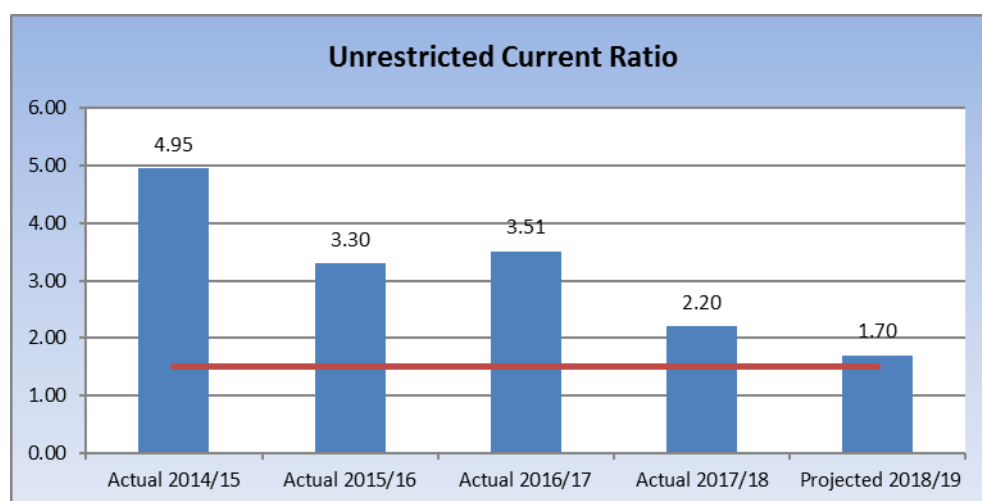
The following graphs provides NSW local government industry indicators for the last four years and projected performance to the year ended 30 June 2019:



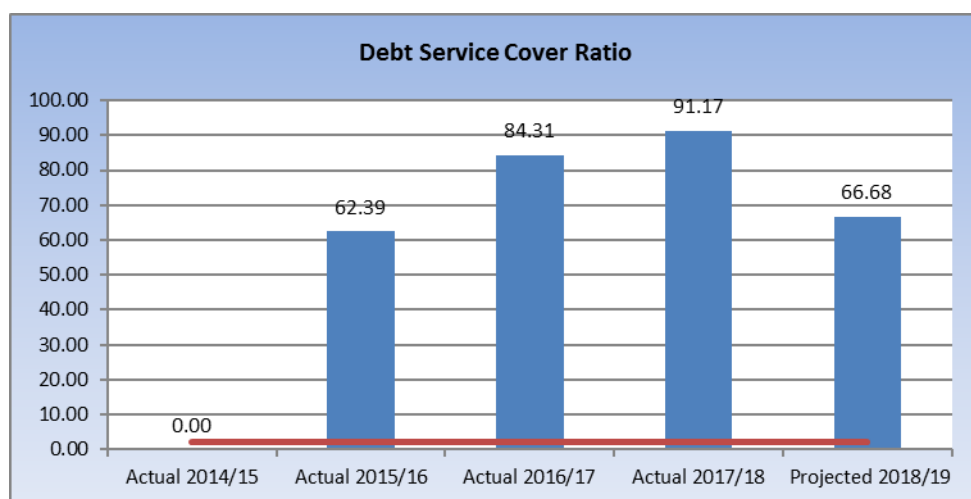
Council's **OPERATING PERFORMANCE RATIO** was better than the benchmark of 0% for the last four years and is forecast to be again in 2018/19. This suggests that operating revenue will be sufficient to finance Council's operating expenditure in 2018/19. However, long term modelling indicates this will not be the case in the following years.



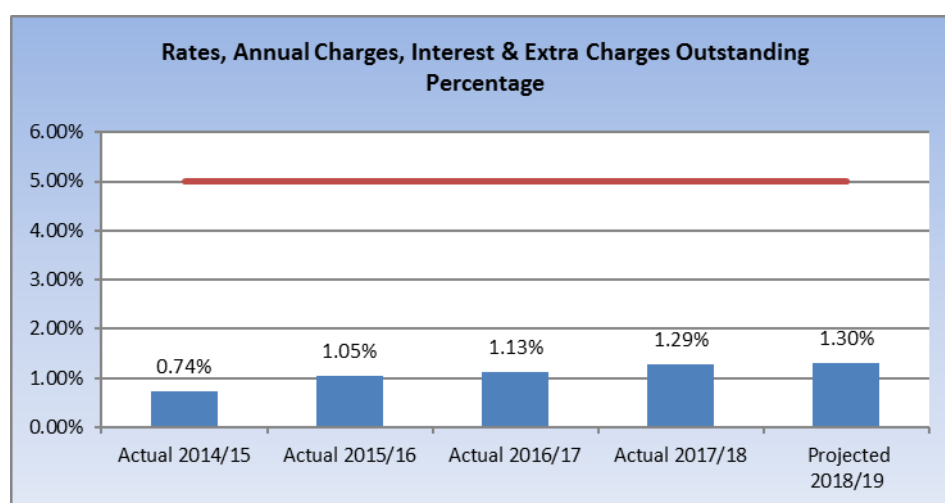
Council's **OWN SOURCE OPERATING REVENUE RATIO** provides a measure of the degree of reliance on external funding sources such as operating grants and contributions. It should be greater than the benchmark of 60% and has been for the last four years and is forecast to be again in 2018/19. This is an indication that Council does not rely heavily on external funding sources.



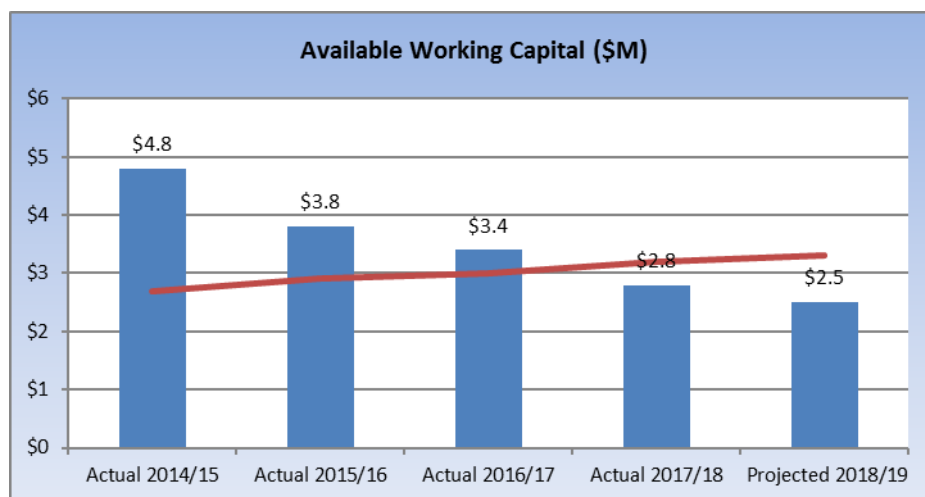
Council's **UNRESTRICTED CURRENT RATIO** should be greater than 1.5x, the benchmark considered satisfactory by the industry. Council's ratio has been above the benchmark for a number of years and is forecast to remain at this level in the short to medium term. This indicates that Council has more than adequate capacity to meet its obligations in the short term for its unrestricted activities.



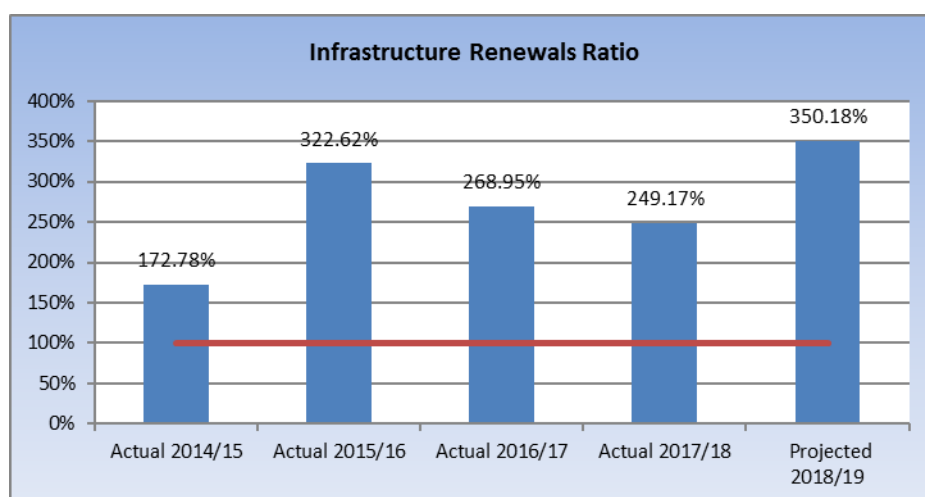
The purpose of the **DEBT SERVICE COVER RATIO** is to assess the impact of loan principle and interest repayments on the organisation's discretionary revenue. Prudent financial management dictates that an organisation should not over commit itself to debts that it cannot service. For a developed council, such as North Sydney, ideally this ratio should be greater than 2.00x. After being debt-free for many years, Council has embarked on a controlled borrowing program to address the need for the renewal or upgrade of some existing infrastructure assets. As a result, this ratio has been above the benchmark since 2015/16 and should remain so over the next 10 years.



The purpose of the **RATES, ANNUAL CHARGES, INTEREST & EXTRA CHARGES OUTSTANDING PERCENTAGE** is to measure the effectiveness of recovering rates and annual charges owed to Council. It has been around 1% for many years, well below the industry benchmark of 5%, and is forecast to remain at about this level over the next 10 years.

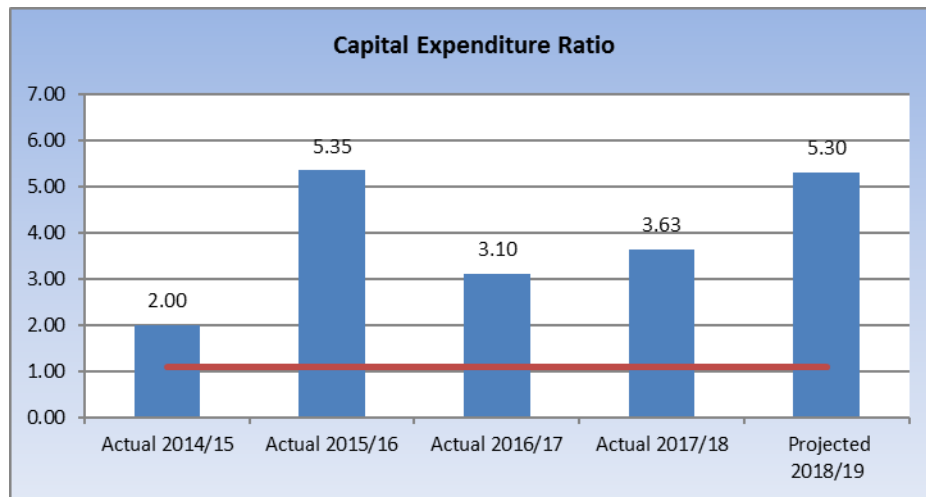


The purpose of the **AVAILABLE WORKING CAPITAL** indicator is to assess the organisation's ability to manage its day to day operations and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and forecast level of internally restricted reserves set aside to fund future works, services and liabilities, Council's available working capital is forecast to be approximately 8.5% of rates revenue, a level deemed to be adequate.



The purpose of the **INFRASTRUCTURE RENEWAL RATIO** indicator is to measure the extent to which Council is maintaining the condition of its infrastructure assets, either through repairs and maintenance, or the adequacy of its provision to replace those assets as they reach the end of their useful lives. This ratio should be at least 100% and this is the benchmark documented in Council's *Financial Management Policy*.

After being well below this benchmark for a number of years, significant increases in funding for infrastructure renewal during the previous *Delivery Program* has seen it improve to be above the benchmark for the last four years. It is forecast to well above 100% again in 2018/19. This is a reflection of Council's increased commitment to ensuring that sufficient funds are allocated to the replacement of its ageing infrastructure assets to offset the rate at which they are depreciating.



The purpose of the **CAPITAL EXPENDITURE RATIO** indicator is to measure the extent to which Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets. This ratio has been significantly better than the benchmark of 1.10 for the last four years and is forecast to be again in 2018/19. This is further evidence of Council's increased commitment to ensuring that sufficient funds are allocated to the replacement and renewal of ageing infrastructure assets, while also maintaining an acceptable level of expenditure on new assets.

PLANNING ASSUMPTIONS

GENERAL ASSUMPTIONS

POPULATION

The official estimated resident population (ERP) of North Sydney Council area as of 30 June 2016, was 72,037 and it is forecasted to increase at an average rate of 0.80% per annum over the life of this plan. North Sydney's population growth is moderate and the cost of Council's services is not particularly sensitive to population growth of this magnitude. Therefore, it has been assumed that increases in North Sydney's population will not have a material impact on the income and expenditure projections in the plan.

GROWTH CAPACITY

North Sydney has the highest residential density in the Sydney metropolitan area after City of Sydney and Waverley Councils.

The results of steady growth have been captured within the long term financial model, but there are two key financial outcomes from investigating some of the historical data. Firstly, growth in rates revenue is negligible; and secondly, developer contributions, resulting from increased construction activity, increases the community's expectation for accelerated capital spending.

INFLATION

Changes in inflation will impact both revenue and expenditure assumptions within the plan, consequently, any rate change will not materially alter the net operating result. For scenario planning it has been assumed that the following Consumer Price Index (CPI) percentages will apply.

	2018/19	2019/20	2022/23
		-	-
		2021/22	2027/28
CPI	2.20%	2.50%	3.00%

SUSTAINABILITY

In considering the issue of financial sustainability, the NSW Treasury Corporation (TCorp) and the Office of Local Government (OLG) have established what they consider to be a concise definition, that being:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.²

The following key issues need to be considered when developing the *Long Term Financial Plan*:

- at least breakeven operating positions are essential
- pricing paths are needed for the medium term
- rate increases must meet underlying costs

² Financial Sustainability of the New South Wales Local Government Sector TCorp, April 2013

- asset management planning must be prioritised
- councillor and management capacity must be developed
- improved use of restricted funds
- increased use of debt

INCOME ASSUMPTIONS

RATES AND ANNUAL CHARGES

As per the comparative information available from OLG, in 2016/17, the average residential rates in the North Sydney LGA were \$751.17 per assessment, while the Group 3 average was \$993.74³⁴. Whilst the average business rates in the North Sydney LGA were \$3,695.64 per assessment, while the Group 3 average was \$6,351.18.

In summary, North Sydney:

- has the lowest average residential rates amongst Group 3 councils;
- has a high proportion of ratepayers on the minimum rate, as many residents live in high density dwellings;
- has comparatively low business rates;
- has 42% of households earning an income of \$2,500 or greater per week compared to 28.3% for greater Sydney; and
- has less than 1.3% of rates outstanding.

The previous IPART approved SRV, which commenced on 1 July 2012, expired 30 June 2018. This approval was for an annual rate quantum increase of 5.5% cumulative (inclusive of the annual rate peg) and will be part of Council's rating base going forward. Note: the previous SRV did not apply to properties on the minimum rate.

Rates revenue in 2018/19 were increased by 2.76%, inclusive of the 2.3% rate peg and unused permissible income catch-up. An increase of 4% was allocated in 2018/19 for the Domestic Waste Management Charge (DWMC), and whilst it is assumed that there will modest increases to the DWMC from 2019/20, this will be reviewed annually as this charge is based on cost recovery. Thereafter, for the remaining life of the plan, the following assumptions apply⁵:

SCENARIO		2018/19	2019/20	2020/21 - 2023/24	2024/25 - 2027/28
Scenario 1	Ordinary Rates	2.76%	2.7%	2.5%	2.5%
	Special Rates	2.76%	2.7%	2.5%	2.5%
	Annual Charges:				
	DWMC	4%	2%	2%	2%
	SWMC	0%	0%	0%	0%
	S611	2%	2%	2%	2%
Scenario 2	Ordinary Rates	2.76%	5.5%*	5.5%*	2.5%
	Special Rates	2.76%	5.5%*	5.5%*	2.5%
	Annual Charges:				
	DWMC	4%	2%	2%	2%
	SWMC	0%	0%	0%	0%
	S611	2%	2%	2%	2%

3

⁴ In 2015/16, the average residential rates in the North Sydney LGA were \$724.28 per assessment, while the Group 3 average was \$984.35. Average business rates in the North Sydney LGA were \$3,502.07 per assessment, while the Group 3 average is \$5,768.33.

⁵ Refer to Office of Local Government Circular No. 17-35

SCENARIO		2018/19	2019/20	2020/21 - 2023/24	2024/25 - 2027/28
Scenario 3	Ordinary Rates	2.76%	7%*	7%*	2.5%
	Special Rates	2.76%	7%*	7%*	2.5%
	Annual Charges:				
	DWMC	4%	2%	2%	2%
	SWMC	0%	0%	0%	0%
	S611	2%	2%	2%	2%

* The percentage increase in 2019/20 to 2023/24 in Scenarios 2 and 3 is inclusive of the rate peg.

USER FEES AND CHARGES

Revenue raised from Council's fees and charges for the provision of services and the use of facilities can be divided into two categories:

- Statutory and Regulatory Fees and Charges - which are set by regulation or another authority (e.g. Development Application fees) and which Council has no discretion to increase; and
- Other Fees and Charges - which are set by Council and which Council has the discretion to increase.

The factors that determine Council's pricing principles are:

- cost recovery, including indirect costs recovery (full or partial);
- market pricing competitiveness (pricing of similar service providers);
- legislative constraints (non-discretionary fees); and
- subsidies (capacity to pay).

The annual review of Council's fees and charges incorporate matters such as the ability to pay, full or partial cost recovery, subsidy levels and market comparisons. Also, consideration is given to those members of the community, who because of their special circumstances may not be able to access the service. These considerations are also reviewed annually and are detailed in a separate report to Council on community grants and subsidies.

The fees and charges that Council has the discretion to increase have been assessed individually and it has been proposed to increase many of these by 2.2% for 2018/19. It has been assumed that revenue from both categories of user charges and fees will increase by the CPI for the remaining life of this plan, as shown in the following table.

	2018/19	2019/20 - 2021/22	2022/23 - 2027/28
Statutory and Regulatory Fees	2.2%	2.50%	3.00%
Other (Discretionary) Fees	2.2%	2.50%	3.00%

INTEREST AND INVESTMENT REVENUE

Council has a large investment portfolio that is subject to movements in interest rates. Investments are placed and managed in accordance with Council's adopted *Financial Investment Policy* in compliance with the Local Government Act 1993. As a custodian of the community's funds, Council ensures that funds are invested with the appropriate care and due diligence. Council's guiding investment principles are:

- applicable risks;
- any constraints and other prudential requirements having regard to applicable legislation and regulations;

- compliance monitoring and reporting;
- expected level of future returns; and
- appropriate benchmarks for each category of investments.

Council's investment portfolio consists of Term Deposits, Floating Rate Notes (FRNs) and fixed interest deposits. The performance benchmark for all of these investment categories is the 90-day Bank Bill Swap Rate (BBSW). It is Council's expectation that the performance of each investment will be greater than or equal to this benchmark, taking into account its risks, liquidity and other benefits of the investment. The interest rate on investments for the life of this plan is as indicated in the following table:

	2018/19	2019/20 - 2021/22	2022/23 - 2027/28
Interest on Investments	2.80%	2.75%	2.75%
Interest on Overdue Rates and Annual Charges	7.50%	7.50%	7.50%

The funds available in Council's portfolio will also have a bearing on the amount of revenue generated from this income stream in any given year. It is not likely that Council can continue to rely on additional investment income over the life of the plan given the current balance of the portfolio, and the reserves that are identified to be expended.

Funds invested in recent years have been reduced as a result of accelerated capital works program. The reduction in investment income places further funding pressures on Council, which will impact on future annual returns.

Council's policy regarding the interest rate on outstanding rates is to charge the maximum allowable by the OLG. It has been assumed that this will be 7.5% per annum for the life of this plan.

OTHER REVENUE

It has been assumed that revenue in this category will increase by the CPI for the life of this plan, as shown in the following table.

	2018/19	2019/20 - 2021/22	2022/23 - 2027/28
Parking Meter Fees	2.2%	2.5%	3%
Property Rental	2.2%	2.5%	3%
Off-Street Car Park Fees	2.2%	2.5%	3%
Outdoor Dining Rental	2.2%	2.5%	3%
Other Revenues	2.2%	2.5%	3%

PARKING METER FEES

Council has been using paid parking to manage and control the demand and utilisation of on-street parking since the mid-1980s. The resulting revenue stream is a significant component of Council's total income. Currently, there are 460 multi-bay parking meters servicing 2,600 paid parking spaces and further expansion is planned over the life of this plan.

Council has upgraded all parking meters to be PCI (credit card) compliant and to improve the overall reliability and serviceability of the meters. This has ensured that compliance rates have improved and that revenue, in particular from the use of credit cards with 'tap and go' capabilities.

PROPERTY RENTAL

Council manages a property portfolio covering commercial, investment, residential and community facilities. The management of the portfolio is outsourced to professional property managers on a long term contract. The property

portfolio revenue income has been relatively stable and it is anticipated that income growth over the life of the plan will be in line with CPI.

OFF-STREET CAR PARK FEES

Council operates five commercial off-street car parks with a combined capacity of over 1,000 spaces. The number of spaces Council allows for permanent lease is up to approximately 370. Of these, generally between 80% and 90% are currently leased. Car park revenue has been increasing on average 2% to 3% per annum and this rate is to apply over the life of the plan.

OUTDOOR DINING RENTAL

Outdoor dining was first introduced to the LGA in the mid-1990s. As Council has redeveloped its retail shopping villages the popularity and demand for space grew quite rapidly. There are a total of 186 outdoor dining licences (permits), as at December 2018.

Outdoor licence fees and charges are broken up into high, medium and low rates based on location. High is defined on area management per square meter, per annum. Currently high areas include Crows Nest, Kirribilli, North Sydney CBD and Blues Point Road. Medium is defined on area management per square meter, per annum. Currently medium areas include Crows Nest Outdoor Seating, Cremorne, Cammeray, Kirribilli, Neutral Bay and St Leonards. Low is defined on area management per square meter, per annum. Currently low areas include all other areas within the LGA. It is expected that licence fees will rise in line with inflation at about 2% to 3% per year, and remain in keeping with rates of the adjoining councils.

GRANTS - OPERATING AND CAPITAL

Council's *Financial Management Policy* recognises the importance of actively pursuing and maintaining grant funding. Generally, any matching funds required from Council for non-recurrent grants are sourced from the existing level of internally restricted assets (i.e. internal reserves). Future matching of funds is uncertain as the level of reserves are reduced.

The Financial Assistance Grants (FAGs) is a general purpose grant. The grant is untied; thus the Council is able to spend the grant according to community priorities. All councils are entitled to a minimum per capita grant, North Sydney Council is one of 19 metropolitan councils that receives the minimum entitlement. The NSW Government policy is to allocate grants, as far as possible, to the councils with the greatest relative needs. North Sydney Council will continue to receive the minimum grant.

An example of a Specific Purpose Grant, Council received in advance its entire allocation of funding under the Federal Government's Roads to Recovery Program up until 30 June 2019. Allocations for 2019/20 onwards have been determined and the program has been extended for another five years, to 30 June 2024. Council has been allocated \$1.2 million.

For the life of this plan, it has been assumed that recurrent grant funding will increase by the CPI, as shown in the following table.

	2018/19	2019/20 - 2021/22	2022/23 - 2027/28
Financial Assistance Grant	2.2%	2.5%	3%
Specific Purpose Grants	2.2%	2.5%	3%

NET GAIN FROM DISPOSAL OF ASSETS

All funds generated from the sale of assets will be directed to assets that offer improved community benefits or are income-producing. Revenue from asset sales will not be directly used to offset recurrent operating expenditure. In effect, gains from asset sales are not available for the continued provision of existing services. It has been assumed that only plant and equipment will be sold and that revenue derived from their gain on disposal, will remain at the current level for the life of this plan.

EXPENDITURE ASSUMPTIONS

EMPLOYEE COSTS

One of the largest expenditure assumptions is employee costs; however, changes in employee costs impact both on income and expenditure. Total employee costs are a combination of direct wages and salaries plus overheads that include workers compensation, superannuation, training and advertising. Terminations will impact on the employee entitlements' reserve, employee entitlements' liability as well as recruitment and training costs.

Whilst maintaining the current staffing levels and any new positions identified through the *Delivery Program*, total employment costs have been forecasted to increase by approximately 4.1% per annum (taking into account such factors as Award increases, salary step increases as a result of performance appraisals and employer superannuation liabilities).

From 1 July 2014, the Superannuation Guarantee charge increased to 9.5% and will remain at this rate until 30 June 2021. From 1 July 2021, it will increase by 0.5% each year until it reaches 12%.

The following analysis details what drives Council's employee costs:

- a) Employee Entitlements - as at 30 June 2018, 50% of Council's leave entitlements were funded within the Employee Leave Entitlements Reserve and it has been assumed that this level of funding is more than adequate to cover projected total employee leave liabilities and will not require abnormal cash injections in the short to medium term. Employee Entitlements was 55% as at 30 June 2017.
- b) Award Increases - an increase of 2.5% is effective from 1 July 2018 in accordance with Local Government (State) Award 2017. It has been assumed that Award increases will be 2.5% in 2019/20 and 2020/21 and 3% per annum for the remaining life of the plan.
- c) Salary System - the Award requires that each council establishes a salary system and provides for a system of progression through a salary range. Councils may also make available access to bonus payments or other opportunities for additional reward for those employees who have progressed through the salary system to the maximum point/step for their position. It should be noted that skills and performance progression increases are paid on top of Award increases. Council's salary system has established a series of grades for each position, based on a job evaluation system and market comparisons. Employees are able to progress through their salary grade range in accordance with Award requirements.
- d) Market Competitiveness - Council aims to provide a fair reward system for employees which allows for internal equity and external competitiveness. Council

aims to position itself at the 75th percentile of salaries at comparable councils. Council participates in an annual salary survey as detailed in the *Workforce Management Strategy*.

- e) Transport Allowance - In order to attract and retain employees and to encourage use of public transport, Council provides a transport allowance for all employees, from \$1,000.00 to \$2,000.00 per annum.
- f) Workers Compensation Premiums - Council continues to managing its workers compensation and work health and safety expenditure closely. Council has been managing its costs within the low range of 2.5% of wages and salaries.

BORROWING COSTS

Debt will only be approved where there is an agreed economic, social, or environmental benefit from a project and other sources of funding are not available. As required, borrowing will be undertaken in accordance with Council's *Financial Management Policy*, in that:

- capital cost of infrastructure will be recognised over the period during which the benefits will be enjoyed;
- funds are a resource to fund the replacement and upgrading of existing infrastructure and fund the creation of new infrastructure;
- loan funds will be limited:
 - to the acquisition or enhancement of income producing assets;
 - to the construction and/or upgrading of buildings;
 - to infrastructure assets that have a life expectancy of greater than 10 years; and
- loan borrowings will not exceed a Debt Service Ratio of 5%.

Council had been debt free for many years until 2015/16 when Council commenced a borrowing program to fund the replacement of parking meters and the redevelopment of the Alexander Street Car Park, Crows Nest. The debt servicing of these loans is sourced from the users of these services.

Council will be reviewing additional debt options in this *Delivery Program* timeframe to assist in the funding of renewal of Council assets. Council currently has capacity within the approved debt facility to increase borrowings and it is proposed to utilise these funds (\$20.5 million) in Year 3 (2020/21) of this plan, to be applied to the reconstruction of North Sydney Olympic Pool at Milsons Point.

MATERIALS AND CONTRACTS

It has been assumed that the costs of materials and contractors will increase by the CPI for the life of the plan, as shown in the following table.

	2018/19	2019/20 -	2022/23 -
		2021/22	2027/28
Other Materials and Contractors	2.2%	2.5%	3%

Waste and recycling charges increases into the future are uncertain and will be annually adjusted in line with any significant increase.

DEPRECIATION

It is reasonable to assume that the current replacement costs of Council's assets will continue to increase over time but that their useful lives will remain static. Therefore, as assets are periodically revalued to comply with adopted accounting standards, Council's depreciation expense will increase.

Revaluations reflect replacement costs and asset utilisation. Depreciation must not be understated as this is represented in Council's operating result. A review of the useful lives of Infrastructure assets has been conducted during 2017/18 and has resulted in an increase in the depreciations rates to be applied for Year 1 (2018/19).

Depreciation of Council's infrastructure assets is determined from information contained within the *Asset Management Plans* and this is reflected in the three scenarios as well as the *Asset Management Strategy*.

OTHER EXPENSES

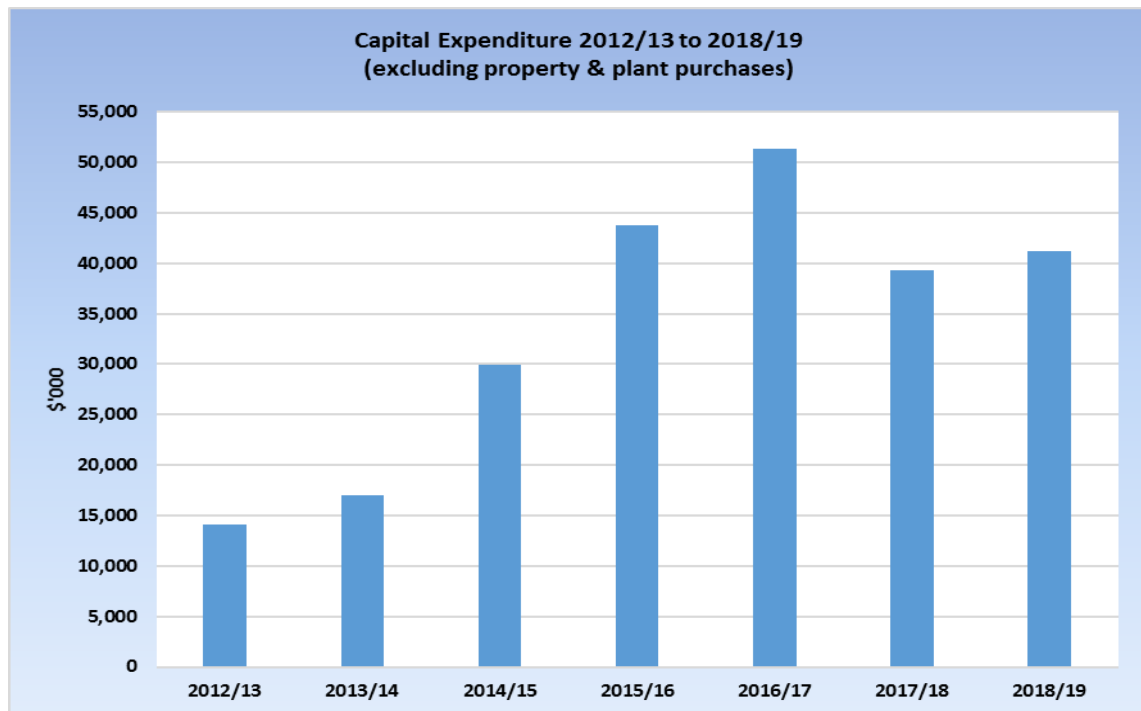
With the exception electricity, street lighting and insurance premiums, it has been assumed that "other" expenses will increase by the CPI for the life of the plan, as shown in the following table.

	2018/19	2019/20 - 2021/22	2022/23 - 2027/28
Electricity	3%	3.5%	4%
Street Lighting	3%	3.5%	4%
Insurance	3%	3%	3%
Other Expenses	2.2%	2.5%	3%

CAPITAL EXPENDITURE

Capital expenditure to be outlaid for the renewal of existing infrastructure assets and the acquisition of new infrastructure assets is linked to the amounts required in Council's *Asset Management Strategy*. As these values are recorded in today's dollars in the *Asset Management Strategy*, they have been escalated by the forecast increase in the CPI over the life of the plan.

Council has in recent years increased the Capital Works Program as indicated in the following chart. Future programs will be in line with asset consumption rates associated with the depreciation levels.



SENSITIVITY ANALYSIS

The *Long Term Financial Plan* has been developed, based on a suite of assumptions and a range of reliable independent data. Uncertainty and variations to these assumptions, including interest rate forecasts and potential effect of inflation fluctuations need to be taken into account as their impact on the modelling could be significant over the life of the plan.

A conservative approach has been taken in developing the plan to ensure that the adopted assumptions provide the least exposure of risk and reduce pressure on achieving attainable operating results, with any surpluses that eventuate being allocated towards capital projects.

CONSUMER PRICE INDEX (CPI)

The CPI assumptions are integral to the reliability and integrity of the plan. It is an assumption used on both expenditure and revenue, any change will impact heavily on operating results.

RATES AND ANNUAL CHARGES

Rates and annual charges comprise approximately 45% of Council's total revenue and thus any variation to the assumptions will have an effect on the ability to adequately fund the delivery of services and projects. If a SRV application was either rejected or the percentage requested was reduced or the rate peg determination was below CPI, then the plan would encounter considerable pressure in achieving target forecasts.

EMPLOYEE COSTS

Employee costs account for approximately 39% of Council's total expenditure. The uncertainty of future wage claims and increasing employee leave entitlements has an impact on the plan.



FINANCIAL SCENARIOS (MODELLING)

This plan expresses in financial terms the activities that Council proposes to undertake over the short, medium and long term and guides the future strategies and actions of Council to ensure that it continues to operate in a sustainable manner.

The purpose of the plan is to provide a benchmark of the financial position based on current strategies projected out 10 years. It fits in with Council's IPR Framework in the long term, in terms of the *Community Strategic Plan*; the medium term, in terms of the *Delivery Program*; and the short term, in terms of the annual Operational Plan and budget.

Financial strategies or scenarios provide direction and guidance. Including scenarios will assist Council in developing the best plan for Council to meet community expectations.

Three scenarios have been developed to demonstrate the need to ensure a sustainable operating surplus is essential in meeting community and asset expectations. The scenarios reflect the impact of changes in assumptions and are as follows:

SCENARIO	DESCRIPTION
Scenario 1 (Base Case/Rate Peg - Reduce Services)	This scenario reflects the implementation of the annual IPART determination (rate peg) as the basis of rates revenue projections. It results in a decline in Council's capacity to provide current levels of service.
Scenario 2 (5.5% inclusive of rate peg - maintain existing services and invest \$15.3m in infrastructure)	Incorporating a 5.5% special rate variation (SRV) for five years, inclusive of the annual rate peg, commencing in 2019/20 (Year 2).
Scenario 3 (7% inclusive of rate peg - maintain existing services and invest \$27.1m in infrastructure)	Incorporating a 7.0% SRV for five years, inclusive of the annual rate peg, commencing in 2019/20 (Year 2).

SCENARIO 1 (BASE CASE/RATE PEG ONLY - REDUCE SERVICES)

This scenario models the impact on Council's financial position provided that:

- existing services are reduced;
- infrastructure renewals and other capital expenditure remains at current levels that achieve the Infrastructure Renewals Ratio target of 100% until 2023/24, but does not provide resources to reduce the number of infrastructure assets in very poor condition i.e. condition 5; and
- revenue from rates continues to increase by the annual IPART determination (rate peg) thereafter.
- proposed borrowings in 2020/21 (Year 3) are adopted to provide funds for the reconstruction of North Sydney Olympic Pool complex.

Key assumptions are as follows:

REVENUES

- rate peg increase is 2.3% for 2018/19 (Year 1), 2.7% for 2019/20 (Year 2) and 2.5% for all subsequent years to 2027/28.
- annual charges, in particular DWMC, reflect reasonable cost recovery of providing the service.

- User Fees and Charges, Other Revenues and Grants and Contributions provided for operating purposes are forecast to increase annually by the projected increase in the CPI over the life of the plan.
- investment returns are forecast to provide returns in the order of 2% to 3% over the life of the plan.

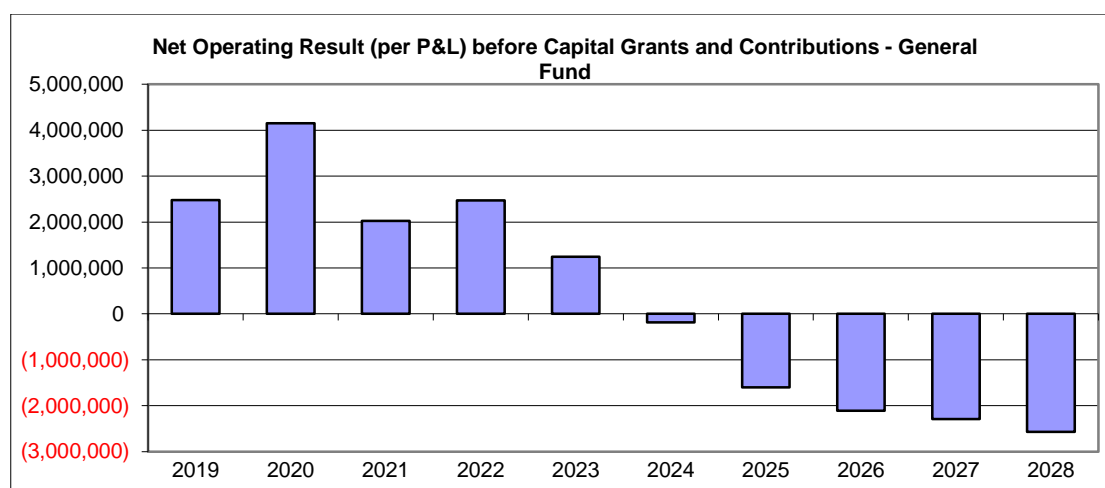
EXPENSES

- Employee Benefits and On-Costs are forecast to increase by 3% over the life of the plan.
- Materials and Contracts are forecast to increase annually by the projected increase in the CPI over the life of the plan.

OPERATING POSITION

A sustainable operating position should preferably be in a surplus position or at be at least, breakeven. This scenario indicates a deteriorating position.

The following chart provides a summary of the Net Operating Result of Scenario 1:



Scenario 1		Projected									
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operating Performance Ratio	Snapshot	● ↓	● —	● —	● —	● ↓	● ↓	● ↓	● ↓	● —	● —
Benchmark Ratio >0%	Actual Ratio	3.20%	1.16%	3.58%	2.46%	1.45%	0.63%	-0.45%	-0.25%	-0.33%	-0.38%
Own Source Operating Revenue Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
Benchmark Ratio >60%	Actual Ratio	92.05%	93.17%	93.43%	94.27%	94.27%	94.28%	94.30%	94.34%	94.39%	94.43%
Unrestricted Current Ratio	Snapshot	● —	● —	● —	● —	● —	● —	● —	● —	● —	● —
Benchmark Ratio > 1.5X	Actual Ratio	2.21 x	3.17 x	2.17 x	2.39 x	2.44 x	2.43 x	2.42 x	2.41 x	2.41 x	2.49 x
Debt Service Cover Ratio	Snapshot	● ↓	● —	● ↓	● —	● —	● —	● —	● ↑	● ↑	● ↑
Benchmark Ratio >2X	Actual Ratio	74.25 x	67.78 x	24.46 x	25.04 x	25.96 x	27.32 x	28.55 x	32.16 x	36.18 x	41.45 x
Building & Infrastructure Renewals Ratio	Snapshot	● ↓	● —	● ↑	● ↓	● ↓	● ↓	● ↓	● ↓	● ↓	● ↓
Benchmark Ratio >100%	Actual Ratio	144.37%	137.12%	244.52%	102.44%	100.24%	98.10%	96.06%	94.02%	91.96%	89.94%
<div> <div>●</div> Within benchmark <div>●</div> Not within benchmark </div>											

- an Infrastructure Renewal Ratio target of 100% over the life of the plan will ensure sufficient commitment to infrastructure renewal, with assets depreciating at the rate they are renewed. Reallocation of funding will be required to achieve benchmark ratios from 2022/23.

- The operating performance ratio remains marginally above benchmark with the cuts to expenditure, but falls below from 2022/23 and further cuts would be necessary.

Refer to *Appendix 2* for the projected financial performance including the Income Statement, Balance Sheet, Equity Statement and Cash Flow Statement for Scenario 1.

CONCLUSION

Scenario 1 is not financially sustainable in the short and long term due to the rapid deterioration of the operating result, commencing in 2020/21 (Year 3) of the plan. Any reductions in forecast asset renewal spending would result in Council not being able to achieve an Infrastructure Renewal Ratio at a level that would result in asset deterioration, which would accelerate over the life of this scenario.

This scenario includes cuts to services in order to mitigate the deficit financial situation that would arise. The reductions in service levels are contrary to the community's demand for services as outlined in the Community Strategic Plan and the associated engagement.

Notwithstanding the reduction in services already incorporated into this scenario it remains not financially sustainable in the longer term as it goes into deficit from the 2023/24 financial year and will require further cuts to services or efficiency gains at this time to return to a balance position.

SCENARIO 2 (5.5% INCLUSIVE OF RATE PEG - MAINTAIN EXISTING SERVICES AND INVEST \$15.3M IN INFRASTRUCTURE)

This scenario models the impact on Council's financial position provided that:

- Existing services are maintained at current levels;
- Operational efficiencies are identified and implemented;
- Infrastructure renewals and other capital expenditure remains at current levels that achieve the Infrastructure Renewals Ratio target of 100% until 2023/24 and makes available \$9.3 million to address infrastructure assets in very poor condition i.e. condition 5 and \$5.8 million to upgrade community facilities; and
- Revenue from rates continues to increase by the annual IPART determination (rate peg) for 2018/19 (Year 1) and the introduction of a SRV of 5.5% per annum inclusive of the rate peg, for five years commencing in 2019/20 (Year 2).
- Proposed borrowings in 2020/21 (Year 3) are adopted to provide funds for the reconstruction of North Sydney Olympic Pool complex.

Key assumptions are as follows:

REVENUES

- The rate peg increase is 2.3% for 2018/19 (Year 1) and a SRV increase of 5.5% for five years commencing in 2019/20 (Year 2). For the last four years of the plan, the assumed rate peg increase of 2.5% increase applies.
- Annual charges, in particular DWMC, reflect reasonable cost recovery of providing the service.
- User Fees and Charges, Other Revenues and Grants and Contributions provided for Operating Purposes are forecast to increase annually by the projected increase in the CPI over the life of the plan.

- Investment returns are forecast to provide returns in the order of 2% to 3% over the life of the plan.

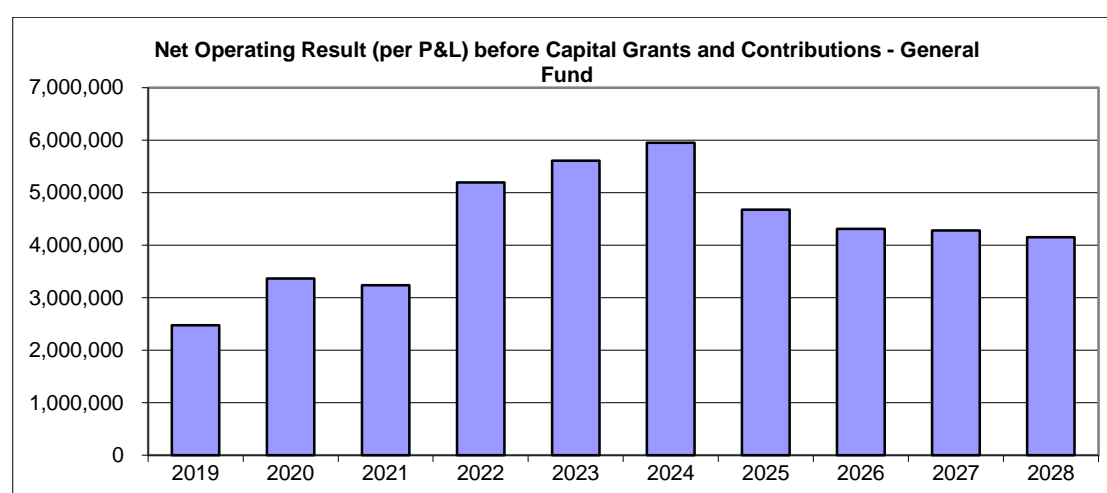
EXPENSES

- Employee Benefits and On-Costs are forecast to increase by 3% over the life of the plan.
- Materials and Contracts are forecast to increase annually by the projected increase in the CPI over the life of the plan.
- Service delivery improvements implemented.

OPERATING POSITION

A sustainable operating position should preferably be in a surplus position. This scenario indicates a stable surplus position.

The following chart provides a summary of the Net Operating Result of Scenario 2:



Scenario 2		Projected										
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Operating Performance Ratio	Snapshot	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	
Benchmark Ratio >0%	Actual Ratio	0.97%	3.95%	1.54%	3.04%	3.26%	3.40%	2.34%	2.00%	1.90%	1.97%	
Own Source Operating Revenue Ratio	Snapshot	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	
Benchmark Ratio >60%	Actual Ratio	91.88%	95.59%	93.36%	94.36%	94.43%	94.50%	94.51%	94.53%	94.57%	94.61%	
Unrestricted Current Ratio	Snapshot	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	
Benchmark Ratio > 1.5X	Actual Ratio	1.87 x	2.99 x	2.03 x	2.18 x	2.26 x	2.35 x	2.58 x	2.80 x	3.02 x	3.34 x	
Debt Service Cover Ratio	Snapshot	<div><div></div><div></div></div> —	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> —	
Benchmark Ratio >2X	Actual Ratio	66.68 x	77.60 x	22.31 x	25.76 x	28.30 x	31.21 x	32.82 x	36.01 x	40.51 x	46.73 x	
Building & Infrastructure Renewals Ratio	Snapshot	<div><div></div><div></div></div> —	<div><div></div><div></div></div> —	<div><div></div><div></div></div> ↑	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	<div><div></div><div></div></div> ↓	
Benchmark Ratio >100%	Actual Ratio	144.37%	155.21%	253.22%	123.11%	120.43%	117.82%	96.06%	94.02%	91.96%	89.94%	
		<div><div></div> Within benchmark</div> <div><div></div> Not within benchmark</div>										

- an Infrastructure Renewal Ratio target of 100% over the life of the plan will ensure sufficient commitment to infrastructure renewal, with assets depreciating at the rate they are renewed-until 2023/24.

Refer to *Appendix 3* for the projected financial performance including the Income Statement, Balance Sheet, Equity Statement and Cash Flow Statement for Scenario 2.

CONCLUSION

Scenario 2 requires additional revenue and service delivery improvements, in order to maintain an operating surplus that meets performance targets and community expectations. Unforeseen changes in the modelling assumptions would place considerable pressure on the financial position of Council. A SRV application is required to provide the necessary revenue to maintain financial sustainability.

The SRV application would require Council to plan an increase of 5.5%, inclusive of the rate peg, in order to achieve revenue targets and to maintain current levels of service.

SCENARIO 3 (7% INCLUSIVE OF RATE PEG - MAINTAIN EXISTING SERVICES AND INVEST \$27.1M IN INFRASTRUCTURE)

This scenario models the impact on Council's financial position provided that:

- Existing services are maintained at current levels;
- Operational efficiencies are identified and implemented;
- Infrastructure renewals and other capital expenditure remains at current levels that achieve the Infrastructure Renewals Ratio target of 100%;
- Revenue from rates continues to increase by the annual IPART determination (rate peg) for 2018/19 (Year 1) and the introduction of a SRV of 7% inclusive of the rate peg, for five years commencing in 2019/20 (Year 2) until 2023/24 and makes available \$14.3 million to address infrastructure assets in very poor condition i.e. condition 5 and \$12.8 million to upgrade community facilities.
- Revenue streams are reviewed and additional sources introduced; and
- Proposed borrowings in 2020/21 (Year 3) are adopted to provide funds for the reconstruction of North Sydney Olympic Pool complex.

Key assumptions are as follows:

REVENUES

- The rate peg increase is 2.3% for 2018/19 (Year 1) and a SRV increase of 7% for five years commencing in 2019/20 (Year 2). For the last four years of the plan, the assumed rate peg increase of 2.5% increase applies.
- Annual charges, in particular DWMC, reflect reasonable cost recovery of providing the service.
- User Fees and Charges, Other Revenues and Grants and Contributions provided for Operating Purposes are forecast to increase annually by the projected increase in the CPI over the life of the plan. Additional revenue from operational improvements.
- Investment returns are forecast to provide returns in the order of 2.0% to 3.0% over the life of the plan, with additional growth from improving reserve balances.

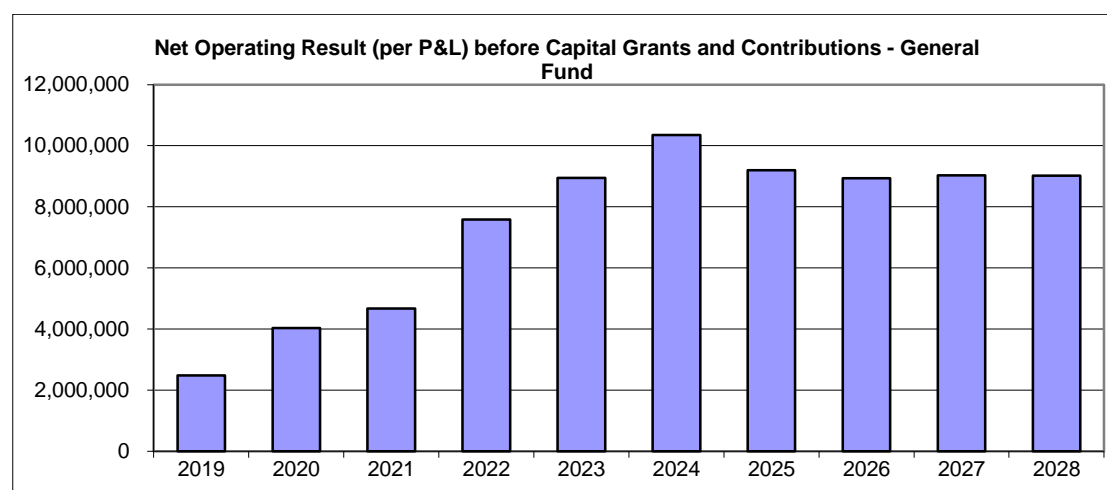
EXPENSES

- Employee Benefits and On-Costs are forecast to increase by 3% over the life of the plan.
- Materials and Contracts are forecast to increase annually by the projected increase in the CPI over the life of the plan.
- Service delivery improvements implemented.

OPERATING POSITION

A sustainable operating position should preferably reflect a surplus position. This scenario indicates an improving surplus position.

The following chart provides a summary of the Net Operating Result of Scenario 3:



Scenario 3		Projected										
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Operating Performance Ratio	Snapshot	<div><div></div></div> —	<div><div></div></div> ↑	<div><div></div></div> ↓	<div><div></div></div> ↑	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —
Benchmark Ratio >0%	Actual Ratio	0.97%	3.95%	1.54%	3.04%	3.26%	3.40%	2.34%	2.00%	1.90%	1.97%	
Own Source Operating Revenue Ratio	Snapshot	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —
Benchmark Ratio >60%	Actual Ratio	91.88%	95.59%	93.36%	94.36%	94.43%	94.50%	94.51%	94.53%	94.57%	94.61%	
Unrestricted Current Ratio	Snapshot	<div><div></div></div> ↓	<div><div></div></div> ↑	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —
Benchmark Ratio > 1.5X	Actual Ratio	1.87 x	2.99 x	2.03 x	2.18 x	2.26 x	2.35 x	2.58 x	2.80 x	3.02 x	3.34 x	
Debt Service Cover Ratio	Snapshot	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> ↓	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> ↑	<div><div></div></div> ↑	<div><div></div></div> ↑
Benchmark Ratio >2X	Actual Ratio	66.68 x	77.60 x	22.31 x	25.76 x	28.30 x	31.21 x	32.82 x	36.01 x	40.51 x	46.73 x	
Building & Infrastructure Renewals Ratio	Snapshot	<div><div></div></div> ↓	<div><div></div></div> —	<div><div></div></div> ↑	<div><div></div></div> ↓	<div><div></div></div> ↓	<div><div></div></div> —	<div><div></div></div> ↓	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —	<div><div></div></div> —
Benchmark Ratio >100%	Actual Ratio	144.37%	151.22%	253.23%	123.11%	120.43%	117.82%	96.06%	94.02%	91.96%	89.94%	
		<div><div></div> Within benchmark</div> <div><div></div> Not within benchmark</div>										

- an Infrastructure Renewal Ratio target of 100% over the life of the plan will ensure sufficient commitment to infrastructure renewal, with assets depreciating at the rate they are renewed until 2023/24.

Refer to *Appendix 4* for the projected financial performance including the Income Statement, Balance Sheet, Equity Statement and Cash Flow Statement for Scenario 3.

CONCLUSION

Scenario 3 provides the best option available to Council in achieving the desired operating surplus, whilst meeting the community expectations of improvements in community facilities and essential infrastructure. The additional revenue required to ensure a projected long term improvement in the operating result is expected to be generated via rates revenue, in particular, the implementation of a SRV in 2019/20 (Year 2) of the LTFP.

The SRV application would require Council to plan an increase of 7% in order to achieve revenue targets and to maintain current levels of service, whilst forecasting an improvement in the operating result.

The LTFP modelling not only relies on additional rates revenue but also requires loan borrowings and service delivery savings, the combination of all three elements are necessary for this scenario to be successful.

MONITORING AND EVALUATION

Council will review the *Long Term Financial Plan* each year as part of the development of the annual *Operational Plan*. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made in the plan compared to the actual results. Evaluation will include reviewing and amending estimates and scenarios to improve the accuracy of the plan over the longer term.

Council will not only monitor its performance against the plan and the annual budget, but has also developed key performance indicators to assess its long term financial sustainability. Council's *Financial Management Policy* includes several indicators:

- Loan borrowings will not exceed a Debt Service Ratio of 5%
- Unrestricted Current Ratio
- Available Cash Position
- Asset renewal expenditure
- Collection performance (outstanding debtors ratio)

The following indicators are included in the *Community Strategic Plan 2018/19-2027/28*:

- Operating Performance Ratio
- Unrestricted Current Ratio
- Rates and Annual Charges Coverage Ratio
- Infrastructure Renewal Ratio
- Debt Service Ratio

The following indicators are reported via the Quarterly Budget Review Statement (QBRs):

- Investment rate of return (% greater than 90-day BBSW)
- Movements in property portfolio revenue
- Budgeted expenses vs actual expenses
- Overall budget variances (for operational revenue, operational expenditure, capital revenue, capital expenditure)
- Capital expenditure to forecast
- Services expenses to forecast
- Staff costs to forecast
- Ratio of current assets to current liabilities
- Operating result before capital grants and contributions
- Available cash assets
- Unrestricted available cash assets
- Asset renewal ratio
- Percentage of revenue from innovative functions (special purpose grants, private works, etc.)
- Utilisation of commercial property portfolio

Council will thoroughly evaluate the plan in line with the periodic review of the *Community Strategic Plan* as per the requirements of the IPR process. This will occur three to nine months after each local government election. The *Resourcing Strategy* in its entirety will be reviewed and updated and a draft *Community Strategic Plan* and resourcing options concurrently presented to the community.



ASSET MANAGEMENT STRATEGY 2018/19-2027/28



OVERVIEW

Asset management is the lifecycle management of physical assets that takes into consideration the “whole of life” approach which includes planning, procurement, construction, operation, maintenance and disposal of the Asset. A key, ongoing issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

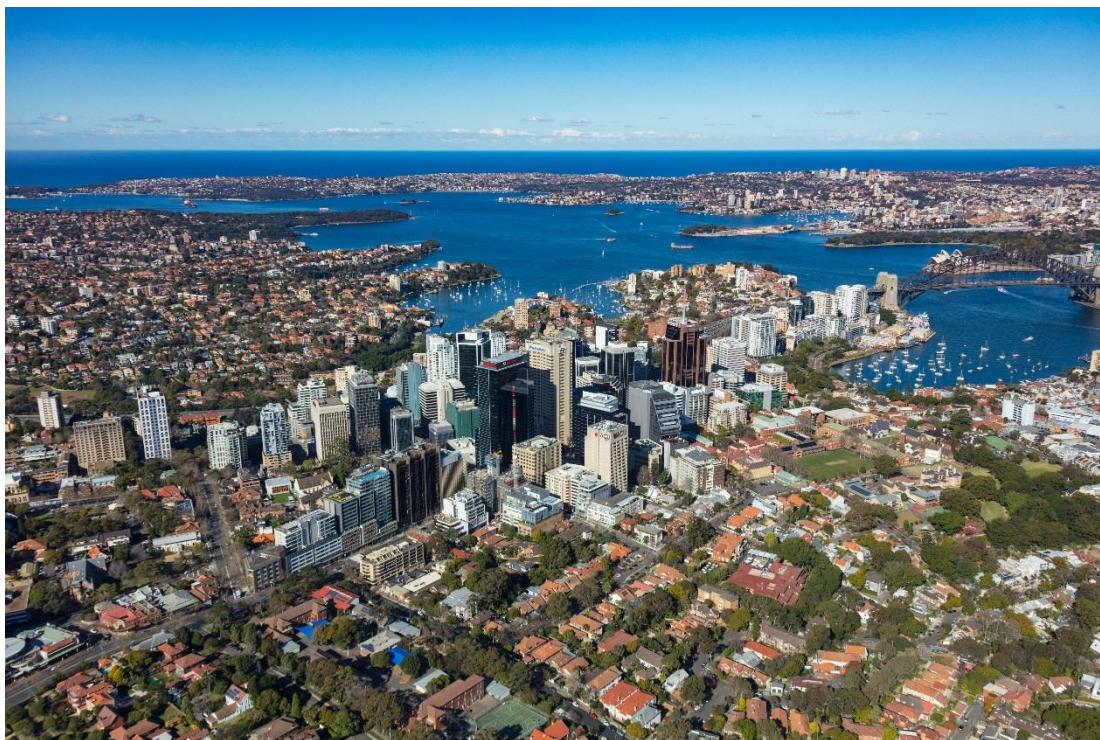
The North Sydney LGA covers 10.5km² or 1,049 hectares. It is both urban and green in character, comprising two Central Business Districts (CBDs), smaller suburban centres, residential areas, parks and open spaces. Overall North Sydney is an established area. Much of the farm land within North Sydney was subdivided from around 1880 onwards. Further development and subdivisions increased significantly with the opening of the Sydney Harbour Bridge in 1932 and continued after World War II. It was during this development that much of the infrastructure in North Sydney was originally built. Therefore, North Sydney faces the continual challenge of maintaining a large portfolio of ageing infrastructure.

North Sydney is very densely populated thanks largely to the medium and high density apartments and dwellings which are forming a growing part of the landscape. North Sydney had a population in 2011 of 66,747 residents which increased to 72,037 in 2016 and is projected to increase to grow to 84,422 by 2036.⁶

The current overall population density of North Sydney is 64.50 persons per hectare (PPH). The most densely populated suburbs are Kirribilli (87.36 PPH), Milsons Point-Lavender Bay (85.14 PPH) and Neutral Bay (81.25 PPH). Residents live in 36,846 dwellings with an average household size of 1.99 persons per household.

North Sydney is made up of 14 village centres (suburbs) which include Cammeray, Cremorne, Cremorne Point, Crows Nest, Kirribilli, Kurraba Point, Lavender Bay, McMahon's Point, Milsons Point, North Sydney, Neutral Bay, Waverton, Wollstonecraft and St Leonards.

⁶ ABS Census 2016 data - available from <https://profile.id.com.au/north-sydney>



North Sydney aerial photo (July 2017)

This extensive portfolio of infrastructure assets requires careful planning and management. Financing the needs of the portfolio *can be* large, requiring planning for large peaks and troughs in expenditure for renewing and replacing assets. The demand for new and improved services adds to the planning and financing complexity. The creation of new assets also presents challenges in funding the ongoing operating and replacement costs necessary to provide the needed service over the assets' full life cycle.

Council's *Asset Management Strategy* shows how the asset portfolio will meet the service delivery needs of the community into the future; that asset management policies are being achieved; and that existing asset management practices integrate with the *Community Strategic Plan*. Improvement in asset management involves formalising the knowledge about asset performance, maintenance levels and community expectations in order to optimise both expenditure and service provision over a longer time scale. The goal of asset management is to ensure that services are provided in the most cost effective manner; through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets; and for present and future consumers.

In line with the community's vision for North Sydney, the objectives of the *Asset Management Strategy* are to:

- guide the planning, construction, maintenance and operation of the infrastructure essential for Council to provide services to the community;
- ensure that Council's infrastructure services are provided in a financially sustainable, economically optimal way, enabling the appropriate level of service to residents, ratepayers, visitors and the environment;
- meet legislative requirements for all Council's operations;
- ensure resources and operational capabilities are identified and responsibility for asset management is allocated; and
- provide high level oversight of financial and asset management responsibilities on development and implementation of the *Asset Management Plans* and *Long Term Financial Plan*.

Asset management planning commences with defining stakeholder and legal requirements and needs, incorporating these needs into the organisation's strategic planning, developing an *Asset Management Policy*, *Asset Management Strategy*, *Asset Management Plans* and annual *Operational Plan*, linked to a *Long Term Financial Plan* with a funding plan.⁷

ASSET MANAGEMENT STRATEGY AND FRAMEWORK

The key steps in preparing an effective *Asset Management Strategy* include:

1. Development of an asset management policy - that underpins the strategy. The policy provides guiding principles for asset management and planning.
2. Governance and management arrangements - applying good governance and management arrangements which link asset management to service delivery and include assigning roles and responsibilities.
3. Defining levels of service - establishing mechanisms, including community consultation, to define the levels of service councils are expected to provide from their asset base.
4. Data and systems - establishment of a framework for asset management data collection.
5. Skills and processes - the framework should contain a continuous improvement program.
6. Evaluation - the framework should contain a mechanism to measure its effectiveness.

Council's Asset Management Strategy has been prepared to assist Council in improving the way it delivers services from infrastructure including:

- Roads - Local Roads, Regional Roads, Kerb and Gutter, Traffic Facilities, Street furniture and Bus Shelters and Cycleways
- Footpaths - Footpaths in Roads, Parks and Walking tracks
- Property - Council Premises, Swimming Pools (Including North Sydney Olympic Pool, Community Facilities, North Sydney Oval, Public Amenities, Rental Properties (Commercial Properties))
- Stormwater Drainage - including Gross Pollutant Traps (GPTs)
- Sport and Recreation facilities - Playground, Park Furniture, Sports Field Lighting and Sporting Infrastructure
- Other Infrastructures - Public Lighting (Roads and Parks), Retaining Walls (Roads and Parks), Signs (Roads and Parks), Fences (Roads and Parks), Seawalls and Marine Structures
- Other Structures (Public Art and Monuments)

These infrastructure assets have a replacement value of approximately \$1.1 billion as at 30 June 2018⁸ (\$964 million as at 30 June 2017). The purpose of this strategy is to enable Council to show:

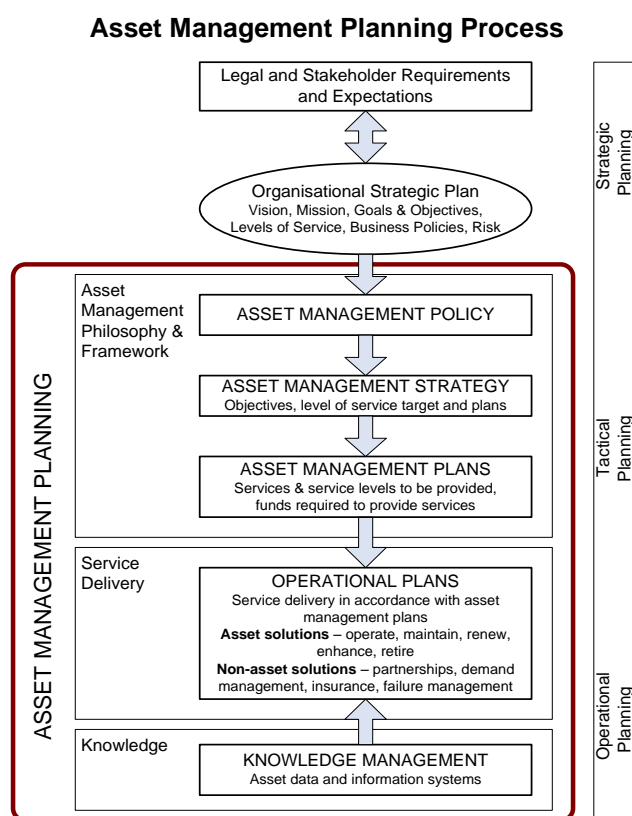
- how its asset portfolio will meet the service delivery needs of its community into the future;
- that its asset management policies are being achieved; and
- that existing asset management practices integrate with the Community Strategic Plan.

⁷ IPWEA, 2009, AIFMG, Quick Guide, Section 4, p 5.

⁸ Per Note 9a in the Audited Financial Statements, 30 June 2018.

This strategy has been prepared following a review of the Council's service delivery practices, financial sustainability indicators, asset management maturity and fit with the community's vision as outlined in the Community Strategic Plan. An Improvement Plan is outlined, detailing a program of tasks to be completed as well as the timeline that these tasks are expected to be completed. The Improvement Plan will be periodically reviewed and re-prioritised to match the available resources within Council's Delivery Program and Long Term Financial Plan.

The following diagram illustrates the key steps in asset management planning:



ASSET MANAGEMENT POLICY

The management of community assets is a key function of Council. The provision of assets maintained to meet community needs and expectations is fundamental to Council's overall service delivery. The purpose of the *Asset Management Policy* is to demonstrate Council's commitment to the responsible management of its assets.

Council's *Asset Management Policy* sets the framework for Council's *Asset Management Strategy* and *Asset Management Plans*, while the strategy and plans support and implement the policy. The policy:

- establishes goals and objectives for asset management;
- integrates asset management within council's corporate and strategic planning;
- maximises value for money through lifecycle costing and performance measurement;
- assigns accountability and responsibility for service delivery together with asset management; and
- promotes sustainability to protect the needs of future generations (i.e. the principles of intergenerational equity).

Refer to Appendix 1 for Council's *Asset Management Policy*.

ASSET MANAGEMENT PLANS

Asset Management Plans support the *Asset Management Strategy*. These are a long term (10-year) plans that outline the asset activities for each service (asset class). They detail the intended asset management program for each asset class, based on controlling the organisation's understanding of customer requirements (including desired levels of service and satisfaction with current service levels), existing projected networks and asset conditions and performance⁹. In total, Council has prepared *Asset Management Plans* for seven categories and 33 sub categories, as well as draft Risk Management Plans for the critical assets.

All of Council's asset management documents are under constant review and will be updated through the life of the *North Sydney Community Strategic Plan 2018-2028*. Council's condition analysis reports, financial valuations, projections, maintenance and operation costs in all of Council's *Asset Management Plans* are prepared using the best available data and will be improved as updated information becomes available. The ongoing implementation of a Corporate Asset Management System will assist in achieving that improvement.

Consistent with the requirements of the NSW Government's "Fit for the Future Review" (2016), the information and modelling contained within this strategy (and more broadly within Council's IPR documents) demonstrate that Council is managing its infrastructure assets effectively and efficiently.

Over the ten-year period of the *Community Strategic Plan*, the *Asset Management Strategy* and *Asset Management Plans* identifies the asset renewal and maintenance requirements for Council's ten-year Capital Works Program. This program addresses the identified infrastructure "backlog" whilst providing new and upgraded infrastructure and facilities to meet growing community demand in the future.

STRATEGIC AND CORPORATE GOALS

The relevant outcomes and strategies, outlined in the *Community Strategic Plan* and how these are addressed in both the strategy and plans are:

DIRECTION	OUTCOME	HOW OUTCOME IS ADDRESSED
Direction 1: Our Living Environment	1.4 Public open space and recreational facilities and services meet community needs	<ul style="list-style-type: none"> The <i>Asset Management Plans</i> provide guidelines for the effective short and long-term management of all infrastructure within parks and reserves owned by Council or under Council's control.
Direction 2: Our Built Infrastructure	2.1 Infrastructure and assets meet community needs 2.2 Vibrant centres, public domain, villages and streetscape 2.3 Sustainable transport is encouraged	<ul style="list-style-type: none"> The <i>Asset Management Plans</i> provide guidance as to the assets required, and the long term sustainability of these services. Infrastructure is provided to support services. Getting the correct infrastructure appropriate to the needs of the community is a primary goal of asset management planning. A primary objective of the <i>Asset Management Plan</i> is to develop a lifecycle

⁹ International Infrastructure Management Manual, p2.39

DIRECTION	OUTCOME	HOW OUTCOME IS ADDRESSED
	2.4 Improved traffic and parking management	approach to the provision of infrastructure. This aims to minimise the life cycle cost of assets while maximising the service that is delivered.
Direction 3: Our Future Planning	3.2 North Sydney CBD is one of NSW's pre-eminent commercial centres 3.3 North Sydney is smart and innovative 3.4 North Sydney is distinctive with a sense of place and quality design	<ul style="list-style-type: none"> Economic sustainability and growth is linked to the services provided by infrastructure. The <i>Asset Management Plans</i> provide guidance as to the assets required, and the long term sustainability of these services.
Direction 4: Our Social Vitality	4.1 Community is connected, inclusive, healthy and safe 4.3 North Sydney supports lifelong learning	<ul style="list-style-type: none"> The provision and maintenance of public infrastructure is an important component contributing to the cultural and social needs of the community.
Direction 5: Our Civic Leadership	5.1 Council leads the strategic direction of North Sydney 5.2 Council is well governed and customer focused 5.3 Community is informed and consulted 5.4 Council's service delivery is well supported	<ul style="list-style-type: none"> Planning long term sustainable infrastructure is important to enable the appropriate resources to be identified, provided and enable Council to meet its statutory requirements. A risk based approach is used in the maintenance and replacement of assets.

CURRENT ASSET ANALYSIS

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 financial sustainability under scenarios with different proposed service levels.

EXISTING ASSETS AND SERVICES PROVIDED

Council uses infrastructure assets to provide services to the community. The range of infrastructure assets and the services provided from the assets is shown in the following table:

EXISTING INFRASTRUCTURE ASSETS AND SERVICES PROVIDED		
ASSET CLASS	DESCRIPTION	SERVICES PROVIDED
Open Space and Recreation Facilities	<ul style="list-style-type: none"> Structures and park furniture 	Parks and recreation services supporting community and recreational needs
Depreciable land improvements	<ul style="list-style-type: none"> Landscaping 	Parks and recreation services
Footpaths	<ul style="list-style-type: none"> 257km footpaths 	Pedestrian access
Other Infrastructure	<ul style="list-style-type: none"> 34km fences 2,000 bollards 22 km retaining walls 1,600 public lighting 4.9km seawalls 24 marine structures including wharves 	Safety, structural support, amenity. Foreshore and environmental protection, property protection, waterway access.
Roads	<ul style="list-style-type: none"> 10km regional road pavements 129km local road pavements 272km kerb and gutter 929 traffic facility items Street furniture 68 bus shelters 	The road network provided by Council is used to support transportation and is important to the community and economic activities of the area.
Stormwater Drainage	<ul style="list-style-type: none"> 101km pipes 5,600 pits 26 stormwater quality improvement devices 	Control local flooding and damage to infrastructure and property. Control water quality of discharge of stormwater into the natural environment.
Buildings	<ul style="list-style-type: none"> 7 Council premises 21 community facilities 7 parking stations 24 recreational amenity buildings 	The land and buildings provided by North Sydney Council are used to support the administration, operational, social, recreational, cultural, heritage and economic infrastructure for the community.
Swimming Pools	<ul style="list-style-type: none"> Olympic Swimming Pool Complex 	
Investment Properties	<ul style="list-style-type: none"> 12 investment properties 	
Public Art	<ul style="list-style-type: none"> Various public art items 	

VALUE OF CURRENT ASSETS

The plan was initially prepared using 2016/17 data, as shown in the following table.

ASSET CLASS	REPLACEMENT COST 2016/17	ACCUMULATED DEPRECIATION 2016/17	NET CARRYING AMOUNT 2016/17
Open Space and Recreation Facilities	11,235,628	7,978,154	3,257,474
Depreciable land improvements	20,864,144	3,083,738	17,780,406
Footpaths	84,097,886	32,821,655	51,276,231
Other Infrastructure	43,276,849	12,547,629	30,729,220
Roads	316,513,138	110,180,667	206,332,471
Stormwater Drainage	193,877,385	66,778,524	127,098,861
Buildings	170,194,635	85,461,244	84,733,392
Swimming Pools	25,093,070	14,705,383	10,387,687
Investment Properties	97,623,000	0	97,623,000
Public Art	1,208,881	16,764	1,192,117
TOTAL	963,984,616	333,573,758	630,410,858

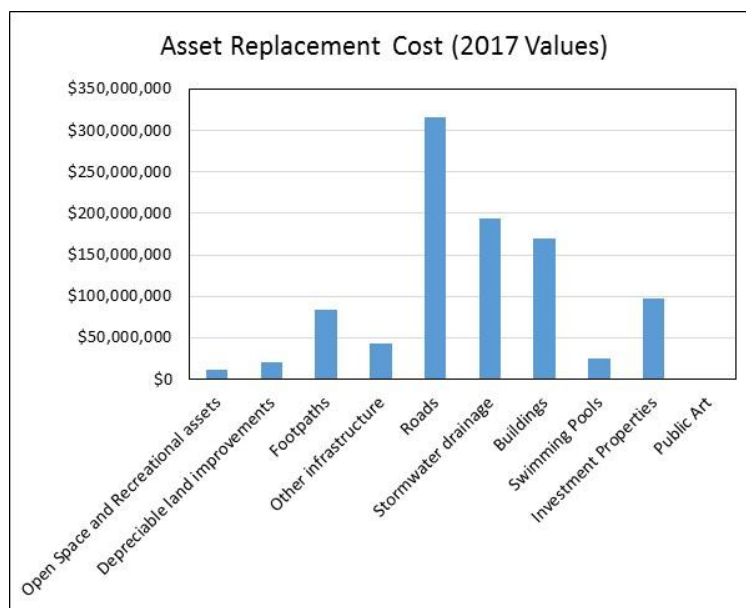
Source: Note 9 Financial Statements for year ended 30 June 2017

The current financial status of Council's assets, per asset class, is shown in following table, based on the financial year ended 30 June 2018. It is important to note that there were material changes to the 2017 values as a number of condition audits and revaluations were undertaken in accordance with accounting requirements.

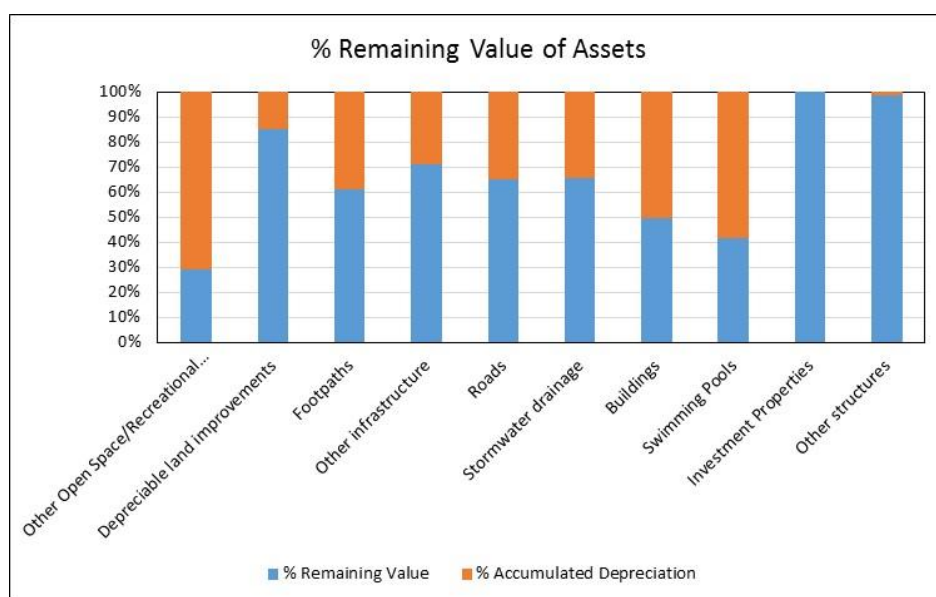
ASSET CLASS	REPLACEMENT COST 2017/18	ACCUMULATED DEPRECIATION 2017/18	NET CARRYING AMOUNT 2017/18
Open Space and Recreation Facilities	12,308,602	8,525,563	3,783,039
Depreciable land improvements	22,102,776	3,595,901	18,506,875
Footpaths	91,425,235	33,395,568	58,029,667
Other Infrastructure	222,388,027	101,396,027	120,992,000
Roads	323,244,341	111,221,234	212,023,107
Stormwater Drainage	196,432,897	68,443,374	127,989,523
Buildings	204,841,324	76,698,137	128,143,187
Swimming Pools	22,472,003	9,608,286	12,863,717
Investment Properties	97,740,000	0	97,740,000
Public Art	2,217,098	42,712	2,174,386
TOTAL	1,195,172,303	412,926,802	782,245,501

Source: Note 9 Financial Statements for year ended 30 June 2018; Note 14 Investment Properties

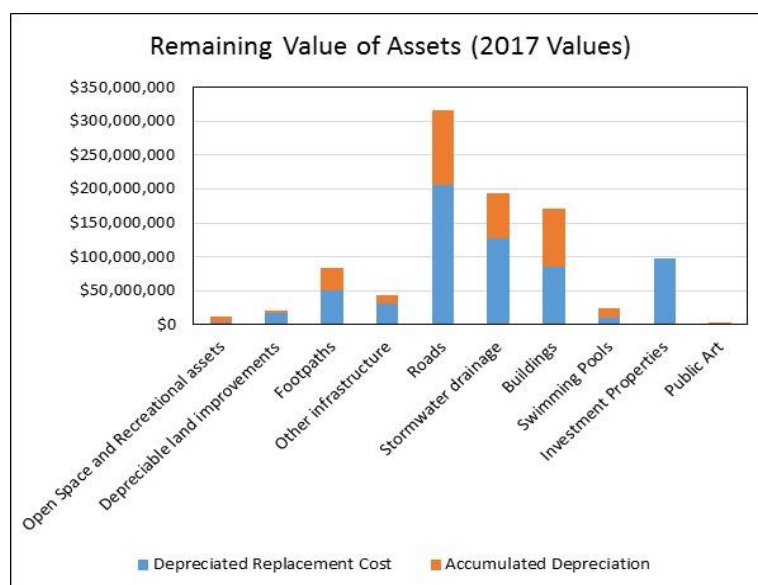
The 2016/17 replacement costs as detailed above are also represented in the graphs below. Council's largest asset classes in terms of replacement costs are Road Pavement, Stormwater Drainage and Buildings.



Consumption ratios are indicative of how much value remains in the asset. The graph below shows the remaining value of Council's assets (as at 2017) compare to its replacement cost in percentage terms. The graph indicates that all asset groups have greater than 60% of remaining value. It should be noted that accumulated depreciation does not necessarily indicate the extent of asset renewal required in the short to medium term. Some assets may be in fair condition resulting in higher depreciation but may not require renewal within the next 10 years.



The above graph shows asset consumption as a percentage, whilst the figure below shows it as the dollar value and brings the relativity of each asset group into the representation (as at 2017). These graphs should be read in conjunction with the renewal forecasts coming from the *Asset Management Plans* for the next 10 years to achieve an appreciation of renewal requirements.



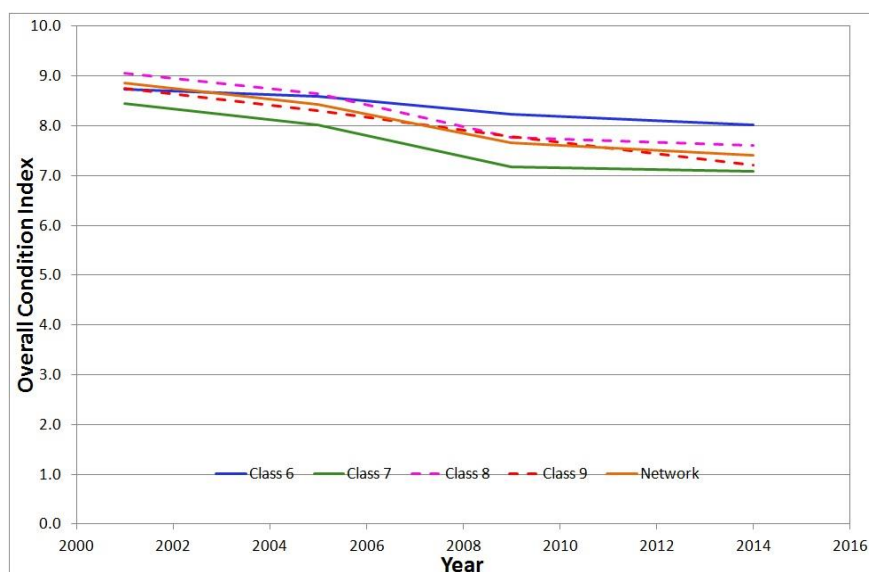
CONDITION OF CURRENT ASSETS

The useful lives of infrastructure assets can depend on many factors. Often this factor is condition, however, other factors that affect useful lives may include function, amenity, compliance, capacity, and obsolescence. Condition is also a critical factor influencing risk. The results of recent condition surveys are as follows:

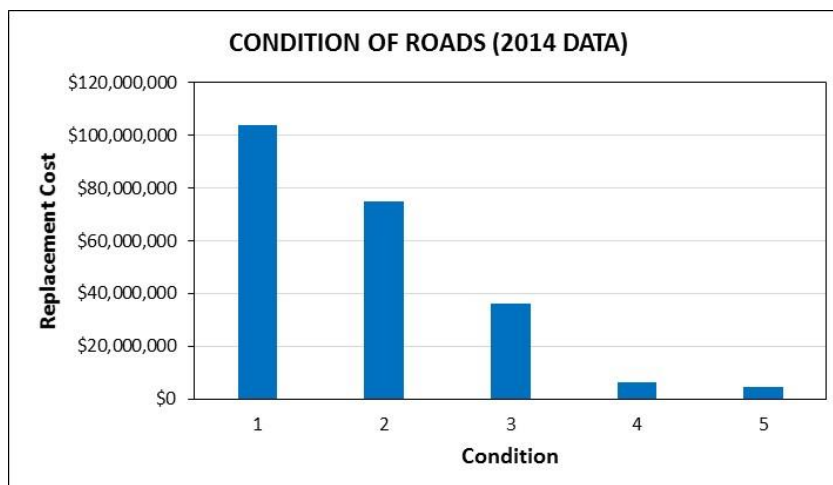
CONDITION OF ROAD PAVEMENT ASSETS

The condition of Council's road pavement network has been measured every four years by consultants using specialised equipment since 2001. The Overall Condition Index (OCI) is a composite index representing the condition of the underlying road pavement structure. The index ranges from 10 (brand new) to 0 (end of life). A comparison of the current condition data against that of the previous surveys is presented below and shows how the network has performed over time (data supplied by Pavement Management Services P/L).

The following graph shows OCI for All Road Classes, and that the overall road network is deteriorating with time although the rate of deterioration slowed from 2009 to 2014.



The graph below shows the condition of Road Pavement assets in terms of replacement cost where condition 1 is very good and 5 is very poor condition based on the 2014 condition data. A detailed condition of the road network is scheduled in 2019.

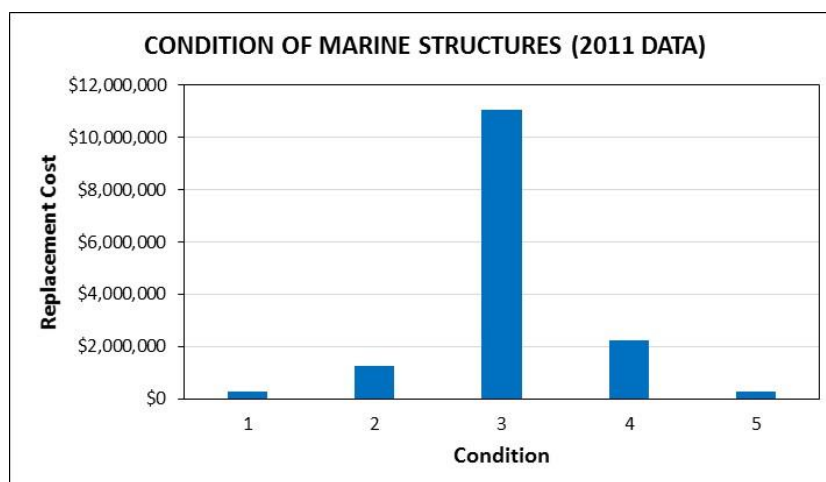


The actual Replacement Costs for each condition are shown in the table below:

CONDITION OF ROAD PAVEMENT				
CONDITION	REPLACEMENT COST 2017 (\$)	%	REPLACEMENT COST 2018 (\$)	%
1	103,746,081	46%	102,560,892	45%
2	75,123,757	33%	80,189,562	35%
3	36,035,890	16%	35,682,032	15%
4	6,514,743	3%	6,257,133	3%
5	4,429,329	2%	4,682,343	2%
Total	225,849,899	100%	229,371,962	100%

CONDITION OF MARINE STRUCTURES AND SEAWALL ASSETS

The condition of Sea Walls was assessed in 2017 by Manly Hydraulics Laboratory for every 10m section of wall. A condition of Marine Structures was last carried out in 2011. The condition of Marine Structures is being reassessed in 2018. The tables below show the condition of both Marine Structures and Seawall assets in terms of replacement cost where condition 1 is very good and 5 is very poor condition.

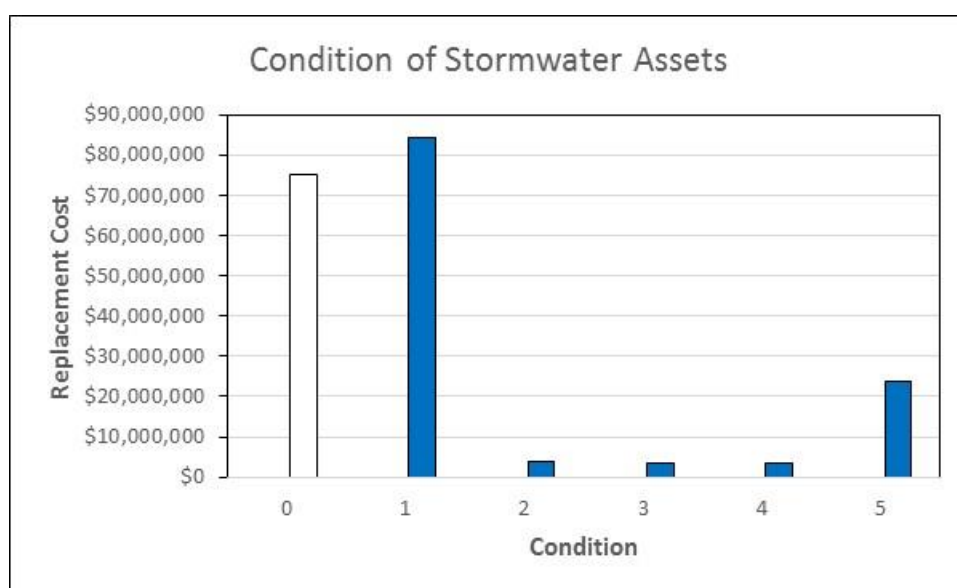


CONDITION OF MARINE STRUCTURE AND SEAWALLS

CONDITION	REPLACEMENT COST SEAWALLS 2016/17 (\$)	REPLACEMENT COST MARINE STRUCTURES 2016/17 (\$)	REPLACEMENT COST TOTAL 2016/17 (\$)	% 2016/17	REPLACEMENT COST SEAWALLS 2017/18 (\$)	REPLACEMENT COST MARINE STRUCTURES 2017/18 (\$)	REPLACEMENT COST TOTAL 2017/18 (\$)	% 2017/18
1	741,690	275,380	1,018,070	1%	741,690	3,030,137	3,771,827	3%
2	33,583,297	1,240,903	34,824,200	33%	33,583,297	14,517,315	48,100,612	41%
3	44,057,119	11,063,231	55,120,350	53%	44,057,119	6,447,601	50,504,720	44%
4	10,709,725	2,241,437	12,951,162	12%	10,709,725	1,674,449	12,384,174	11%
5	629,251	297,683	926,934	1%	629,251	693,684	1,322,935	1%
Total	89,721,083	15,119,634	104,840,717	100%	89,721,083	26,363,186	116,084,269	100%

CONDITION OF STORMWATER DRAINAGE ASSETS

The condition of Council's stormwater drainage network is monitored by using detailed CCTV condition assessment. CCTV condition surveys are expensive due to the equipment and specialised contractors required. Detailed proactive CCTV condition surveys are carried out on approximately 5% to 10% of Council's pipe network each year. Reactive CCTV inspections are also carried out as required. The condition of all stormwater drainage assets are shown in the figure below.



The actual Replacement Costs for each condition are shown in the table below.

CONDITION OF STORMWATER ASSETS BASED ON 2015 VALUATION ADJUSTED				
CONDITION	REPLACEMENT COST 2017/18 (\$)	% 2016/17	REPLACEMENT COST 2017/18 (\$)	% 2017/18
0	75,205,145	39%	*	*
1	84,165,291	43%	84,273,402	43%
2	3,671,515	2%	4,328,720	2%
3	3,451,994	2%	79,153,595	40%
4	3,332,048	2%	3,770,184	2%
5	23,927,257	12%	25,022,599	13%
TOTAL	193,753,251	100%	196,548,500	100%

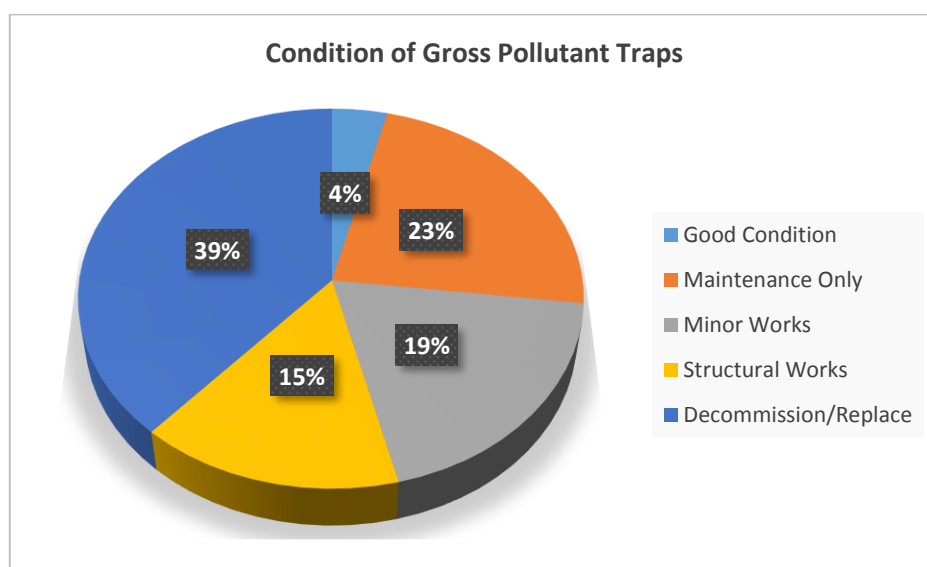
* Condition 0 added to Condition 3 as per Special Schedule 7, 2017/18

13% of Council's stormwater assets are in very poor condition, however the condition of 39%

of all assets is still unknown (based on 2015 valuation adjusted to 30 June 2018). Using only actual surveyed data, 20% of Council's stormwater assets are in very poor condition.

The condition of Gross Pollutant Traps (GPTs) was assessed by Optimal Stormwater P/L. Out of the 26 traps it has been recommended that 10 traps or 39% of existing GPTs be replaced. The table below and graph summarises the consultant's recommendations.

CONDITION OF GROSS POLLUTANT TRAPS		
CONDITION	NO.	%
Good Condition	1	3.8%
Maintenance Only	6	23.1%
Minor Works	5	19.2%
Structural Works	4	15.4%
Decommission/Replace	10	38.5%
Total	26	100%

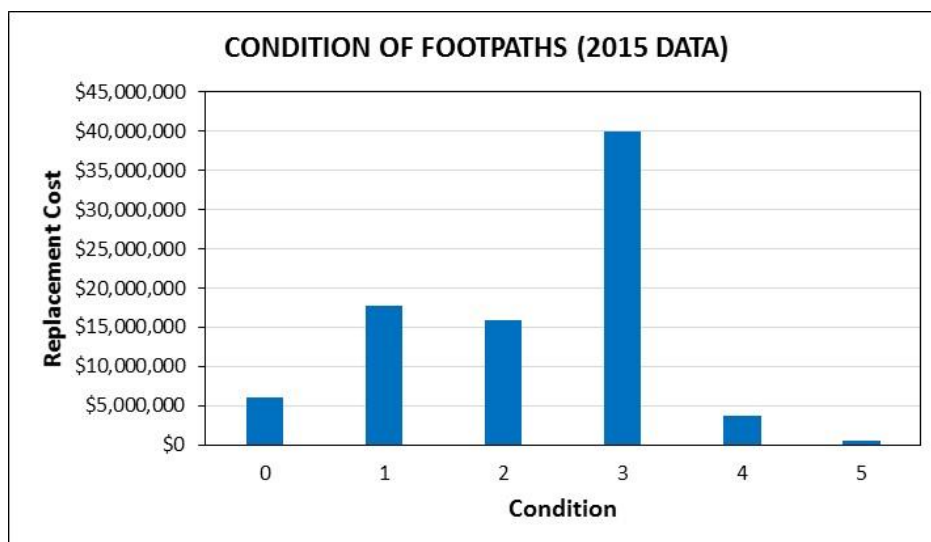


CONDITION OF FOOTPATH ASSETS

The condition of Council's 257km of footpaths was surveyed at 20m intervals in 2015 by consultants Infrastructure Management Group (IMG). The condition scores used are shown in the following table.

FOOTPATH CONDITION MATRIX				
SCORE	AGE ESTIMATE	MINOR DEFECTS	MAJOR DEFECTS	TRIPS
1	Almost New (likely < 5 years)	0	0	
2	Minor Ageing (5 to 10 years)	<10%	0	
3	Moderate Ageing (10 to 15 years)	10 - 25%	< 10%	10 - 25mm
4	Significant Ageing (> 25 years)	25 - 50%	< 25%	> 25mm
5	N/A	> 50%	> 25%	> 50mm

The graph below shows the replacement cost for each of the condition scores (score 0 indicates areas not surveyed). It should be noted that the replacement cost is based on the condition of footpaths at 20m intervals. In practice and where funds permit footpath sections in condition 3 are generally replaced at the same time as footpath sections in condition 4 or 5 if they are adjacent and it is cost effective.

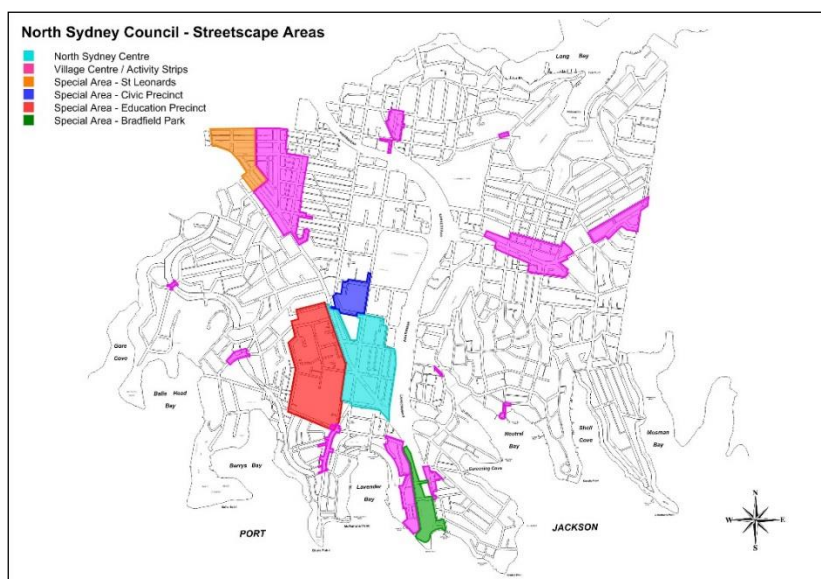


The actual replacement costs for each condition are detailed in the table below:

CURRENT REPLACEMENT COST BASED ON 2015 VALUATION "LIKE FOR LIKE REPLACEMENT ONLY"					
CONDITION	LENGTH (M)	REPLACEMENT COST 2016/17 (\$)	% 2016/17	REPLACEMENT COST 2017/18 (\$)	% 2017/18
0	15,353	6,065,830	7%	*	*
1	59,456	17,688,645	21%	\$21,241,502	23%
2	148,270	15,949,240	19%	\$16,788,674	18%
3	25,602	40,048,535	48%	\$48,541,437	53%
4	5,6158	3,768,390	4%	\$4,349,042	5%
5	2,619	479,350	1%	\$504,579	1%
Total	256,918	83,999,990	100%	\$91,245,234	100%

* Condition 0 added to Condition 3 as per Special Schedule 7, 2017/18

It is important to note that replacement costs are based on "like for like" replacement only. Council adopted *Public Domain Style Manual* in 2014 which includes, for example, replacing standard pavers on road base with granite pavers on a concrete base in the North Sydney CBD. The areas in the map below have been identified for footpath upgrade as per *Public Domain Style Manual*. Therefore, replacing the existing footpath materials with upgraded materials will increase the replacement cost significantly.



CONDITION OF OTHER INFRASTRUCTURE ASSETS

Condition data has been collected for the following:

- Road Pavement (2015)
- Lighting (2015)
- Footpaths (2016)
- Stormwater Quality Improvement Devices (2016)
- Seawalls (2017)
- Stormwater Drainage (ongoing)
- Retaining Walls (2018)
- Kerb and Gutter (2018)
- Traffic Facilities (2018)
- Marine Structures (2018)

Condition data is currently being collected for the following assets:

- Fences and Safety Barriers (2018)
- Road Pavement (2019)
- Bus Shelters (2019)
- Cycleways (2020)
- Footpaths (2019, 2020)
- Street Furniture (2019, 2020)
- Stormwater Drainage (ongoing)

Condition data is required to be collected for the following assets:

- Property
- Public Amenities
- Signage
- Playgrounds
- Sporting Fields
- Sports Field Lighting
- Sporting Infrastructure
- Public Art and Monuments



Neutral Bay Public Amenities

PLANNING ASSUMPTIONS

RENEWAL FUNDING SCENARIOS (LONG TERM FINANCIAL PLAN)

The depreciation and renewal expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term.

The Long Term Financial Plan includes three scenarios, all of which maintain current service levels but propose differing levels of capital expenditure on the renewal of Council's ageing infrastructure assets. In summary:

SCENARIO	DESCRIPTION
Scenario 1 (Base Case/Reduced Services)	Reflects the implementation of the annual IPART determination (rate peg) as the basis of rates revenue projections. It results in a decline in Council's capacity to provide current levels of service.
Scenario 2 (Maintain existing services and invest \$15.3m in infrastructure)	Incorporating a 5.5% special rate variation (SRV) inclusive of rate peg, for five years, commencing in Year 2 (2019/20).
Scenario 3 (Maintain existing services and invest \$27.1m in infrastructure)	Incorporating a 7% SRV inclusive of rate peg, for five years, commencing in Year 2 (2019/20).

The following table indicates the average annual asset consumption required to meet the 100% target associated with the Asset Renewal Ratio, over the life of the *Long Term Financial Plan*.

ASSET CLASS	AVERAGE ANNUAL ASSET CONSUMPTION (\$)
Open Space and Recreation Facilities	531,000
Depreciable land improvements	496,000
Footpaths	2,500,000
Other Infrastructure	3,940,000
Roads	5,830,000
Stormwater Drainage	2,087,000
Buildings	3,441,000
Swimming Pools	413,000
Investment Properties	0
Public Art	26,000
Total	19,264,000

SERVICE DEMAND AND SATISFACTION

Achieving and maintaining sustainability in local government requires consideration of services, service levels, associated costs and associated risks. The appropriate management of the infrastructure of Council requires asset management estimates and asset accounting estimates that are realistic and support decision making.

Asset management sustainability is reliant on Council engaging with the community on affordable and sustainable service levels to determine satisfactory service levels and the trade-off between what the community is prepared to pay the quality and mix of services Council can afford to provide.

Council periodically conducts a *Customer Satisfaction Survey*¹⁰ to determine community (residents and businesses) attitudes towards the services and facilities it provides. This

¹⁰ All survey results are available at:

provides Council with feedback about the quality and appropriateness of each of its services, and this information is used in the development of the *Delivery Program* to ensure areas that are not meeting community expectation are reviewed and form the basis of the suite of indicators used to measure Council's performance.

Surveys were conducted in 2002, 2004, 2006, 2009, 2010, 2013 and 2016. The survey is conducted on Council's behalf by an independent research company. The randomly selected representative sample consists of 400 residential customers (both owners and renters) and 200 business customers.

It is clear from the most recent surveys that the North Sydney community expect the current level of service to be retained, and if anything increased.

The following table details the relative importance of service areas for residents as identified through the *2016 Customer Satisfaction Survey*.

RELATIVE IMPORTANCE - RESIDENTS			
RANKING	SERVICE/FUNCTION	2016 RESULT	CHANGE IN RELATIVE RANKING FROM 2013
1	Maintaining local roads and footpaths	100%	no change
2	Maintaining parks, ovals and bushland areas	97%	no change
3	Managing traffic flow on local roads	86%	+8
4	Improving provision of parking	84%	+2
5	Keeping local roads and footpaths clean	80%	-2
6	Improving Stanton Library	48%	+1
7	Improving children's services	45%	-2
8	Improving waste and recycling collection services	40%	+1
9	Maintaining malls and plazas in commercial areas	38%	-1
10	Improving services offered at community centres	32%	-6
11	Improving North Sydney Olympic Pool	18%	-1
12	Improving customer service/information provided by council staff	0%	+1
13	Increasing the policing of parking	0%	-1

The following table details the resident satisfaction with key service areas:

SATISFACTION WITH KEY SERVICE AREAS - RESIDENTS			
RANKING	SERVICE/FUNCTION	2016 RESULT	CHANGE COMPARED TO 2013 (%)
1	Feeling safe in North Sydney	89%	3% increase
2	Maintaining parks, ovals and bushland areas	89%	6% increase
3	Waste and recycling collection services	82%	2% decrease
4	Recreation facilities	82%	n/a
5	Cleanliness of local roads and footpaths	81%	2% increase
6	Maintenance of malls and plazas in commercial areas	77%	6% increase
7	The appearance of local village centres	76%	2% decrease
8	The appearance of public spaces in the North Sydney CBD	75%	4% increase
9	Council run community events	74%	n/a
10	Customer service/information provided by Council staff	73%	11% increase
11	Maintenance of local roads and footpaths	71%	9% increase
12	Stanton library	67%	1% decrease
13	Range of arts and cultural experiences in North Sydney	64%	n/a
14	Community centres and facilities	64%	3% increase
15	Quality of commercial and residential development	63%	n/a

http://www.northsydney.nsw.gov.au/Council_Meetings/Community_Engagement/Customer_Satisfaction_Survey

SATISFACTION WITH KEY SERVICE AREAS - RESIDENTS			
RANKING	SERVICE/FUNCTION	2016 RESULT	CHANGE COMPARED TO 2013 (%)
16	North Sydney Olympic Pool	63%	5% increase
17	Pedestrian and Cycle Paths	54%	1% decrease
18	Policing of parking	53%	1% decrease
19	Range of public art in North Sydney	51%	n/a
20	Management of traffic flow on local roads	46%	n/a
21	Children's services	43%	8% increase
22	Provision of parking	35%	n/a
23	Satisfaction with the way North Sydney as a whole looks and feels	19%	n/a

The following table details the relative importance of service areas for businesses:

RELATIVE IMPORTANCE - BUSINESSES			
RANKING	SERVICE/FUNCTION	2016 RESULT	CHANGE IN RELATIVE RANKING FROM 2013
1	Provision of parking	100%	+3
2	Maintaining local roads and footpaths	82%	no change
3	Managing traffic flow on local roads	73%	+4
4	Keeping local roads and footpaths clean	62%	-2
5	Maintaining commercial areas	43%	+1
6	Quality of commercial and residential development	39%	-1
7	Improving the look and feel of village centres	37%	+1
8	Customer service/information provided by Council staff	8%	+1
9	Increasing the policing of parking	6%	+1

The following table details the resident satisfaction with key service areas as identified in the 2016 Customer Satisfaction Survey.

SATISFACTION WITH KEY SERVICE AREAS - BUSINESSES			
RANKING	SERVICE/FUNCTION	2016 RESULT	CHANGE COMPARED TO 2013 (%)
1	Cleanliness of local roads and footpaths	82%	4% increase
2	Way North Sydney as a whole looks and feels	81%	n/a
3	Maintenance of commercial areas	76%	2% decrease
4	Look and feel of commercial areas and villages	73%	n/a
5	Quality of commercial and residential development	72%	n/a
6	Maintaining local roads and footpaths	70%	3% increase
7	Customer service/information provided by Council staff	57%	10% decrease
8	Managing traffic flow on local roads	53%	n/a
9	Increasing the policing of parking	53%	6% decrease
10	Provision of parking	33%	n/a

The following table indexes residents' relevant importance for funding against satisfaction:

Lower Importance - Higher Satisfaction - Lower priority issues <ul style="list-style-type: none"> • Customer service • North Sydney Olympic Pool • Community Centres • Stanton Library • Waste collection services • Malls and plazas in commercial areas • Children's services 	Higher Importance - Higher Satisfaction - Issues requiring no additional attention <ul style="list-style-type: none"> • Parks, ovals and bushland areas • Cleanliness local roads and footpaths
Lower Importance - Lower Satisfaction	Higher Importance - Lower Satisfaction

- Issues needing some attention <ul style="list-style-type: none"> • Policing of parking 	- Critical issues for attention <ul style="list-style-type: none"> • Provision of parking • Management of traffic flow • Maintaining roads and footpaths
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The following table indexes business' relevant importance for funding against satisfaction:

Lower Importance - Higher Satisfaction - Lower priority issues <ul style="list-style-type: none"> • Customer service • Appearance of commercial streetscapes • Quality of development • Maintaining commercial areas 	Higher Importance - Higher Satisfaction - Issues requiring no additional attention <ul style="list-style-type: none"> • Maintenance local roads and footpaths • Cleanliness local roads and footpaths
Lower Importance - Lower Satisfaction - Issues needing some attention <ul style="list-style-type: none"> • Policing of parking 	Higher Importance - Lower Satisfaction - Critical issues for attention <ul style="list-style-type: none"> • Provision of parking • Management of traffic flow

As part of Council's continual improvement of its asset management planning it is recommended that in future years a more informed discussion with the community is required in order to further develop an understanding of the relationship between desired levels of service their associated costs, and their willingness and/or capacity to pay for them.

GAPS AND FUTURE NEEDS

PRIORITY RISK AREAS

North Sydney LGA is an established area. Much of its infrastructure is aging and requires renewal. Risk management plans have been developed as part of the *Asset Management Plans*. This information provides a long term view of the responsibilities that should be taken into account in future planning and decision making. The priority risk areas are as follows:

PRIORITY RISK AREAS	
RISK	DESCRIPTION
Property	There are a number of significant properties, including the North Sydney Olympic Pool and North Sydney Oval, which require significant investment and renewal to meet modern user needs and community expectations.
Stormwater Drainage	Council has 101km of stormwater pipes. They have an inherent high risk of sudden failure if not maintained adequately. Approximately 70% of the network has been surveyed. The estimated cost to repair pipes in poor condition is \$27,000,000.
Retaining Walls	Council has 22km of retaining walls. They have an inherent high risk of sudden failure if not maintained adequately. A condition audit has been completed in 2018. A report has identified that the estimated cost to repair retaining walls in poor condition is \$8,222,397.
Seawalls	Council has 4.9km of seawalls. They have an inherent high risk of sudden failure if not maintained adequately particularly considering the aggressive harbour environment. A condition audit completed in 2017 has identified that the estimated cost to repair seawalls in poor condition is \$4,800,000.
Marine Structures	Council has 25 marine structures. They have an inherent high risk of sudden failure if not maintained adequately particularly considering the aggressive marine environment on timber structures. A condition audit completed in 2018 has identified that the estimated cost to repair marine structures in poor condition is \$2,368,133. Council has a number of marine structures that are in immediate need of replacement.
Stormwater quality improvement devices	Council has 26 Stormwater quality improvement devices. A detailed audit has recommended that 10 of these devices be replaced due to either condition or not functioning efficiently. Renewal of these devices reduce the pollution entering the harbour.
Road Pavements, Footpaths, Kerb and Gutter	Adequate capital budgets are required to reduce the risk of the condition of the asset network deteriorating.
Public Lighting	Council must provide adequate lighting to its streets, parks and public reserves.

DRAINAGE RISK EXAMPLES

Examples of drainage risks are shown in the following photos.







	
<p>Pipe in very poor condition</p>	<p>Pipe in very poor condition</p>
	
<p>Flooding issue</p>	<p>Flooding issue</p>
	
<p>Flooding issue</p>	<p>Sink hole in road near pipe</p>

	
Sink hole in road near pipe	Sink hole in reserve near pipe
	
Gross Pollutant Trap prior to cleaning	Litter Basket full of silt prior to cleaning

MARINE STRUCTURE AND SEA WALL RISKS

Examples of marine structure and seawall risks are shown in the following photos.

	
Pile in very poor condition	Pile in very poor condition

	
<p>Termites found in timber marine structure</p>	<p>Evidence of marine worms in timber structure</p>
	
<p>Cremorne Point</p>	<p>Sawmillers Reserve</p>
	
<p>Sawmillers Reserve</p>	<p>Blues Point</p>



McMahons Point



McMahons Point



Blues Point



Crowded foreshore on New Years Eve

RETAINING WALL RISKS

Examples of retaining wall risks are shown in the following photos.







Council will endeavour to manage these risks within available funding by prioritising renewal works based on industry guidelines including those provide by the Institute of Public Works Engineering Australia (IPWEA).

IMPROVEMENT PLAN

A whole of organisation approach is essential for asset management practices to continue to improve. The following Improvement Plan summarises the areas for improvement within Council's *Asset Management Plans*:

PRACTICE AREA	TASK	TIMELINE
Data Collection	<p>Condition data has been collected for the following:</p> <ul style="list-style-type: none"> • Road Pavement (2015) • Lighting (2015) • Footpaths (2016) • Stormwater Quality Improvement Devices (2016) • Seawalls (2017) • Stormwater Drainage (ongoing) • Retaining Walls (2018) • Kerb and Gutter (2018) • Traffic Facilities (2018) • Marine Structures (2018) <p>Condition data is currently being collected for the following assets:</p> <ul style="list-style-type: none"> • Fences and Safety Barriers (2018) • Road Pavement (2019) • Bus Shelters (2019) • Cycleways (2020) • Footpaths (2019, 2020) • Street Furniture (2019, 2020) • Stormwater Drainage (ongoing) 	2018/19, 2019/20 subject to funding

PRACTICE AREA	TASK	TIMELINE
	<p>Condition data is required to be collected for the following assets:</p> <ul style="list-style-type: none"> • Property • Public Amenities • Signage • Playgrounds • Sporting Fields • Sports Field Lighting • Sporting Infrastructure • Public Art and Monuments 	
Annual Report	Review in line with revised condition data. Continue to develop the Corporate Asset Register so that all asset renewals are reported annually.	August 2018
Asset Management Plan	Review current Asset Management Plans in line with the revised condition data and create standardised template for all Asset Management Plans and the accompanying sub categories.	2018/19
Levels of Service	<i>Customer Satisfaction Surveys</i> are periodically conducted, however detailed consultation with the community regarding Levels of Service and the costs of providing these services will better inform this <i>Asset Management Strategy</i> .	To be determined
Asset Management Systems	<p>Continue the implementation of the Corporate Asset Register and updating the Asset Management Plans.</p> <p>Implement any external audit recommendations within the identified timeframes.</p>	<p>Ongoing - subject to resources</p> <p>2018/19</p>
Skills	Annual review of skills and capabilities	Review annually in July
Evaluation	Review <i>Asset Management Policy</i> , <i>Asset Management Strategy</i> , and <i>Asset Management Plans</i> .	Review annually.

Council's Engineering and Property Services Division has the lead responsibility of implementation, monitoring and reporting against this strategy. This requires collaboration within the organisation and business units (departments/functions) to assist in the achievement of these strategies.

RESOURCING

The sustainable management of assets is a 'whole of council' responsibility, recognised at all levels within the organisation. Council has undertaken a strategic level review of its asset management practices and systems to provide the future direction and guidance for improving its asset management performance. Implementing the maintenance and improvement actions will have a strategic and corporate significance to Council.

Council's *Asset Management Strategy* is directly aligned with the vision and desired outcomes of the *Community Strategic Plan* and *Delivery Program*. Central to this is forecasting the service delivery needs and the capacity to meet them on a short, medium and long term basis.

The cost of implementing the *Asset Management Strategy* has been incorporated within Council's *Delivery Program* (three-year financial estimates) and *Long Term Financial Plan* (10-year financial estimates/three scenarios). However, it should be noted that this strategy reflects Council's intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.



MONITORING AND EVALUATION

Council must prepare its asset performance reports in accordance with the requirements of the:

- Local Government Act 1993 and Regulation 2005;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Australian Accounting Standards.

Within five months after the end of each financial year, Council must prepare its *Annual Report* in respect to the implementation of its *Operational Plan*. This report includes:

- the assets acquired by Council during that year; and
- the assets held by Council at the end of that year, for each of Council's principal activities;
- a report on the condition of the public works under the control of Council (Special Schedule 7) as at the end of that year, together with an estimate (at current value) of the amount of money required to bring the works up to a satisfactory standard, an estimate (at current value) of the annual expense of maintaining the works at that standard and Council's program of maintenance for that year in respect of the works.

The results in Special Schedule 7 (reported in the *Annual Report*) flows directly from the *Delivery Program* which includes performance indicators for the levels of services provided by infrastructure assets. In addition to the performance measures referred to above, Council will also continually monitor and review the condition of its infrastructure assets, the Levels of Services these assets, as well as any funding gaps. This data will be then used to inform and update *Asset Management Plans* and the *Asset Management Strategy*.





WORKFORCE MANAGEMENT STRATEGY 2018/19-2020/21



OVERVIEW

An effective workforce management strategy aims to align the needs of the business and community, with its employees to deliver the organisation's objectives in line with its overall mission and values. The benefits of workforce planning outweigh mere legislative compliance. Council's *Workforce Management Strategy* is supported by the *Delivery Program 2018/19-2020/21* and develops plans around its people management in order to prepare for the future delivery of its services.

The strategy is an analysis conducted by management of each element of the *Delivery Program* to determine the current and future workforce needs that will ensure delivery of Council's desired goals. In order to achieve this, we need to understand our current workforce, our environment and how well we are meeting our service needs now, as well as develop a clear understanding of what we intend to deliver in the future.

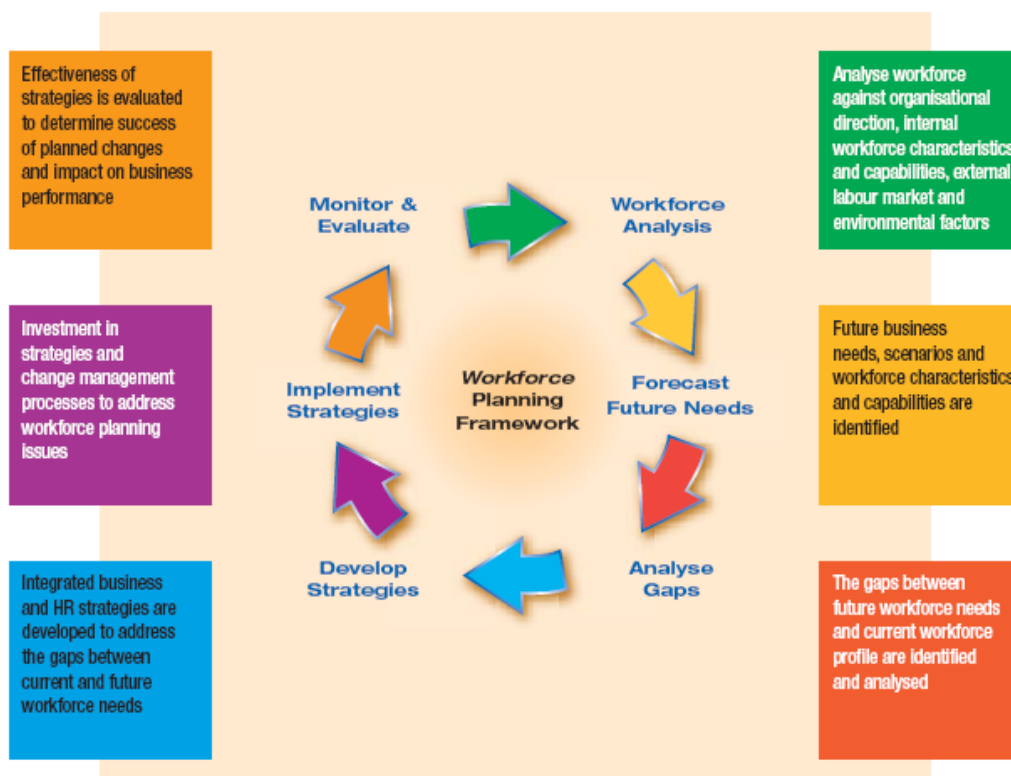
Meeting community priorities depends on having the right amount of employees with the right skills in the right place, at the right time. Workforce planning aims to identify the skills needed in our workforce, to select the best available talent and to retain and develop this talent into the future. Workforce planning provides a platform to systematically address issues that are driving workforce change and to develop a strategic approach for the management of our human resources.

Council has been committed to workforce planning for some time. Council first prepared a *Human Resources Strategic Plan* in 2005 which focused on two major external drivers - industrial relations and emerging labour market characteristics. That plan guided the development and management of Council's workforce until 2009/10, at which time Council prepared its first *Workforce Management Strategy* in accordance with IPR requirements. Council reviewed and updated that strategy in 2013 and again in 2018.

This strategy has been prepared in line with the *Community Strategic Plan*. The strategy describes Council's current workforce (human resource capacity and capability) and details where Council wants to be in the future, in terms of achieving the community's long term goals (outcomes) as outlined in the overarching *Community Strategic Plan*. It also describes Council's desired position as an employer of choice, addressing human resource requirements that are aligned to its *Delivery Program*.

Workforce management planning is not solely the role of Council's Workforce Planning Department - it is collectively driven by the senior management team (MANEX), managers (Extended MANEX) and supervisors/team leaders.

The following diagram illustrates the key steps in workforce planning:



Source: State Services Authority - www.ssa.vic.gov.au

CURRENT WORKFORCE ANALYSIS

Council aims to be an employer of choice with the ability to attract and retain a diverse workforce, employed in many different capacities, under a range of flexible employment structures.

The primary sources of Council's current workforce data are its Human Resources Information System (HRIS) and payroll database. Where possible Council's current workforce data have been compared to benchmarking survey results including the 2010 OLG *Census of Local Government Employees* (August 2011), OLG Comparative Information, salary surveys, employee survey and *NSW Local Government HR Metrics Benchmarking* (LGSA 2017).

STAFF ESTABLISHMENT

The organisational structure as at 30 June 2017 (i.e. the budgeted staff establishment) comprises 373.32 full time equivalent (FTE) positions. The FTE comprises of a headcount of full time, part time and casual workers as outlined in the following table.

YEAR	FTE	FULL TIME	PART TIME	CASUAL	TOTAL HEADCOUNT
2016/17	373.3	329	69	76	474

Staff establishment has remained fairly consistent throughout the last four years, as outlined in the following comparative table.

YEAR	FTE	FULL TIME	PART TIME	CASUAL	TOTAL HEADCOUNT
2015/16	374.6	344	58	82	484
2014/15	367.8	337	62	90	489
2013/14	372	326	65	46	437

Casuals are employed on ad hoc basis across the organisation to meet unplanned staff absences or additional workload. The following three Divisions have specific seasonal needs:

- Community and Library Services Division (CLS) - mainly Family Day Care (Community Development Department) and Stanton Library (Library Services Department).
- Engineering and Property Services Division (EPS) - mainly Depot and road maintenance (Works Engineering Department)
- Open Space and Environmental Services Division (OSE) - mainly North Sydney Oval Function Centre (North Sydney Oval business unit), North Sydney Olympic Pool including Lane 9 Gym (North Sydney Olympic Pool Department) and Street Cleaning (Environmental Services Department) which includes New Year's Eve clean-up crew.

DIVERSITY

As at 30 June 2017, Council's gender balance of full time and part time staff is relatively balanced, with approximately 54% males and 46% females. This is consistent with the NSW local government workforce in which females make up 46%. The following table compares Council's gender data between 2013 and 2017.

YEAR	FTE FEMALE	FTE MALE
2016/17	182	216
2015/16	176	226
2014/15	178	221
2013/14	172	219

As shown in the following table, we have reasonable diversity representation at Council. The average percentage of culturally and linguistically diverse staff recorded in the 2017 *Local Government Benchmarking Survey* for urban councils was 6.44%, compared to 13.5% at North Sydney Council. A score of 13.5% places Council in the 85th percentile of councils and this has been achieved through consistent practice and standards and clear recruitment policies. Council also provides a wide range of training to its employees to support diversity and EEO within the workplace. This includes EEO and Diversity Awareness, Recruitment and Selection, and Bullying and Harassment Prevention and Awareness Training.

EEO TARGET GROUP	2016/17
Women	45.7%
Indigenous people	2.00%
People from culturally and linguistically diverse backgrounds	13.5%
People with disabilities	1.3%

Flexibility has always been a successful strategy retention strategy for Council. Council operates a flexi time system for indoor staff and a nine-day fortnight for outdoor staff. Where possible, as long as business needs are adequately met, the organisation considers flexible working arrangements including part time work, new arrangements of working hours and working from home. An increasing number of staff have documented agreements regarding individual flexible hours which assist them with travelling outside of peak travel time to better manage their work and home life responsibilities.

In 2017/18 Council ran an Equal Employment Opportunity (EEO) training program for all staff to increase staff awareness of equality, discrimination issues and the expected behaviours. This training was launched to coincide with the updated *Anti-Discrimination and EEO Policy*. Council's *EEO Management Plan* was reviewed in 2016 and is due to be reviewed again in 2020.

As shown in the following table, in terms of position type, 100% of executive staff were male as at 30 June 2017 however there are 10 female managers with at least three of those managers taking on senior staff higher duties when opportunities are available. Council launched its Leadership Program in 2016/17 which has included training specifically for women in leadership roles.

EMPLOYMENT GENDER DISTRIBUTION			
	MALE	FEMALE	TOTAL
Executive	6 (1.54%)	0 (0%)	6 (1.54%)
Executive + Managerial	21 (5.28%)	10 (2.51%)	31 (7.79%)
Non-managerial	206 (51.76%)	161 (40.45%)	367 (92.21%)

AGE SPREAD

The following table shows the employee age spread as at 30 June 2017. Council's age distribution is very similar to other urban councils and is exposed to the aging workforce issue. 27.1% of staff are over 55 years of age which means there is a high risk of knowledge loss as long serving staff retire in the next 10 years. Contingency planning and knowledge transfer and retention will be critical to Council's ongoing success during this period.

AGE BRACKET	NUMBER (AND %)
<25 years	7 (1.8%)
25 to 34 years	62 (15.6%)
35 to 44 years	118 (29.6%)
45 to 54 years	103 (25.9%)
55 to 64 years	96 (24.14%)
65+ years	12 (3.0%)

LENGTH OF SERVICE

The following table shows Council staff length of service as at 30 June 2017.

PERIOD	NUMBER (AND %)
0 to 1 year	44 (11.1%)
2 to 5 years	93 (23.4%)
6 to 10 years	90 (22.6%)
11 to 20 years	120 (30.2%)
21 and over	51 (12.8%)

Local government generally attracts staff to stay for reasonable periods. An indication of the rate of retention can be the number of years' staff are employed at Council. As at 30 June 2017, 43% of staff have been with Council over 10 years. This demonstrates staff retention at Council.

TURNOVER

A desirable turnover rate is considered to be approximately 10% to 12% per annum. The following table summarises Council's staff turnover between 2013 and 2017.

NUMBER OF TERMINATIONS	2013/14	2014/15	2015/16	2016/17
FT and PT terminations (as a % of FTE)	26 (7%)	38 (10%)	47.58 (12.7%)	60.48 (16.20%)
Retirements	1 (0.26%)	5 (1.3%)	3 (1%)	13 (3.48%)

The rate of retirement rose in 2016/17 as some employees had been postponing retirement until amalgamation decisions were confirmed. This trend is likely to continue as Council has a high percentage of staff over 55 years, as noted above. The 2016/17 turnover figure increase also reflects a large proportion of temporary roles coming to completion (eight roles). It is also noted that employment rates in NSW have recently increased and competition for skilled employees is rising.

Council aims to articulate and implement a strong employee value proposition to drive retention. Council aims to be an employer of choice by offering salaries in line with the local government employment market, health programs, flexibility, training, education assistance, a safe environment and employee assistance.

Council benchmarks salaries each year using the *Mastertek Salary Survey* and makes recommendations in order to keep salaries in line with the 75th percentile of the urban Sydney local government market.

Council has an established *Health Matters Program*. The emphasis of this program is to encourage employees to improve and maintain their health, fitness and wellbeing. This program aims to impact on keeping our employees healthy while also contributing to team work, resilience building and providing a good employee offer to encourage retention. These programs include fitness assessments, fitness classes run during lunch time and after

hours, weight loss programs, quit smoking programs, flu vaccinations and skin cancer checks.

As employees are remaining with Council for longer periods the challenge is to continue to provide development opportunities throughout their employment. This can be accomplished through job sharing, encouraging staff with formal and informal learning opportunities and identifying projects and implementing working parties in which staff can participate. Recently, two staff from the City Strategy Division have taken up secondments to the NSW State Government, and there have been six internal secondments within the following departments: Development Services, Integrated Planning and Special Projects (Economic Development and Community Engagement), Environmental Services, Strategic Planning, Financial Services (Rates) and Environment and Building Compliance. This allows staff to develop new skills and experience a new aspect of the organisation, thus diversifying employee skill sets and allowing career development opportunities. Council has also had 23 internal transfers/promotions since June 2017 which highlights that there are internal opportunities for staff.

Council has, over the last two years, provided opportunities for staff to gain formal qualifications in management. Over the last two years', supervisory staff have been offered access to the Certificate IV in Leadership and Management, two managers have completed the Diploma in Leadership and Management and one manager has completed the Advanced Diploma in Leadership and Management.

Over the last two years, 20 employees have accessed the Education Assistance Program to continue their professional development. For outdoor staff this has mainly been through acquisition of Certificate IV or Diploma qualifications in Horticulture, Operational Works and Management; whilst indoor staff have utilised this provision to study a range of qualifications at diploma, degree and post graduate level.

SKILLS SHORTAGES

Council's recruitment experience to date has identified that the following roles, as shown in the following table (listed alphabetically by position title), fall into the "hard to recruit" category. Positions that fall into this category require either specialist local government experience, specialist qualifications and/or are difficult to fill because of the very nature of the work, remuneration level or travel times or distance to/from the workplace of likely candidates.

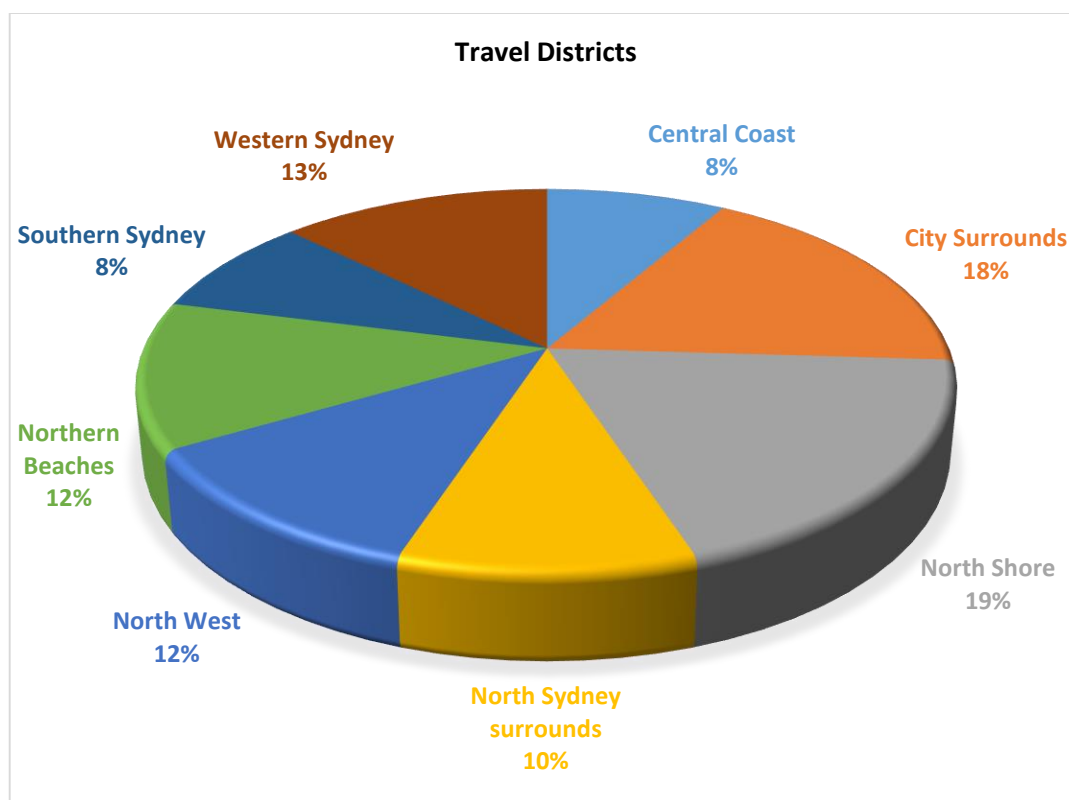
POSITIONS	DIVISION	REASON/COMMENT
Accountants	COS	Low turnover. However, if vacancy occurs, shortage of applicants with both the specialised qualifications and local government experience required.
Building Compliance	CIS	Conflict associated with the role, making it less attractive to applicants. Increases in legislative requirements will mean increased training required. Highly knowledgeable population who often challenge council decisions requires a higher standard from officers on documentation
Building Surveyor	CIS	Increased demand due to legislative requirements and also higher level of accreditation making it more difficult to become accredited. Due to growth of private certifiers individuals can earn high wages through self-employment.
Environmental Health Officer (EHO), especially more senior officers with wide experience	CIS	Changes in legislation mean more work in this area however the number of available EHO's have not increased.
Drivers (MR Licence)	OSE	Overall shortage in supply; currently sourced most successfully via labour hire.

POSITIONS	DIVISION	REASON/COMMENT
Engineers - Traffic and Assets Civil	EPS	Low turnover. However, if vacancy occurs, shortage of qualified candidates with local government experience.
Geographical Information Systems (GIS) Mapping Officer	COS	Low turnover. However, if vacancy occurs, shortage of qualified candidates with local government experience.
Library (Shorelink)	CLS	Unusual mixture of Library and IT qualifications; Turnover low. However, if vacancy occurs, short supply. Is currently a shared resource between neighbouring councils.
Lifeguard	OSE	Specialised qualifications; shift work required to cover opening times; currently sourced most successfully via specialist sports agency.
Low skilled employees i.e. labourer, street cleaner	OSE	Remuneration low; travel distance to work (due to shortage of affordable housing in North Sydney and surrounding areas).
Parking Services Officer	CIS	Enforcement nature of role; Council receives numerous applications, but the quantity of candidates with suitable skills, abilities and motivation to do the job is low.
Revenue and Rates Officer	COS	Low turnover. However, if vacancy occurs, shortage of applicants with both the specialised knowledge and experience required
Town Planners (with experience)	CIS	Historically a shortage of supply, but recently in less demand due to general reduction in building work across local government. Private certification has also impacted. State government projects are impacting on availability as, State pays higher than local government and has higher award conditions
Tradespeople	EPS	Short supply, particularly arborists; other shortages include stonemasons, carpenter, painters, mechanics etc. Due to the huge amounts of development in NSW at the moment this is adding to the shortage as well as these tradespeople are able to demand high returns as contractors or through self-employment

Organisations experiencing both skills shortages and constrained employment budgets may increase their reliance on external contractors. The positives include quick implementation of expertise into delivering a project/service without the long term employment costs. The negatives include lack of skill development of existing staff which has a flow on effect through reduction of ongoing human resources capacity. In addition, employment costs are masked as contractors may not be considered employment costs but operating costs.

TRAVEL DISTANCE

Most councils draw a significant portion of their labour force from within their local area, however North Sydney Council is different in that high housing prices precludes many employees from living within the LGA. As at June 2017 only 10% of employees live within five kilometres of Council, as shown in the following graph.



Travel times and difficulty finding parking are significant detriments to many potential employees. Council offers a contribution to employee travel costs as it encourages staff to use public transport. 54% of staff travel at least sixty minutes on a one-way journey to work, which means that staff spend at least two hours each day travelling to and from work. As further parking restrictions are implemented and new developments are built parking is becoming an issue for staff commuting.

EMPLOYEE COSTS

As outlined in the *Long Term Financial Plan*, in order to meet its obligations to the community in the future, it is important for Council to manage its operational expenditure, of which a substantial proportion (39%) is its employment costs. The Long Term Financial Plan indicates that, whilst maintaining the current staffing levels, total employment costs have been forecasted to increase by a maximum of 4.1% per annum (taking into account such factors as Award increases, salary step increases as a result of performance appraisals, and employer superannuation liabilities).

Changes in employee costs impact both on revenue and expenditure. Terminations will impact on the employee entitlements' reserve, employee entitlements' liability as well as recruitment and training costs. Total employee costs are a combination of direct wages and salaries plus overheads that include workers' compensation, superannuation, training and advertising. The following table shows employee costs as a percentage of total expenditure. During this period.

EXPENDITURE (\$'000)	2014/15	2015/16	2016/17
Employee Costs	38,756	40,544	41,367
Total costs from continuing operations	93,644	99,236	106,512
Employee Costs as % of Total Expenses	40%	40%	38.8%

The following new positions or staffing changes have also been identified and budgeted for in 2017/18:

DIVISION	POSITION/JUSTIFICATION
CIS	Economic Development Officer (12 month appointment)
CIS	Two Graduate Environmental Health Officers (to train and develop our own talent due to skills shortage (12 month appointments)
CIS	Parking Service Officers X 2
COS	IT Business Analyst - to improve planning and implementation of new IT systems and processes

The following analysis details what drives Council's employee costs:

AWARD INCREASES

Effective from 1 July 2017 was a 2.35% increase in accordance with Local Government (State) Award 2017 and there will be 2.5% per annum until 2019. This Award is due to expire in late 2020 and a new Award with (anticipated) negotiated pay increases will come into effect in mid-2020.

SALARY SYSTEM

The Local Government (State) Award 2017 requires that each council establishes a salary system and provides for a system of progression through a salary range. Councils may also make available access to bonus payments or other opportunities for additional reward for those staff who have progressed through the salary system to the maximum point/step for their position. It should be noted that skills and performance progression increases are paid on top of Award increases. North Sydney Council's salary system has established a series of grades for each position, based on a job evaluation system and market comparisons. Staff are able to progress through their salary grade range in accordance with Award requirements.

In 2009, in consultation with employees and Unions, Council reviewed its Performance Planning and Assessment (PPA) System in order to make it more sustainable. Council has maintained access to a bonus system for staff within its PPA system which allows staff to progress through their salary range. In 2017, sixty percent of staff achieved a step or bonus through this system.

MARKET COMPETITIVENESS

Council aims to provide a fair reward system for employees which allows for internal equity and external competitiveness. As mentioned under "Turnover", Council aims to position itself at the 75th percentile of salaries at comparable councils. Council participates in the annual *Mastertek Salary Survey* and compares salaries to its report and makes recommendations regarding positions falling below the 75th percentile. Each year salaries are adjusted in order to remain within this percentile.

TRANSPORT ALLOWANCE

Over 54% travel for over 60 minutes to work every day. In line with one of the key objectives of the *Community Strategic Plan*, Council promotes use of public transport as well as encourages alternative modes of transport. In contrast to the majority of other councils, Council does not provide staff parking. In order to attract and retain staff and to encourage use of public transport, Council offers a subsidy to staff using public transport.

WORKERS COMPENSATION PREMIUMS

Council continues to managing its workers compensation and work health and safety expenditure closely. In the LGNSW benchmarking survey, one of the metrics related to the

Workers Compensation Premium Rate (i.e. Workers Compensation Premium/Total Salaries & Wages x 100). The results were compared across 70 councils and ranged between 2.5% and 10%. North Sydney Council has been managing its costs within the 2.5% range as demonstrated in the following table and graph.

6.6. Workers Compensation Premium Rate

Result for North Sydney Council compared to the sample

	Result	Area (sq km)	Est. res. population	Total ord. expenditure	EFT Staff
North Sydney Council data	2.5%	10.50	63,914	\$71,327,000	388.0
Min	0.0%	7.10	1,700	\$4,610,000	36.0
25th Perc.	2.6%	93.20	13,277	\$28,356,750	173.3
Median	3.3%	1,013.15	44,821	\$58,996,500	294.5
75th Perc.	4.8%	4,042.10	75,775	\$81,363,750	459.5
Max	10.0%	17,928.60	299,797	\$378,770,040	1,632.0
Council Percentile - In sample	20%	4%	65%	67%	64%

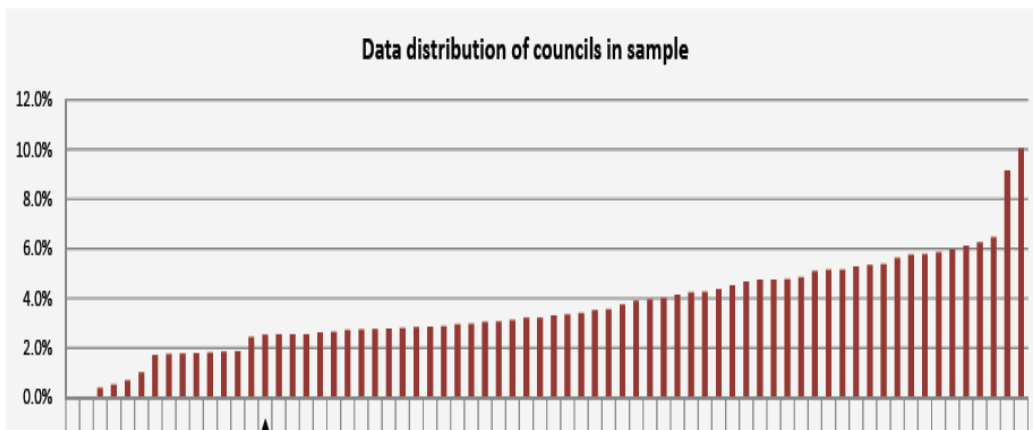
Definition of the measure

(Workers Compensation Premium / Total Salaries & Wages)*100

Councils in sample: 70

Sample as % of comp. group: 46%

Average result in sample: 3.6%



PLANNING ASSUMPTIONS

North Sydney Council faces the same challenges as most urban councils. The factors impacting Council are:

STATE AND FEDERAL GOVERNMENT CHANGES

State and Federal Government changes have resulted in reduction of funding opportunities and a devolution of responsibilities to local government. Policies specifically impacting on councils have been urban consolidation and development of transport corridors. Due to the increased complexity and change in State departments there are increased demands from the public for council help in navigating and understanding services.

Third party support for the major State transport developments including the B-Line, Metro and Western Harbour Tunnel and Beaches Link mean there is a high demand on the planning and engineering services.

LEGISLATIVE CHANGES

Legislative changes and changes to standards have resulted in increased responsibilities for local government i.e. GIPA, Food Authority guidelines, EPA Act. New legislation is often untested so takes time to navigate and work through the grey areas and complexities.

RAPID CHANGES IN TECHNOLOGY

Increasing the pace of change, offering more potential to do things differently but also requiring new sets of skills and also increasing risks in relation to security of information. The introduction of digital technology and the development of software applications are changing the way people do business which means there are new services which introduce new issues to be managed i.e. Uber and bicycle renting applications.

ENVIRONMENTAL CHANGES

Weather patterns are becoming more severe, increasing importance placed on environmental and corporate sustainability. More interest and demand for and energy and water saving strategies, technologies and information. The issue of recycling as waste depots fill will have demands increasing on local government.

SOCIAL CHANGES

Including an ageing population nationally but also particularly within local government is beginning to impact on local government. The aged population requires increased support services and different types of service and access. The increase in Australian population has put increased pressure on infrastructure especially for affordable housing and transport.

CUSTOMER EXPECTATIONS

There are increasing expectations for services from residents regarding their local community particularly in emergency management, asset management and maintenance, as well as provision of welfare and support services. Councils are also increasingly expected to take a lead role in economic and social development. With population growth affordable housing has become a growing issue.

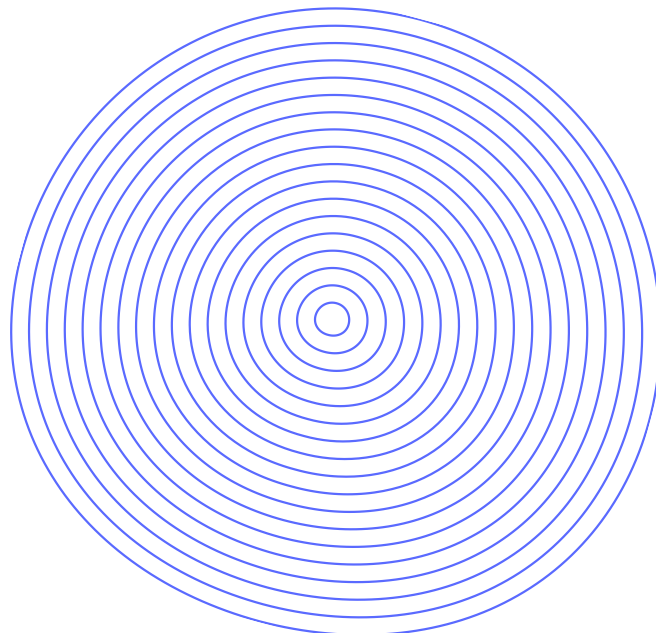
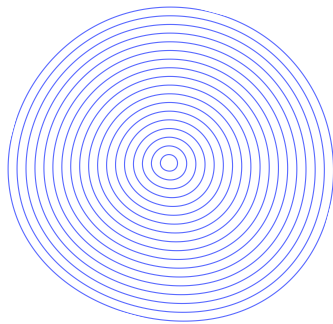
GROWTH

In development is having considerable impact on the North Sydney LGA leading to increased demand from the public in access to open space and to monitor and enforce regulations regarding construction and parking.

RAPID EXPANSION AND REDUCTION IN SOME STATE SERVICES

Rapid expansion and reduction in some State services have left some people with an increased sense of isolation. There is more demand for Council to provide services to the community which offer social opportunities for people to build relationships e.g. high interest in volunteer activities.

In essence there is increasing change to the type of responsibilities councils have and the range of work that they are involved with. This has led to increasing scope of duties for individual workers within Council with the pressure of working within ever tightening budgets.



GAPS AND FUTURE NEEDS (IMPROVEMENT PLAN)

After analysing the current workforce data, comparisons can be made between current supply levels and forecasted labour demand based on the priorities outlined in the *Community Strategic Plan* and *Delivery Program*. Forecasting Council's future needs includes identifying what capabilities, competencies and service levels are needed in our workforce and where they should be concentrated.

Each manager will be tasked with reviewing their area in the context of the Delivery Program to identify the nature of the changes impacting on their department in order to provide an analysis of the staffing that is required (including retention of current staff) the types of skills required and the most effective structure for delivering the services. During this process contingency plans for each department will be reviewed. Contingency plans highlight the positions which have a high risk of disruption if a member of staff leaves the organisation. The contingency plans identify potential gaps and develop strategies to assist in retention of knowledge, identify staff development and highlight how positions can be recruited in the future.

KEY FOCUS AREAS

A key objective of Council's *Workforce Management Strategy* is to retain "its best" and maintain a qualified and capable workforce able to meet service expectations. The reality is that Council will be operating in a "restrained, non-growth" period where budgets and resources are limited and where there are ongoing pressures to "do more with less".

An internal study has been undertaken regularly to assess organisational engagement and culture (internally known as the *Employee Survey*). The engagement and culture study was particularly focused on investigating employee perceptions of their workplace in areas such as: engagement and leadership; values and conduct; workplace experiences; diversity and wellbeing; and intentions to stay. While engagement levels were high (75%) in the survey, levels of awareness of the vision and strategy of senior management could be improved (49% and 45% respectively).

As a result of the above initiatives, the following issues are identified as priorities for Council's *Workforce Management Strategy*:

- a) Attracting and retaining talent and knowledge of our employees
- b) Providing a safe respectful work place with an emphasis on wellbeing
- c) Focus on learning and development especially on upskilling employees in technology currently employed and any new technology to be implemented
- d) Developing our leadership in order to communicate and provide a clear direction, vision and strategy for the organisation
- e) Planning for our workforce needs
- f) Responding to changing and service demands from our community
- g) Continually improving our systems and processes for operational efficiency
- h) Enhancing our service through technology

The following strategies, categorised under the three key focus areas - Organisational Development, Workforce Structure and Sustainability and Employee Support and Productivity, will help us meet these organisational priorities. The focus areas reflect the importance of our employees and the value we place on their development, retention and wellbeing. The accompanying action plan, encompasses initiatives aimed at staff development, improving work life balance and maintaining healthy lifestyles and developing leadership within our organisation and the community.

1. WORKFORCE STRUCTURE AND SUSTAINABILITY

In order to deliver services as stated in the *Community Strategic Plan* and *Delivery Program* and to meet statutory obligations, Council needs to have an effective, efficient and flexible organisational structure with appropriate staffing levels. We also need to be able to respond to emerging priorities, objectives and changes expected to our workforce demographics in the short and medium term.

Council needs to constantly (and consistently) explore opportunities for more efficient ways of working, focusing on opportunities for low-cost workplace innovation, leveraging technology to reduce workload, opportunities to be 'resource smart' or to tap into resources, e.g. funding that may become available. Council will need to structure jobs and the workplace through smart redesign of job functions and adopt progressive employment practices, to channel our resources where most needed.

Attraction and retention is a key issue for Council in the last twelve months' turnover has increased to 16%, which is putting a considerable strain on parts of the organisation such as Environmental and Building Compliance, Document Management, Customer Service and Strategic Planning. Council will review its marketing strategies and concentrate on improving on boarding and induction of staff. The annual review of salaries against the market will assist in maintain competitive salaries while reviewing the Performance Planning and Assessment system offer will assist in rewarding staff for good performance.

2. ORGANISATIONAL DEVELOPMENT

Council is committed to the development of employee capability so as to optimise productivity by having a skilled and flexible workforce which can respond to changing business directions and needs whilst also encouraging employees to reach their full potential and work safely. The training and education of staff is seen as an essential element of assisting staff to develop and maintain the skills, knowledge and abilities necessary to enhance organisational performance. Council has a corporate training calendar where staff can nominate and are selected to attend generic skills training as well as the ability to nominate for specific job related courses.

In 2017/18 Council developed a Leadership Program focusing on key skills that managers identified that they needed in the current work place. For the last 10 years Council has encouraged all supervisory and management staff to gain formal qualifications and have sponsored staff to achieve Leadership and Management qualifications at Certificate IV, Diploma and Advanced Diploma level. Leadership development will continue with a focus on providing our leaders with the skills to help align our workforce culture with our vision and strategy.

Having a highly qualified and skilled workforce, Council needs to continue to maintain and enhance these skills and identify how transferable skills can be shared within the workforce. The development of "workplace champions" as knowledge source points and internal coaches is vital to retaining and sharing our knowledge. In a period of budget restrictions developing specific employees with knowledge and skills in coaching is a cost efficient method of delivering skills and sharing knowledge and may help retain staff. It has been identified that in order to leverage technology, staff need to improve their skills in the current applications established in the organisation.

Council will also provide an expanded e-learning offer where staff can self-select on line learning to enhance their skills.

Given that a high number (20 of 33) of managers are aged 55 years or older and could retire in the next five years, Council has developed contingency plans around these positions which concentrate on documenting key knowledge and developing internal staff who are capable of assuming key duties. These plans need to be reviewed and linked to individual employees' training plans.

3. EMPLOYEE SUPPORT AND PRODUCTIVITY

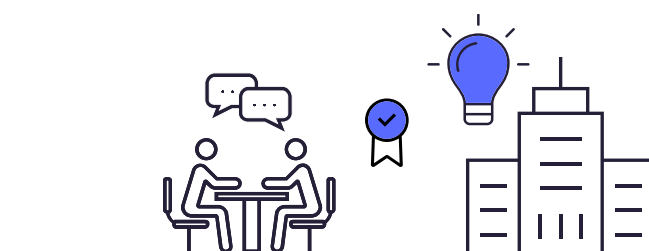
Organisations in which employees are fit and healthy and have a good work-life balance, experience reduced turnover, reduced incidents/injuries and increased employee satisfaction. It is vital that Council assists its employees to maintain their health and wellbeing so that they are able to continue working productively for as long as they desire as well as enjoying their leisure pursuits and/or retirement. Council has an ageing workforce and it is quite likely that more employees will continue to work later than their predecessors. This focus area also requires a progressive review of all staff policies to ensure that they maintain currency and provide a best practice approach to governance and employee relations.

IMPROVEMENT PLAN

Each of the key focus areas include initiatives that will be rolled out across the organisation. Council's Workforce Planning Department will collaborate with the organisation, business units (departments and functions), managers, coordinators and supervisors as well all employees to assist in the achievement of these initiatives. The following strategies contribute to achievement of the following desired outcomes and strategies within the *Community Strategic Plan*:

CATEGORY	STRATEGIES
1. Workforce Structure and Sustainability - maintain Council's attractiveness in order to attract and retain high performing staff	1.1 Utilise e-recruitment to provide more efficient and timely recruitment. Develop a more seamless applicant driven follow up process to promote better engagement.
	1.2 Review the employee value proposition to attract talent.
	1.2 Improve the employee on boarding and induction offer.
	1.3 Maintain a diverse workforce through good inclusion practices.
	1.4 Benchmarking Workforce Management Strategy and WHS performance across NSW metro councils.
	1.5 Participate in NSW council salary survey and maintain salaries within 75 th percentile range.
	1.6 Review Performance Planning and Assessment process whilst maintaining integrity of the budget.
	1.7 Continue to provide flexible work arrangements that attract and retain staff.
2. Organisational Development - to develop employee capability to ensure a skilled and flexible workforce	2.1 Provide training for staff which focuses on technology skills improvement in software applications utilised at Council.
	2.2 Provide e-learning tools for employees to support their skills development.

CATEGORY	STRATEGIES
	2.3 Develop contingency plans in highlight training needs and identify knowledge retention strategies.
	2.4 EEO and Diversity awareness training to be developed for the organisation.
	2.5 Coaching managers in performance development and continuous improvement.
3. Employee Support and Productivity - implement best practice to human resource strategies to support employees in the workplace and create a respectful, safe healthy workplace.	3.1 Relaunch of values and mission of the organisation and integrate this into our organisational culture.
	3.2 Implement Employee Wellbeing programs support the ongoing health of employees.
	3.3 Develop retention strategy to support employees in the workplace throughout their career.
	3.4 Review the Employee Assistance Program offer.
	3.5 Implement the WHS Strategy.



RESOURCING

Implementation of the *Workforce Management Strategy* is directly aligned with the objectives of the *Community Strategic Plan* and *Delivery Program*. Responsibilities have also been allocated within the Improvement Plan in the preceding section.

The cost of implementing the *Workforce Management Strategy* has been incorporated within Council's three-year financial estimates accompanying the *Delivery Program* and *Long Term Financial Plan*. However, it is noted that this strategy reflects Council's intentions at the time of publication. As with any plan or budget, the actual results may vary from that forecast.

The responsibility for implementing Council's IPR Framework, including this strategy, rests on all internal stakeholders. However, the level of responsibility differs amongst the various stakeholders. The following outlines the key stakeholders' roles and responsibilities:

- The Mayor and Councillors delegate responsibilities to the General Manager and senior staff to develop and oversee the implementation of the *Community Strategic Plan*, *Delivery Program* and *Resourcing Strategy* in accordance with the legislative guidelines as well as leading community engagement;
- The General Manager is responsible for overseeing the preparation of Council's IPR Framework and reporting progress and performance regularly;
- The Senior Management Team is responsible for ensuring the key focus areas and related strategies for 2018/19-2020/21 are agreed and resourced;
- Council's Workforce Planning Department and Integrated Planning and Special Project Department provide support to the Senior Management Team and are responsible for monitoring implementation and performance reporting;
- Managers and staff are responsible for supporting the Senior Management Team in implementing the *Community Strategic Plan*, *Delivery Program*, annual *Operational Plans* and the individual components of the *Resourcing Strategy*; and
- The Consultative Committee is a key forum for consulting staff when developing an appropriate workforce structure. This is essential to the change management process required to drive any significant changes and improve ownership of this plan.



MONITORING AND EVALUATION

Council will periodically monitor and evaluate implementation of the Improvement Plan within the *Workforce Management Strategy* to ensure it is appropriate to workforce needs.

Performance will be monitored by Council's Senior Management Team via annual progress reports tracking implementation of the three-year actions and the key performance indicators outlined below. These reports will be prepared as part of annual budget preparations. Monitoring will be complemented by periodic performance reporting against related actions within the *Delivery Program* and *Annual Report*, and via feedback provided by key stakeholders as part of the implementation process.

KEY FOCUS AREA	KEY PERFORMANCE INDICATORS
1. Workforce Structure and Sustainability	<ul style="list-style-type: none"> Percentage employee turnover (target at or below 15%) Percentage of staff satisfied with the organisation Percentage of staff on exit who recommend Council is a 'good organisation' to work for
2. Organisational Development	<ul style="list-style-type: none"> Number of training opportunities provided
3. Employee Support and Productivity	<ul style="list-style-type: none"> Number of employees utilising health and wellbeing programs Sick leave rate is less than 5% Annual leave liability (percentage controllable hours) Lost time injury frequency rate Number of workplace safety incidents Workers compensation premium rate Percentage of WHS risk assessments completed

Evaluation will include reviewing and amending strategies, as required, where goals are not being achieved or where changes affect set goals and strategies. Recommendations will be incorporated into Council's workforce planning cycle that will align to the term of Council.



Outdoor staff at Cremorne Point Reserve

APPENDIX 1: ASSET MANAGEMENT POLICY

1. STATEMENT OF INTENT

- 1.1 North Sydney Council is responsible for a large and diverse asset base. According to Council's Charter under the *Local Government Act 1993* with regard to asset management, Council should:
- a) Provide directly, or on behalf of other levels of government after due consultation adequate, equitable and appropriate services and facilities for the community and to ensure that those services are managed efficiently and effectively;
 - b) Have regard to the long term and cumulative effects of its decisions; and
 - c) Bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible.
- 1.2 The objectives of this Policy are to set a broad framework for implementing consistent asset management processes throughout North Sydney; and to ensure adequate provision is made for the long-term replacement of major assets by:
- a) Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment;
 - b) Safeguarding Council assets including physical assets and employees by implementing appropriate asset management strategies and appropriate financial resources for those assets;
 - c) Creating an environment where all Council employees take part in overall management of Council assets by creating and sustaining asset management awareness throughout the Council;
 - d) Meeting legislative requirements for asset management;
 - e) Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated;
 - f) Demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

2. ELIGIBILITY

- 2.1 This Policy will apply to all Councillors, employees of Council and external consultants employed as representatives of Council.

3. DEFINITIONS

- 3.1 An 'asset' refers to any resource with a financial value attached to it, normally acquired to ensure local service delivery. Council assets include finances, plant and equipment, infrastructure, buildings, open space, other property and any other resources under its ownership or care and control.
- 3.2 The term 'asset management' describes the combination of management, financial, economic, engineering and other practices applied to physical

assets with the objective of providing the required level of service in the most cost effective manner.

4. PROVISIONS

This Policy is linked to implementing Council's vision, mission and core values as outlined in the *Community Strategic Plan*. The following provisions outline the guiding principles of effective asset management that must be observed by Councillors, employees and consultants for all Council activities.

- 4.1 A consistent *Asset Management Strategy* must exist for implementing systematic asset management and appropriate asset management best-practice throughout all Council departments.
- 4.2 All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
- 4.3 Asset management principles will be integrated within existing planning and operational processes.
- 4.4 An inspection regime will be used as part of asset management to ensure agreed service levels are maintained and to identify asset renewal priorities.
- 4.5 Asset renewals required to meet agreed service levels and identified in the adopted asset management plans and long term financial plans will be fully funded in the annual budget estimates.
- 4.6 Service levels agreed through the budget process and defined in the adopted Asset Management Plans will be fully funded in the annual budget estimates.
- 4.7 Asset renewal plans will be prioritised and implemented progressively based on agreed service levels and the effectiveness of the current assets to provide that level of service.
- 4.8 Systematic and cyclic reviews will be applied to all asset classes and are to ensure that the assets are managed, valued and depreciated in accordance with appropriate best practice and applicable Australian Standards.
- 4.9 Future life cycle costs will be reported and considered in all decisions relating to new services and assets and upgrading of existing services and assets.
- 4.10 Create an environment where all Council employees take part in overall management of Council assets by creating and sustaining asset management awareness throughout the organisation by training and development.
- 4.11 Future service levels will be determined in consultation with the community.

5. RESPONSIBILITY/ACCOUNTABILITY

- 5.1 Council's Engineering Infrastructure Department is the key stakeholder of this Policy. However all related Departments/Council staff who have direct

or indirect responsibility for the whole or part lifecycle management of Council assets are also responsible for asset management.

- 5.2 The effectiveness of this Policy shall be reviewed at least once during the term of Council.

6. RELATED POLICIES/DOCUMENTS/LEGISLATION

The Policy should be read in conjunction with the following Council policies and documents:

- Asset Accounting and Capitalisation Policy
- Asset Management Plans (various per asset class)
- Community Strategic Plan
- Delivery Program
- Financial Management Policy
- Resourcing Strategy - incorporating Long Term Financial Plan, Asset Management Strategy and Workforce Management Strategy

The Policy should be read in conjunction with the following documents/legislation:

- Local Government Act 1993

VERSION	DATE APPROVED	APPROVED BY	RESOLUTION NO.	REVIEW DATE
1	21 June 2010	Council	361	2012/13
2	18 February 2013	Council	61	2016/17
3	29 April 2013	Council	239	2017/18
4	25 June 2018	Council	214	2020/21

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 1

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 INCOME STATEMENT Scenario: 1 - Base Case/Reduced Services											
	Actuals	Current Year	Projected Years								
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	56,316,000	59,105,735	59,934,939	61,087,007	62,268,167	63,478,967	64,720,266	66,402,823	68,129,854	69,902,539	71,722,093
User Charges & Fees	33,208,000	29,645,660	32,280,558	29,789,284	32,749,349	32,971,833	33,217,489	33,487,014	33,781,125	34,794,557	35,838,392
Interest & Investment Revenue	2,653,000	1,645,000	1,555,000	1,435,000	1,315,000	1,195,000	1,075,000	955,000	835,000	715,000	595,000
Other Revenues	17,835,000	16,590,034	17,171,898	17,292,966	17,796,376	18,327,747	18,875,060	19,438,789	20,019,435	20,617,495	21,233,498
Grants & Contributions provided for Operating Purposes	4,489,000	4,522,348	4,920,018	4,852,042	4,949,779	5,069,994	5,193,818	5,321,355	5,452,719	5,588,023	5,731,760
Grants & Contributions provided for Capital Purposes	8,625,000	4,850,000	3,040,000	3,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000
Other Income:											
Net gains from the disposal of assets	-	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000
Total Income from Continuing Operations	123,126,000	116,760,777	119,304,413	117,898,299	121,520,671	123,485,541	125,523,633	128,046,981	130,660,133	134,059,614	137,562,743
Expenses from Continuing Operations											
Employee Benefits & On-Costs	41,680,000	44,902,805	45,041,112	45,447,306	47,336,603	48,758,783	50,223,599	51,732,330	53,286,303	54,886,867	56,533,474
Borrowing Costs	302,000	336,000	341,682	1,117,151	1,060,501	995,684	928,227	858,024	784,963	708,926	629,793
Materials & Contracts	36,734,000	34,563,526	36,559,964	35,466,555	37,030,658	38,035,333	39,252,859	40,324,214	41,620,392	42,752,449	44,021,482
Depreciation & Amortisation	19,127,000	21,000,000	21,504,000	22,020,096	22,548,578	23,089,746	23,643,899	24,211,352	24,792,424	25,387,442	25,996,741
Other Expenses	8,776,000	8,632,023	8,666,764	8,780,430	9,035,968	9,324,586	9,622,540	10,480,135	10,247,693	10,575,534	10,913,999
Interest & Investment Losses	-	-	-	-	-	-	-	-	-	-	-
Net Losses from the Disposal of Assets	692,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	20,000	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	107,331,000	109,434,354	112,113,522	112,831,538	117,012,308	120,204,132	123,671,124	127,606,055	130,731,775	134,311,218	138,095,489
Net Operating Result for the Year	15,795,000	7,326,423	7,190,891	5,066,761	4,508,363	3,281,409	1,852,509	440,926	(71,642)	(251,604)	(532,746)
Net Operating Result before Grants and Contributions provided for Capital Purposes	7,170,000	2,476,423	4,150,891	2,026,761	2,468,363	1,241,409	(187,491)	(1,599,074)	(2,111,642)	(2,291,604)	(2,572,746)

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 1

North Sydney Council											
10 Year Financial Plan for the Years ending 30 June 2028											
BALANCE SHEET											
Scenario: 1 - Base Case/Reduced Services											
	Actuals	Current Year	Projected Years								
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments	63,081,000	55,564,928	76,408,051	59,593,343	60,669,585	63,922,195	66,237,311	66,710,368	66,984,283	67,539,310	68,287,721
Receivables	8,397,000	5,896,538	6,424,668	5,961,739	6,193,988	6,336,207	6,468,394	6,577,343	6,687,800	6,860,921	7,041,684
Inventories	58,000	48,102	50,880	49,359	51,535	52,934	54,628	56,119	57,923	59,498	61,265
Other	282,000	256,036	268,076	262,268	273,054	280,720	289,703	301,136	307,442	316,095	325,623
Total Current Assets	77,726,000	63,765,604	85,151,675	67,866,709	69,188,163	72,592,055	75,050,036	75,644,967	76,037,448	76,775,825	77,716,293
Non-Current Assets											
Receivables	287,000	279,207	289,688	301,667	314,225	327,195	340,587	356,561	373,139	390,342	408,193
Infrastructure, Property, Plant & Equipment	1,018,159,000	1,040,344,335	1,043,591,335	1,066,541,239	1,065,240,311	1,063,436,996	1,061,119,470	1,058,283,631	1,054,909,098	1,050,968,413	1,046,448,161
Investments Accounted for using the equity method	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Investment Property	97,740,000	98,745,000	99,775,125	100,831,003	101,913,278	103,028,021	104,176,206	105,358,837	106,576,947	107,831,600	109,123,893
Total Non-Current Assets	1,116,199,000	1,139,381,542	1,143,669,148	1,167,686,909	1,167,480,814	1,166,805,212	1,165,649,263	1,164,012,029	1,161,872,184	1,159,203,355	1,155,993,247
TOTAL ASSETS	1,193,925,000	1,203,147,146	1,228,820,823	1,235,553,618	1,236,668,977	1,239,397,267	1,240,699,299	1,239,656,996	1,237,909,632	1,235,979,180	1,233,709,539
LIABILITIES											
Current Liabilities											
Payables	20,656,000	22,554,996	20,504,917	22,941,928	20,220,374	20,422,591	20,654,208	20,945,837	21,117,052	21,343,264	21,589,412
Income received in advance	1,233,000	1,101,660	1,179,397	1,121,040	1,204,755	1,222,326	1,240,825	1,260,281	1,280,723	1,319,083	1,358,594
Borrowings	9,500,000	812,303	1,529,576	1,591,857	1,656,674	1,724,130	1,794,333	1,867,395	1,943,431	2,022,564	1,227,349
Provisions	14,667,000	15,399,044	16,163,886	16,963,146	17,798,373	18,671,185	19,583,273	19,583,273	19,583,273	19,583,273	19,583,273
Total Current Liabilities	46,056,000	39,868,004	39,377,776	42,617,971	40,880,176	42,040,232	43,272,639	43,656,786	43,924,479	44,268,185	43,758,628
Non-Current Liabilities											
Payables	41,000	16,242	9,244	16,920	7,914	7,929	7,944	7,962	7,978	7,989	8,001
Borrowings	-	8,099,441	27,069,865	25,478,008	23,821,334	22,097,204	20,302,870	18,435,475	16,492,044	14,469,480	13,242,131
Provisions	184,000	193,037	202,625	212,644	223,114	234,055	245,489	245,489	245,489	245,489	245,489
Total Non-Current Liabilities	225,000	8,308,720	27,281,733	25,707,572	24,052,362	22,339,188	20,556,303	18,688,927	16,745,511	14,722,958	13,495,620
TOTAL LIABILITIES	46,281,000	48,176,723	66,659,509	68,325,543	64,932,538	64,379,419	63,828,942	62,345,713	60,669,991	58,991,143	57,254,249
Net Assets	1,147,644,000	1,154,970,423	1,162,161,314	1,167,228,075	1,171,736,439	1,175,017,848	1,176,870,357	1,177,311,283	1,177,239,641	1,176,988,037	1,176,455,291
EQUITY											
Retained Earnings	789,766,000	797,092,423	804,283,314	809,350,075	813,858,439	817,139,848	818,992,357	819,433,283	819,361,641	819,110,037	818,577,291
Revaluation Reserves	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000
Total Equity	1,147,644,000	1,154,970,423	1,162,161,314	1,167,228,075	1,171,736,439	1,175,017,848	1,176,870,357	1,177,311,283	1,177,239,641	1,176,988,037	1,176,455,291

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 1

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 CASH FLOW STATEMENT Scenario: 1 - Base Case/Reduced Services											
	Actuals 2017/18	Current Year 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	56,178,000	59,205,873	59,921,400	61,070,299	62,250,955	63,461,238	64,702,002	66,380,030	68,106,289	69,878,176	71,696,907
User Charges & Fees	33,997,000	30,061,804	32,179,159	29,885,156	32,635,437	32,963,271	33,208,035	33,476,642	33,769,807	34,755,557	35,798,222
Interest & Investment Revenue Received	3,145,000	1,660,342	1,156,942	1,717,249	1,277,105	1,134,068	1,027,757	936,594	819,014	692,944	570,188
Grants & Contributions	13,374,000	10,979,566	8,068,935	7,897,284	7,059,360	7,100,723	7,224,269	7,351,520	7,482,588	7,617,589	7,760,675
Bonds & Deposits Received	4,015,000	-	-	-	-	-	-	-	-	-	-
Other	25,701,000	15,823,109	16,084,978	16,263,026	16,652,446	17,171,880	17,684,305	18,212,099	18,755,731	19,306,731	19,883,355
Payments:											
Employee Benefits & On-Costs	(42,863,000)	(44,105,381)	(44,267,026)	(44,634,473)	(46,467,061)	(47,858,069)	(49,282,608)	(51,714,337)	(53,267,771)	(54,867,779)	(56,513,841)
Materials & Contracts	(39,544,000)	(34,706,714)	(36,316,161)	(35,579,779)	(36,788,733)	(37,862,212)	(39,052,532)	(40,067,730)	(41,479,111)	(42,557,054)	(43,807,785)
Borrowing Costs	(301,000)	(340,151)	(319,922)	(1,118,841)	(1,062,260)	(997,515)	(930,133)	(860,007)	(787,027)	(711,074)	(632,029)
Bonds & Deposits Refunded	(2,414,000)	-	-	-	-	-	-	-	-	-	-
Other	(13,307,000)	(8,632,023)	(8,666,764)	(8,780,430)	(9,035,968)	(9,324,586)	(9,622,540)	(10,480,135)	(10,247,693)	(10,575,534)	(10,913,999)
Net Cash provided (or used in) Operating Activities	37,981,000	29,946,424	27,841,541	26,719,491	26,521,281	25,788,799	24,958,555	23,234,674	23,151,828	23,539,556	23,841,694
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	44,514,000	7,516,072	-	16,814,708	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,497,000	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	(33,000,000)	-	(20,843,123)	-	(1,076,242)	(3,252,611)	(2,315,116)	(473,058)	(273,914)	(555,028)	(748,410)
Purchase of Investment Property	(329,000)	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(50,927,000)	(40,782,240)	(26,686,115)	(42,004,624)	(23,853,183)	(20,879,514)	(20,919,309)	(20,967,283)	(21,010,518)	(21,041,097)	(21,070,720)
Net Cash provided (or used in) Investing Activities	(38,245,000)	(33,266,168)	(47,529,238)	(25,189,916)	(24,929,425)	(24,132,125)	(23,234,425)	(21,440,341)	(21,284,433)	(21,596,125)	(21,819,130)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	9,500,000	20,500,000	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	-	(10,088,256)	(812,303)	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Cash Flow provided (used in) Financing Activities	-	(588,256)	19,687,697	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Increase/(Decrease) in Cash & Cash Equivalents	(264,000)	(3,908,000)	-	-	0	(0)	0	(0)	(0)	(0)	-
plus: Cash, Cash Equivalents & Investments - beginning of year	6,172,000	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments - end of the year	63,081,000	55,564,928	76,408,051	59,593,343	60,669,585	63,922,195	66,237,311	66,710,368	66,984,283	67,539,310	68,287,721
Cash, Cash Equivalents & Investments - end of the year	68,989,000	57,564,928	78,408,051	61,593,343	62,669,585	65,922,195	68,237,311	68,710,368	68,984,283	69,539,310	70,287,721

APPENDIX 2: 10 YEAR FINANCIAL MODEL - SCENARIO 1

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 EQUITY STATEMENT Scenario: 1 - Base Case/Reduced Services											
	Actuals 2017/18	Current Year 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	1,038,583,000	1,147,644,000	1,154,970,423	1,162,161,314	1,167,228,075	1,171,736,439	1,175,017,848	1,176,870,357	1,177,311,283	1,177,239,641	1,176,988,037
a. Current Year Income & Expenses Recognised direct to Equity											
- Transfers to/(from) Asset Revaluation Reserve	93,266,000	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	93,266,000	-	-	-	-	-	-	-	-	-	-
b. Net Operating Result for the Year	15,795,000	7,326,423	7,190,891	5,066,761	4,508,363	3,281,409	1,852,509	440,926	(71,642)	(251,604)	(532,746)
Total Recognised Income & Expenses (a&b)	109,061,000	7,326,423	7,190,891	5,066,761	4,508,363	3,281,409	1,852,509	440,926	(71,642)	(251,604)	(532,746)
Equity - Balance at end of the reporting period	1,147,644,000	1,154,970,423	1,162,161,314	1,167,228,075	1,171,736,439	1,175,017,848	1,176,870,357	1,177,311,283	1,177,239,641	1,176,988,037	1,176,455,291

APPENDIX 3: 10 YEAR FINANCIAL MODEL - SCENARIO 2

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 INCOME STATEMENT Scenario: 2 - Maintenance of existing capacity / services											
	Actuals	Current Year	Projected Years								
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations											
Revenue:											
Rates & Annual Charges	56,316,000	59,105,735	61,189,285	63,791,237	66,539,597	69,438,907	72,497,985	74,371,766	76,294,722	78,268,144	80,293,366
User Charges & Fees	33,208,000	29,645,660	31,520,930	29,581,061	32,440,211	32,653,420	32,889,524	33,149,209	33,433,186	34,436,179	35,469,263
Interest & Investment Revenue	2,653,000	1,645,000	1,555,000	1,435,000	1,315,000	1,195,000	1,075,000	955,000	835,000	715,000	595,000
Other Revenues	17,835,000	16,590,034	17,171,898	17,292,966	17,794,634	18,325,952	18,873,212	19,436,886	20,017,475	20,615,476	21,231,419
Grants & Contributions provided for Operating Purposes	4,489,000	4,522,348	4,920,018	4,852,042	4,949,779	5,069,994	5,193,818	5,321,355	5,452,719	5,588,023	5,731,760
Grants & Contributions provided for Capital Purposes	8,625,000	4,850,000	3,040,000	3,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000
Other Income:											
Net gains from the disposal of assets	-	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000
Total Income from Continuing Operations	123,126,000	116,760,777	119,799,131	120,394,306	125,481,221	129,125,273	132,971,539	135,676,216	138,475,102	142,064,822	145,762,808
Expenses from Continuing Operations											
Employee Benefits & On-Costs	41,680,000	44,902,805	45,466,576	45,872,001	47,771,916	49,207,155	50,685,421	52,208,007	53,776,250	55,391,512	57,053,259
Borrowing Costs	302,000	336,000	341,682	1,117,151	1,060,501	995,684	928,227	858,024	784,963	708,926	629,793
Materials & Contracts	36,734,000	34,563,526	37,318,089	36,227,166	37,731,974	38,757,689	39,996,887	41,090,567	42,409,737	43,565,474	44,858,896
Depreciation & Amortisation	19,127,000	21,000,000	21,504,000	22,020,096	22,548,578	23,089,746	23,643,899	24,211,352	24,792,424	25,387,442	25,996,741
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	8,776,000	8,632,023	8,765,239	8,878,674	9,136,668	9,428,307	9,729,372	10,590,172	10,361,032	10,692,272	11,034,239
Net Losses from the Disposal of Assets	692,000	-	-	-	-	-	-	-	-	-	-
Joint Ventures & Associated Entities	20,000	-	-	-	-	-	-	-	-	-	-
Total Expenses from Continuing Operations	107,331,000	109,434,354	113,395,586	114,115,088	118,249,637	121,478,581	124,983,806	128,958,122	132,124,406	135,745,626	139,572,928
Net Operating Result for the Year	15,795,000	7,326,423	6,403,545	6,279,218	7,231,584	7,646,692	7,987,733	6,718,094	6,350,696	6,319,196	6,189,880
Net Operating Result before Grants and Contributions provided for Capital Purposes	7,170,000	2,476,423	3,363,545	3,239,218	5,191,584	5,606,692	5,947,733	4,678,094	4,310,696	4,279,196	4,149,880

APPENDIX 3: 10 YEAR FINANCIAL MODEL - SCENARIO 2

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 BALANCE SHEET Scenario: 2 - Maintenance of existing capacity / services											
	Actuals	Current Year	Projected Years								
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments	63,081,000	64,920,042	73,676,563	56,374,271	56,692,525	60,528,436	65,166,265	71,346,692	77,939,568	84,959,731	92,322,643
Receivables	8,397,000	6,051,924	6,326,889	5,912,664	6,134,819	6,298,578	6,481,902	6,686,032	6,901,283	7,181,514	7,471,882
Inventories	58,000	48,102	51,935	50,417	52,512	53,939	55,664	57,186	59,022	60,630	62,430
Other	282,000	256,036	273,153	267,359	277,808	285,616	294,746	306,331	312,792	321,606	331,299
Total Current Assets	77,726,000	73,276,104	82,328,540	64,604,711	65,157,663	69,166,569	73,998,577	80,396,241	87,212,664	94,523,481	102,188,254
Non-Current Assets											
Receivables	287,000	279,207	295,582	314,663	335,207	357,108	380,453	398,257	416,732	435,899	455,784
Infrastructure, Property, Plant & Equipment	1,018,159,000	1,041,349,335	1,048,068,463	1,073,618,319	1,077,154,208	1,080,220,178	1,082,805,380	1,081,152,172	1,078,995,749	1,076,309,717	1,073,081,758
Investments Accounted for using the equity method	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Investment Property	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000	97,740,000
Total Non-Current Assets	1,116,199,000	1,139,381,542	1,146,117,045	1,171,685,982	1,175,242,415	1,178,330,286	1,180,938,833	1,179,303,429	1,177,165,481	1,174,498,616	1,171,290,542
TOTAL ASSETS	1,193,925,000	1,212,657,646	1,228,445,585	1,236,290,692	1,240,400,078	1,247,496,855	1,254,937,410	1,259,699,670	1,264,378,145	1,269,022,098	1,273,478,796
LIABILITIES											
Current Liabilities											
Payables	20,656,000	22,565,496	20,934,600	23,258,377	20,809,290	21,014,938	21,250,088	21,070,779	21,245,742	21,475,815	21,725,939
Income received in advance	1,233,000	1,101,660	1,160,895	1,115,969	1,197,183	1,214,527	1,232,792	1,252,007	1,272,201	1,310,305	1,349,553
Borrowings	9,500,000	10,312,303	1,529,576	1,591,857	1,656,674	1,724,130	1,794,333	1,867,395	1,943,431	2,022,564	1,227,349
Provisions	14,667,000	15,399,044	16,163,886	16,963,146	17,798,373	18,671,185	19,583,273	19,583,273	19,583,273	19,583,273	19,583,273
Total Current Liabilities	46,056,000	49,378,504	39,788,957	42,929,348	41,461,521	42,624,779	43,860,486	43,773,454	44,044,647	44,391,957	43,886,114
Non-Current Liabilities											
Payables	41,000	16,242	10,171	17,506	9,339	9,354	9,369	7,962	7,978	7,989	8,001
Borrowings	-	8,099,441	27,069,865	25,478,008	23,821,334	22,097,204	20,302,870	18,435,475	16,492,044	14,469,480	13,242,131
Provisions	184,000	193,037	202,625	212,644	223,114	234,055	245,489	245,489	245,489	245,489	245,489
Total Non-Current Liabilities	225,000	8,308,720	27,282,660	25,708,158	24,053,787	22,340,613	20,557,728	18,688,927	16,745,511	14,722,958	13,495,620
TOTAL LIABILITIES	46,281,000	57,687,223	67,071,618	68,637,506	65,515,308	64,965,392	64,418,214	62,462,380	60,790,158	59,114,916	57,381,734
Net Assets	1,147,644,000	1,154,970,423	1,161,373,968	1,167,653,186	1,174,884,771	1,182,531,463	1,190,519,196	1,197,237,290	1,203,587,986	1,209,907,182	1,216,097,062
EQUITY											
Retained Earnings	789,766,000	797,092,423	803,495,968	809,775,186	817,006,771	824,653,463	832,641,196	839,359,290	845,709,986	852,029,182	858,219,062
Revaluation Reserves	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000
Total Equity	1,147,644,000	1,154,970,423	1,161,373,968	1,167,653,186	1,174,884,771	1,182,531,463	1,190,519,196	1,197,237,290	1,203,587,986	1,209,907,182	1,216,097,062

APPENDIX 3: 10 YEAR FINANCIAL MODEL - **SCENARIO 2**

APPENDIX 3: 10 YEAR FINANCIAL MODEL - SCENARIO 2

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 CASH FLOW STATEMENT Scenario: 2 - Maintenance of existing capacity / services											
	Actuals 2017/18	Current Year 2018/19	2019/20	2020/21	2021/22	Projected Years					
	\$	\$	\$	\$	\$	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
						\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	56,178,000	59,205,873	61,164,206	63,760,920	66,507,383	69,404,710	72,461,674	74,346,341	76,268,440	78,240,978	80,265,287
User Charges & Fees	33,997,000	30,061,804	31,448,764	29,655,713	32,330,182	32,645,215	32,880,438	33,139,216	33,422,258	34,397,581	35,429,507
Interest & Investment Revenue Received	3,145,000	1,504,956	1,358,236	1,716,804	1,286,404	1,119,357	983,985	841,464	714,269	585,877	460,622
Grants & Contributions	13,374,000	10,979,566	8,068,935	7,897,284	7,059,360	7,100,723	7,224,269	7,351,520	7,482,588	7,617,589	7,760,675
Bonds & Deposits Received	4,015,000	-	-	-	-	-	-	-	-	-	-
Other	25,701,000	15,823,109	16,094,760	16,255,925	16,652,132	17,170,209	17,682,584	18,210,327	18,753,906	19,304,851	19,881,419
Payments:											
Employee Benefits & On-Costs	(42,863,000)	(44,105,381)	(44,686,603)	(45,059,178)	(46,902,227)	(48,306,261)	(49,744,244)	(52,189,822)	(53,757,520)	(55,372,221)	(57,033,416)
Materials & Contracts	(39,544,000)	(34,706,714)	(36,965,294)	(36,340,131)	(37,496,714)	(38,581,490)	(39,793,390)	(40,830,818)	(42,265,093)	(43,366,615)	(44,641,631)
Borrowing Costs	(301,000)	(329,651)	(330,422)	(1,118,841)	(1,062,260)	(997,515)	(930,133)	(860,007)	(787,027)	(711,074)	(632,029)
Bonds & Deposits Refunded	(2,414,000)	-	-	-	-	-	-	-	-	-	-
Other	(13,307,000)	(8,632,023)	(8,765,239)	(8,878,674)	(9,136,668)	(9,428,307)	(9,729,372)	(10,590,172)	(10,361,032)	(10,692,272)	(11,034,239)
Net Cash provided (or used in) Operating Activities	37,981,000	29,801,538	27,387,344	27,889,821	29,237,592	30,126,642	31,035,811	29,418,046	29,470,789	30,004,693	30,456,195
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	44,514,000	-	-	17,302,292	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,497,000	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	(33,000,000)	(1,839,042)	(8,756,521)	-	(318,255)	(3,835,911)	(4,637,829)	(6,180,427)	(6,592,876)	(7,020,164)	(7,362,911)
Purchase of Investment Property	(329,000)	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(50,927,000)	(40,782,240)	(28,818,520)	(43,662,538)	(27,327,480)	(24,634,056)	(24,673,852)	(21,443,286)	(21,010,518)	(21,041,097)	(21,070,720)
Net Cash provided (or used in) Investing Activities	(38,245,000)	(42,621,282)	(37,575,041)	(26,360,246)	(27,645,735)	(28,469,968)	(29,311,681)	(27,623,713)	(27,603,394)	(28,061,261)	(28,433,631)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	9,500,000	20,500,000	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	-	(588,256)	(10,312,303)	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Cash Flow provided (used in) Financing Activities	-	8,911,744	10,187,697	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Increase/(Decrease) in Cash & Cash Equivalents	(264,000)	(3,908,000)	-	(0)	-	0	0	0	0	0	0
plus: Cash, Cash Equivalents & Investments - beginning of year	6,172,000	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments - end of the year	63,081,000	64,920,042	73,676,563	56,374,271	56,692,525	60,528,436	65,166,265	71,346,692	77,939,568	84,959,731	92,322,643
Cash, Cash Equivalents & Investments - end of the year	68,989,000	66,920,042	75,676,563	58,374,271	58,692,525	62,528,436	67,166,265	73,346,692	79,939,568	86,959,731	94,322,643

APPENDIX 3: 10 YEAR FINANCIAL MODEL - SCENARIO 2

North Sydney Council											
10 Year Financial Plan for the Years ending 30 June 2028											
EQUITY STATEMENT											
Scenario: 2 - Maintenance of existing capacity / services	Actuals	Current Year	Projected Years								
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	1,038,583,000	1,147,644,000	1,154,970,423	1,161,373,968	1,167,653,186	1,174,884,771	1,182,531,463	1,190,519,196	1,197,237,290	1,203,587,986	1,209,907,182
a. Current Year Income & Expenses Recognised direct to Equity											
- Transfers to/(from) Asset Revaluation Reserve	93,266,000	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	93,266,000	-	-	-	-	-	-	-	-	-	-
b. Net Operating Result for the Year	15,795,000	7,326,423	6,403,545	6,279,218	7,231,584	7,646,692	7,987,733	6,718,094	6,350,696	6,319,196	6,189,880
Total Recognised Income & Expenses (a&b)	109,061,000	7,326,423	6,403,545	6,279,218	7,231,584	7,646,692	7,987,733	6,718,094	6,350,696	6,319,196	6,189,880
Equity - Balance at end of the reporting period	1,147,644,000	1,154,970,423	1,161,373,968	1,167,653,186	1,174,884,771	1,182,531,463	1,190,519,196	1,197,237,290	1,203,587,986	1,209,907,182	1,216,097,062

APPENDIX 4: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council												
10 Year Financial Plan for the Years ending 30 June 2028												
INCOME STATEMENT												
Scenario: 3 - Increase in existing capacity / services	Actuals 2017/18	Current Year 2018/19	2019/20	2020/21	2021/22	Projected Years						
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Income from Continuing Operations												
Revenue:												
Rates & Annual Charges	56,316,000	59,105,735	61,861,531	65,219,623	68,811,596	72,656,465	76,769,975	78,753,774	80,787,254	82,873,686	85,014,461	
User Charges & Fees	33,208,000	29,645,660	31,520,930	29,581,061	32,535,971	32,752,053	32,991,116	33,253,849	33,540,965	34,547,193	35,583,608	
Interest & Investment Revenue	2,653,000	1,645,000	1,555,000	1,435,000	1,315,000	1,195,000	1,075,000	955,000	835,000	715,000	595,000	
Other Revenues	17,835,000	16,590,034	17,171,898	17,292,966	17,796,376	18,327,747	18,875,060	19,438,789	20,019,435	20,617,495	21,233,498	
Grants & Contributions provided for Operating Purposes	4,489,000	4,522,348	4,920,018	4,852,042	4,949,779	5,069,994	5,193,818	5,321,355	5,452,719	5,588,023	5,731,760	
Grants & Contributions provided for Capital Purposes	8,625,000	4,850,000	3,040,000	3,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	2,040,000	
Other Income:												
Net gains from the disposal of assets	-	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000	
Joint Ventures & Associated Entities	-	-	-	-	-	-	-	-	-	-	-	
Total Income from Continuing Operations	123,126,000	116,760,777	120,471,377	121,822,692	127,850,722	132,443,259	137,346,969	140,164,767	143,077,373	146,783,397	150,600,327	
Expenses from Continuing Operations												
Employee Benefits & On-Costs	41,680,000	44,902,805	45,466,576	45,872,001	47,771,916	49,207,155	50,685,421	52,208,007	53,776,250	55,391,512	57,053,259	
Borrowing Costs	302,000	336,000	341,682	1,117,151	1,060,501	995,684	928,227	858,024	784,963	708,926	629,793	
Materials & Contracts	36,734,000	34,563,526	37,318,089	36,227,166	37,708,246	38,733,249	39,971,713	41,064,638	42,383,031	43,537,966	44,830,563	
Depreciation & Amortisation	19,127,000	21,000,000	21,504,000	22,020,096	22,548,578	23,089,746	23,643,899	24,211,352	24,792,424	25,387,442	25,996,741	
Impairment	-	-	-	-	-	-	-	-	-	-	-	
Other Expenses	8,776,000	8,632,023	8,765,239	8,878,674	9,136,554	9,428,189	9,729,249	10,590,044	10,360,899	10,692,134	11,034,095	
Net Losses from the Disposal of Assets	692,000	-	-	-	-	-	-	-	-	-	-	
Joint Ventures & Associated Entities	20,000	-	-	-	-	-	-	-	-	-	-	
Total Expenses from Continuing Operations	107,331,000	109,434,354	113,395,586	114,115,088	118,225,795	121,454,023	124,958,509	128,932,065	132,097,567	135,717,980	139,544,451	
Net Operating Result for the Year	15,795,000	7,326,423	7,075,791	7,707,604	9,624,927	10,989,236	12,388,460	11,232,702	10,979,806	11,065,417	11,055,876	
Net Operating Result before Grants and Contributions provided for Capital Purposes	7,170,000	2,476,423	4,035,791	4,667,604	7,584,927	8,949,236	10,348,460	9,192,702	8,939,806	9,025,417	9,015,876	

APPENDIX 4: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 BALANCE SHEET Scenario: 3 - Increase in existing capacity / services											
	Actuals 2017/18	Current Year 2018/19	Projected Years								
	\$	\$	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
			\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS											
Current Assets											
Cash & Cash Equivalents	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments	63,081,000	64,920,042	73,754,428	56,541,411	56,224,871	60,137,785	65,891,898	76,105,656	87,250,608	98,938,094	111,086,089
Receivables	8,397,000	6,051,924	6,332,814	5,925,269	6,150,365	6,322,518	6,532,378	6,804,429	7,095,640	7,453,658	7,823,788
Inventories	58,000	48,102	51,935	50,417	52,478	53,905	55,629	57,150	58,984	60,592	62,391
Other	282,000	256,036	273,153	267,359	277,667	285,471	294,596	306,177	312,633	321,442	331,131
Total Current Assets	77,726,000	73,276,104	82,412,331	64,784,457	64,705,381	68,799,679	74,774,501	85,273,412	96,717,865	108,773,786	121,303,398
Non-Current Assets											
Receivables	287,000	279,207	298,741	321,527	346,369	373,258	402,351	421,187	440,719	460,982	482,000
Infrastructure, Property, Plant & Equipment	1,018,159,000	1,040,344,335	1,046,703,612	1,072,621,914	1,078,327,672	1,083,531,043	1,088,220,204	1,085,384,365	1,082,009,832	1,078,069,147	1,073,548,895
Investments Accounted for using the equity method	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Investment Property	97,740,000	98,745,000	99,775,125	100,831,003	101,913,278	103,028,021	104,176,206	105,358,837	106,576,947	107,831,600	109,123,893
Total Non-Current Assets	1,116,199,000	1,139,381,542	1,146,790,478	1,173,787,444	1,180,600,319	1,186,945,322	1,192,811,761	1,191,177,389	1,189,040,498	1,186,374,729	1,183,167,788
TOTAL ASSETS	1,193,925,000	1,212,657,646	1,229,202,809	1,238,571,901	1,245,305,700	1,255,745,001	1,267,586,262	1,276,450,801	1,285,758,363	1,295,148,515	1,304,471,186
LIABILITIES											
Current Liabilities											
Payables	20,656,000	22,565,496	21,019,323	23,438,413	21,217,328	21,422,884	21,657,940	21,067,460	21,242,324	21,472,294	21,722,312
Income received in advance	1,233,000	1,101,660	1,160,895	1,115,969	1,199,558	1,216,973	1,235,311	1,254,602	1,274,874	1,313,058	1,352,389
Borrowings	9,500,000	10,312,303	1,529,576	1,591,857	1,656,674	1,724,130	1,794,333	1,867,395	1,943,431	2,022,564	1,227,349
Provisions	14,667,000	15,399,044	16,163,886	16,963,146	17,798,373	18,671,185	19,583,273	19,583,273	19,583,273	19,583,273	19,583,273
Total Current Liabilities	46,056,000	49,378,504	39,873,680	43,109,384	41,871,933	43,035,172	44,270,858	43,772,730	44,043,902	44,391,189	43,885,323
Non-Current Liabilities											
Payables	41,000	16,242	10,425	18,047	10,574	10,589	10,604	7,962	7,978	7,989	8,001
Borrowings	-	8,099,441	27,069,865	25,478,008	23,821,334	22,097,204	20,302,870	18,435,475	16,492,044	14,469,480	13,242,131
Provisions	184,000	193,037	202,625	212,644	223,114	234,055	245,489	245,489	245,489	245,489	245,489
Total Non-Current Liabilities	225,000	8,308,720	27,282,915	25,708,699	24,055,022	22,341,848	20,558,963	18,688,927	16,745,511	14,722,958	13,495,620
TOTAL LIABILITIES	46,281,000	57,687,223	67,156,595	68,818,083	65,926,955	65,377,019	64,829,821	62,461,657	60,789,413	59,114,148	57,380,943
Net Assets	1,147,644,000	1,154,970,423	1,162,046,214	1,169,753,818	1,179,378,746	1,190,367,982	1,202,756,442	1,213,989,144	1,224,968,950	1,236,034,367	1,247,090,243
EQUITY											
Retained Earnings	789,766,000	797,092,423	804,168,214	811,875,818	821,500,746	832,489,982	844,878,442	856,111,144	867,090,950	878,156,367	889,212,243
Revaluation Reserves	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000	357,878,000
Total Equity	1,147,644,000	1,154,970,423	1,162,046,214	1,169,753,818	1,179,378,746	1,190,367,982	1,202,756,442	1,213,989,144	1,224,968,950	1,236,034,367	1,247,090,243

APPENDIX 4: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 CASH FLOW STATEMENT Scenario: 3 - Increase in existing capacity / services											
	Actuals 2017/18	Current Year 2018/19	2019/20	2020/21	2021/22	Projected Years					
	\$	\$	\$	\$	\$	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
						\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities											
Receipts:											
Rates & Annual Charges	56,178,000	59,205,873	61,830,267	65,182,207	68,771,309	72,613,058	76,723,220	78,726,854	80,759,451	82,844,952	84,984,766
User Charges & Fees	33,997,000	30,061,804	31,448,764	29,655,713	32,422,257	32,743,737	32,981,916	33,243,738	33,529,916	34,508,470	35,543,724
Interest & Investment Revenue Received	3,145,000	1,504,956	1,355,337	1,713,518	1,294,659	1,115,408	962,374	774,242	639,016	508,813	381,602
Grants & Contributions	13,374,000	10,979,566	8,068,935	7,897,284	7,059,360	7,100,723	7,224,269	7,351,520	7,482,588	7,617,589	7,760,675
Bonds & Deposits Received	4,015,000	-	-	-	-	-	-	-	-	-	-
Other	25,701,000	15,823,109	16,094,760	16,255,925	16,652,513	17,171,963	17,684,390	18,212,186	18,755,821	19,306,824	19,883,451
Payments:											
Employee Benefits & On-Costs	(42,863,000)	(44,105,381)	(44,686,603)	(45,059,178)	(46,902,227)	(48,306,261)	(49,744,244)	(52,189,822)	(53,757,520)	(55,372,221)	(57,033,416)
Materials & Contracts	(39,544,000)	(34,706,714)	(36,965,294)	(36,340,131)	(37,475,848)	(38,557,136)	(39,768,305)	(40,804,980)	(42,238,481)	(43,339,204)	(44,613,398)
Borrowing Costs	(301,000)	(329,651)	(330,422)	(1,118,841)	(1,062,260)	(997,515)	(930,133)	(860,007)	(787,027)	(711,074)	(632,029)
Bonds & Deposits Refunded	(2,414,000)	-	-	-	-	-	-	-	-	-	-
Other	(13,307,000)	(8,632,023)	(8,765,239)	(8,878,674)	(9,136,554)	(9,428,189)	(9,729,249)	(10,590,044)	(10,360,899)	(10,692,134)	(11,034,095)
Net Cash provided (or used in) Operating Activities	37,981,000	29,801,538	28,050,506	29,307,822	31,623,209	33,455,789	35,404,239	33,863,686	34,022,865	34,672,014	35,241,279
Cash Flows from Investing Activities											
Receipts:											
Sale of Investment Securities	44,514,000	-	-	17,213,017	316,540	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	1,497,000	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of Investment Securities	(33,000,000)	(1,839,042)	(8,834,386)	-	-	(3,912,914)	(5,754,112)	(10,213,758)	(11,144,952)	(11,687,486)	(12,147,995)
Purchase of Investment Property	(329,000)	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(50,927,000)	(40,782,240)	(29,403,816)	(44,991,263)	(30,347,892)	(27,886,200)	(27,925,996)	(21,855,595)	(21,010,518)	(21,041,097)	(21,070,720)
Net Cash provided (or used in) Investing Activities	(38,245,000)	(42,621,282)	(38,238,202)	(27,778,246)	(30,031,352)	(31,799,115)	(33,680,108)	(32,069,353)	(32,155,470)	(32,728,583)	(33,218,715)
Cash Flows from Financing Activities											
Receipts:											
Proceeds from Borrowings & Advances	-	9,500,000	20,500,000	-	-	-	-	-	-	-	-
Payments:											
Repayment of Borrowings & Advances	-	(588,256)	(10,312,303)	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Cash Flow provided (used in) Financing Activities	-	8,911,744	10,187,697	(1,529,576)	(1,591,857)	(1,656,674)	(1,724,130)	(1,794,333)	(1,867,395)	(1,943,431)	(2,022,564)
Net Increase/(Decrease) in Cash & Cash Equivalents	(264,000)	(3,908,000)	-	0	0	(0)	0	(0)	(0)	0	0
plus: Cash, Cash Equivalents & Investments - beginning of year	6,172,000	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Cash & Cash Equivalents - end of the year	5,908,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investments - end of the year	63,081,000	64,920,042	73,754,428	56,541,411	56,224,871	60,137,785	65,891,898	76,105,656	87,250,608	98,938,094	111,086,089
Cash, Cash Equivalents & Investments - end of the year	68,989,000	66,920,042	75,754,428	58,541,411	58,224,871	62,137,785	67,891,898	78,105,656	89,250,608	100,938,094	113,086,089

APPENDIX 4: 10 YEAR FINANCIAL MODEL - SCENARIO 3

North Sydney Council 10 Year Financial Plan for the Years ending 30 June 2028 EQUITY STATEMENT Scenario: 3 - Increase in existing capacity / services											
	Actuals 2017/18 \$	Current Year 2018/19 \$	2019/20 \$	2020/21 \$	2021/22 \$	Projected Years					
						2022/23 \$	2023/24 \$	2024/25 \$	2025/26 \$	2026/27 \$	2027/28 \$
Opening Balance	1,038,583,000	1,147,644,000	1,154,970,423	1,162,046,214	1,169,753,818	1,179,378,746	1,190,367,982	1,202,756,442	1,213,989,144	1,224,968,950	1,236,034,367
a. Current Year Income & Expenses Recognised direct to Equity											
- Transfers to/(from) Asset Revaluation Reserve	93,266,000	-	-	-	-	-	-	-	-	-	-
Net Income Recognised Directly in Equity	93,266,000	-	-	-	-	-	-	-	-	-	-
b. Net Operating Result for the Year	15,795,000	7,326,423	7,075,791	7,707,604	9,624,927	10,989,236	12,388,460	11,232,702	10,979,806	11,065,417	11,055,876
Total Recognised Income & Expenses (a&b)	109,061,000	7,326,423	7,075,791	7,707,604	9,624,927	10,989,236	12,388,460	11,232,702	10,979,806	11,065,417	11,055,876
Equity - Balance at end of the reporting period	1,147,644,000	1,154,970,423	1,162,046,214	1,169,753,818	1,179,378,746	1,190,367,982	1,202,756,442	1,213,989,144	1,224,968,950	1,236,034,367	1,247,090,243