



ADOPTED RESOURCING STRATEGY 2014/15 - 2023/24

INCLUDES

Adopted Long Term Financial Plan 2014/15 - 2023/24
Adopted Asset Management Strategy 2014/15 - 2023/24
Workforce Strategy 2013 - 2017

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About this Strategy

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

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



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

Council's role

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

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

Supporting documents

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

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

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

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

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

Long-Term Financial Plan (LTFP)

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

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

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

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

Current state of Council's Finances

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

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

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

Asset Management Strategy (AMS)

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

- Asset Management Policy
- Asset Management Strategy

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

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

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

Asset Portfolio

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

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

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

Workforce Strategy (WS)

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

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

About Ku-ring-gai

The Ku-ring-gai area is located in Sydney's northern suburbs, 16 kilometres north of the city centre. The area is predominantly residential with 95 percent of residential areas having low-density housing. There are significant areas of park and bush land with very little commercial, and no

industrial, land use. Ku-ring-gai has a unique natural setting and diverse fauna and flora. The extent of bushland and biodiversity of the area is unique for a local government area situated so close to the centre of Sydney's CBD. The established tree canopy in Ku-ring-gai is a defining characteristic.

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

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

Key demographic features of the area include:

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

Key assumptions

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

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

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

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

Key challenges

Condition of our roads

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

Infrastructure renewal

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

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

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

Rate pegging

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

Special rates variations

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

- The SRV - Infrastructure
- The SRV - Environmental

- The SRV - New Facilities

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

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

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

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

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

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

Asset Sales

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

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

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

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

Asset information

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

Growth

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

Workforce challenges

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

Our options - scenario planning

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

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

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

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

2. Scenario 2 – Continuation of the SRV for Infrastructure

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

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

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

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

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

Our proposal

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



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