

## 8.2. Draft Resourcing Strategy 2022-2032

**AUTHOR:** Amanda Dobson, Manager Human Resources  
Jenny Gleeson, Manager Corporate Planning & Engagement  
Christian Menday, Manager Financial Services  
John Van Hesden, Manager Assets

**ENDORSED BY:** Duncan Mitchell, Director Engineering & Property Services  
Margaret Palmer, Director Corporate Services  
Shane Sullivan, Executive Manager Governance

### ATTACHMENTS:

1. Attachment 1 - Draft Resourcing Strategy 2022-2032 [8.2.1 - 98 pages]

### PURPOSE:

This report seeks endorsement of the *Draft Resourcing Strategy 2022-2032* for public exhibition to allow for stakeholder submissions.

### EXECUTIVE SUMMARY:

The Resourcing Strategy is the point in Council's Integrated Planning and Reporting Framework where Council identifies its responsibilities in delivering the Community Strategic Plan. The Resourcing Strategy responds to what Council is responsible for and includes three components - long term financial planning, asset management planning and workforce management planning.

In accordance with statutory requirements, Council must adopt its new Resourcing Strategy by 30 June 2022. The *Draft Resourcing Strategy 2022-2032* (Attachment 1) is presented for endorsement to be placed on public exhibition for a minimum of 28 days, concurrent with the *Delivery Program 2022-2026* (Item 8.3) and *Draft Operational Plan 2022/23* (Item 8.4).

Community feedback is invited during the public exhibition period. Following the close of the exhibition period a further report will be presented to Council detailing any recommend amendments to the final plan, based on submissions received.

### FINANCIAL IMPLICATIONS:

The overall objective of this plan is to ensure that Council remains a financially viable and sustainable organisation. Council has long operated from a position of financial sustainability and has, over many years, consistently achieved an operating surplus. The COVID pandemic has caused two operating deficits (Financial Year 2019/20 and 2020/21). It is forecast that the further effect of the COVID on revenue will result in an operating deficit in 2021/22.

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 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. All three scenarios include borrowings, as previously committed to by the Council, to provide funds for the Alexander Street Carpark redevelopment and upgrade of parking meter network, as well as the redevelopment of the North Sydney Olympic Pool complex.

The 'Planned Scenario' is the preferred scenario upon which the Financial Estimates within the *Delivery Program 2022-2026* and *Operational Plan & Budget 2022/23* have been prepared. Inclusive of a one-off additional special rate variation (ASV) in 2022/23 (Year 1); and the introduction councillor superannuation payments, as recently endorsed by the Council.

**RECOMMENDATION:**

- 1. THAT** the attached Draft Resourcing Strategy 2022-2032 be endorsed for public exhibition for a minimum of 28 days, inclusive of the 'Planned Scenario' as its preferred financial scenario.
- 2. THAT** a further report be prepared for Council's consideration at the end of the submission period to facilitate adoption of the Resourcing Strategy 2022-2032 by 30 June 2022 as required under the Integrated Planning and Reporting requirements, in accordance with section 403 of the Local Government Act 1993.

## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

### **5. Our Civic Leadership**

#### **5.1 Council leads the strategic direction of North Sydney**

## **BACKGROUND**

The current *Resourcing Strategy 2018-2028* was first adopted by Council on 25 June 2018. The Long Term Financial Plan (LTFP) component has been updated annually as part of the preparation of the Operational Plan & Budget, in accordance with legislative requirements.

## **CONSULTATION REQUIREMENTS**

Community engagement will be undertaken in accordance with Council's Community Engagement Protocol.

## **DETAIL**

The new draft Resourcing Strategy has been prepared as one document consisting of the three statutory components - LTFP, Asset Management Strategy and Policy, and Workforce Plan. The combined approach enables enhanced integration between the components as well as improved readability.

### **1. Draft Long Term Financial Plan 2022-2032**

The LTFP includes:

- projected income statement, balance sheet, cash flow statement and equity statement (as Appendix);
- planning assumptions;
- sensitivity analysis;
- financial modelling for three different scenarios; and
- methods of monitoring financial performance.

The following provides an overview of the key planning assumptions used in the preparation of the draft LTFP, which need to be considered when reviewing the financial estimates in the draft *Delivery Program 2022-2026* and setting the budget for the *Operational Plan & Budget 2022/23*.

Council has long operated from a position of financial sustainability and has, over many years, consistently achieved an operating surplus. The COVID pandemic has contributed to two

operating deficits (Financial Years 2019/20 and 2020/21). It is forecast that the further effect of the COVID on revenue will result in an operating deficit in 2021/22. The overall objective of this plan is to ensure that Council remains a financially viable and sustainable organisation.

In preparing the LTFP three scenarios were considered. In summary:

- a) Pessimistic Scenario - the Consumer Price Index (CPI) will increase by 4% in 2023/24 and 3% for the remaining life of the plan. IPART's rate-peg will be 1% below the CPI from 2023/24. Employee costs will rise in line with CPI. Revenue streams will not return to pre-COVID levels. This Scenario results in a decline in operating results and deficits in the later years.
- b) Optimistic Scenario - CPI will increase by 2.5% for the life of the plan. IPART's rate-peg will be equivalent to CPI. Employee costs will rise in line with CPI. Revenue streams will return to pre-COVID levels. Advertising income will be maximised. This Scenario results in improvements in operating results for the life of the plan.
- c) Planned Scenario - CPI will increase by 2.5% for the life of the plan. IPART's rate-peg will be 2% in 2022/23 and 2.5% for the remaining life the plan. Employee costs will rise by the 2% Award increase in 2022/23 and in-line with inflation for the remaining life of the plan. This Scenario results modest surplus operating results for the life of the plan.

The 'Planned Scenario' is the preferred scenario upon which the Financial Estimates within the draft *Delivery Program 2022-2026* and draft *Operational Plan & Budget 2022/23* have been prepared. Inclusive of the following assumptions:

- a one-off additional special rate variation (ASV) in 2022/23 (Year 1); and
- the introduction councillor superannuation payments.

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. All three scenarios include borrowings, as previously committed to by the Council, to provide funds for the Alexander Street Carpark redevelopment and upgrade of parking meter network, as well as the redevelopment of the North Sydney Olympic Pool complex.

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 is to be reviewed and updated annually in conjunction with the development of each Operational Plan & Budget.

## **2. Draft Asset Management Strategy 2022-2032**

Council's draft Asset Management Strategy (AMS) has been prepared to assist Council in

improving the way it delivers services from infrastructure including open space and recreation facilities, road facilities and streetscapes, road pavement, seawalls and marine structures, stormwater drainage and property.

These infrastructure assets have a replacement value of approximately \$1.2 million as at 30 June 2021. 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 North Sydney Community Strategic Plan.

The Asset Management Strategy informs and is informed by the Long Term Financial Plan. The strategy has been prepared following condition audits per asset class, financial sustainability indicators, asset management maturity and fit with the community's aspirational vision as outlined in the Community Strategic Plan. The strategy includes an Improvement Plan.

In accordance with legislative requirements, the Asset Management Strategy also includes the *Asset Management Policy*. This Policy was most recently re-adopted in June 2018. No changes to the policy are proposed. The policy is included as an Appendix. In adopting the final Resourcing Strategy (post exhibition) the Council is readopting the Policy.

### **3. Workforce Management Strategy 2022-2026**

Council's draft Workforce Plan (formerly called Workforce Management Strategy) will help guide organisational development, while providing a safe, supportive, and stimulating work environment for all employees.

There are human resource challenges ahead including an ageing workforce, the need for work-life balance and retaining quality employees, while there are also many opportunities to improve and grow as an organisation.

The Plan includes an Improvement Plan centred around three objectives - attracting, developing and retaining the right people, leveraging the capacity of our workforce, and organisational development and sustainability.

The plan considers the short, medium and long term needs of the organisation. It sets a strategic human resources framework within other activities such as training, health and safety and diversity and fairness.

### **4. Recommendation**

In accordance with legislative requirements, it is proposed that the *Draft Resourcing Strategy 2022-2032* be endorsed and placed on public exhibition for 28 days from 25 May to 21 June

2022, concurrent with the *Draft Delivery Program 2022-2026* and *Draft Operational Plan & Budget 2022/23*. Submissions will be invited.

Submissions will be reviewed during the exhibition period and will be considered before the final plan is presented to the Council for adoption at the June 2022 Council meeting.

The design of the Resourcing Strategy will be prepared during the exhibition period to align to the look and feel for the suite of Integrated Planning and Reporting documents.



**DRAFT  
RESOURCING  
STRATEGY  
2022-2032**

May 2022

**INSIDE COVER**

Council's Resourcing Strategy has been prepared in-house in accordance with statutory Integrated Planning & 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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## **RECOGNITION OF THE CAMMERAYGAL PEOPLES**

*We respectfully acknowledge the Traditional Custodians of the land and waters of North Sydney local government area (LGA), the Cammeraygal people*

We recognise the Cammeraygal as the first owners of the area known today as North Sydney. We acknowledge that the alienation of their country occurred with a land grant in 1794 without consultation, treaty or compensation.

We are committed to showing respect for Cammeraygal and all First Nations Peoples through the acknowledgement of country at ceremonies, meetings, functions and events.

Archaeological evidence shows that Aboriginal people have been in North Sydney at least 5,800 years, probably for thousands more. We treasure and seek to preserve the evidence of their presence here.

In 1890, when North Sydney Council was formed through the merging of three boroughs, the word Cammeraygal was included on its coat of arms. Today It holds a central position in the Council's logo as a reminder of the long indigenous heritage of this place.

In recent years the spelling of Cammeraygal has varied to include Gameraaigal, Gammeragal and Gai-maragal as our community has sought to more accurately reflect and honour the heritage of our first nations people.

## **GENERAL MANAGER'S FOREWORD**

*To be finalised prior to final publication*

## 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.

Specified within the Act, and the *Local Government (General) Regulation 2021*, is the requirement for each council to have in place an Integrated Planning and Reporting (IP&R) Framework. IP&R allows councils to bring plans and strategies together in a way that supports a clear vision for the future and provides an agreed roadmap for delivering community priorities and aspirations.

While councils lead the IP&R process it is a journey undertaken in consultation with the community and elected representatives.

The *North Sydney Community Strategic Plan* sits at the top of North Sydney Council's IP&R 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* is the point where Council explains to our community how it intends to perform all its functions, including implementing the strategies set out 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, business and industry groups, community groups or individuals.

The *Resourcing Strategy* focuses in detail on matters that are the responsibility of the Council, and considers, in general terms, matters that are the responsibility of others. The Resourcing Strategy articulates how Council will allocate resources to deliver the objectives under its responsibility, to quantify Council's contribution to the achievement of the community's shared vision.

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

- Long Term Financial Plan
- Asset Management Strategy
- Workforce Plan

### 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.

### **Levels of Service**

Identification of the community's desired levels of service is one of the most important aspects in the development of Council's IP&R plans. Our periodic *Customer Satisfaction Survey* is used to assist with this discussion in addition to project-specific consultations. Pages 56 to 59 detail the findings of the 2020 survey, detailing resident and business satisfaction with Council managed facilities and services. The survey heard from a random and statistically representative sample of 400 residents and 200 businesses, and the results are benchmarked against previous surveys, enabling Council to track improvement over time.

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**

The responsibility for implementing Council's IP&R Framework, including all components of the Resourcing Strategy, rests with various internal stakeholders. 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 Council's IP&R suite of plans in accordance with the legislative guidelines as well as community, and periodic reporting progress
- the Senior Management Team is responsible for ensuring the key focus areas and related strategies are agreed and resourced
- Council's IPR Working Group and Asset Management Working Group 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 Council's IP&R suite of plans, and
- the Staff Consultative Committee is a key forum for consulting employees. This is essential to the change management process required to drive any significant changes and improve ownership of the Workforce Plan.

Council's internal IPR Working Group oversees implementation of the *Resourcing Strategy*, and the internal Asset Management Working Group will oversee the implementation of the Improvement Plan within the *Asset Management Strategy*. Both Groups will periodically review against progress the plans and publicly report progress via the Annual Report and Financial Statements.

The following details each component of the *Resourcing Strategy*:

## **LONG TERM FINANCIAL PLAN 2022-2032**

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 growing 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 having an active and 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 COVID pandemic has caused two operating deficits (Financial Year 2019/20 and 2020/21). It is forecast that the further effect of the COVID on revenue will result in an operating deficit in 2021/22. The overall objective of this plan is to ensure that Council remains a financially viable and sustainable organisation.

### **Scenario Planning**

In preparing the LTFP three scenarios were considered. In summary:

- a) Pessimistic Scenario - the Consumer Price Index (CPI) will increase by 4% in 2023/24 and 3% for the remaining life of the plan. IPART's rate-peg will be 1% below the CPI from 2023/24. Employee costs will rise in line with CPI. Revenue streams will not return to pre-COVID levels. This Scenario results in a decline in operating results and deficits in the later years.
- b) Optimistic Scenario - CPI will increase by 2.5% for the life of the plan. IPART's rate-peg will be equivalent to CPI. Employee costs will rise in line with CPI. Revenue streams will return to pre-COVID levels. Advertising income will be maximised. This Scenario results in improvements in operating results for the life of the plan.
- c) Planned Scenario - CPI will increase by 2.5% for the life of the plan. IPART's rate-peg will be 2% in 2022/23 and 2.5% for the remaining life the plan. Employee costs will rise by the

2% Award increase in 2022/23 and in-line with inflation for the remaining life of the plan.  
This Scenario results modest surplus operating results for the life of the plan.

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.

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 will need to be reviewed frequently. 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.

## **ASSET MANAGEMENT STRATEGY 2022-2032**

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 \$1.2 billion as at 30 June 2021<sup>1</sup>. 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*.

### **Council's Assets**

The following table provides an overview of Council's asset classes and current total replacement value as at 30 June 2021. Detailed information about each asset class is outlined within Council's *Asset Management Plans*, which are available from the Council's website.

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<sup>1</sup> Note C1-5 Audited Financial Statements 30 June 2021. Excludes land, non-depreciable and miscellaneous assets.



Asset Class	Replacement Cost 2020/21 (\$)
Buildings - non-specialised	1,457,625
Buildings - specialised	209,468,386
Other structures	1,146,200
Roads	357,396,885
Footpaths	123,242,686
Stormwater drainage	204,552,675
Swimming Pools <sup>2</sup>	7,546,950
Other Open Space/Recreational assets	27,607,802
Other infrastructure	232,671,336
Investment Properties <sup>3</sup>	12,635,102
<b>TOTAL</b>	<b>1,177,725,647</b>

Source: Notes C1-5 and C1-6 Annual Financial Statements for the year ended 30 June 2021

### 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* are periodically reviewed as asset condition audits are undertaken and in context of annual budget preparation. While these plans produce information for a 10-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*.

### WORKFORCE PLAN 2022-2026

Council's *Workforce Plan* 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.

<sup>2</sup> As at 30 June 2021 the Olympic Pool redevelopment was not complete. Figures subject to change upon completion.

<sup>3</sup> Replacement cost of improvements only, excludes land value of \$42,150,735

### **Key Challenges**

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.

An Improvement Plan has been prepared. The actions are centred around three objectives, these include:

1. attracting, developing and retaining the right people
2. leveraging the capacity of our workforce, and
3. organisational development and sustainability

The plan will be periodically reviewed and re-prioritised to match the available resources.

## INTRODUCTION

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

- Long Term Financial Plan
- Asset Management Strategy
- Workforce Plan

In accordance with legislative 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 *Resourcing Strategy* is the point in North Sydney Council's IP&R Framework, as demonstrated in the following diagram, where we explain to the community how the Council intends to perform all its functions, including implementing the strategies set out in the *North Sydney Community Strategic Plan*.

The *Community Strategic Plan* sits at the top of Council's IP&R 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 carry them out.

Council's four-year *Delivery Program* is the point where Council explains to our community how it intends to perform all its functions, including implementing the strategies set out 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, business and industry groups, community groups or individuals.

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 community's long-term vision. The *Resourcing Strategy* focuses on three 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*.

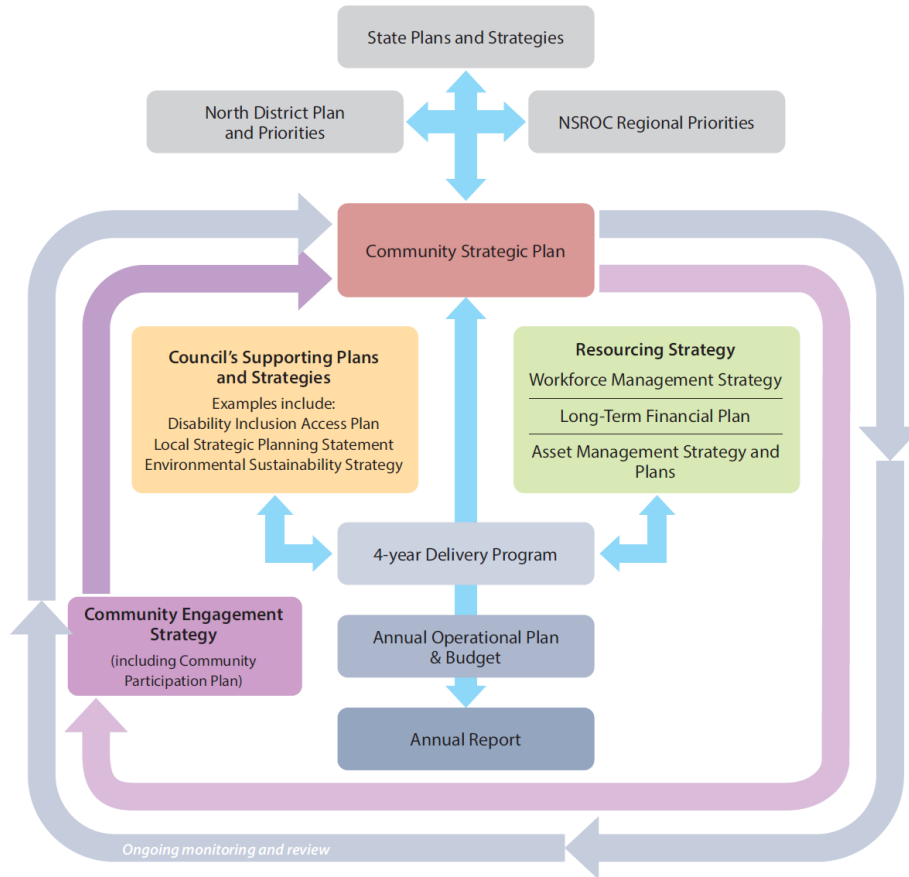


Figure 1: IP&R Framework Diagram (OLG, 2021)

## OUR NORTH SYDNEY

North Sydney Council is a local government area on the Lower North Shore of Sydney, established on 29 July 1890 through the amalgamation of three boroughs.

Today, the North Sydney LGA covers 10.49km<sup>2</sup> or 1,049 hectares. It is both urban and green in character, comprising two central business districts - North Sydney and St Leonards, smaller suburban centres, residential areas, parks and open spaces.

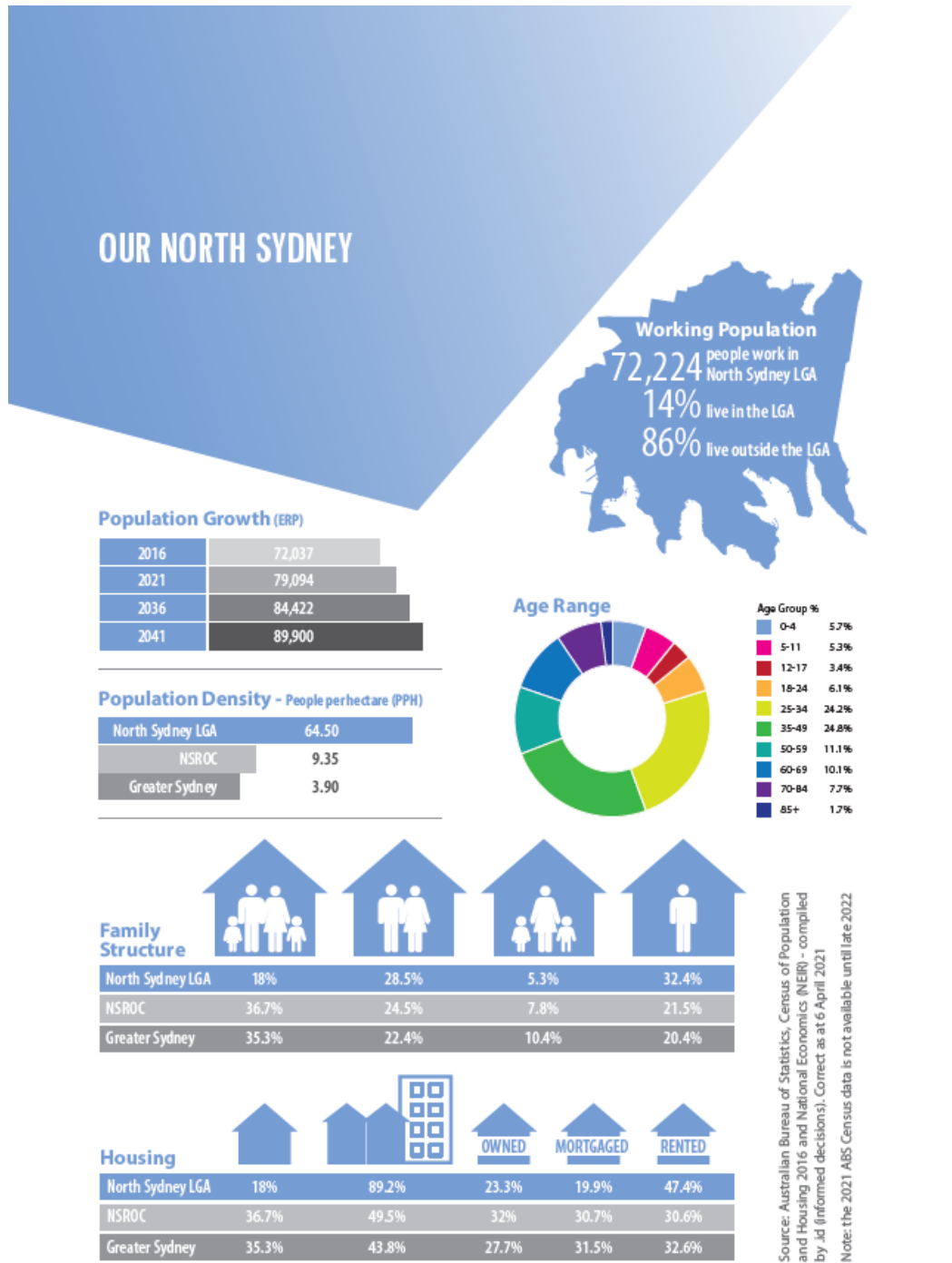
Overall, the North Sydney LGA is an established area. Much of the farmland within North Sydney was subdivided from around 1880 onwards. Further development and subdivisions increased significantly with the opening of the Sydney Harbour Bridge in 1932 and continued after World War II. It was during this period that much of the infrastructure in North Sydney LGA 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. 89% of the dwellings were medium or high density, compared to 44% in Greater Sydney.

North Sydney consists of 14 suburbs which include Cammeray, Cremorne, Cremorne Point, Crows Nest, Kirribilli, Kurraba Point, Lavender Bay, McMahons Point, Milsons Point, North Sydney, Neutral Bay, Waverton, Wollstonecraft and part of St Leonards.



*North Sydney LGA aerial photo (2021)*



**Transport to Work**

North Sydney LGA	32.6%	39.8%	12%	5.9%
NSROC	47.1%	30.5%	5.5%	6.2%
Greater Sydney	56.6%	22.7%	4.8%	4.4%

**Median Household Income \$**

North Sydney LGA	2,356
NSROC	2,218
Greater Sydney	1,745

0.3% ATSI origin

411 Homeless Persons (No.)

115,376 Local Jobs (NEIR 2021)

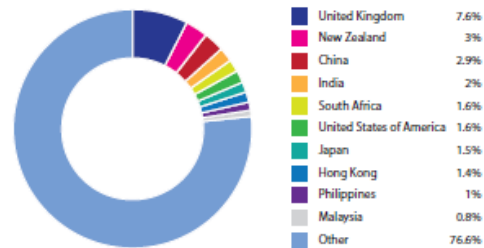


**Gross Regional Product (GRP) (NEIR 2021)**  
\$22.87 billion

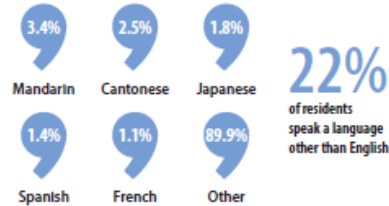
15,382 Local Businesses (ABS 2021)

- Top 5 Industries**
- 27.3% Professional, Scientific and Technical Services
  - 14.7% Rental, Hiring and Real Estate Services
  - 13.9% Financial and Insurance Services
  - 6.9% Construction
  - 6.8% Health Care and Social Assistance

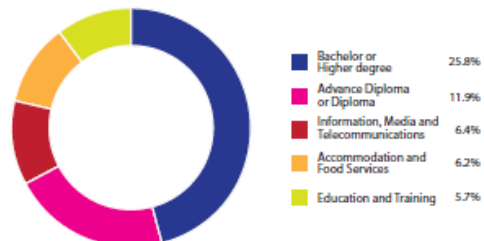
**Born Overseas (Country of Origin)**



**Languages Spoken other than English**



**Qualifications**



**Schools**

- 11 primary schools
- 10 secondary schools
- 2 tertiary institutions

**Volunteering**

21.5% of the North Sydney LGA population engage in some form of voluntary work

## OUR VISION, MISSION AND CORPORATE VALUES

### Our Vision

North Sydney is a welcoming, connected and resourceful community which acknowledges its past, enjoys the present and plans for our future. We respect our beautiful harbourside locale, its unique villages and much valued bushland and open spaces. We lead the way in sustainability.

### Our Vision

To be leading edge in serving the community of North Sydney by caring for its assets, improving its appearance and delivering services to people in a financially, socially and environmentally responsible manner.

### Our Vision

- **Sustainability** - equity, preservation, justice and precaution
- **Community service** - efficiency, effectiveness and responsiveness
- **Open government** - transparency and accountability
- **Community participation** - consultation and involvement
- **Ethical conduct** - honesty and integrity
- **Justice** - fairness and equity
- **Quality** - innovation and excellence
- **Teamwork** - cooperation and respect



## OUR ELECTED REPRESENTATIVES

We look forward to working alongside our community to bring this vision to fruition.

### ST LEONARDS WARD



Mayor  
Zoë Baker



Deputy Mayor  
Cr William Bourke



Cr Dr Alanya Drummond



Cr Godfrey Santer



Cr James Spenceley

### CAMMERAYGAL WARD



Cr MaryAnn Beregi



Cr Jilly Gibson



Cr Georgia Lamb



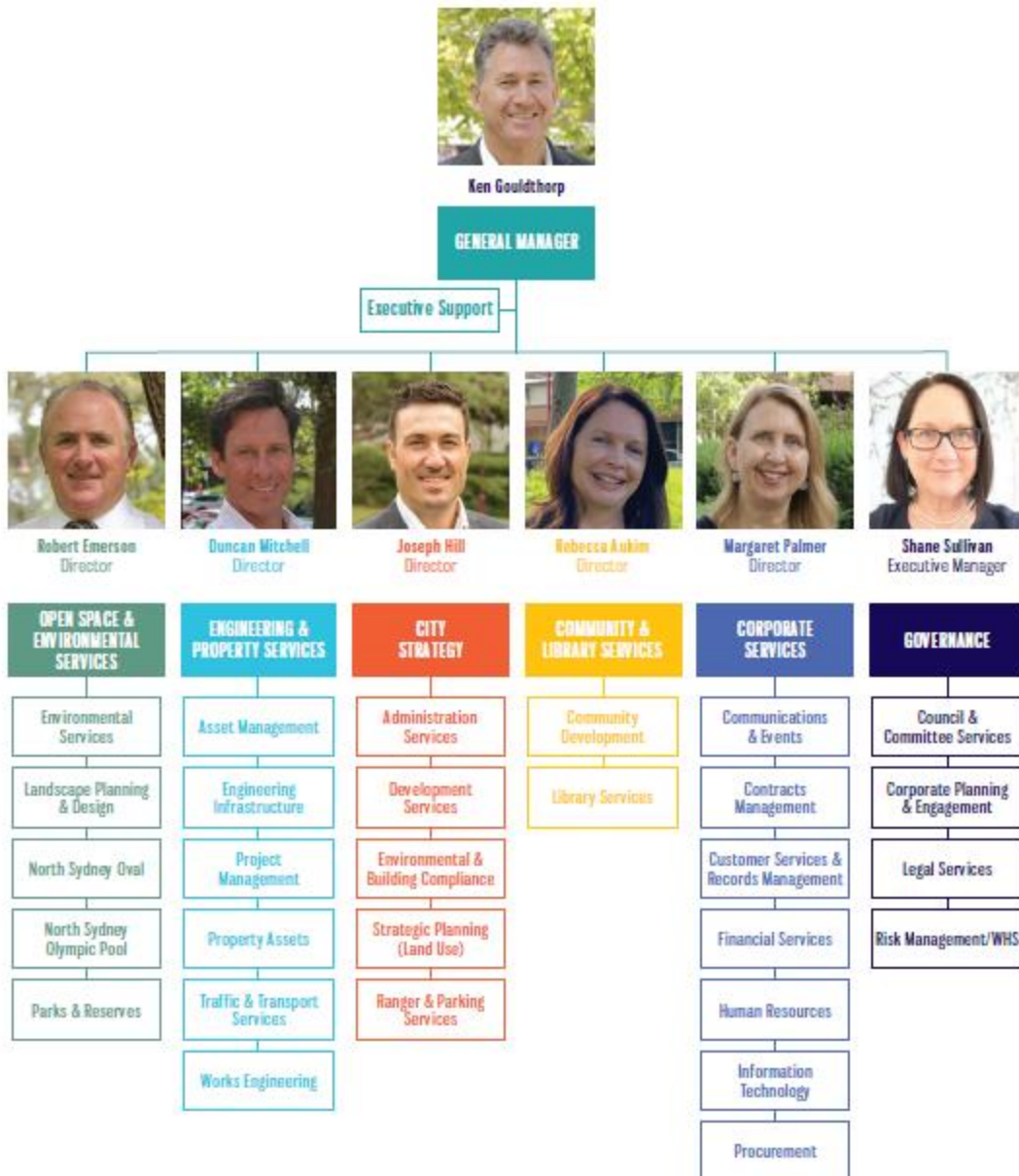
Cr Ian Mutton



Cr Shannon Welch

## ORGANISATIONAL CHART

The organisational structure consists of six directorates (known as Divisions) and has seven senior staff including the General Manager.



**LONG  
TERM  
FINANCIAL  
PLAN  
2022-2032**

## OVERVIEW

The *Long Term Financial Plan 2022-2032* (LTFP) provides an indication of Council's financial capacity to continue delivering services, facilities and infrastructure to the community while commencing new initiatives and projects to achieve the goals outlined in its Community Strategic Plan.

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 and is the basis for the preparation of the annual budget and forward estimates included in the Operational Plan and Delivery Program.

### Principles and Objectives

Council's LTFP is underpinned by its *Financial Management Policy* and *Asset Management Policy*. The *Financial Management Policy* outlines Council's guiding principles when preparing the plan and maintaining ongoing financial sustainability. The *Asset Management Policy* sets the 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.

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 and cash flow statement;
- sensitivity analysis (factors/assumptions most likely to affect the plan); and
- methods of monitoring financial performance.

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

- maintain existing service levels;
- maintain a strong cash position;

- maintain a net operating surplus before grants and contributions provided for capital purposes;
- 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.

Financial planning over a 10-year time frame is challenging and relies on many assumptions that will undoubtedly change during this period. In recognition of this, the LTFP is closely monitored and revised regularly. 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:

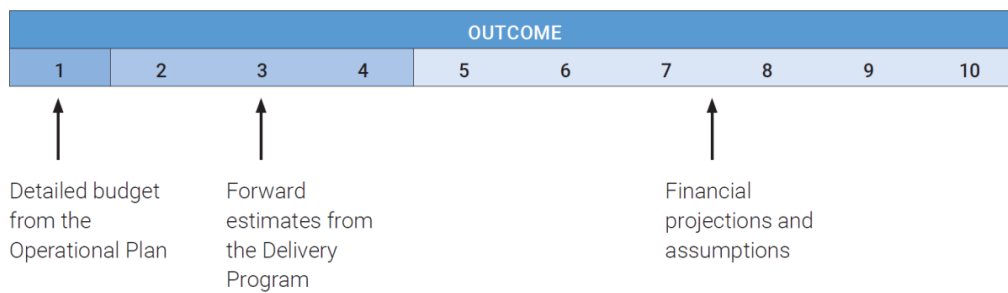


Figure 2: OP, DP and LTFP Relationship

## CURRENT FINANCIAL POSITION

The COVID pandemic had a significant impact on some revenue streams and therefore the operating result in 2019/20 and 2020/21 and is forecast to do so again in 2021/22. The net operating result before capital grants and contributions was a deficit of \$11.5 million in 2019/20 and a deficit of \$507,000 in 2020/21. The revised forecast for 2021/22, as at 31 December 2021, was a deficit of \$2 million. The following graph of Council's actual net operating result before capital grants and contributions from 2017/18 to 2020/21 and forecast result in 2021/22 shows the impact of the pandemic.

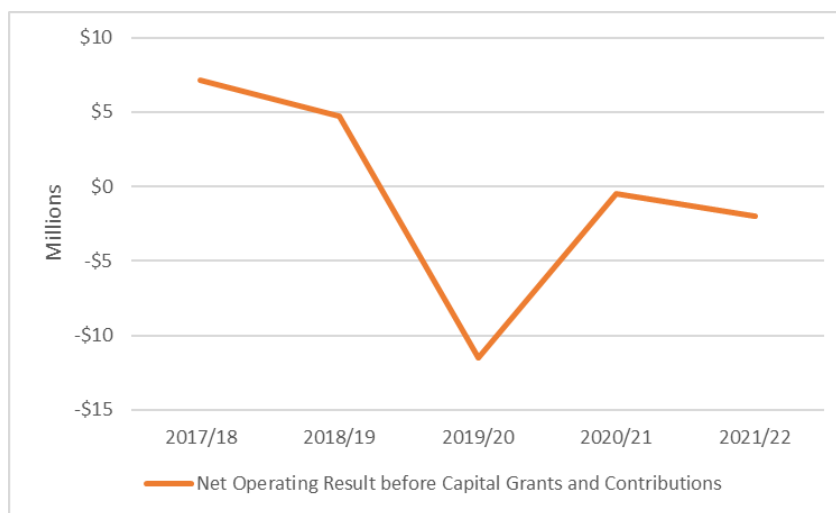


Figure 3: Operating Result 2017/18 actual to 2021/22 forecast

Council was granted a special variation by IPART to increase rates by 7% per year from 2019/20 to 2021/22. The operating result in each of those years was or is forecast to be worse than that achieved prior to the special variation due to the impact of COVID on other revenue sources.

Maintaining service levels and minimising the impact on the capital works program during the pandemic has required an increase in the net drawdown from Council's internally restricted reserves. The following graph shows the actual balance of Council's internally restricted reserves as at 30 June in each of the past four years and the forecast balance as at 30 June 2022. The balances exclude funds carried forward to the following year to complete projects still in progress as at 30 June.

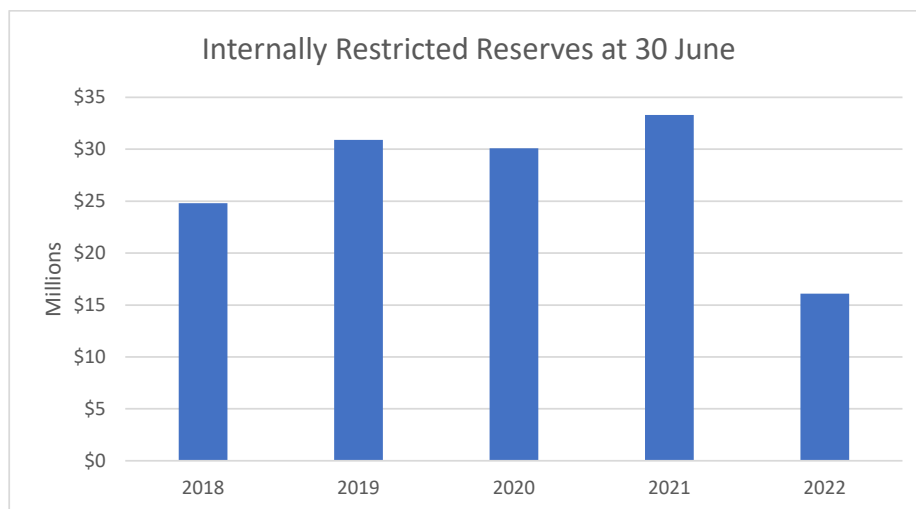


Figure 4: Internally Restricted Reserve Balances 2018-2022

Nevertheless, Council's financial position as at 30 June 2021 was sound, with total net assets of \$1.27 billion. This included cash and investments of \$111.2 million, of which \$52.5 million was externally restricted and \$52.5 million was internally restricted (including \$12.7 million of deposits, retentions and bonds). The remaining \$6.2 million was unrestricted. Externally and internally restricted funds did include \$25.4 million to be carried forward to 2021/22 to complete projects still in progress as at 30 June 2021.

Available working capital was \$1.7 million, a level sufficient to manage Council's day-to-day operations and provide a 'buffer' against unforeseen and unbudgeted expenditures after taking into account the nature and level of internally restricted reserves.

As at 30 June 2021, the industry benchmark was met on all six of the NSW Local Government financial performance indicators. The main infrastructure asset performance indicator, the Buildings and Infrastructure Renewals Ratio, was slightly under the industry benchmark.

As at 31 December 2021, the industry benchmark was forecast to be met on all indicators for 2021/22 with the exception of the Operating Performance Ratio.

Actual results for 2020/21 and forecast results for 2021/22 for the indicators are shown in the following table.

















		Actual	Forecast
		2020/21	2021/22
<b>Operating Performance Ratio</b> Benchmark > 0%	Snapshot		
	Result	1.30%	-6.28%
<b>Own Source Operating Revenue Ratio</b> Benchmark > 60%	Snapshot		
	Result	79.19%	82.65%
<b>Unrestricted Current Ratio</b> Benchmark > 1.5x	Snapshot		
	Result	2.82x	1.79x
<b>Debt Service Cover Ratio</b> Benchmark > 2x	Snapshot		
	Result	19.32x	6.68x
<b>Rates and Annual Charges Outstanding Percentage</b> Benchmark < 5%	Snapshot		
	Result	2.78%	2.50%
<b>Cash Expense Cover Ratio</b> Benchmark > 3 months	Snapshot		
	Result	11.55 months	6.33 months
<b>Building &amp; Infrastructure Ratio</b> Benchmark >100%	Snapshot		
	Result	98.35%	436.30%
		Benchmark met	
		Benchmark not met	

Table 1: Indicators - Actual vs Forecast



## **PLANNING ASSUMPTIONS**

### **1. GENERAL ASSUMPTIONS**

#### **Population**

The Australian Bureau of Statistics' Estimated Resident Population (ERP) for the North Sydney Council area as of 30 June 2021 was 73,712. This was a decline of 1.82% from the previous year. Ignoring potential impacts stemming from COVID, the ERP is forecast to be 79,221 by 30 June 2022 and increase to 82,971 by 30 June 2032. This represents an average annual increase of 0.5% over the life of this plan. 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.

#### **Inflation**

Changes in the rate of inflation impact both income and expenditure. Consequently, it is not anticipated that fluctuations in the rate of inflation will materially alter forecast operating results. While inflation been on upward trend during 2021/22, this has been largely due to global factors.

In preparing this plan, it has been assumed that a combination of increases in the official cash rate on the part of the Reserve Bank and the resolution of supply chain disruptions will see inflation return to within the Reserve Bank's target range of between 2% and 3%. Therefore, an average annual increase in the Consumer Price Index (CPI) of 2.5% has been assumed over the life of this plan.

### **2. INCOME ASSUMPTIONS**

Council's operating income consists of the following categories:

- rates and annual charges;
- user charges and fees;
- other revenues;
- grants and contributions;
- interest and investment revenue; and
- other income.

#### **Rates and Annual Charges**

Rates and annual charges consist of ordinary rates, special rates and annual charges. Ordinary rates include residential and business rates. Special rates include an environmental levy, infrastructure levy Crows Nest Mainstreet Levy and Neutral Bay Mainstreet Levy. Annual Charges

include the Domestic Waste Management charge, Stormwater Management Service charge and Section 611 charges.

Rates and annual charges are the major source of Council's revenue, accounting for approximately 60% of own-source revenue (i.e. total revenue excluding grants and contributions).

The amount Council can increase revenue from ordinary and special rates is limited by rate pegging and each year the maximum increase allowable is determined by the Independent Pricing and Regulatory Tribunal (IPART).

In December 2021, IPART announced that the 2022/23 rate peg would be 0.7% for councils with zero and negative population growth. For councils experiencing population growth, a population factor of between 0% and 4.3% was added to this rate, depending on how fast their population was growing. North Sydney's rate peg for 2022/23 is 0.9%, i.e. 0.7% plus a 0.2% population factor.

In calculating the rate cap each year, the main component IPART uses in its formula is the change in the Local Government Cost Index (LGCI). However, the change in the LGCI refers to cost increases for the year ended 30 June of the previous year, in this case the 2020/21 financial year. The increase in inflation was significantly lower in 2020/21 than that forecast in 2022/23. This, combined with the fact that councils were already struggling to recover from the COVID pandemic and in many cases natural disasters, led to significant sector lobbying. In response, the Office of Local Government (OLG) advised councils in March 2022 that applications for a one-off Additional Special Variation (ASV) for 2022/23 could be submitted to IPART.

ASVs are available to councils that can demonstrate the need to increase rates revenue in 2022/23 by a rate in excess of the rate set by IPART in order to meet their obligations for 2022/23 documented in their 2021/22 Integrated Planning and Reporting (IP&R) documentation. North Sydney Council meets this criterion and has applied for a permanent ASV to increase rates by 2% in 2022/23. Should this application be successful, it is estimated that approximately \$600,000 of additional revenue will be generated from rates than would be the case if the original peg of 0.9% was applied.

This plan assumes a 2% increase in rates in 2022/23. While it is anticipated that there will be some growth in the number of rateable properties throughout the life of the plan, this is not expected to have a material impact on the amount of revenue raised. Further increases of 2.5% annually from 2023/24 for the life of the life of the plan have been assumed.

A 1% (\$4) increase in the Domestic Waste Management Charge in 2022/23 has been factored in, with no further increases in the charge for the life of the plan.

The Stormwater Management Service Charge is a fixed charge of between \$5 and \$25 annually depending on the property category for rating purposes. It has been assumed that there will be no increase in the charge for the life of the plan.

### **User Charges and Fees**

User charges and fees is revenue raised from the provision of services and the use of facilities. It can be divided into two categories:

- statutory and regulatory fees and charges - which are set by regulation or another authority 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 considers 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 change are assessed individually. It has been assumed that revenue from both categories of user charges and fees will increase in line with the CPI over the life of this plan.

### **Other Revenue**

Other revenue consists mainly of revenue raised from parking fines and advertising on bus shelters.

Apart from some recent fluctuations stemming from COVID, parking fine revenue has been relatively stable for a number of years and it has been assumed that any future increases over the life of this plan will be in line with the CPI.

A conservative approach has been taken when forecasting revenue from advertising on bus shelters. Only the forecast minimum guaranteed annual revenue has been included and it has been assumed that any future increases over the life of this plan will be in line with the CPI.

### **Grants and Contributions**

Grants and contributions consist of recurrent and non-recurrent operating and capital grants

received from either the Federal or State Government and developer contributions received under Sections 7.4, 7.11 or 7.12 of the *Environmental Planning and Assessment Act 1979*.

It has been assumed that revenue from recurrent grants will be maintained and will increase in line with CPI over the life of the plan. As most non-recurrent grants depend on decisions made by the Federal State Government after the plan has been prepared, only those known of at the time of its preparation have been included.

On 25 June 2020, a Ministerial direction responding to the COVID pandemic was made to temporarily defer the payment of developer contributions for certain large-scale developments until the issuing of an occupation certificate. The period ended on 31 March 2022. The impact of this direction on cash inflows from developer contributions has been factored into this plan.

### **Interest and Investment Revenue**

Interest and investment revenue consists of returns provided by Council's investment portfolio and interest on overdue rates and annual charges.

Council has a large investment portfolio that consists of monies set aside to fund future expenditure and liabilities. It is subject to movements in interest rates and the pool of funds available for investment varies throughout the year in accordance with movements in cash reserves and cash flow requirements. Any funds invested are done so in accordance with Council's *Financial Investment Policy* and in compliance Section 625 of the *Local Government Act 1993*.

The investment portfolio includes fixed and floating rate term deposits, floating rate notes, fixed interest bonds and cash management accounts. The performance benchmark for the entire portfolio is the 90-day Bank Bill Swap Rate (BBSW). It has been assumed that the portfolio will at least achieve this benchmark over the life of this plan. Estimated cash-flow requirements have also been considered when forecasting actual investment revenue.

Under Section 566 (3) of the *Local Government Act 1993*, the maximum rate of interest that can be charged on overdue rates and annual charges is the Reserve Bank's official cash rate as at the date gazetted by the NSW Government plus 6%. It has been assumed that this rate will be charged on overdue rates for the life of this plan.

### **Other Income**

Other income consists mainly of rental income but also includes fair value increments on Council's investment property portfolio.

Council's property portfolio consists of commercial and residential investment properties and community facilities. The management of the portfolio is outsourced to professional property managers on a long-term contract. Apart from some recent fluctuations stemming from COVID,

property rental income and facility hire has been relatively stable for a number of years. Therefore, it has been assumed that any future increases over the life of this plan will be in line with the CPI.

Given the recent softening in the Sydney property market, it has been deemed prudent to assume no capital growth in Council's investment property portfolio over the first four years of the plan. Thereafter, for the remaining life of the plan, modest growth of 1% per year has been assumed.

### **3. EXPENDITURE ASSUMPTIONS**

Council's operating expenditure predominantly consists of the following categories:

- employee benefits and on-costs;
- materials and services;
- borrowing costs;
- depreciation and amortisation;
- other expenses; and
- net losses from the disposal of assets.

#### **Employee Benefits and On-Costs**

Employee benefits and on-costs include salaries and wages, employee leave entitlements, superannuation, workers' compensation insurance premiums and other employee-related expenses.

The current agreed award increase of 2% has been factored into salaries and wages forecasts for 2022/23 along with a margin for salary movements within Council's grading system. Thereafter it has been assumed that salaries and wages will increase in line with the CPI over the life of this plan.

Other assumptions applied to employee costs include:

- superannuation increases in line with the growth in salaries and wages and increases in the Superannuation Guarantee Charge (i.e. 10.5% in 2022/23 and increasing by 0.5% per annum to 12% in 2025/26).
- workers' compensation insurance premium increases in line with salaries and wages.
- other employee-related expenses increases in line with inflation.
- no material change in existing employee numbers or working hours.

#### **Materials and Services**

Materials and services include the cost of materials and the engagement of contractors utilised

in the maintenance of assets and the provision of operational services. It also includes utilities, consultancy and legal costs.

It has been assumed that the most of these costs will increase in line with the CPI over the life of this plan. There is a degree of uncertainty over future increases in utilities and waste and recycling disposal costs. These costs will be reviewed and adjusted annually for any significant increases above the CPI.

### **Borrowing Costs**

Borrowing costs are the annual interest paid on Council's debt portfolio.

Council's *Loan Borrowing Policy* permits the use of external borrowings to fund the replacement and upgrading of existing infrastructure and the acquisition or construction of new infrastructure that has a life expectancy of greater than ten years and/or will produce income in the future. By recognising the capital cost of an asset acquired over the period future generations enjoy the benefits provided, the beneficiaries assist in its funding as their rates contribute to future loan repayments.

Council's current debt portfolio consists of the following two loans.

#### Loan 1:

Amount:	\$9.5 million
Interest Rate:	4.02% fixed
Term:	10 years from 31 July 2018
Repayment Frequency:	Quarterly
Purpose:	Alexander Street Carpark redevelopment and upgrade of parking meter network

#### Loan 2:

Amount:	\$31 million
Interest Rate:	4.24% fixed
Term:	20 years from 28 April 2022
Repayment Frequency:	Semi-annual
Purpose:	North Sydney Olympic Pool redevelopment

As the interest rate on both loans is fixed for the entire term, there is certainty over future repayments and the actual annual interest expense incurred has been factored in over the life of this plan.

### **Depreciation and Amortisation**

Depreciation is a provision accounted for to recognise the cost of wear and tear and/or technical obsolescence of infrastructure, property, plant and equipment. It aims to apportion the cost of assets over the period of their useful economic lives.

Council's existing depreciation schedule along with an allowance for the renewal of existing assets and the acquisition of new assets has been used to forecast depreciation expense over the life of this plan.

#### Other Expenses

Other expenses include contributions and levies paid to other levels of government and donations, contributions and assistance to other organisations. It has been assumed that these costs will increase in line with the CPI over the life of this plan.

#### Net Losses from the Disposal of Assets

During a year some items of infrastructure, property, plant and equipment are replaced. While most property, plant and equipment assets generate proceeds on disposal, infrastructure assets do not. Occasionally, certain infrastructure assets which still have a carrying value are replaced and the resulting write-off produces a net loss on their disposal.

In preparing his plan, it has been assumed that annual losses from the disposal of assets will be in the vicinity of \$500,000.

#### 4. CAPITAL EXPENDITURE

Capital expenditure is expenditure outlaid for the acquisition of new and renewal of existing infrastructure, property, plant and equipment. Council's capital works program prioritises projects according to asset condition, risk and community need.

The amounts included in the LTFP for the acquisition of new and renewal of existing infrastructure assets are linked to the amounts required in Council's *Asset Management Strategy*. These values have been recorded in today's dollars in the *Asset Management Strategy* but have been escalated by the forecast increase in the CPI over the life of the plan.

The following table provides a breakdown of forecast capital expenditure included in the LTFP.

	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Infrastructure - New	3,100	2,295	2,555	1,452	1,488	1,525	1,562	1,601	1,639	1,680
Infrastructure - Renewal	24,787	20,046	20,625	18,155	20,584	21,073	21,574	22,087	22,614	23,153
<b>Infrastructure - Total</b>	<b>27,887</b>	<b>22,341</b>	<b>23,180</b>	<b>19,607</b>	<b>22,072</b>	<b>22,598</b>	<b>23,136</b>	<b>23,688</b>	<b>24,253</b>	<b>24,833</b>
Property, Plant & Equipment - New	3,077	153	604	65	67	69	71	74	76	78
Property, Plant & Equipment - Renewal	3,593	5,662	3,343	5,379	5,467	3,025	3,116	3,176	3,272	3,336
<b>Property, Plant &amp; Equipment - Total</b>	<b>6,670</b>	<b>5,815</b>	<b>3,947</b>	<b>5,444</b>	<b>5,534</b>	<b>3,094</b>	<b>3,187</b>	<b>3,250</b>	<b>3,348</b>	<b>3,414</b>
<b>Total Capital Expenditure</b>	<b>34,557</b>	<b>28,156</b>	<b>27,127</b>	<b>25,051</b>	<b>27,606</b>	<b>25,692</b>	<b>26,323</b>	<b>26,938</b>	<b>27,601</b>	<b>28,247</b>

Table 2: Forecast Capital Expenditure

Throughout the life of the LTFP, new projects will undoubtedly be identified and the plan amended accordingly provided sufficient funds are available for them to be undertaken. Council has an ongoing commitment to ensuring that sufficient funds are allocated to the replacement and renewal of our infrastructure assets to offset the rate at which they are depreciating.



## FINANCIAL FORECASTS

### Net Operating Result

The projected Income Statement included in the appendices of the Resourcing Strategy forecasts modest surpluses for both the Net Operating Result and Net Operating Result before Capital Grants and Contributions over the life of the LTFP. The results are summarised in the following table and charts:

	Current Year	Projected Years									
	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Net Operating Surplus / (Deficit)	17,292	6,257	5,154	16,817	5,949	6,302	6,270	5,985	6,572	6,956	6,907
Net Operating Surplus / (Deficit) before Capital Grants and Contributions	(1,403)	296	2,096	2,158	2,889	3,240	3,206	2,919	3,504	3,886	3,835

Table 3: Net Operating Result 2021/22 to 2031/32

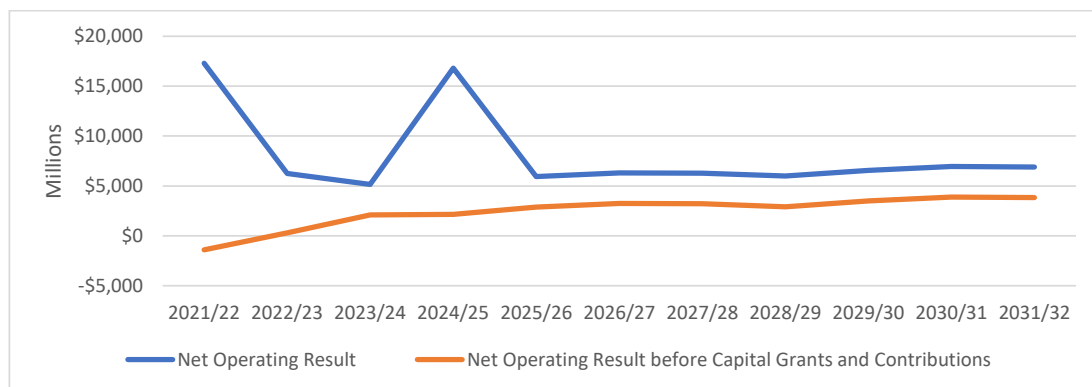


Figure 5: Net Operating Result 2021/22 to 2031/32

The one-off increase in the Net Operating Result in 2024/25 can be attributed to a forecast influx of revenue in that year from developer contributions following the aforementioned decision to temporarily defer the payment of such contributions for certain large-scale developments until the issuing of an occupation certificate.

These results achieve the objective of maintaining a net operating surplus before grants and contributions provided for capital purposes.

### Financial Position

Given that modest surpluses are forecast for the life of the LTFP, the projected Balance Sheet (Appendix 1) forecasts a slight improvement in Council's financial position over the same period. Council's financial position over the life of the plan is summarised in the following table.

	Current Year	Projected Years									
	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Total Assets	1,380,614	1,381,679	1,385,020	1,402,482	1,404,425	1,409,030	1,413,619	14,189,035	1,425,160	1,431,677	1,437,613
Total Liabilities	89,118	83,926	82,113	82,759	78,753	77,056	73,375	74,806	74,359	73,920	72,949
Net Assets	1,291,496	1,297,753	1,302,907	1,319,723	1,325,672	1,331,974	1,340,244	14,114,229	1,350,801	1,357,757	1,364,664

Table 4: Financial Position over life of the LTFP

### Cash and Investments

Cash and investments are forecast to be sufficient to fund the services and capital works projects included in the *Delivery Program 2022-2026*. Thereafter, for the remaining life of the LTFP, the year-end balance of cash and investments is forecast to increase steadily. It should be noted that the capital works program only includes funding for ongoing asset renewal programs for the years from 2026/27 onwards. It does not include any funding for the acquisition of new assets or major asset renewal projects from 2026/27 onwards.

Nevertheless, increases in the balance of cash and investments should provide additional funds to undertake some additional projects and/or increase funding allocated to existing projects/programs identified in future updates of the *Community Strategic Plan*. However, forecast unrestricted and internally restricted cash balances are not sufficient to absorb the impact of any future major economic shocks, an urgent need to replace failing infrastructure in a given year, or increase existing service levels.

The following table provides a breakdown of the forecast year-end balance of cash and investments as disclosed in projected Cash Flow Statement (Appendix 1).

	Current Year	Projected Years									
	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Cash & Cash Equivalents - end of the year	1,389	1,229	2,165	3,873	4,083	4,221	4,463	4,726	5,003	5,277	5,500
Investments - end of the year	68,060	60,212	60,212	73,583	77,574	80,201	84,804	89,790	95,063	100,263	104,496
Cash, Cash Equivalents & Investments - end of the year	69,449	61,441	62,377	77,456	81,657	84,422	89,267	94,516	100,066	105,540	109,996
<i>Representing:</i>											
External Restrictions	36,714	33,199	34,575	48,539	50,865	52,936	54,591	55,818	56,654	57,138	57,164
Internal Restrictions	29,046	27,140	27,011	27,100	30,152	30,793	33,837	37,373	41,709	46,261	50,725
Unrestricted	3,689	1,102	791	1,817	640	693	839	1,325	1,703	2,141	2,107

Table 5: Projected Cash Flow - Year End Balances of Cash and Investments

### Financial and Infrastructure Asset Performance Indicators

The industry benchmark is forecast to be met on all six of the NSW Local Government financial performance indicators over the life of the LTFP.

The main infrastructure asset performance indicator, the Buildings and Infrastructure Renewals Ratio, is forecast to be met in six of the ten years. In 2025/26, 2027/28, 2028/29 and 2029/30 it is forecast to be just under the industry benchmark.

Forecast results for the indicators over the life of the LTFP are shown in the following table.

		Projected									
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Operating Performance Ratio</b>	Snapshot										
Benchmark > 0%	Result	0.68%	2.04%	2.05%	2.55%	2.34%	2.26%	2.01%	2.36%	2.56%	2.47%
<b>Own Source Operating Revenue Ratio</b>	Snapshot										
Benchmark > 60%	Result	91.13%	93.58%	86.61%	94.10%	94.14%	94.19%	94.23%	94.27%	94.31%	94.35%
<b>Unrestricted Current Ratio</b>	Snapshot										
Benchmark > 1.5x	Result	1.56x	1.52x	1.58x	1.60x	1.61x	1.79x	1.95x	2.11x	2.28x	2.42x
<b>Debt Service Cover Ratio</b>	Snapshot										
Benchmark > 2x	Result	6.99x	7.84x	7.89x	8.11x	8.08x	8.10x	11.50x	13.46x	13.69x	13.74x
<b>Rates and Annual Charges Outstanding Percentage</b>	Snapshot										
Benchmark < 5%	Result	1.19%	1.21%	1.23%	1.24%	1.26%	1.28%	1.28%	1.28%	1.28%	1.28%
<b>Cash Expense Cover Ratio</b>	Snapshot										
Benchmark > 3 months	Result	6.29 months	6.34 months	7.73 months	8.00 months	8.06 months	8.32 months	8.66 months	9.01 months	9.30 months	9.41 months
<b>Buildings &amp; Infrastructure Renewals Ratio</b>	Snapshot										
Benchmark >100%	Result	131.40%	109.94%	100.42%	97.32%	107.90%	97.72%	99.24%	99.61%	101.18%	102.78%
		Benchmark met									
		Benchmark not met									

Table 6: Indicators - Forecast Results over life of the LTFP

## SENSITIVITY ANALYSIS

There are a number of factors that could impact on the forecasts delivered by the assumptions used in the development of the LTFP. These include inflation, future real growth in salaries and wages, the rate peg imposed by IPART, fluctuations in interest rates and whether revenue streams adversely affected by COVID return to pre-pandemic levels in real terms.

Therefore, additional financial modelling has been undertaken to assess the impact on the LTFP of using both a more pessimistic and more optimistic set of assumptions.

### Pessimistic Scenario

Under the pessimistic scenario, it has been assumed that:

- the annual increase in the CPI will be 4% in 2023/24 and at the maximum of the Reserve Bank's target range for inflation, i.e. 3% for the remaining life of the LTFP;
- the rate peg imposed by IPART will be 1% below the forecast increase in the CPI from 2023/24 onwards;
- salary and wages award increases will be equivalent to the forecast increase in the CPI from 2023/24 onwards; and
- revenue streams adversely affected by COVID will not return to pre-pandemic levels in real terms.

This scenario forecasts a deterioration in both the Net Operating Result and Net Operating Result before Capital Grants and Contributions over the life of the LTFP than that forecast under the planned scenario. From 2028/29 onwards, a deficit is forecast before capital grants and contributions. The results are summarised in the following table and charts:

	Current Year	Projected Years									
	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Net Operating Surplus / (Deficit)	17,292	6,257	4,639	15,799	4,384	4,111	3,439	2,465	2,328	1,981	1,164
Net Operating Surplus / (Deficit) before Capital Grants and Contributions	(1,403)	296	15,780	1,138	1,321	1,045	370	(607)	(747)	(1,097)	(1,917)

Table 7: Pessimistic Scenario - Forecast Results over the life of the LTFP

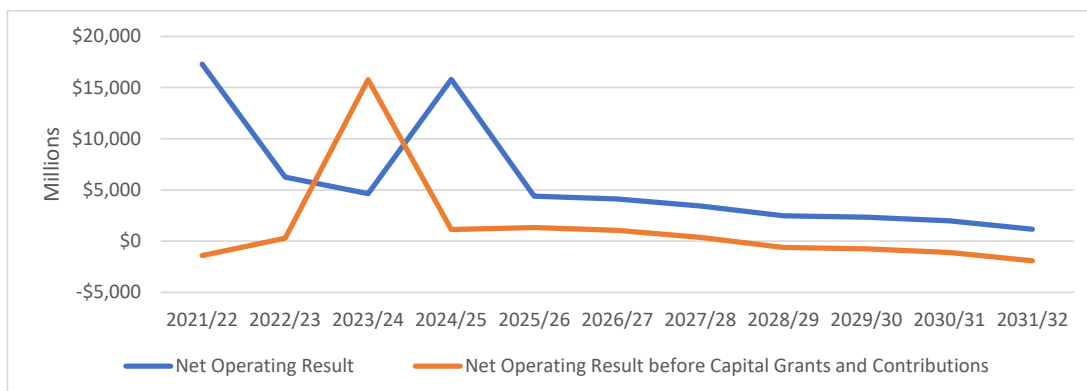


Figure 6: Pessimistic Scenario - Forecast Results over the life of the LTFP

The deterioration in the operating result under this scenario, would result in approximately \$30.5 million less revenue than that under the planned scenario over the life of the LTFP. This would reduce the pool of potential additional funds available to undertake additional projects and/or increase funding allocated to existing projects/programs identified in future updates of the *Community Strategic Plan*.

### Optimistic Scenario

Under the optimistic scenario, it has been assumed that:

- the annual increase in the CPI will be 2.5% over life of the LTFP;
- the rate peg imposed by IPART will be equivalent to the forecast increase in the CPI;
- salary and wages award increases will be equivalent to the forecast increase in the CPI; and
- revenue streams adversely affected by COVID will return to pre-pandemic levels in real terms and revenue from advertising on Council will be the maximised.

This scenario forecasts a significant improvement in both the Net Operating Result and Net Operating Result before Capital Grants and Contributions over the life of the LTFP than that forecast under the planned scenario. The results are summarised in the following table and charts:

	Current Year	Projected Years									
	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
Net Operating Surplus / (Deficit)	17,292	6,257	9,379	21,175	10,409	10,867	10,942	10,767	11,466	11,972	12,048
Net Operating Surplus / (Deficit) before Capital Grants and Contributions	(1,403)	296	6,321	6,516	7,349	7,805	7,878	7,701	8,398	8,902	8,976

Table 8: Optimistic Scenario - Forecast Results over the life of the LTFP

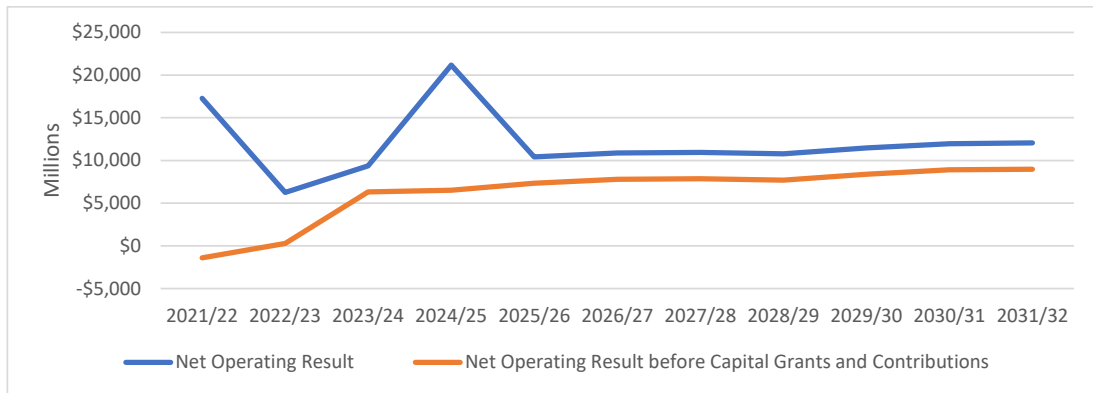


Figure 7: Optimistic Scenario - Forecast Results over the life of the LTFP

The improvement in the operating result under this scenario, would result in approximately \$42.1 million more revenue than that under the planned scenario over the life of the LTFP. This would increase the pool of potential additional funds available to undertake additional projects and/or increase funding allocated to existing projects/programs identified in future updates of the *Community Strategic Plan*.

## MONITORING AND EVALUATION

The forecast financial results presented in the LTFP are based on a number of assumptions which can change due to changes in economic conditions and the direction of Council. Council will review the LTFP each year as part of the development of the annual Operational Plan & Budget. 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.

In addition to monitoring its performance against the plan and the annual budget, Council utilises forecasts of the following key performance indicators to assess its long term financial sustainability:

- Operating Performance Ratio;
- Own Source Operating Revenue Ratio;
- Unrestricted Current Ratio;
- Debt Service Cover Ratio;
- Rates and Annual Charges Outstanding Percentage;
- Cash Expense Cover Ratio; and
- Buildings and Infrastructure Renewals Ratio.

During the year, via the Quarterly Budget Review Statement (QBRs), year-to-date actual performance will be assessed against the budget and forecasts for the year revised accordingly.

Council will thoroughly review the plan in line with the periodic review of the *Community Strategic Plan* as per the requirements of the IP&R process. This will occur within nine months after each local government election.

# **ASSET MANAGEMENT STRATEGY 2022-2032**



## 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 an asset. A key, ongoing issue facing local governments throughout Australia is the management of ageing assets in need of renewal and replacement.

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 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.

The key 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 financial and economically sustainable 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
- inform the *Asset Management Plans* and *Long Term Financial Plan*

### Asset Management Framework

As outlined in the following diagram, 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.<sup>4</sup>

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<sup>4</sup> IPWEA, 2009, AIFMG, Quick Guide, Section 4, p 5.

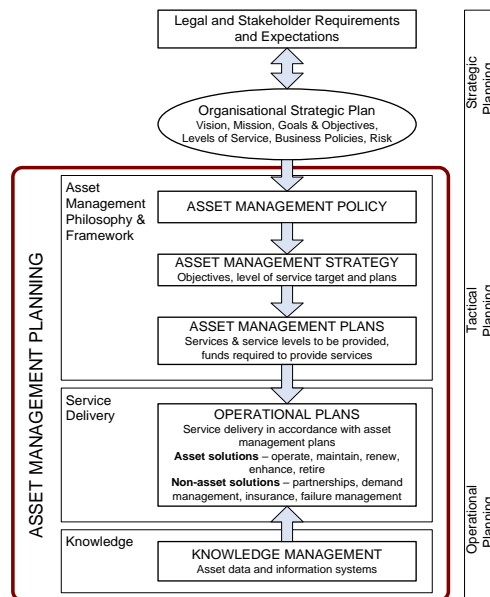


Figure 8: Asset Management Framework diagram

The key steps in preparing an effective Asset Management Strategy are:

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 and Maccallum Pool, Community Facilities, North Sydney Oval, Public Amenities, Rental/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, Retaining Walls, Signs, Fences, Seawalls and Marine Structures
- Other Structures - Public Art and Monuments

These infrastructure assets had a replacement cost of approximately \$1.2 billion as at 30 June 2021<sup>5</sup>. 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*.

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*.

### **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 and to set the framework for the *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*.

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<sup>5</sup> Per Notes C1-5 and C1-6 Annual Financial Statements for the year ended 30 June 2021.

### **Asset Management Plans**

*Asset Management Plans* support the *Asset Management Strategy*. These are 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 performance<sup>6</sup>. In total, Council has prepared *Asset Management Plans* for seven categories and 33 sub-categories.

All of Council's asset management documents are under constant review and periodically updated. 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 assists in achieving continuous 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 IP&R documents) demonstrate that Council is managing its infrastructure assets effectively and efficiently.

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.

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<sup>6</sup> International Infrastructure Management Manual 2011, p2.39

## 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

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		
Asset Class	Description	Services Provided
Open Space and Recreation Facilities	<ul style="list-style-type: none"> <li>Structures and park furniture</li> </ul>	Parks and recreation services supporting community and recreational needs
Depreciable land improvements	<ul style="list-style-type: none"> <li>Landscaping</li> </ul>	Parks and recreation services
Footpaths	<ul style="list-style-type: none"> <li>264km footpaths</li> </ul>	Pedestrian access
Other Infrastructure	<ul style="list-style-type: none"> <li>44km fences</li> <li>2,500 bollards</li> <li>22 km retaining walls</li> <li>1,782 public lighting</li> <li>4.7km seawalls</li> <li>28 marine structures including wharves</li> </ul>	Safety, structural support, amenity. Foreshore and environmental protection, property protection, waterway access.
Roads	<ul style="list-style-type: none"> <li>10km regional road pavements</li> <li>127.5km local road pavements</li> <li>258km kerb and gutter</li> <li>1,163 traffic facility items</li> <li>Street furniture</li> <li>66 bus shelters</li> </ul>	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"> <li>101km pipes</li> <li>5,900 pits</li> <li>25 stormwater quality improvement devices</li> </ul>	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"> <li>7 Council premises</li> <li>21 community facilities</li> <li>7 parking stations</li> <li>24 recreational amenity buildings</li> </ul>	The land and buildings provided by 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"> <li>North Sydney Olympic Pool complex</li> </ul>	

Existing Infrastructure Assets and Services		
Asset Class	Description	Services Provided
	<ul style="list-style-type: none"> <li>Maccallum Pool</li> </ul>	
Investment Properties	<ul style="list-style-type: none"> <li>12 investment properties</li> </ul>	
Public Art	<ul style="list-style-type: none"> <li>Various public art items</li> </ul>	

Table 9: Existing Infrastructure Assets and Services Summary

### Value of Current Assets

The current financial status of Council's infrastructure assets, per asset class, is shown in following table, as at the financial year ended 30 June 2021.

Asset Class	Replacement Cost 2020/21 (\$)	Accumulated Depreciation 2020/21 (\$)	Net Carrying Amount 2020/21 (\$)
Buildings - non-specialised	1,457,625	487,488	970,137
Buildings - specialised	209,468,386	79,614,174	129,854,212
Other structures	1,146,200	134,854	1,011,346
Roads	357,396,885	104,977,894	252,418,991
Footpaths	123,242,686	41,397,229	81,845,457
Stormwater drainage	204,552,675	58,580,456	145,972,220
Swimming Pools <sup>7</sup>	7,546,950	4,391,386	3,155,564
Other Open Space/Recreational assets	27,607,802	9,516,613	18,091,189
Other infrastructure	232,671,336	111,625,789	121,045,547
Investment Properties <sup>8</sup>	12,635,102	-	12,635,102
<b>TOTAL</b>	<b>1,177,725,647</b>	<b>410,725,883</b>	<b>766,999,764</b>

Table 10: Current Financial Status per Asset Class

Source: Notes C1-5 and C1-6 Annual Financial Statements for the year ended 30 June 2021

The 2020/21 replacement costs as detailed above are also represented in the graphs below. Council's largest asset classes, in terms of replacement costs, are Roads, Other Infrastructure and Buildings.

<sup>7</sup> As at 30 June 2021 the Olympic Pool redevelopment was not complete. Figures subject to change upon completion.

<sup>8</sup> Replacement cost of improvements only, excludes land value of \$42,150,735



Figure 9: Asset Replacement Cost 2020/21

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 2021) compared to its replacement cost in percentage terms. Figure 10 indicates that, except for Swimming Pools, all asset classes have greater than 50% 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.

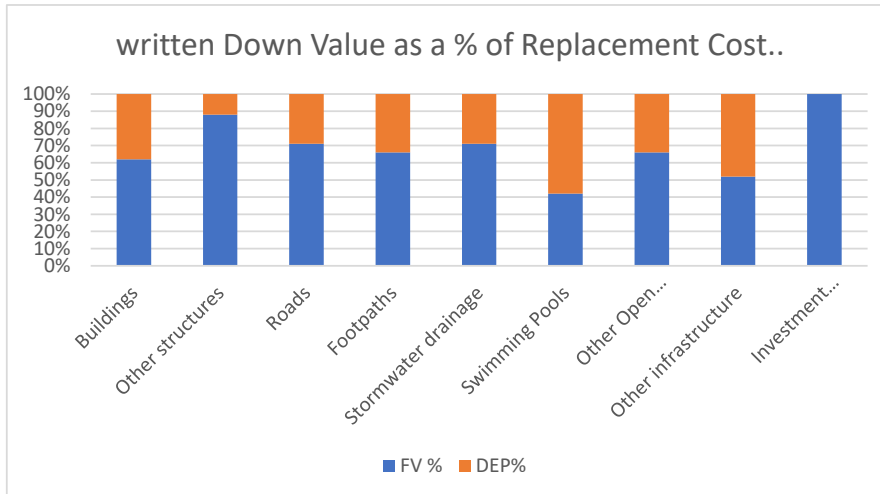


Figure 10: Written Down Replacement Cost as % of Replacement Cost

Figure 11 shows asset consumption as a percentage, whilst the graph below shows it as the dollar value and brings the relativity of each asset group into the representation (as at 2021). 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.

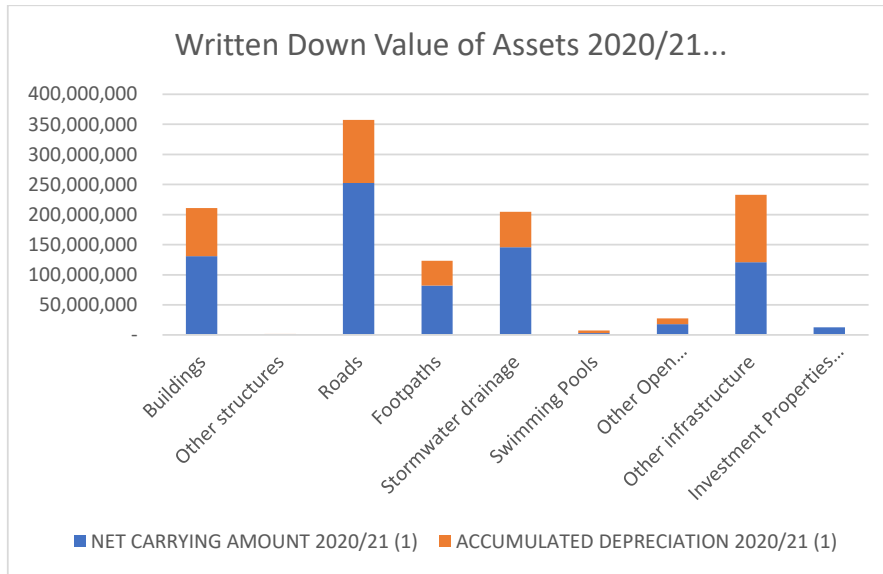


Figure 11: Written Down Replacement Cost 2020/21

**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.

The results of recent condition surveys are as follows:

**Road Pavement Assets Condition**

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 2019 condition data.

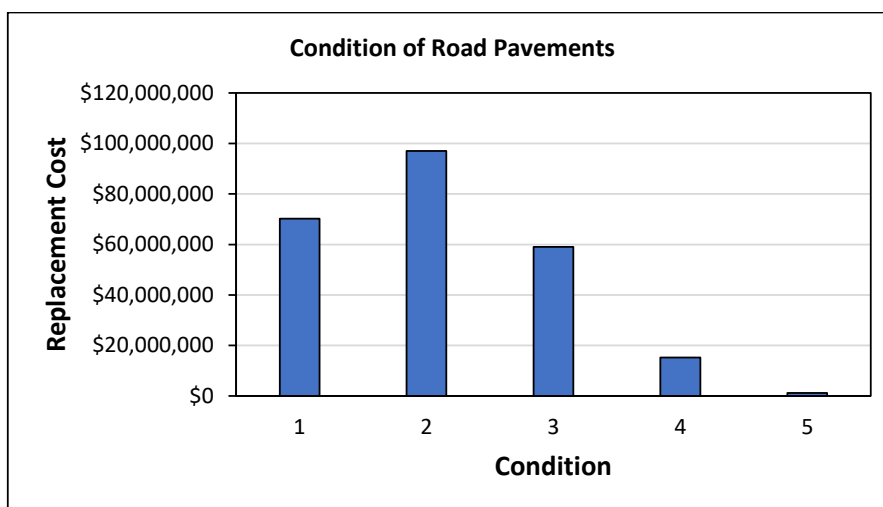


Figure 12: Condition of Road Pavements (2019)



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

Condition of Road Pavement		
Condition	Replacement Cost 2021 (\$)	%
1	\$70,189,232	28.9%
2	\$97,025,369	40.0%
3	\$59,075,604	24.3%
4	\$15,180,351	6.3%
5	\$1,184,186	0.5%
<b>Total</b>	<b>\$242,654,743<sup>9</sup></b>	<b>100.0%</b>

Table 11: Replacement Cost of Road Pavements

### Marine Structures and Seawall Assets Condition

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 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.

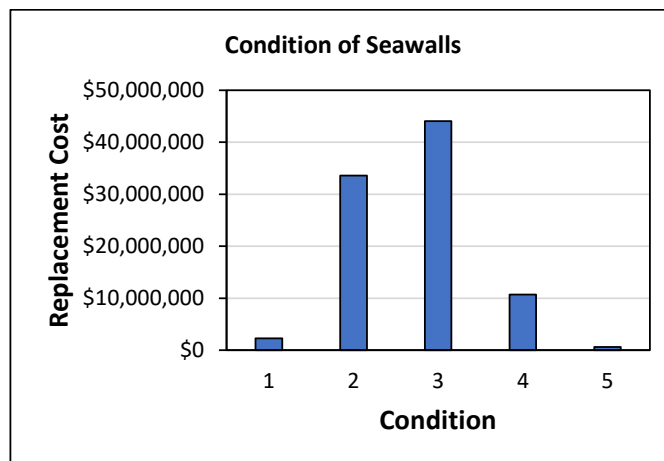


Figure 13: Condition of Seawalls (2017)

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

Condition of Seawalls		
Condition	Replacement Cost 2021 (\$)	%
1	\$2,287,657	2.5%
2	\$33,583,297	36.8%
3	\$44,057,119	48.3%
4	\$10,709,725	11.7%
5	\$629,251	0.7%
<b>Total</b>	<b>\$91,267,050</b>	<b>100.0%</b>

Table 12: Replacement Cost of Seawalls

<sup>9</sup> Replacement cost of depreciable components only, excludes non-depreciable formation replacement cost of \$18,217,652.

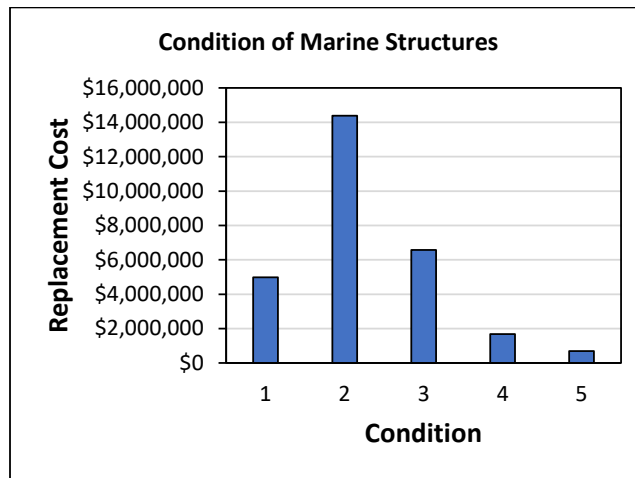


Figure 14: Condition of Marine Structures (2018)

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

Condition of Marine Structures		
Condition	Replacement Cost 2021 (\$)	%
1	\$4,979,288	17.6%
2	\$14,387,315	50.7%
3	\$6,447,601	23.3%
4	\$1,674,449	5.9%
5	\$693,684	2.5%
<b>Total</b>	<b>\$28,312,337</b>	<b>100.0%</b>

Table 13: Replacement Cost of Marine Structures

### 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 4% to 8% 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.

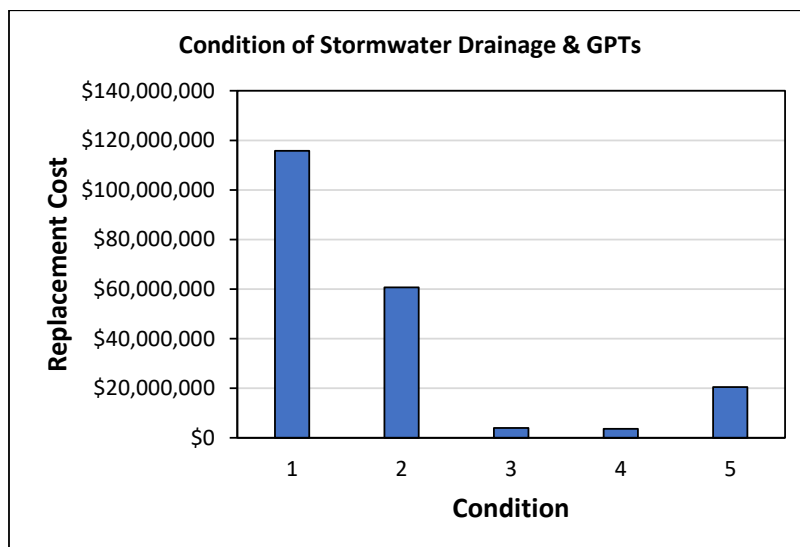


Figure 15: Condition of Marine Stormwater Drainage &amp; GPTs

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

Condition of Stormwater Drainage & GPTs		
Condition	Replacement Cost 2021 (\$)	%
1	\$115,736,683	56.6%
2	\$60,703,463	29.7%
3	\$4,017,595	2.0%
4	\$3,659,728	1.8%
5	\$20,435,208	10.0%
<b>TOTAL</b>	<b>\$204,552,676</b>	<b>100.0%</b>

Table 14: Replacement Cost of Stormwater Drainage &amp; GPTs

### Condition of Footpath Assets

The condition of Council's footpaths was surveyed at 10m intervals in 2019 by consultants Rapid Map Services Pty Ltd. 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

Table 15: Footpath Condition Matrix (2019)

The graph below shows the replacement cost for each of the condition scores. It should be noted that the replacement cost is based on the condition of footpaths at 10m 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.

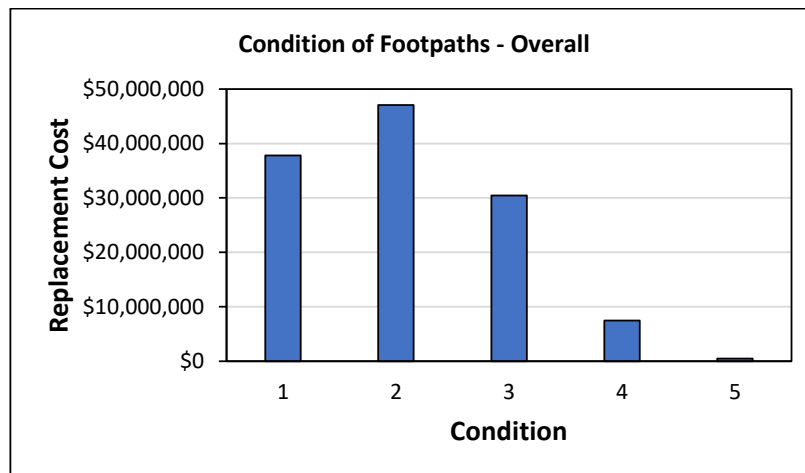


Figure 16: Condition of Footpaths (2019)

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

Condition of Footpaths		
Condition	Replacement Cost 2021 (\$)	%
1	\$37,818,161	30.6%
2	\$47,054,502	38.2%
3	\$30,436,684	24.7%
4	\$7,461,319	6.1%
5	\$472,020	0.4%
<b>Total</b>	<b>\$123,242,686</b>	<b>100.0%</b>

Table 16: Replacement Cost of Footpaths

It is important to note that replacement costs are based on “like for like” replacement only. Council’s adopted *Public Domain Style Manual* 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 the *Public Domain Style Manual*. Therefore, replacing the existing footpath materials with upgraded materials will increase the replacement cost significantly.

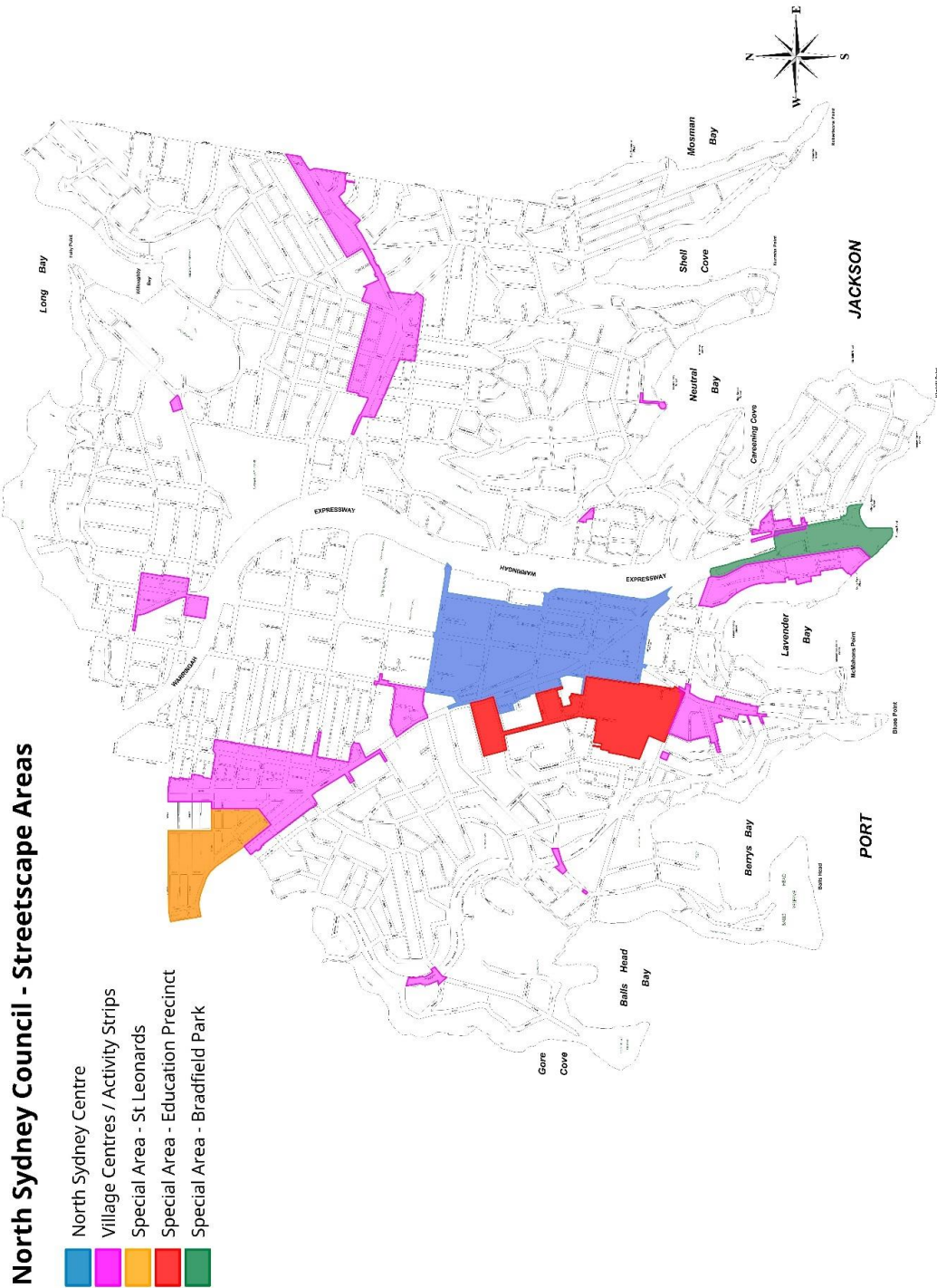


Figure 17: Streetscape Areas

## 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 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 (\$)
Buildings - non-specialised	30,475
Buildings - specialised	2,777,713
Other structures	53,885
Roads	5,974,630
Footpaths	3,190,669
Stormwater drainage	1,953,057
Swimming Pools <sup>10</sup>	2,791,529
Other Open Space/Recreational assets	1,259,501
Other infrastructure	3,469,335
<b>TOTAL</b>	<b>21,500,795</b>

Table 17: Average Asset Consumption required to meet the Asset Renewal Ratio target  
Source: Note C1-5 Annual Financial Statements for the year ended 30 June 2021

### 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* to determine community attitudes towards the services and facilities it provides. The survey is conducted on Council's behalf by an independent research company. The randomly selected representative sample consists of 400 residential and 200 business customers (both owners and renters). Full survey results are available from Council's website.

This 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* and *Asset Management Strategy/Plans* to ensure areas that are not meeting community expectation

<sup>10</sup> As at 30 June 2021 the NSOP redevelopment was not complete. Figures subject to change upon completion.

are reviewed. 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 resident satisfaction with key service areas:

Satisfaction With Key Service Areas - Residents			
Ranking	Service/Function	2020 Result	Change Compared To 2016 (%)
1	Maintenance of parks, ovals and bushland areas	91%	1% increase
2	Feeling safe in North Sydney	90%	1% increase
3	Way North Sydney as a whole looks and feels	88%	68% increase
4	Cleanliness of local roads and footpaths	86%	5% increase
5	Waste and recycling collection services	84%	2% increase
6	Recreation facilities	82%	n/a
7	Appearance of local village centres	78%	2% increase
8	Appearance of public spaces in the North Sydney CBD	73%	4% decrease
9	Maintenance of malls and plazas in commercial areas	73%	2% increase
10	Maintenance of local roads and footpaths	73%	2% decrease
11	Stanton Library	69%	2% increase
12	Council run community events	69%	5% decrease
13	Customer service/information provided by Council staff	64%	9% decrease
14	Management of traffic flow on local roads	63%	17% increase
15	Quality of commercial and residential development	58%	5% decrease
16	Policing of parking	52%	2% decrease
17	Pedestrian and cycle paths	52%	1% decrease
18	Range of arts and cultural experiences in North Sydney	51%	13% decrease
19	Community centres and facilities	50%	14% decrease
20	North Sydney Olympic Pool	49%	14% decrease
21	Provision of parking	46%	11% increase
22	Range of public art in North Sydney	41%	10% decrease
23	Children's services	26%	17% decrease

The following table details business satisfaction with key service areas:

Satisfaction With Key Service Areas - Businesses			
Ranking	Service/Function	2020 Result	Change Compared To 2016 (%)
1	Cleanliness of local roads and footpaths	82%	1% increase
2	Way North Sydney as a whole looks and feels	79%	1% decrease
3	Look and feel of commercial areas and villages	74%	2% increase
4	Maintenance of local roads and footpaths	73%	3% increase
5	Maintenance of commercial areas	70%	5% decrease
6	Quality of commercial and residential development	61%	10% decrease
7	Managing traffic flow on local roads	60%	7% increase
8	Customer service/information provided by Council staff	55%	2% decrease
9	Policing of parking	45%	7% decrease
10	Council's business processes	37%	n/a

Satisfaction With Key Service Areas - Businesses			
Ranking	Service/Function	2020 Result	Change Compared To 2016 (%)
11	Provision of parking	35%	2% increase

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

<p><b>Low Importance - High Satisfaction (Lower priority issues)</b></p> <ul style="list-style-type: none"> <li>• Provision of parking</li> <li>• Management of traffic flow on local roads</li> <li>• Maintenance of local roads and footpaths</li> <li>• Policing of parking</li> <li>• Quality of commercial and residential development</li> <li>• Range of arts and cultural experiences in North Sydney</li> <li>• Range of public art in North Sydney</li> </ul>	<p><b>High Importance - High Satisfaction (Issues requiring no additional attention)</b></p> <ul style="list-style-type: none"> <li>• Maintenance of parks, ovals and bushland areas</li> <li>• Cleanliness of local roads and footpaths</li> <li>• Maintenance of plazas in commercial areas</li> <li>• Community run community events</li> <li>• Feeling safe in North Sydney</li> <li>• Customer service/info provided by Council staff</li> <li>• Satisfaction with the way North Sydney as a whole looks and feels</li> <li>• Waste and Recycling</li> <li>• Appearance of public spaces in the North Sydney CBD</li> <li>• Appearance of local village centres</li> </ul>
<p><b>Low Importance - Low Satisfaction (Issues needing some attention)</b></p> <ul style="list-style-type: none"> <li>• Children's services</li> <li>• North Sydney Olympic Pool</li> <li>• Community centres and halls</li> <li>• Pedestrian and cycle paths</li> </ul>	<p><b>High Importance - Low Satisfaction (Critical issues for attention)</b></p> <ul style="list-style-type: none"> <li>• Stanton Library Recreation Facilities</li> </ul>

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

<p><b>Low Importance - High Satisfaction (Lower priority issues)</b></p> <ul style="list-style-type: none"> <li>• Provision of parking</li> <li>• Management of traffic flow on local roads</li> <li>• Quality of commercial and residential development</li> <li>• Policing of parking</li> </ul>	<p><b>High Importance - High Satisfaction (Issues requiring no additional attention)</b></p> <ul style="list-style-type: none"> <li>• Council's business processes</li> <li>• The way North Sydney as a whole looks and feels</li> <li>• Cleanliness of local roads and footpaths</li> <li>• Maintenance of commercial areas</li> <li>• Customer service/information provided by Council staff</li> </ul>
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<p><b>Low Importance - Low Satisfaction (Issues needing some attention)</b></p> <ul style="list-style-type: none"><li>• n/a</li></ul>	<p><b>High Importance - Low Satisfaction (Critical issues for attention)</b></p> <ul style="list-style-type: none"><li>• Maintenance of commercial areas</li><li>• The look and feel of commercial villages and local centres</li></ul>
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## GAPS AND FUTURE NEEDS

### Priority Risk Areas

North Sydney LGA is an established area. Much of its infrastructure is ageing and requires renewal. Risk management plans have been developed as part of each *Asset Management Plan*. This information provides an overview view of the long-term 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 several significant properties, including 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. The estimated cost to repair pipes in poor condition is \$24m.
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 \$3.6m.
Seawalls	Council has 4.7km 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 \$11.3m.
Marine Structures	Council has 28 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 \$2.4m.
Stormwater quality improvement devices	Council has 25 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. Council has 1,782 lights. Subject to a detailed design it is likely that additional lighting will be required.





Table 18: Priority Risk Areas

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

**Drainage Risk Examples**

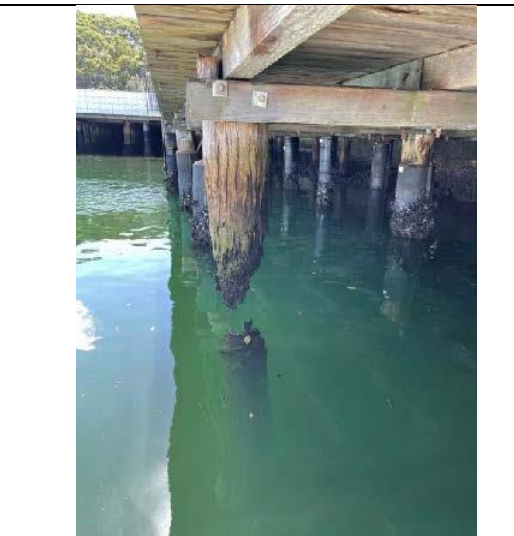
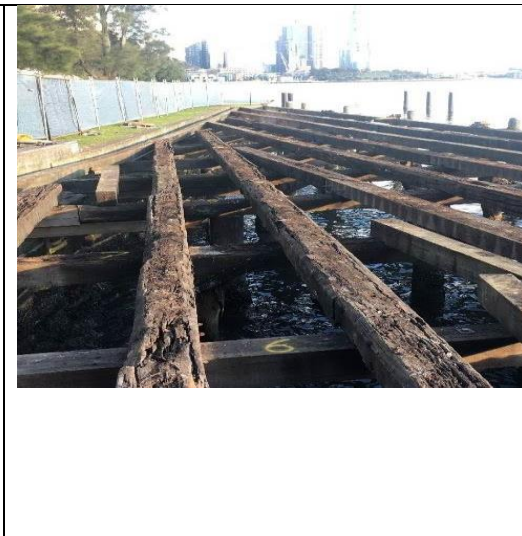
Examples of drainage risks are shown in the following photos.







	
Pipe in very poor condition	Pipe in very poor condition
	
Flooding issue	Flooding issue
	
Flooding issue	Sink hole in road near pipe

	
<p>Sink hole in road near pipe</p>	<p>Sink hole in reserve near pipe</p>
	
<p>Gross Pollutant Trap prior to cleaning</p>	<p>Debris being removed from Litter Basket</p>

**Marine Structure and Sea Wall Risks**

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

	
<p>Pile in very poor condition</p>	<p>Beams and girders in very poor condition</p>

	
<p>Termites found in timber marine structure</p>	<p>Evidence of marine worms in timber structure</p>
	
<p>Blocks missing and eroded</p>	<p>Sawmillers Reserve</p>
	
<p>Sawmillers Reserve</p>	<p>McMahons Point</p>



**Retaining Wall Risks**

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





## 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	Collect updated condition data for the following classes: <ul style="list-style-type: none"> <li>• Lights</li> <li>• Retaining Walls</li> <li>• Seawalls</li> <li>• Marine Structures</li> <li>• Stormwater Drainage</li> </ul>	2022/23
	Collect updated condition data for the following classes: <ul style="list-style-type: none"> <li>• Bus Shelters</li> <li>• Kerb and Gutter</li> <li>• Road Pavements</li> <li>• Street Furniture</li> <li>• Stormwater Drainage</li> <li>• Traffic Facilities</li> </ul>	2023/24
	Collect updated condition data for the following classes: <ul style="list-style-type: none"> <li>• Fences and Safety Barriers</li> <li>• Footpaths</li> <li>• Stormwater Quality Improvement Devices</li> <li>• Stormwater Drainage</li> </ul>	2024/25
	Collect updated condition data for the following classes: <ul style="list-style-type: none"> <li>• Playgrounds</li> <li>• Property</li> <li>• Public Amenities</li> <li>• Public Art and Monuments</li> <li>• Signage</li> <li>• Sporting Fields</li> <li>• Sporting Infrastructure</li> <li>• Sports Field Lighting</li> </ul>	2025/26
Corporate Asset Management System	Continue to develop the Corporate Asset Register. The following assets have been uploaded into the Corporate Asset Management System (CAMS): <ul style="list-style-type: none"> <li>• Bus Shelters</li> <li>• Traffic Facilities</li> <li>• Street Furniture</li> </ul>	2022/23 to 2025/26 in line with data collection



Practice Area	Task	Timeline
	<ul style="list-style-type: none"> <li>• Kerb and Gutter</li> <li>• Road Pavement</li> <li>• Footpaths</li> </ul> <p>Remaining asset classes to be uploaded into CAMS following the collection of data (refer above)</p>	
Asset Management Plan	Review all Asset Management Plans in line with the revised condition data and amended financial estimates	2024/25
Levels of Service	Conduct the next periodic <i>Customer Satisfaction Survey</i> to obtain benchmarking data regarding service levels for key assets/services	2023/24
	Conduct detailed community consultation regarding Levels of Service per asset class to understand the relationship between desired levels of service, their associated costs, and customer's willingness and/or capacity to pay; aligned to the next review of the <i>Community Strategic Plan</i>	2024/25
Skills	Review staff skills and capabilities to identify gaps/training needs	Annually
Evaluation	Review and evaluate the <i>Asset Management Policy, Asset Management Strategy</i> and <i>Asset Management Plans</i>	Annually

## 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* and *Long Term Financial Plan*. 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's Engineering and Property Services Division leads the monitoring and reporting against the Asset Management Strategy, Asset Management Policy and Asset Management Plans. However, implementation requires cross-organisational collaboration.

Council must prepare its asset performance reports in accordance with statutory requirement and 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
- the assets held by Council at the end of that year, for each of Council's principal activities and
- a report on the condition of the public works under the control of Council as at the end of that year (known as Special Schedule 7), 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 *Financial Statements*) flow 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 monitors and reviews 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 PLAN 2022-2026**

## OVERVIEW

North Sydney Council prepares the plan for its workforce every four years aligning with its Community Strategic Plan, Delivery Program and other components of the Resourcing Strategy including long term financial planning and asset management planning.

The Workforce Plan is aimed at ensuring that Council's has the right workforce at the right time with the right skills, leadership, and culture to respond to the needs of the community and conduct the business of Council in the most efficient way.

The last few years have presented increasing change and challenges for the local government sector. Councils have experienced rapid changes in technology, reduction of funding opportunities, increased responsibilities for local government, an expansion in new infrastructure across the Sydney Metropolitan area, and increasing competition within the job market, skills shortages and reduction in revenues.

This is coupled with general changes in the economy such as a shrinking Australian labour force, the COVID pandemic, decreases in Australian productivity, skills shortage within trades as well as technological skills, demand for skilled workers worldwide exceeding supply, more mobile employment with talent migrating, growing demand for flexible working, and job seekers educated in job seeking - continually reviewing vacancies utilising technology to be aware of opportunities and leveraging this to gain salary increases.

North Sydney Council's workforce, like many other councils, is ageing and is experiencing a period of high turnover. The workforce is experiencing a period of intense change and must manage these changes while delivering services to the community. Councils operate within increasingly difficult environments that demand greater flexibility, responsiveness, and performance improvements to meet these challenges. Councils are required and must focus on adopting a strategic approach for identifying and meeting the needs of the community and making plans of actions. Workforce planning is the tool which assists councils to ensure that its' workforce is ready and able to meet the challenges of today and the future.

Council is focusing on adopting a strategic approach, planning to negotiate workforce issues within the context of the *Community Strategic Plan*. This approach means that the Council is aiming to ensure that its workforce is ready to meet current challenges and that we are preparing our workforce to be able to succeed in meeting commitments within the *Community Strategic Plan* and *Delivery Program* over the next four years.

The *Workforce Plan* analyses Council's current workforce and looks at trends and the challenge involved to deliver the operational plan. It attempts to anticipate future needs and capabilities required to build workforce capability to implement its' plans efficiently.

### **Workforce Planning Methodology**

The *Workforce Plan* objectives are reviewed quarterly to ensure that projects are on track. This ensures that the plan remains contemporary to councils needs and direction. Key workforce metrics are also reported quarterly to the Senior Management Team to highlight

any significant trends, changes or issues to address with Council’s workforce. The following methods have been utilised to identify and analyse gaps in our workforce and develop strategies to address future needs of the Council’s workforce:

- review of the current challenges in order to identify and prioritise workforce initiatives,
- Manager and Director feedback to identify staffing needs, skills and structure for new Delivery Program
- Contingency Plans reviewed to identify skills gaps and methods for knowledge retention, and identify succession plans
- Employee Engagement Survey undertaken to gather employee input on job satisfaction, organisational culture, career development, leadership, and communication within the organisation. This provides measurement of morale and seek staff input on ideas for improvements
- Review of the Disability Inclusion Action Plan, including a staff survey identifying issues which impact on equal participation in our community and workplace, and
- analysis of workplace metrics to identify workforce trends and patterns.

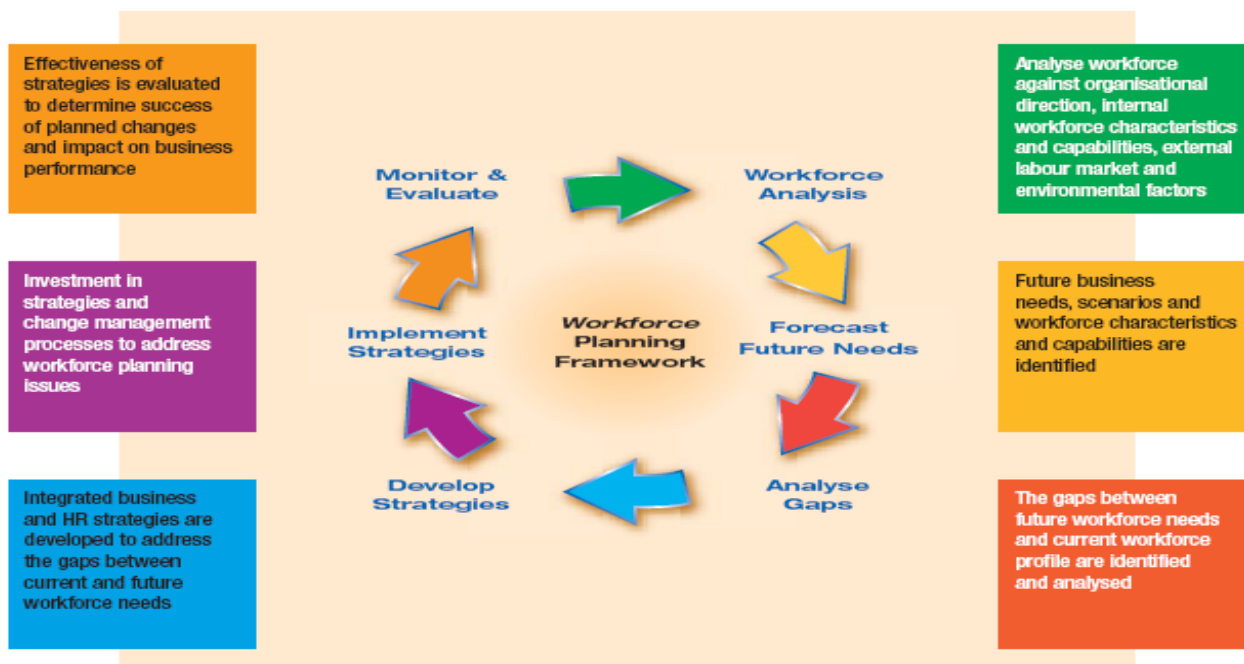


Figure 18: Workforce Planning Methodology

## CURRENT WORKFORCE ANALYSIS (OUR HERE AND NOW)

The figures below show that Council's workforce has remained relatively stable over the last three years. Due to a high turnover council is currently holding numerous vacancies. As of April 2022, there are 22 positions being actively recruited. Importantly employee costs over the last four years have also remained relatively stable. In 2020/21 there was a reduction in expenditure due to redundancies of North Sydney Olympic Pool staff due to the closure of the complex for refurbishment and some minor restructuring.

### Staff Numbers

Table 19 details the staff numbers as at March 2022, while Table 20 compares the Full Time Equivalent (FTE) between 2020 and 2022.

FTE	Full Time	Part Time	Casual	Total	Staff Establishment
356.07	317	54	21	371	420

Table 19: North Sydney Council staff number breakdown - March 2022

Year	FTE
2022	356.7
2021	369.83
2020	386.83

Table 20: North Sydney Council FTE comparison - 2020 to 2022

### Staff Costs

Table 21 details the staff costs for the financial years 2018/19 to 2021/22.

	2021/22 \$	2020/21 \$	2019/20 \$	2018/19 \$
Employee Costs - Salaries & Wages	35,726,936	32,579,756	34,330,767	32,923,688
Employee Costs - Employee Leave Entitlements	5,583,343	5,120,514	6,736,954	7,023,318
Employee Costs - Superannuation	4,343,792	4,059,908	4,157,243	4,108,728
Employee Costs - Workers Compensation	903,000	687,048	622,913	598,298
Employee Costs - Fringe Benefits Tax	217,916	248,473	186,111	150,503
Employee Costs - Other	214,800	203,991	159,634	186,813
Total	46,989,787	42,899,690	46,193,622	44,991,348

Table 21: North Sydney Council Staff costs - 2018/19 to 2021/22

**Divisional Staff Spread**

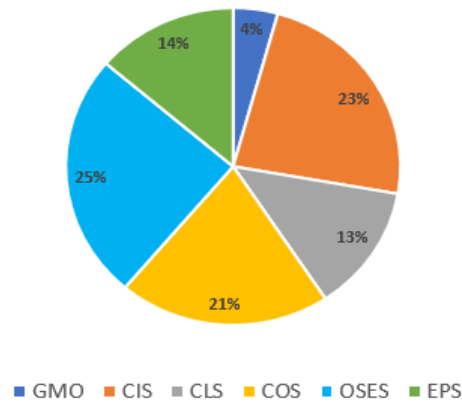


Figure 19: North Sydney Council divisional staff spread - March 2022

Figure 19 illustrates how staff are employed across the divisions at Council. Open Space & Environmental Services (OSE) is the largest division, closely followed by City Strategy (CIS) and Corporate Services (COS).

**Staff Turnover**

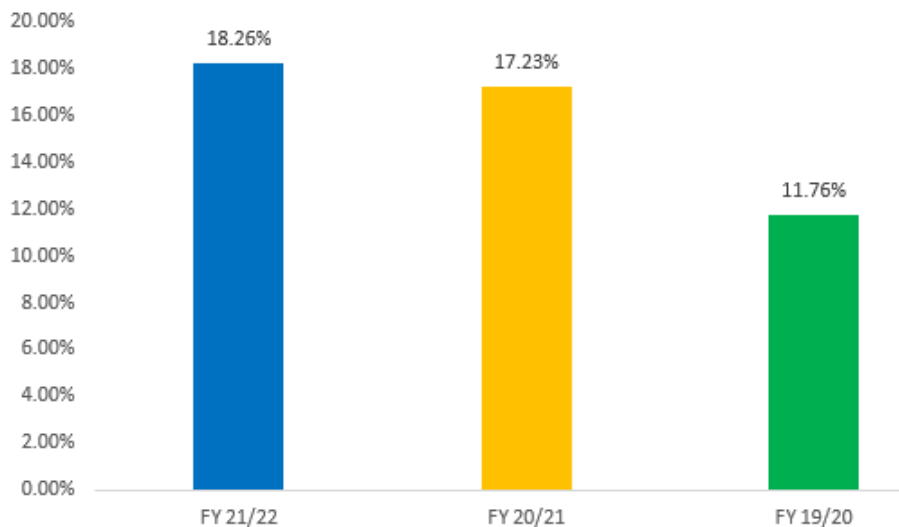


Figure 20: North Sydney Council staff turnover based on FTE - March 2022

Council is currently experiencing a high rate of turnover as demonstrated by Figure 20. The main reasons for leaving Council include career opportunity, remuneration, flexible work arrangements, travel time to work and retirement. The contributing factors include a very competitive job market with higher rates of advertised vacancies across all sectors. The latest ABS statistics show there was an increase in vacancies from 6.9% from November 2021 and that this was 8.6% for Public Sector vacancies. The state public sector is a major competitor for staff in the Sydney metropolitan area.



**Age Profile**

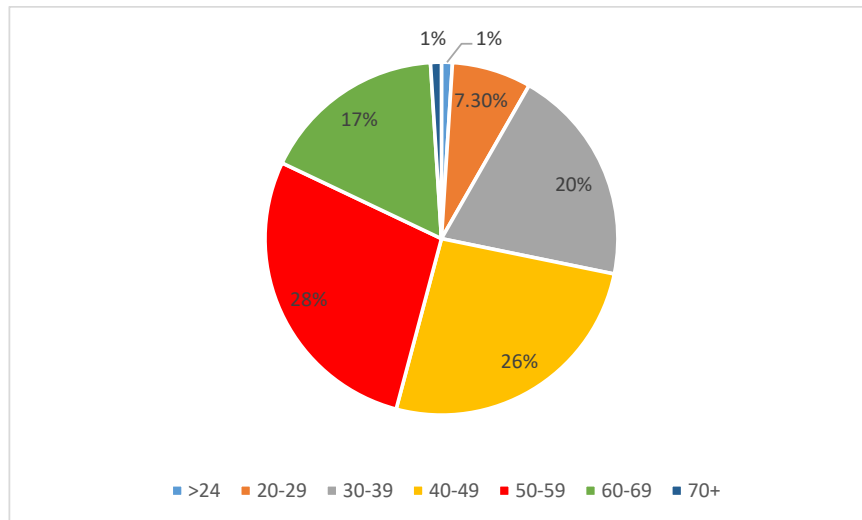


Figure 21: Age Profile of North Sydney Council staff - March 2022

As illustrated in Figure 21, The age demographic of Council staff clearly demonstrates an aging workforce, with 46% being over 50 years and 31.5% bover 55 years, and 18% over 60 years. Council’s strategies will concentrate on transitioning our workforce while retaining knowledge and skills and creating new talent pipelines for council.

**Tenure**

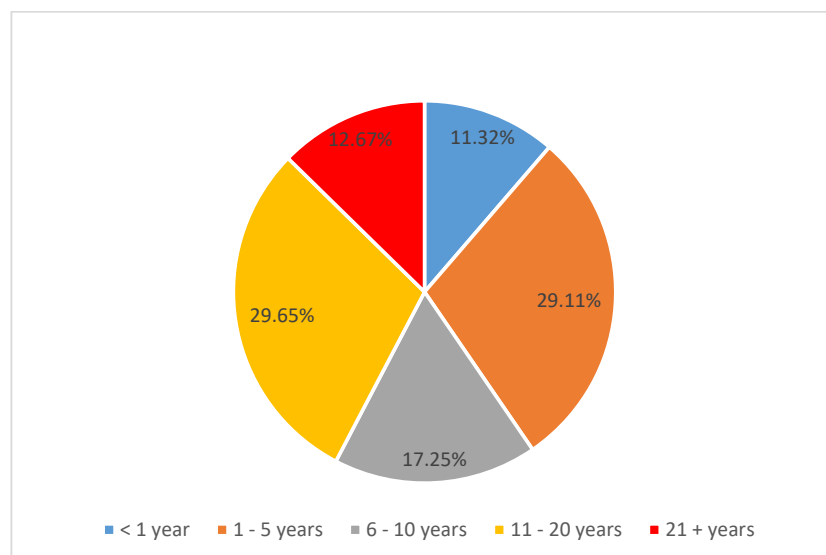


Figure 22: Tenure of North Sydney Council staff - March 2022

As illustrated in Figure 22, the age demographic of staff also impacts on Council’s employee tenure. The average tenure for staff who are 55 years is 16.8 years. Having longer tenue means that there is also higher level of organisational knowledge concentrated in this group

who are eligible for retirement. A higher number of long serving staff also impacts on Council’s leave liability as staff are earning long service leave at higher rates.

**Gender Breakdown**

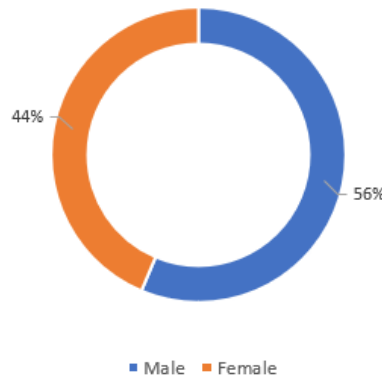


Figure 23: Gender Breakdown of North Sydney Council staff - March 2022

The following graph indicates the male/female breakdown of the senior management team and, as well as the combined results of both cohorts.

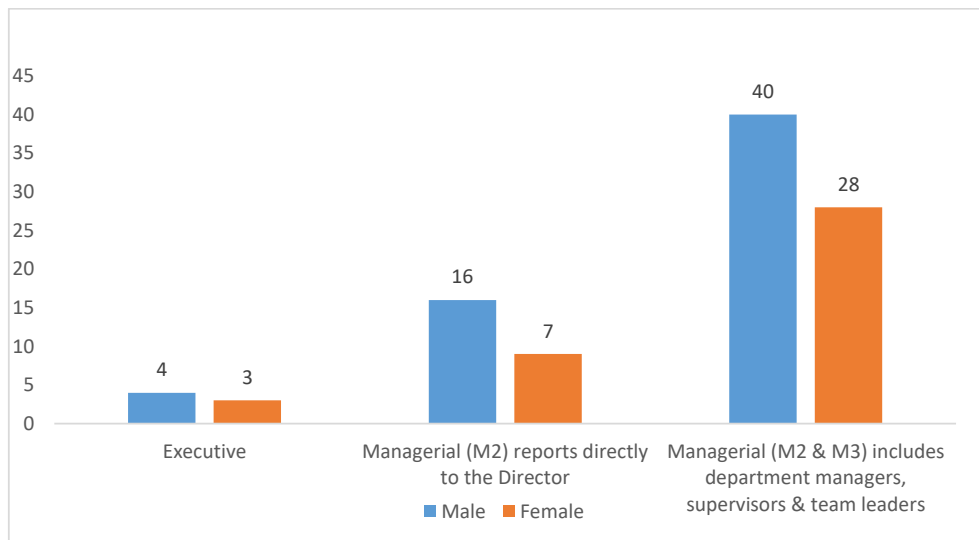


Figure 24: Gender Breakdown of North Sydney Council management staff - March 2022

As demonstrated in Figure 23, there are fairly equal amounts of women and men in the organisation. The outdoor staff in the OSE and EPS Divisions have a lack of female representation. As shown in Figure 24, the senior role breakdown shows that Council has good representation of women across the management hierarchy.

**Cultural Diversity**

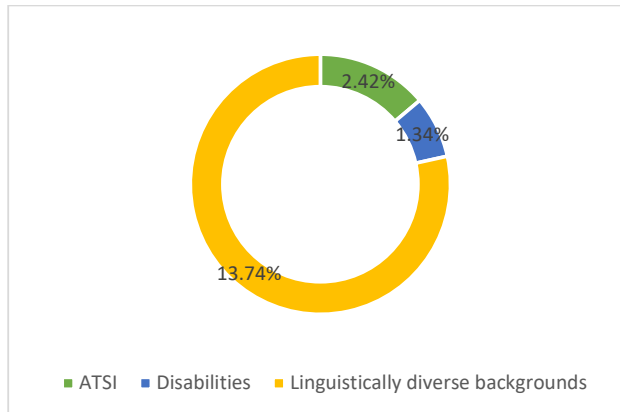


Figure 25: Cultural Diversity of North Sydney Council staff - March 2022

Council’s representation of people from culturally and linguistically diverse (CALD) backgrounds has remained unchanged in the last few years and together with the other EEO target groups could be improved. The survey method for EEO will be reviewed, as a recent *Disability Inclusion Action Plan* (DIAP) survey indicated 15 staff identifying as having a disability which included a chronic illness, which is not reflected in these figures.

The NSW Government has provided EEO employment benchmarks for the public sector (based on estimated representation of EEO groups in the NSW working population). Compared to these figures North Sydney is making progress to matching these benchmarks:

- 50% for women
- 2.6% for Aboriginal and Torres Straight Islanders
- 19% for people whose first language was not English
- 1.5% of people with disabilities.

**Staff Travel to Work**

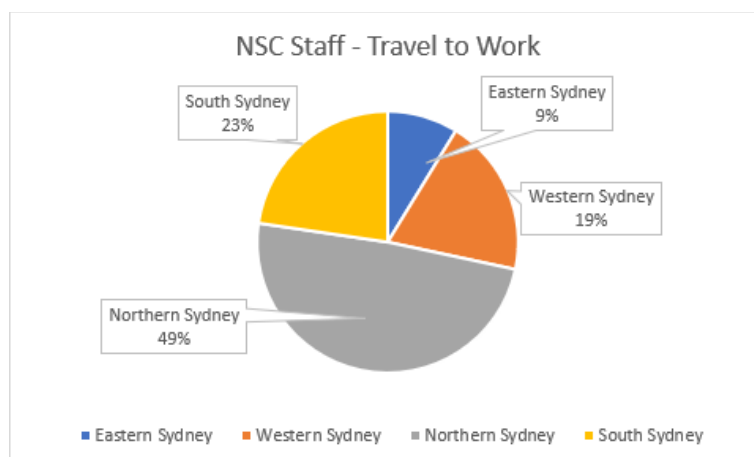


Figure 26: North Sydney Council staff travel to work locations - March 2022

Council staff live across 34 local government areas, this means that employees travel to and from the workplace from a wide geographic area. Only 11% of staff live in the North Sydney LGA. As indicated in Figure 26, it is important to note that 38% of staff travel over 40 kilometres daily to and from work and a further 17.6% of staff travel over 60 kilometres per day to attend work. This means that Council is recruiting from diverse areas across the whole of the Sydney region, from the top of the Central Coast, up to the Blue Mountains and down to Wollongong. It also means that staff are expending a significant amount of time and money in their travel to and from work.

## EMERGING CHALLENGES AND GAPS

Government agencies across Australia are all experiencing similar challenges. Australia's workforce is shrinking. This is a direct result of ageing population and talent migration globally. The aging population is reflected in Council's aging workforce which has 18% of employees who are over 60 years of age. The next decade will see a substantial proportion of Council's workers retiring from the workforce. This means that council will be losing critical skills and knowledge within the organisation. The aging populations of our local communities will also increase resulting in changed demands for services.

Council has developed an *Age Management Plan* which provides a structure to support the transition of our ageing workforce. The plan proposes strategies to future proof Council, concentrating on growing our own talent, transfer and retaining skills/knowledge and developing pathways to introduce new generations into the workplace. The *Age Management Plan* aims to assist our older staff to strategically transition to retirement through flexible work practices. This plan also aims to enhance council's current health and wellbeing program, to be inclusive of practices to sustain healthy lifestyles and improve workplace practices to support an ageing workforce and ensure their safety while continuing to work.

Skills shortages are a major issue facing many Australian workplaces and the Local Government sector is struggling in the competition to attract and retain talent and skills. North Sydney Council has noticed a drop in applicant numbers to an average of 14 applicants per vacancy.

Local Government Managers are currently reporting lack of applications for positions, poorly qualified/experienced applicants and are experiencing increased completion both in the wider job market, from State government and between councils.

Council's recruitment experience to date has identified that the following roles, as shown in the table below, 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. Council is experiencing reduced numbers of applicants in most categories:

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. A1 certifiers particularly scarce.

Positions	Division	Reason/Comment
Building Surveyor	CIS	Increased demand due to legislative requirements and also higher level of accreditation making it more difficult to become accredited and now the difficulty in obtaining professional indemnity.
Environmental Health Officer -	CIS	Changes in legislation mean more work in this area especially with COVID, however the number of available suitably qualified candidates have not increased.
Drivers (MR Licence)	OSE	Overall shortage in supply; currently sourced most through agencies incurring higher costs.
Engineers - Traffic and Civil	EPS	Increased turnover. Overall current shortage of civil qualified candidates with local government experience or with transport expertise. Increased surge in movement to TfNSW/Metro.
Geographical Information Systems Mapping Officer	COS	Low turnover. However, if vacancy occurs, shortage of suitably qualified candidates with experience in specific software.
Library (Shorelink)	CLS	Unusual mixture of Library and IT qualifications required; Turnover low. However, if vacancy occurs, short supply. Note: is currently a shared resource between several councils.
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; the quantity of candidates with suitable skills, abilities and motivation to do the job is low.
Revenue & Rates Officer*	COS	Shortage of applicants with both the specialised knowledge and experience required or even basic experience.
Town Planners (with experience)/Senior Level Executive Planners	CIS	Increased shortage of supply, particularly at a Senior/Exec level. Graduate positions are an increasing challenge to fill with a number of Graduates being offered at a planner/engineer level if they've attained on the job experience. State government projects are impacting on availability as they pay higher than local government and provides higher award conditions.

Positions	Division	Reason/Comment
Tradespeople	EPS	Short supply, over all trades This has impacted recruitment for arborists, mechanics and carpenters. 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.
Administrative Assistants	All	Short supply, demand is high for people with computer skills, who have good interpersonal and organisational skill.

Table 22: Hard to Recruit Positions Summary

The average turnover rate for Council in 2021 was 17.9%, this is 5.9% higher than the 12% internal benchmark for turnover in council’s delivery plan targets. These statistics reveal a 6.4% increase in staff turnover when compared to the results in 2019.

To combat turnover and retention Council needs to place itself as an Employer of First Choice. The Employee Value Proposition, as illustrated in Figure 27, is essential to consider when developing strategies for retention and attraction. Factors which impact the employee value proposition are the total employment offer from the organisation. This includes not only the traditional benefits relating to salary, employee benefits, education, training, career development but increasingly flexibility within the workplace and the culture and values of the workplace.

**Employee Value Proposition:**

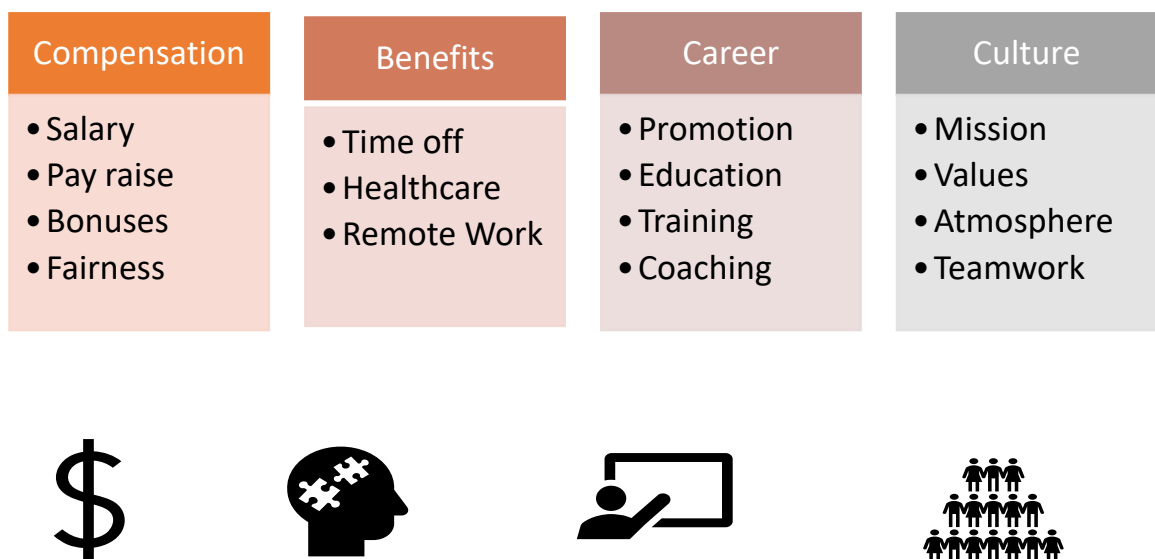


Figure 27: Employee Value Proposition

## WORKPLACE CULTURE

The culture of the Council impacts on organisational performance and morale. Organisational culture sets the scene for valuing employees and building trust and integrity within the organisation. Constructive organisational cultures are those in which members are encouraged to interact with people in a supportive, co-operative respectful manner and approach tasks in ways that will help meet the organisational needs.

Prospective employees seek out organisations where they perceive there is a positive culture and values that match the employees' own integrity. People want to work for companies with a good reputation and increasingly seek out companies which have a good image or 'brand'. Positive organisational culture impacts on all aspects of the organisation and sets the atmosphere that employees work in. According to research by Deloitte, 94% of executives and 88% of employees believe a distinct corporate culture is important to a business's success<sup>11</sup>. It is well documented that a positive organisational culture will heighten morale and engagement, improve performance, and attract talent.

### Corporate Values

Council will relaunch its corporate values to re-align the culture of the organisation with the new Community Strategic Plan. This will ensure employees understand and demonstrate the corporate values in their everyday work. These values are integrated into our core human resources processes.

### Talent Development

Talent development and growing our own staff is key to Council's staff retention and engagement. Council will build on its leadership development program and focus on the Senior Management Team as well as developing its managers and supervisors. A strong clear leadership demonstrating the corporate values is fundamental to building a sustainable future organisation. There will be a focus on our foundation employees who will develop into the management team of the future. Council will develop training which concentrates on both current and future leaders.

Identifying developing and investing in upcoming talent will cultivate Council's leaders of the future. Council will also focus on developing its' employee pipeline. Traineeships, Graduate Programs and Apprenticeships will be a pathway to importing a new generation into the workplace who understand our business, are trained in our business-critical skills and have the qualifications required for our future.

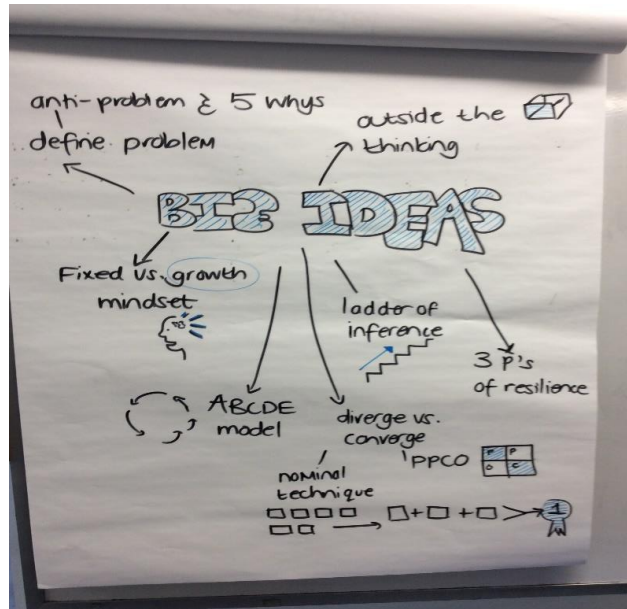
Developing our own staff is key to retention and engagement. Career development is one of the main determinates people join, commit, and plan a career within the organisation. Council will utilise training plans within the Performance Planning Assessment Process to create individual learning paths for individuals. Council will continue to offer a program of

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<sup>11</sup> Forbes Allan Kohl - how to build organisational success 2018



internal training and education for the development of staff which will include face to face training and online learning.



Commitment to training and development is crucial to the ongoing success of the organisation which means allocating both resources and time for employees to learn. Unless learning time is structured and allocated within the working week, it is often neglected. Without allocation specific periods for learning, skills development may be pushed into the background and fail to be implemented. Committing to an individual training plan and ensuring it happens will be a key accountability for management. Internal opportunities for development need to be identified and encouraged. Council will continue to utilize and expand on secondments, job shadowing, mentoring and individual coaching to develop our internal workforce. Identifying inter departmental projects, implementing working groups and involving all levels of staff will assist in increasing knowledge and skills within the organisation.

**Workplace Flexibility**



The COVID pandemic presents an unprecedented challenge to the way work is conducted to the world. Council had to manage and mitigate the risks presented. Council adapted to new ways of working while ensuring the continuity of the business and sustaining the vitality of our workforce. Council leveraged technology to maximise employee productivity whilst practicing flexible work practices with employees to ensure everyone's safety. Employees benefited from these flexible working practices and are increasingly demanding this offer to be maintained as part of their employee benefits. Organisations are increasingly restructuring work arrangements to meet this demand and leveraging this as part of their recruitment strategy.

The pandemic has paved the way for a hybrid workplace. A hybrid workplace is a model which combines both remote working and working in the office. The rapid increase of hybrid workplaces was a necessary response to the pandemic, moreover a hybrid approach aims to provide an optimal balance of productive work with reduced stress and work-life balance.

The most visible benefit of working from home is the lack of commute. On average staff at Council save between one to four hours commuting to and from work, commutes are time consuming, stressful, and expensive. This is complicated at council due to lack and expense of available parking. While working through the pandemic, staff have been able to eliminate their commute time and utilise the saved time for work life balance. It is highlighted by many staff that they don't mind working additional time at home when they have saved three hours a day on a commute, thus benefiting both the employee and the organisation. Staff have also indicated that they have made savings due to reduced travel and parking costs. A hybrid working arrangement also benefits the environment in that it reduces use of vehicles, reduces traffic, and reduces the demand for parking in North Sydney which already has congestion issues. Increasing flexible workforce practices therefore increases sustainability at Council.

It has been observed in employee turnover that employees are increasingly opting for positions with flexible work options or choosing to work closer to home. This poses a significant challenge for Council due to the large number of staff travelling into North Sydney from quite long distances (only 11% staff live in the LGA). With petrol costs soaring, traffic returning to pre covid levels and the transportation system facing stoppages and interference with extreme weather, staff are demanding increased flexibility and are considering leaving to gain these benefits.

Workforce flexibility will be a key recruitment and retention strategy. Council has a working from home policy however needs to review working arrangements and offer a wider range of options including, compressed working week/fortnight, increasing part-time and job-sharing roles as well as remote work. Increasingly most Sydney metropolitan councils are leveraging these arrangements as part of the employee value proposition.

### **Employee Pay and Benefits**

Pay and benefits are an integral part of the employee value proposition. The *Local Government (State) Award* requires that each council establishes a salary system and provides for a system of progression through a salary range. The Award is currently under

review, with annual increases to be announced which will be used to inform salary budgets over the next four years.

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. 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.

Council has an annual performance planning and assessment process in place, which was last extensively updated in 2009 and reviewed in 2017. While this has a bonus system incorporated for staff at the top of their salary range, due to the impact of financial restraints bonuses have not been paid for the previous two financial years. This meant that 186 staff at the top of their salary range did not receive a bonus in 2021. Of the 180 staff who still had steps to achieve in their salary range 65.5% received a salary step in 2021. Staff reward is a key part of the employee value offer and can be utilised to link the employee's productivity to organisational plans and reward employees for achievement of objectives. This is therefore an important element impacting on staff satisfaction.

Council has a job evaluation system which devises a salary range for each position, this identifies where a position fits within Council's salary range. Jobs are re-evaluated when managers highlight that a position has had significant change or requires a higher-level skill set.

Moving forward Council needs to review its position within the Local Government Market in order to position itself as an employer of first choice. Traditionally, Council has aimed to be in the 75th percentile of local government salaries. Council needs to ensure that positions are regularly reviewed and compared to the local government market and salaries adjusted to maintain a competitive position. To ensure positions are reviewed accurately against the market Council will review its job evaluation system and process and conduct regular salary surveys within local government.

### **EEO Management Plan**

Council believes that a diverse network of employees which truly reflect the community it services and represents, is better equipped to understand and meet the needs of our customers.

North Sydney Council is committed to the principles of equal employment opportunity (EEO). Council aims to provide a work environment that fosters fairness, equity, respect for social and cultural diversity, and is free from unlawful discrimination, harassment and vilification as determined by the legislation.

The concept of equity and fairness encompasses all facets of employment - applying for a position, promotion or transfer, access to training and development. The EEO Management

Plan (2021) incorporates the principals of quadruple bottom line in that it is not just the economic performance of the organisation but also the environmental and social performance of the organisation that lays the foundation for good governance. The EEO Management Plan aims to highlight the importance and organisational commitment to anti-discrimination principals. Treating people with respect and equality is imbedded in our Code of Conduct and relevant policies. The EEO Management Plan recognises the target groups identified in the Local Government Act 1993 and aims to improve participation in the workforce within these groups.

Council's *EEO Management Plan* lays out strategies to communicate principals across the organisation. The communication strategy aims to ensure that our employees commit to and practice EEO principals throughout their employment relationship, creating a culture that embraces diversity and inclusivity. The Plan identifies strategies to ensure that our systems and process are based on principles of merit and are free from bias. Through learning and development council will enhance the knowledge of managers and supervisors to support Council's workforce in demonstrating and adhering to the principles of equity and diversity. Having a strong *EEO Management Plan* assists in developing a positive culture and improving Council's brand, helping Council towards becoming an employer of first choice.



### **Employee Health and Wellbeing**

Council has continued to provide a healthy and safe work environment for workers. While Council has a work health and safety (WHS) structure and process that aligns to the Australian Standards, a key component is continuous improvement of the system.

The specific deliverables over the next four years for work health safety (WHS) include implementing a solution that will simplify and improve the WHS management of contractors, reviewing training requirements for WHS and injury management, undertaking activities to promote WHS leadership and increase the safety culture and engagement, and a regular review of the WHS management system and injury management process. These specific

activities are in addition to the regular and usual implementation of safety practices and initiatives.

Council has a health matters program which aims to improve employee wellbeing, health and fitness. The key objectives of the program are:

- to grow our employee value proposition, which will assist in building our company profile and providing an additional platform to attract candidates and retain existing staff,
- to better engage our workforce and assist in the reduction of absenteeism and increase productivity through greater discretionary effort; and
- early intervention to identify and minimise health issues for employees and reduce impacts/costs associated with chronic diseases, illness and of workplace injuries.

The program aims to encompass a wholistic approach to health management and includes programs which address all aspects of health including the physical, spiritual, social and financial wellbeing of our employees. Providing a safe and naturing workplace not only increases our employee value proposition but assists in creating a healthy, happy workplace where staff are resilient and better able to manage the stresses of the modern workplace.



## IMPROVEMENT PLAN

Council's long-term objective is to be recognised as an employer of choice, attracting, retaining, developing and supporting highly skilled staff. Our objectives focus on building capabilities and developing a flexible and adaptive workforce to create sustainability for the organisation. The strategies concentrate on three objectives:

- attract develop and retain the right people,
- leverage the capability of our workforce, and
- focus on organisational development and sustainability.

### Objective 1: Attract, Develop and Retain the Right People

STRATEGY	ACTIONS
Appropriately respond to the impacts of an aging workforce	<ul style="list-style-type: none"> <li>• Implement the <i>Age Management Plan</i> in accordance with planned timeframes</li> <li>• Monitor and report on progress on a quarterly basis</li> <li>• Develop and implement a retention program to address significant issues</li> <li>• Continue to report, monitor and evaluate workforce demographics to the Senior Management Team to highlight emerging issues</li> </ul>
Address staff attraction issues	<ul style="list-style-type: none"> <li>• Review flexibility of workplace arrangements offer</li> <li>• Review the annual performance planning assessment (PPA) offer to and ensure system is transparent, easy to utilise and encourages high performance</li> <li>• Review the job evaluation system (methodology) to ensure that positions are reviewed as they change. Ensure evaluation method incorporates local government market comparison</li> </ul>
Offer wellbeing program	<ul style="list-style-type: none"> <li>• Provide an annual program of health and wellbeing initiatives</li> <li>• Review of Employee Assistance Provider Arrangements and implement changes as required</li> </ul>

### Objective 2: Leverage the Capacity of Our Workforce

STRATEGY	ACTIONS
Develop training to meet organisational needs	<ul style="list-style-type: none"> <li>• Continue to offer an annual training program which meets organisational needs concentrating on all levels of management as well as foundation employees developing into management</li> <li>• Continue to offer external opportunities for external specialised skill development</li> <li>• Ensure training plans are submitted for all staff as part of the annual PPA program</li> <li>• Continue to offer education assistance for those continuing studies</li> <li>• Continue to leverage eLearning as a self-development tool</li> </ul>

STRATEGY	ACTIONS
Create succession and knowledge retention plans	<ul style="list-style-type: none"> <li>Investigate opportunities to offer traineeships, increased apprenticeships, and graduate programs</li> <li>Investigate opportunities to partnership with local educational institutions to develop traineeships and work experience programs</li> <li>Develop a higher duties policy and process</li> <li>Continue to develop opportunities for internal secondments, job shadowing, mentoring and individual coaching to develop our internal workforce</li> <li>Periodically review Council's contingency plans to identify high risk positions, resourcing gaps and strategies for knowledge retention and succession planning</li> </ul>

### Objective 3: Organisational Development and Sustainability

STRATEGY	ACTIONS
Encourage diversity in our workplace	<ul style="list-style-type: none"> <li>Continue to implement the <i>EEO Management Plan</i></li> <li>Design, develop and implement programs that promote diversity and inclusiveness</li> </ul>
Continually enhance our workplace culture	<ul style="list-style-type: none"> <li>Relaunch the corporate values and integrate this into our systems and processes to maintain a positive, productive culture</li> <li>Design, develop and implement programs and initiatives that promote and reinforce council's vision and values</li> <li>Undertake periodic employee engagement survey</li> <li>Develop an action plan to address feedback/recommendations arising from each employee engagement survey</li> </ul>
Ensure organisational structure supports delivery program	<ul style="list-style-type: none"> <li>Review departmental organisational structure to ensure that structures are best aligned to Delivery Program</li> </ul>
Provide best practice in our processes and systems	<ul style="list-style-type: none"> <li>Continuous improvement in the HRIS system in order to provide accurate and timely data for both staff and managers</li> <li>Continue to review human resources polices in line with organisational changes and the <i>Award</i> changes</li> </ul>
Ensure safety of employees	<ul style="list-style-type: none"> <li>Identify and implement solutions that will simplify and improve the WHS management of contractors reviewing training requirements for WHS and injury management</li> <li>Undertake activities to promote WHS leadership and increase the safety culture and engagement</li> <li>Regular review of the WHS management system and injury management process</li> </ul>

## RESOURCING

The cost of implementing the *Workforce Plan* has been incorporated within Council's four-year financial estimates within the Delivery Program and Long Term Financial Plan. However, it should be noted that this plan 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 the Workforce Plan, rests on all internal stakeholders. However, the level of responsibility differs amongst the various stakeholders.



## **MONITORING AND EVALUATION**

Council will periodically monitor and evaluate implementation of the four-year actions within the Workforce Plan 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 four-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 quarterly performance reporting to the Senior Management Team, against related actions within the Delivery Program and Annual Report and via feedback provided by key stakeholders as part of the implementation process.

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 aligns to the term of Council.

## APPENDIX 1. 10 YEAR FINANCIAL MODEL (PLANNED SCENARIO)

### PROJECTED INCOME STATEMENT

	Actuals	Current Year					Projected Years					
	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
<b>Income from Continuing Operations</b>												
Rates & Annual Charges	66,018	71,141	72,409	73,800	75,226	76,688	78,187	79,722	81,296	82,907	84,560	86,254
User Charges & Fees	31,166	25,768	29,592	33,096	33,924	34,772	35,635	36,523	37,434	38,370	39,328	40,310
Other Revenue	8,390	9,520	9,087	9,810	10,118	10,356	10,598	10,848	11,102	11,364	11,648	11,939
Grants & Contributions provided for Operating Purposes	5,449	4,998	5,554	5,462	4,955	5,061	5,168	5,280	5,393	5,508	5,627	5,748
Grants & Contributions provided for Capital Purposes	24,219	18,695	5,961	3,058	14,659	3,060	3,062	3,064	3,066	3,068	3,070	3,072
Interest & Investment Revenue	1,373	1,162	1,384	1,339	1,289	1,289	1,293	1,293	1,293	1,297	1,297	1,297
Other Income	6,963	10,729	5,881	6,142	6,297	6,455	7,193	7,363	7,538	7,717	7,902	8,089
<b>Total Income from Continuing Operations</b>	<b>143,578</b>	<b>142,013</b>	<b>129,868</b>	<b>132,707</b>	<b>146,468</b>	<b>137,681</b>	<b>141,136</b>	<b>144,093</b>	<b>147,122</b>	<b>150,231</b>	<b>153,432</b>	<b>156,709</b>
<b>Expenses from Continuing Operations</b>												
Employee Benefits & On-Costs	42,900	46,990	49,083	50,081	51,022	52,299	54,275	55,633	57,025	58,451	59,912	61,411
Materials & Services	44,123	48,442	45,036	46,526	47,479	48,077	48,998	50,424	52,127	52,970	54,071	55,642
Borrowing Costs	374	499	1,533	1,452	1,367	1,279	1,187	1,091	1,006	949	890	830
Depreciation & Amortisation	27,524	23,199	23,937	25,387	25,588	25,790	25,994	26,200	26,407	26,617	26,828	27,040
Other Expenses	3,790	5,557	3,475	3,560	3,648	3,740	3,833	3,928	4,025	4,125	4,228	4,332
Net Losses from the Disposal of Assets	1,155	34	547	547	547	547	547	547	547	547	547	547
<b>Total Expenses from Continuing Operations</b>	<b>119,866</b>	<b>124,721</b>	<b>123,611</b>	<b>127,553</b>	<b>129,651</b>	<b>131,732</b>	<b>134,834</b>	<b>137,823</b>	<b>141,137</b>	<b>143,659</b>	<b>146,476</b>	<b>149,802</b>
<b>Operating Result from Continuing Operations</b>	<b>23,712</b>	<b>17,292</b>	<b>6,257</b>	<b>5,154</b>	<b>16,817</b>	<b>5,949</b>	<b>6,302</b>	<b>6,270</b>	<b>5,985</b>	<b>6,572</b>	<b>6,956</b>	<b>6,907</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>(507)</b>	<b>(1,403)</b>	<b>296</b>	<b>2,096</b>	<b>2,158</b>	<b>2,889</b>	<b>3,240</b>	<b>3,206</b>	<b>2,919</b>	<b>3,504</b>	<b>3,886</b>	<b>3,835</b>

## PROJECTED BALANCE SHEET

	Current Year						Projected Years					
	Actuals 2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)	2028/29 (\$'000)	2029/30 (\$'000)	2030/31 (\$'000)	2031/32 (\$'000)
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash & Cash Equivalents	25,184	1,389	1,229	2,165	3,873	4,083	4,221	4,463	4,726	5,003	5,277	5,500
Investments	85,995	68,060	60,212	60,212	73,583	77,574	80,201	84,804	89,790	95,063	100,263	104,496
Receivables	10,182	7,066	6,113	6,265	7,630	6,637	6,811	6,997	7,180	7,371	7,566	7,756
Other	991	588	530	547	558	566	577	593	613	623	637	655
<b>Total Current Assets</b>	<b>122,352</b>	<b>77,103</b>	<b>68,084</b>	<b>69,189</b>	<b>85,644</b>	<b>88,860</b>	<b>91,810</b>	<b>96,857</b>	<b>102,309</b>	<b>108,060</b>	<b>113,743</b>	<b>118,407</b>
<b>Non-Current Assets</b>												
Receivables	392	292	303	316	330	344	358	373	380	388	395	403
Infrastructure, Property, Plant & Equipment	1,158,194	1,241,060	1,251,396	1,253,881	1,255,137	1,254,113	1,255,440	1,254,648	1,254,278	1,254,051	1,254,278	1,254,937
Investment Property	54,786	60,294	60,294	60,294	60,294	60,294	60,870	61,452	62,040	62,633	63,233	63,838
Right of Use Assets	2,102	1,837	1,574	1,312	1,049	786	524	261	-	-	-	-
Investments Accounted for Using the Equity Method	28	28	28	28	28	28	28	28	28	28	28	28
<b>Total Non-Current Assets</b>	<b>1,215,502</b>	<b>1,303,511</b>	<b>1,313,595</b>	<b>1,315,831</b>	<b>1,316,838</b>	<b>1,315,565</b>	<b>1,317,220</b>	<b>1,316,762</b>	<b>1,316,726</b>	<b>1,317,100</b>	<b>1,317,934</b>	<b>1,319,206</b>
<b>TOTAL ASSETS</b>	<b>1,337,854</b>	<b>1,380,614</b>	<b>1,381,679</b>	<b>1,385,020</b>	<b>1,402,482</b>	<b>1,404,425</b>	<b>1,409,030</b>	<b>1,413,619</b>	<b>1,419,035</b>	<b>1,425,160</b>	<b>1,431,677</b>	<b>1,437,613</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Payables	24,527	27,140	25,873	26,240	26,502	26,706	26,980	27,350	27,780	28,047	28,367	28,780
Contract Liabilities	13,897	6,464	4,285	3,920	6,194	3,953	4,032	4,114	4,198	4,285	4,373	4,464
Lease Liabilities	303	303	303	303	303	303	303	42	-	-	-	-
Borrowings	881	1,927	2,005	2,091	2,179	2,270	2,365	1,587	1,356	1,414	1,474	1,537
Employee Benefit Provisions	15,560	15,818	16,288	16,768	17,257	17,756	18,265	18,784	19,314	19,853	20,404	20,404
<b>Total Current Liabilities</b>	<b>55,168</b>	<b>51,652</b>	<b>48,754</b>	<b>49,322</b>	<b>52,435</b>	<b>50,988</b>	<b>51,945</b>	<b>51,877</b>	<b>52,648</b>	<b>53,599</b>	<b>54,618</b>	<b>55,185</b>
<b>Non-Current Liabilities</b>												
Lease Liabilities	1,860	1,557	1,254	951	648	345	42	-	-	-	-	-
Borrowings	6,373	35,446	33,441	31,349	29,171	26,900	24,535	22,948	21,593	20,179	18,705	17,167
Employee Benefit Provisions	249	463	477	491	505	520	534	550	565	581	597	597
<b>Total Non-Current Liabilities</b>	<b>8,482</b>	<b>37,466</b>	<b>35,172</b>	<b>32,791</b>	<b>30,324</b>	<b>27,765</b>	<b>25,111</b>	<b>23,498</b>	<b>22,158</b>	<b>20,760</b>	<b>19,302</b>	<b>17,764</b>
<b>TOTAL LIABILITIES</b>	<b>63,650</b>	<b>89,118</b>	<b>83,926</b>	<b>82,113</b>	<b>82,759</b>	<b>78,753</b>	<b>77,056</b>	<b>75,375</b>	<b>74,806</b>	<b>74,359</b>	<b>73,920</b>	<b>72,949</b>
<b>Net Assets</b>	<b>1,274,204</b>	<b>1,291,496</b>	<b>1,297,753</b>	<b>1,302,907</b>	<b>1,319,723</b>	<b>1,325,672</b>	<b>1,331,974</b>	<b>1,338,244</b>	<b>1,344,229</b>	<b>1,350,801</b>	<b>1,357,757</b>	<b>1,364,664</b>
<b>EQUITY</b>												
Accumulated Surplus	827,825	845,117	851,374	856,528	873,344	879,293	885,595	891,865	897,850	904,422	911,378	918,285
IPPE Revaluation Reserve	446,379	446,379	446,379	446,379	446,379	446,379	446,379	446,379	446,379	446,379	446,379	446,379
<b>Total Equity</b>	<b>1,274,204</b>	<b>1,291,496</b>	<b>1,297,753</b>	<b>1,302,907</b>	<b>1,319,723</b>	<b>1,325,672</b>	<b>1,331,974</b>	<b>1,338,244</b>	<b>1,344,229</b>	<b>1,350,801</b>	<b>1,357,757</b>	<b>1,364,664</b>

## PROJECTED CASH FLOW STATEMENT

	Current		Projected Years									
	Actuals 2020/21	Year 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Cash Flows from Operating Activities</b>												
<b>Receipts:</b>												
Rates & Annual Charges	66,365	72,866	72,418	73,810	75,237	76,699	78,198	79,733	81,315	82,927	84,581	86,275
User Charges & Fees	34,312	24,726	29,687	33,183	33,944	34,793	35,657	36,545	37,456	38,393	39,352	40,335
Investment & Interest Revenue Received	1,186	1,328	1,420	1,312	1,146	1,262	1,249	1,241	1,246	1,247	1,248	1,256
Grants & Contributions	29,238	19,193	10,101	8,172	20,903	6,786	8,242	8,357	8,472	8,590	8,710	8,834
Bonds & Deposits Received	4,172	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Other	19,394	14,858	15,033	15,731	16,165	16,912	17,139	17,550	17,973	18,405	18,863	19,334
<b>Payments:</b>												
Employee Benefits & On-Costs	(44,205)	(46,604)	(48,550)	(49,565)	(50,499)	(51,757)	(53,722)	(55,067)	(56,449)	(57,863)	(59,313)	(61,378)
Materials & Contracts	(47,945)	(46,745)	(46,015)	(46,246)	(47,294)	(47,954)	(48,818)	(50,154)	(51,806)	(52,802)	(53,857)	(55,344)
Borrowing Costs	(379)	(346)	(1,543)	(1,463)	(1,378)	(1,291)	(1,199)	(1,104)	(1,015)	(956)	(898)	(837)
Bonds & Deposits Refunded	(2,254)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)
Other	(7,139)	(4,953)	(3,771)	(3,533)	(3,624)	(3,716)	(3,802)	(3,897)	(3,992)	(4,097)	(4,197)	(4,299)
<b>Net Cash provided (or used in) Operating Activities</b>	<b>52,745</b>	<b>34,323</b>	<b>28,780</b>	<b>31,401</b>	<b>44,600</b>	<b>31,734</b>	<b>32,944</b>	<b>33,204</b>	<b>33,200</b>	<b>33,844</b>	<b>34,489</b>	<b>34,176</b>
<b>Cash Flows from Investing Activities</b>												
<b>Receipts:</b>												
Sale of Investment Securities	29,060	17,935	7,847	-	-	-	-	-	-	-	-	-
Sale of Infrastructure, Property, Plant & Equipment	401	-	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Purchase of Investment Securities	(33,000)	-	-	-	(13,370)	(3,992)	(2,627)	(4,602)	(4,986)	(5,273)	(5,200)	(4,232)
Purchase of Investment Property	(75)	(35)	-	-	-	-	-	-	-	-	-	-
Purchase of Infrastructure, Property, Plant & Equipment	(32,100)	(105,834)	(34,557)	(28,157)	(27,128)	(25,050)	(27,606)	(25,692)	(26,322)	(26,938)	(27,601)	(28,247)
<b>Net Cash provided (or used in) Investing Activities</b>	<b>(35,714)</b>	<b>(87,934)</b>	<b>(26,710)</b>	<b>(28,157)</b>	<b>(40,498)</b>	<b>(29,042)</b>	<b>(30,233)</b>	<b>(30,294)</b>	<b>(31,308)</b>	<b>(32,211)</b>	<b>(32,801)</b>	<b>(32,479)</b>
<b>Cash Flows from Financing Activities</b>												
<b>Receipts:</b>												
Proceeds from Borrowings & Advances	-	31,000	-	-	-	-	-	-	-	-	-	-
<b>Payments:</b>												
Repayment of Borrowings & Advances	(846)	(881)	(1,927)	(2,005)	(2,091)	(2,179)	(2,270)	(2,365)	(1,587)	(1,356)	(1,414)	(1,474)
Repayment of lease liabilities (principal repayments)	(236)	(303)	(303)	(303)	(303)	(303)	(303)	(303)	(42)	-	-	-
<b>Net Cash Flow provided (used in) Financing Activities</b>	<b>(1,082)</b>	<b>29,816</b>	<b>(2,230)</b>	<b>(2,308)</b>	<b>(2,394)</b>	<b>(2,482)</b>	<b>(2,573)</b>	<b>(2,668)</b>	<b>(1,629)</b>	<b>(1,356)</b>	<b>(1,414)</b>	<b>(1,474)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>15,949</b>	<b>(23,795)</b>	<b>(160)</b>	<b>936</b>	<b>1,708</b>	<b>210</b>	<b>138</b>	<b>242</b>	<b>263</b>	<b>277</b>	<b>274</b>	<b>223</b>
plus: Cash & Cash Equivalents - beginning of year	9,235	25,184	1,389	1,229	2,165	3,873	4,083	4,221	4,463	4,726	5,003	5,277
<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>25,184</b>	<b>1,389</b>	<b>1,229</b>	<b>2,165</b>	<b>3,873</b>	<b>4,083</b>	<b>4,221</b>	<b>4,463</b>	<b>4,726</b>	<b>5,003</b>	<b>5,277</b>	<b>5,500</b>
<b>Investments - end of the year</b>	<b>85,995</b>	<b>68,060</b>	<b>60,212</b>	<b>60,212</b>	<b>73,583</b>	<b>77,574</b>	<b>80,201</b>	<b>84,804</b>	<b>89,790</b>	<b>95,063</b>	<b>100,263</b>	<b>104,496</b>
<b>Cash, Cash Equivalents &amp; Investments - end of the year</b>	<b>111,179</b>	<b>69,449</b>	<b>61,441</b>	<b>62,377</b>	<b>77,456</b>	<b>81,657</b>	<b>84,422</b>	<b>89,267</b>	<b>94,516</b>	<b>100,066</b>	<b>105,540</b>	<b>109,996</b>

## APPENDIX 2. 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 Asset Management 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 (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

**BACK COVER**

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North Sydney Council  
200 Miller Street  
North Sydney NSW 2060  
Telephone (02) 9936 8100  
Facsimile (02) 9936 8177  
Email [council@northsydney.nsw.gov.au](mailto:council@northsydney.nsw.gov.au)  
Website [www.northsydney.nsw.gov.au](http://www.northsydney.nsw.gov.au)