RESOURCING STRATEGY 2032

WILLOUGHBY CITY COUNCIL

City of Diversity

About this Plan

This document outlines our capacity to implement *Our Future Willoughby 2032, Community Strategic Plan*.

Acknowledgement of Country

We wish to acknowledge the traditional inhabitants of the land on which we stand, the Aboriginal People, their spirits and ancestors.

We acknowledge the vital contribution that Indigenous people and cultures have made and still make to the nation that we share, Australia.

Contents

Executive Summary

INTRODUCTION

This Executive Summary outlines the plans and strategies that form our Resourcing Strategy.

Our Resourcing Strategy outlines to the community how we resource the delivery of our services and projects to meet the priorities of the community, now and into the future.

Our Resourcing Strategy includes the:

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

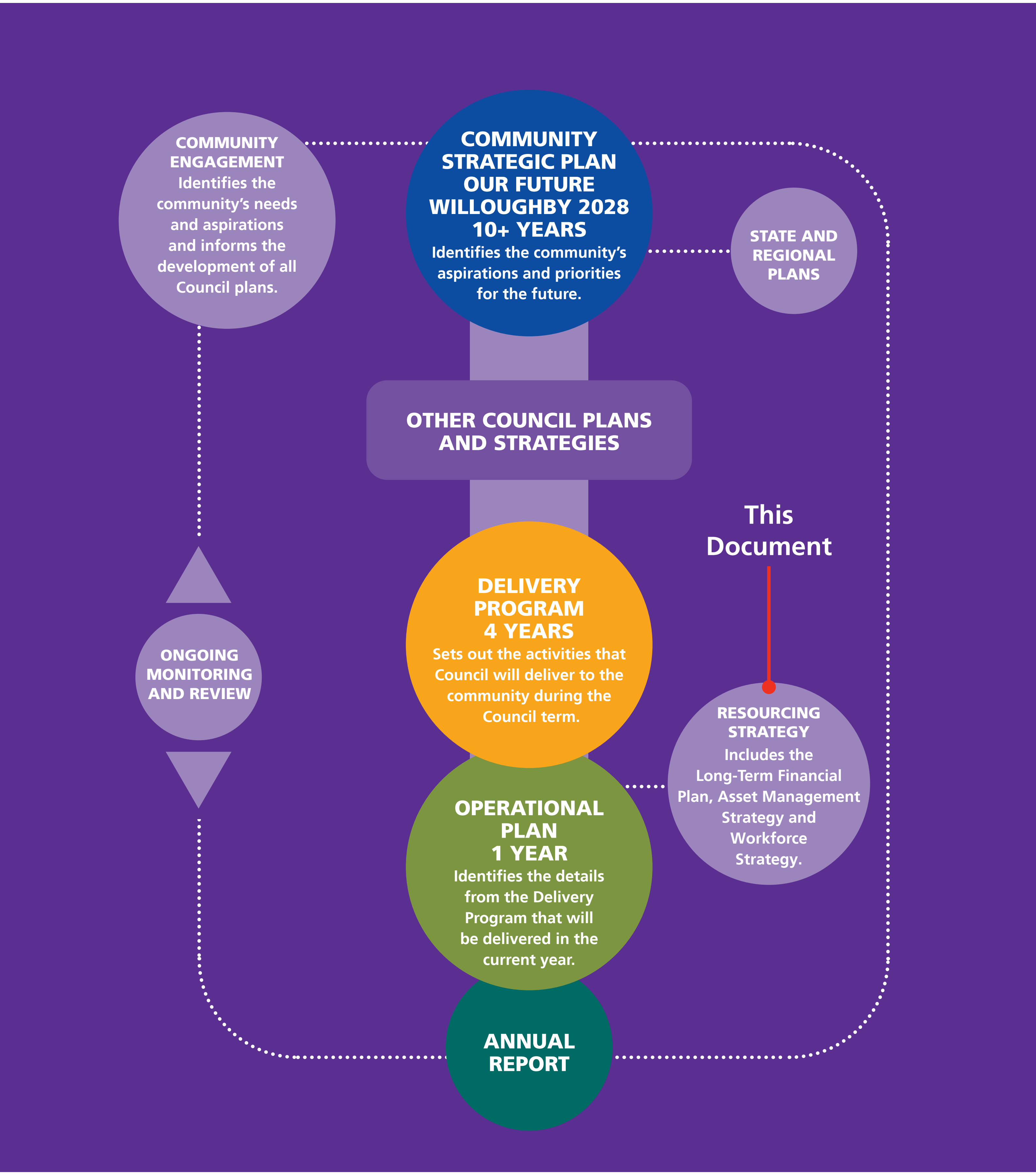
This summary describes the important role each plan and strategy plays in achieving the Outcomes for our community outlined in *Our Future Willoughby 2032, Community Strategic Plan*.

PLANNING AND REPORTING FRAMEWORK

The Resourcing Strategy is a vital part of our planning and reporting framework which includes the:

- 10 year Community Strategic Plan
- 10 year Resourcing Strategy (this document)
- 4 year Delivery Program
- annual Operational Plan and Budget
- other supporting plans and strategies.

Figure 1: Planning and Reporting Framework (pictured right)


COMMUNITY ENGAGEMENT
Identifies the community's needs and aspirations and informs the development of all Council plans.
COMMUNITY STRATEGIC PLAN OUR FUTURE WILLOUGHBY 2028 10+ YEARS
Identifies the community's aspirations and priorities for the future.
STATE AND REGIONAL PLANS
OTHER COUNCIL PLANS AND STRATEGIES
This Document
DELIVERY PROGRAM 4 YEARS
Sets out the activities that Council will deliver to the community during the Council term.
ONGOING MONITORING AND REVIEW
RESOURCING STRATEGY
Includes the Long-Term Financial Plan, Asset Management Strategy and Workforce Strategy.
OPERATIONAL PLAN 1 YEAR
Identifies the details from the Delivery Program that will be delivered in the current year.
ANNUAL REPORT

THE COMMUNITY STRATEGIC PLAN

In 2022, we undertook a mid term review of *Our Future Willoughby 2028*; a plan built upon widespread consultation and engagement with the community and stakeholders which received more than 6,000 inputs. The 2022 review indicated that the five Outcomes identified through the original Plan's development were still relevant for the updated *Our Future Willoughby 2032*, namely:

- A City that is green
- A City that is connected and inclusive
- A City that is liveable
- A City that is prosperous and vibrant
- A City that is effective and accountable

Our 2022 review also considered what had changed over the five year period and developed additional responses to those impacts, including:

- More extreme weather events requiring a greater focus on local resilience outcomes
- COVID-19 has changed Willoughby's way of life
- Reduced urban tree canopy and vegetation cover
- Changes in government policy, in areas including waste, recycling and infrastructure Contributions
- Demographic changes, including an increasing number of single person households
- Declining housing affordability
- Increased community focus on the need for enhanced customer service and community engagement

The results of that review are presented in *Our Future Willoughby 2032* which outlines Willoughby City's community's priorities and aspirations and guides the work that we will do for 10 years.

We will continue to measure our performance against each outcome through regular community surveys and performance indicators.

THE RESOURCING STRATEGY

Our Resourcing Strategy supports the Community Strategic Plan and details how we can help achieve these aspirations in terms of time, money, assets and people. It includes the:

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

As its name suggests each component of the Resourcing Strategy also plays a role in resourcing the achievement of the Delivery Program and operational plans, as well as any other strategies and plans we have developed to support the achievement of the Community Strategic Plan.

THE LONG TERM FINANCIAL PLAN

The Long Term Financial Plan supports the outcomes of the Community Strategic Plan through funding principles for financial management for the years ahead. It projects our financial commitments for the next 10 years and enables us to identify and analyse trends of significance and provide for sound financial planning and decision making.

Our financial performance targets are documented in the Long Term Financial Plan, resourced through budgets and audited and reported to the community through the external audits and Annual Report.

ASSET MANAGEMENT STRATEGY AND PLANS

We are responsible for $1.05 billion of infrastructure assets under our control within the local government area. This includes roads, bridges, footpaths, kerb and gutter, buildings, libraries, stormwater and drainage, retaining walls, playgrounds, parks, sports facilities and bushland assets.

Our Asset Management Strategy identifies assets critical to Council's operations and to the community. The Strategy outlines the business environment in which we operate and the current and future state of our assets and asset management practices. Projected resources and timeframes to improve our assets management capabilities are included.

Supporting the Asset Management Strategy are individual asset plans for the key asset categories listed above. They outline asset condition and assess it's fitness for purpose.

THE WORKFORCE PLAN

Our Workforce Management Plan, provides the strategic framework for human resource decisions. The aim of the plan is to ensure that we have the right people in the right place at the right time, with the right skills to meet the community's desired outcomes and needs and to ensure that we operate effectively and efficiently.

The Workforce Plan includes analysis of our workforce requirements based on the commitments in the Community Strategic Plan and Delivery Program.

THE DELIVERY PROGRAM

This Delivery Program aligns with the aspirations described in *Our Future Willoughby 2032, Community Strategic Plan*.

The purpose of the Delivery Program is to illustrate what services and projects will be provided during the current Council term, and how these services and projects will be funded. The Council's term will be completed in September 2024 and the Delivery Program has a 4 year horizon.

OTHER PLANS

Complementing the Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan & Budget are supporting plans and strategies including:

- Affordable Housing Strategy 2020-2026
- Bike Plan 2017
- Chatswood CBD Planning and Urban Design Strategy 2026
- Development Control Plan (Draft)
- Disability Inclusion Action Plan 2017-2021
- Economic Development Strategy 2022
- Development Control Plan (Draft)
- Disability Inclusion Action Plan 2017-2021
- Housing Strategy 2036
- Industrial Lands Strategy 2036
- Integrated Transport Strategy 2036
- Local Centres Strategy 2036
- Local Environmental Plan (Draft)
- Local Strategic Planning Statement 2020
- Night Time Economy Strategy (Draft)
- Open Space and Recreation Plan 2013
- Our Green City Plan 2028
- Resilient Willoughby Strategy and Action Plan 2021
- Street Parking Strategy 2017

COMMUNITY PERCEPTION AND COMMUNITY WELL BEING SURVEYS

We undertake regular community perception and well being surveys to gather feedback on the services, projects and programs we provide. This information informs improvements to both what we deliver and the way in which we deliver it. The surveys play an important role in the management and allocation of resources and directly relates to our Resourcing Strategy.

CONCLUSION

Our Resourcing Strategy informs how we are resourced to provide services and deliver projects which meet the priorities of the community, now and into the future. These documents provide confidence that Council has the necessary resources to achieve its objectives, and has considered the longer term impacts of any immediate or medium term initiatives or activities.

ATTACHMENTS

LONG TERM FINANCIAL PLAN
2022–2032

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Executive Summary

Willoughby City Council is in a sound financial position, with conservative debt levels, a strong overall balance sheet and healthy levels of unrestricted working capital well in exceedance of the Office of Local Government (OLG) benchmarks.

In fact, since 2014 and up until 30 June 2021, the Council achieved and exceeded all six of OLG's financial sustainability benchmarks. Due to COVID-related revenue losses of over $9 million, the Council narrowly missed one OLG benchmark in the financial year 2020/21.

In the area of local infrastructure, the Council's asset renewal backlog has reduced by $51 million since 2014 and the backlog is now only 1.3% of total asset value (exceeding the OLG benchmark of less than 2%).

This sound financial position, however, has the potential to be undermined by a range of events, many of which are outside of the Council's control. These are outlined below:

- Staff expenses (which make up 39% of the Council's total costs) increasing by 2.5% due to a Local Government Award increase determination (2%) and the mandated increase to the Federal Government's Superannuation Guarantee rate (a further 0.5% increase). Staff costs will therefore increase by $1.11 million whereas rates are only allowed to increase by $410,000 under the Independent Pricing and Regulatory Tribunal's (IPART) allowable increase (leading to a $702,000 shortfall compared to staff cost increases alone).
- The closure of the Willoughby Leisure Centre for nine months during 2022/23 for refurbishment at a net cost of $880,000.
- An exceptionally tight labour market leading to low supply of labour and wage inflation pressures at all employment levels and employment types, combined with increased cost of materials and services.
- Ongoing uncertainty about revenue streams due to COVID-19 impacts, with revenue expected to partially recover, but not return to pre-pandemic levels.
- Expiry of the Council's seven year, 7.3% Infrastructure Levy. The cessation of the Infrastructure Levy results in a $2.96 million reduction in rating revenue in 2022/23.
- Council's previous Long Term Financial Plan 2021/22 to 2030/31, adopted in July 2021, assumed a 2% year on year increase to revenue from rates (excluding increased rates from population growth) while IPART in December 2021 announced a 0.7% rates revenue increase cap.
- Inflation levels significantly higher than estimates in the previous Long Term Financial Plan 2021/22 to 2030/31.
- Numerous State Government changes with adverse financial outcomes.
- Increasing incidence of extreme weather events and the resulting costs for repair, clean up and insurance premiums.

While the Council is undertaking savings measures in 2022/23, the overall impact of the above issues – if not corrected - means the Council is likely to find itself having to manage a year-by-year erosion

in its general fund (i.e. its working capital), commencing in 2022/23 and continuing for a further six years. This outcome is not sustainable.
For this reason, the 2022/23 Long-Term Financial Plan is proposing a permanent 1.3 per cent Additional Special Variation to rates (ASV), to apply on an ongoing basis from 2022/23. This will allow the Council to maintain its general fund level in 2022/23, and then increase it in subsequent years. It will also mean the Council will avoid having to consider using other internal reserves, which have been set aside for specific purposes, for working capital.

Importantly, even if the Council is successful with its special rate variation, overall rate revenue will fall by 5.2 per cent (a total of $1.9 million) due to the cessation of the Infrastructure Levy.

This will result in average residential rates per property decreasing by $38 in 2022/23. This means that a reasonable cost of living adjustment on Council’s rate revenue can be achieved while at the same time savings can be delivered to ratepayers.

Assuming the Council is successful in its special rate variation, the Council is budgeting for a 2022/23 Operational Deficit of $1.7 million, before returning to surplus in subsequent years.

Introduction and Purpose

The Long Term Financial Plan 2022/23 to 2031/32 (LTFP) reflects our financial capacity to deliver the strategies, initiatives and works identified in Willoughby City's *Community Strategic Plan: Our Future Willoughby 2032* the four-year *Delivery Program 2022-2026* and the annual Operational Plans and Budgets.

The LTFP enables the community's vision for the future to be assessed against the financial and other resources available. It ensures that we have a financially sustainable long term plan and that we can manage financial risks and optimise opportunities while delivering the community's aspirations.

The LTFP expresses in financial terms our planned activities in the short, medium and long term and provides a framework for strategic decision making, problem identification and corrective action.

The objectives of the LTFP are to:

- Provide a **transparent account** of our financial position and forecasts to the community
- Identify the **financial risks and opportunities** arising in the short, medium and long term
- Measure the **financial impacts of change** through sensitivity testing of key assumptions
- Model the financial effects of our other **strategic plans and initiatives** including other resourcing strategies (asset management and workforce management)
- Provide early warning of potential risks to our financial sustainability and provide a framework for decision making and **corrective action**
- Provide a basis to make sound **strategic decisions** to best meet community expectations and aspirations

Structure of this Long Term Financial Plan

Due to COVID impacts upon our revenue and the resultant disruption to the supply of labour and materials, ongoing uncertainty in the economic environment, and recent requirements to apply for an Additional Special Variation (ASV) to address an inadequate 2022/23 rate peg, this Long Term Financial Plan 2022/23 to 2031/32 (LTFP) will focus on comparing financial outcomes of a number of scenarios.

This Long Term Financial Plan is structured as follows:

Part 1 – Common Principles – outlines our Financial Strategies, Strategic Financial Objectives and generic principles of financial sustainability. This section will also detail the generic strengths, weaknesses, opportunities and threats relevant to the Long Term Financial Plan.

Part 2 – Need for a 1.3% Permanent "Additional Special Variation" to rates– highlights the impact of the low rate peg, current trading conditions and our case for an ongoing 1.3% Additional Special Variation (ASV) to compensate for the inadequate rate peg.

Part 3 – LTFP Scenario Analysis – Examines the assumptions and outcomes associated with two specific Long Term Financial Plan scenarios (a base case scenario including a Permanent 1.3% ASV and an alternative scenario assuming no Permanent ASV).

Part 1 – Common Financial Principles and Financial Environment

Strategic Financial Objectives

Our Strategic Financial Objectives and Key Performance Indicators (KPIs) are driven by the overriding principle of financial sustainability. These objectives and Key Performance Indicators ensure alignment with Asset Management and Workforce strategies and drive the construction of the Long Term Financial Plan. Our KPIs align to the Office of Local Government (OLG) financial sustainability and Infrastructure Asset Management Ratios. These ratios are measured annually, subject to external audit, and comparable to other councils across NSW.

Figure 1 – Strategic Financial Objectives

Sustainability Principle	Objectives	Key Performance Indicators
Positive Operating Performance	• Modest surplus each year • Balanced Budget • Fully funded operating position including debt and depreciation	• Operating Performance Ratio >0% • Own Source Operating Revenue Ratio >60%
Strong Cash-flow	• Cash surplus each year • Restricted Cash and liabilities fully funded • Adequate working capital	• Unrestricted Current ratio > 1.5 • Rates and charges outstanding <5% • Cash Expense cover ratio >3 months
Asset Focus	• Alignment to Asset Management Strategy • Fully funded capital works program • Reduce and eliminate the asset backlog • Optimise returns from assets	• Asset Renewal Ratio > 1 • Asset Maintenance Ratio >1 • Infrastructure Backlog Ratio < 2% • Declining backlog • Improved return on investment
Manage Debt Levels	• Reduce debt levels over the medium term • Focus on intergenerational equity • Debt used only for assets with life over 20 years or projects with a payback under 7 years.	• Debt Service Cover Ratio > 2% • Debt Service Ratio <20%
Maintain and enhance service levels	• Delivery aligned to CSP and Delivery Program. • Prioritised spend to optimise outcomes • Measurable productivity improvements	• Operating expenditure per capita trends down (unless conscious service level improvements) • Service levels maintained or improved. • Individual business cases with positive outcomes

Strengths, Weaknesses, Opportunities and Threats

Strengths

Up until 30 June 2021, we had achieved and exceeded all six OLG financial sustainability benchmarks every year since 2014. Due to COVID related revenue losses of over $9 million, we narrowly missed the OLG benchmark for the Operating Performance Ratio (OPR) in 2020/21.

The asset portfolio renewal backlog has reduced by $51.0 million since 2014 and the backlog is now only 1.3% of total asset value.

We have a strong balance sheet with $1.95 billion of total assets and $1.87 billion in net assets (assets less liabilities). Borrowing levels are conservative and sustainable and borrowing has been undertaken in alignment with the principle of intergenerational equity (the principle that costs of major infrastructure should be shared equitably across the generations that will benefit from this infrastructure). Our debt relates solely to The Concourse facility.

All liabilities are fully recognised and funded and there is minimal risk of loss in the asset portfolio. Any potential risks are adequately provided for.

Future ambitions are largely supported by internal cash reserves held aside for those specific purposes. Of the $187.7 million in cash and investments held at 31 March 2022, $171 million (91%) is restricted for specific future purposes. The remaining $16.7 million is adequate working capital to meet trading obligations.

Our current and forecasted financial strength and sustainability places us in a sound position but has been impacted recently by unanticipated shocks and significant risks in the immediate future.

Financial management

We are very focused on achieving the strategic financial objectives. Careful planning, management and monitoring is in place.

A number of processes and frameworks have been implemented to ensure we continue to make sound decisions and optimise financial and service delivery outcomes. These include a project prioritisation framework, risk management framework, a monthly scorecard measuring financial and other qualitative aspects of the business, a rigorous business planning process and regular Executive Leadership meetings to review results. Council receives regular updates and briefings on financial performance and forecasts.

Location and demography

Willoughby has a diverse population of over 82,000 residents and is home to a thriving commercial precinct ranging from global corporations and major retailers to small business. This provides a stable and growing mix of residential and commercial premises as a rating base. This diversity, and Willoughby's location on one of the most significant transport hubs in NSW, generates significant visitor activity, resulting in opportunities for user pays revenue streams such as parking, entertainment, rent, street stalls etc. These user pays revenue streams have been severely impacted by COVID related restrictions and behavioural change, resulting in cumulative losses of $20.6 million over the 3 financial years of the pandemic (2019/20, 2020/21 and 2021/22).

In general, Willoughby ratepayers have proven capability and willingness to pay their rates when due. This is reflected in the low rates outstanding ratio which is close to the best in the state.

Weaknesses

Revenue constraints

Despite earning over $120 million in revenue, the majority of our revenue streams are regulated or restricted for purpose. This gives very little scope for revenue growth. Often the regulated increases on revenue streams, such as rates, do not keep pace with cost increases on expense items.

46% ($52.3 million) of our income is earned from rates. Under the Local Government Act, rates are capped at a maximum permissible income. Cost of living adjustments to rates income (known as the rate peg) are determined by the Independent Pricing and Regulatory Tribunal (IPART) and historically have not kept pace with real increases in the cost of providing services. This was evident in the recent Independent Pricing and Regulatory Tribunal (IPART) Rate Peg determination mandating an rate peg of 0.7% for councils for the 2022/23 financial year. This was well below the 2.1% rate forecast in the last Long Term Financial Plan. Without a 1.3% Permanent Additional Special Variation (ASV), this determination will deprive us of $7.3 million in rates revenue over the ten years of the plan.

In the normal instance, any increase above the rate peg requires an application to IPART following extensive consultation with the community on their willingness to pay more rates. For the 2022/23 financial year, IPART and the Office of Local Government (OLG) have supplemented and simplified this process with the Additional Special Variation (ASV) which allows councils to apply to obtain approval to increase their rates up to the percentage assumed in the previous Long Term Financial Plan.

Other major income sources, such as income levied for Domestic Waste Management ($16.4 million or 14.4% of total revenue), the Environment Levy and the Stormwater Levy are “restricted for purpose”. This means that we can only levy charges equal to the cost of providing that service and cannot derive any margin to contribute to other services.

Developer contributions are also restricted for purpose in accord with our Local Contributions Plan. The NSW State Government is currently proposing reforms that will significantly reduce the future income earned from developer contributions, currently estimated to be $42m over the next 17 years if they are introduced. In addition, the Domestic Waste Management Charge is being reviewed by IPART and a “peg” on annual increases to this charge is being proposed despite the mandated requirement for councils to introduce a new Food Only waste service by 2030.

Grant income is ad hoc and at the discretion of other levels of government and the political environment.

Modest cash surplus and majority of cash restricted for purpose

With a cash balance of $187.7 million at 31 March 2022, there is risk that decision makers and the public have an incorrect perception that we are cash rich and have substantial capacity to increase spend on specific initiatives or provide higher levels of service and at the expense of maintaining and renewing existing assets.

In reality, over 91% of cash held is restricted for specific purposes and are allocated against these specific initiatives in the LTFP (this document) and other key documents. The actual cash surplus generated by the general fund on an annual basis is very slim and working capital is adequate but not excessive.

Throughout the duration of the LTFP, cash reserves and the overall cash balance will reduce significantly as restricted cash is used for the projects it was intended for.

Declining interest rates on investments

Our conservative policy for investments is consistent with the *Local Government Act 1993*, Local *Government Regulation 2005* and the *Ministerial Investment Order 2011* which limits investment to secure interest bearing instruments with Authorised Deposit Taking Institutions (ADIs).

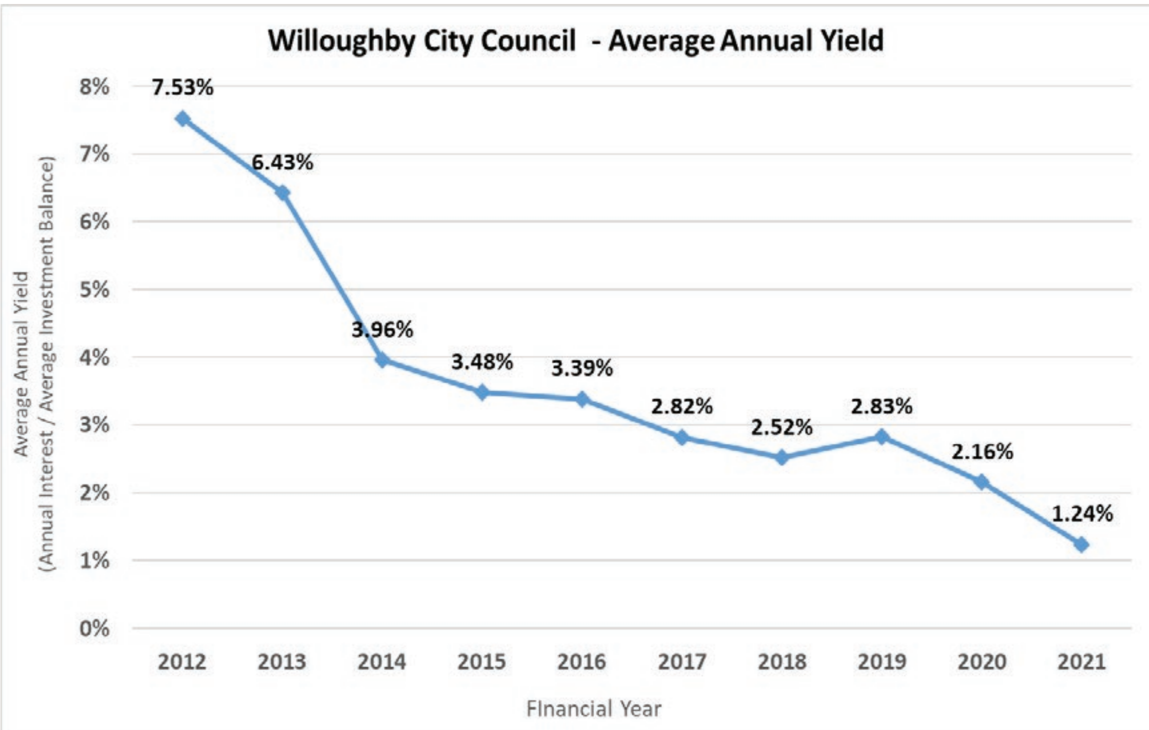
In addition, the need to maintain liquidity means most investments have 12-24 month maturities, negating the opportunity to lock in higher rates when they were historically available.

This means our investments are exposed to current market conditions in Australia. For the past nine years there has been a steady decline in interest rates on investments. Term deposit rates have dropped from around 7.5% in 2012 to current rates being offered at around 0.8-1.3%.

Given we have around $150 million invested at any time, this has a direct negative impact on revenue. A 1% reduction in interest rates has a $1.5 million impact on the bottom line.

Figure 2 shows the downward trend in average yield (Total annual interest divided by Average investment balance) since 2012.

Figure 2 – Average annual yield trend



Fixed rate debt

Our loan debt originated when market interest rates were much higher. The majority of these loans (related to The Concourse) were fixed at those higher rates for between 15 and 40 years (on the principle of intergenerational equity). Refinancing opportunities are under continual review but break costs (compensation to banks for changing the length or rate of the loan) on the existing loans are prohibitively high. For example, settling the $30 million CPI linked loan early would incur an additional $15 million in break costs.

The disparity between high interest rates on loans payable and low interest rates on investments places further strain on achieving a surplus.

No new loans are forecast for the duration of the LTFP and Council have ample capacity to meet its current loan obligations (as shown by a more than adequate debt service ratio).

Opportunities

Efficiencies arising from improved corporate IT systems

A project is currently underway to replace and enhance ageing Information Technology (IT) systems supporting critical functions including finance, payroll, human resources, asset management, customer service, rating and land information. Our legacy systems lack integration, driving numerous manual processes and restricting measurement and reporting.

Replacement of the core IT systems provides the opportunity to modernise and automate numerous business processes and create an integrated single source of truth. The system is also expected to deliver vastly enhanced measurement and business intelligence leading to better fact based decision making, increased accountability and improved customer experience. These benefits provide the opportunity for significantly improved efficiencies and financial outcomes that will positively impact our long term financial sustainability.

Finance, payroll and human resources modules were successfully implemented in 2020. These are already providing enhanced business intelligence, integration and automation. Asset management was successfully implemented in 2021. This will be followed by customer service, rating and land information in 2022/23.

Recent Transport initiatives

Chatswood is one of the busiest transport hubs in Sydney due to its easy accessibility and locality. This was recently further enhanced when Chatswood became the major interchange for the new North West Metro rail system. Increased transport options make Willoughby even more accessible to workers and businesses and is anticipated to generate a significant increase in economic activity, including the relocation of businesses. This opportunity is supplemented by forecasts that commercial office space is in limited supply in other areas (noting however, that the ongoing impacts of the COVID working from home phenomena are currently difficult to forecast).

The increased economic activity afforded by new transport options will assist our financial position through more user pay revenue and a likely increase in development, driving higher development revenue and developer contributions. It will also cause cost pressures and we will undertake the careful planning required to balance these demands.

Threats

Ongoing impacts of COVID

Over the past 24 months we have lost $20.6 million of revenue ($5 million in 2019/20, $9 million in 2020/21 and $6.4 million projected in 2021/22) as a direct result of the COVID pandemic. This loss is from various revenue streams including mandated rental relief, Council's support packages for business, community and sporting groups, loss of user charges and fees from closed venues, changes in consumer behaviours and generally subdued economic and development activity. It has become clear that a pandemic can have a profound and lasting effect on financial performance and sustainability.

Given sporadic outbreaks and the resultant lockdowns, the ongoing impact of COVID and potential restrictions is unpredictable and creates significant financial uncertainty. In addition, there is no way to predict whether the behavioural changes arising from the 2020, 2021, and 2022 lockdown and restriction periods (such as working from home) will be permanent or temporary.

These COVID factors will continue to be a threat to the assumptions underpinning the LTFP and require ongoing monitoring and consideration in future reviews of the LTFP.

Exposure to supply issues

Over the past two years we have experienced a number of supply issues. This includes but is not limited to COVID, the worldwide shortage of silicon chips and shipping containers, the conflict in the Ukraine and Australia's relationship with some countries.

At the time of writing, we are experiencing significant inflation on items essential to council operations such as petrol (30-40% increase in the past 3 months), building materials (4-20% increase depending on material types) and contractor costs. We are also experiencing delays in the delivery of items such as IT equipment and plant and fleet.

Many of these issues appear structural and likely to continue into the future. With limited control over revenue growth, if these supply side issues remain or worsen, there is significant risk to financial viability and in the absence of adequate revenue growth, we will need to react by assessing a further Special Rate Variation, reducing levels of service, delaying asset renewals or cancelling initiatives and works identified in Willoughby City's *Community Strategic Plan: Our Future Willoughby*, the four-year *Delivery Program 2023-2026* and the annual Operational Plans and Budgets.

Our annual cycles of business planning, monitoring and projecting, will alert Council early to any pressures and inform proactive decision making.

State and Federal Government Impacts

The legislative structure where local government is subordinate to the State Government introduces a number of threats to our financial performance.

Along with all local governments, we have seen an increase in cost shifting (where costs previously borne by other levels of government have been "shifted" to local governments). Examples of cost shifting include increases in amounts paid to the State's waste management, emergency services and parking levies and an increase the cost of running local elections. The failure to fully reimburse councils for mandatory pensioner rebates, reduced funding for library services and the imposition of pool safety compliance responsibilities are other examples. These cost shifting activities are not foreseeable and further increases will have a direct and negative impact on existing forecasts in the LTFP.

All aspects of our operations are heavily regulated and highly sensitive to State or Federal legislative changes. Legislative changes can have a material impact on our financial position or the viability of a service or services. Recent changes to child care staffing ratios, the *Crown Land Management Act 2016* and changes to parking regulations are examples of this sensitivity.

Into the future, the following changes are likely to present threat to our financial sustainability:

- NSW Government *Waste and Sustainable Materials (WaSM) Strategy 2041* in particular the requirement to deliver a food only waste collection system by 2030.
- A current review being undertaken by IPART on the Domestic Waste Management Charge made by Council to recover the cost of waste services.
- Legislative changes significantly reducing developers' infrastructure contributions and limiting what they can be used for (for example excluding their use to provide community facilities).
- Further changes and increases to the Fire and Emergency Services Levy.

Changes to government regulations can lead to increased costs and resource requirements on local governments. Recent examples of increased compliance burdens include taxable payments reporting, one touch payroll and the potential transfer of responsibility for fire and emergency services levy billing.

The timing of the payment of Financial Assistance Grant (FAG) by the Federal government is inconsistent. This impacts cash management and makes surplus levels inconsistent across years.

Monitoring these changes and increased advocacy regarding their impacts, will be undertaken.

Impact of closed borders on growth and workforce

Willoughby's population is expected to increase from 82,753 in 2021 to 91,848 by 2036 (an 11% increase). While population growth leads to increased costs, it is also has benefits for the community and Council such as increased economic activity, employment and increased user charges and fees. It may also lead to the required population thresholds being met to enable the provision of a higher level services and hasten the timing of upgrades in State infrastructure and services.

In recent years, much of our population growth has been through migration. This migration not only adds to the diversity of our city, but also provides valuable professional skills.

Population growth forecasts are now at risk due to the COVID related closure of borders. This is likely to lead to subdued economic growth, potentially lower development and lower user charges and fees revenue. It will also reduce the positive impact of linking growth to the rates cap as currently proposed by legislation.

Labour and skill shortage have arisen due to the absence of international students and new skilled migrants. Many people are reconsidering their priorities post COVID and may exit or reduce their time in the workforce. An inability for us to secure the workforce skills we need for the future and higher labour costs in coming years are matters addressed in our Workforce Plan.

Increase in natural disasters and damage to infrastructure

The past five to ten years have seen an increase in the incidence and severity of natural disasters across the state and the country. Recent events include bushfires, floods, storms and drought.

We have been fortunate compared to some local government areas. We did sustain significant damage through two major storms in 2019 and 2020 which incurred significant infrastructure damage and clean-up costs. Residents were also impacted by the heavy smoke resulting from the mega fires in 2020/21.

More recently in February 2021, an intense East Coast low lead to widespread floods, landslides and tree falls with localised flooding impacting upon a number of Council facilities and private homes in Willoughby with the resultant clean up and repair costs. This event also fractured the railway links that remove waste from our City requiring additional expenses for alternative solutions. Telstra's phone services to Council failed and we incurred additional expenses in contracting our After Hours call service to take our daily calls.

The likely increase in the frequency and magnitude of natural disasters in the future poses a threat to our financial plans through un-forecast costs. Our financial strengths will help us withstand the impacts of increased natural disasters, together with our investment in emergency and business continuity planning.

Part 2 – The Need for a Permanent "Additional Special Variation" to Rates from 2022/23

The need for a 1.3% Permanent Additional Special Variation

Due to industry wide lobbying on the impacts of a low rate peg for the 2022/23 financial year, the Independent Pricing and Regulatory Tribunal (IPART) and the Office of Local Government (OLG) announced an Additional Special Variation (ASV) process to enable councils to apply for an increase to rates to bring their revenue to the levels forecast in the last Long Term Financial Plan.

Background and financial need for a 1.3% Additional Special Rate Variation (ASV)

The Long Term Financial Plan 2021/22 to 2030/31 (LTFP), adopted in July 2021, assumed a 2.1% year on year increase to revenue from rates (being an assumed IPART Rate Cap increase of 2% plus 0.1% population growth). Even with this assumed 2.1% increase, the LTFP forecasted a $1.2 million deficit and a difficult financial year in 2022/23 due to:

- Expiry of Council's 7 year, 7.3% Infrastructure Levy. The cessation of the Infrastructure Levy results in a $2.96 million reduction in rating revenue in 2022/23.
- Revenue streams impacted by COVID were expected to partially recover, but not return to pre-pandemic levels.
- Closure of the Willoughby Leisure Centre for 9 months during 2022/23 for refurbishment at a net cost of $880k.
- Supply side issues increasing the cost of materials and services.

On 13 December 2021, the Independent Pricing and Regulatory Tribunal (IPART) set the 2022/23 Rate Peg (allowable rate increase) for all NSW councils at 0.7%. With a population growth factor of 0.1% for Willoughby City Council, the total allowable increase from IPART for Council is 0.8%. This results in a 1.3% ($666k) gap between the LTFP assumed rate increase of 2.1% and the amount allowed by IPART.

IPART's allowable increase of 0.8% does not recognise the financial pressures we are facing, and the significant worsening of conditions since the adoption of the last LTFP in July 2021. Specifically, the 0.8% IPART mandated increase is inadequate in light of:

- Staff Expenses (39% of Council's total costs) increasing by 2.5% due to Local Government Award increase determination (2%) and the mandated increase to the Federal Government's Superannuation Guarantee rate (a further 0.5% increase). Staff costs will therefore increase by $1.11 million whereas rates are only allowed to increase by $410k under IPART's allowable increase (leading to a $702k shortfall compared to staff cost increases alone).
- An exceptionally tight labour market leading to low supply of labour and wage inflation pressures at all employment levels and employment types.

- Surging inflation on materials and services. Due to supply side issues, inflation has risen sharply on the goods and services most used by councils. The LTFP assumed modest inflation on most goods and services of between 2% and 3%. The reality is that cost increases have surged recently (for example, fuel prices have increased by 35%-40% (prior to the recent Federal government initiative regarding the fuel tax) and building materials and other resource costs have increased between 5% and 20%. This is due to a number of uncontrollable supply factors including:
  - COVID impacting international and domestic supply chains.
  - Global tensions (for example the conflict in Ukraine and deteriorating relationships with some major trading partners) leading to shortages of goods and resulting price increases.
  - World-wide shortages of some essential goods (for example microchips).
- COVID affected revenue streams not recovering as quickly as expected and recent variants affecting confidence and consumer behaviour. The LTFP assumed that major user pays revenue streams would bounce back from the impact of COVID related restrictions impacting the 2019/20 and 2020/21 financial years. The LTFP did not anticipate a further 4-month lockdown between July and October 2021. As revenue streams started to recover after this lockdown, the Omicron variant surged between December 2021 and February 2022, again severely impacting business activity and consumer confidence. Many revenue streams such as paid parking, commercial rentals and leisure centre usage, may not recover if consumer behaviours and the way businesses operate permanently change.
- Increasing incidence of natural disasters and resulting costs for repair, clean up and insurance premiums.

Council has a demonstrable financial need for a Permanent ASV of 1.3% to address the imbalance between the 0.8% allowable increase to rates mandated by IPART and the increasingly difficult financial environment affecting both revenue and costs in Council's business.

Willoughby City Council meets the Criteria for a Permanent Additional Special Variation

2022/23 ASV Criteria released by IPART on 7 April 2022

On 7 April 2022 the Office of Local Government (OLG) issued a circular providing the revised guidelines for Additional Special Rate Variation (ASV) process for 2022/23. These guidelines apply in place of and supersede the previous ASV issued on 28 March 2022. The new guidelines contained in the circular are as follows:

1 Year ASV Criterion - Council's 2021-22 IP&R documentation identifying that council budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act;
Permanent ASV Criterion - Where councils are applying for a permanent special variation, in addition to the above information, the council's 2021-22 IP&R documentation identifying that the council forecast an average Operating Performance Ratio (OPR) of 2% or lower over the next 5 years or, alternatively, evidence of need, for example, but not limited to, that the council needs to maintain a higher OPR so it can meet its capital funding requirements

Willoughby City Council meets the revised ASV Criteria

Willoughby City Council meets the criteria for a permanent Additional Special Variation as it anticipated a higher rate cap of 2,1% in its Long Term Financial Plan for 2022/23 and its average Operating Performance Ratio is less than 2% over the next 5 years.

1 Year Additional Special Variation Criterion

Council's 2021-22 IP&R documentation identifying that council budgeted for an income increase above the percentage specified for the council for 2022-23 under section 506 of the Act;

	2022/23 $
2022/23 Rate Revenue Per 2021/22 Long Term Financial Plan	52,307,064
2022/23 Rate Revenue at 0.8% IPART Directive	51,640,963
Difference ($)	666,101
Difference (%)	1.3%
1 Year SRV Criterion Satisfied	

Permanent Additional Special Variation Criterion

Where councils are applying for a permanent special variation, in addition to the above information, the council's 2021-22 IP&R documentation identifying that the council forecast an average Operating Performance Ratio (OPR) of 2% or lower over the next 5 years or, alternatively, evidence of need, for example, but not limited to, that the council needs to maintain a higher OPR so it can meet its capital funding requirements

	2022/23	2023/24	2024/25	2025/26	2026/27
Oerating Performance Ratio Per 2021/22 Long Term Financial Plan	-1.19%	0.09%	0.09%	1.89%	1.63%
5 Year Average Operating Performance Ratio	**0.50%**				
5 Year SRV Criterion Satisfied					

Foregone Revenue and Implications if IPART do no approve a 1.3% permanent ASV

Cumulative impact to cash and operating position without a 1.3% permanent SRV

The following table shows that the **cumulative 10-year impact of IPART not approving a 1.3% permanent ASV is $7.3 million.** This is direct impact to unrestricted cash holdings, working capital and our operating position. As noted in the following sections, this would force us to release internally restricted cash and would deprive the Willoughby community of infrastructure renewals and other initiatives planned for in the Willoughby City's *Community Strategic Plan: Our Future Willoughby*, the four-year *Delivery Program 2023-2026* and the annual Operational Plans and Budgets and our Local Contributions Plan. This in turn will have a direct impact on our capacity to maintain infrastructure assets in a satisfactory and safe condition.

Figure 3 – Cumulative Revenue and Cash lost without a 1.3% Permanent ASV

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	10 Year Total
Foregone Revenue and Cash ($'000)	666	679	693	707	721	735	750	765	780	796	7,293

Through prudent financial management we have built Internally Restricted Cash Reserves (Internal Reserves) to fund required infrastructure renewals and specific initiatives into the future. These Internal Reserves are fundamental to ensuring the obligations documented in Willoughby City's *Community Strategic Plan: Our Future Willoughby*, the four-year *Delivery Program 2023-2026* and the annual Operational Plans and Budgets and our Local Contributions Plan. If IPART do not approve a 1.3% permanent ASV, asset renewals and specific initiatives will need to be sacrificed to fund operations. This would result in deteriorating asset conditions and an erosion in service levels overall.

Figure 4 summarises our Internal Reserves, their purpose and recent and future examples of the use of these Internal Reserves.

Figure 4 - Willoughby City Council Internal Reserves Summary

Reserve Type	Purpose	Examples of Initiatives Funded
Property Renewal Reserves	• Building sinking funds • To fund known future renewals per asset management plans	*Recent and Current* • The Concourse recladding ($7m) • Willoughby Leisure Centre Pool Hall Upgrade ($5m) *Future* • Rolling roof replacement program • Rolling Floor replacement program • Electrical plant Replacement program • The Concourse floor and seating replacement • Gore Hill Indoor Sporting Complex
Other Asset Improvement Reserves	• To fund safety and amenity upgrades and increases in capacity for recreational Parks and Playgrounds, Open Space sport, footpath, active transport, kerb and gutter, retaining walls etc.	*Recent and Current* • Playground Replacements • Artarmon Streetscape Renewal • Car Park equipment replacement • Sporting field upgrades to increase capacity *Future* • Rolling playground replacements • Retaining wall maintenance and safety • Shared pathways

		• Sporting field resurfacing
Plant and Fleet Replacement Reserves	• To fund ongoing maintenance and replacement of vital operational plant and fleet	• Replacement of street sweepers • Rolling Plant and Fleet replacement program.
Environmental Development Reserves	• Vital Environmental initiatives	• Water Harvesting • Stormwater and pollution prevention • Bushland maintenance • Energy Conservation and emissions reduction.
IT and Innovation Reserves	• To improve customer service • To improve business efficiency • To realise cost savings	• Implementation of Enterprise Resource Planning System • Business Improvement initiatives. • Mobility for business continuity

These reserves are set aside for specific purposes and should not be sacrificed to fund operations.

Impact on Operating Performance

Impact on 2022/23 Operating Performance without a 1.3% permanent ASV

Even including the 1.3% ASV (a total rate increase of 2.1%), Council is budgeting for a 2022/23 Operational Deficit of $1.7 million. This is predicated upon $500k of unidentified savings by Council, as well as significant savings assumptions on staff vacancies and leave reduction.

If the $666k in additional rates revenue assumed from the 1.3% ASV is not approved by IPART, the 2022/23 Operational deficit would grow to $2.4 million and Council would not return to profitability for at least 3 years. In addition, Council would need to adjust service levels significantly in later years in order to return to profitability. This would create significant risk to Council being able to meet the expectations and obligations set out in the initiatives and works identified in Willoughby City's strategic plans.

Impact on 10 Year Operating Performance without a 1.3% permanent ASV

Figures 5 and 6 indicate the impact to Operating Performance and the Operating Performance Ratio over the ten years of the Long Term Financial Plan under two scenarios:

- Scenario 1 (Base Case) – IPART approve a Permanent 1.3% Additional Special Variation (ASV)
- Scenario 2 – IPART do not approve a Permanent 1.3% ASV

Key Points – Operating Surplus (Deficit) before Capital Grants and Contributions:

- If IPART do not approve a permanent 1.3% Permanent ASV, we will face 3 years of successive Operating Deficits.
- If IPART approve the permanent ASV, we will return to surplus in the 2023/24 Financial Year.
- Operating Results **over ten years is $7.9m**, with **$790k being the average annual impact.**

Figure 5 – Operating Surplus (Deficit) before Capital Grants and Contributions with and without 1.3% permanent ASV

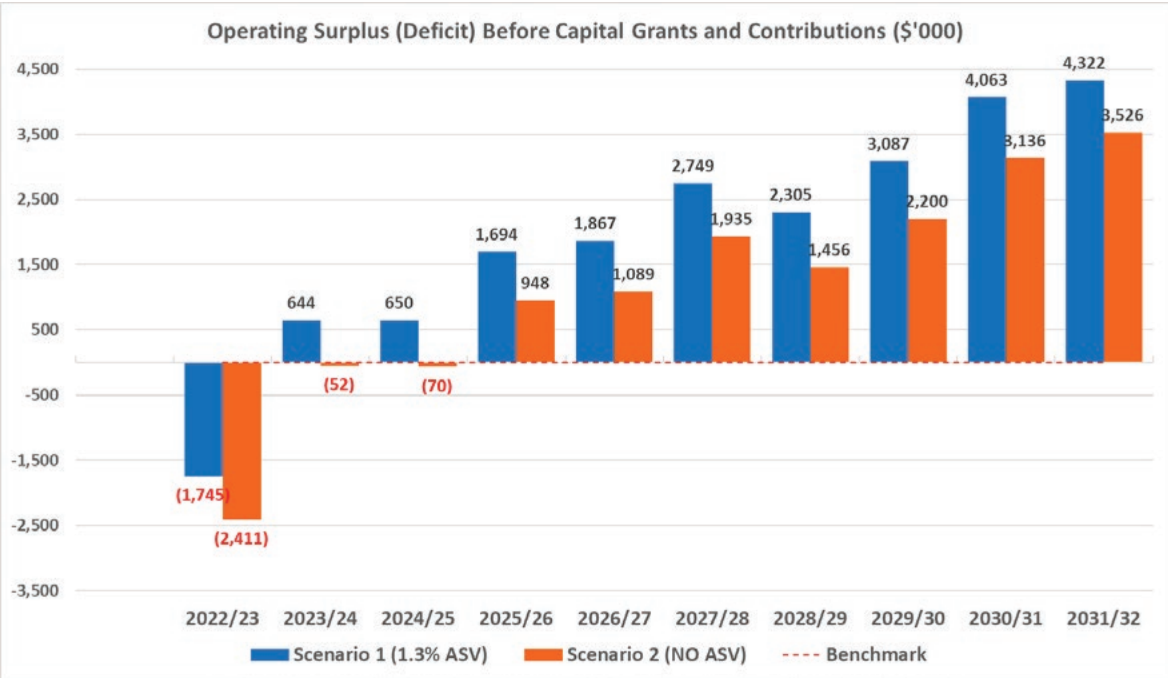
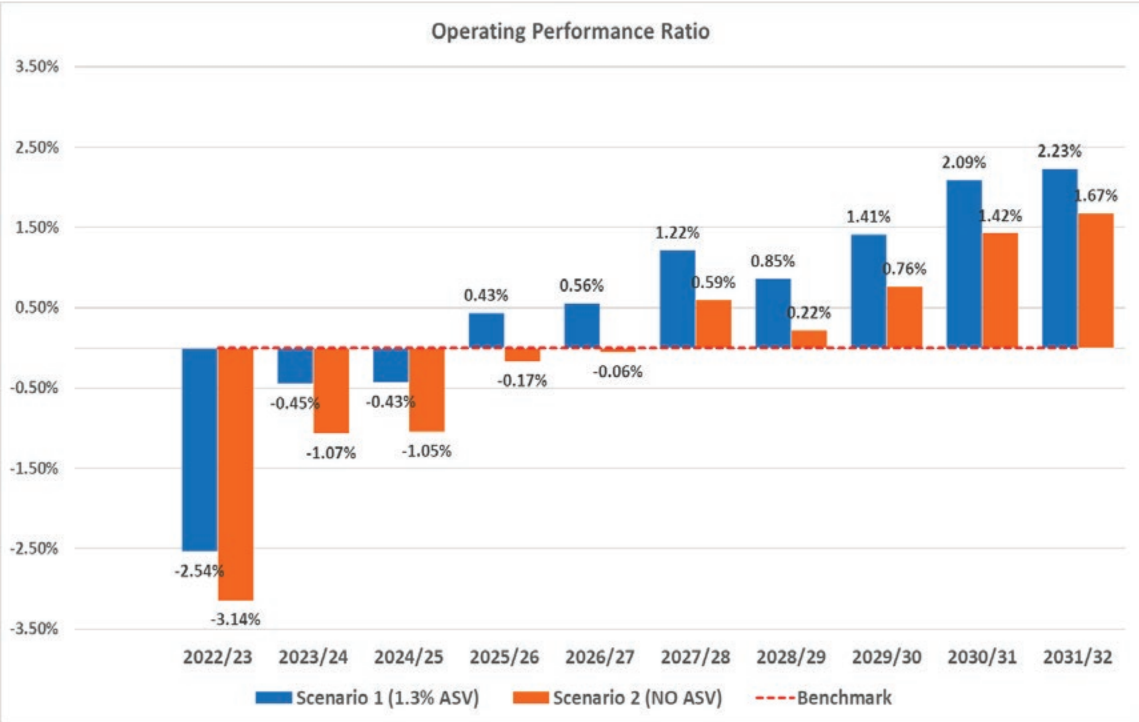


Figure 6 - Performance Ratio with and without 1.3% permanent ASV

Operating Performance Ratio										
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Scenario 1 (1.3% ASV)	-2.54%	-0.45%	-0.43%	0.43%	0.56%	1.22%	0.85%	1.41%	2.09%	2.23%
Scenario 2 (NO ASV)	-3.14%	-1.07%	-1.05%	-0.17%	-0.06%	0.59%	0.22%	0.76%	1.42%	1.67%



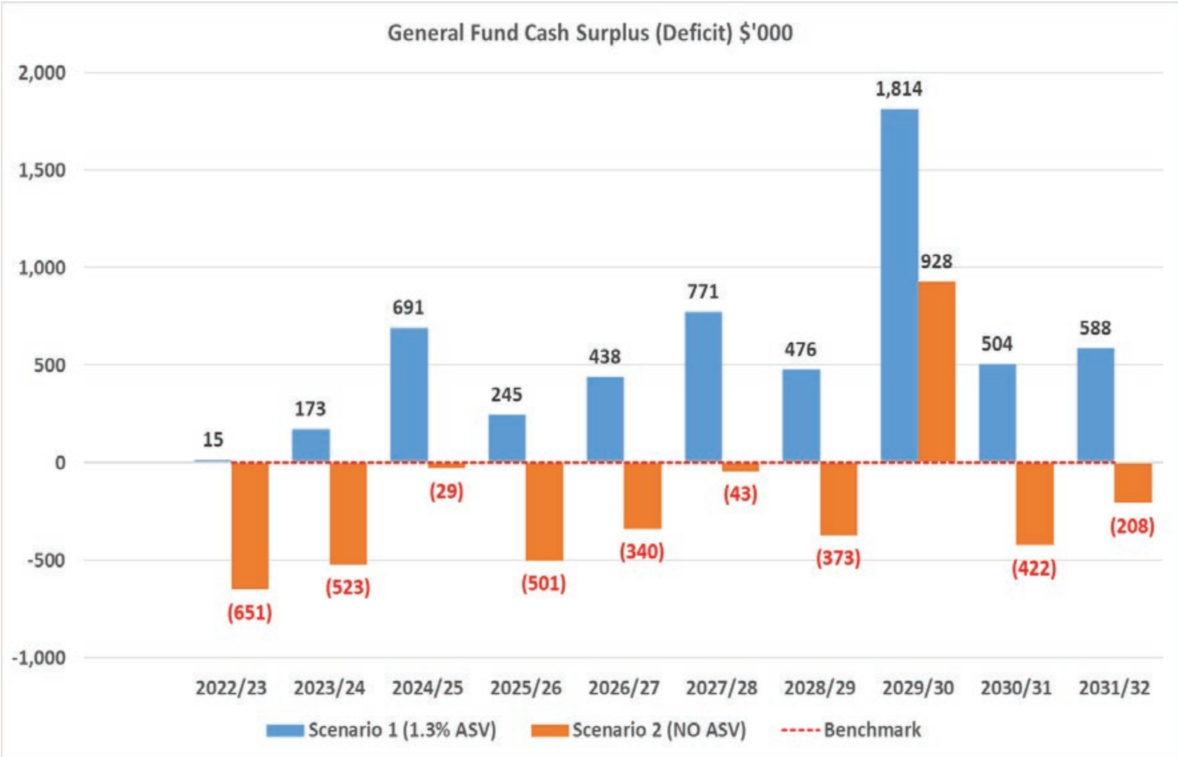
Impact on Cash and Liquidity

Impact on 2022/23 cash surplus/deficit without a 1.3% permanent ASV

The 1.3% ASV, general fund cash (required to maintain working capital and ensure that obligations are met as and when they fall due) would enable us to break even with a marginal $15k surplus in 2022/23 (notwithstanding the risk to savings). As outlined in section 5.2.2, we believe that Council meets the criteria for the permanent ASV.

If the $666k in additional rates revenue assumed from the 1.3% ASV was not approved by IPART, general fund cash would be $651k in deficit for the 2022/23 financial year. This is a material erosion in Council's capacity to meet obligations and, in addition to the risk of surging inflation, means that without the 1.3% ASV assumed in the 2022/23 budget Council will not have sufficient funds to meet its obligations as identified in the LTFP in 2022/23 and beyond.

Figure 7 indicates the 2022/23 impact on General Fund cash with and without a 1.3% ASV. If the ASV is approved, we will realise a very slim general fund cash surplus. If the 1.3% ASV is not approved, we will realise a $651k general fund cash deficit.



Key Points – General Fund Cash Surplus (Deficit)

- If IPART approve a 1.3% Permanent ASV we can achieve minor cash surpluses throughout the LTFP. This in turn allows us to maintain adequate working capital (ability to pay bills). Internal reserves can be used for the purpose they are held and not diverted to fund operations.
- If IPART do not approve a 1.3% Permanent ASV, the General Fund realises a cash deficit for every year in the LTFP (with the exception of 2029/30). This erodes (and ultimately exhausts) unrestricted cash and forces us to release internally restricted cash to fund operations. The implication of this is that the purpose the cash was held for (for example building renewal) goes unsatisfied. This in turn threatens asset conditions and or delivery of services and infrastructure promised in Willoughby City's *Community Strategic Plan: Our Future Willoughby*, the four-year *Delivery Program 2023-2026* and the annual Operational Plan and Budget 2022/23 and our Local Contributions Plan.
- The cumulative 10-Year General Fund Cash Surplus with a Permanent ASV is $5.7 million.
- The cumulative 10-Year General Fund Cash Deficit without a Permanent ASV is minus $2.2 million.

Capacity and Willingness to Pay – Rates reduce despite 1.3% SRV

Even with a 1.3% ASV, the 2.1% increase in rating income assumed for 2022/23 is offset by the discontinuation of Council's 7.3% Infrastructure Levy in 2022/23. This means the net reduction in rate income will be 5.2% ($2.95m lower rating income) in 2022/23.

We made a decision at the time of adopting the last Long Term Financial Plan (LTFP) in July 2021 not to apply for an extension of the Infrastructure Levy. This decision was made based on reasonable and conservative assumptions in the LTFP, including reasonable rate peg determinations. The LTFP forecast that despite short term hardship, prudent financial management would allow us to fund future operations and asset renewals without further burdening ratepayers.

Through the duration of the Infrastructure Levy, our rates collection was strong with a rates and annual charges outstanding ratio consistently under 2%. Hardship applications were low. This demonstrates that our community has the capacity and willingness to pay a reasonable level of rates to maintain service levels. Given that net rates will actually decline in 2022/23 despite a 1.3% SRV, the capacity and willingness of ratepayers to meet a reasonable rate increase of 2.1% is not doubted.

Conclusion – IPART should approve a Permanent 1.3% ASV for 2022/23

IPART should approve a 1.3% Permanent Additional Special Variation for Willoughby City Council for 2022/23. This will allow us to meet the obligations documented in Willoughby City's *Community Strategic Plan: Our Future Willoughby*, the four-year *Delivery Program 2023-2026* and the annual Operational Plan and Budget 2022/23 and Local Contributions Plan.

1.3% only represents the difference between our Long Term Financial Plan assumed rate of a 2.1% rate peg increase in 2022/23 and the 0.8% increase mandated by IPART.

The assumed rate is what we had budgeted for and based our decisions on. Anything less will create a negative and compounding financial impact into the future. If IPART do not approve a 1.3% permanent ASV, asset renewals and specific initiatives will need to be sacrificed to fund operations. This will result in deteriorating asset conditions and an erosion in service levels overall.

Part 3 – Long Term Financial Plan Scenario Analysis

LTP Scenario 1 – Base Case Scenario – Permanent 1.3% ASV in 2022/23

Scenario 1 (Base Case including ASV) Description and Features

Long Term Financial Plan (LTFP) Scenario 1 represents our base case scenario and is consistent with the exhibited Operational Plan and Budget 2022/23. This scenario assumes IPART approve a permanent ASV of 1.3% for the 2022/23 financial year. The ASV is assumed to be permanent. This means the extra rating revenue remains in the rating base in future years and that rates do not reduce in the next financial year (as would be the case if the ASV was approved for only one financial year. A permanent ASV underpins the assumptions in Scenario 1.

LTFP Scenario 1 forecasts a difficult but sustainable financial future. It assumes moderate levels of inflation and that current high inflation trends are seasonal and not structural and ongoing.

Scenario 1 (Base Case including ASV) Planning Assumptions

Figure 9 details the planning and escalation assumptions relevant for LTFP Scenario 1 (Base Case)

Figure 9 - Planning and Escalation assumptions for LTFP Scenario 1 (Base Case)

Scenario 1 - Revenue Escalation Assumptions

Rates and Annual Charges										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Ordinary Rates (%) (inc Growth)	2.10	**-5.20**	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
Domestic Waste Management Revenue (%)	3.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50
User Charges and Fees										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Paid parking (%)	-	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Planning and building regulation fees (%)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	2.00
Non Domestic Waste Management (%)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Child Care (%)	6.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Other Fees and Charges (%)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Interest Revenue										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Interest rate on investments (%)	0.64	0.70	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80
Other Income										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Rental / Lease Income (%) - Excl. Renegotiations	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Other Revenue (%)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Scenario 1 - Expense Escalation Assumptions

Employee Costs										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Salary and Wages (%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Employee Superannuation (%)	10.0%	10.5%	11.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Total Employee Cost Escalation (inc. Super)	**2.50%**	**2.50%**	**2.50%**	**3.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**
Material and Contracts										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Raw materials and consumables (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00
Contractor and consultancy costs (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00
Garbage disposal costs (%)	3.75	2.92	2.92	8.00	2.00	2.00	2.00	2.00	2.00	2.00
Garbage Collection Costs (%)	3.75	2.75	2.75	8.00	2.00	2.00	2.00	2.00	2.00	2.00
Other materials and contracts (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00
Other Expenses										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Utilities Expense (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00
Fire and Emergency Services Levy (%)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Other expenses (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00
Inflation										
Projected Year	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**
RBA forecast inflation rate - April 2021 (%)	3.75	2.75	2.75	2.75	2.75	2.00	2.00	2.00	2.00	2.00

Scenario 1 Base Case including ASV – Performance against OLG Benchmarks

The Office of Local Government (OLG) has established targets for financial and asset management against which all councils report. Figure 10 indicates how the Base Case model (which includes the Additional Special Variation to rates) performs against those targets.

Figure 10 - LTFP Scenario 1 (Base Case including ASV) – Performance against Strategic Financial Objectives and OLG Benchmarks

STRATEGIC OBJECTIVE Financial Indicators	OLG Target	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	10 Year Average
POSITIVE OPERATING PERFORMANCE												
Operating Performance Ratio	> 0.00%	-2.54%	-0.45%	-0.43%	0.43%	0.56%	1.22%	0.85%	1.41%	2.09%	2.23%	0.54%
Own Source Operating Revenue Ratio	> 60%	86.17%	87.93%	84.13%	78.02%	92.08%	92.17%	92.21%	92.24%	92.31%	92.35%	88.96%
STRONG CASHFLOW												
Unrestricted Current Ratio	> 1.5x	3.29	3.10	2.92	3.02	3.04	3.15	3.04	3.12	3.26	3.71	3.16
Rates and charges outstanding percentage	< 5%	2.21%	2.16%	2.12%	2.08%	2.04%	2.00%	1.97%	1.93%	1.89%	1.85%	2.03%
Cash Expenses Coverage Ratio (months)	> 3 months	17.79	14.71	11.56	11.07	11.28	12.17	12.20	12.30	12.87	13.76	12.97
MANAGE DEBT LEVELS												
Debt Service Cover Ratio	> 2%	5.37%	6.56%	6.50%	7.09%	7.15%	7.37%	7.14%	7.37%	7.76%	10.73%	7.31%
ASSET FOCUS												
Buildings and Infrastructure Renewal Ratio	100%	208%	163%	96%	48%	61%	79%	107%	92%	72%	73%	100%
Asset Maintenance Ratio	100%	103%	101%	104%	103%	101%	103%	102%	103%	100%	102%	102.2%

Operating Performance Ratio

The first three years of the Long Term Financial Plan 2022/23 to 2031/32 show a negative Operating Performance Ratio. This is due to difficult economic conditions, including:

- Expiry of Council's 7 year, 7.3% Infrastructure Levy. ($2.96 million reduction in rating revenue in 2022/23).
- Revenue streams continuing to be impacted by COVID.
- Closure of the Willoughby Leisure Centre at a net cost of $880k.
- Supply side issues assumed to increase the cost of materials and services.

Buildings and Infrastructure Renewal Ratio

The Building and Infrastructure Asset Renewal (BIAR) Ratio will not meet the OLG target of 100% for seven of the 10 years in the LTFP. However, the average BIAR over the term of the LTFP is 100% and provides confidence is our asset renewals. Not meeting the BIAR Ratio for 7 years is primarily a result of mandated changes to depreciation calculations and does not represent an under-investment in asset renewal works.

The Building and Infrastructure Asset Ratio (BIAR) is calculated as:

$$\frac{\text{Annual Spend on Building and Infrastructure Asset Renewals}}{\text{Annual Depreciation on Building and Infrastructure Assets}}$$

The OLG target is >100%. The intent of the ratio is to ensure we are spending enough each year to replace the loss in service potential of the asset (depreciation). This ensures that assets remain in an adequate condition and that a backlog of required infrastructure asset renewals does not grow.

Annual Spend on Building and Infrastructure Asset Renewals
Our asset management specialists were closely engaged throughout the development of the LTFP, and advised on funding required to maintain and renew Council's building and infrastructure assets. This advice is based on extensive modelling of required work to ensure that assets meet the needs of the community. Council's asset management specialists have confirmed the LTFP's inclusion of $291 million for infrastructure assets, with a focus on renewal and upgrades of existing assets, is adequate to maintain current standards of service from Council's infrastructure asset portfolios.

Annual Depreciation on Building and Infrastructure Assets
In 2018/19 The Audit Office of NSW mandated that all councils adopt straight line depreciation. Council was directed to move from condition based depreciation (where Council's asset management specialists measured actual loss of service potential to calculate depreciation) to straight line depreciation. Depreciation increased from $12.8 million in 2017/18 to $16.3m in 2018/19 (a $3.5 million or 18% increase) as a result of this accounting change.

The requirement for Willoughby City Council, amongst others, to change to a straight line method of calculating its annual depreciation expense, created a disconnect between the actual condition of Council's assets and the accounting treatment for depreciation expenses. Straight line depreciation assumes that assets deteriorate at a consistent rate over their lifecycle. However, the condition of infrastructure assets typically deteriorates more slowly while assets are newer, with deterioration accelerating as assets get older. Adopting a straight line method of accounting for asset deterioration typically overstates the non-cash depreciation expense that should be incurred by owners of diverse infrastructure asset portfolios with varying asset ages, such as councils.

The change to straight line depreciation calculation also distorted Council's BIAR ratio from 2018/19 onwards, and into the 10-year LTFP, giving a false impression that asset renewals are not adequately funded. As noted above, Council's asset management specialists have confirmed this is not the case.

Analysis will be undertaken on Asset Useful Lives. This will include a review of long life versus short life components, to determine if the straight line methodology for of annual financial depreciation can be more closely aligned to engineering assumptions and renewal requirements.

Scenario 1 Base Case including ASV – Major Projects and Asset Expenditure

Major Project Summary

Figure 11 shows the major projects included in the Long Term Financial Plan 2022/23 to 2031/32. These projects are aligned to Willoughby City's *Community Strategic Plan: Our Future Willoughby* and the *Delivery Program 2023-2026*. A full list of projects and capital works is provided in our annual Operational Plans and Budgets.

Figure 11 – Summary of major projects included in LTFP

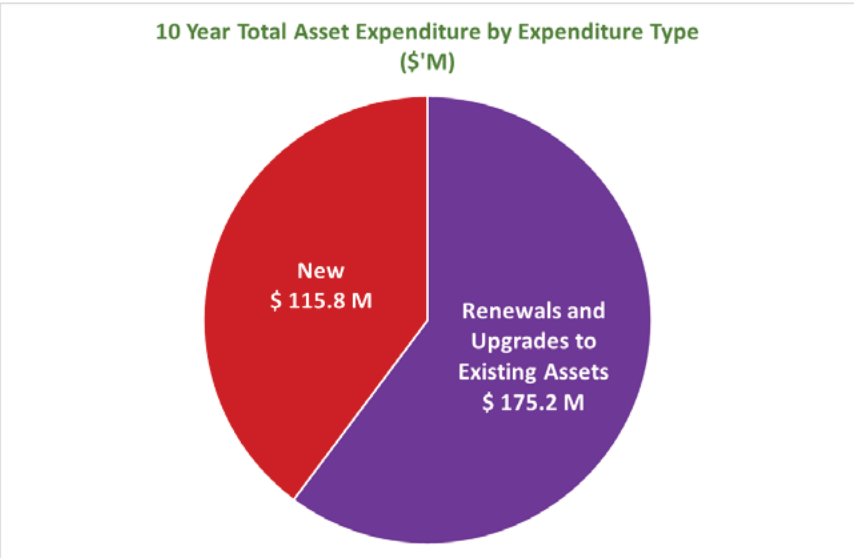
Major Project Name	$'M
Gore Hill Indoor Sports Complex	77.6
Willoughby Leisure Centre Pool Hall	26.9
Public Domain Streetscape Renewals	10.7
Affordable Housing (Abbott Road)	8.7

Infrastructure Asset Spend – Focus on Renewals

Including the major projects noted in Section 6.4.1, we will spend $291 million on infrastructure assets (an average of $29.1 million per year). In line with our Asset Management Strategy, the focus of this expenditure will be on renewal and upgrade of existing assets as shown in Figure 12.

Figure 12 – Total Asset Expenditure by Expenditure Type

Assets by Expenditure Type	10 Year Total ($'M)
Renewals and Upgrades to Existing Assets	175.2
New	115.8
Total	**291.0**

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Infrastructure Asset Spend – Major Infrastructure Categories

Asset expenditure will be targeted on major infrastructure categories such as buildings, transport, drainage and open space as shown in Figure 13 Below.

Figure 13 – Asset Expenditure by Asset Category

Asset Expenditure by Asset Category	10 Year Total ($'M)
Buildings	161.4
Roads, Bridges and Car Parks	39.0
Stormwater and Drainage	26.0
Footpaths and Active Transport	24.3
Recreational Parks and Playgrounds	15.1
Open Space Sporting Fields	8.2
Kerb and Gutter	5.4
Bushland	4.2
Environmental Assets (Solar and Batteries etc.)	4.2
Retaining Walls	2.5
Office Equipment / Furniture and Fittings	0.9
Grand Total	**291.0**

The Buildings category includes expenditure on major projects such as the Gore Hill Indoor Sports Complex, the Willoughby Leisure Centre Pool Hall renewal and Affordable Housing development.

LTP Scenario 2 – Permanent ASV not approved by IPART

Scenario 2 (No ASV) Description and Features

This scenario assumes IPART do not approve a permanent Additional Special Variation of 1.3% in the 2022/23 financial year. That is the only difference between this scenario and Scenario 1. All other planning assumptions are the same. It assumed moderate levels of inflation and that current high inflation trends are seasonal and not structural and ongoing.

LTFP Scenario 2 forecasts an extremely difficult financial future that would require remedial action. This action may include the cancellation of some general funded projects resulting in deteriorating asset conditions, or reduced service levels. As an alternative, to ensure we could deliver on Willoughby City's *Community Strategic Plan: Our Future Willoughby* and the *Delivery Program 2023-2026* we would assess the need for a separate Special Rate Variation application in future years.

Scenario 2 – (Permanent ASV not approved) Planning Assumptions

All escalations for both revenue and expenses in Scenario 2 (Permanent ASV not approved) are exactly the same as in Scenario 1 (Baseline including Permanent ASV).

The only difference between the scenarios is rating revenue of $666k in the 2022/23 financial year. As noted in previous sections, due to the expiry of the 7 year 7.3% Infrastructure levy, rating revenue (and rates) reduces under both scenarios.

- In Scenario 1 (Baseline including ASV) rating revenue reduces by a Net 5.2% (loss of 7.3% Infrastructure Levy offset by a 2.1% indexation of rates in 2022/23)
- In Scenario 2 (Permanent ASV not approved) rating revenue reduces by a Net 6.5% (loss of 7.3% Infrastructure Levy offset by a 0.8% indexation of rates in 2022/23).

Scenario 2 – (Permanent ASV not approved) – Performance against OLG Benchmarks

As shown in Figure 14, the Financial Performance outcomes under Scenario 2 (Permanent ASV not approved) are significantly worse than under Scenario 1 (Baseline including Permanent 1.3% ASV). Specifically, performance against Office of Local Government (OLG) benchmarks is poorer in the following areas:

- The Operating Performance Ratio (OPR) in Scenario 2 shows us facing 5 years of OPR results below the OLG benchmark. This compares with 3 years under Scenario 1. The average 10 year OPR under Scenario 2 is minus (-0.08%) compared to the 10-year average of +0.54% under Scenario 1.
- The Unrestricted Current Ratio (UCR) is significantly lower for each year under Scenario 2 compared to Scenario 1. The average 10 year UCR under Scenario is 2.97% compared to the 10-year average of 3.16% under Scenario 1. As noted in Section 5.5, under Scenario 2, we would be forced to release Internally Restricted cash (held for specific purposes) to fund operations.

Figure 14 shows our performance against Strategic Financial Objectives and OLG benchmarks for Scenario 2 (Permanent ASV not approved).

Figure 14 - LTFP Scenario 2 (Permanent ASV not approved) – Performance against Strategic Financial Objectives and OLG Benchmarks

STRATEGIC OBJECTIVE Financial Indicators	OLG Target	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	10 Year Average
POSITIVE OPERATING PERFORMANCE												
Operating Performance Ratio	> 0.00%	-3.14%	-1.07%	-1.05%	-0.17%	-0.06%	0.59%	0.22%	0.76%	1.42%	1.67%	-0.08%
Own Source Operating Revenue Ratio	> 60%	86.1%	87.9%	84.0%	77.9%	92.0%	92.1%	92.2%	92.2%	92.3%	92.31%	88.90%
STRONG CASHFLOW												
Unrestricted Current Ratio	> 1.5x	3.26	3.03	2.82	2.88	2.87	2.95	2.80	2.84	2.95	3.35	2.97
Rates and charges outstanding percentage	< 5%	2.23%	2.18%	2.14%	2.10%	2.06%	2.02%	1.99%	1.95%	1.91%	1.87%	2.05%
Cash Expenses Coverage Ratio (months)	> 3 months	17.71	14.55	11.30	10.76	10.89	11.69	11.64	11.66	12.15	12.96	12.53
MANAGE DEBT LEVELS												
Debt Service Cover Ratio	> 2%	5.15%	6.32%	6.25%	6.84%	6.89%	7.10%	6.87%	7.08%	7.46%	10.38%	7.03%
ASSET FOCUS												
Buildings and Infrastructure Renewal Ratio	100%	208%	163%	96%	48%	61%	79%	107%	92%	72%	73%	100%
Asset Maintenance Ratio	100%	103%	101%	104%	103%	101%	103%	102%	103%	100%	102%	102%

Attachment 1 – Financial Statements – Scenario 1 (Base Case including 1.3% Permanent ASV)

Income Statement

Income Statement	Forecast 2022/23 $'000's	Forecast 2023/24 $'000's	Forecast 2024/25 $'000's	Forecast 2025/26 $'000's	Forecast 2026/27 $'000's	Forecast 2027/28 $'000's	Forecast 2028/29 $'000's	Forecast 2029/30 $'000's	Forecast 2030/31 $'000's	Forecast 2031/32 $'000's
Incomes from continuing operations										
Revenue:										
Rates and Annual Charges	69,596	71,129	72,466	73,827	75,216	76,631	78,074	79,546	81,185	82,858
User Charges and Fees	15,344	15,179	17,228	18,550	19,052	19,340	19,682	19,933	20,260	20,594
Investment Revenues	1,625	1,889	1,831	2,105	2,367	2,812	3,040	3,299	3,660	3,735
Rental & Venue Hire Revenues	13,378	14,035	15,025	15,250	15,479	15,711	15,947	16,186	16,429	16,675
Other Revenues	5,552	5,371	5,462	8,268	8,779	9,491	9,626	9,763	10,175	10,345
Grants & Contributions - Operating	7,877	5,610	5,691	6,799	5,908	6,021	6,136	6,252	6,370	6,498
Grants & Contributions - Capital	9,077	9,183	15,472	26,491	4,510	4,529	4,549	4,595	4,616	4,638
Fair Value increment on investment property	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Income:										
Proceeds from Disposal of Assets	443	470	484	498	513	529	544	561	578	595
Profit from Interests in Joint Ventures & Associates										
Total Income from Continuing Operations	**123,892**	**123,867**	**134,659**	**152,789**	**132,823**	**136,065**	**138,600**	**141,136**	**144,274**	**146,938**
Expenses from continuing operations										
Expenses:										
Employee Costs	45,773	46,157	48,040	49,024	50,004	51,004	52,024	53,065	54,126	55,209
Materials and Contracts	36,621	34,370	35,800	39,392	39,390	40,171	41,525	41,647	42,175	42,901
Borrowing Costs	1,530	1,559	1,562	1,566	1,568	1,570	1,571	1,546	1,507	1,473
Depreciation & Amortisation	17,437	17,450	17,571	18,587	18,968	19,125	19,268	19,414	19,564	19,721
Other Expenses	14,162	14,183	15,232	15,695	16,165	16,556	16,984	17,399	17,827	18,267
WDV of Assets sold	312	321	331	341	351	362	372	384	395	407
WDV of Assets held for sale	0	0	0	0	0	0	0	0	0	0
Interest and Investment losses	725	0	0	0	0	0	0	0	0	0
Loss from Interests in Joint Ventures & Associates	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	**116,561**	**114,040**	**118,536**	**124,604**	**126,446**	**128,787**	**131,746**	**133,455**	**135,595**	**137,978**
Net Operating Surplus/ (Deficit) for the year	**7,331**	**9,827**	**16,122**	**28,185**	**6,377**	**7,278**	**6,854**	**7,682**	**8,679**	**8,959**
Net Operating Surplus/(Deficit) before Grants & contributions provided for capital purposes	**(1,745)**	**644**	**650**	**1,694**	**1,867**	**2,749**	**2,305**	**3,087**	**4,063**	**4,322**

Balance Sheet

BALANCE SHEET	Forecast 2022/23 $'000's	Forecast 2023/24 $'000's	Forecast 2024/25 $'000's	Forecast 2025/26 $'000's	Forecast 2026/27 $'000's	Forecast 2027/28 $'000's	Forecast 2028/29 $'000's	Forecast 2029/30 $'000's	Forecast 2030/31 $'000's	Forecast 2031/32 $'000's
Current Assets										
Cash and cash equivalents (Available)	16,812	16,276	18,289	14,851	11,431	11,977	12,876	13,969	13,476	13,710
Investments (Reserves)	127,903	103,100	77,438	86,026	93,191	99,546	101,152	103,802	112,169	121,498
Receivables	5,171	5,204	5,539	6,006	6,138	6,271	6,347	6,414	6,519	6,599
Inventories	0	0	0	0	0	0	0	0	0	0
Other	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Total Current Assets	**151,870**	**126,565**	**103,251**	**108,867**	**112,745.5**	**119,779**	**122,359**	**126,170**	**134,149**	**143,793**
Non-Current Assets										
Receivables	51	51	51	51	51	51	51	51	51	51
Infrastructure, Property, Plant & Equipment	1,717,579	1,750,628	1,790,285	1,808,173	1,805,451	1,804,075	1,807,286	1,808,906	1,807,116	1,805,362
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	0	0
Investments Property	94,300	95,300	96,300	97,300	98,300	99,300	100,300	101,300	102,300	103,300
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Right of Use assets	711	711	711	711	711	711	711	711	711	711
Other	831	831	831	831	831	831	831	831	831	831
Total Non-Current Assets	**1,813,472**	**1,847,521**	**1,888,178**	**1,907,066**	**1,905,344**	**1,904,968**	**1,909,179**	**1,911,799**	**1,911,009**	**1,908,713**
TOTAL ASSETS	**1,965,342**	**1,974,086**	**1,991,430**	**2,015,934**	**2,018,089.6**	**2,024,747**	**2,031,538**	**2,037,969**	**2,045,158**	**2,052,506**
Current Liabilities										
Payables	29,927	29,818	32,039	29,357	26,185	26,615	27,654	27,508	27,137	25,809
Lease liabilities	242	242	242	242	242	242	242	242	242	242
Borrowings	1,465	1,260	1,305	1,352	1,401	1,452	1,504	1,558	1,578	795
Provisions	11,780	12,007	12,250	12,538	12,823	13,154	13,484	13,863	14,242	14,672
Total Current Liabilities	**43,414**	**43,327**	**45,837**	**43,490**	**40,651.3**	**41,463**	**42,885**	**43,171**	**43,199**	**41,518**
Non-Current Liabilities										
Payables	0	0	0	0	0	0	0	0	0	0
Lease liabilities	272	272	272	272	272	272	272	272	272	272
Borrowings	34,882	33,826	32,476	31,077	29,627	28,125	26,568	24,956	23,358	23,346
Provisions	743	802	865	930	997	1,067	1,139	1,215	1,294	1,376
Total Non-Current Liabilities	**35,897**	**34,901**	**33,613**	**32,278**	**30,896**	**29,464**	**27,980**	**26,443**	**24,924**	**24,994**
TOTAL LIABILITIES	**79,311**	**78,228**	**79,449**	**75,768**	**71,547**	**70,927**	**70,864**	**69,614**	**68,123**	**66,512**
NET ASSETS	**1,886,031**	**1,895,858**	**1,911,980**	**1,940,165**	**1,946,542**	**1,953,820**	**1,960,674**	**1,968,356**	**1,977,035**	**1,985,994**
EQUITY										
Accumulated Surplus	1,128,157	1,162,787	1,204,571	1,224,169	1,223,380	1,224,303	1,229,551	1,234,583	1,234,895	1,234,525
Asset Revaluation Reserve	629,971	629,971	629,971	629,971	629,971	629,971	629,971	629,971	629,971	629,971
Other Reserves	127,903	103,100	77,438	86,026	93,191	99,546	101,152	103,802	112,169	121,498
TOTAL EQUITY	**1,886,031**	**1,895,858**	**1,911,980**	**1,940,165**	**1,946,542**	**1,953,820**	**1,960,674**	**1,968,356**	**1,977,035**	**1,985,994**

Cash-flow Statement

CASH FLOW STATEMENT	Forecast 2022/23 $'000's	Forecast 2023/24 $'000's	Forecast 2024/25 $'000's	Forecast 2025/26 $'000's	Forecast 2026/27 $'000's	Forecast 2027/28 $'000's	Forecast 2028/29 $'000's	Forecast 2029/30 $'000's	Forecast 2030/31 $'000's	Forecast 2031/32 $'000's
Cash flow from operating activities										
Receipts:										
Rates and Annual Charges	69,596	71,129	72,466	73,827	75,216	76,631	78,074	79,546	81,185	82,858
User Charges and Fees	14,923	15,146	16,893	18,084	18,919	19,208	19,605	19,866	20,155	20,513
Interest & Investment Revenues	1,625	1,889	1,831	2,105	2,367	2,812	3,040	3,299	3,660	3,735
Grants & Contributions	16,954	14,793	21,163	33,289	10,418	10,550	10,686	10,847	10,987	11,135
Other	18,931	19,407	20,487	23,519	24,258	25,203	25,573	25,949	26,604	27,020
Payments:										
Employee Costs & oncosts	(45,519)	(45,871)	(47,735)	(48,671)	(49,652)	(50,603)	(51,622)	(52,611)	(53,668)	(54,697)
Materials and Contracts	(34,919)	(34,479)	(33,578)	(42,074)	(42,563)	(39,740)	(40,486)	(41,793)	(42,546)	(42,688)
Borrowing Costs	(1,530)	(1,559)	(1,562)	(1,566)	(1,568)	(1,570)	(1,571)	(1,546)	(1,507)	(1,473)
Other	(14,162)	(14,183)	(15,232)	(15,695)	(16,165)	(16,556)	(16,984)	(17,399)	(17,827)	(18,267)
Net cash inflow from operating activities	**25,899**	**26,272**	**34,732**	**42,819**	**21,230**	**25,935**	**26,315**	**26,159**	**27,043**	**28,138**
Cash flow from investing activities										
Receipts										
Sale of investment securities	25,485	24,803	25,662	0	0	0	0	0	0	0
Sale of infrastructure, property, plant & equipment	443	470	484	498	513	529	544	561	578	595
Proceeds from sale of assets held for resale	0	0	0	0	0	0	0	0	0	0
Payments:										
Purchase of infrastructure, property, plant & equipment	(49,709)	(50,820)	(57,559)	(36,816)	(16,597)	(18,111)	(22,851)	(21,418)	(18,169)	(18,375)
Purchase of Investment Property										
Purchase of investment securities	0	0	0	(8,587)	(7,166)	(6,355)	(1,606)	(2,650)	(8,367)	(9,329)
Purchase of Intangible assets										
Deferred debtors and advances made										
Contribution paid to JV & Assoc.										
Net cash outflow from investing activities	**(23,781)**	**(25,548)**	**(31,414)**	**(44,905)**	**(23,249)**	**(23,937)**	**(23,912)**	**(23,507)**	**(25,958)**	**(27,109)**
Cash flow from financing activities										
Proceeds from new borrowings	0	0	0	0	0	0	0	0	0	0
Repayment of borrowings & advances	(1,465)	(1,260)	(1,305)	(1,352)	(1,401)	(1,452)	(1,504)	(1,558)	(1,578)	(795)
Repayment of Finance Lease liabilities	0	0	0	0	0	0				
Net cash (outflow)/inflow from financing activities	**(1,465)**	**(1,260)**	**(1,305)**	**(1,352)**	**(1,401)**	**(1,452)**	**(1,504)**	**(1,558)**	**(1,578)**	**(795)**
Net increase/(decrease) in cash held	653	(536)	2,013	(3,438)	(3,420)	546	899	1,093	(493)	234
Cash assets at beginning of reporting period	16,159	16,812	16,276	18,289	14,851	11,431	11,977	12,876	13,969	13,476
Cash assets at end of reporting period	**16,812**	**16,276**	**18,289**	**14,851**	**11,431**	**11,977**	**12,876**	**13,969**	**13,476**	**13,710**
Plus: Investment on hand at end of year	**127,903**	**103,100**	**77,438**	**86,026**	**93,191**	**99,546**	**101,152**	**103,802**	**112,169**	**121,498**
Cash & Investment at end of year	**144,715**	**119,376**	**95,727**	**100,877**	**104,622**	**111,523**	**114,028**	**117,771**	**125,645**	**135,208**

General Fund – Funding Statement

CASH (RATES) BUDGETS STATEMENT	Forecast 2022/23 $'000's	Forecast 2023/24 $'000's	Forecast 2024/25 $'000's	Forecast 2025/26 $'000's	Forecast 2026/27 $'000's	Forecast 2027/28 $'000's	Forecast 2028/29 $'000's	Forecast 2029/30 $'000's	Forecast 2030/31 $'000's	Forecast 2031/32 $'000's
Revenues										
Rates and Annual Charges	69,596	71,129	72,466	73,827	75,216	76,631	78,074	79,546	81,185	82,858
User Charges and Fees	15,344	15,179	17,228	18,550	19,052	19,340	19,682	19,933	20,260	20,594
Investment Revenues	1,625	1,889	1,831	2,105	2,367	2,812	3,040	3,299	3,660	3,735
Other Revenues	18,931	19,407	20,487	23,519	24,258	25,203	25,573	25,949	26,604	27,020
Grants & Contributions - Operating	7,877	5,610	5,691	6,799	5,908	6,021	6,136	6,252	6,370	6,498
Grants & Contributions - Capital	9,077	9,183	15,472	26,491	4,510	4,529	4,549	4,595	4,616	4,638
Proceeds from Disposal of Assets	443	470	484	498	513	529	544	561	578	595
New borrowings	0	0	0	0	0	0	0	0	0	0
Transfers from Reserves	38,982	38,650	39,847	6,649	8,393	9,705	14,395	13,329	8,064	7,313
Internal Revenues	6,660	6,843	7,031	7,224	7,423	7,571	7,722	7,876	8,034	8,196
Total Revenue	**168,535**	**168,361**	**180,536**	**165,662**	**147,639**	**152,341**	**159,717**	**161,342**	**159,372**	**161,447**
Expenses										
Employee Costs	45,773	46,157	48,040	49,024	50,004	51,004	52,024	53,065	54,126	55,209
Materials and Contracts	36,621	34,370	35,800	39,392	39,390	40,171	41,525	41,647	42,175	42,901
Borrowing Costs	1,530	1,559	1,562	1,566	1,568	1,570	1,571	1,546	1,507	1,473
Other expenses	14,162	14,183	15,232	15,695	16,165	16,556	16,984	17,399	17,827	18,267
Interest and Investment losses	0	0	0	0	0	0	0	0	0	0
Debt Redemption	1,404	1,262	1,307	1,354	1,403	1,454	1,506	1,560	1,580	797
Transfers to reserves	13,498	13,847	14,185	15,237	15,559	16,060	16,000	15,979	16,431	16,643
Capital Expenditure	49,709	50,820	57,559	36,816	16,597	18,111	22,851	21,418	18,169	18,375
Internal Expenses	6,660	6,843	7,031	7,223	7,422	7,570	7,721	7,875	8,034	8,196
Total Expenses	**169,358**	**169,042**	**180,717**	**166,306**	**148,107**	**152,494**	**160,184**	**160,489**	**159,849**	**161,860**
CASH BUDGET SURPLUS/(DEFICIT)	**(823)**	**(681)**	**(181)**	**(644)**	**(468)**	**(154)**	**(467)**	**852**	**(477)**	**(413)**
CASH BUDGET SURPLUS/(DEFICIT) AFTER ADJ 50% LSL ACCRUAL	**15**	**173**	**691**	**245**	**438**	**771**	**476**	**1,814**	**504**	**588**


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ASSET MANAGEMENT STRATEGY
2022–2032

Contents

Executive Summary

The Asset Management Strategy (Strategy), outlines the strategic context of asset management, the current and future status of asset management at Willoughby City Council, and how we can meet our asset management goal, to achieve "core level" of asset management maturity by 2023 and "advanced level" in the longer term.

This Strategy is part of Council's Asset Management Framework, which includes the Asset Management Policy; Asset Management Strategy; and Asset Management Plans. The Strategy sets out the way Council will implement the principles of the Asset Management Policy: accountability and direction; asset information management; asset lifecycle management; and service management.

This Strategy demonstrates how Council will meet the asset resourcing requirements of our Delivery Program and Operational Plan, to support the aspirations of the Community Strategic Plan. It also informs the Long Term Financial Plan, ensuring we have sufficient funding to maintain assets at the required levels to ensure service provision.

In our **asset portfolio**, we have over 41,000 assets, with a value of over $1B (2021). Our assets include: roads, buildings, open space, stormwater, plant and fleet and other assets. These assets enable us to provide services and facilities to the community to meet their needs and are measured through our asset performance; asset value and condition; and asset management practices.

Together they work toward ensuring asset management drives organisation strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets through strong integration with Council policies, practices and understanding of service levels.

Our **current state** has progressed from previous years, with our maturity assessment improving to an estimated 85% (2021) from a 74% score in 2019, with a total of 5/11 or 45.4% of the elements now with a score of 100%.

Our **asset performance** has been positive, meeting the Office of Local Government asset sustainability measures and have been doing so for the past few years. Continued focus on these measures will be required, particularly with the Infrastructure Levy finishing in June 2022.

Our **asset value and condition** has also improved over the years and places us in a positive position to continue advancing our asset portfolio:

- Council's asset portfolio renewal backlog has reduced by $51m since 2014 and the backlog is now only 1.3% of total asset value
- The current replacement value of our assets is over $1b
- Buildings and road assets constitute over three quarters of our asset stock by value; with stormwater assets constituting a further 15%

- 75.9% of assets are in condition 1 (Excellent) and 2 (Good) and do not require immediate replacement, in part due to the investment from the Infrastructure Levy Council has received over the last seven years
- We will need to spend $291m over the next 10 years on renewals/upgrades ($175m) or new assets ($116m).

Our **asset management practices** are reliant on a robust framework, quality asset data, asset systems, business processes and skilled staff. This is critical for effective lifecycle management of assets to support the delivery of quality services. Over recent years, we have been adapting our asset management practices to suit the business needs, focusing on:

- Improving the core elements of the asset maturity framework
- Implementing a new consolidated, integrated and fully centralised asset register for all asset classes
- Enhancing our asset team focus, skills and resourcing
- Identifying and understanding strategic issues and trends, particular those emerging from COVID-19
- Integrating risk practices within the asset system and business processes

Our asset management goal for our **future state** is **-** *To achieve "core level" of asset management maturity by 2023 and "advanced level" in the longer term.* The **Improvement Plan** identifies how we will improve our maturity level and meet our intended asset management goal, with high priority actions focusing on the following elements:

- Asset Management Plans
- Governance
- Levels of Service
- Data and systems
- Skills and processes
- Evaluation.

What is asset management and why do we do it?

Asset management is the systematic and coordinated activities and practices of an organisation, to optimally and sustainably deliver on its objectives, through the cost-effective lifecycle management of assets.

Assets are the infrastructure that supports the delivery of the many services and facilities Council offers to support the aspirations of our community, identified through the Community Strategic Plan.

Having an Asset Management Framework supports our strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets, through strong integration with our policies, practices and understanding service levels.

This Asset Management Strategy intends to:

- Provide a basis for the management of current assets
- Identify assets that are critical to our operations and outline risk management strategies for these assets
- Identify an Improvement Plan to achieve the objectives of the Strategy.

Strategic Framework

As a requirement of the Integrated Planning and Reporting Framework, Council is required to adopt an Asset Management Policy, an Asset Management Strategy and Asset Management Plans for each class of assets, to support the implementation of the Community Strategic Plan and Delivery Program.

Assets are critical to the successful delivery of services and facilities. We will continually work to improve the condition and management of all our assets through our strategic framework, in alignment with the legislated requirements.

Council's Asset Management Framework

Council has an adopted Asset Management Framework, which includes an Asset Management Policy, this Strategy and Assets Management Plans, supported by a Strategic Asset Management Committee.

Council adopted the *Asset Management Policy (2021)*, Attachment 1. The purpose of the Policy is to provide us with an asset management framework that enables Council to provide sustainable community services using cost effective and fit for purpose assets. The Policy includes the following driving principles:

1. Accountability and direction - The management of assets aligns with the Community Strategic Plan, Delivery Program, and Operational Plan; and supports the Council's vision, policies, strategies and plans
2. Asset Information Management - Assets under the control of Council are identified and recorded in a register with the appropriate level of detail and accuracy
3. Lifecycle Management - Assets are managed from a whole-of-life perspective (i.e. from planning and design to disposal) and are fit for purpose (balance of cost, level of service and risk exposure)
4. Service Management - Council is committed to funding infrastructure renewal requirements stated in the Asset Management Plans, to ensure the sustainability of the City's infrastructure.

This Asset Management Strategy outlines how our policy directions are integrated and supported by our asset portfolio, our practices and how we intend to continue to deliver better practice asset management.

Council has Asset Management Plans (AMP) which outline the service standards and contain long-term projections of asset maintenance, rehabilitation and replacement, including forecast costs for each asset class. The AMPs provide the detail of how we will manage each asset class. We are in the process of updating all AMPs, using the data from a new centralised asset system. This process of review will also include further consultation with stakeholders. The AMPs can be found on Council's website https://www.willoughby.nsw.gov.au/Council/Policies-Publications/Asset-Management-Plans-and-Resourcing-Strategy.

Given the varying types of assets and the services and facilities they provide, there are many stakeholders in planning, managing and delivering assets, including: staff across Council, Councillors, residents and ratepayers; businesses, visitors, utility providers and the NSW Government. The benefits of effective asset management with our stakeholders are as follows:

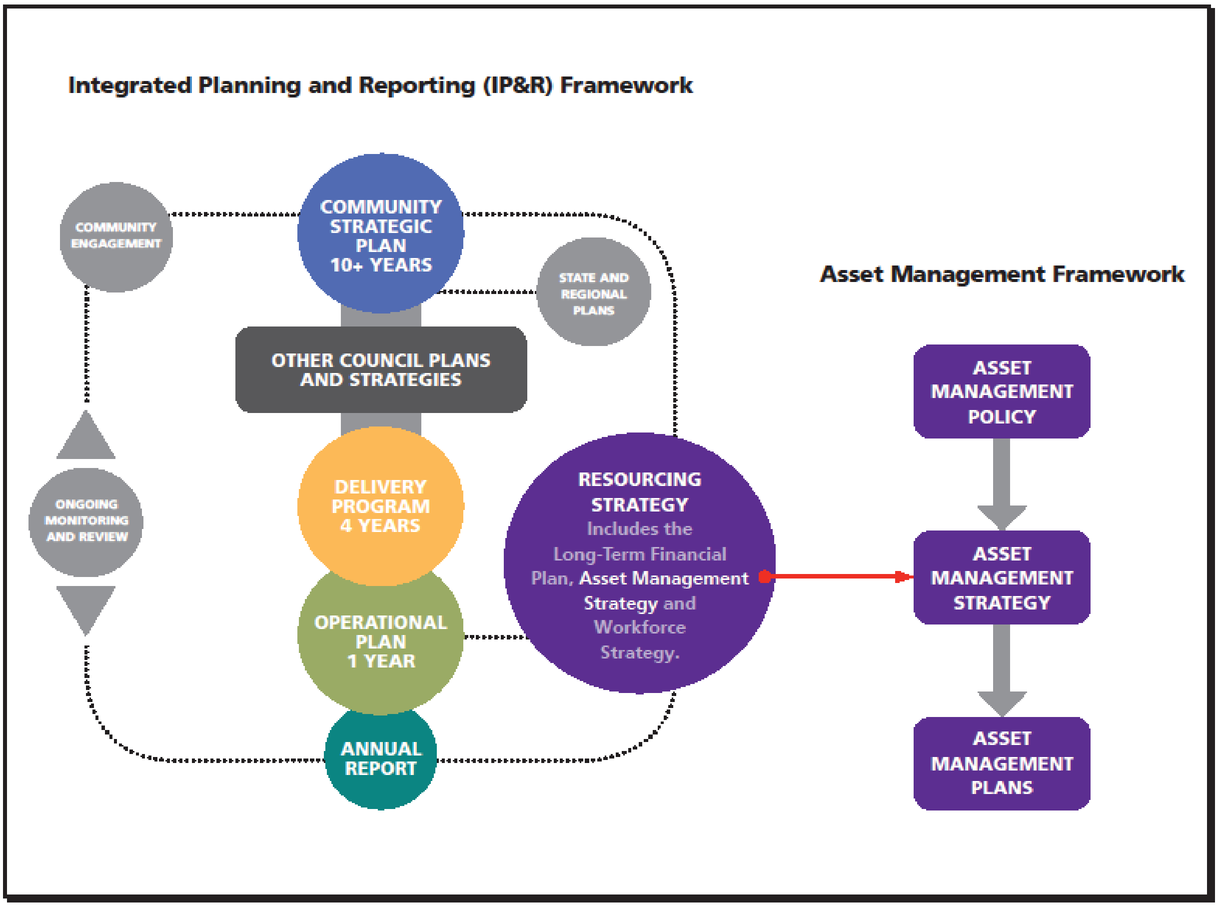
- Strong governance and accountability by demonstrating to the owners, customers and stakeholders that services are being delivered effectively and efficiently
- More effective and sustainable decisions supported by robust information and evidence
- Enhanced customer service through improved understanding of service requirements and options
- Effective risk management by understanding the risks associated with the assets and prioritising risk mitigation
- Improved financial efficiency through informed asset investment and intervention decisions based on lifecycle costs and benefits of alternatives.

In addition, asset management must consider various other Council and external strategies and plans, as these help shape and support our infrastructure asset requirements and also give effect to planning and service delivery. Attachment 2 provides an overview of key documents.

Linkages with the integrated planning & reporting framework

The Asset Management Strategy and Plans form essential elements of the Resourcing Strategy of the Integrated Planning and Reporting Framework, see Figure 1 below.

Figure 1: Links between the asset management and the integrated planning and reporting frameworks



The Asset Management Strategy must:

- Be for a minimum of 10 years
- Include a Council endorsed asset management policy
- Identify assets and risks critical to Council's operations
- Include specific actions to improve Council's asset management capabilities.

Council’s asset portfolio

An asset is an item, thing or entity that has potential or actual value to an organisation. Assets are provided to support Council functions, community services and outcomes.

Council has over 41,000 assets, grouped into eight asset classes, valued at over $1B (2021). The asset class and what category of infrastructure is outlined below.

Figure 2: Council assets

Asset Class	Asset Category		
Roads	• Sealed roads • Bridges • Kerb and gutter	• Footpaths • Bus stops • Local traffic management devices	• Car parks • Barriers • Bulk earthworks
Buildings	• Council offices • Council works depots • Amenities / toilets	• Halls • Libraries • Childcare centres	• Community centres • Houses • Commercial buildings
Stormwater drainage	• Pipes • Pits	• Detention basins • Retention basins	• Gross Pollutant Traps • Swales
Open space / recreational assets	• Swimming pools • Bushland	• Parks and playgrounds	• Sporting fields • Tennis courts
Other infrastructure assets	• Depreciable land improvements	• Walking tracks	• Retaining walls
Other structures	• Chatswood solar farm	• Public art	• Water treatment tank at The Concourse
Fleet and plant	• Yellow plant • Equipment	• Heavy vehicles • Light vehicles	• Major plant • Attachments
Other assets	• Paid parking • Sundry assets	• Office equipment • Office furniture • ICT equipment	• Library assets • Cultural assets • Leisure assets

Current State

The current state of our assets and asset management practices are measured by the following:

- Asset performance
- Asset value and condition
- Asset management practices.

They work toward ensuring asset management drives organisation strategy for asset creation, use, management, maintenance, renewal, rationalisation and disposal of assets through strong integration with Council policies, practices and understanding of service levels.

Asset performance

Figure 3 shows the performance of our assets as represented by four ratios based on extracts from the *Report on Infrastructure Assets* section of the 2021 Financial Statements. These are key measures identified by the Office of Local Government and focus on: alignment to this Strategy; having a fully funded capital works program; reducing and eliminating asset backlog; and optimising returns from assets. These ratios are measured annually, subject to external audit, and comparable to other councils across NSW.

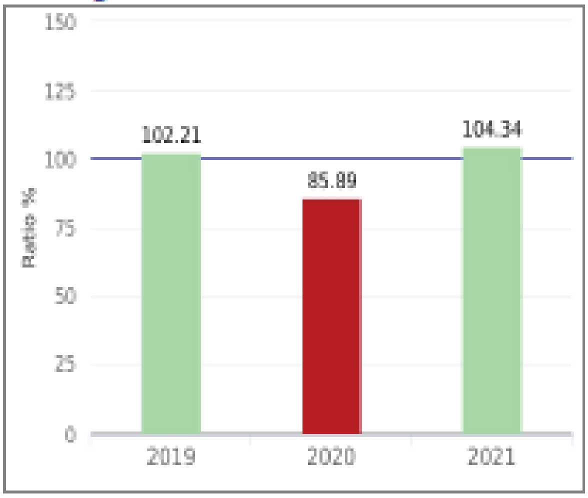
Some key highlights of our asset performance include:

- We have met the sustainability measures and has been doing so for the past few years. The only exceptions are the buildings and infrastructure renewal ratio (BIRR) in 2020, and the maintenance ratio in 2019. COVID-19 restrictions were a major factor of reduced availability of contractors to complete asset renewal projects.
- Our asset portfolio renewal backlog has reduced by $51 million since 2014 and the backlog is now only 1.3% of total asset value.

Continued focus on these measures will be required, particularly with the Infrastructure Levy finishing in June 2022.

Figure 3: Asset performance measures

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

20/21 ratio 104.34%

Council's Buildings and Infrastructure Renewal Ratio improved this year and has exceeded the benchmark. This is due to the delivery of significant renewal programs in buildings, roads, open space, footpath and drainage asset classes.

Benchmark: — >= 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

(Figure 3 continued)

Asset maintenance ratio

Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

20/21 ratio 103.02%

Council's Asset Maintenance ratio has achieved the benchmark and was slightly higher due to increased maintenance expenditure.

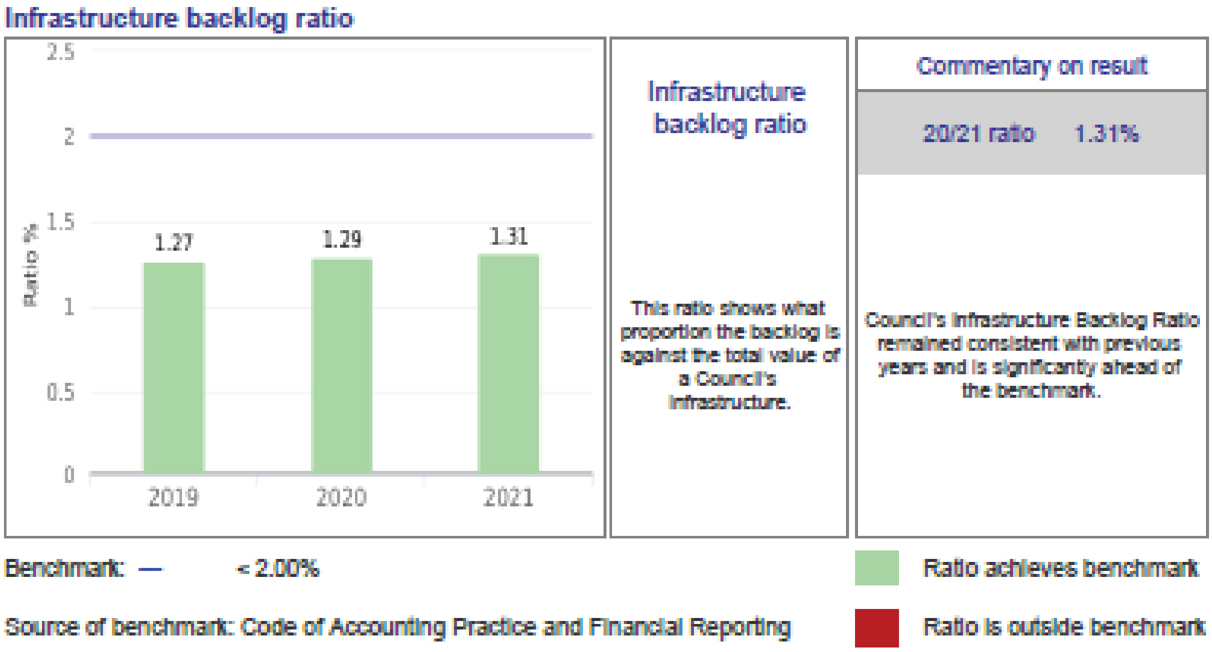
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

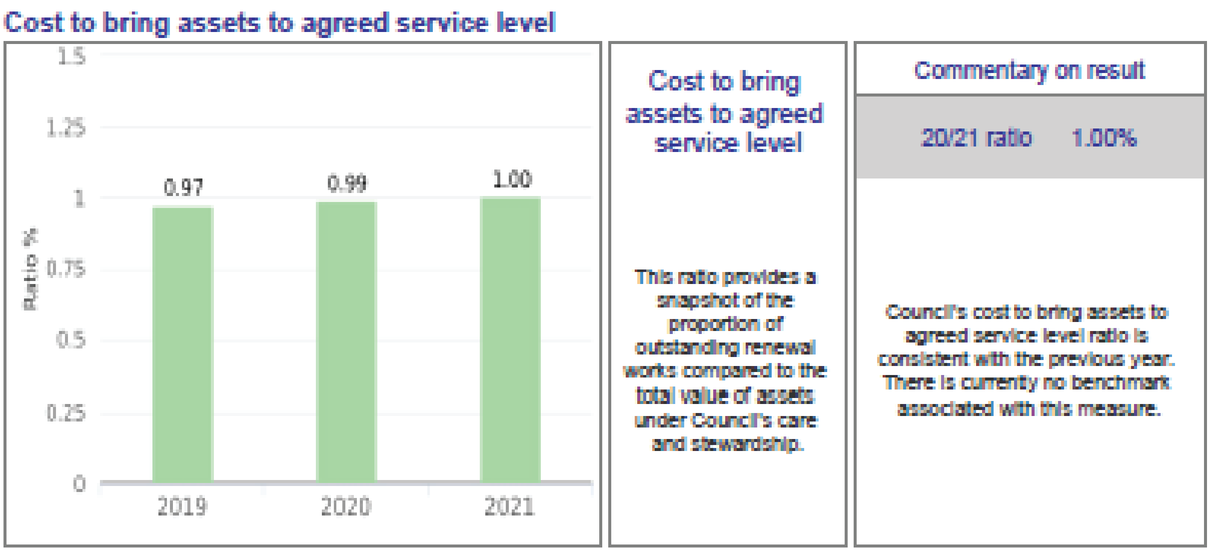
Ratio achieves benchmark

Ratio is outside benchmark

(Figure 3 continued)



(Figure 3 continued)



Through the implementation of the asset management and works modules of the corporate system, we will improve the measurement and reporting of the asset maintenance ratios to be more reflective of our actual performance compared to planned performance.

Asset valuation and condition

Asset value

The current replacement value of our assets is over $1B. Figures 4 and 5 provide an overview of the asset values of distribution of replacement costs. Some key highlights of our asset value include:

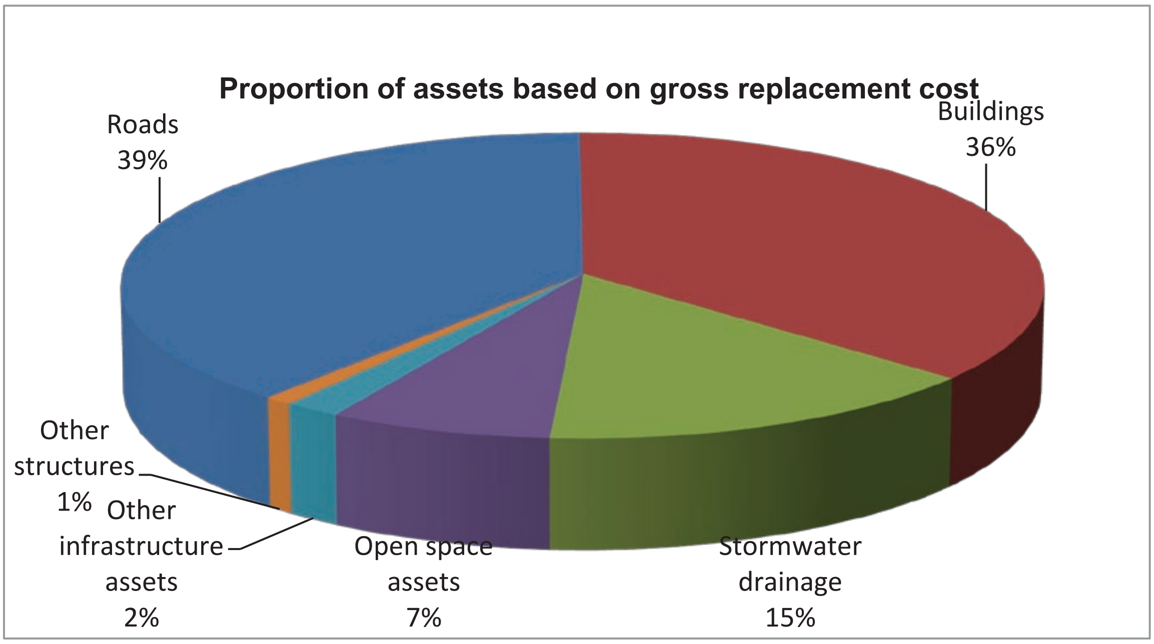
- Buildings and road assets constitute over three quarters of our asset stock by value; with stormwater assets constituting a further 15%.
- We have an asset net carrying amount of $803m indicating a service potential of about 76% of the total asset stock.

Further detailed information and breakdowns of each asset class can be found in the relevant Asset Management Plans.

Figure 4: Asset values

$'000	Special Schedule 7 - Report on infrastructure assets as at 30 June 2021				
Asset class	Gross replacement cost (GRC)	Net carrying amount	Depreciation	Actual Maintenance	Cost to bring assets to satisfactory
Roads	407,315	297,352	109,963	2,521	6,092
Buildings	383,485	310,973	72,512	4,346	236
Stormwater Drainage	155,006	121,002	34,004	401	2,712
Open space / recreational assets	76,473	51,645	24,828	2,811	1,175
Other infrastructure assets	19,342	15,022	4,320	36	350
Other structures	9,719	7,103	2,616	110	0
TOTAL ALL ASSET CLASSES	**1,051,340**	**803,097**	**248,243**	**10,225**	**10,565**

Figure 5: Distribution of asset types based on gross replacement cost



Asset condition

The condition of our assets is reviewed regularly, we continue to improve data quality through the implementation of the enterprise wide asset system and its connection to our works module. Asset condition information is required for legislated reporting and used for financial modelling and establishing our program of works.

Some key highlights of our asset condition include*:

- 75.9% of assets are in condition 1 (Excellent) and 2 (Good) and do not require immediate replacement, in part due to the investment from the Infrastructure Levy Council has received over the last seven years.
- 1.2% and 3.6 % of our assets by value, require immediate and short-medium term renewals respectively.

* *Based on 2021 data reported through Special Schedule 7*.

The figures below provide an overview of the asset condition according to asset classes. Further detail can be found within the Asset Management Plans.

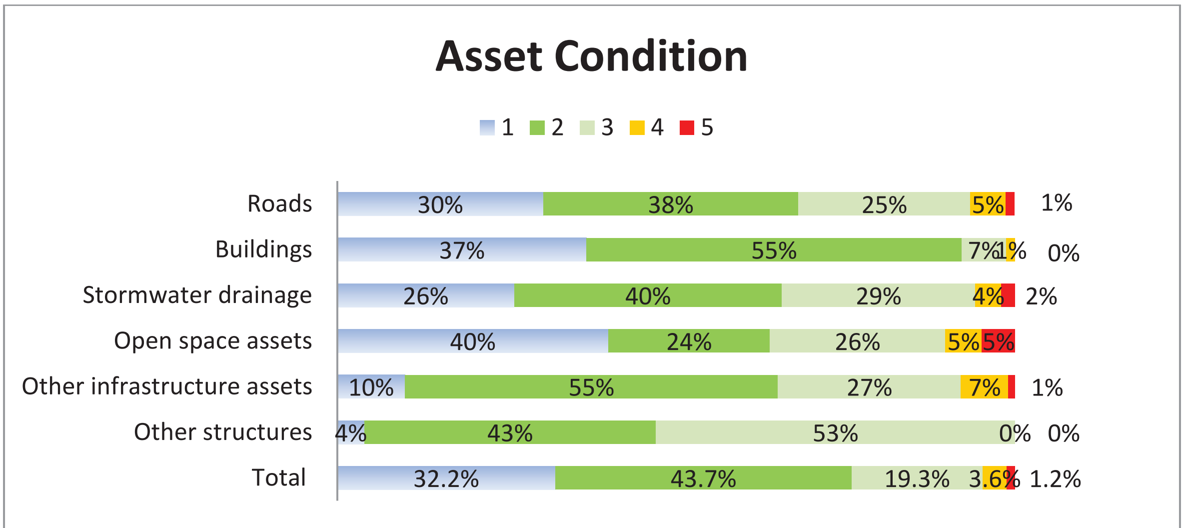
Figure 6: Asset condition

Asset class	Proportion of asset class (based on GRC)	Cumulative Proportion	Assets in condition (based on % of GRC) as at 30 June 2021				
			1	2	3	4	5
Roads	38.7%	38.7%	30.4%	37.6%	25.4%	5.2%	1.3%
Buildings	36.5%	75.2%	36.8%	55.3%	6.6%	1.3%	0.0%
Stormwater drainage	14.7%	90.0%	26.1%	39.5%	28.5%	3.9%	2.0%
Open space assets	7.3%	97.2%	40.0%	23.8%	25.9%	5.4%	4.9%
Other infrastructure assets	1.8%	99.1%	10.0%	55.0%	27.0%	7.0%	1.0%
Other structures	0.9%	100.0%	4.0%	43.0%	53.0%	0.0%	0.0%
TOTAL ALL ASSET CLASSES	**100.0%**	-	**32.2%**	**43.7%**	**19.3%**	**3.6%**	**1.2%**

GRC – Gross Replacement Cost;

Asset condition 1 – Excellent; Asset condition 5 – Very poor

Figure 7: Alternative asset condition representation



Asset condition information assists in identifying the maintenance costs of each asset class, along with the levels of service outlined within the Asset Management Plans. Additional work is being undertaken with the new system to gain further accuracy of these figures through infield verification, to better understand our levels of service for each asset class.

The asset condition data assists in providing the financial modelling over the next 10 years for expenditure over each asset class and also the type of expenditure, either renewals and upgrades or new assets, as outlined below in Figures 8 and 9 below.

Figure 8: Asset Expenditure by Asset Class over the next 10 years

Asset Expenditure By Asset Class	10 Year Total ($'M)
Building	161.4
Roads, Bridges and Carparks	68.7
Stormwater and Drainage	26
Open space/Recreational assets	27.5
Other infrastructure assets	6.7
Other assets	0.9
Grand Total	**291.0**

Figure 9: Asset Expenditure by Type over the next 10 years

Assets by Expenditure Type	10 Year Total ($'M)
Renewals and Upgrades to Existing Assets	175.2
New	115.8
Total	**291.0**

Asset management practices

Our asset management practices are reliant on a robust framework, quality asset data, asset systems, business processes and skilled staff. This is critical for effective lifecycle management of assets to support the delivery of quality services. Over recent years, we have been adapting our asset management practices to suit the business needs.

Current maturity assessment

In September 2018 an internal audit assessed our asset management maturity utilising the *National Asset Management Assessment Framework* (NAMAF) initiated by the Local Government and Planning Ministers' Council. The assessment tool has two components, core maturity and advanced maturity, with 79 and 69 questions respectively covering 11 key elements of asset management, including:

- Community Strategic Plan
- Annual budget
- Annual report
- Asset Management Policy
- Asset Management Plans
- Asset Management Strategy
- Governance
- Levels of Service
- Data and systems
- Skills and processes
- Evaluation.

The audit identified that we did not meet the core level of maturity. Figure 10 shows our aggregate scores over the 11 elements of NAMAF. Our asset management goal at that time was to meet core maturity in 2022.

Given the requirements of the new system, some asset improvements needed to be deferred to allow staff to focus on asset data preparation for inclusion in the system, and to assist in the development of the Long Term Financial Plan. Even so, we have been working on the various elements, and overall maturity assessment improved to a conservative estimated 85% as of September 2021 from a 74% score in 2019, with a total of 5/11 or 45.4% of the elements now with a score of 100%.

While there are still improvements required to meet the goal of "core level" of maturity, particularly in, levels of service and evaluation elements of the maturity framework, significant improvements have been achieved, as outlined below.

Systems

A key barrier for asset management previously, was the lack of up to date data within a centralised system and the manual requirements of accessing and utilising the data to make informed decisions. In October 2021, we implemented phase 2 of an enterprise wide system. This system incorporates the enterprise asset management, strategic asset management and the works management modules. The benefits of this new system include:

- A consolidated, integrated and fully centralised asset register for all asset classes
- A system with the required security and data integrity, that allows Council to make better decisions from improved asset data quality (completeness, accuracy and currency)
- A system that generates maintenance and renewal programs and produces associated cash flow forecasts, asset condition, risk and financial reporting capabilities

- Ability to capture works (including materials, labour and plant) and whole-of-life costings directly against asset
- Real time condition / defect data collection for some assets
- Real time reporting on asset performance and asset related financial indicators
- Ability to complete strategic asset management projections
- Capability to reduce asset accounting and reporting from months to days.

The system is reliant on accurate data which staff are gathering through in field verification over time.

Staffing

We have enhanced our team of asset planners and system specialists who lead the implementation of the Asset Management Framework to support the development and implementation of the new system and improve the delivery of asset management across the organisation, by:

- Providing additional staff to address the asset improvement issues identified in the audit
- Seconded a number of staff to support the successful development and deployment of the assets and works modules of the corporate system
- Trialling a centralised assets team
- Redefined roles to support new asset classes emanating out of the asset register.

The team work across the organisation, as other staff are also involved in the asset management value chain, from those who undertake planning, design and delivery of asset infrastructure to those who plan for and operate the services.

Risk Management

With such a large asset portfolio, there are various risks associated with the maintenance and delivery of assets to support the provision of services, including: financial, environmental, safety and reputation.

There are a number of strategic issues and trends that also need to be considered within the asset management environment, many being a result of the COVID_19 pandemic including:

- Increasing lifecycle costs – staff shortages, increased costs of goods and materials; and delay in supply chain
- Changing customer behaviour and patterns – increased usage of particular infrastructure such as open space and playgrounds; decreased usage of others such as parking; increased number of people working from home; and reduced service operations
- Continued financial pressure – the infrastructure levy ending in 2021/22; and the State Government infrastructure contributions reforms significantly reducing our ability to raise income for infrastructure from development
- Increased frequency of extreme weather events – particularly heat and flooding, impacting key assets such as open space and stormwater; and continued focus on reducing our environmental footprint
- Increasing customer expectations – for different or higher levels of service; and assets being the unseen element of the provision of services and facilities.

In addition to considering how the above strategic issues and trends impact asset management, we will have a risk focus through the following initiatives:

- Adapt and apply the *Risk Management Framework (Policy, Procedures and templates)* to the asset and service functions and produce asset profiles, criticality and risk registers for all key asset classes/categories
- Incorporating the risk management function into the strategic asset management module for all asset classes
- Integrating risk alongside level of service and cost as part of the future works programs
- Incorporate the requirements of climate change and resilience using available tools in a staged approach.

Risks associated with each asset class are detailed in the individual Asset Management Plans.

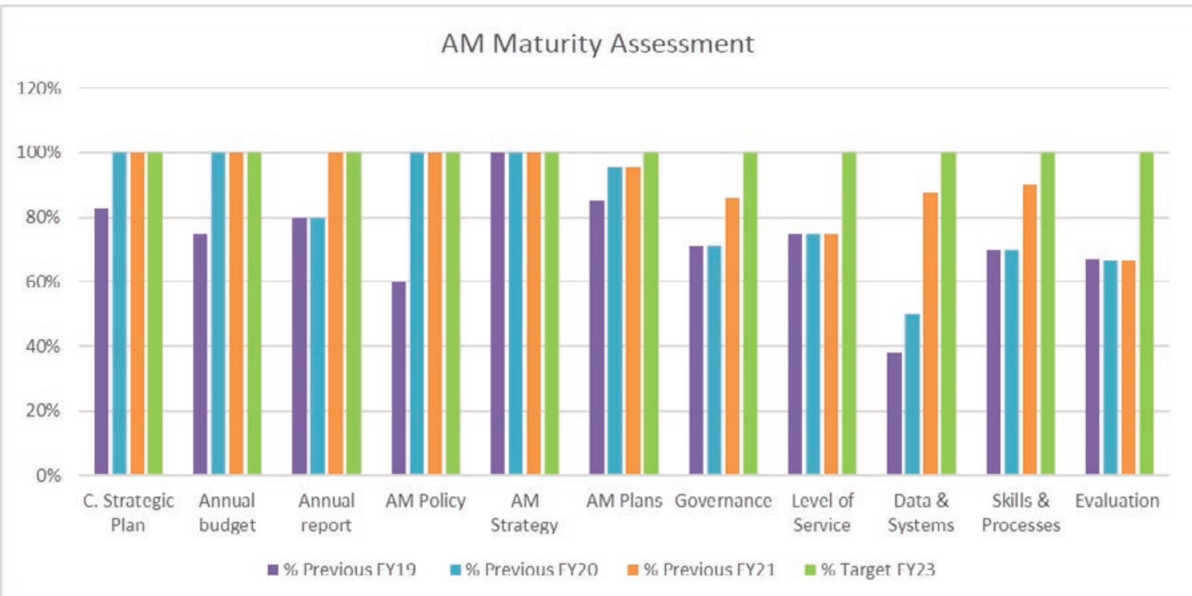
Future State - where we want to be

Our asset management goal

Our asset management goal is **-** *To achieve "core level" of asset management maturity by 2023 and "advanced level" in the longer term.*

Figure 10 below shows the historic and target levels of asset management maturity. The first five elements of the NAMAF are already at 100% and the Data & Systems element scored the biggest improvement with the rollout of the new system in 2021. A number of other improvements are still required to achieve the goal of "core level" of asset maturity, as outlined in the Improvement Plan in the following section.

Figure 10: Previous, current and target levels of asset management maturity



Improvement Plan

In order to achieve the asset management goal of '*To achieve "core level" of asset management maturity by 2023 and "advanced level" in the longer term',* we need to focus on the following elements of Asset Maturity scale: Asset Management Plans; Governance; Levels of Service; Data and systems; Skills and processes; and Evaluation.

Aligned to the four Asset Management Policy principles, the above elements will be addressed through the following high priorities over the next three years.

Accountability and Direction

- Revision of policies and procedures to support the improvements undertaken and planned for the future
- Revision of the Asset Management Plans to input updated data and improved definitions of service levels
- Assess current asset skills and capabilities and identify development program

Asset Information Management

- Undertake process improvements for condition rating; handover of assets, valuation methodology and capital investment decision making
- Update asset data hierarchy and reconcile asset and financial registers
- Increase asset monitoring and reporting program

Asset Lifecycle Management

- Review Asset Management Plans and associated financial programs
- Assess risk functionality, capacity and utilisation of all asset classes
- Review asset lifecycle obligations of shared assets

Service Management

- Update technical and community levels of services for all asset classes
- Improve monitoring, measurement and reporting of technical and community levels of service
- Prepare service plans for all asset classes
- Improve building utilities management.

Attachments

Attachment 1: Asset Management Policy

ASSET MANAGEMENT POLICY

Date Adopted/ Approved:	JULY 2021
Review Date:	JULY 2023
Version:	2.0
Responsible Position:	SENIOR ASSET MANAGEMENT SPECIALIST
ECM Doc ID:	5274749

1. Purpose

This policy provides Willoughby City Council (Council) with an Asset Management (AM) framework that enables Council to provide sustainable community services using cost effective and fit for purpose assets.

2. City Strategy Outcome:

The AM Policy generally links up with all 5 community outcomes since Council provides numerous asset-based services. The AM Policy strongly aligns with the following outcomes:

A City that is liveable – 3.5 *Maintain quality of life by balancing population growth with the provision of assets and services*.

A city that is effective and accountable – 5.3 *Balance the creation of new public assets wih the upgrade of existing public assets*.

3. Application

All Council staff are required to comply with the requirements of this policy and related procedures. This policy applies to all physical (tangible) assets owned or controlled by Council including the following asset classes: Buildings; Roads; Bridges; Kerb and gutter, Footpaths; Stormwater Assets; Bushland Assets; Retaining Walls, Parks, Playgrounds and Sports grounds; Land; and Fleet, Plant & Equipment assets.

This policy does not include intangible assets, people, intellectual property and financial instruments.

4. Policy Principles

Policy Objectives

The objectives of the AM policy are to:

- Develop and implement an AM framework that integrates assets, services, long term financial plan (LTFP) and risk management
- Specify Council's intentions and principles for strategic asset management planning
- Continually improve Council's asset management performance and capabilities
- Promote the knowledge, importance and awareness of AM across Council
- Comply with the requirements of the relevant legislation/s and guidelines

Principles

Some of the key principles directing this policy are summmarised below under 4 themes:

1 Accountability and direction

- The management of assets aligns with the Community Strategic Plan, Delivery Program, and Operational Plan; and supports the Council's vision, policies, strategies and plans

2 Asset Information Management

- Assets under the control of Council are identified and recorded in a register with the appropriate level of detail and accuracy

3 Lifecycle Management

- Assets are managed from a whole-of-life perspective (i.e. from planning and design to disposal) and are fit for purpose (balance of cost, level of service and risk exposure)

4 Service Management

- Council is committed to funding infrastructure renewal requirements stated in the Asset Management Plans, to ensure the sustainability of the City's infrastructure

Refer to attachment 2 for a full list of all relevant AM principles.

5. Policy Statement

Assets are important to Council's service provision. Council will manage its assets according to the attached AM Framework (with an AM Policy, AM Strategy and AM Plans). The AM framework integrates with the Council's *Community Strategic Plan*, *Delivery Program* and *Operatonal Plan* as required by the *Integrated Planning and Reporting Manual*.

It is the position of Council that:

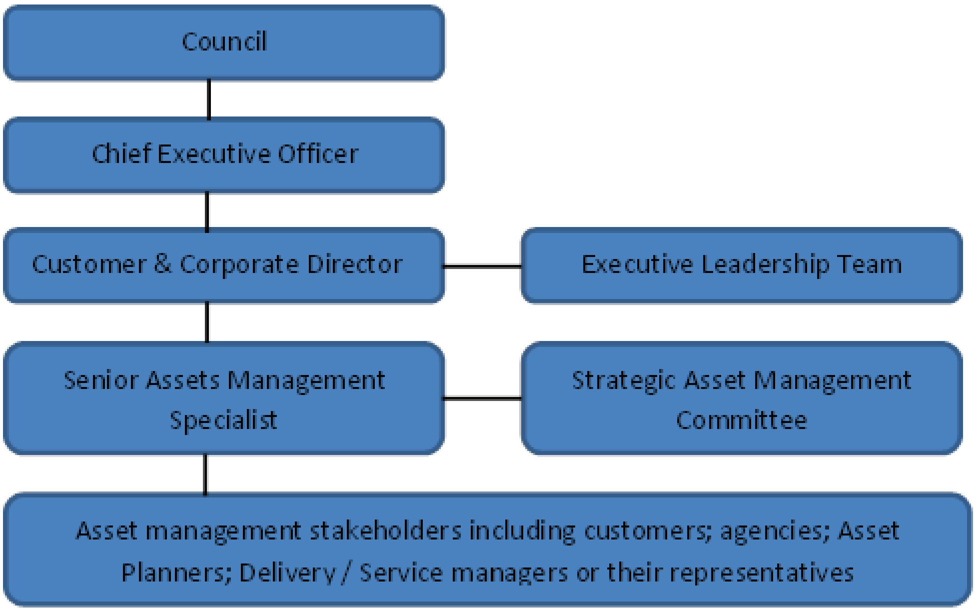
- Assets are provided to support Council functions, community services and outcomes
- Levels of service are set to balance the community's expectations with risk and the Council's ability to fund for the services
- Sound asset management capabilities, including skills and training needs, will be developed and implemented (as part of the AM Strategy and Improvement Program) to meet the "core" level of asset maturity as defined by the National Assessment Frameworks for Local Government Asset Management
- There is a whole-of- life perspective to the management of assets encompassing social, environmental and financial sustainability
- Available funding is prioritised in the following order: (Operation, Maintenance and Renewal of) Existing assets > Upgrade assets > New assets
- The infrastructure backlog is gradually reduced over time
- Council meets relevant legislations and asset performance measures as a minimum

6. Responsible Officers

The *Director Customer and Corporate* is accountable to the *Chief Executive Officer* for the administration of the policy in consultation with the *Strategic Asset Management Committee* and the *Executive Leadership Team*.

The *Senior Asset Management Specialist* is the officer responsible for receiving, evaluating and applying suggested changes to the policy.

The following diagram shows the expected flow of asset management information, requests and reporting among the key stakeholders at Council.



7. Monitoring and Review

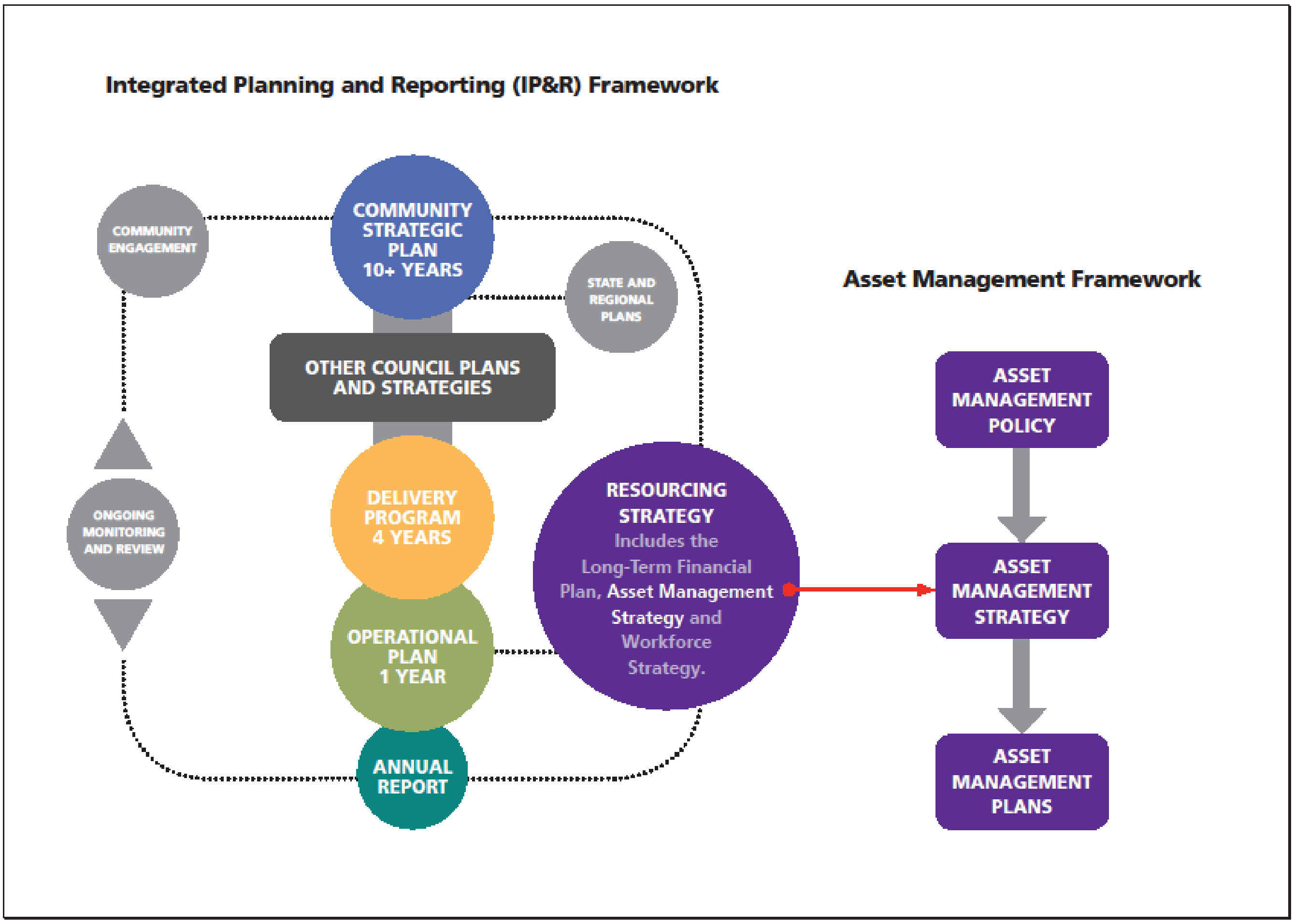
The *Strategic Asset Management Committee* monitors the application of this policy.

The responsible officer nominated above will review this policy at the next review date on the cover page of this policy or earlier if required.

8. Supporting information

Performance Measures	• Maturity assessment of AM practice areas • Risk assessment of AM • The following asset sustainability indicators: Buildings & infrastructure renewals (1 & 10 yr) ratio Infrastructure backlog ratio Asset maintenance ratio Ratio of cost to bring assets to agreed service level Asset consumption ratio
Governing laws and standards	• *Local Government Act 1993 & Local Government (General) Regulations 2005 (NSW)* • *Local Government Code of Accounting Practices & Financial Reporting* • *Integrated Planning and Reporting (IP&R) Manual, March 2013* • *International Infrastructure Management Manual (IMM) 2015 AM framework* • *International Standards Organisation (ISO) 55,000 suite of Asset Management standards, 2014* • *National Assessment Frameworks for Local Government Asset Management and Maturity Questionaire, Institute of Public Works Engineering Australia, 2012* • *National Asset Management and Planning Framework as agreed by all State and Territory Planning Ministers in May 2009*
Related policies and other documents	The following documents support the AM Policy • *Asset Custodianship Policy* • *Asset Management Strategy* • *Asset Management Plans* • *Asset Disposal Policy / Procedures* The following documents are appendices to the AM Policy: • Appendix 1 – Asset Management Framework • Appendix 2 – Asset Management Principles • Appendix 3 – Asset Management Responsibilities • Appendix 4 – Definitions
Document History	▪ N/A

Appendix 1: - Asset Management Framework and the IP&R Framework



Appendix 2: - Asset Management Principles

Accountability and Direction

- The management of assets aligns with the Community Strategic Plan, Delivery Program, and Operational Plan; and supports the Council's vision, policies, strategies and plans
- An enterprise first, multi-disciplinary and consistent approach is taken to asset management in accordance with Council's Asset Management Framework
- There is clear accountability for the management of Council owned or controlled assets
- Generally, asset management industry guidelines and standards are used and adapted if necessary
- Council will meet the legislative requirements for asset management planning and reporting
- A Strategic *Asset Management Committee* is established to implement the Asset Management framework and *Assets Improvement Program*

Asset Information Management

- Asset information is managed in accordance with Council's information management and asset management standards and policies
- Assets under the control of Council are identified and recorded in a register with the appropriate level of detail and accuracy

Lifecycle Management

- Assets are managed from a whole-of-life perspective (i.e. from planning and design to disposal) and are fit for purpose (balance of cost, level of service and risk exposure)
- Assets support the development of sustainable communities and are capable of adapting to changing (social, environmental and financial) conditions
- Investment decisions for significant new / upgraded infrastructure shall:
    i. Have an approved business case that considers both financial and non financial criteria
    ii. Incorporate the whole-of life costs, including specifying additional annual operations and maintenance costs as part of the approval process
    iii. Consider the impacts on Councils LTFP, identify potential funding sources, risks and impacts on other services where applicable

Service Level Management

- A planned approach is taken to the impacts of (natural, economic, social) change within Council's operating environment
- Council will adopt AM Plans informed by community needs and the local government financial reporting requirements
- Current and desired levels of service for asset based services are defined considering community expectations; legislative and technical requirements; the cost of service and economic, environmental and social sustainability
- Council is committed to funding infrastructure renewal requirements stated in the Asset Management Plans, to ensure the sustainability of the City's infrastructure

Appendix 3: - Asset Management Responsibilities

Council

- To adopt the proposed corporate AM Framework and Policy
- To set levels of service, risk and cost standards based on the community's needs and Council's ability to fund
- To provide appropriate resources to undertake effective asset management
- To commit to funding infrastructure renewal requirements stated in the AM Plans and ensure the sustainability of the Council's infrastructure base
- To ensure investment decisions for new/upgraded infrastructure consider whole-of-life costs, including additional annual operations and maintenance costs

Chief Executive Officer (via Executive Leadership Team)

- To endorse the corporate Asset Management Strategy
- To champion good asset management practices across the organisation
- To steer the implementation of the Asset Management Policy, Asset Management Strategy and the Asset Management Improvement Program, including monitoring outcomes and performance measures
- To review the implementation and outputs of Asset Management Plans

Asset / Service / Delivery Managers

- To develop, update and implement Asset Management Plans for the assets under their control, including determination of asset renewal requirements i.e. proposed timing and estimated costs of end of life renewal using the principles of good asset management practice
- Review the whole-of-life costs of proposed new/upgraded infrastructure, including additional annual operations and maintenance costs; sources of funding and potential impacts on Councils LTFP
- To implement the assigned components of the Asset Management Strategy with agreed resources and review the performance of those strategy elements
- To implement tactical plans (such as maintenance programs and capital works programs) in accordance with the Asset Management Policy, Asset Management Strategy, approved Asset Management Plans and other asset related plans
- To deliver asset based services to agreed levels of service, risk and cost standards

Customer and Corporate – Assets Team

- To develop and continuously review and update the corporate Asset Management Framework, Policy & Strategy for endorsement by the *Chief Executive Officer* (via *Executive Leadership Team*) and Council
- To ensure the Asset Management Policy & Strategy and Asset Management Plans are integrated into the Corporate Planning Framework
- To implement assigned components of the Asset Management Strategy with agreed resources and review the performance of those strategy elements
- To lead the *Asset Management Improvement Program*
- To guide and support the development of Asset Management Plans
- To provide asset management governance and administer the operations of the *Strategic Asset Management Committee*

Strategic Asset Management Committee

- To align and integrate AM planning into the strategic and corporate planning cycle to achieve the Integrated Planning and Reporting Framework requirements
- To develop and maintain a Council wide asset framework that delivers cost effective, sustainable, systematic and co-ordinated management of physical assets
- To ensure that AM activities are assigned across the organisation and that the skill levels and resources are appropriate to deliver the required results and outcomes
- To ensure that information regarding AM better practice, learnings, issues and opportunities flows across the organisation
- To review and endorse the following documents for consideration and approval by either the ELT and / or Council:
    i. AM Policy, Supporting Policies, Strategy and Improvement Program
    ii. All AM Plans
    iii. The SAMC progress reports
- To develop and maintain business rules and processes to support the integration of the asset system across all Council systems
- To review and respond to AM performance reporting, issues and opportunities
- To lead and champion the creation of a positive change of AM culture across Council
- To define clear lines of accountability for all asset/service/delivery managers using Councils assets
- To identify, support the resourcing of; and oversee projects assigned to the committee

Appendix 4 – Definitions

Asset	An item, thing or entity that has potential or actual value to an organisation (such as plant, machinery, buildings etc).
Asset Lifecycle	The time interval that commences with the identification of the need for an asset and terminates with the decommissioning of the asset or any liabilities thereafter.
Asset Management	The systematic and coordinated activities and practices of an organisation to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.
Council	Council of the City of Willoughby

Refer to the Glossary section of the International Infrastructure Management Manual for other asset management related definitions.

Attachment 2: Linkages with external and internal plans

The *Asset Management Strategy* is a key component integrated with other internal and external planning requirements to give effect to the region and district plans as explained in figure 2.5.

Figure 2: External and Internal Plans

Source	Plan	Description
External Plans	The Greater Sydney Region Plan (the Plan), A Metropolis of Three Cities:	Prepared by the Greater Sydney Commission and approved by the NSW state government. Sets a vision to 2056 and establishes a 20-year plan to manage growth and change for Greater Sydney in the context of social, economic and environmental matters • Sets the planning framework for the 5 districts in the region. Willoughby is in the North District along with 8 other Councils • Integrates land use, transport and infrastructure planning across three tiers of government and among state agencies • Outlines how the 10 Directions established *in Directions for a Greater Sydney* are the starting point for delivering integrated planning • Informs district and local plans and the assessment of planning proposals
	North District Plan	Is prepared and approved by the Greater Sydney Commission as one of 5 district plans that support the Plan (A Metropolis of 3 cities). • Focuses on collaboration and identifying the planning priorities and actions for each district, in the context of the specific economic, and social environmental matters of the districts • Informs the preparation and endorsement of local strategic planning statements and assessment of planning proposals
	Local Strategic Planning Statement (LSPS)	Is prepared by Willoughby City Council and approved by the NSW Planning and Environment department. LSPS involves us undertaking necessary studies and strategies to guide the review and update of the local environmental plan. Shows: • Effective alignment between regional plans and local plans • Local strategies (such as economic or housing) land use infrastructure plans, and planned precincts and growth areas • Our or proponent initiated planning proposals • Protocols that formalise cooperation between State and local government
Internal Plans	Willoughby Community Strategic Plan	A 10-year plan prepared and approved by Council as part of the integrated planning and reporting framework, based on extensive community engagement and local economic, social and environmental context. • Identifies the priorities and aspirations for the future of Willoughby • Coordinates inputs by state agencies, particularly where state

		agency programs cross Council and district boundaries – such as investment in major rail corridors or schools • Provides structure to review the region and district plans and supports the development of local strategic planning statements, local environmental plans, services, delivery programs and operational plans
	Long Term Financial Plan	Is required for a minimum of 10 years and included in our *Resourcing Strategy*, along with the *Workforce Plan*, to provide funding resources required to implement the *Community Strategic Plan*.
	AM Strategy/Plans	Is required for a minimum of 10 years and included in the Council's *Resourcing Strategy*, along with the *Workforce Plan*, to provide asset and asset management resources required to implement the *Community Strategic Plan.* There are nine Asset Management Plans, these are currently being updated based on data from the new centralised asset system.
	AM Improvement Plan	Is a key output of the *Asset Management Strategy* that addresses where we want to be both in terms of improving our asset management practices, and aligning our asset profile and performance with our *Community Strategic Plan*.
	Delivery Program	A 4 year program detailing the principal activities we must undertake to implement strategies established by the *Community Strategic Plan*. The *Asset Management Strategy* and *Plans* provide inputs to the delivery program.
	Operational Plan	The Operational Plan is an annual sub program of the delivery program detailing the activities that we will do during the year.

Several other plans, policies and strategies, not detailed in this Strategy, also help to shape and support infrastructure asset requirements. These include, but are not limited to: the *Future Transport Strategy 2056; Greater Sydney Services and Infrastructure Plan; Open Space & Recreation Plan; NSROC's Regional Sportsground Strategy Review Report; Local Infrastructure Contributions Policy*; Local Planning and Urban Design Strategies; and service reviews.


LUCKY
MART
Lucky Mart

WORKFORCE PLAN
2022–2032

Contents

Executive Summary

Our Workforce Plan considers the people, capabilities, experience and expertise required to implement Council's four-year Delivery Program. It provides an opportunity to plan the workforce to meet changing community expectations, our operating environment and the available broader workforce.

The Workforce Plan includes an analysis of our current demand for and supply of workers and highlights opportunities and risks which could impact on our ability to achieve the requirements of Council's Delivery Program. The plan then includes strategies to take advantage of identified opportunities while minimising the risks.

The major **opportunities** identified include:

- Career development to assist retention and engagement and to address gaps from retiring experienced employees
- Development of existing staff in new ways of working or new areas of work
- Opportunities to assess the skills and capabilities required for vacant positions
- New pathways for career development including increasing entry level roles and non-traditional career paths to assist attraction and diversity
- Flexibility for staff, whilst continuing to deliver a high level of customer and stakeholder management and service.

The major **risks** include:

- Employee expectations on flexibility, travel for work and expectations of their employer
- Competition for staff due to economic conditions, restricted immigration, the impact of COVID-19 which may cause insufficient employees in terms of numbers and skills, or significant retention costs
- Reduced efficiency and productivity due to the loss of operational and local knowledge from retirements or increased turnover following a rethink of lifestyles due to CIVID-19 impacts
- Skills gaps between available and the required talent to meet changing ways of working may which may impact upon efficiency and productivity and increase training and development costs

The **analysis** of our current and future demand for labour and the likely internal and external supply, was based on multiple sources of data including:

- Statistical analysis of our current workforce
- External benchmarking survey's including FY21 Local Government Performance Excellence Program (December 2021)
- Business Planning process including identifying threats or opportunities in individual Business Unit's STEEPLE analysis and a review of planned activities
- Employee Engagement Survey 2021

The **strategies** developed to mitigate these risks and take advantage of the opportunities are:

- Continue to embed a High Performance Culture of Inspired People: Inspired Performance.
- Build, attract and retain a capable and high skilled workforce
- Develop and drive high quality leadership and enable leaders to deliver
- Ensure a diverse, healthy and engaged workforce

What is workforce planning and why do we do it?

Workforce planning provides Council with a strategic basis for making people and resourcing decisions. It allows Council to anticipate change rather than being surprised by events, as well as providing strategic methods for addressing present and anticipated workforce issues

Workforce Planning follows a series of steps as represented in Figure 1 and involves gathering data from various sources to analyse current and future needs and any gaps.

It enables Council to:

Identify current and predicted workforce issues to enable us to set out how we are going to:

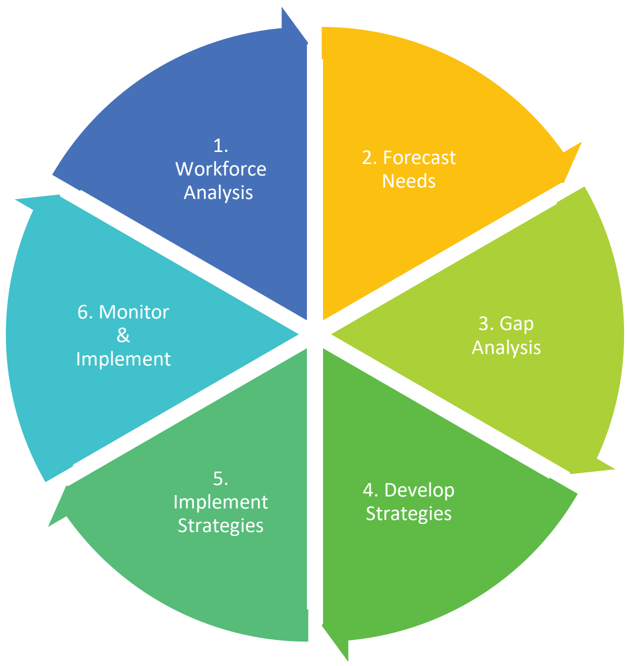
- Address predicted workforce issues and potential risk in order to achieve the Council's Delivery Program
- Assist with shaping our workforce to ensure it is capable of delivering current and future organisational objectives and requirements in alignment with our Community Strategic Plan

Benefits of Workforce Planning include?

- It provides a better understanding of our workforce profile which improves current and future capability and performance
- It assists with attraction, retention and engagement of staff
- It creates the "right mix" – right skills, right time and right place – which in turn will create better efficiency, effectiveness and productivity
- It enables us to better respond to planned and unplanned change
- It enables us to consolidate career paths and set clear strategies for developing our people

Workforce Planning follows a series of steps as represented in the diagram below and involves gathering data from various sources to analyse current and future needs and any gaps.

Figure 1 - Workforce Planning Steps

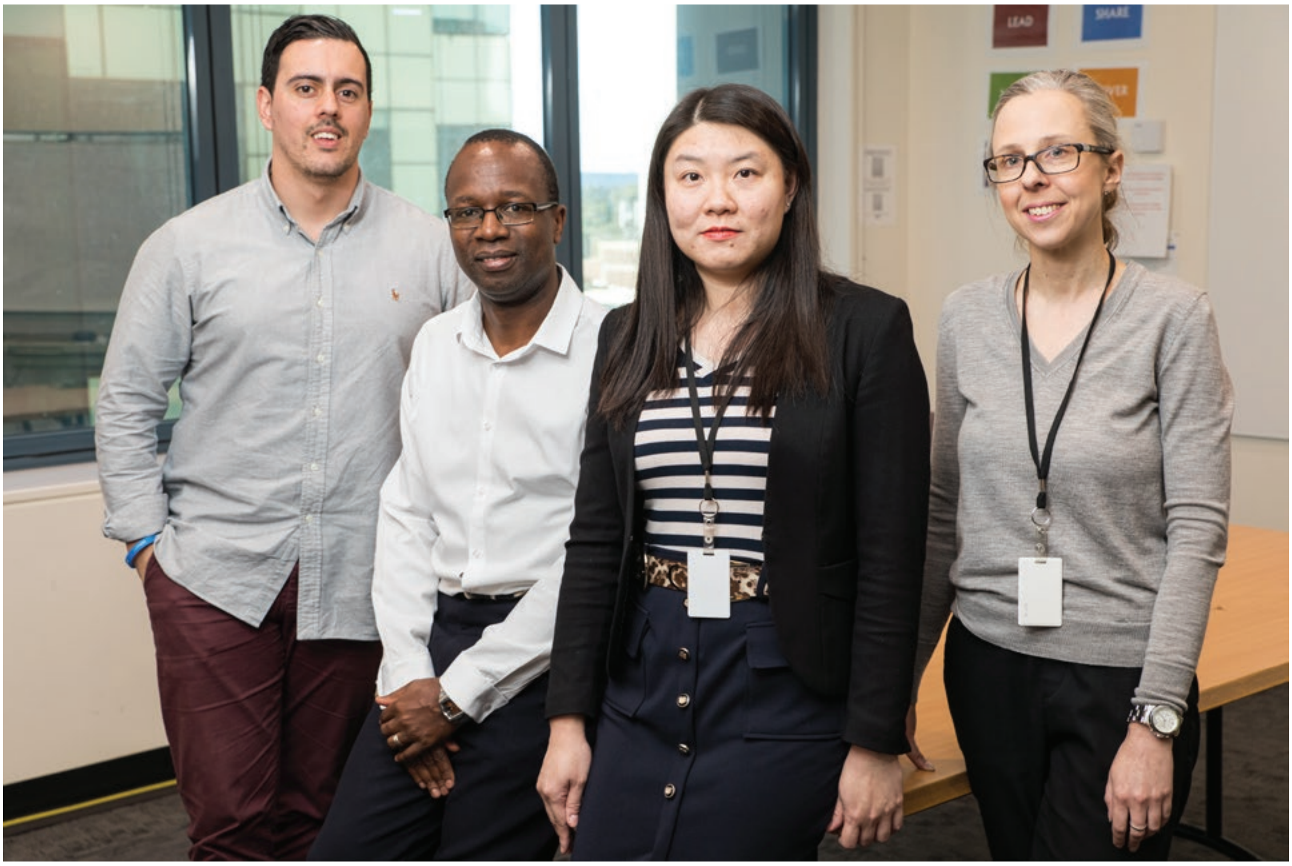


Key Achievements of 2018-2021 Workforce Plan

Over the term of the previous Workforce Plan, Council developed and put in place a number of actions and programs. Key achievements include:

- Development and embedding of our Corporate Direction of Inspired People: Inspired Performance.
- Development of new Aspirations - Lead, Learn Care, Share and Deliver
- Development and implementation of a new remuneration structure for Award based employees, which is regularly benchmarked and tied to performance rather than tenure
- Development and implementation of our Learning and Development Framework, including identification of key role capabilities, career pathways and programs to support development.
- Development of Employee Value Proposition and Employer Brand to assist attraction and retention of staff
- Implementation and action planning from regular Employee Surveys
- Implementation of regular leadership forums and development activities focused around our Corporate Direction, high quality conversations and the concept of High Performing Teams

The strategies set out in this plan will build upon many of these programs and achievements.



About Us

Our organisation

Willoughby Council staff span across three Directorates

- Planning and Infrastructure (PLACE)
- Community, Culture and Leisure (COMMUNITY)
- Customer & Corporate (CUSTOMER)

A small number of strategic functions, such as Economic Development, sit within the Office of the CEO.

Our largest Directorate is Planning and Infrastructure with 45.7% of staff. Within this Directorate 24% of staff also work outdoors and over 70% of staff are male. This Directorate covers areas such as works, environment, compliance (Safe City), design, project management, property and planning.

The Community Culture and Leisure Directorate has 33% of staff and also has the highest percentage of part-time and casual staff. This due to nature of work within this Directorate covering areas such as community services, childcare and fitness.

The Customer and Corporate Directorate has 20.3% of staff covering corporate support and service areas such as customer experience, governance, people & culture, finance and information technology.

Figure 2 - Willoughby City Council Organisational Chart

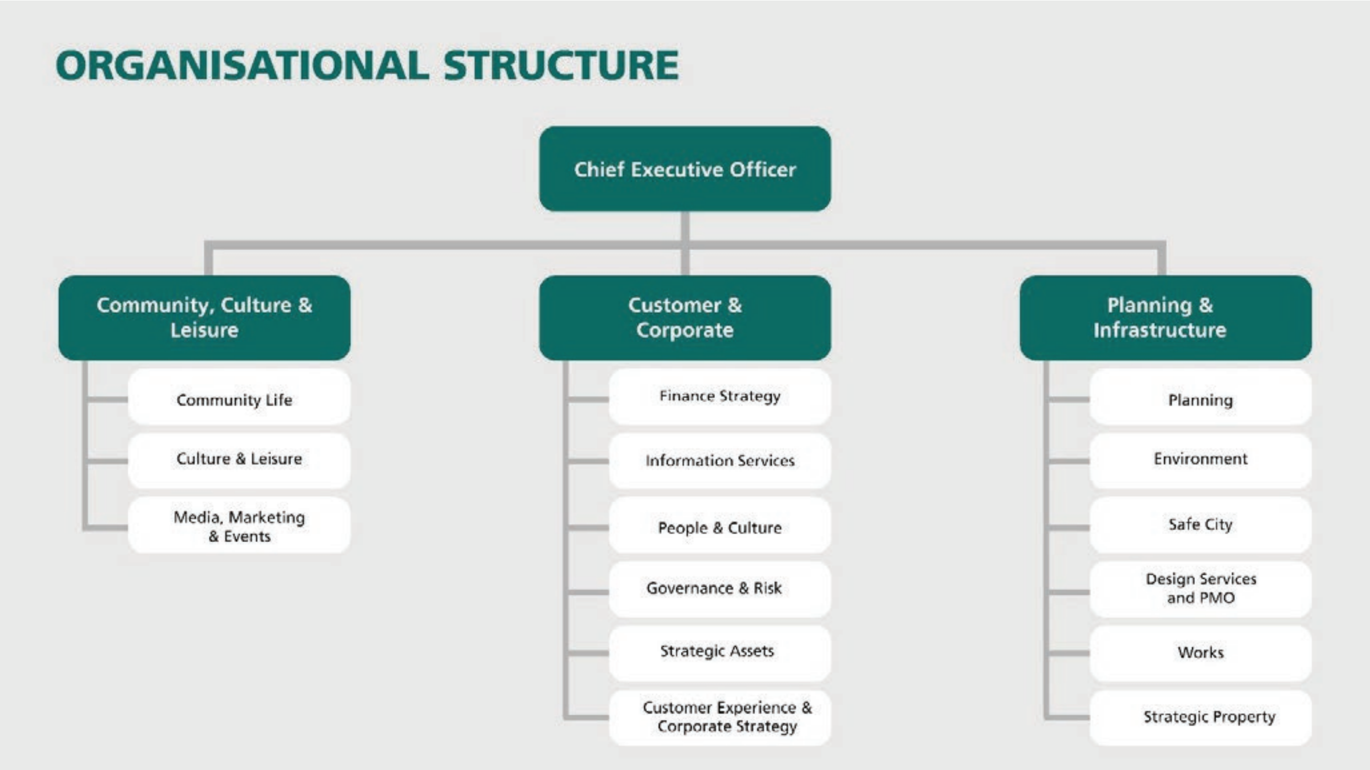
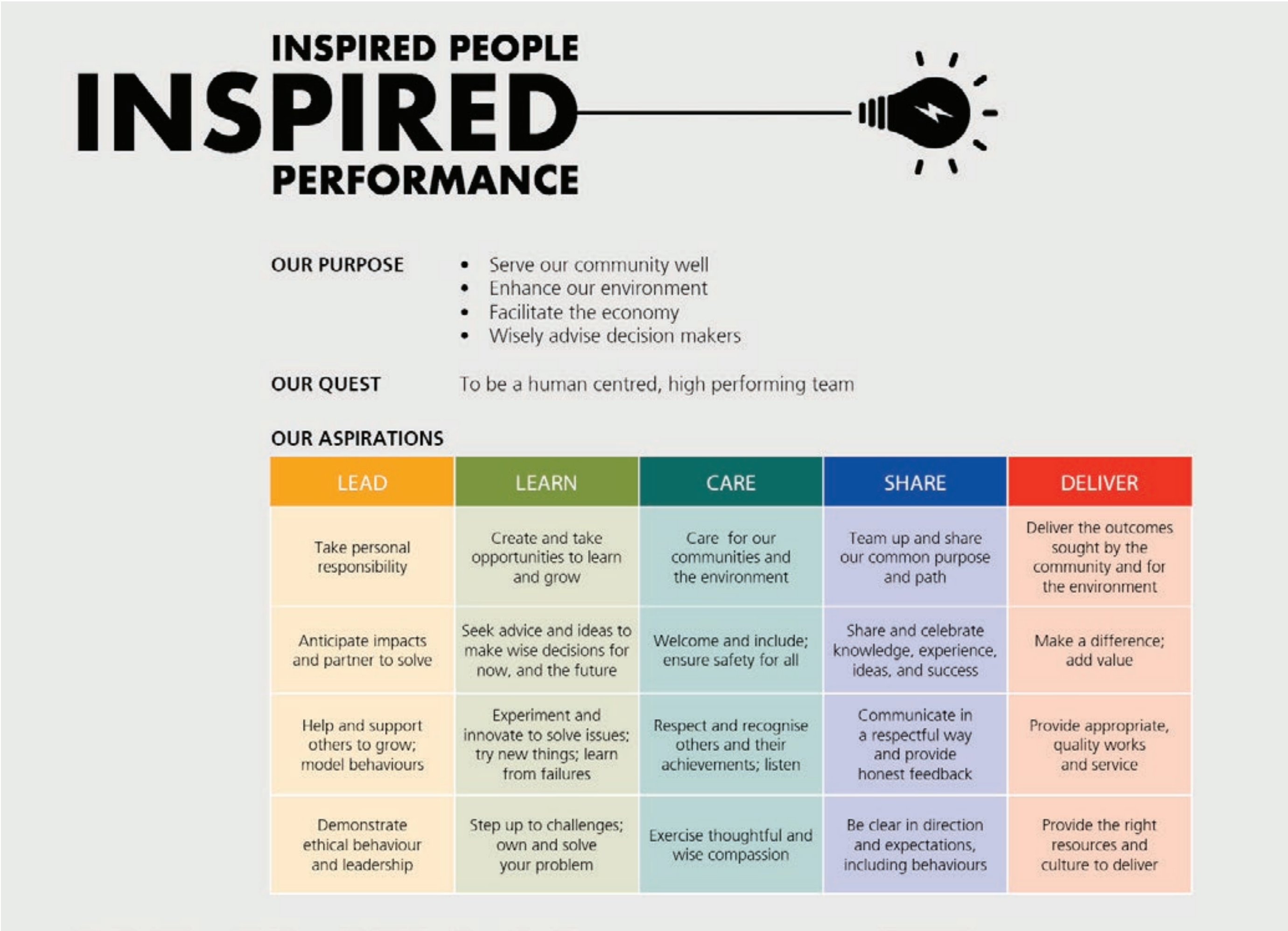


Figure 3 - Willoughby City Council – Corporate Directions



OUR PURPOSE

- Serve our community well
- Enhance our environment
- Facilitate the economy
- Wisely advise decision makers

OUR QUEST To be a human centred, high performing team

OUR ASPIRATIONS

LEAD	LEARN	CARE	SHARE	DELIVER
Take personal responsibility	Create and take opportunities to learn and grow	Care for our communities and the environment	Team up and share our common purpose and path	Deliver the outcomes sought by the community and for the environment
Anticipate impacts and partner to solve	Seek advice and ideas to make wise decisions for now, and the future	Welcome and include; ensure safety for all	Share and celebrate knowledge, experience, ideas, and success	Make a difference; add value
Help and support others to grow; model behaviours	Experiment and innovate to solve issues; try new things; learn from failures	Respect and recognise others and their achievements; listen	Communicate in a respectful way and provide honest feedback	Provide appropriate, quality works and service
Demonstrate ethical behaviour and leadership	Step up to challenges; own and solve your problem	Exercise thoughtful and wise compassion	Be clear in direction and expectations, including behaviours	Provide the right resources and culture to deliver

Our Workforce

At a glance

- 413 Budgeted Full Time Equivalent (FTE) (Excluding Casual)
- 49.6% of employees are females.
- 49 years - Average Age
- 10 years - Average Tenure
- 13.8 % Annual Turnover (As at 30 June 2021)
- 15.5% staff live in Willoughby LGA

Data is based on internal data as at March 2022. Comparison data is drawn from FY21 Local Government Performance Excellence Program report (December 2021).

Employment Type

The most common form of employment within Council is permanent full-time (78%). This is followed by permanent part-time employment (15%), which reflects access to flexible workplace arrangements, including staff returning from parental leave or transitioning to retirement.

Temporary employment (6%), whether full-time or part time meets those identified needs for set projects or to match in with funding or grant arrangements, such as those within many of our community service areas.

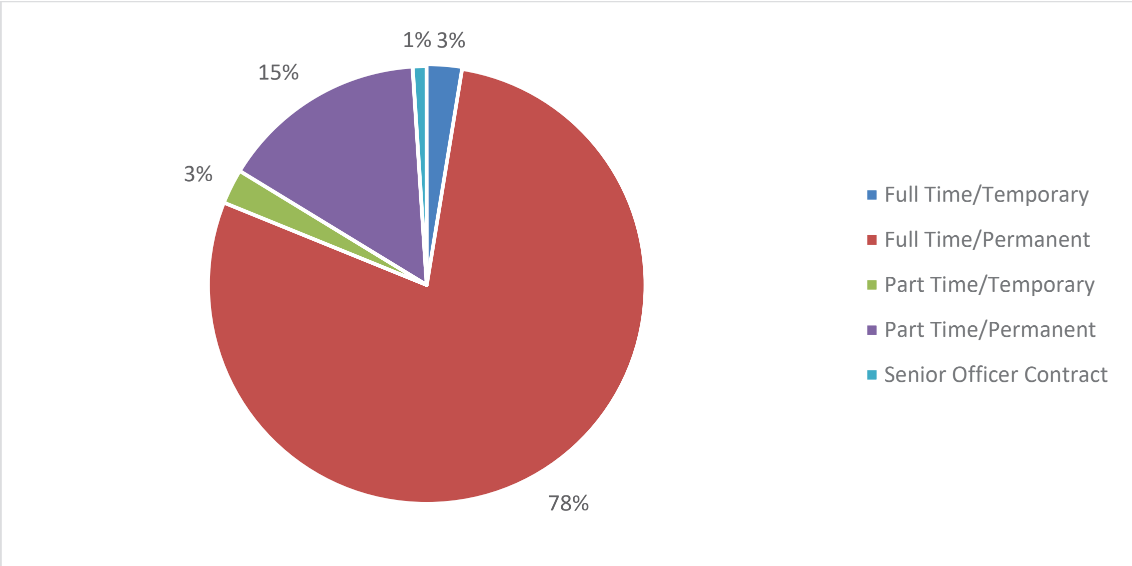
The contract roles (1%) referred to in Figure 4 relates to those in the executive leadership team employed on senior officer contracts. Others who are employed on short term contracts are included in the temporary figures.

We support university internships for students in planning and engineering, (generally on a casual basis) and have an internal-designed traineeship within the Safe City (Compliance) Unit. There are also a number of graduate level roles offered within engineering and planning teams as well as recent employment of graduate or those studying in People and Culture and Finance.

We employ around the 35 FTE of casual workers each year in the Community, Culture and Leisure Directorate working within the Willoughby Leisure Centre, Library and childcare services. These casual workers supplement permanent staff and enable us to respond to customer demand, seasonal demands, cover weekend shifts and meet staffing gaps due to illness or leave.

We also supplement staffing requirements, as and when required, with agency or contracted resources to cover short term staffing gaps, hard to recruit skills or unexpected resourcing needs.

Figure 4 - Employment Type



Source: Willoughby Council internal data March 2022

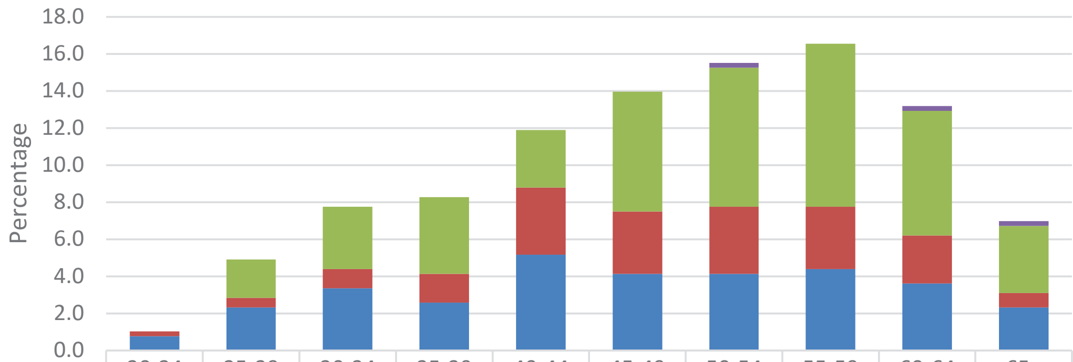
Age

The average age at Willoughby Council is 49 years. The largest number of staff fall within the 55-59 age group (16.54%) followed by the 50-54 age group (15.50%). 21.96% of staff are under 40 years of age with less than 5.94% under 30 years of age. This age profile is not uncommon within councils and is in line with similar sized councils in NSW. It does however highlight a significant risk around retirements in the next 5 years. In the Local Government Excellence Program Report FY21 it was estimated up to 39% of team leaders, 18% of supervisors and 17% of general staff may potentially retire in the next 5 years. We were found to be on par to industry for this risk except the Team leader level which was higher.

The Planning & Infrastructure Directorate has the most significant older age profile with more than half over 50 years and a significant number of staff aged over 60. Many of these workers are located within our more physically demanding areas of operations/works which also increases risk of workplace injuries as well as loss of local knowledge of sites and areas across Willoughby.

We have a low number of staff under 30 (or within Generation Z) at 4% of workforce which is similar across many local government areas (average 7% LG Excellence Program FY21). Our recent changes to our employee branding and our increased focus on development programs are key to continue to attract and retain workers in this age range.

Figure 5 - Age across Council by Directorate



	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
CEO	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.3
PI	0.0	2.1	3.4	4.1	3.1	6.5	7.5	8.8	6.7	3.6
CC	0.3	0.5	1.0	1.6	3.6	3.4	3.6	3.4	2.6	0.8
CCL	0.8	2.3	3.4	2.6	5.2	4.1	4.1	4.4	3.6	2.3

Source: Willoughby Council internal data March 2022

Gender

Willoughby's overall gender split is relatively even with 50.4% of workforce male and 49.6% female. Our percentage of female workers is slightly better than the comparable industry average of 45% (LG Performance Excellence Program FY21),

Across the Directorates there is a difference reflective of traditional gender dominated careers paths and preferences. For example, Planning and Infrastructure which has a higher number of outdoor, engineering and trades based roles has more male employees (76.8%) than females (23.2%). The Reflective of children's services, community services and libraries, the Community, Culture and Leisure Directorate has more females (79.5%) than males (20.5%) and has a higher percentage of part-time and casual roles which tend to traditionally be dominated by females.

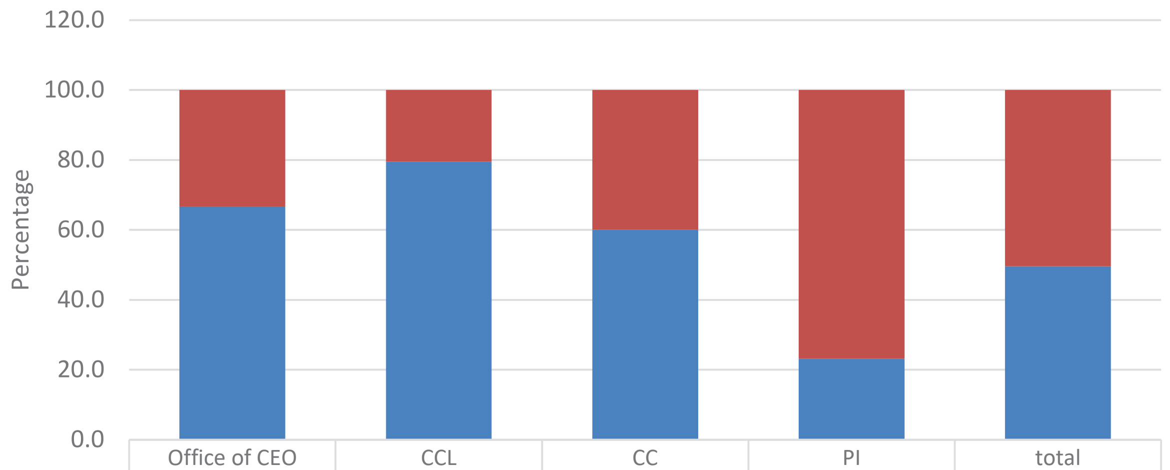
In relation to gender and leadership, the overall split is again even at 49.9% female and 50.1%, again better on average than industry at 45% female, however when we look at each level all but the Executive level are still male dominated.

- Executive 75% female, 25% male
- Business Unit Manager Level 35.7% female, 64.3% male
- Team Leader Level 39% female, 61% male

The gender split within leadership roles again trends along traditional lines and traditional career paths based on technical skills rather than leadership skills with the majority of female leaders (non-executive) located within the Community, Culture and Leisure Directorate and parts of Customer and Corporate.

In the Local Government Excellence Program Report FY21 it was noted that there had been a shift at Willoughby with women being promoted as faster rate than past years at the supervisor level (6.7%) and above an industry average of 2.6%.

Figure 6 - Gender by Directorate



	Office of CEO	CCL	CC	PI	total
Male	33.3	20.5	40	76.8	50.4
Female	66.7	79.5	60	23.2	49.6

Source: Willoughby Council internal data March 2022

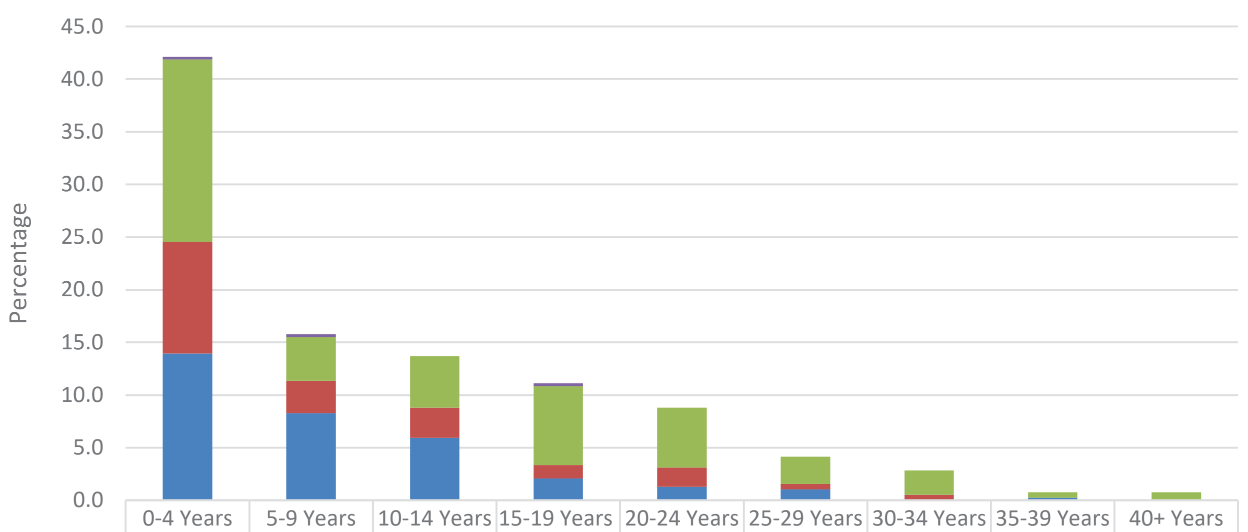
Length of Service

The average length of service/tenure of staff is now 10 years, falling over last 5 years mainly due to retirements. Over 57.9% of staff have been at Willoughby for less than 10 years with 42.1% having less than 5 years of service. This increase in newer staff provides opportunities for new ideas and capabilities but also provides a risk due to newer staff having less connection to Council and therefore being more mobile and/or having higher development needs. It should be noted the overall median length of service is lower at 6 years' service overall (median 4 years in Customer and Corporate, 6 years in Community, Culture and Leisure and 11 years in Planning and infrastructure).

While we have a significant number of new staff, the age profile has remained skewed to an older workforce with much of this due to the need in recent years to replace experienced or more senior staff who have retired. Over 17% of staff have 20 or more years of service and likely hold significant corporate and local area knowledge and expertise that needs to be captured and transferred to others.

Our turnover last year (2020/21) was 13.80%, which is on par with overall Local Government average. Turnover for those staff with less than 12 months' tenure was 9% which was significantly lower than industry average at 18%. However, in the first 9 months of 2021/22 we have seen a significant increase in turnover, linked to changes in the employment market following COVID-19 lockdowns and a move by employees seeking greater flexibility including working closer to home.

Figure 7 – Length of service by Directorate



	0-4 Years	5-9 Years	10-14 Years	15-19 Years	20-24 Years	25-29 Years	30-34 Years	35-39 Years	40+ Years
CEO	0.3	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0
PI	17.3	4.1	4.9	7.5	5.7	2.6	2.3	0.5	0.8
CC	10.6	3.1	2.8	1.3	1.8	0.5	0.5	0.0	0.0
CCL	14.0	8.3	5.9	2.1	1.3	1.0	0.0	0.3	0.0

Source: Willoughby Council internal data March 2022

Location - Where do our employees live?

According to our internal data (as at March 2022) 15.5% of staff live within the Willoughby (Local Government area (LGA). The next highest cohort lives in surrounding or geographically close area such the Northern Beaches LGA (11.5%), Hornsby LGA (8.1%), Ku-ring-gai LGA (8.1%) and Ryde at (6.4%). The next significant cohort is from the Central Coast LGA (5.6%), Inner West LGA (5%) and Parramatta LGA (4%). The remainder of staff are from across all LGA's of the Greater Sydney Region including as far away as Lake Macquarie, Liverpool, Camden, Blue Mountains, Wollongong and Shellharbour.

The number of staff being recruited from further away has increased, likely due to the high cost of housing affordability in the Willoughby LGA (and neighbouring LGA's) and improved transport options into Chatswood. The continuing improvements to rail infrastructure provides an opportunity to attract candidates from beyond the LGA and neighbouring areas. In particular, increasingly in recent years' staff in key but lower remunerated roles in works, childcare, community services and admin or support services are being drawn from these further away LGA's. This is in line with Government modelling showing these LGA's as having the bulk of Sydney's future labour market.

Changing expectations following the long periods of COVID lockdowns is likely to increase a desire to work closer to home and decrease travelling time and cost. This places a risk for Council drawing staff from areas that are some distance away and whom do not wish to travel large distances.

External Review

The Australian Bureau of Statistic' Labour Force report (February 2022) noted that Australia's unemployment rate is currently at 4% (4.2% in NSW) with a participation rate of 64% (64.8% in NSW) and underemployment rate at a very low rate of 6.6%.

Workers are also indicating an increased desire to move employers or roles. Immediately prior to the pandemic in 2020, around 9.4% of employed people indicated they did not expect to be with their current employer or business in 12 months. This fell to 8.1% in 2021 but this has now jumped back up to 10.2%. Retirement intentions also increased during the pandemic with 1.3% of the workforce now expecting to retire in next 12 months.

Industries that are considered less secure for employees due to utilising casual or contracting arrangement, including fitness industry and childcare, have seen potential employment pools shrink significantly. Those who had been employed in insecure work arrangements (casual or part-time) were over-represented in employment losses and job mobility, and are now seeking to move into more secure industries.

The current labour market (along with the still to recover overseas labour market) is very tight and highly competitive and is likely to remain that way for some time as the impact and then recovery from the pandemic lockdowns and other restrictions takes place. The return of overseas workers is also yet to fully restart impacting both skilled e.g. engineers, project managers and non-skilled e.g. community care, support workers. While it is not clear how long this will last, it is estimated to have an impact for at least 1-2 years.

Workers are therefore more likely to be able to access a range of options that suit their expectations (financial or non-financial). Their perception of current or potential employer's value proposition, brand and offerings around flexibility and benefits, will be extremely important. For Willoughby Council as we increasingly draw most of our workforce from across all areas of Sydney (and therefore are competing with multiple councils, government departments and other non-government employers) the need to be seen as an employer of choice will be very important

It is also estimated that wage pressure will increase after years of real wages not moving significantly. Whilst there have been annual increases under the NSW Local Government Award, this has been at less than 2.5% per annum over the last 3 years. With the Award up for re-negotiation in late 2022, there is potential that there will be a push to increase the annual increase above 2.5% to meet rising inflationary pressures and employee expectations. Wage pressure is also already being felt through competition for workers in all areas but especially in project management, planning, trades and specialist corporate service areas. This raises the potential for increasing employee or contractor costs on Councils. Higher wages will also flow through into our Long Term Financial Plan.

This competition for labour, and the risk we may not be able to resource roles to the extent we need to deliver Council's Delivery Program without significant changes or costs, needs to be factored into all plans. This may be through implementing strategies to better understand what are our high risks areas, roles or skills and implementing ways to secure, resource or deliver these areas differently both now and into the future. Continuing the focus on developing and broadening the skills and capabilities of our current employees, and implementing ways to "grow our own" through an increased focus on entry level roles, are also strategies to help with delivery.

Our Strategic Priorities and Actions

Strategic Priority 1: Continue to embed a high performance culture of Inspired People: Inspired Performance

A desire to learn and continuously improve in everything we do is at the heart of the cultural change program at Willoughby Council. To achieve its Delivery Program and maintain a high performance culture, it is important that employees understand and live our aspirations that support this. A lot of work was completed over the previous four years to develop and embed our Corporate Direction. Our focus has been twofold. To bring the Inspired People component to life, we have worked to ensure that our staff have the skills and training to respectfully initiate and hold the significant conversations that result in accountability for performance as well as surfacing improvement ideas and innovation. We have worked to develop high performing teams on the premise teams deliver more than a high performing individual, not just in productivity but in terms of mutual support and discretionary effort.

Action	2022/23	2023/24	2024/25	2025/26
Undertake an annual review of the workforce plan against delivery and organisational needs and statistical information	✓	✓	✓	✓
Review our Corporate Direction to ensure ongoing resonance and continue education and embedding	✓	✓	✓	✓

Strategic Priority 2: Build, attract and retain a capable and highly skilled workforce

Having the right blend of skills and team members in order to meet our Delivery Program, as effectively and efficiently as possible, is at the core of this Workforce Plan. This is both to meet current and future goals as well as to be agile enough to assist when the unexpected happens, as demonstrated by the recent pandemic. It is also key to be able to attract and retain staff, with development and career progression at the heart of this strategic priority.

Action	2022/23	2023/24	2024/25	2025/26
Build upon our Learning and Development framework, developing key programs to support career progression and development	✓	✓	✓	✓
Review workforce needs and arrangements to ensure our workforce can be agile and changed as needed to respond to unexpected events	✓	✓	✓	✓
Identify current and future critical and high risk roles and develop succession/resourcing strategies or plans	✓			
Develop and implement processes to capture knowledge from our ageing and/or experienced workforce		✓		
Identify new and additional programs, initiatives and partnerships to attract and develop employees at entry level roles e.g.	✓			

apprenticeship/traineeship/interns/graduates				
Continue to expand our recruitment and resourcing strategy to focus on attracting the talent we need at the right time.	✓	✓	✓	✓
Further develop and embed our EVP and employer brand to ensure we are attracting and retaining the talent and skills we need	✓			

Strategic Priority 3 – Develop and drive high quality leadership and enable leaders to deliver
High quality leadership is a significant factor in attracting and retaining staff. Leaders also play a role in driving a high performance culture and ensuring delivery of overall objectives. Leaders therefore need to be skilled and capable as well as able to understand their teams.

Action	2022/23	2023/24	2024/25	2025/26
Provide ongoing development to our current leaders including improving skills around managing performance and developing staff	✓	✓	✓	✓
Develop a leadership program to encourage participation in leadership of underrepresented groups or non-traditional areas	✓	✓		
Improve processes and access to information to enable leaders to take accountability and make informed decisions as to their workforce	✓			
Develop a future leaders program to ensure future capability	✓	✓		

Strategic Priority 4 - Ensure a diverse, health and engaged workforce
Employees who are engaged, feel valued and feel connected to their workplace are more likely to perform at a higher level and contribute to driving a high performance culture. They are also more likely to stay with an employer, assisting retention. Employers who offer a range of benefits, flexibility and a workplace that reflects the individual is more likely to have success attracting new employees. Additionally, with our high numbers of older workers a healthy workplace is also important to ensure ongoing capability.

Action	2022/23	2023/24	2024/25	2025/26
Develop and implement programs and initiatives to support and promote workforce diversity including gender, cultural background, disability	✓	✓	✓	✓
Expand our current wellbeing framework to meet needs of all employees, especially	✓			

around mental health and healthy aging				
Continually review and develop ways to offer workplace flexibility that benefit both employees and Council	✓	✓	✓	✓
Review and implement new technology to enable better access to information by employees and meet changing role needs including to assist workplace flexibility	✓	✓	✓	✓

WILLOUGHBY
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The Willoughby City Council *Resourcing Strategy* has been prepared in accordance with Integrated Planning and Reporting Framework requirements.

We acknowledge and thank all interested stakeholders for their contributions towards this plan.