

# Overarching Resourcing Strategy 2018–2029

- Our Workforce
- Our Assets
- Our Finances

**YOUR  
future  
2030**

Community Strategic Plan  
2018–2030

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This document was adopted by the Council on 12 June 2018.



# Resourcing Strategy

- Our Workforce
- Our Assets
- Our Finances



The Overarching Resourcing Strategy identifies Council's capacity and capability to deliver the strategies, plans, programs and key services contained within YOUR future 2030 and the Delivery Program so that the City can develop into the type of place and community that our residents desire.









# Overarching Resourcing Strategy

## Introduction

Councils in New South Wales are required under the Local Government Act to undertake a range of planning and reporting processes aimed at understanding and then delivering the community's vision for the future of their local area.

An Integrated Planning and Reporting Framework provides guidance as to how councils will prepare each of the plans and report on progress.

A long term Community Strategic Plan establishes the community's long term vision and the key strategies that will need to be implemented in order to bring about this future. This plan for Canada Bay is called YOUR future 2030. Council then determines the specific actions that it will undertake in each four year term in order to implement those strategies within its responsibility. This plan is called the Delivery Program, and is delivered on an annual basis through Council's Annual Budget and Operational Plan.

One of the key aspects of the integrated Planning and Reporting Framework is the preparation of a Resourcing Strategy. Council needs to know it has the capacity and capability to deliver the strategies, plans, programs and key services contained within YOUR future 2030 and the Delivery Program so that the City can develop into the type of place and community that our residents desire.

To successfully implement YOUR future 2030, the community's vision for the future over the long term,

Council must use the best mix of the resources – its people, assets and money – in an efficient and financially sustainable manner.

This document brings together Council's three Resourcing Strategies – Workforce Plan, Long Term Financial Plan and Asset Management Strategy. It identifies the key resource challenges for the City of Canada Bay over the coming years, and the possible way that these might be addressed. It presents these challenges in such a way as to continue the conversation with the community about the future of this place, and how Council and its residents might work in partnership to bring this about in the most effective way.

In developing YOUR future 2030, community members were invited to 'have their say' on the future of the City of Canada Bay. As part of the engagement process, Council also sought to understand the level of importance of facilities and spaces managed by Council as well as the services it provides.

The most important facilities and spaces identified were parks, libraries, local roads, public spaces and pedestrian and cycle ways. The top most important services and programs were parks maintenance, roads and footpaths, waste collection, recycling, environmental sustainability and library services.

Following the appointment of the new Council in September 2017, an organisational review was initiated to ensure efficiency in the delivery of services as well as a horizontal service review to identify business improvement and revenue raising

opportunities. The results of these activities will inform future updates of the Resourcing Strategy and will be implemented in the Delivery Program from July 2018.

## Meeting the resource challenges for the future of the City of Canada Bay

### About the City of Canada Bay

The City of Canada Bay is located in the inner-western suburbs of Sydney, about six kilometres from Sydney's centre. The City is bounded by the Parramatta River in the north, Inner West Council in the east, Burwood and Strathfield Council areas to the south and the City of Parramatta to the west.

The traditional owners of the area are the Wangal clan of the Dharug Aboriginal people with European settlement dating from 1793.

Significant development occurred during the post-war years followed by a period of stability in population growth between 1991 and 1996. The City's population increased from nearly 54,000 in 1996 to about 88,000 in 2016. The estimated resident population in 2017 is 93,858 people.

Some of the key demographic features of the City of Canada Bay identified from the 2016 census of population and housing are:

- A higher proportion of people aged 25-49 years (younger workers, parents and homebuilders) and a smaller

proportion of school aged children than Greater Sydney. There were similar proportions of people aged 18-24 years (tertiary students and those new to the workforce) and those at post-retirement age compared to Greater Sydney.

- An ethnically diverse population with 34% of the City's population coming from countries where English was not their first language.
- There is a higher rate of labour force participation, higher levels of professionals and managers, and higher levels of education when compared to the rest of Sydney.
- Incomes are higher.
- There are more couples without children and group households compared to Greater Sydney.
- There is a higher proportion of medium to high density housing and one third of households renting.
- More than three quarters of workers leave the area for work.

The population of Canada Bay is forecast to reach 115,500 people by 2030, with an average annual growth rate over that period of 1.3%. Average annual growth is expected to decrease slowly to 2030.

Between 2011 and 2016, half of the population growth in the City occurred in Rhodes, with the majority of the population being in the 24-39 year age group and of Asian descent. It is predicted that this population profile will continue into the future.

The forecast growth of the City of Canada Bay is for an increase in dwellings from 36,767 in 2016 to 46,700 in 2030. Future growth will be facilitated predominantly by major projects such as the continuing redevelopment of the Rhodes Peninsula, some urban infill and planned urban transformation of the Parramatta Road Corridor.

### **About YOUR future 2030**

YOUR future 2030 is the community's strategic plan outlining aspirations and priorities for at least the next 10 years.

Development of the plan commenced following the Council elections in 2017 with an extensive community engagement program that ran from September 2017 until February 2018. Community members were invited to 'have their say' on the future of the City of Canada Bay and over 1,200 people provided their perspectives on what they valued most, their priorities and vision for the area. A number of recurring themes arose and these themes inform the five vision areas of YOUR future 2030:

- Inclusive, involved and prosperous
- Environmentally responsible
- Easy to get around
- Engaged and future focused
- Visionary, smart and accountable.

All Council's activities are aligned with these five themes and seek to achieve the aims of YOUR future 2030. As part of this aim, Council's vision is to provide the programs, services and projects that ensure our residents enjoy where they live and work.

### **About Council's Role**

Council is required, under its charter in the NSW Local Government Act, to carry out its functions responsibly, exercising leadership, having regard for the long term effects of its decisions, planning strategically on behalf of the local community, and effectively planning for and managing public assets.

Under the Integrated Planning and Reporting Requirements of the Local Government Act, the City of Canada Bay has undertaken an extensive resource planning process to understand the key needs and challenges over the coming years in terms of its finances, assets and workforce.

### **How we will deliver the future for Canada Bay**

In order to project future resource requirements, Council has had to make assumptions about the key impacts and drivers that will influence Council's finances, assets and workforce into the future. These assumptions include:

- Growth - by 2030 the City's population will increase from the estimated resident population in 2017 of 93,858 people to approximately 115,500 by 2030. This population growth is expected to be evenly spread over the next 10 years, which represent growth of around 1,600 new residents, or 840 properties, per year.
- Business as usual - services and service levels will remain at similar levels unless otherwise identified.
- Efficiencies - Council must continually investigate and adopt service delivery and process

efficiencies so that rates remain within capped levels.

- Strategic direction - the broad themes and aspiration in YOUR future 2030 will be regularly reviewed but are unlikely to change significantly over time.
- Infrastructure – we must renew and maintain Council’s infrastructure, and to do this, cash reserves will be drawn upon as required.
- Financial sustainability – Council seeks to be financially sustainable, which means that it must achieve a fully funded operational position, maintain sufficient cash reserves, have a fully funded capital program and must maintain its asset base.

These assumptions influence the future resource requirements and have been used to develop options to plan services and resources over the next 10 years.

### **Our key challenges**

Council’s asset management and financial planning has identified a significant shortfall in funding depreciation related to over \$100 million of new assets scheduled for completion by 2020-2021. New buildings associated with redevelopment of Concord Oval and the Rhodes Recreation Centre incur an annual depreciation charge of \$1 million per year which required updated forecasting to address operating budget deficits.

Investment in Asset Renewal is based on Asset Depreciation costs. The Base Case Long Term Financial Plan achieves a “Sustainable Asset” position by drawing down on cash reserves as required.

A second forecasting scenario has been developed that builds on the Base Case and includes operating budget savings relating to Horizontal Service Improvements. This scenario addresses the funding shortfall of the “Sustainable Asset” Base Case (Operating Budget Deficits) and allows for continuing to deliver the many services and facilities that contribute to the amenity, safety and quality of life of the local area whilst working within operating income constraints.

The base case “Sustainable Assets” Scenario provides for the funding of the long term maintenance and renewal of infrastructure.

It is important to note that whilst some asset types improve quality of life and amenity in an area, some are simply essential for the safe functioning of a local area, including roads, drainage and, in the case of the City of Canada Bay, seawalls.

There is significant risk associated with not addressing the condition of assets in the City of Canada Bay over time, including managing large emergencies (such as flooding), business continuity and public health and safety.

Council needs to ensure that there are sufficient resources available in the right place, at the right time, with the right skills to deliver on the community’s vision and aspirations for their place and community. A growing population brings many challenges and opportunities for Council. Known challenges include urban transformation as new residential developments change the urban environment. More people in the same space will place pressure on open space and service provision and there is a greater



expectation from the community that services and facilities will be accessible for all. Council will continue to welcome communities from many cultural backgrounds and this will influence service delivery. Smart technology will change the way we do business and retaining the local knowledge and practices of an ageing workforce as they leave, and strengthening a highly skilled, flexible and motivated workforce will also continue to be a challenge.

### **Our options**

Council has prepared its resource plans with a consideration of two scenarios:

#### ***Scenario One: Base Case - Sustainable Assets***

Ongoing operating budget deficits are evident in this scenario which demonstrate that we cannot continue to operate in this way and remain financially sustainable. The Office of Local Government has determined that the most fundamental measure of financial sustainability is ensuring that operating expenditures (including depreciation) are contained within operating revenues (excluding capital income). The benchmark of at least break even is required to be achieved consistently over the term of the Long Term Financial Plan.

This scenario funds asset renewal, asset maintenance and addresses the infrastructure renewal backlog over the term of the Long Term Financial Plan.

To achieve asset sustainability, cash reserves will be drawn upon as

required. To not adequately invest in maintaining and renewing assets would shift the burden for asset renewal to future residents, which is neither fair nor responsible.

In addition to this, Council's services and service levels would likely decline over time as forecast operating deficits largely caused by a rapidly expanding asset base require a greater share of operating income to be directed to asset maintenance and to funding depreciation.

#### ***Scenario Two: Sustainable Assets and Sustainable Services***

This scenario retains the underlying strategy relating to Asset Sustainability as indicated in the base case scenario of ensuring that the appropriate amount of spending on infrastructure maintenance and renewal is funded. This is achieved by reducing cash currently held in "reserve" as and when required.

To address the recurring operating budget deficits resulting in the base case scenario, the "Sustainable Assets and Sustainable Services" scenario incorporates a range of revenue growth initiatives and expenditure reduction options that have come out of Horizontal Service Improvement proposals.

Horizontal Service Reviews commenced with staff reviewing existing services to consider efficiency saving opportunities that would directly improve our financial operating position.

A workshop with staff was undertaken to critique the opportunities identified for further investigation.

Management then determined which of the proposed initiatives would be included in the Scenario Two - "Sustainable Assets and Sustainable Services" long term financial plan.

These initiatives have achieved operating budget surpluses for the majority of the years from 2018-2019 to 2028-2029.

### **The proposal**

The City of Canada Bay recognises that the operating budget deficits forecast in Scenario One, described above, would weaken Council's financial sustainability over the long term and ultimately lead to disruption to service provision. Scenario One would lead to a decline over time in services and service levels, Council's financial position, the state of the community's assets, and in the overall amenity and quality of life in Canada Bay.

Further, this could lead to an inability to continue to maintain and renew the unprecedented expanding asset base and result in the deferral or shifting of responsibility for renewing assets to future residents, which is neither fair nor responsible.

Accordingly, Scenario Two - "Sustainable Assets and Sustainable Services", which delivers financial sustainability and funds infrastructure investment at appropriate levels, will be adopted as the long term resourcing strategy within which Council will operate under for the period 2018-2019 to 2028-2029.

Further service reviews will be undertaken to ensure the organisation is operating as efficiently and effectively as possible.

## **Summary of the Individual Resource Strategies**

### **Workforce Management Plan**

#### **Introduction**

Workforce management planning identified the human resources and skills required to deliver on the medium-to-long term strategic direction of the community, as identified in the Community Strategic Plan, YOUR future 2030.

In partnership with Council's Long Term Financial Plan and Asset Management Plans, the Workforce Plan is about ensuring that there are sufficient resources available in the right place, at the right time, with the right skills to deliver on the community's vision and aspirations for their place and community of Canada Bay.

The Workforce Management Plan helps Council plan its human resource requirements for the next four years and beyond, and plan what needs to occur to ensure the necessary staff resources are in place when they are needed. The right workforce is a critical element to delivering each of Council's plans.

#### **Snapshot of Current Workforce**

To allow Council to plan for the future we need to examine and understand the profile of our current internal workforce.



## Headcount and full-time equivalent

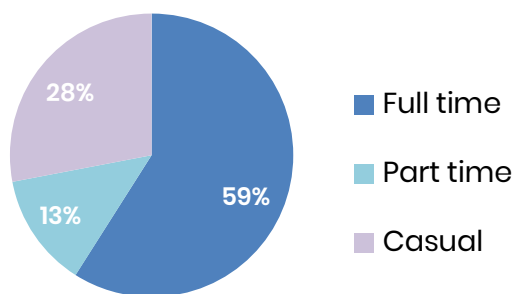
Headcount is the total number of employees currently employed by Council, either on a full-time, part-time or casual basis.

As of June 2018 Council remains a medium sized Council, employing a total of 501 employees (headcount) with a permanent position full-time equivalent (FTE) of 337.2 across a diverse range of occupations and employment types.

## Headcount by employment type

Council's 501 headcount figure for June 2018 is a 12.5% increase since December 2015. This increase in employee headcount is primarily due to an increase in the casual pool and increase in use of part-timers, particularly within the Community Life and Library Services fields.

## Council employment type June 2018



## Employment headcount gender mix

Local Government Association (LGA) Australia and Local Government Association NSW (excluding casuals)

LGA	Male	Female
Australia	47%	53%
NSW	53%	47%

## Council

Type	Male	Female
Excluding casuals	55%	45%
Including casuals	46%	54%

Council's gender mix for employees (excluding casuals) is 55% Male and 45% Female. This is in line with the NSW average.

## Age profile

The age profile of the workforce can help inform decision making going forward. It needs to be an ongoing process and a source of information for continual improvement.

The local government workforce across Australia is ageing and, on average, is older compared with other government and industry sectors.

As of June 2018 the average age for Council employees is 40.9 years old.

## Workers over 50 years of age

### LGA Australian 2015

50-59 years	28.7%
60 years or over	12.3%

### Council 2018

50-59 years	20.5%
60 years or over	9.8%

Even though Council's figure for the over 50 age group (30.3%) is somewhat less than the LGA Australian wide average (41%), it still equates to around a third of Council's workforce and suggests a continued reliance on mature aged workers for some time.

Council may benefit from a shift in focus to employment strategies targeting those who are new to the workforce, and consider increasing the proportion of younger employees with more permanent options as employment opportunities within Council.

## Trends and opportunities

For Council the primary workforce issues to manage over the next few years will be the ability to deliver on an increase in service expectations from a growing community with finite resources, embedding a new service delivery structure after a lengthy period of uncertainty in regard to proposed amalgamations, retaining the localised knowledge and practices of an ageing workforce as they leave, and strengthening a highly skilled, flexible and motivated workforce. When implementing the strategies and actions of the plan Council will consider trends associated with:

- Ageing workforce needs
- Growth in demand for services and community expectations
- Multi-discipline versus technical specialist
- Technology Impacts
- Skill Gaps
- Diversity.

## Opportunities for Council

With a Centre with strong economic, commercial and population growth forecasted there are significant positive opportunities for Council:

Ensure long term financial stability of the Council through prudent asset and financial management.

Council is recognised as an innovative, fair and ethical employer:

- Strong executive leadership
- Development of future leaders
- Competitive flexible employment benefits provided
- Multi skilled employee groups providing greater range of services.

## Asset Management Strategy

### Introduction

The City of Canada Bay provides a wide range of services to its community. Some of these services are supported by infrastructure assets. A strong and informed decision-making process is required to effectively and adequately plan to manage, renew and replace existing assets and develop new ones.

In developing this plan, council has predicted infrastructure consumption, renewal needs and additional infrastructure requirements to meet future community service expectations as identified in YOUR future 2030.

The purpose of the Asset Management Strategy is to:

- Communicate information about assets in the local government area (including condition and performance).
- Identify strategies and actions required to provide defined levels of service.
- Prioritise and address asset renewal and maintenance to ensure ongoing service priority to the community.

### Asset management principles

The key elements of infrastructure asset management are:

- Taking a life cycle approach - this means considering assets over their entire life.
- Developing cost-effective management strategies for the long term.
- Providing a defined level of service and monitoring performance.



- Understanding and meeting the demands of growth through demand management and infrastructure investment.
- Managing risks associated with asset failures.
- Sustainably using physical resources.
- Ensuring continuous improvement in asset management practices.

It is essential that the assets required to provide the services to our community are managed and maintained in a sustainable manner. Asset sustainability identifies the need to spend more on asset renewal than is being consumed on an annual and ongoing basis.

This strategy provides for long term sustainability of our assets, to be achieved over a period of 20 years. To achieve this, the scope and standard of our services will continually be reviewed and consideration will be given to extending these where necessary to cover any changing community needs.

### **Asset management framework**

The Asset Management Policy sets out Council's commitment to manage its assets, which will help achieve the YOUR future 2030 vision to meet the needs of the community. This policy will guide the strategic management of Council's assets.

It is supported by:

- An asset management strategy
- An asset management plan and detailed plans for each asset class
- Operational and delivery plans

- An asset management information system.

Together these documents, and our processes, software and data, make up Council's Asset Management Framework that supports the management of Council's assets.

### **What the asset management framework covers**

The infrastructure assets in Council's care have a carrying value of \$527 million; with a current replacement cost of almost \$816 million.

This portfolio of assets includes:

- Infrastructure assets such as road transport assets, drainage, open space and recreation, marine structures (including seawalls), buildings (including administration, child care centres, community centres, public toilets and leisure centres).
- Non-infrastructure assets such as plant and equipment (such as trucks, computers) and other (including office furniture, library books, artwork, land etc.).

It should be noted that some assets are not immediately recognised as important because they are not visible and not generally recognised until they fail. Seawalls are a good example of these assets.

### **Future demand**

The City of Canada Bay is expecting the population to grow from the estimated resident population in 2017 of 93,858 people, to approximately 115,500 by 2030.

Demand for assets, and the changes that take place in this demand over time, need to be carefully managed.

Council employs a range of strategies to address the increasing and changing requirements on community assets over time, including (but not limited to):

- Refurbishment and maintenance to cater for increasing service levels on Council's buildings
- Consideration of environmental factors such as climate change and energy usage
- Legislative and safety requirements
- Consultations with the community
- Identification of under-supply and under-use of existing assets.

The demand for new and enhanced assets and services will be managed through a combination of better use and upgrading of existing assets, and providing new assets to meet growth. Developer contributions will contribute funding towards new assets and infrastructure.

### **Risk management**

Council undertakes a rigorous process of managing risk through identification and mitigation of risk that might arise from its range of activities. This is because Council is committed to minimising personal injury, loss or damage by ensuring Councillors and Council staff adopt a collective and individual responsibility for the management of risk.

Council's critical assets are identified as the Administration Centre and Works and Services Depot – both these assets are essential for Council's operations and outcomes. Failure of either of these assets would have significant impact on

the ability of the organisation to continue its business.

### **Lifecycle management strategy**

Good asset management relies on an understanding of the costs of assets across their entire lifecycle. Council has undertaken lifecycle analysis across each of its asset classes and the major budget implications associated.

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Road transport assets include road surface, road pavement, footpaths and cycleways, kerb and gutter and bridges. Council currently is responsible for maintaining road transport assets to the value of approximately \$364 million. 97% of Council's road surface assets are considered to be in satisfactory condition or better. The majority of footpaths and kerb and gutter are a significant way through their useful lives, with 93% of footpaths and 91% of kerb and gutter assets rated as being in satisfactory condition.

Drainage assets include pipes, pits, culverts, channels and gross pollutant traps, to the value of almost \$133 million. There are two separate issues with Council's drainage systems. One is maintaining existing assets in a functional condition, and the other is bringing them up to modern standards. Condition of drainage assets is generally satisfactory,



with a small percentage requiring urgent renewal. However, the capacity of the systems is generally far below modern standards and expectations, which could be a problem if significant rainfall was experienced. The 2009 Asset Management Plan concluded that the average annual maintenance and renewal expenditure over the next 10 years is \$4.6 million, but this is based on overly negative condition assessment. For the drainage system to be upgraded to current standards, a significantly larger expenditure would be required. Council currently levies a Stormwater Management Services Charge that generates approximately \$730,000 per year.

Parks assets includes civil and landscaping structures, playgrounds, playing courts, fields and facilities with a value of almost \$63 million. Generally Council's parks assets are maintained to a high standard. There is increasing demand for sporting fields and playgrounds and, whilst this is partly being met by improved floodlighting, this puts increasing pressure on surface quality through wear and tear. 98% of Council's park assets are considered to be in satisfactory condition or better.

Marine structures include boat ramps, public tidal baths, boardwalks, pontoons and sea walls with a value of over \$100 million. 66% of Council's seawalls are considered to be in satisfactory condition or better. Current seawall data is approximately ten years old. A further assessment is to be undertaken to assess the current condition of seawalls and to guide the appropriate allocation of funding for renewals. This work will deliver a program of works for the next decade.

The buildings asset category includes administration centres, childcare and community centres, leased/commercial buildings, swimming/leisure centres and public toilets with a value over \$156 million. 99% of Council's building assets are considered to be in satisfactory condition or better.

### Financial summary

Council is required to report on the cost to bring its infrastructure assets up to a satisfactory condition in its Annual Report. This report, called Special Schedule 7, gives an overview of the estimated infrastructure backlog. "Satisfactory condition" is determined to be a rating of 3 in a 1-5 condition rating scale.

The cost to bring assets back to a satisfactory condition is only a portion of the cost of fully reconstructing assets that have reached a condition of 4 or 5.

The cost to bring assets back to a satisfactory condition for each asset class as at 30 June 2017 is:

Asset	Amount
Road Assets	\$2,860,000
Drainage Assets	\$5,348,000
Parks Assets	\$307,000
Marine Structures and Sea Walls	\$ 9,711,000 (seawalls \$9.3 million)
Buildings	\$148,000
Other Assets	\$22,000
<b>Total</b>	<b>\$18,396,000</b>

## **Asset management strategy**

Council's overall asset management strategy centres on improvements in asset service delivery. This will be achieved by undertaking a series of ongoing service reviews to understand what we do and how to improve or enhance our service delivery. This is about providing value for service at an affordable and achievable price. Whilst it is inevitable that additional funds will be required to address the current backlog in infrastructure renewal, it is essential that the services we provide now and into the future provide maximum value to our community.

## **Improving Asset Management Capacity**

Council has an ongoing asset management improvement plan to improve asset management capability and capacity. The plan is to be reviewed on a regular basis.

## **Long-term Financial Plan**

### **Introduction**

The Long Term Financial Plan acts as a tool for stakeholders (Council and the community) to use in deciding what resources Council needs to apply to deliver on the outcomes contained in YOUR future 2030. The Long Term Financial Plan seeks to answer the following questions:

- Can we survive the financial 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?

In particular, this plan has modelled the financial implications associated with a rapidly expanding asset base and with maintaining and renewing existing and future facilities and infrastructure based on a range of assumptions and within any known constraints.

In partnership with Council's Asset Management Plans and Workforce Management Plan, the Long Term Financial Plan is about ensuring there are sufficient resources available to deliver on the community's vision and aspirations for their place and community of the City of Canada Bay. In addition, the Long Term Financial Plan is about doing this in such a way as to ensure the long term financial sustainability of the Council organisation. This means that existing service delivery and infrastructure are maintained without imposing excessive burden on future generations, either through excessive debt or rate increases.



## Long term financial sustainability

A financially sustainable Council is one that has the ability to fund ongoing service delivery, and renew and replace assets without imposing excessive debt or rate or rate increases on future generations.

This would mean that:

- Council must achieve a fully funded operating position reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
- Council must maintain sufficient cash reserves to ensure it can meet its short-term working capital requirements.
- Council must have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works.

- Council must maintain its asset base, by renewing identified ageing infrastructure, and ensuring cash reserves are set aside for those works yet to be identified.

## Financial sustainability of the City of Canada Bay currently

The most recent Audited Financial Statements as at 30 June 2017 identified Council as being in a sound financial position. This was based on a number of performance indicators that measure Council's financial performance and position. The indicators measure both recurrent operations and capital sustainability.

These same indicators have been used to review Council's Long Term Financial Plan forecasts as part of assessing the long term financial health of the organisation and its capacity to fund any proposed delivery program.

Ratio	Calculation	What is being measured?	Sustainable target	2016/17 actual ratio
Operating Performance Ratio	Total operating revenue less revenue for capital purposes less total operating expenditure	Is the Council sustainable in terms of its operating result?	Greater than zero	> 0 ✓
Own Source Operating Revenue	Total operating revenue less all grants and contributions divided by total operating expenditure	Council's ability to fund its short-term expenditure needs.	Over 60% Sustainable Less than 60% overly reliant on grants and contributions	80.16% ✓
Asset renewal ratio (buildings and infrastructure)	Asset renewal expenditure divided by depreciation	Is asset renewal expenditure sufficient to maintain assets in the long term?	Benchmark 100%	119.54% ✓
Infrastructure Backlog Ratio	Estimated cost to bring assets to satisfactory condition divided by net carrying amount of infrastructure assets	Measures ratio of renewal backlog against net carrying value of assets and reflects success of strategy to invest in Asset renewals	Benchmark 2%	3.49% ✗

## **Financial management at the City of Canada Bay**

Council operates in a highly regulated environment, which means that Council has a range of responsibilities and obligations which must be met. Council's ability to align rating revenues with the increased cost of providing services is further restrained by rate pegging, which means that the annual increase in rating revenue is determined by an external body, namely the Independent Pricing and Regulatory Tribunal.

### **Current State of Council's Finances**

Council is currently in a strong financial position, with most financial indicators within industry guidelines, however Canada Bay is below the benchmark for the infrastructure backlog ratio.

Council has a sound base and an ability to borrow for key infrastructure if required. However the fundamental issue for Canada Bay, as with other NSW councils, is the restriction on rate increases. So whilst Council could borrow to fund new works and asset renewals, it is not able to increase revenue (rates) to repay the additional debt without making a special application to IPART for approval to do so.

Council's budget has faced significant pressures, including:

- An increasing burden from cost shifting from other levels of government.
- Increasing costs of procuring goods and services, the costs for which have consistently risen higher than rate pegging increases determined by IPART.

- Greater competition in the allocation of external funding, such as the Financial Assistance Grants.

These pressures mean that, as with many councils in NSW, Canada Bay is faced with an income gap where costs are increasing at a greater rate than income. Council addresses this income gap by way of productivity gains and efficiency savings, active pursuit of grants, collaboration with neighbouring councils, and through careful financial management and monitoring.

Council has worked hard to absorb as much of the rising costs as it can and aims to achieve a balanced budget every year without affecting service levels. However, given the backlog of infrastructure renewal (seen by the infrastructure backlog ratio and detailed in the Asset Management Plan), it will become increasingly difficult over time to maintain service levels within existing budget constraints.

### **Financial management principles**

In preparing the 2018-2029 Long Term Financial Plan, the following underpinning principles have been used:

- Council will maintain its existing service levels to residents.
- Management will continually look for ways to structurally realign resources and/or increase income opportunities without changes to service standards.
- Services and infrastructure in any new areas will be provided when they are needed.



- Council will continue to improve its capacity to fund its recurrent operations and renew critical infrastructure through sustainable financial decision-making.
- Council will manage within the existing financial constraints as much as possible.

In addition, the following policies and strategies guide the preparation of the Long Term Financial Plan:

- Rating Income Strategy - fair and equitable rating system where each rating category and property contributes according to the demands placed on Council's limited resources.
- Domestic Waste Management Charges - covers the cost of all aspects of domestic waste management.
- Investment Principles - reinforces Council's ongoing commitment to maintaining a conservative risk/return portfolio.
- Loan Borrowings - a low level of debt with no new borrowings proposed, and a policy that the use of loans is appropriate for new community assets or to smooth the cost of major asset renewals.
- Cash Reserves and Restrictions - Council has a number of cash reserves that are either a legislative requirement (externally restricted) or made through a Council decision (internally restricted). 52% of these are currently externally restricted, 30% internally restricted and 18% is unrestricted cash.
- Developer Contributions - Environmental Planning and Assessment Act (1979) enables Council to levy contributions for

public amenities and services required as a consequence of development. These funds are externally restricted and can only be used in the area and for the purpose for which they were collected.

- Fees and Charges - some of Council's fees/charges are regulatory (determined by state government legislation) and some are discretionary (determined by Council). Council sets its fees and charges under the principle that it does not intend to profit from them, but that they are to recover the cost of the services provided.
- Asset Disposal and Investment Strategy - this strategy guides the time-to-time disposal of Council's property assets.

### **Long Term Financial Plan assumptions**

Key assumptions made in the preparation of the Long Term Financial Plan cover the following key principles and are set out in detail in the plan:

- Population forecasts
- Inflation
- Revenue and expenditure
- Capital expenditure.

## Detailed Scenarios

### Scenario 1: Base Case – Sustainable Assets

Scenario 1 represents status quo. This would see a continuation of services and funding of asset renewals at current levels. Staff numbers would not increase under this scenario and initially service levels would remain the same as in 2017–2018.

Over time there is a decline in Council's financial position, however asset maintenance and renewal expenditure is generally at benchmark levels.

This scenario is a temporary solution. It is useful for demonstrating the effect of not addressing operating budget deficits.

Ongoing operating budget deficits are evident in this scenario which demonstrate that we cannot continue to operate in this way and remain financially sustainable. The Office of Local Government has determined that the most fundamental measure of financial sustainability is ensuring that operating expenditures (including depreciation) are contained within operating revenues (excluding capital income). The benchmark of at least breakeven is required to be achieved consistently over the term of the Long Term Financial Plan.

This scenario funds asset renewal, asset maintenance and addresses the infrastructure renewal backlog over the term of the Long Term Financial Plan.

To achieve asset sustainability, cash reserves will be drawn upon as required. To not adequately invest

in maintaining and renewing assets would shift the burden for asset renewal to future residents, which is neither fair nor responsible.

In addition to this, Council's services and service levels would likely decline over time as forecast operating deficits largely caused by a rapidly expanding asset base require a greater share of operating income to be directed to asset maintenance and to funding depreciation.

This scenario would see Council maintain its financial liquidity or cash position, however the operating position will gradually decline as sufficient revenue is not being collected to fund all operating costs.

In addition, the base case scenario uses additional revenue from growth in the rating base (from new properties) to help fund services to the expanding community and expanding asset base.

Forecast rating base growth associated with priority development areas at Rhodes West (Station Precinct), Rhodes East and the Parramatta Road Corridor comprising the Homebush, Burwood and Kings Bay precincts is forecast to generate approximately \$6.6 million over the period 2019–2020 to 2028–2029.

Whilst some growth in demand for services can be accommodated by further efficiency gains, there will be a point where the population growth will require Council to fund additional services or increase the level of resources required to deliver existing services.

Council's cash position (reserves) will continue to improve over the life of the Long Term Financial Plan and, whilst this appears to be a good outcome, it is achieved through continuing to not invest the required amount into the renewal of community infrastructure.

This scenario provides for a sufficient level of asset renewal expenditure, which would result in a decreasing backlog of asset renewal work required and, over time, an improvement of assets across the area.

This scenario does not allow for potential issues that may arise over the coming years, such as legislative change, and does not provide for increased demand that will come as a result of population growth.

Under this scenario, infrastructure maintenance and renewal is based on the requirements in the Asset Management Strategy.

It is important to note that whilst some asset types improve quality of life and amenity in an area, some are simply essential for the safe functioning of a local area, including roads, drainage and in the case of Canada Bay, seawalls.

There is significant risk associated with not addressing the condition of assets in Canada Bay, including managing large emergencies (such as flooding), business continuity and public health and safety.

The impact of scenario 1 over time would see a decline in the current service levels across a range of the City's services.

Additional revenue from growth in the rating base from an increasing population is being used to fund

existing services. No allowance has been made for the additional demand on resources from this growing population. Over time a growing population will need additional services and facilities, however this scenario would not allow this.

### **Total Cash**

Council's total cash trends downward from \$83 million in 2017-2018 to \$72 million in 2022-2023, then upward to a forecast cash position of \$95 million. The reduction in cash is as a result of negative movements in cashflow for 2018-2019 to 2022-2023 totalling \$11 million. The cash is being used to largely fund asset renewals and new asset expenditure during that period. There is a one-off establishment cost of \$1.5 million for the Rhodes community facility in 2020-2021. As a result there are operating deficits during this period.

### **Operating Result**

There are operating deficits totalling \$12.3 million over the first seven years of the Long Term Financial Plan. This reflects the increase in asset renewal and maintenance expenditure required to deliver a sustainable asset scenario. Council plans to spend \$161 million on renewals and \$24.4 million on additional asset maintenance over the next 10 years to achieve a sustainable asset scenario. Incorporated in the forecast is growth in rate assessment numbers of 840pa, resulting in additional rates income of \$588,000 in 2019-20, totalling \$6.5 million over 10 years. As a result, Council either meets or is trending toward meeting all the "Fit For The Future" asset ratios, however



does not achieve the operating performance ratio benchmark. Council needs to consider options to achieve operating surpluses. Critical to the fit for purpose assets is a combination of asset renewal and maintenance expenditure.

### **Own source revenue**

Council meets this target.

### **Building and Infrastructure backlog ratio**

Council has a very positive trend toward achieving this ratio of 2%, currently estimated at 3.3% moving to 2.3%. Given the review required of the asset condition data for stormwater and seawall assets, the result is sound and can be further improved once the revised data has been evaluated. With this approach and trend, Council ensures it has fit for purpose assets that meet the community needs.

### **Asset Renewal Ratio**

This scenario takes a specific approach to deliver fit for purpose assets by developing a 10 year asset renewal program totalling \$161 million over 10 years that achieves that. As a result, the average renewal ratio is 101% over the 10 year period. In order for Council to meet service expectations of the community it is imperative that assets are in a sound condition.

### **Asset Maintenance Ratio**

Following an assessment of asset maintenance expenditure there is an estimated shortfall between what is required and the amount actually spent. For 2019-20 this represents \$1.1 million and over 10 years \$24.9 million. The additional asset maintenance

expenses has been included in this scenario and delivers a 100% asset maintenance ratio.

### **Real Operating Expenditure per capita**

This performance indicator is trending upwards and is mainly due to the increase in asset maintenance expenses required to deliver a sustainable asset position for Council and the community. It increases 13% over 10 years from \$980 per capita to \$1,111 per capita. Council has an opportunity to drive further improvements through decreasing total operating expenditure.

### **Scenario 2: Sustainable Assets and Sustainable Services**

This scenario retains the underlying strategy relating to Asset Sustainability as indicated in the base case scenario of ensuring that the appropriate amount of spending on infrastructure maintenance and renewal is funded. This is achieved by reducing cash currently held in “reserve” as and when required.

To address the recurring operating budget deficits resulting in the base case scenario, the “Sustainable Assets and Sustainable Services” scenario incorporates a range of revenue growth initiatives and expenditure reduction options that have come out of Horizontal Service Improvement proposals.

Horizontal Service Reviews commenced with staff reviewing existing services to consider efficiency saving opportunities that would directly improve our financial operating position.

A workshop with staff was undertaken to critique the opportunities identified for further investigation.

Management then determined which of the proposed initiatives would be included in the Scenario 2 – “Sustainable Assets and Sustainable Services” long term financial plan.

Under this scenario Council’s operating position improves and delivers operating surpluses for the majority of the 10 years. Continuing operating deficits are not sustainable in the long term so achieving the operating budget savings associated with the Horizontal Service Improvement Proposals are key initiatives in achieving a strong level of financial sustainability over the period 2018–2019 to 2028–2029.

Council’s cash position improves over the term of the Long Term Financial Plan as a result of the Horizontal Service Improvements. The net value of operating budget improvements commencing 2018–2019 through to 2028–2029 amounts to \$35 million.

Council would continue to have a fully funded capital program under this scenario.

In summary, Scenario 2 provides a sustainable approach to funding Council’s expenditure needs over the next 10 years and key financial sustainability ratios are enhanced.

This scenario adds to the base case with the identification of a range of service improvements, being a combination of new/ additional income and expenditure savings. With these improvements Council’s financial position becomes sustainable over the long term.

## **Total Cash**

Councils total cash trends downward from \$83 million in 2019–2020 to \$76 million in 2020–2021, with a total cash forecast position of \$131 million in 2028–2029. The improved cash position is a direct result of the service improvements. This places Council in a sound cash position providing capacity to take advantage of unplanned opportunities or unforeseen circumstances.

## **Operating Result**

Under this scenario Council achieves operating surplus except for 2020–2021 due to the one-off establishment cost of \$1.5 million for the Rhodes Recreation facility. The estimated Horizontal Service Improvements total \$670,000 in 2018–2019 increasing to a total ongoing annual saving of \$3.3 million.

As a result the total operating surplus over the life of the Long Term Financial Plan is \$33.1 million, enabling Council to build financial capacity with the resilience and flexibility to adapt to the changing demands of the community.

## **Own source revenue**

Council meets this target.

## **Building and Infrastructure backlog ratio**

Council has a very positive trend toward achieving this ratio of 2%, currently estimated at 3.3% moving to 2.3%. Given the review required of the asset condition data for stormwater and seawall assets, the result is sound and can be further improved once the revised data has been evaluated. With this approach and trend, Council ensures it has fit

for purpose assets that meet the community needs.

### **Asset Maintenance Ratio**

Following an assessment of asset maintenance expenditure there is an estimated shortfall between what is required and the amount actually spent. For 2019–2020 this represents \$1.1 million and over 10 years \$24.9 million. The additional asset maintenance expenses has been included in this scenario and delivers a 100% asset maintenance ratio.

### **Real Operating Expenditure per capita**

This performance indicator is trending upwards and is mainly due to the increase in asset maintenance expenses required to deliver a sustainable asset position for Council and the community. It increases 13% over 10 years from \$980 per capital to \$1,111 per capita. Council has an opportunity to drive further improvements through decreasing total operating expenditure.

### **References**

Preparation of this Overarching Resourcing Strategy has been based on the content of the following documents:

- YOUR future 2030
- 2018–2021 Delivery Plan
- Resourcing Strategy: Our Finances
- Resourcing Strategy: Our Assets
- Resourcing Strategy: Our Workforce.



# Long-term Financial Statements

The long-term financial statements provide an overview of both Scenario One: Base Case – Sustainable Assets and Scenario Two: Sustainable Assets and Sustainable Services

## Scenario One: Base Case – Sustainable Assets

Table 1: Scenario One – Base Case Income Statement

	2016 /2017	2017 /2018	2018 /2019	2019 /2020	2020 /2021	2021 /2022	2022 /2023	2023 /2024	2024 /2025	2025 /2026	2026 /2027	2027 /2028	2028 /2029
In ('000)	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Income Statement</b>													
<b>Revenue:</b>													
Total Rates and Annual Charges	50,281	51,055	53,630	55,356	57,131	58,960	60,989	63,420	65,580	67,809	70,109	72,482	74,931
User Charges and Fees	16,199	17,021	17,721	18,253	18,800	19,380	19,962	20,561	21,181	21,816	22,471	23,145	23,839
Interest and Investment Revenue	2,669	2,651	2,811	2,265	2,212	2,216	2,183	2,170	2,188	2,252	2,365	2,512	2,718
Other Revenue	20,898	8,950	9,034	9,434	9,705	9,984	10,273	10,568	10,885	11,212	11,548	11,895	12,252
Grants and Contributions – Operating Purposes	7,078	3,851	5,016	5,116	5,219	5,323	5,430	5,538	5,649	5,762	5,877	5,995	6,115
Discontinued Operations	–	–	–	–	–	–	–	–	–	–	–	–	–
Improvement Income	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Income from Continuing Operations</b>	<b>97,125</b>	<b>83,528</b>	<b>88,212</b>	<b>90,424</b>	<b>93,068</b>	<b>95,864</b>	<b>98,836</b>	<b>102,257</b>	<b>105,483</b>	<b>108,852</b>	<b>112,371</b>	<b>116,029</b>	<b>119,854</b>
<b>Expenses</b>													
Employee benefits and on-costs	32,691	35,021	36,484	37,396	38,331	39,289	40,272	41,278	42,310	43,368	44,452	45,564	46,703
Borrowing costs (Interest expense)	222	197	170	142	112	79	45	11	–	–	–	–	–
Materials and contracts	20,544	24,689	17,161	17,510	17,867	18,231	18,604	18,976	19,355	19,742	20,137	20,540	20,951
Depreciation and amortisation	12,662	11,231	12,353	13,398	14,234	14,510	14,735	14,462	14,686	14,877	15,059	15,220	15,370
DWM & SWL EXPENSES	–	–	13,214	13,483	13,758	14,038	14,325	14,612	14,904	15,202	15,506	15,816	16,132
Net Losses from the disposal of assets	367	–	–	–	–	–	–	–	–	–	–	–	–
Other expenses	14,013	15,304	8,845	9,287	9,752	10,239	10,751	11,289	11,853	12,446	13,068	13,721	14,408
Expenses on account of improvement	–	–	–	–	–	–	–	–	–	–	–	–	–
Maintenance and Operating Expenses – Additional	–	–	–	1,254	2,410	2,558	2,603	2,648	2,637	2,598	2,553	2,499	2,552
Maintenance & Ops expenses Gap for asset maintenance	–	–	–	813	1,959	2,097	2,131	2,163	2,141	2,089	2,032	1,964	2,004
Maintenance & Ops expenses – growth factor	–	–	–	441	451	461	473	484	497	509	522	535	548
Maintenance & Ops expenses because of efficiency gains	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Expenses from Continuing Operations</b>	<b>80,499</b>	<b>86,442</b>	<b>88,226</b>	<b>92,471</b>	<b>96,463</b>	<b>98,945</b>	<b>101,334</b>	<b>103,275</b>	<b>105,746</b>	<b>108,233</b>	<b>110,776</b>	<b>113,360</b>	<b>116,115</b>
<b>Net Operating Result before Grants and Contributions – Capital Purposes</b>	<b>16,626</b>	<b>(2,914)</b>	<b>(15)</b>	<b>(2,046)</b>	<b>(3,395)</b>	<b>(3,081)</b>	<b>(2,498)</b>	<b>(1,018)</b>	<b>(262)</b>	<b>618</b>	<b>1,594</b>	<b>2,668</b>	<b>3,739</b>
Grants and Contributions – Capital Purposes	12,497	5,439	9,207	49,691	53,295	5,401	5,509	5,619	5,731	5,846	5,963	6,082	6,204
<b>Net Operating Result after Grants and Contributions – Capital Purposes</b>	<b>29,123</b>	<b>2,525</b>	<b>9,192</b>	<b>47,645</b>	<b>49,900</b>	<b>2,319</b>	<b>3,011</b>	<b>4,601</b>	<b>5,469</b>	<b>6,464</b>	<b>7,557</b>	<b>8,751</b>	<b>9,943</b>

**Table 2: Scenario One – Base Case Balance Sheet**

	2016 /2017	2017 /2018	2018 /2019	2019 /2020	2020 /2021	2021 /2022	2022 /2023	2023 /2024	2024 /2025	2025 /2026	2026 /2027	2027 /2028	2028 /2029
In ('000)	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Balance Sheet</b>													
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and cash equivalents	5,516	4,259	–	(4,778)	(3,535)	(4,539)	(5,706)	(5,433)	(4,477)	(1,157)	3,057	8,639	16,785
Investments	81,150	75,034	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398
Receivables	6,128	5,899	6,199	6,655	6,865	7,083	7,319	7,593	7,844	8,103	8,370	8,646	8,930
Inventories	56	57	54	43	44	45	46	47	48	49	50	51	52
Other	201	258	246	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563
Non-Current Assets Classified As Held for Resale	2,100	–	–	–	–	–	–	–	–	–	–	–	–
Total Current Assets	95,151	85,507	80,897	76,563	78,018	77,232	76,302	76,850	78,058	81,638	86,120	91,979	100,410
<b>Non-Current Assets</b>													
Long term investments	4,000	3,526	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496
NCA Receivables	–	28	29	40	42	43	44	46	48	49	51	52	54
NCA Inventories	–	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure, property, plant and equipment (Net)	1,494,884	1,511,188	1,544,224	1,617,956	1,693,760	1,723,023	1,752,361	1,782,735	1,815,747	1,847,547	1,880,124	1,912,340	1,943,894
Capital work in progress	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment property	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920
Real Estate	–	–	–	–	–	–	–	–	–	–	–	–	–
Intangible Assets	1,587	896	536	363	189	104	48	–	–	–	–	–	–
Total Non-Current Assets	1,533,391	1,548,558	1,581,204	1,654,775	1,730,407	1,759,585	1,788,869	1,819,196	1,852,210	1,884,012	1,916,591	1,948,808	1,980,364
<b>TOTAL ASSETS</b>	<b>1,628,542</b>	<b>1,634,065</b>	<b>1,662,101</b>	<b>1,731,338</b>	<b>1,808,424</b>	<b>1,836,818</b>	<b>1,865,171</b>	<b>1,896,047</b>	<b>1,930,268</b>	<b>1,965,650</b>	<b>2,002,710</b>	<b>2,040,787</b>	<b>2,080,774</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Payables	15,414	17,006	16,856	10,758	11,237	11,559	11,873	12,196	12,519	12,847	13,185	13,533	13,909
Income received in advance	2,385	1,047	1,023	362	362	362	362	362	362	362	362	362	362
Borrowings (Debt)	463	490	518	548	581	615	415	–	–	–	–	–	–
Provisions	8,621	10,247	11,453	9,565	9,826	10,096	10,374	10,660	10,954	11,258	11,571	11,894	12,227
Total Current Liabilities	26,883	28,790	29,850	21,233	22,006	22,632	23,025	23,218	23,835	24,467	25,118	25,789	26,498
<b>Non-Current Liabilities</b>													
NCL Payables	–	–	–	–	–	–	–	–	–	–	–	–	–
NCL Borrowings (Debt)	3,166	2,677	2,159	1,611	1,030	415	–	–	–	–	–	–	–
NCL Provisions	757	495	553	286	286	286	286	286	286	286	286	286	286
<b>Total Liabilities</b>	<b>30,806</b>	<b>31,961</b>	<b>32,562</b>	<b>23,130</b>	<b>23,322</b>	<b>23,333</b>	<b>23,311</b>	<b>23,504</b>	<b>24,121</b>	<b>24,753</b>	<b>25,404</b>	<b>26,075</b>	<b>26,784</b>
<b>EQUITY</b>													
Equity + Retained Earnings	1,141,635	1,144,160	1,153,352	1,200,997	1,250,897	1,253,217	1,256,228	1,260,829	1,266,298	1,272,762	1,280,320	1,289,070	1,299,014
Revaluation Reserves	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101
<b>Total Equity</b>	<b>1,597,736</b>	<b>1,600,261</b>	<b>1,609,453</b>	<b>1,657,098</b>	<b>1,706,998</b>	<b>1,709,317</b>	<b>1,712,329</b>	<b>1,716,930</b>	<b>1,722,399</b>	<b>1,728,863</b>	<b>1,736,421</b>	<b>1,745,171</b>	<b>1,755,115</b>





**Table 4: Scenario One – Base Case Key Performance Indicators**

Ratio	Calculation	What is being measured?	Sustainable target	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
				Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio
<b>Operating Performance Ratio</b>	Total operating revenue less total operating expenditure	Does the Council have a balanced budget?	Greater than zero	-3.49%	-0.02%	-2.26%	-3.65%	-3.21%	-2.53%	-1.00%	-0.25%	0.57%	1.42%	2.30%	3.12%
				✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓
<b>Own Source Operating Revenue</b>	Total operating revenue less revenue for capital purposes less total operating expenditure	Is the Council sustainable in terms of its operating result? Sufficient funding from operational activities?	Sustainable – Greater than 60%	94%	91%	65%	64%	95%	95%	95%	95%	95%	95%	95%	95%
				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Asset renewal ratio (buildings and infrastructure)</b>	Asset renewal expenditure divided by depreciation	Is asset renewal expenditure sufficient to maintain assets in the long-term?	Greater than or equal to 100% Good Less than 100% Unsustainable	105%	102%	100%	100%	100%	102%	100%	100%	100%	100%	100%	100%
				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Infrastructure Backlog</b>	Estimated cost to bring assets to satisfactory condition divided by net carrying amount of infrastructure assets	Measures ratio of renewal backlog against net carrying value of assets and reflects success of strategy to invest in Asset renewals	Benchmark 2%	3.40%	3.28%	3.02%	2.85%	2.82%	2.72%	2.64%	2.55%	2.49%	2.44%	2.36%	2.30%
				✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
<b>Asset Maintenance Ratio</b>	Asset maintenance divided by Asset Maintenance required	Is asset maintenance expenditure sufficient to maintain assets in the long-term?	Greater than or equal to 100% Good Less than 100% Unsustainable	105%	102%	100%	100%	100%	102%	100%	100%	100%	100%	100%	100%
				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

# Scenario Two: Sustainable Assets and Sustainable Services

## Table 5: Scenario Two – Income Statement

	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2029
In ('000)	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>Income Statement</b>													
<b>Revenue:</b>													
<b>Total Rates and Annual Charges</b>	50,281	51,055	53,630	55,356	57,131	58,960	60,989	63,420	65,580	67,809	70,109	72,482	74,931
User Charges and Fees	16,199	17,021	17,721	18,253	18,795	19,375	19,956	20,555	21,175	21,810	22,465	23,139	23,833
Interest and Investment Revenue	2,669	2,651	2,811	2,309	2,330	2,417	2,494	2,593	2,727	2,910	3,146	3,419	3,756
Other Revenue	20,898	8,950	9,034	9,434	9,705	9,984	10,273	10,568	10,885	11,212	11,548	11,895	12,252
Grants and Contributions - Operating Purposes	7,078	3,851	5,016	5,116	5,219	5,323	5,430	5,538	5,649	5,762	5,877	5,995	6,115
Improvement income	-	-	670	2,341	3,381	3,381	3,381	3,381	3,381	3,381	3,381	3,381	3,381
<b>Total Income from Continuing Operations</b>	<b>97,125</b>	<b>83,528</b>	<b>88,882</b>	<b>92,810</b>	<b>96,562</b>	<b>99,441</b>	<b>102,523</b>	<b>106,055</b>	<b>109,397</b>	<b>112,885</b>	<b>116,526</b>	<b>120,311</b>	<b>124,266</b>
<b>Expenses</b>													
Employee benefits and on-costs	32,691	35,021	36,484	37,396	38,331	39,289	40,272	41,278	42,310	43,368	44,452	45,564	46,703
Borrowing costs (Interest expense)	222	197	170	142	112	79	45	11	-	-	-	-	-
Materials and contracts	20,544	24,689	17,161	17,510	17,867	18,231	18,604	18,976	19,355	19,742	20,137	20,540	20,951
Depreciation and amortisation	12,662	11,231	12,353	13,398	14,234	14,510	14,735	14,462	14,686	14,877	15,059	15,220	15,370
Impairment	-	-	13,214	13,483	13,758	14,038	14,325	14,612	14,904	15,202	15,506	15,816	16,132
Net Losses from the disposal of assets	367	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	14,013	15,304	8,845	9,287	9,752	10,239	10,751	11,289	11,853	12,446	13,068	13,721	14,408
Expenses on account of improvement	-	-	67	31	1,519	-	-	-	-	-	-	-	-
Maintenance and Operating Expenses - Additional	-	-	-	1,254	2,410	2,558	2,603	2,648	2,637	2,598	2,553	2,499	2,552
<b>Total Expenses from Continuing Operations</b>	<b>80,499</b>	<b>86,442</b>	<b>88,293</b>	<b>92,502</b>	<b>97,982</b>	<b>98,945</b>	<b>101,334</b>	<b>103,275</b>	<b>105,746</b>	<b>108,233</b>	<b>110,776</b>	<b>113,360</b>	<b>116,115</b>
Net Operating Result before Grants and Contributions - Capital Purposes	16,626	(2,914)	588	308	(1,420)	496	1,189	2,780	3,652	4,651	5,750	6,950	8,152
Grants and Contributions - Capital Purposes	12,497	5,439	9,207	49,691	53,295	5,401	5,509	5,619	5,731	5,846	5,963	6,082	6,204
Net Operating Result after Grants and Contributions - Capital Purposes	29,123	2,525	9,795	49,999	51,875	5,897	6,697	8,399	9,383	10,497	11,713	13,033	14,355

Table 6: Scenario Two – Balance Sheet

	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	2028 / 2029
In ('000)	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>Balance Sheet</b>													
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and cash equivalents	5,516	4,259	–	(1,821)	1,398	3,972	6,489	10,560	15,430	22,782	31,152	41,016	53,574
Investments	81,150	75,034	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398	74,398
Receivables	6,128	5,899	6,199	6,655	6,865	7,082	7,318	7,592	7,844	8,103	8,370	8,645	8,929
Inventories	56	57	54	43	44	45	46	47	48	49	50	51	52
Other	201	258	246	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563	245,563
Non-Current Assets Classified As Held for Resale	2,100	–	–	–	–	–	–	–	–	–	–	–	–
Total Current Assets	95,151	85,507	80,897	79,521	82,950	85,742	88,496	92,842	97,964	105,577	114,214	124,355	137,199
<b>Non-Current Assets</b>													
Long term investments	4,000	3,526	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496	3,496
NCA Receivables	–	28	29	40	42	43	44	46	48	49	51	52	54
NCA Inventories	–	–	–	–	–	–	–	–	–	–	–	–	–
Infrastructure, property, plant and equipment (Net)	1,494,884	1,511,188	1,544,224	1,617,956	1,693,760	1,723,023	1,752,361	1,782,735	1,815,747	1,847,547	1,880,124	1,912,340	1,943,894
Capital work in progress	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment property	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920	32,920
Real Estate	–	–	–	–	–	–	–	–	–	–	–	–	–
Intangible Assets	1,587	896	536	363	189	104	48	–	–	–	–	–	–
Total Non-Current Assets	1,533,391	1,548,558	1,581,204	1,654,775	1,730,407	1,759,585	1,788,869	1,819,196	1,852,210	1,884,012	1,916,591	1,948,808	1,980,364
<b>TOTAL ASSETS</b>	<b>1,628,542</b>	<b>1,634,065</b>	<b>1,662,101</b>	<b>1,734,295</b>	<b>1,813,357</b>	<b>1,845,328</b>	<b>1,877,365</b>	<b>1,912,039</b>	<b>1,950,175</b>	<b>1,989,589</b>	<b>2,030,805</b>	<b>2,073,163</b>	<b>2,117,562</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Payables	15,414	17,006	16,856	10,758	11,237	11,559	11,873	12,196	12,519	12,847	13,185	13,533	13,909
Income received in advance	2,385	1,047	1,023	362	362	362	362	362	362	362	362	362	362
Borrowings (Debt)	463	490	518	548	581	615	415	–	–	–	–	–	–
Provisions	8,621	10,247	11,453	9,565	9,826	10,096	10,374	10,660	10,954	11,258	11,571	11,894	12,227
Total Current Liabilities	26,883	28,790	29,850	21,233	22,006	22,632	23,025	23,218	23,835	24,467	25,118	25,789	26,498
<b>Non-Current Liabilities</b>													
NCL Payables	–	–	–	0	0	0	0	0	0	0	0	0	0
NCL Borrowings (Debt)	3,166	2,677	2,159	1,611	1,030	415	–	–	–	–	–	–	–
NCL Provisions	757	495	553	286	286	286	286	286	286	286	286	286	286
<b>Total Liabilities</b>	<b>30,806</b>	<b>31,961</b>	<b>32,562</b>	<b>23,130</b>	<b>23,322</b>	<b>23,333</b>	<b>23,311</b>	<b>23,504</b>	<b>24,121</b>	<b>24,753</b>	<b>25,404</b>	<b>26,075</b>	<b>26,784</b>
<b>EQUITY</b>													
Equity + Retained Earnings	1,141,635	1,144,160	1,153,955	1,203,954	1,255,830	1,261,727	1,268,424	1,276,823	1,286,206	1,296,704	1,308,417	1,321,449	1,335,805
Revaluation Reserves	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101	456,101
<b>Total Equity</b>	<b>1,597,736</b>	<b>1,600,261</b>	<b>1,610,056</b>	<b>1,660,055</b>	<b>1,711,931</b>	<b>1,717,828</b>	<b>1,724,525</b>	<b>1,732,924</b>	<b>1,742,307</b>	<b>1,752,805</b>	<b>1,764,518</b>	<b>1,777,550</b>	<b>1,791,906</b>





**Table 8: Scenario Two – Key Performance Indicators**

Ratio	Calculation	What is being measured?	Sustainable target	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
				Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio	Forecast ratio
<b>Operating Performance Ratio</b>	Total operating revenue less total operating expenditure	Does the Council have a balanced budget?	Greater than zero	-3.49%	0.66%	0.33%	-1.47%	0.50%	1.15%	2.82%	3.34%	4.12%	4.93%	5.78%	6.56%
<b>Own Source Operating Revenue</b>	Total operating revenue less revenue for capital purposes less total operating expenditure	Is the Council sustainable in terms of its operating result? Sufficient funding from operational activities?	Sustainable – Greater than 60%	94%	91%	65%	64%	95%	95%	95%	95%	95%	95%	95%	95%
<b>Asset renewal ratio (buildings and Infrastructure)</b>	Asset renewal expenditure divided by depreciation	Is asset renewal expenditure sufficient to maintain assets in the long-term?	Greater than or equal to 100% Good Less than 100% Unsustainable	123%	111%	96%	80%	98%	115%	113%	114%	106%	105%	112%	109%
<b>Infrastructure Backlog</b>	Estimated cost to bring assets to satisfactory condition divided by net carrying amount of infrastructure assets	Measures ratio of renewal backlog against net carrying value of assets and reflects success of strategy to invest in Asset renewals	Benchmark 2%	3.40%	3.28%	3.02%	2.85%	2.82%	2.72%	2.64%	2.55%	2.49%	2.44%	2.36%	2.30%
<b>Asset Maintenance Ratio</b>	Asset maintenance divided by Asset Maintenance required	Is asset maintenance expenditure sufficient to maintain assets in the long-term?	Greater than or equal to 100% Good Less than 100% Unsustainable	105%	102%	100%	100%	100%	100%	100%	102%	100%	100%	100%	100%



# More Information



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## ACCESSIBLE FORMAT

If you need this information in an accessible format, please telephone 9911 6555 or email [council@canadabay.nsw.gov.au](mailto:council@canadabay.nsw.gov.au).

This document can also be found in large print format on [www.canadabay.nsw.gov.au](http://www.canadabay.nsw.gov.au).

## ENGLISH

If you do not understand this information, please come to the Council or contact the Telephone Interpreter Service (TIS) on 13 14 50 and ask them to connect you to Council on 9911 6555. We will try to answer your enquiries by using an interpreter.

## ITALIAN

Se hai difficoltà nel capire la presente comunicazione, presentati al Council, oppure rivolgiti al Tis (Servizio telefonico interpreti) chiamando il 13 14 50 e chiedi di essere messo in contatto con il Council al 9911 6555. Cercheremo di rispondere alle tue domande con l'aiuto dell'interprete.

## GREEK

Αν δεν καταλαβαίνετε αυτές τις πληροφορίες, παρακαλούμε ελάτε στο Δήμο ή επικοινωνήστε με την Τηλεφωνική Υπηρεσία Διερμηνέων (TIS) στο 13 14 50 και ζητήστε να σας συνδέσουν με τον Δήμο στον αριθμό 9911 6555. Θα προσπαθήσουμε να απαντήσουμε στις ερωτήσεις σας χρησιμοποιώντας ένα διερμηνέα.

## SIMPLIFIED CHINESE

如果您对这些内容不理解, 请向地方议会咨询或致电13 14 50联系电话口译服务 (TIS), 并在他们的帮助下通过电话与9911 6555地方议会联系。他们将尽力通过口译员回答您的问题。

## KOREAN

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