

RESOURCING STRATEGY 2019



WILLOUGHBY
CITY COUNCIL

City of Diversity

Acknowledgment of Country

We 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.



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Executive Summary

INTRODUCTION

This Executive Summary outlines the integrated suite of plans and strategies prepared by Willoughby City Council that form our Resourcing Strategy.

Our Resourcing Strategy informs the community about how we are resourced to provide services and deliver projects which 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 of our plans and strategies play in working towards the outcomes we set out to achieve for our community as outlined in Our Future Willoughby 2028.

PLANNING AND REPORTING FRAMEWORK

The Resourcing Strategy is a vital part of our planning and reporting framework, as are all the other plans that form our planning suite.

These include:

- a 10 year Community Strategic Plan
- a 10 year Resourcing Strategy
- a four year Delivery Program
- an annual Operational Plan
- subsidiary 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

ONGOING MONITORING AND REVIEW

DELIVERY PROGRAM 4 YEARS
Sets out the activities that Council will deliver to the community during the Council term.

This Document

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

Our Community Strategic Plan – Our Future Willoughby 2028 was developed in consultation with the community in 2018. Our Future Willoughby 2028 sits at the top of our planning and reporting framework. It is a strategic document that describes the Willoughby City's community's priorities and aspirations. It guides and informs the work that we do for 10 years.

We developed the following five outcomes when we consulted about Our Future Willoughby 2028. A City that is green, A City that is connected and inclusive, A City that is liveable, A City that is prosperous and vibrant and A City that is effective and accountable.



We align all our plans and strategies and the work that we do with these outcomes. We measure our performance against each outcome through a regular community perception survey and through performance indicators. More information on our Community Perception Survey can be found in the section on the community perception survey which follows.

THE RESOURCING STRATEGY

Our Resourcing Strategy supports the Community Strategic Plan. Where the Community Strategic Plan provides a vehicle for expressing long term community outcomes, the Resourcing Strategy details how we can help achieve these 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

Our Long Term Financial Plan is the strategic framework for financial planning.

The Long Term Financial Plan expresses the outcomes of the Community Strategic Plan in financial terms and it also sets down our funding principles for financial management for the years ahead. It also 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.

Unlike the Delivery Program and Operational Plan, that specifically indicate what projects and services funds should be allocated to. Unlike the Delivery Program and Operational Plan that specifically indicate what projects or services funds should be allocated to, the Long Term Financial Plan encourages us to live within our means and focusses on whether or not our programs and services are financially sustainable.

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

The Long Term Financial Plan is created using a set of integrated data that draws on information contained within the Community Strategic Plan, the Delivery Program, budget and costed short, medium and long term plans.

The Long Term Financial Plan is integrated and aligns with the Workforce Plan and the Asset Management Strategy.



THE ASSET MANAGEMENT STRATEGY AND PLANS

We are responsible for infrastructure assets under our control within the local government area including roads, bridges, footpaths, kerb and gutter, buildings, libraries, stormwater and drainage, playgrounds, parks, sports facilities and bushland assets.

We have an Asset Management Strategy which identifies assets critical to Council's operations and includes projected resources and timeframes to improve our asset management capabilities.

The Asset Management Strategy outlines the business environment in which we operate and the current and future state of our assets and asset management practices.

Supporting the Asset Management Strategy are individual asset plans for the key asset categories listed above. These plans focus specifically on the extent of the assets including quantity, type, life, age, value and condition; the technical and community levels of services the assets provide; how we plan, acquire, operate, maintain, upgrade, and dispose these assets; and asset management improvements.

We are also responsible for managing related risks and costs over their entire life cycle and documenting the required levels of service, in consultation with the community, to deliver to the agreed standards.

The Asset Management Strategy is integrated and aligns with the Long Term Financial Plan and the Workforce Plan.



THE WORKFORCE PLAN

The final component of the Resourcing Strategy, 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 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 and a program of actions to develop an appropriate workforce structure to meet those objectives.

OTHER PLANS

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

- Local Environmental Plan and Development Control Plan
- Our Green City Plan
- Willoughby Open Space and Recreation Plan
- Street Parking Strategy
- Road Safety Action Plan
- Willoughby Bike Plan
- Chatswood CBD Planning and Urban Design Strategy



COMMUNITY PERCEPTION SURVEY

We undertake regular community perception surveys to gather perceptions and suggestions about the services that we provide. We use this information to inform and improve future delivery of our services, programs and facilities.

The survey plays 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

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1. Introduction and objectives

The Long Term Financial Plan 2019-20 to 2028-29 (LTFP) reflects our financial capacity to deliver the strategies, initiatives and works identified in the Community Strategic Plan, the four year Delivery Program and the annual Operational Plan and Budget.

The plan enables the community's vision for the future to be tested against financial realities. It ensures that we have a financially sustainable long term plan and that we can manage financial risks and optimise opportunities.

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.

2. Strategic Financial Objectives drive the construction of the LTFP

Our Strategic Financial Objectives and Key Performance Indicators (KPIs) are driven by the overriding principle of financial sustainability. These objectives and KPIs ensure alignment with Asset Management and Workforce strategies and drive the construction of the LTFP. Corrective actions and decisions are required where the LTFP forecast fail to meet these KPIs.

Figure 1 – Strategic Financial Objectives

Sustainability Principle	Objectives	Key Performance Indicators
Positive Operating Performance	<ul style="list-style-type: none"> • Modest surplus each year • Balanced Budget • Fully funded operating position including debt and depreciation 	<ul style="list-style-type: none"> • Operating Performance Ratio >0% • Own Source Operating Revenue Ratio >60%
Strong Cash-flow	<ul style="list-style-type: none"> • Cash surplus each year • Restricted Cash and liabilities fully funded • Adequate working capital 	<ul style="list-style-type: none"> • Unrestricted Current ratio > 1.5 • Rates and charges outstanding <5% • Cash Expense cover ratio >3 months
Asset Focus	<ul style="list-style-type: none"> • Alignment to Asset Management Strategy • Fully funded capital works program • Reduce and eliminate the asset backlog • Optimise returns from assets 	<ul style="list-style-type: none"> • Asset Renewal Ratio > 1 • Asset Maintenance Ratio >1 • Infrastructure Backlog Ratio < 2% • Declining backlog • Improved return on investment
Manage Debt Levels	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Debt Service Cover Ratio > 2% • Debt Service Ratio <20%
Maintain and enhance service levels	<ul style="list-style-type: none"> • Delivery aligned to CSP and Delivery Program. • Prioritised spend to optimise outcomes • Measurable productivity improvements 	<ul style="list-style-type: none"> • Operating expenditure per capita trends down (unless conscious service level improvements) • Service levels maintained or improved. • Individual business cases with positive outcomes

3. Financial Sustainability

This LTFP has been constructed in accordance with the overall principles of financial sustainability and the specific strategic financial objectives. As a result, the plan meets and exceeds all strategic KPIs and Office of Local Government (OLG) benchmarks for sustainability.

Figure 2 – Projected OLG Ratios

STRATEGIC OBJECTIVE Financial Indicators	OLG Target	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
POSITIVE OPERATING PERFORMANCE											
Operating Performance Ratio	> 0.00%	5.08%	3.51%	2.05%	2.08%	1.72%	1.85%	1.94%	2.07%	2.20%	2.10%
Own Source Operating Revenue Ratio	> 60%	91.90%	91.71%	90.92%	90.45%	92.09%	82.77%	92.08%	92.08%	92.09%	92.16%
STRONG CASHFLOW											
Unrestricted Current Ratio	> 1.5x	4.09%	3.18%	2.91%	2.79%	2.78%	2.78%	2.92%	3.01%	2.92%	3.02%
Rates and charges outstanding percentage	< 5%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%
Cash Expenses Coverage Ratio (months)	> 3 months	15.65	13.98	11.44	10.68	9.46	9.48	8.34	8.19	8.37	8.69
MANAGE DEBT LEVELS											
Debt Service Cover Ratio	> 2%	5.18%	5.35%	4.85%	4.83%	5.05%	5.07%	5.11%	5.14%	5.14%	5.12%
ASSET FOCUS											
Buildings and Infrastructure Renewal Ratio	100%	198%	315%	184%	128%	136%	100%	100%	100%	100%	100%
Asset Maintenance Ratio	100%	100%	102%	103%	103%	103%	103%	103%	103%	103%	103%

This outcome is based on presently available information and current projections. There are significant risks to some assumptions within the plan. It will be continuously revised and adjusted with corrective decisions taken as new information becomes available. The focus at all times will be to ensure that we have a sustainable financial future.

The Infrastructure Backlog Ratio has not been included in this forecast. As noted in the following section more analysis is required to quantify the current state of assets and the true infrastructure funding gap.

4. Infrastructure Levy and Asset Assessment

In 2014, Council applied for Special Rate Variation (SRV) in the form of an infrastructure levy. This special rate was required to address a \$61.6 million infrastructure renewal gap (a backlog of works

to bring assets to a level determined acceptable by the community). This requirement was identified through community consultation and asset management analysis performed in 2013.

IPART approved the infrastructure levy for a seven year period between 2015/16 and 2021/22. The infrastructure levy will yield \$20.2 million over that period (average of \$2.9 million per year). This leaves \$41.4 million to be funded by Council efficiencies and other revenue sources as committed in the infrastructure levy application.

2015/16 to 2021/23 Infrastructure Levy	15/16 \$'000	16/17 \$'000	17/18 \$'000	18/19 \$'000	19/20 \$'000	20/21 \$'000	21/22 \$'000	22/23 \$'000	23/24 \$'000	24/25 \$'000	Total \$'000
Special Rate Variation	1,937	2,883	2,926	2,992	3,073	3,143	3,197				20,151
Council Efficiencies	2,640	2,163	1,556	3,383	3,197	3,759	3,419	10,273	5,360	5,693	41,443
Total Infrastructure Backlog Projects	4,577	5,046	4,482	6,375	6,270	6,902	6,616	10,273	5,360	5,693	61,594

3 Years post levy Council contribution

21,326

\$20.1 million of Council's contribution is planned to be spent during the life of the levy (average of \$2.9 million per year), with the remaining \$21.3 million to be spent in the three years following the expiry of the infrastructure levy (at an average of \$7.1 million per year).

This commitment is currently included in the Long Term Financial Plan but causes significant financial pressures leading to reprioritisation of projects and a need to grow revenue streams through that period. At the same time, asset engineers are predicting that this level of funding gap will continue in perpetuity, or at least in the foreseeable future. If this is the case, it will not be sustainable to continue to fund that gap from current operations only.

The original analysis upon which the gap was quantified and the application based was performed in 2013. As this detailed analysis is now over six years old there is a need to re-perform and refine it to get a full current picture of the remaining gap and the ongoing funding requirement. This analysis is to be undertaken in the coming financial year.

If the coming asset analysis indicates that the position will be unsustainable using Council's existing resources, public consultation will take place. This will determine the required level of service and the community's willingness and capacity to fund any gap through a similar infrastructure levy in the future.

5. Strengths, Weaknesses, Opportunities and Threats

5.1 Strengths

5.1.1 Current Financial Position

Our financial position and performance is ranked in the top five councils in the state according to benchmark data published by the Audit Office of NSW. In the year ended 30 June 2018 we achieved and exceeded sustainability benchmarks in all six financial sustainability measures and all four asset management ratios.

We have a strong balance sheet with \$1.7 billion of total assets and \$1.6 billion in net assets (assets less liabilities). Borrowing levels are conservative and sustainable and has been undertaken in alignment with the principle of intergenerational equity. All liabilities are fully recognised and funded and there is minimal risk of loss in the asset portfolio.

Future ambitions are largely supported by cash reserves held aside for those specific purposes. Of the \$160 million in cash and investments held at 31 March 2019, \$137.2 million (86%) is restricted for specific future purposes.

Our current and forecasted financial strength and sustainability places us in a very good position to face unanticipated shocks and gives us flexibility to make corrective adjustments to remain sustainable.

5.1.2 Financial Management

We are very focused on achieving the strategic financial objectives. Careful planning, management and monitoring will ensure our current strong financial position is maintained and improved.

We have a number of processes and frameworks that ensure that we continue to make sound decisions and optimise financial and service delivery outcomes. These include a project prioritisation framework, a balanced monthly scorecard measuring financial and other qualitative aspects of the business, a rigorous business planning process and regular Executive Leadership meetings to review results.

5.1.3 Location and demography

Willoughby has a diverse population of approximately 80,000 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. Our diversity and our location on one of the most significant transport hubs in NSW, generates significant visitor and tourist activity, resulting in opportunities for user pays revenue streams such as parking, entertainment, rent, street stalls etc.

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

5.2 Weaknesses

5.2.1 Revenue constraints

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

43% (\$51.6 million) of our income is earned from rates. Under the Local Government Act, our 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.

Any increase above the rate peg requires an application to IPART following extensive consultation with the community on their willingness to pay more rates.

Other major income sources, such as income levied for Domestic Waste Management (\$16.1 million or 13.5% 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.

Grant income is at the discretion of other levels of government and the political environment. Recently we have seen other regions favoured over Willoughby in the allocation of grants.

5.2.2 Slim cash surplus and majority of cash restricted for purpose

With a cash balance of \$160 million at 31 March 2019 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 higher levels of service. In reality, over 86% of our cash is restricted for specific purposes (most of which are included in the LTFP). The actual cash surplus generated by the general fund on an annual basis is very slim and working capital is at adequate but not excessive levels.

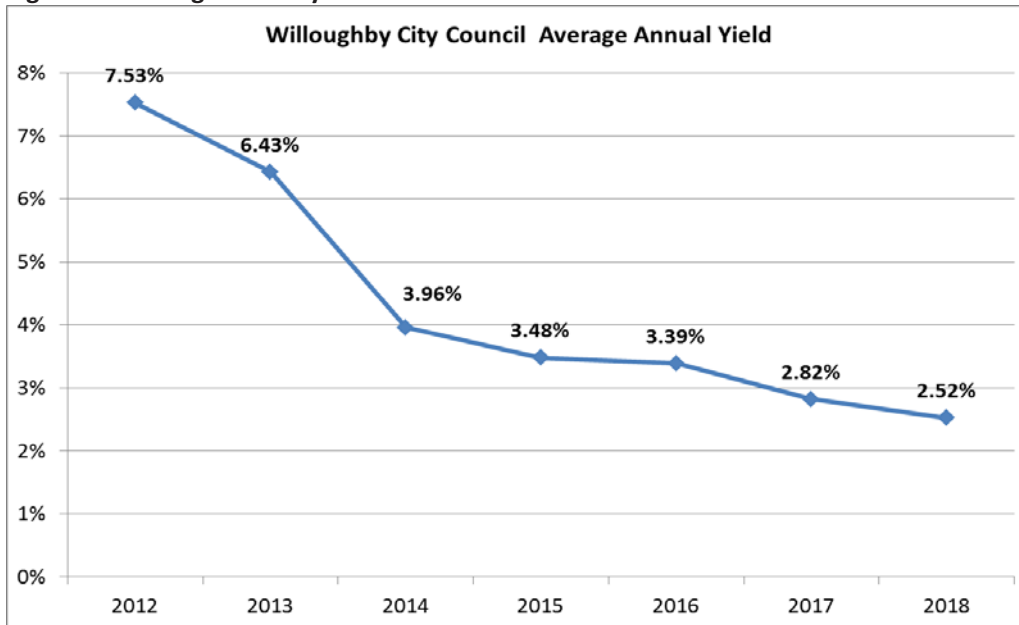
The incorrect perception that we are cash rich may lead to a lack of discipline in decision making or views that we are not spending adequately on asset or service levels or that we have abundant cash to expand or subsidise service levels. Throughout the duration of the LTFP, cash reserves and the overall cash balance will reduce significantly as restricted cash is used for the projects it was intended for.

5.2.3 Declining interest rates on investments

Our conservative policy for investments is consistent with the Ministerial Directive and 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 at least the past six years there has been a steady decline in interest rates on investments. We have seen term deposit rates drop from around 7.5% in 2012 to current rates being offered at around 2.0-2.3%.

Figure 4 – Average annual yields



Given we have over \$100 million invested at any time, this has a direct negative impact on revenue. A 1% reduction in interest rates has at least a \$1 million impact on the bottom line. The forecast is for further falls in interest rates in the foreseeable future, compounding this revenue impact.

5.2.4 Fixed rate debt

Our loan debt originated when market interest rates were much higher. The majority of these loans (primarily 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 of the loan) on the existing loans are prohibitively high. For example, settling the \$32 million CPI linked loan early would incur an additional \$14 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.

5.3 Opportunities

5.3.1 Optimise Property portfolio

We hold a very large property portfolio including operational land valued at \$450 million and Buildings valued at \$335 million. Based on benchmarking, it is apparent there is significant opportunity to increase returns from these property holdings.

A Property Steering Group has been established and a property strategy is currently being formulated. The aim is to increase returns on the property portfolio without impacting the amenity enjoyed by the community. There is no plan for wholesale property disposals.

One opportunity already identified is to renegotiate existing leases as they expire to achieve improved terms and outcomes.

5.3.2 Measurement and 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, human resources, asset management, customer service, rating and land information. Current systems are old and 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 the LTFP.

5.3.3 Recent Transport initiatives

For a long time Willoughby has been one of the most significant transport hubs in Sydney and easily accessible. This has recently been significantly enhanced with Chatswood being the major interchange for the new North West Metro rail system. This new transport option makes Willoughby even more accessible to workers and businesses and is anticipated to generate a significant increase in economic activity from visitors and from businesses relocating to Willoughby. This opportunity is supplemented by forecasts that commercial office space is in limited supply in other areas.

The increased economic activity afforded by this new transport options will assist our LTFP through more user pay revenue and a likely increase in development, driving higher development revenue and developer contributions.

5.4 Threats

5.4.1 Asset conditions

Detailed work is required to assess the extent of future spend on assets. The last time this detailed assessment was performed in 2013, a funding gap was identified leading to an application to IPART for a special rate variation (the Infrastructure Levy).

There is already a significant drain on the LTFP resulting from the funding commitment we made to close the gap identified at that time. If the new analysis identifies further material funding shortfalls on assets, the current plan will become unsustainable. To resolve this gap a renewal of the infrastructure levy may be necessary.

5.4.2 Exposure to market conditions

A number of revenue streams have been modelled based on business as usual activity or rates of return. With the economy showing significant indicators of slowing, a number of these revenue streams are likely to be at risk.

Market conditions affecting levels of development will have a direct and material impact on revenue. If there is a downturn in investment this will reduce revenue from Development Application (DA) fees, related permit fees, developer contributions and new rating revenues.

Lease income on our commercial property is sensitive to market conditions. If there is a significant economic downturn, or an increase in supply of competing commercial offerings, lease income is likely to stagnate or reduce.

Due to the diversity of our operations we are exposed to changes in both domestic and international markets. The expected cost increase arising from China's ban on importing recyclable material is one example.

5.4.3 State and Federal Government Impacts

The legislative structure where local government is subordinate to State and Federal Governments introduces a number of threats to the LTFP.

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 constant increases in the waste management levy, increases in the emergency services and parking levies and proposals to increase the cost of elections by 58%. The failure to fully reimburse councils for mandatory pensioner rebates is another example. 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. There is potential for 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.

Another threat arising from other levels of government is increased regulation, leading to increased costs and resource drain on local governments. Recent examples of increased compliance burden include taxable payments reporting, one touch payroll and the (now abandoned) transfer of responsibility for fire and emergency services levy billing.

Recently the Federal Government has consistently changed the timing of when the Financial Assistance Grant (FAG) is paid. This impacts cash management and makes surplus levels inconsistent. The Federal Government has also announced that they will be undertaking a review of how the overall FAG will be calculated and allocated between councils. There is risk that this new allocation model will see a reduced allocation for metropolitan councils including Willoughby.

5.4.4 Ambitious capital plan

The LTFP provides for capital spend of \$270 million over the next ten years (an average of \$27 million per annum). This ambitious spend profile will lead to a significant reduction in cash.

The plan forecasts that cash will reduce by \$62 million (41%) over the next ten years. The majority of this capital spend is funded by existing reserves set aside for these initiatives, but unrestricted cash will also be impacted, dropping from \$19 million in 2018/19 to \$12 million in 2028/29. This leaves only a small buffer for unanticipated shocks and cash levels will need to be managed closely.

Interest revenue will reduce in line with cash. The plan forecasts that due to reduced cash, annual interest revenue drops by \$1.5 million per annum by 2028/29.

5.4.5 Increased demands on services

Willoughby is a thriving and growing area. Population is expected to increase from 76,029 in 2017 to 87,182 by 2032 (a 14.7% increase). This is a positive from the perspective of rating, user charges and other revenue opportunities but also introduces a number of pressures and threats.

The growing resident and visitor population is likely to put a strain on transport infrastructure. Increased expenditure may be required to maintain or expand roads and shared pathways to maintain conditions or relieve congestion. The demand for open space assets (parks, sporting fields, playgrounds etc.) is already high and the LTFP provides for a number of upgrades and new facilities.

Providing asset and service infrastructure in a growing environment presents a threat to financial sustainability and will need to be carefully managed. Council will also need to review the viability of providing duplicate or non-performing services.

6. Planning Assumptions

6.1 Assumptions - Inflation

A number of indices used in the LTFP are based on the Reserve Bank of Australia (RBA) Consumer Price Index (CPI) inflation forecast of 2%-3% from the February 2019 Statement of Monetary Policy. The February 2019 RBA forecast was for outer year inflation at 2.25%. This had moderated to 2% by the time of the May 2019 RBA Statement on Monetary Policy but the higher rate of 2.25% has been used to be conservative.

Table 1 – Inflation escalation assumptions

Inflation										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
RBA forecast inflation rate (February 2019)	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

6.2 Assumptions – Revenue

Rates Income

Rates account for 43% of total revenue. The 2019/20 ordinary rate escalation is based on IPART’s advice on 11 September 2018. Subsequent years are based on a conservative estimate of the Local Government Cost index and historical increases granted by IPART.

The infrastructure levy concludes in 2021/22 resulting in a net reduction in the rating base of 3.87% in 2022/23.

Table 2 – Rates income escalation assumptions

Rates Revenue										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Ordinary Rates	2.70%	2.30%	2.30%	-3.87%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%

6.2.1 Annual Charges

Annual charges comprise only the Domestic Waste Management charge. This charge represents 14% of total revenue.

The *Local Government Act 1993* requires that Domestic Waste Management charges must reflect the actual cost of providing those services. Section 504(3) stipulates that charges cannot exceed the reasonable costs to council of providing those services.

Costs over the past years have stabilised and as a result no increase has been imposed to this charge for three of the past four years. However costs are anticipated to increase in the coming years as a result of market forces (for example China’s ban on importing recyclable goods). To cater for these increased costs, the LTFP models an increase in line with inflation. The cost base and future cost forecasts will be examined each year prior to setting the domestic waste management charge.

Table 3 – Annual charges escalation assumptions

Annual Charges										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Domestic Waste Management Revenue	0.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

6.2.2 User Charges and Fees

User charges and fees make up 15% of total revenue. A significant proportion of user fees and charges are expected to increase by inflation. Where possible the LTFP reflects:

- The increasing volume of service usage;
- The increasing or decreasing cost of providing the service and appropriate fee recovery;
- Market comparatives;
- Statutory mandates related to regulated fees;

Table 4 – User charges and fees escalation assumptions

User Charges and Fees										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Paid parking	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Planning and building regulation fees	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Non Domestic Waste Management	2.30%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Leisure Centre fees	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Child Care	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other Fees and Charges	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

6.2.3 Interest Revenue

Our investments are made in accordance with the *Local Government Act 1993*, the *Local Government (General) Regulation 2005*, the *Ministerial Investment Order* issued in 2011, the *Office of Local Government Investment Policy Guidelines 2010* and the *Willoughby City Council Investment Policy* adopted in September 2018.

Interest rates have declined significantly since 2010-11 and the forecast is for further declines in the near to mid-term future. The LTFP adopts a conservative stance balancing the declining interest rates with our existing longer term holdings and current portfolio yield.

Table 5 – Interest revenue escalation assumptions

Interest Revenue										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Interest rate on investments	2.30%	2.40%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%

6.2.4 Other Income

Other income represents 17% of total revenue. Over half of this revenue is rental income from leasing of our properties. There are opportunities arising from renegotiation of existing leases and cost of living and rent review clauses in existing leases. These factors result in the escalation rate for leases being above inflation at 2.5%. Conversely, increased competition may impact lease income through higher vacancy rates.

Revenue from fines and other revenue are aligned with inflation increases.

Table 6 – Other income escalation assumptions

Other Income										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Rental / Lease Income	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Fine Revenue	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Other Revenue	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

6.2.5 Grants and Contributions Revenue

Both operating and capital grants are assumed to increase by the inflation rate. Operating grants account for 5% of total revenue. The LTFP assumes consistent receipt of the current amounts adjusted for inflation. The review of the funding approach for Financial Assistance Grant (FAG) creates uncertainty. Timing of the payment of the FAG (and therefore when revenue is recognised) has been inconsistent in recent years.

Capital grants and contributions vary significantly from year to year and are difficult to forecast accurately. One known material item in the LTFP is one single Voluntary Planning Agreement receipt for \$15 million forecast to be received in 2024/25.

Table 7 – Grants and contributions escalation assumptions

Grants and Contributions										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Operating grants and contributions	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Capital grants and contributions	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

6.3 Assumptions - Expenses

6.3.1 Employee Costs

Employee costs account for 41% of total operating expenditure. The LTFP factors in predicted award based increases at 2.5%, consistent with recent years and slightly higher than predicted inflation.

Employee superannuation guarantee expenses have been linked to Federal Government legislative requirements based on 9.5% until 2020/21 and then indexed by 0.5% per annum until 2025/26 to meet the Federal Government's legislated 12%.

Table 8 – Employee costs escalation assumptions

Employee Costs										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Salary and Wages	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Employee Superannuation	9.50%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.00%	12.00%	12.00%

Employee costs have been budgeted with a zero vacancy rate. In reality vacancies will exist. Any under-spend resulting from vacancies will help absorb cost increases associated with employees being promoted to higher levels.

6.3.2 Borrowing Costs

Borrowing costs in the LTFP are based on the specific loan repayment schedules for each of the existing loan commitments.

6.3.3 Materials and Contracts

Materials and Contracts account for 32% of total operating costs.

Escalations for Raw Materials and contractor and consulting costs have been set slightly higher than inflation at 2.25%. This caters for the price rises on specific goods and services used by councils which have historically increased at a rate higher than general inflation.

Specific forecasts have been prepared for garbage disposal costs which are anticipated to increase significantly in 2020/21 and 2021/22 following the decision by China to ban the import of recyclable goods. This ban is forecast to add significant cost impost on councils as recycling becomes more expensive.

A 1% productivity adjustment has been included in budgets to encourage focus on business improvement and efficient service delivery. This productivity target can be achieved by realising

savings across all expense categories. The initial focus will be on contractor and consultancy costs not allocated to a specific initiative.

Table 9 – Materials and contracts expense escalation assumptions

Material and Contracts										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Raw materials and consumables	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Contractor and consultancy costs	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Garbage disposal costs	2.95%	4.32%	5.33%	2.86%	2.92%	2.92%	2.92%	2.92%	2.92%	2.92%
Other materials and contracts	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Productivity Initiative Adjustment	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%

6.3.4 Depreciation

Depreciation in the LTFP is based on the existing mix of asset classes and is adjusted in future years by the new additions and disposals for each asset class.

6.3.5 Other expenses

Other expenses account for 13% of total expenditure. It includes items such as electricity and heating, street lighting, insurance, the waste levy and the Fire and Emergency Services Levy.

The Fire and Emergency Services Levy escalation has been set at 5% per annum based on messages from the State Government that increases are imminent. Utilities and other expenses have been aligned to CPI.

Table 10 – Other expenses escalation assumptions

Other Expenses										
Projected Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Utilities Expense	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
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	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

7. Projects and Capital Works – Spend profile and major projects

7.1 Projects and Capital Works by Asset Class

The following table summarises the projects and capital works spend by asset class through the ten years of the LTFP.

Table 11 – Projects and capital works by asset class

Projects and Capital Works Expenditure by Asset Category	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	10 Year Total Spend
Building	7,854	10,261	8,516	9,856	5,535	1,745	2,266	1,809	1,896	1,975	51,712
Bridge	-	256	100	3,715	113	221	131	168	174	323	5,202
Car Parks	1,430	-	-	-	-	-	-	-	-	-	1,430
Drainage	2,662	2,753	3,078	2,901	2,406	2,448	2,463	2,546	2,107	1,961	25,327
Furniture & Fittings	435	37	38	39	40	42	43	44	45	47	810
Footpath	1,977	7,660	4,573	3,583	2,572	1,049	677	818	691	864	24,464
Kerb & Guttering	349	275	314	292	301	310	319	328	338	348	3,174
Land Improvements	186	196	202	208	214	220	227	234	241	248	2,174
Office Equipment	2,855	23	24	24	25	26	27	28	28	29	3,089
Other	947	-	-	-	-	-	-	-	-	-	947
Other Structures	400	552	543	33	34	47	49	50	114	126	1,949
Plant & Equipment	430	28	28	29	29	30	30	31	32	32	699
Parks	2,450	2,324	709	1,148	11,609	20,724	13,049	4,543	4,244	793	61,594
Playgrounds	815	754	79	360	-	467	72	435	315	672	3,970
Roads	2,910	2,260	2,319	2,638	2,710	2,616	2,871	2,949	3,028	3,109	27,409
Sporting Fields	2,541	2,692	1,438	500	727	250	1,841	1,852	1,823	817	14,481
Swimming Pools	100	9,650	8,250	-	-	-	-	-	-	-	18,000
Retaining Walls	-	130	200	200	50	60	60	60	60	60	880
Grand Total	28,341	39,852	30,411	25,525	26,366	30,255	24,124	15,895	15,136	11,404	247,309

7.2 Major Project summary

The following table details the major projects included in the LTFP. These projects are aligned to our Community Strategic Plan (Our Future Willoughby) and our Delivery Program.

Figure 5 – Summary of major projects included in LTFP

Initiative	\$'m
Gore Hill Stage 2	\$50.0
Willoughby Leisure Centre Upgrade	\$18.3
Shared Bike Paths	\$12.9
Affordable Housing	\$12.0
Streetscapes and Public Domain Improvements	\$10.0
Northbridge Baths (Fixed Structure) and Amenity	\$4.0
Council Building Upgrades	\$4.0
Willoughby Girls High School	\$2.6
Chatswood Park Master Plan	\$1.7
Northbridge Bowling Club	\$1.4
Solar Solutions	\$1.4
Northbridge Plaza Car Park	\$1.3
Chatswood CBD Laneways	\$1.0
Artarmon Bowling Club	\$0.6

8. Financial Statements – Base Case

8.1 Income Statement

	Year -1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income Statement	Actual	Rev Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2017/18	R2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Incomes from continuing operations												
Revenue:												
Rates and Annual Charges	64,373	66,333	67,804	69,392	71,017	69,355	70,978	72,639	74,340	76,081	77,864	79,688
User Charges and Fees	18,264	20,373	17,200	17,686	18,104	18,683	19,272	19,721	20,181	20,651	21,133	21,626
Investment Revenues	3,310	3,701	3,569	2,623	2,230	2,095	1,874	1,983	1,758	1,811	1,884	2,026
Other Revenues	19,587	19,613	20,635	21,943	22,377	23,176	23,747	24,302	24,871	25,453	26,050	27,562
Grants & Contributions - Operating	6,619	5,983	6,167	6,200	6,362	6,501	6,243	6,389	6,538	6,690	6,846	7,005
Grants & Contributions - Capital	21,845	12,307	3,463	3,889	5,002	5,465	3,711	18,311	3,889	3,969	4,051	4,135
Fair Value increment on investment property	3,736											
Other Income:												
Proceeds from Disposal of Assets	482	420	433	446	459	473	487	502	517	532	548	564
Profit from Interests in Joint Ventures & Associates												
Total Income from Continuing Operations	138,216	128,730	119,272	122,177	125,551	125,747	126,312	143,846	132,093	135,188	138,376	142,607
Expenses from continuing operations												
Expenses:												
Employee Costs	39,750	42,660	45,507	47,065	48,239	49,509	50,814	52,159	53,550	54,979	56,375	57,806
Materials and Contracts	32,578	35,668	34,570	36,701	36,449	36,964	37,833	38,679	39,162	39,949	40,916	43,182
Borrowing Costs	2,386	2,363	2,303	2,306	2,300	2,292	2,284	2,287	2,291	2,293	2,295	2,296
Depreciation & Amortisation	12,805	12,634	12,900	13,165	13,237	13,356	13,506	13,632	13,836	13,977	14,034	14,084
Other Expenses	12,597	14,635	14,235	14,475	17,408	15,201	15,579	15,969	16,371	16,784	17,210	17,648
WDV of Assets sold	969	300	305	314	324	333	343	354	364	375	386	398
WDV of Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Investment losses												
Loss from Interests in Joint Ventures & Associates	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses from Continuing Operations	101,085	108,259	109,820	114,026	117,956	117,656	120,360	123,081	125,573	128,358	131,217	135,415
Net Operating Surplus/ (Deficit) for the year	37,131	20,471	9,451	8,152	7,594	8,091	5,952	20,765	6,520	6,830	7,160	7,192
Net Operating Surplus/(Deficit) before Grants & contributions provided for capital purposes	15,286	8,164	5,988	4,262	2,593	2,626	2,241	2,455	2,630	2,861	3,108	3,057

8.2 Balance Sheet

BALANCE SHEET	Actual 2017/18 \$'000's	Rev Budget R2018/19 \$'000's	Forecast 2019/20 \$'000's	Forecast 2020/21 \$'000's	Forecast 2021/22 \$'000's	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
Current Assets												
Cash and cash equivalents (Available)	11,348	18,709	13,448	15,302	13,823	13,086	13,405	14,213	13,433	12,358	12,511	12,211
Investments (Reserves)	135,000	131,372	121,696	100,282	87,754	80,646	70,758	71,804	64,921	66,638	69,365	75,935
Receivables	5,867	6,176	5,909	6,168	6,303	6,464	6,640	6,795	6,953	7,116	7,283	7,573
Inventories	28	28	28	28	28	28	28	28	28	28	28	28
Other	374	374	374	374	374	374	374	374	374	374	374	374
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	152,617	156,659	141,455	122,155	108,281	100,599	91,204	93,214	85,710.1	86,514	89,561	96,120
Non-Current Assets												
Receivables	51	52	52	52	52	52	52	52	52	52	52	52
Infrastructure, Property, Plant & Equipment	1,451,363	1,470,914	1,488,582	1,517,394	1,536,740	1,551,132	1,566,266	1,585,215	1,597,883	1,602,235	1,605,827	1,605,668
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	0	0	0	0
Investments Property	78,080	78,080	78,080	78,080	78,080	78,080	78,080	78,080	78,080	78,080	78,080	78,080
Total Non-Current Assets	1,529,494	1,549,046	1,566,714	1,595,526	1,614,872	1,629,264	1,644,398	1,663,347	1,676,015	1,680,367	1,683,959	1,683,800
TOTAL ASSETS	1,682,111	1,705,705	1,708,169	1,717,680	1,723,154	1,729,863	1,735,602	1,756,561	1,761,725.0	1,766,881	1,773,519	1,779,921
Current Liabilities												
Payables	23,208	27,416	21,681	23,773	22,387	21,800	22,126	22,906	22,130	21,084	21,187	21,035
Borrowings	1,699	1,684	1,764	1,359	1,411	1,466	1,260	1,305	1,352	1,401	1,452	1,467
Provisions	10,421	10,985	11,459	12,047	12,681	13,309	13,985	14,657	15,380	16,100	16,873	17,644
Total Current Liabilities	35,328	40,085	34,905	37,179	36,480	36,575	37,372	38,869	38,862.0	38,586	39,512	40,146
Non-Current Liabilities												
Payables	0	0	0	0	0	0	0	0	0	0	0	0
Borrowings	41,617	39,948	38,103	37,149	35,686	34,166	33,111	31,761	30,362	28,912	27,410	25,928
Provisions	376	411	449	488	530	573	618	666	716	768	823	880
Total Non-Current Liabilities	41,993	40,359	38,552	37,637	36,216	34,739	33,729	32,426	31,077	29,680	28,232	26,808
TOTAL LIABILITIES	77,321	80,444	73,456	74,816	72,696	71,314	71,101	71,295	69,939	68,265	67,744	66,954
NET ASSETS	1,604,790	1,625,261	1,634,713	1,642,864	1,650,458	1,658,549	1,664,501	1,685,266	1,691,786	1,698,616	1,705,775	1,712,967
EQUITY												
Accumulated Surplus	1,014,202	1,035,166	1,054,294	1,083,858	1,103,981	1,119,180	1,135,020	1,154,739	1,168,141	1,173,254	1,177,687	1,178,309
Asset Revaluation Reserve	458,723	458,723	458,723	458,723	458,723	458,723	458,723	458,723	458,723	458,723	458,723	458,723
Other Reserves	131,865	131,372	121,696	100,282	87,754	80,646	70,758	71,804	64,921	66,638	69,365	75,935
TOTAL EQUITY	1,604,790	1,625,261	1,634,712	1,642,864	1,650,458	1,658,549	1,664,501	1,685,266	1,691,786	1,698,615	1,705,775	1,712,967

8.3 Cash-flow Statement

CASH FLOW STATEMENT	Actual 2017/18 \$'000's	Rev Budget R2018/19 \$'000's	Forecast 2019/20 \$'000's	Forecast 2020/21 \$'000's	Forecast 2021/22 \$'000's	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
Cash flow from operating activities												
<i>Receipts:</i>												
Rates and Annual Charges	64,383	66,307	67,785	69,371	70,996	69,376	70,957	72,618	74,318	76,059	77,840	79,664
User Charges and Fees	19,624	20,088	17,486	17,448	17,991	18,500	19,117	19,587	20,044	20,511	20,990	21,360
Interest & Investment Revenues	3,061	3,701	3,569	2,623	2,230	2,095	1,874	1,983	1,758	1,811	1,884	2,026
Grants & Contributions	27,470	18,290	9,630	10,089	11,363	11,966	9,954	24,699	10,427	10,659	10,897	11,140
Other	27,153	19,613	20,635	21,943	22,377	23,176	23,747	24,302	24,871	25,453	26,050	27,562
<i>Payments:</i>												
Employee Costs & oncosts	(39,688)	(42,061)	(44,996)	(46,437)	(47,563)	(48,839)	(50,092)	(51,440)	(52,777)	(54,207)	(55,547)	(56,978)
Materials and Contracts	(33,130)	(31,460)	(40,305)	(34,610)	(37,835)	(37,551)	(37,507)	(37,899)	(39,939)	(40,995)	(40,813)	(43,333)
Borrowing Costs	(1,666)	(2,363)	(2,303)	(2,306)	(2,300)	(2,292)	(2,284)	(2,287)	(2,291)	(2,293)	(2,295)	(2,296)
Other	(18,284)	(14,635)	(14,235)	(14,475)	(17,408)	(15,201)	(15,579)	(15,969)	(16,371)	(16,784)	(17,210)	(17,648)
Net cash inflow from operating activities	48,923	37,482	17,267	23,645	19,852	21,230	20,187	35,594	20,041	20,215	21,796	21,496
Cash flow from investing activities												
<i>Receipts</i>												
Sale of investment securities	60,088	3,628	9,676	21,413	12,529	7,107	9,888	0	6,883	0	0	0
Sale of infrastructure, property, plant & equipment	482	420	433	446	459	473	487	502	517	532	548	564
Proceeds from sale of assets held for resale	0	0	0	0	0	0	0	0	0	0	0	0
<i>Payments:</i>												
Purchase of infrastructure, property, plant & equipment	(17,461)	(32,485)	(30,873)	(42,290)	(32,908)	(28,081)	(28,983)	(32,935)	(26,868)	(18,705)	(18,012)	(14,324)
Purchase of Investment Property	(59)											
Purchase of investment securities	(86,008)	0	0	0	0	0	0	(1,047)	0	(1,717)	(2,727)	(6,570)
Deferred debtors and advances made	0	(15)										
Contribution paid to JV & Assoc.	33											
Net cash outflow from investing activities	(42,925)	(28,437)	(20,764)	(20,431)	(19,920)	(20,501)	(18,608)	(33,480)	(19,469)	(19,889)	(20,192)	(20,329)
Cash flow from financing activities												
Proceeds from new borrowings	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of borrowings & advances	(1,621)	(1,684)	(1,764)	(1,359)	(1,411)	(1,466)	(1,260)	(1,305)	(1,352)	(1,401)	(1,452)	(1,467)
Repayment of Finance Lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Net cash (outflow)/inflow from financing activities	(1,621)	(1,684)	(1,764)	(1,359)	(1,411)	(1,466)	(1,260)	(1,305)	(1,352)	(1,401)	(1,452)	(1,467)
Net increase/(decrease) in cash held	4,377	7,361	(5,262)	1,854	(1,479)	(737)	319	808	(780)	(1,075)	153	(300)
Cash assets at beginning of reporting period	6,971	11,348	18,709	13,448	15,302	13,823	13,086	13,405	14,213	13,433	12,358	12,511
Cash assets at end of reporting period	11,348	18,709	13,448	15,302	13,823	13,086	13,405	14,213	13,433	12,358	12,511	12,211
Plus: Investment on hand at end of year	135,000	131,372	121,696	100,282	87,754	80,646	70,758	71,804	64,921	66,638	69,365	75,935
Cash & Investment at end of year	146,348	150,081	135,143	115,584	101,577	93,732	84,163	86,018	78,355	78,996	81,876	88,146

9. Scenario and Sensitivity Analysis

9.1 Sensitivity Analysis – Introduction and Purpose

The assumptions listed in the previous sections are our current informed estimate based on a range of reliable internal and external sources. Long Term Financial Plans are however inherently uncertain as they contain a wide range of assumptions which are largely outside of our control. For this reason, our Long Term Financial Plan models the impacts to our financial position if trends worsen.

The following sections show graphically the impact on the projected surplus and cash balances if specific negative trends occur.

9.2 Employee Costs

Models the impact of a 0.5% and 1% increase in employee costs over and above the escalation used in the base case:

Figure 6 – Employee Cost increase - Impact on Surplus before Capital Revenue

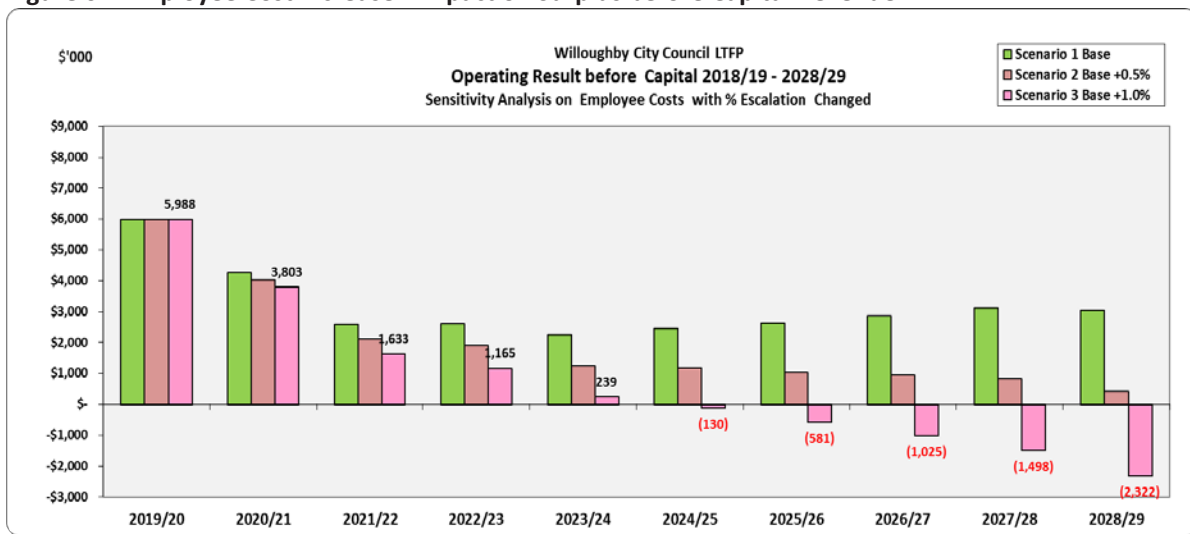
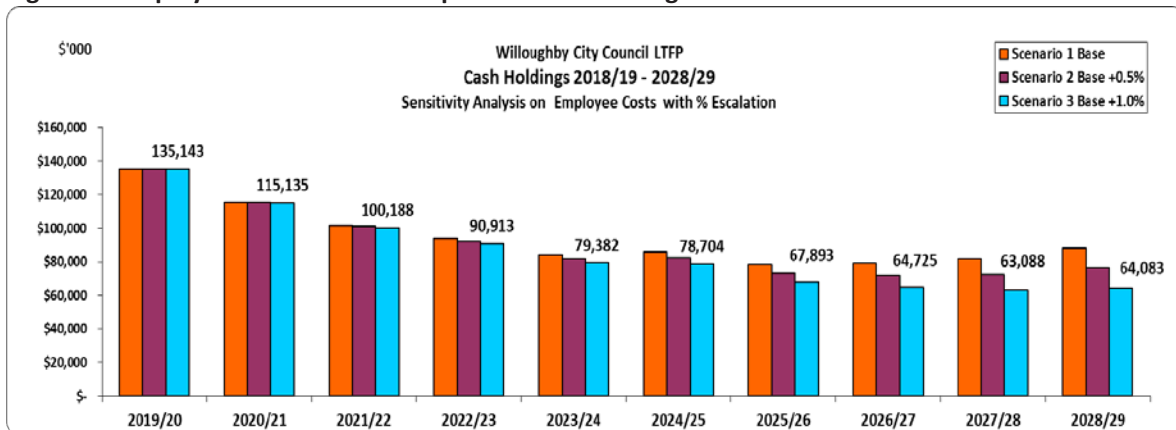


Figure 7 - Employee Cost increase - Impact on Cash holdings



9.3 Inflation on Materials and Contracts

Models the impact of a 0.5% and 1% increase in inflation (Consumer Price Index) over and above the escalation used in the base case:

Figure 8 – Material and Contracts Cost increase - Impact on Surplus before Capital Revenue:

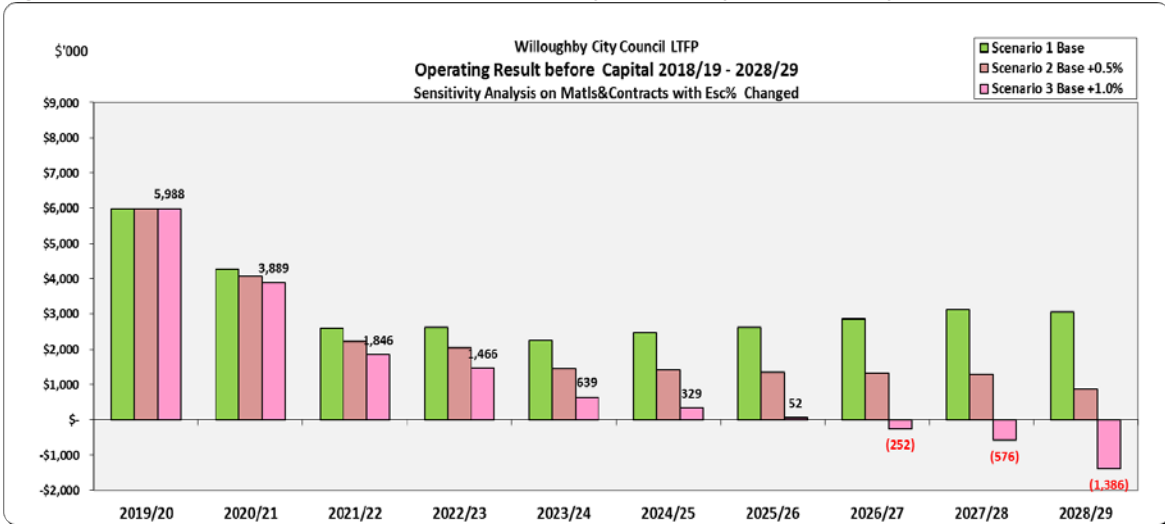
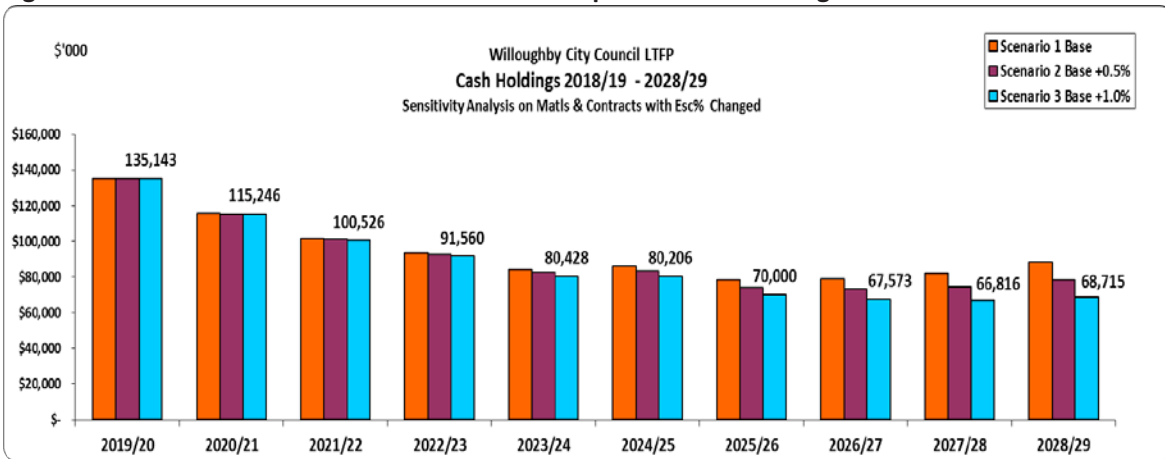


Figure 9 – Material and Contracts Cost increase - Impact on Cash holdings



ASSET MANAGEMENT STRATEGY 2019–2029



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1. 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 (Council), and how we can meet our asset management goal. The strategy includes an asset management improvement plan that lists the activities that help us to achieve our goal of getting to core level of asset management maturity.

The strategy, which fits within our *Asset Management Framework*, is a requirement of the *Asset Management Policy* recently adopted by Council. The strategy also supports our *Integrated Planning Framework* as a component of our *Resourcing Strategy*.

There are several advantages to having this strategy, one of which is to enable us to meet the priorities and aspirations expressed in the *Willoughby Community Strategic Plan* culminating in the *Greater Sydney Region Plan*. A focus of the strategy is to be integrated with the long term financial plan, the delivery program and community strategic plan.

Various issues within our operating environment affect asset management at Council. A key issue involves the lapse of the temporary infrastructure funding levy in 2021/22. The infrastructure funding levy sought to address a \$66.1M renewal funding gap but the funding gap may continue beyond 2021/22 and so another review is required.

We are currently meeting all our infrastructure sustainability measures and must continue to do so with some improvements. The condition of our assets is also generally very sound as long as we continue to invest in the renewal of our current assets to meet service requirements. Our asset management practices need improvements particularly in the areas of asset data and systems.

Outcomes in the strategy will be realised through various means including:

- the 4 themes listed below:
 - Accountability and direction
 - Asset information management
 - Asset lifecycle management
 - Service management
- by reviewing and updating all asset management plans
- by setting up an asset management improvement plan, and
- through delivery of numerous key initiatives, projects and activities

The corporate systems review project, the review of the infrastructure funding levy and service levels improvement projects form some of our key activities.

2. Strategic Context

2.1 Definition of asset management strategy

The International Infrastructure Management manual defines asset management strategy as a high level plan that gives effect to an organisation's asset management policy.

2.2 Reasons for asset management strategy

A number of sources, some listed in figure 2.1 below, recommend that all asset intensive organisations must have an asset management strategy.

Figure 2.1 Drivers for asset management strategy

Source	Description
NSW Integrated Planning & Reporting (IP&R) Framework	Asset Management Strategy and Plans form essential elements of the Resourcing Strategy (along with the LTFP and the Workforce Plan) of the IP&R framework. The AM Strategy must: <ul style="list-style-type: none">• 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
International Infrastructure Management Manual (IIMM) and the ISO 55,000	The IIMM and ISO 55,000 series, as industry standards for asset management, indicate that an asset management strategy is required, as part of the asset management framework. Refer to the Willoughby City Councils AM framework and how it links to the Integrated Planning & Reporting Framework.
National Asset Management Assessment Framework (NAMAF)	Asset Management Strategy is one of the 11 elements of the NAMAF. The NAMAF provides nationally consistent elements for local government to manage its community infrastructure more sustainably through effective asset management and financial planning. The NAMAF was developed to evaluate progress with implementation of the <i>Financial Sustainability Frameworks</i> initiated by the <i>Local Government and Planning Ministers' Council</i> . Council plans to assess and report the maturity of its asset management practices each year using the NAMAF tool.

2.3 Our asset portfolio

Figure 2.2 lists the key asset classes and asset categories critical to our operations.

Figure 2.2 Council assets

Asset class	Asset category
Roads	Sealed roads Bridges Footpaths Kerb and gutter Carparks Bulk earthworks
Buildings	Council offices Council work depot Council halls Libraries Council houses Commercial buildings Childcare centres Community centres Amenities / toilets
Stormwater drainage	Pipes Pits Gross pollutant traps
Open space / Recreational assets	Swimming pools Parks and playgrounds Sporting fields Bushland assets Tennis courts
Other infrastructure assets	Depreciable land improvements - walking tracks Other - retaining walls
Other structures	Chatswood solar farm Public art Water treatment tank at The Concourse

2.4 Our asset management stakeholders

Figure 2.3 lists the key asset management stakeholders who will be affected by the asset management strategy, their interests and impact about the strategy.

Figure 2.3 Key asset management stakeholders, interest and impacts

WCC – Willoughby City Council

Stakeholder	Interest description	Interest level	Impact level
Residents & ratepayers	Appropriate quality services, sustainable environment, value for money.	Low	High
Business community	Appropriate quality services and value for money.	Low	High
Visitors and tourists	Appropriate quality services and value for money.	Low	Low
NSW Government	Good local infrastructure management to support the North District Plan and Greater Sydney 2056 Regional Plan, and performance reporting. Integration with RMS state roads.	Medium	Medium
Utility providers	Aim for reduced conflicts within shared utility corridors through readily accessible and updated asset information.	Low	Medium
WCC	No surprises in managing our assets and service provision.	Medium	Medium
WCC Executive	We are planning ahead, are resourcing our functions and managing our risks and complying with requirements.	High	High
WCC Asset Team	We have good asset management frameworks, practices, and reporting to give confidence to the Executive Leadership team and Council.	High	High
WCC Asset Managers	We have clear asset management objectives, improvement program and governance (direction, guidance, systems, people and processes) to improve our asset practices.	High	High
WCC Service Managers	Seeking a framework and mandate to engage with the community about the services.	High	Medium
WCC Delivery Managers	Seeking predictable forward works programs (scope of works, budgets and timelines) and reporting requirements, templates and training.	Medium	Medium
WCC Finance	AMPs input into a balanced long term financial plan, programs are executed as planned and timely and accurate reporting.	High	High
WCC Information Communication Technology	AM capacity and capability to drive and own the asset module of the corporate systems review project and its operations in the long term. That we have documented and clear business requirements and process.	Low	Medium

2.5 The benefits of asset management to our stakeholders

The key benefits to us of effective asset management include:

- 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 evidence
- Enhanced customer services through improved understanding of service requirements and options
- Effective risk management by understanding the risks associated with the assets and prioritising risk mitigations
- Improved financial efficiency through informed asset investment and intervention decisions based on lifecycle costs and benefits of alternatives

2.6 Living our corporate themes through the asset management strategy

This section shows how we are demonstrating the corporate themes of *Lead, Learn, Care, Share and Deliver* through the *Asset Management Strategy*.

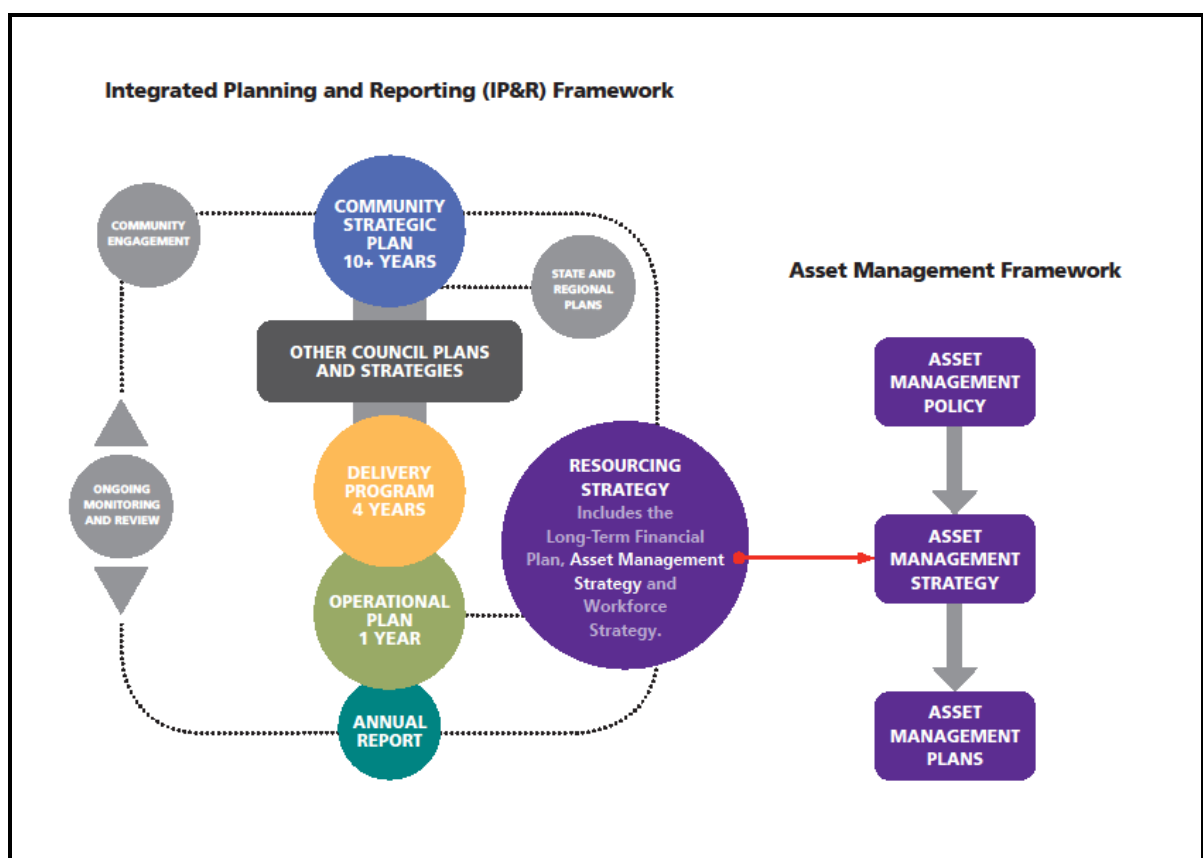
Lead	The asset management team, with the support of the Strategic Asset Management Committee, is leading the development and implementation of the AM Strategy.
Learn	We are applying the lessons learnt from the maturity assessment and internal audit that were carried out to improve our asset management practices using asset management industry standards.
Care	Good asset management is about caring about the needs of our customers and community and the assets that provide the services required by our customers and community now and into the future.
Share	We are developing and sharing new policies, processes, procedures and systems with our stakeholders across Council.
Deliver	We will deliver by having a clear asset management improvement plan with clear scope of programs and projects, accountabilities, timelines and regular reporting through the strategic asset management committee using performance measures to get to the core level of asset management maturity.

2.7 Linkages with the integrated planning & reporting framework

On 8 April 2019, Council adopted an *Asset Management Policy* and the *Asset Management Framework* illustrated in figure 2.4 below.

Figure 2.4 shows that the *Asset Management Framework* links to the *Integrated Planning & Reporting* framework through the *Asset Management Strategy*, as one of three components of the *Resourcing Strategy*, along with the *Long Term Financial Plan* and the *Workforce Plan*.

Figure 2.4 Links between the asset management and the integrated planning and reporting frameworks



2.8 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 2.5 External and Internal Plans

Source	Plan	Description
External Plans	The Greater Sydney Region Plan (the Plan), A Metropolis of Three Cities:	<p>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</p> <ul style="list-style-type: none"> • 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 <i>Directions for a Greater Sydney</i> are the starting point for delivering integrated planning • Informs district and local plans and the assessment of planning proposals
	North District Plan	<p>Is prepared and approved by the Greater Sydney Commission as one of 5 district plans that support the Plan (A Metropolis of 3 cities).</p> <ul style="list-style-type: none"> • 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)	<p>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:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <ul style="list-style-type: none"> • 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 <i>Resourcing Strategy</i> , along with the <i>Workforce Plan</i> , to provide funding resources required to implement the <i>Community Strategic Plan</i> .
AM Strategy/Plans	Is required for a minimum of 10 years and included in the Council's <i>Resourcing Strategy</i> , along with the <i>Workforce Plan</i> , to provide asset and asset management resources required to implement the <i>Community Strategic Plan</i> .
Delivery Program	A 4 year program detailing the principal activities we must undertake to implement strategies established by the <i>Community Strategic Plan</i> . The <i>Asset Management Strategy and Plans</i> provide inputs to the delivery program.
Operational Plan	The annual budget is an annual sub program of the delivery program detailing the activities that we will do during the year.
AM Improvement Plan	Is a key output of the <i>Asset Management Strategy</i> 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 <i>Community Strategic Plan</i> .

Several other plans, policies and strategies, not detailed in this *Asset Management Strategy*, also help to shape and support infrastructure asset requirements at Willoughby including the *Future Transport Strategy 2056*, *Greater Sydney Services and Infrastructure Plan*, *Open Space & Recreation Plan*, *NSROC's Regional Sportsground Strategy Review Report*, *Local Planning and Urban Design Strategies* and *Local Infrastructure Contributions Policy*.

2.9 Strategic issues or trends

Figure 2.6 gives a summary scan of the social, technology, economy, environment, political, ethics and legal issues within our operating environment and lists the implication for asset management at Willoughby as adopted from Council's *Steeple Analysis 2019/20*.

Figure 2.6 Strategic issues in the operating environment

Current Strategic Issues or Trends	Implications for Asset Management at Willoughby
<p>Social</p> <p>Increasing cost of maintenance of infrastructure - infrastructure is becoming more expensive to maintain due to improved workplace health and safety requirements to protect workers and public, a more informed customer base that demands value for money and completing works at less busy hours to minimise customer disruptions.</p>	<p>We must reflect the true cost of planning, construction operations and maintenance, renewal and disposal of assets in the asset management plans, delivery programs and the long term financial plan.</p>
<p>Growing demand for sports, leisure and recreation Current recreational facilities provision, demand and usage are at capacity. As both residential and worker population increase in coming years the problem will be amplified.</p>	<p>Our asset and service managers have to:</p> <ul style="list-style-type: none"> • anticipate and plan for growth within the asset management plans for all asset types including parks, sports grounds, and buildings (to cover swimming and indoor courts); roads, bridges, footpaths and stormwater • accommodate projections of future population changes, customer preferences, usage, and utilisation of assets and services • seek alternative solutions such as non-infrastructure asset demand management or shared service delivery options • consider new service and / or asset rationalisation opportunities at all planning stages
<p>Technology</p> <p>Getting smarter with data and technology in infrastructure. Smart information and communication technologies have revolutionised the way infrastructure planning, design, construction and maintenance is managed. By tapping into the latest developments in technologies, we can get more out of existing assets and ensure new infrastructure is planned and delivered in the most optimal way.</p>	<p>One of our most important areas of improvement is asset data and systems – which will be addressed through the corporate systems review program. This will ensure that our stakeholders can get accurate and up to date information and reports from reliable sources to make important decisions. Field staff can access corporate information in the field using tablets and smart devices to review, capture and share asset data quickly and easily.</p> <p>Planning for the asset management module of the corporate review systems program is a project under the <i>Finance, Compliance and Reporting</i> key initiative of the <i>Asset Management Strategy</i>.</p>
<p>Economy</p> <p>Impact of changes to the accounting standards – The Australian Accounting Standards Board (AASB) recently changed the depreciation method used on infrastructure assets which could affect our financial position.</p>	<p>Ensure that changes to the accounting standards on asset depreciation are recorded in the corporate risk register until an assessment is completed.</p> <p>We must assess whether or not there will be a material</p>

<p>The AASB now stipulates using straight line depreciation for infrastructure assets (to reflect asset consumption) compared with WCC’s current practice of using alternative patterns of consumption for depreciation. The Audit office of NSW now expects all auditors to enforce this new requirement.</p>	<p>difference between the two depreciation figures and the future implications on our asset financial modelling, projections, renewal backlog and infrastructure levy and recommend adoption of straight line depreciation to Council (through the Audit Risk Improvement Committee).</p> <p>Evaluating the effect of changes to the accounting standards will be an activity under the <i>Finance, Compliance and Reporting</i> key initiative of the <i>Asset Management Strategy</i>.</p>
<p>Infrastructure Levy In 2014, Council applied for Special Rate Variation as an infrastructure levy (levy) to address a \$61.6m infrastructure renewal gap using data analysis performed in 2013. IPART approved the levy for 7 years from 2015/16 to 2021/22 structured as:</p> <ul style="list-style-type: none"> • \$20.2m revenue as levy or an average of \$2.9m/year for 7 years • \$41.4m - funded by Council efficiencies & other revenue sources by 2024/25 <p>With the impending lapse of the levy in 2021/22 some asset managers have indicated that a backlog may still exist beyond the \$61.6m funding facility, posing significant financial sustainability issues to long term financial plan beyond 2024/25.</p>	<p>The original application for the levy was based on data and an analysis performed in 2013. We have to complete a new analysis to assess the existence or otherwise of a backlog; the extent of the backlog and consult the public to determine the required level of service; risk appetite and the community’s willingness and capacity to fund any gap through a similar infrastructure levy in the future.</p> <p>The infrastructure levy will be a significant project under the <i>Finance, Compliance and Reporting</i> key initiative of the <i>Asset Management Strategy</i>.</p>
<p>section 94 Financial Contributions Good asset planning can highlight some high risk assets and services; and demonstrable renewal funding shortages that cannot be sustainably covered by current revenue sources. Fortunately, through the section 94 financial contributions, we can recoup funds from developments that cause increased usage or demand. We should assess the extent to which section 94 developer contributions can be used to fund our programs including renewal and maintenance of assets.</p>	<p>We must develop a clear understanding of the objectives, requirements, criteria and limits of section 94 financial contributions to maximise the planning and ultimate access to use of s94 funds in our works programs.</p> <p>Using s94 funds to fund asset renewals and maintenance, where applicable, will be one of the activities under the <i>Finance, Compliance and Reporting</i> key initiative of the <i>Asset Management Strategy</i>.</p>
<p>Environment Reducing our environmental footprint – Our departments can establish tangible actions they can apply within their business units to help reduce our environmental and carbon footprint.</p>	<p>Asset managers, with the help of the environment team, can embed sustainability to be part of their operations, in a similar way to workplace health and safety. Options include:</p> <ul style="list-style-type: none"> • seeking alternative uses of existing assets before disposal to landfills • putting sustainability as part of the asset lifecycle particularly at the planning, design and construction phases of assets • having sustainability measures as a requirement on request for tenders and quotations for our works • adopting alternative delivery models or shared services where applicable

<p>Political</p> <p>Putting customers first – We facilitate this process by having a customer service based approach, regularly reviewing and responding to community needs, and ensuring frequent and timely consultation and engagement on issues that affect the community.</p>	<p>We previously identified and shall continue to identify the current technical and community levels of services, costing the services, and benchmarking them against other similar Councils, where this does not currently exist or improve it where it does. We will likely consult our customers about the levels of service that we provide as part of the future iterations of the <i>Community Strategic Plan</i>.</p> <p>Level of service improvement is one of the initiatives under the <i>Service Management</i> key initiatives of the <i>Asset Management Strategy</i>.</p>
<p>Legal</p> <p>Risk management - We can strengthen practices for risk management and compliance with key laws and regulations.</p> <p>Initial assessments indicate that risk management approaches are being applied on some but not all of the asset classes. Given the recent revision of our <i>Risk Management Policy and Procedures</i>, an opportunity is now available for us to review and update the application of risk management principles to all our key asset classes.</p>	<p>We will revise our asset risk management approaches and establish a documented and practical risk management application to cover asset profiling, criticality, asset risk assessment and risk registers. An education session with relevant stakeholders will also be carried out.</p> <p>A risk management improvement program is one of the initiatives under the <i>Asset Lifecycle Management</i> key initiatives of the <i>Asset Management Strategy</i>.</p>

3. Current and Future State

3.1 Where we are (current state)

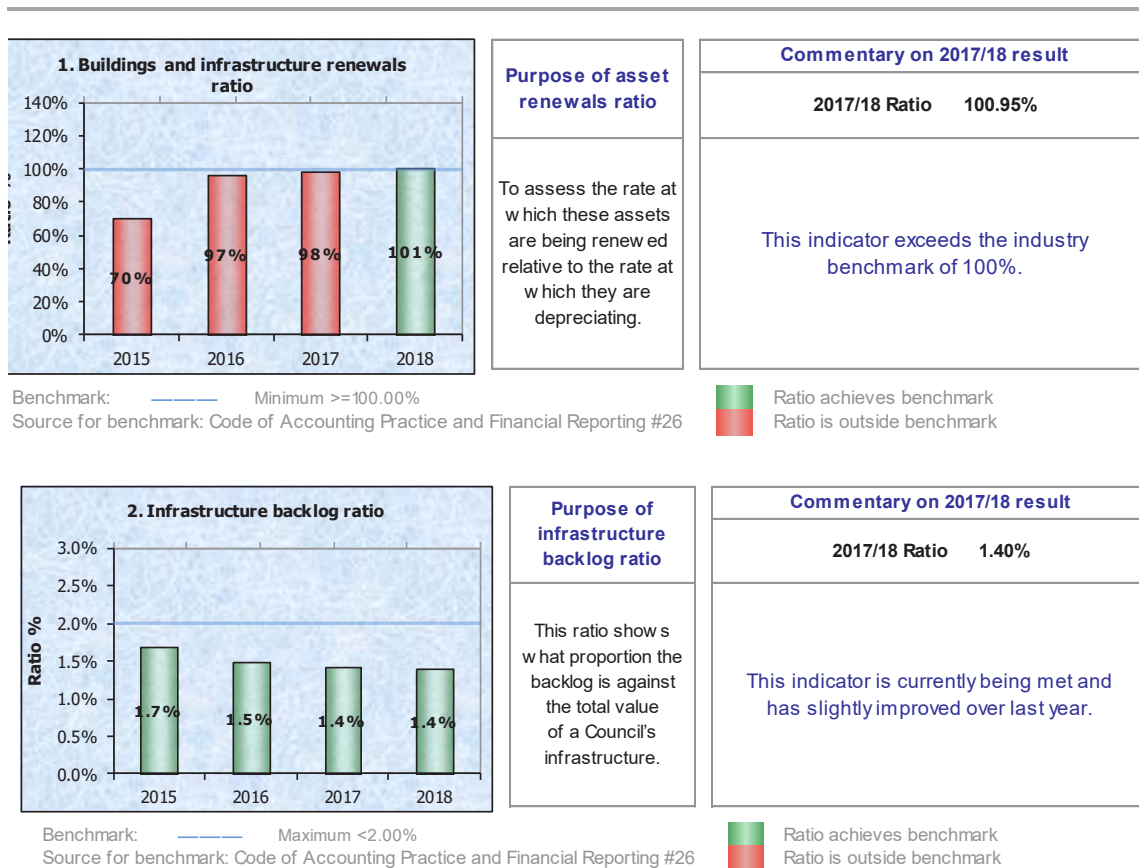
The measures below demonstrate the current state of our assets and asset management practices:

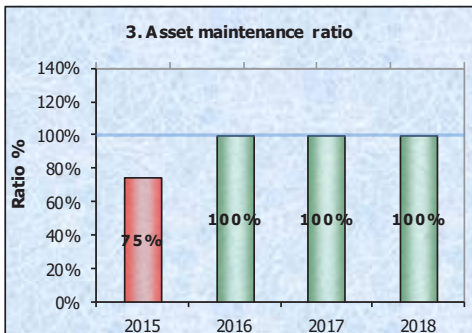
- asset performance
- the value and condition of our assets, and
- the state of our asset management practices

3.1.1 State of our asset performance

Figure 3.1 shows the performance of our assets as represented by four ratios based on extracts from section 7 of our 2018 Financial Statements:

Figure 3.1: Asset performance measures





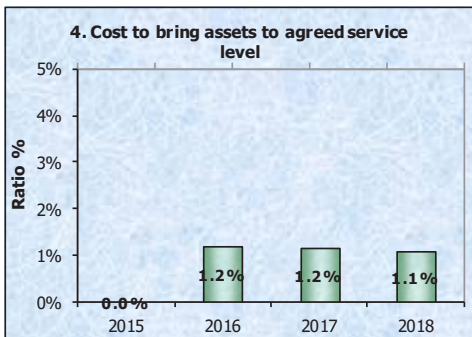
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 100.00%

This indicator is currently being met.



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 1.08%

This indicator shows a slight decrease on 2017 which was 1.17%. There is currently no benchmark assigned to this measure.

Key observations

- We are meeting all our infrastructure performance measures and have been doing so for the past three years. The only exception is the buildings and infrastructure renewal ratio, with a close 97 & 98 % in previous periods.

Conclusions:

- We are currently doing well and must continue to meet all our infrastructure sustainability measures
- We must improve the measurement and reporting of our asset maintenance ratio to be more reflective of our actual performance compared to planned performance
- We must seek relevant benchmarks (industry, regional, state or national) to compare and improve our performance, if warranted, regarding the cost to bring assets to an agreed level of service

3.1.2 State of our asset condition and valuation

Figures 3.2 and 3.3 below show the value and condition of our infrastructure assets.

Figure 3.2 Asset values

\$'000	Special Schedule 7 - Report on infrastructure assets as at				
	30 June 2018				
Asset class	Gross replacement cost (GRC)	Net carrying amount	Depreciation	Required Maintenance	Cost to bring assets to satisfactory standard
Roads	385,871	289,627	96,244	5,977	5,474
Buildings	335,365	275,105	60,260	4,624	405
Stormwater Drainage	117,654	86,831	30,823	703	2,733
Open space / recreational assets	61,193	42,305	18,888	2,694	1,332
Other infrastructure assets	23,120	13,977	9,143	108	105
Other structures	8,988	7,816	1,172	177	0
TOTAL ALL ASSET CLASSES	932,191	715,661	216,530	14,283	10,049

Figure 3.3 Asset condition representations

Asset class	Proportion of asset class (based on GRC) *	Cumulative Proportion	Assets in condition (based on % of GRC) as at 30 June 2018				
			1	2	3	4	5
Roads	41.4%	41.4%	31.7%	35.3%	27.0%	5.2%	0.7%
Buildings	36.0%	77.4%	57.6%	28.8%	12.2%	1.4%	0.0%
Stormwater drainage	12.6%	90.0%	31.2%	29.1%	28.8%	10.9%	0.0%
Open space assets	6.6%	96.6%	25.5%	18.4%	35.5%	16.6%	4.1%
Other infrastructure assets	2.5%	99.0%	2.4%	71.5%	23.1%	2.4%	0.8%
Other structures	1.0%	100.0%	6.0%	84.0%	10.0%	0.0%	0.0%
TOTAL ALL ASSET CLASSES	100.0%	-	39.6%	32.5%	22.2%	5.2%	0.6%

*See figure 3.4

Asset condition ratings: 1 Excellent – No work required (normal maintenance), 2 Good – Only minor maintenance work required, 3 Average – Maintenance work required, 4 Poor – Renewal required, 5 Very Poor – Urgent renewal/upgrading required

Key observations

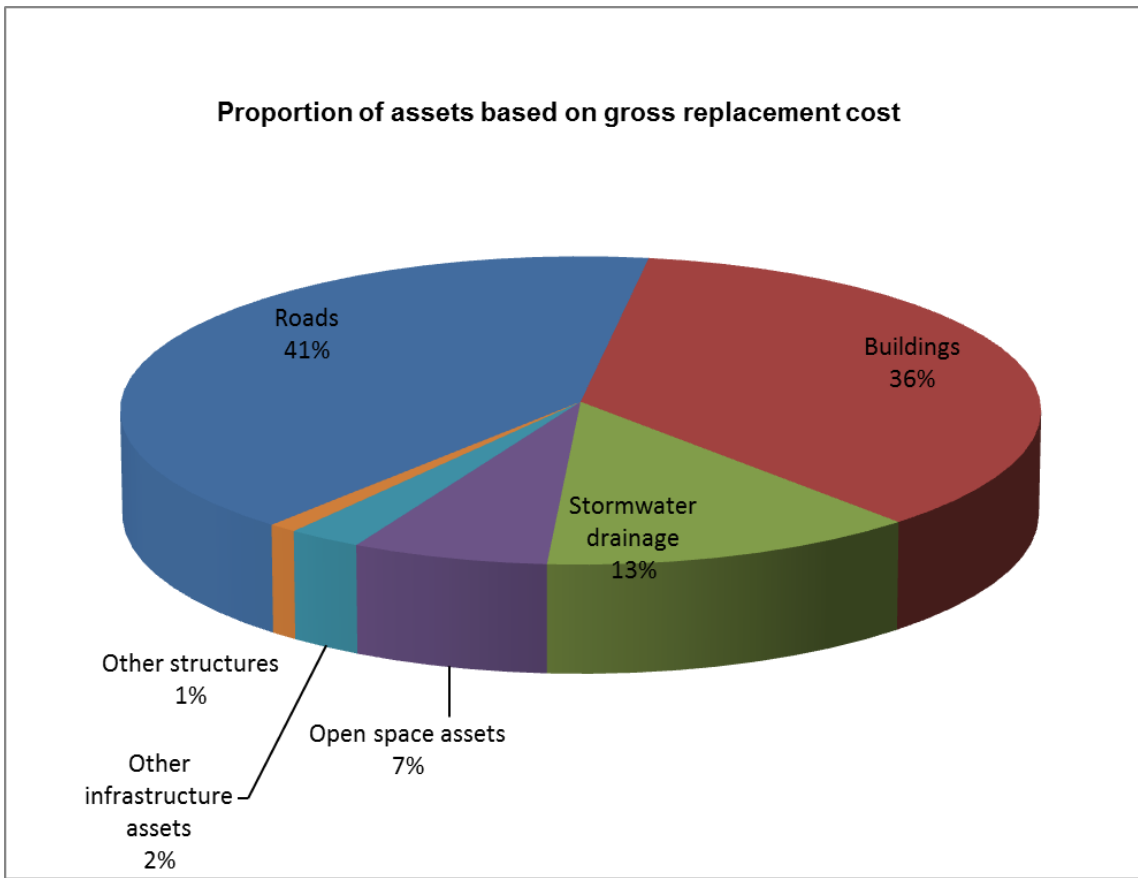
The key observations are that:

- We have an asset consumption ratio (which is the current value of infrastructure assets divided by the gross replacement cost of assets) of about 76% (\$715/\$932) of the total asset stock
- That 0.6% and 5.2 % of our assets requires immediate and short-medium term replacement respectively

Conclusions:

- Our services have utilised about 24% of our existing asset base
- About 80% of assets are in condition 1 and 2 and do not require immediate replacement
- About \$6M (0.6%) worth of assets require immediate replacement and about \$30M (5.2%) require replacement in the short term (1-3 years) based on asset stock with a gross replacement value of about \$1 billion

Figure 3.4: Distribution of asset types based on gross replacement cost



3.1.3 State of our asset management practices - current maturity assessment

In September 2018 an internal audit assessed our asset management maturity utilising the National Asset Management Assessment Framework (NAMAF). NAMAF was developed to evaluate progress with implementation of the Financial Sustainability Frameworks initiated by the Local Government and Planning Ministers' Council. The assessment tool has two components of core maturity and advanced maturity with 79 and 69 questions respectively covering 11 key elements of asset management.

Figure 3.5 shows our aggregate scores over the 11 elements of NAMAF.

Key observations

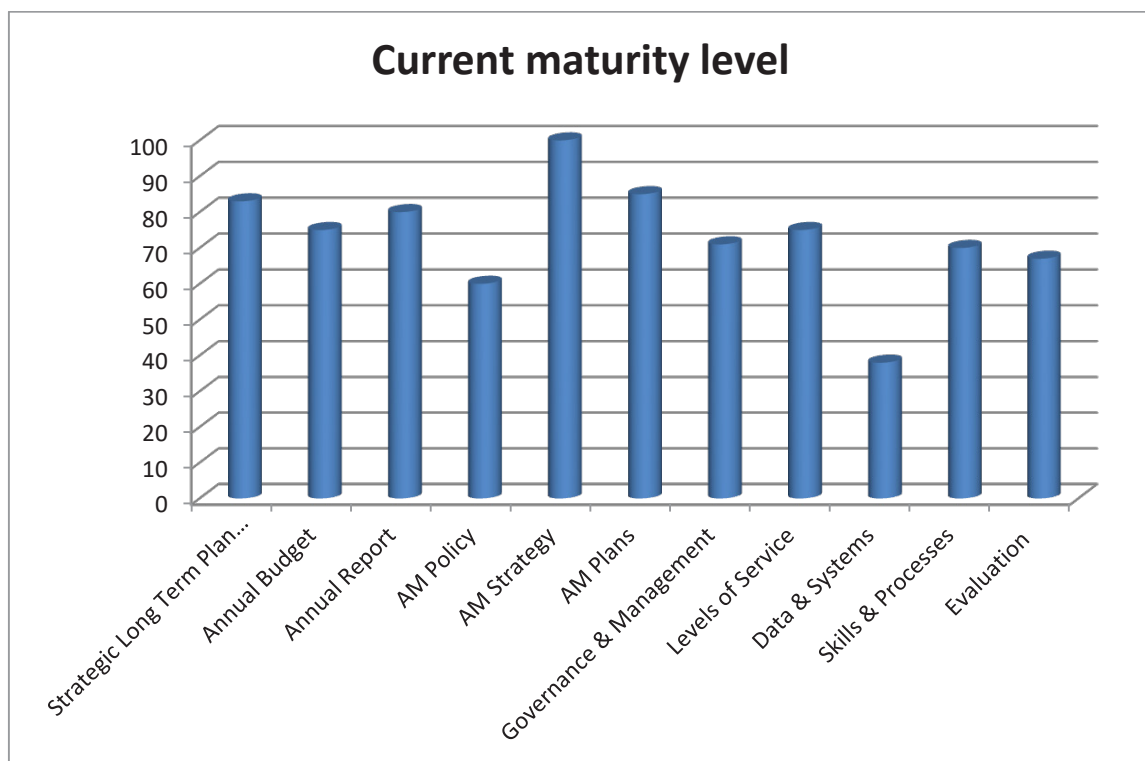
The key observations are that:

- We scored an average of about 75% and the highest on the AM Strategy element
- *Asset Data & Systems* as well as *Asset Management Policy* elements had the least scores

Conclusions:

- The 2018 internal audit concluded that we did not meet the core level of maturity
- We must improve to achieve the core level of maturity on all elements except one

Figure 3.5: Current maturity levels



3.2.1 Our asset management goal

Our asset management goal is - *To achieve “core level” of asset management maturity by 2022 and “advanced level” in the longer term.*

Figure 3.6: Current and target levels of asset management maturity

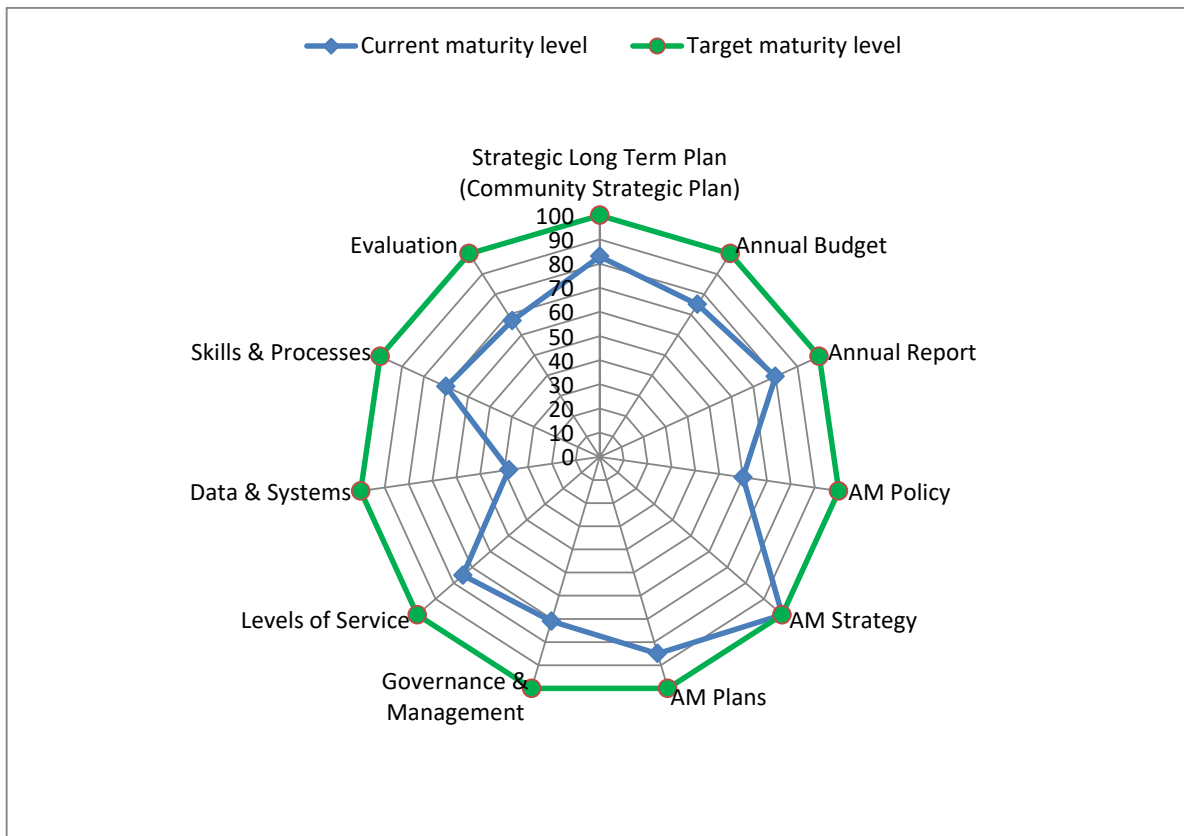


Figure 3.6 above shows the current and 100 % target levels of asset management maturity. The figure also illustrates that the widest gaps are on the *Data & Systems* as well as *Asset Management Policy* elements. The asset management improvement plan will address the gaps over time through the governance of the Strategic Asset Management Committee.

3.2.2 Our asset management objectives

In April 2019 Council adopted an asset management policy with objectives to:

- develop and implement an asset management framework that integrates assets, services, long term financial plan (LTFP) and risk management
- specify our intentions and principles for strategic asset management planning
- continually improve our 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

We plan to complete several key initiatives under four strategic themes to achieve our asset management mission.

A. Accountability and Direction													
Background	<p>Asset management improvements will occur at Willoughby City Council when key foundations are put in place through the accountability and direction theme by:</p> <ul style="list-style-type: none"> • Council and executive leadership team supporting the asset management function • Setting up clear governance arrangements to implement the asset management capacity, capability and improvement plan • Establishing an AM framework that integrates with other Council plans • Applying relevant asset management supporting policies and procedures • Checking and reporting about the maturity of our asset management practices 												
Objective	<p>Our objective for the Accountability and Direction theme is: <i>To improve the asset management practices to core level of maturity by financial year 2021/22.</i></p>												
Desired Outcomes	<ul style="list-style-type: none"> • We manage assets in a way that aligns with the Community Strategic Plan, Delivery Program, and Operational Plan; and supports our policies, strategies and plans • We provide well planned services based on clear and documented accountabilities of all the assets we own and control • We comply with the legislative requirements for asset management planning and reporting and use asset management industry standards • Our Strategic Asset Management Committee, supported by Executive Leadership Team, meets regularly to implement the asset management improvement program 												
Performance Measures	<ul style="list-style-type: none"> • Council adopted AM framework • AM improvement plan and program reporting that shows progress over time • Assess AM maturity each year and reporting that shows progress over time 												
Key Initiatives	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%; text-align: center;">#</th> <th style="text-align: left;">Title</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A1</td> <td>Asset management framework, asset related policies and procedures</td> </tr> <tr> <td style="text-align: center;">A2</td> <td>Governance & reporting</td> </tr> <tr> <td style="text-align: center;">A3</td> <td>Asset management improvement plan</td> </tr> <tr> <td style="text-align: center;">A4</td> <td>Assets people</td> </tr> <tr> <td style="text-align: center;"> </td> <td> </td> </tr> </tbody> </table>	#	Title	A1	Asset management framework, asset related policies and procedures	A2	Governance & reporting	A3	Asset management improvement plan	A4	Assets people		
#	Title												
A1	Asset management framework, asset related policies and procedures												
A2	Governance & reporting												
A3	Asset management improvement plan												
A4	Assets people												

B: Asset Information Management		
Background	<p>A lot of stakeholders require access to a diverse range of asset information. Setting up and maintaining reliable asset information registers to support informed asset related decisions is very important to meet stakeholders' objectives and support the lifecycle management of assets. Asset information must be readily accessible, accurate, consistent and current to enable proper planning.</p> <p>The asset information management theme focusses on our asset data structure; data quality; data systems and integrated governance. It also documents our asset management practices, business rules, processes and reporting to supply the information our stakeholders require.</p>	
Objective	<p>Our objective for the Asset Information Management theme is: <i>To provide better quality reporting leading to more informed decision making.</i></p>	
Desired Outcomes	<ul style="list-style-type: none"> • Ensuring consistent and improving asset management practices, we: <ol style="list-style-type: none"> a. document and apply key AM business rules, processes & procedures, and b. share our asset management knowledge and experiences • We identify and record assets in a single register with the appropriate level of detail and accuracy to support evidence based long term programs • Asset registers integrate with other corporate systems to support important functions such as human resources, finance, asset management and reporting 	
Performance Measures	<ul style="list-style-type: none"> • Accurate and up to date asset condition ratings • Documented asset data quality and confidence measures and reporting shows improvement over time • Sustainability measures: <ol style="list-style-type: none"> i. have meaningful definitions (e.g. such as maintenance ratio, infrastructure backlog and ratio of cost to bring assets to agreed LOS) ii. comply with set targets and if not, are improving over time iii. are easily calculated and reported on 	
Key Initiatives	#	Title
	B1	Business rules and process improvements
	B2	Data improvements
	B3	Systems improvements
	B4	Finance, reporting and compliance

C: Asset Lifecycle Management

Background	<p>The asset lifecycle management theme covers many issues associated with the planning, acquisition, operations, and maintenance, renewal and disposal aspects of our assets. This includes:</p> <ul style="list-style-type: none"> • Assessing the conditions of the assets, inspecting and monitoring the assets • Justifying projects and developing capital works programs • Seeking and obtaining funding for existing assets, new and upgrades assets • Scoping, designing , drawing, obtaining approvals and tendering for projects • Constructing projects using set standards and designs, managing projects, commissioning, handing over and assimilating the assets into our asset networks and systems • Running or operating and maintaining the assets • Decommissioning the assets that we no longer require • Managing the risk of our assets • Reporting our programs against sustainability measures, operations versus capital, preventive and planned maintenance versus reactive maintenance <p>Planning for growth requires</p> <ul style="list-style-type: none"> • Knowledge of our current assets, their capacities and planning frameworks • Appropriate sizing of infrastructure to prevent employing capital too early • Adequate anticipation of lead times for critical infrastructure • Identification of potential opportunities and constraints 	
Objective	<p>Our objective for the Asset Lifecycle Management theme is: <i>Except for emergencies, there will be no surprises to our asset based (operations, maintenance and capital) programs.</i></p>	
Desired Outcomes	<ul style="list-style-type: none"> • We manage assets from a whole of life perspective (planning, acquisition, operations, maintenance, renewal and disposal) to understand the full cost of asset ownership, select assets that are fit for service and minimise our risk exposure • We base our asset funding on asset management plans and service planning • We prioritise funding in the following order: (Operations, maintenance, and renewal of) existing assets, upgrades and new 	
Performance Measures	<ul style="list-style-type: none"> • Up to date AMPs, asset condition and risk register • Reducing infrastructure renewal backlog over time • Maintenance ratio • Planned maintenance percentage 	
Key Initiatives	#	Title
	C1	Asset management plans
	C2	Risk management improvements
	C3	Delivery program
	C4	Commercial tactics

D: Service Management

Background	<p>The Service Management theme builds on the AM Policy Statement that: <i>“Assets are provided to support Council functions, community services and outcomes”</i> by seeking to utilise assets to meet the service expectations of our customers. In doing so, our service managers must consult with the asset managers to balance the higher levels of services with the cost of service and risk. Our service managers should also always question of whether or not Council is providing the right quality and extent of services and develop strategies to address any differences that may be identified. Such strategies may include new service or rationalisation of existing services as well as higher / lower levels of services; infrastructure asset solutions and non-asset solutions such as demand management.</p>	
Objective	<p>Our objective for Service Management theme is: <i>To provide services that meet current and future community needs at an affordable cost.</i></p>	
Desired Outcomes	<ul style="list-style-type: none"> • We constantly challenge the services we provide and the way we provide them to offer new services and rationalise services and assets we no longer require • We adopt AMPs informed by community needs and local government financial reporting requirements • We document current and desired levels of services in asset management plans and service plans to balance community expectations, cost and risk • We optimise available funding sources to reduce the burden on our rate payers (e.g. from s94, other agencies, state and federal government) 	
Performance Measures	<ul style="list-style-type: none"> • Establish the missing service strategies and plans where they do not exist in consultation with relevant asset managers • Set up affordable services and asset programs through a balanced LTFP that integrates AMPs with service requirements and risk • Establish / sustain high levels of customer satisfaction surveys • % of capital funding from sources other than general rates 	
Key Initiatives	#	Title
	D1	Level of service improvements
	D2	Service plans
	D3	Sustainability initiatives

5. How We Get There (improvement plan)

To achieve our asset management mission, we established an asset management improvement plan that ties projects and programs to the key initiatives of the *Asset Management Strategy*. The *Strategic Asset Management Committee* will monitor and report progress regarding the implementation of the improvement plan to the Executive Leadership Team and Council.

WORKFORCE PLAN 2018–2021



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Executive Summary

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 includes strategies to take advantage of the opportunities while minimising the risks.

The major opportunities include:

- Increased access to new skills development for existing staff
- Increased career development options as retiring employees exit from higher level positions
- Ability to fully assess the skills and capabilities required for positions vacated by retiring employees
- Increased opportunities to create teams that comprise members with different functional skills but aiming towards the same outcomes

The major risks include:

- Increased competition for staff owing to economic conditions, particularly in the critical and difficult-to-fill job groups. This may cause insufficient employees in terms of numbers and skills, or retention costs that significantly impacts the Long-Term Financial Plan.
- A mismatch of existing skills and required skills could prevent us from meeting our delivery programs efficiently and cost-effectively.
- Inability to secure appropriately skilled staff to replace those leaving could cause shortages in staff numbers and/or skills.
- Loss of operational knowledge may impact on efficiency and productivity.
- An increasing skills gap between available and required talent may impact efficiency and productivity and increase training and development costs.

Whatever the future brings, we remain committed to providing quality customer-oriented service to the community and our stakeholders



Part 1– Council’s Workforce Planning Initiatives for 2018/19 to 2020/21

Section 403 of the Local Government Act requires Council to have a long term resourcing strategy to achieve the objectives established in the Community Strategic Plan (CSP) including provision for workforce planning.

Workforce planning is a systematic method for analysing who Council employs now and how they can be retained. It also considers what staff may be required in the future and how they can be attracted to Council. It is an important process as it assists in ensuring that Council ‘engages the people best able to inform its strategic direction, deliver innovative approaches to complex issues and deliver appropriate services effectively and efficiently¹’. Workforce planning is also about identifying potential problems, managing risks and minimising crisis management cycles in terms of the staffing arrangements required to meet our Delivery Program.

Put simply workforce planning aims to have:

The right people

In the right place

With the right skills

At the right time

At the right cost

Who are safe, productive and engaged

The analysis of our current and future demand for labour and the likely internal and external supply, which is detailed in Part 2 of the plan, was based on multiple sources of data including:

- Statistical analysis of our current workforce
- A STEEPLE analysis of the external environment
- Supply forecasting
- Staff exit surveys and interviews
- Leadership forums
- Performance reviews
- Listening posts
- Open forums
- Team meetings
- Employee Engagement Survey
- 360 Degree People Leadership Surveys

This analysis exposed a number of risks relating to Council’s ability to ensure a workforce able to fulfil the goals in the Delivery Program. The identified risks included:

1. Increased competition for staff due to economic conditions and competition from newly formed larger councils with the capacity to pay higher wages. The potential consequence being loss of

¹ Integrated Planning and Reporting Manual – Office of Local Government – Page 74

2. Gap between current skills levels and skills required moving forward due to factors such as technological change, new legislative requirements and the culture of continuous improvement.
3. Inability to secure sufficient numbers of appropriately skilled staff to replace those leaving the organisation; particularly in the critical job groups. Council is significantly impacted by critical skills shortages in NSW most significantly engineers, planners and building surveyors.
4. Loss of high quality Gen X and Gen Y staff due to limited options for accelerated career progression, lower remuneration than some of the merged councils and the lack of affordable housing in the area.
5. Increased training and development costs due to up skilling existing staff and new recruits.
6. A need to continue to develop high level leadership skills at all levels which can impact on organisation performance and innovation.
7. Loss of unique organisational and operating knowledge as staff retirement rates increase.
8. The impact of the current image of government generally and more specifically local government which has the potential of preventing high quality applicants being attracted to the industry.

The analysis also identified several opportunities regarding Council's ability to ensure a workforce able to fulfil the goals in the Delivery Program. These included:

1. Increased access to new skills development for existing staff.
2. Increased career development options as retiring employees exit from higher level positions.
3. Greater number of opportunities to assess the skills and capabilities required for positions vacated by retiring employees.
4. Increased opportunities to create teams that comprise members with different functional skills but who are aiming towards the same outcomes.

The strategies developed to mitigate these risks and take advantage of the opportunities can be broken into seven key areas. They include:

1. Creating a high performance culture of inspired people.
2. Continuing to develop high level leadership skills.
3. Continually reviewing the blend of team members and skills to foster a collaborative workforce.
4. Attracting and selecting high quality applicants.
5. Retaining high quality staff.

6. Developing required skills and providing career development opportunities for existing staff.
7. Managing an ageing workforce.

The proposed strategies, action and timeframes are outlined below.



Creating a High Performance Culture of Inspired People

A desire to continuously improve 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 the values that support this.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Develop and implement new Corporate Direction (mission, vision and value)s	Corporate Direction agreed, communicated and implemented Performance reviews linked to Corporate Direction	Chief Executive Officer Customer and Corporate Director People and Culture Manager	✓	✓	
Develop a skills and capability framework to support our aspirations	Skills and capability framework agreed, communicated and implemented	People and Culture	✓	✓	
Review and refine the Performance and Development Conversations Framework	By 2020/21 all employees have a review and plan in place	People & Culture	✓	✓	✓
Continue to foster a culture that uses business planning to improve service delivery		Governance Business improvement	✓	✓	✓
Design and utilise the design hub framework to encourage innovative thinking		ELT People & Culture	✓	✓	✓
Implement actions to address matters highlighted as requiring attention in the Employee Engagement Survey results	Action Plan in place and actioned	ELT People & Culture All Mangers	✓	✓	✓

Developing High Quality Leadership Skills

High quality leadership is important in meeting the requirements of our Delivery Program and is also a key factor in staff retention. In addition to continuing to cultivate a high performance culture, our leaders require specific skills and attributes to achieve the goals of the organisation.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Develop and implement a leadership capability framework	Skills and capability framework agreed, communicated and implemented	Chief Executive Officer Customer and Corporate Director People and Culture	✓	✓	
Implement an integrated leadership training program to support leaders in meeting the capability framework	Development Program agreed, communicated and implemented	Chief Executive Officer Customer and Corporate Director People and Culture	✓	✓	
Conduct annual People Leadership Surveys and ensure leadership development actions are included in Managers annual performance reviews		People & Culture ELT	✓	✓	✓

The right blend of team members and skills to create a collaborative workforce

We recognise the importance of having the right blend of skills and team members in order to meet our Delivery Program as effectively and efficiently as possible. Collaboration is an effective means of improving productivity and efficiencies.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Ensure processes in place to encourage blending/cross collaboration of teams and skills in a manner that: <ul style="list-style-type: none"> • Follows best practice • Meets legal requirements • Includes feedback from impacted staff • Results in improved service delivery 		People and Culture	✓	✓	✓
Provide increased career development opportunities through internal secondments, lateral transfers and opportunities to act in higher level positions		People and Culture All Managers	✓	✓	✓

Recruitment and Selection

In order to meet our Delivery Program it is essential that we have the right people in the right jobs. For this to occur we need access to high quality candidates which requires initiatives that promote Council as an employer of choice.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Undertake a complete review of the employment brand including: <ul style="list-style-type: none"> Review and update the external webpage to make it more appealing to all potential applicants and implement changes Review content and look of ads – make roles more appealing and include employer of choice options e.g. family friendly, training and development Explore use of innovative advertising strategies that access a wide appropriate audience through greater use of social media such as Linked In 	Percentage of positions with no suitable candidates	People and Culture Media and Marketing Information Services	✓	✓	
Develop and implement an updated salary system and job evaluation processes to ensure competitiveness		Chief Executive Officer Customer and Corporate Director People and Culture	✓	✓	
Continue to streamline and improve the recruitment process to reduce delays and use best practice recruitment and selection processes that use a variety of selection tools		People and Culture	✓	✓	✓

Retention

Over the last few years Council has implemented a number of strategies to encourage staff retention. The strategies included but were not limited to work/life balance initiatives, phased retirement and flexible work options and provision of health and wellbeing programs appropriate to different age groups.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Develop and implement an updated salary system and job evaluation processes to ensure competitiveness		Chief Executive Officer Customer and Corporate Director People and Culture	✓	✓	
Improve the on boarding process by automating the administrative processes relating to forms and other technical aspects while ensuring the people side of it is welcoming and supportive of new employees		People and Culture Information Services	✓	✓	
Continue to facilitate a cultural shift towards greater use of mobile technology by: <ul style="list-style-type: none"> Developing policies and procedures that allow easier access to technology and innovation Simplifying the process for acquiring technology 		Chief Information Officer	✓	✓	✓
Design, develop and implement tailored accelerated career development opportunities for high-potential Gen X and Gen Y employees		People & Culture		✓	
Provide increased career development opportunities through internal secondments, lateral transfers and opportunities to act in higher level positions		People & Culture All Managers	✓	✓	✓

Establish a viable coaching and mentoring program		People & Culture	✓	✓	
Continually review and revise the recognition and reward program to ensure it continues to be effective		ELT People & Culture	✓	✓	✓
Continue to provide access to flexible work options		People & Culture	✓	✓	✓
Implement an action plan to address matters raised in the Employee Engagement Survey to increase retention rates		People & Culture All Manages	✓	✓	✓
Continue to review exit interview results to determine what makes people leave and develop actions to address the matter where feasible		People & Culture	✓	✓	✓

Alternative Strategies to Recruitment

An ability to recruit or retain staff in terms of numbers and skill level, particularly in critical or difficult to fill job groups, could potentially put the Council's ability to fulfil its current and future Delivery Program at risk. To mitigate this risk other options need to be considered.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
<p>All new projects, capital works and services to include a workforce analysis as part of the development of the service plans.</p> <p>Analysis should indicate whether Council has the staff to undertake the project and if not, outline alternative options including options for productivity improvement, hiring contingent staff, using consultants or contractors. The feasibility of creating strategic alliances/partnerships to deliver the best outcome will also be considered.</p> <p>Service plans will include a cost/benefit and funding analysis for all viable options.</p>		<p>Chief Executive Officer</p> <p>Directors</p> <p>All Managers</p> <p>People and Culture</p>	✓	✓	✓
<p>Provide increased career development opportunities through internal secondments, lateral transfers and opportunities to act in higher level positions</p>		<p>People & Culture</p> <p>All Managers</p>	✓	✓	✓

Skills Development

Skills development is an important part of ensuring our employees have the skills required to meet the requirements of our Delivery Program.

Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Undertake a skills audit of current staff and determine the gaps between what we have and what we need. Develop a comprehensive training program to bridge the gap		People and Culture	✓	✓	
Continue to provide training that meets technical requirements of the job roles		People & Culture All Managers	✓	✓	✓
Continue to provide mindfulness training and strength based coaching to assist staff		ELT People & Culture	✓	✓	✓
Review educational assistance policy to ensure it supports skill development		People & Culture	✓		
Incorporate recognition of completion of formal qualification e.g. Cert III, diploma, undergraduate degree, master's degree, into recognition and reward program		ELT People & Culture	✓	✓	✓

8. Managing an Ageing Workforce

An ageing workforce, particularly when coupled with high levels of tenure as is the case at our Council, presents many challenges to workforce planning including higher levels of voluntary labour turnover due to a higher number of retirements and the potential loss of historical and operational knowledge.

An ageing workforce also presents challenges from a Work Health and Safety perspective, particularly in circumstances where older staff are working in operational roles with a significant physical component. Understanding changes to our bodies as we age and making adjustments to offset the effect can result in a safer, healthier and more productive workplace. At present our ageing workforce is impacting on workers compensation premiums and staff absences. The following actions aim to address this matter.

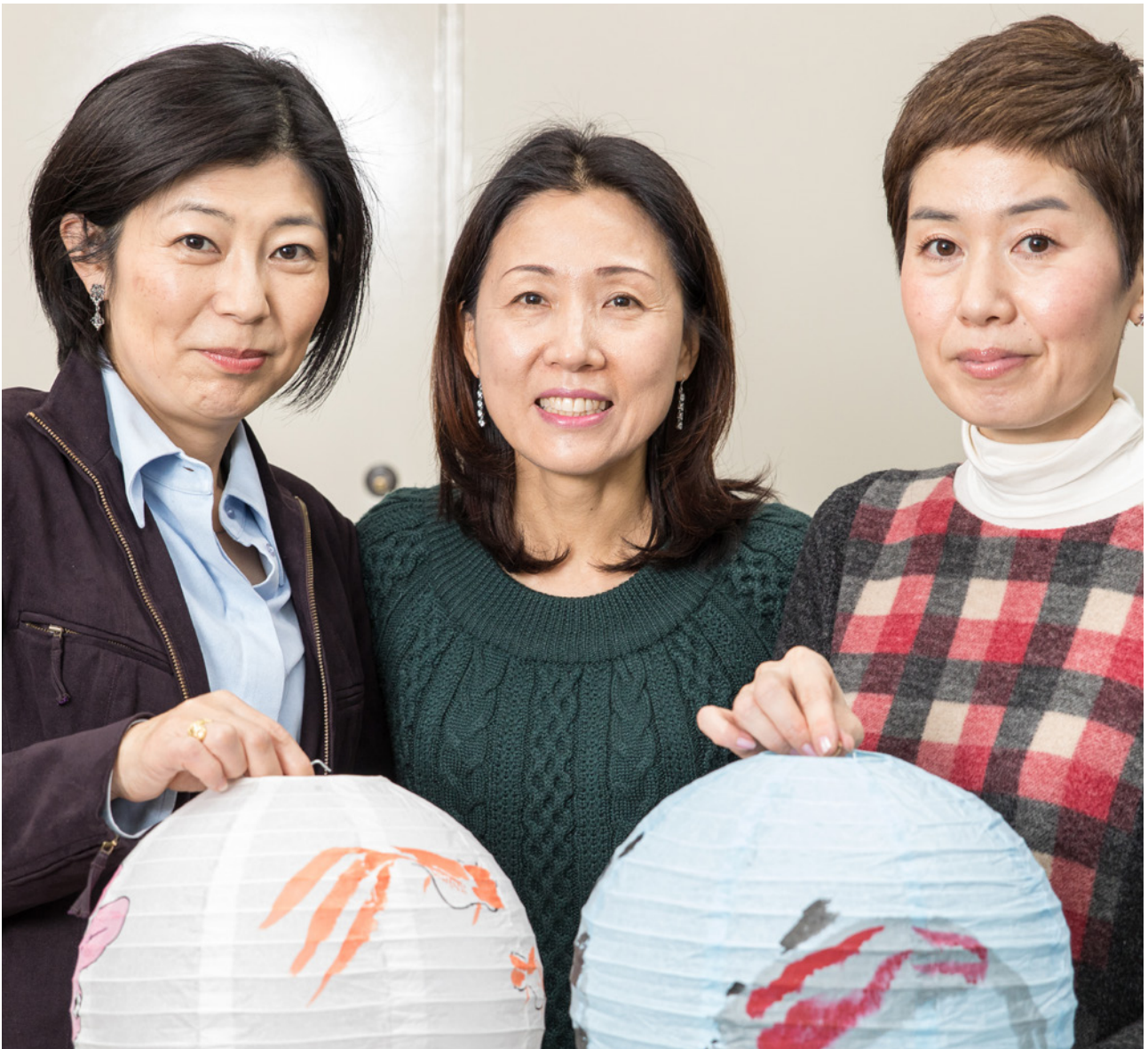
Actions	Performance Measures	Responsibility	2018/19	2019/20	2020/21
Continue to promote new ways of working (e.g. increased flexibility, job sharing, hours of operation and increased access to working from home) and tailor them to the needs of each age demographic		People and Culture	✓	✓	
Continue to promote and support 'phased retirement' options to assist in ensuring the intellectual capital of retiring staff is captured and retained		People & Culture All Managers	✓	✓	✓
Expand the health and wellbeing initiative to more areas Include lifestyle and basic health checks, functional movement assessments, nutrition advice and some basic stretching activities, tips for managing change		ELT People & Culture/WHS	✓	✓	✓

Evaluation

We will continue to evaluate the strategies in our Workforce Plan and report progress every six months, as part of the Delivery Program Progress Report and annual reporting process.

The Plan is normally reviewed every four years in line with the Integrated Planning and Reporting cycle.

Evaluation will also include annual demand and supply forecasting to determine whether strategies remain relevant in a changing environment.



Part 2 – Supporting Information

This Workforce Plan forms part of the resourcing strategy and has been prepared in accordance with the requirements of the State Government’s Integrated Planning and Reporting Framework. It considers our capacity to deliver services and meet the outcomes included in the Council’s Community Strategic Plan. Both the Community Strategic Plan and the Resourcing Strategy work in alignment with the Delivery Program.

The following image highlights the context of workforce planning within this framework.

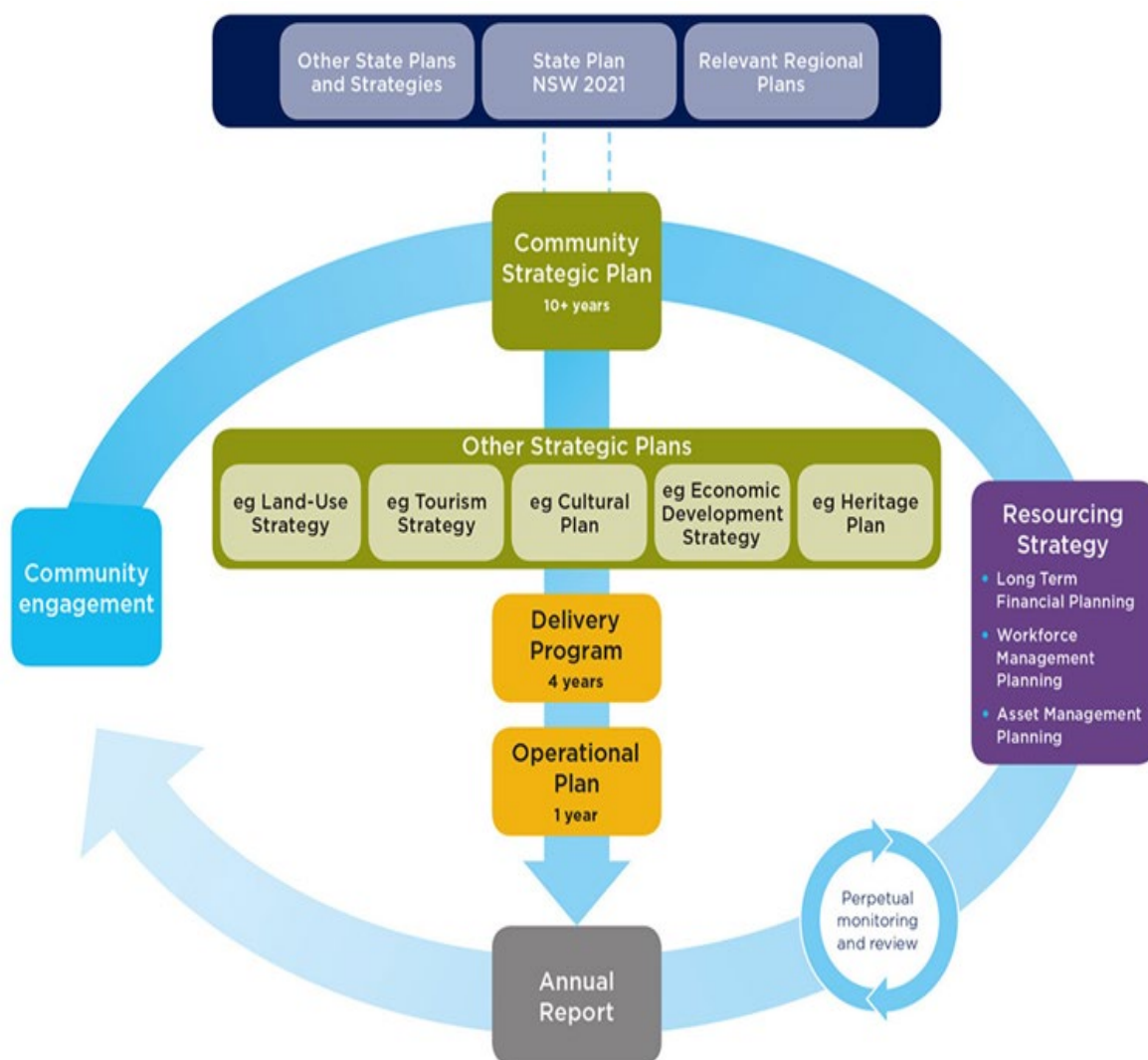


Figure 1: Integrated Planning Framework from the Office of Local Government’s Integrated Planning and Reporting Framework – Page 9

Workforce Planning Framework

Our Workforce Plan is underpinned by a framework that aligns decisions about Human Resources with outcomes and objectives from the Community Strategic Plan. This Workforce Planning Framework is a key element of our resourcing strategy, working together with our Long-Term Financial Plan and Asset Management Strategy to resource and sustainably manages our services. It has informed our strategies to address future workforce needs, supply gaps and surpluses.



Figure 2: Workforce Planning Framework

Steeple Analysis

The STEEPLE analysis examines external factors that could affect our ability to secure the staff required to meet the requirements of our delivery program. It includes seven (7) key areas. They are:

- Social
- Technological
- Economic
- Environmental
- Political
- Legal
- Ethical

Social

1. Profile of Willoughby LGA

Our multicultural population includes a high number of overseas-born residents from non-English speaking backgrounds. 18.8% of residents were born in Asia, with 56% of these born in China. The population is educated and affluent, with a high percentage of high-income earners and low numbers of low-paid, unskilled workers. Housing prices are high and out of the reach of low to middle income earners.

Willoughby LGA population is predicted to:

- increase by 14.85% to 91 848 residents by 2036
- continue to age, with more people over 65 than under 15

This is based on the following migration assumptions:

- 'Strong gain of young people (aged 17-30) moving into the LGA for education and employment purposes and also to take advantage of available renting housing stock
- Slight gain of young families with children aged 0-4
- Loss of established families with children aged 5-14 who may be leaving the area for more affordable housing, new employment opportunities, and access to particular schools, larger housing and the like.
- Net loss of mature adults aged 40-54 as well as early retirees and empty nesters aged 55-64 moving out of the area.
- Little notable change with older groups who tend to be less mobile.²

What does this mean for Council?

The workforce profile, income and housing affordability within the LGA make engaging local staff, particularly for lower-paid operational roles challenging. Dealing with the matter requires strategies that encourage workers to bypass work in other LGA's to come and work for us.

The profile also indicates that demand will increase for open space, recreational facilities, and community services that address social inclusion. These changes will also affect the number of jobs, job roles and skills Council requires.

² id Community – The Population Experts – Population Forecasts – Willoughby City Council

2. Ageing Population

Australia has an ageing population and an ageing workforce. This will have implications for 'local government generally as employees aged 50 years or over are estimated to represent 37% of the local government workforce, compared to the Australian average of 29%'.³ Our workforce will be particularly affected. As of June 2019 over 50% of our employees are over 50 with average age 49 years old.

What does this mean for Council?

The risks and opportunities associated with an ageing workforce and the impact of high retirements include:

- Loss of executive knowledge
- Loss of operational and historical knowledge
- Inability to secure adequate supply of appropriately skilled and experienced staff
- Increasing gap between skills of available talent and required skills.
- Opportunities to replace retiring employees with staff with new skills.
- Opportunities to provide career progression for other staff through vacancies created by retirements.

As the population ages, demand for particular services will increase, such as for aged care services. To meet this challenge, it's essential to implement workforce strategies that increase retention and attract more Generation X and Y staff. We must also capture the intellectual property of staff transitioning to retirement.

3. Skills Shortages

Skills shortages are a continuing issue for the Australian and NSW economies. Contributing macroeconomic factors include technological advances, the state of the economy, and regulatory frameworks, which are difficult for an individual organisation to influence.

What does this mean for Council?

To increase our ability to attract and retain the skills required to meet our Delivery Program, we need to implement initiatives that influence an employee's choice of employer and override the macroeconomic factors outlined above

These factors include:

- Career development opportunities
- Perception of the employer or industry
- Working conditions
- Education and training opportunities
- Place identity and social networks.

³ Local Government 2018 Draft Industry Skills Forecast – page 16

4. Generational Issues

There are five key generational groups currently in the Australian workforce. Builders, Baby Boomers, Generation X, Generation Y, often referred to as millennials and Generation Z. Sociological research shows that the generations have clearly different characteristics which do not simply refer to stage of life. Each generation creates its own traditions and culture through shared attitudes, preference and dispositions. Millennials for example 'are generally technologically adept, prepared to change jobs frequently and will invest if they feel a meaningful connection with their work.'⁴

The dates consistently uses in Council's previous workforce plans are as follows:

Builders – Pre 1946

Baby Boomers – 1946 to 1964

Generation X – 1965 to 1979

Generation Y (Millennials) – 1980 to 1994

Generation Z – 1995 to 2009

What does this mean for Council?

It highlights the need for:

- Retention strategies that address the needs of each generation
- Strategies that foster cross-generational interaction.

Technological

Automation, artificial intelligences and robots are being increasingly deployed in the workforce. As technology develops further especially the skills required by the workforce will be vastly different. The digital transformation in governments is resulting in ever-increasing number of ways in which local government can engage with the community.⁵

However, the implementation of new technology does bring its own challenges. The 2017 Digital Productivity Report by the LG Association of Queensland noted that councils in Queensland have a skills shortage in terms of digital literacy. Local Government, New South Wales has also identified this as a major issue.

Rapid advancements in technology have also:

- Reduced the demand for some traditional skills in our organisation
- Led to the development of new knowledge-based skills
- Made access to information easier
- Changed the way we work and where we work
- Blurred the boundary between work and personal time
- Highlighted a need for work-life integration
- Increased the demand for social networking tools in the workplace
- Increased the capacity for customer self and more communication channels.

⁴ The Unexpected Benefits of a Millennial Workforce. Bianca Healey. HRMOnline 2 December 2016. Page 1.

⁵ [Local Government 2018 Draft Industry Skills Forecast – page 27](#)

What does this mean for our Council?

The skills shortages issue can be addressed by skilling current staff and, where this is not possible, engaging staff with the required skills.

In addition, rapidly changing technology requires a workforce planning strategy that creates new roles, alter structures, develop skills quickly and efficiently, and attract and retain Gen Y and Gen Z staff. To make the most of technological advancement, we are empowering our workforce to think with creativity and innovation.

For an increasing tech-savvy workforce work/life integration strategies are important to ensure staff are retained, managed and motivated.

These factors highlight the need for:

- Retention strategies that address the issue of work life balance
- Appropriate training and development strategies
- Strategies to address staffing requirements in terms of numbers, job types and skill levels created by the introduction of new technology.

Economic

The NSW economy remains strong and is predicted to remain so for the next two to three years. In addition in the report in January 2019 the NSW government reported that employment participation lifted to 65.2% especially amongst female and overall unemployment was at 3.9% the lowest across all of Australia⁶. The catalyst for such growth is both public and private investment led by the government's infrastructure program delivering schools, hospitals, roads, rail and cultural projects.

What does this mean for our Council?

Although a robust state economy is a positive outcome for the local community it does present a challenge for our Council when it comes to attracting and retaining an appropriate workforce. For example, the state's continued construction program has made it difficult for Council to secure the following essential skills.

- Engineers
- Building Surveyors
- Environmental Health Officers
- Project Managers.
- Planners

Other areas of skills shortages in NSW include:

- IT/ICT Technicians
- Supervisors/Team Leaders
- Labourers
- Trades – plumber
- Trades – Building and Construction.

⁶ NSW Government Website - nsw.gov.au Report from Treasury January 2019

What does this mean for our Council?

An inability to secure staff with appropriate skills could impact on Council's ability to meet its Delivery Program.

The implications for workforce planning are the need for:

- Effective retention strategies for critical and difficult to fill job roles
- Competitive remuneration/rewards packaging
- Effective skills development programs
- Effective cadet/intern programs.

Moving forward, the Sydney Metro Northwest could provide opportunities to reach employees in other catchment areas within the life of this plan but we also need to be aware of the impact the closure of the Epping/Chatswood line may have in the short term. This is an important consideration given our current difficulty recruiting operational staff due to housing affordability in this Local Government Area.

Current economic conditions and the resultant skills shortages in key areas for Council challenge us to do more with less and highlight the need for business improvement initiatives and an increase in trainees, apprentices and secondments.

Environmental

The community's commitment to Climate Change Action resulted in the Environmental Restore Levy, which funds our sustainability programs and initiatives. Employee expectations also reflect those of the community. People want to work for an organisation that values the environment and incorporates sustainability into all aspects of their operations.

What does this mean for Council?

We have long been a frontrunner in this regard, which assists in recruiting people who want to work for environmentally responsible organisations.

Political

The general public's view of governments generally is not positive. Dissatisfaction with both Federal and State Governments has tainted the reputation of all spheres of government. This makes branding an important issue for our Council.

In addition, State and Federal Governments often drive initiatives that will have long-term impacts on the labour market. For example, Sydney Metro Northwest and other infrastructure projects provide us opportunity to increase our workforce catchment area over the next few years. This is of particular importance as the cost of living or moving into in Willoughby is often above the income level of the workers we need to attract so improved transport and living options for the area is essential.

What does this mean for Council?

The NSW Governments' decision to abandon the merger process for Council's also impacted on Council's ability to attract and retain staff. Newly, merged large urban councils embarked on recruitment campaigns geared at attracting the best to their particular council. This resulted in significant increases in pay and conditions as the competition for what in many cases are scarce resources e.g., planners, engineers, building surveyors and he like. Our council is currently deemed small urban and whilst we offer

competitive salary levels they are not always at the same level and this makes it more important than ever to implement other strategies that make us an employer of choice.

Legislation

The renegotiation of the NSW Local Government (State) Award 2020 may also have some impact with a focus capacity to hire temporary employees to fill project work of particular interest. In addition, the current 2017 Award restricted the ability for transferring long service leave to five years, may have caused some local government employees to be less mobile in their employment.

Ethics

As a public employer, we have an obligation to ensure our processes and procedures reflect equity and diversity. This includes merit-based selection, promotion and retention strategies and non-discriminatory policies and procedures. It's important to have a reputation of being ethical and socially responsible to attract high-quality staff. Younger generations are more inclined to invest and stay the distance if the work is meaningful to them. Meaningful work for many younger people is tied to ethical actions and social responsibility.⁷

⁷ The Unexpected Benefits of a Millennial Workforce. Bianca Healey. HRMOnline 2 December 2016. Page 1.

Supply Forecasting

Internal Supply

We assessed the age, tenure, gender and employment type of our current workforce to determine whether we have the people required to meet our Delivery Program. Below is a snapshot of this information.

Age and Tenure

As with most councils and public sector employers, our internal workforce has the following characteristics.

- A high number of the baby boomer generation – 37.25%
- An over-representation of mature-age workers with an average age of 49.01
- High tenure rates with an average length of service of 10.07 years

This profile has both positive and negative benefits. It indicates a stable workforce with good knowledge retention; however, as long-serving staff reach retirement age, we risk losing large amounts of historical and operational knowledge along with intellectual property.

An ageing workforce also presents challenges from a Work Health and Safety perspective, particularly in circumstances where older staff are working in operational roles with a significant physical component.

There is a cost associated with high tenure rates in terms of entitlement payments. As a result, we have mapped our ability to pay for employee leave entitlements, and also developed strategies to encourage older employees to extend their working lives. These strategies include access to flexible work practices, health and wellbeing initiatives. We've also developed strategies to encourage younger staff to remain with us.

Gender

Gender equality at all levels is a measure of our success in creating an equal opportunity organisation. Our gender profile is not typical of most NSW Local Councils, where only a small proportion of General Managers (5%) and only 20% of Directors/Senior staff are women. We have a female General Manager and an Executive Leadership Team comprising 50% women. Of our 400 employees, as at June 2019, 52.25% are female. However, the male-female ratio is not evenly spread throughout our organisation; the majority of staff in Works are male, while the majority of staff in Community, Culture and Leisure are female. 71.4% of unit managers are male.

Employment Type

As at 30 June 2019, our workforce comprised 328 permanent full-time and 72 permanent part-time employees.

Skills

A skills gap analysis is due to be conducted in the coming 2019/20 period.

Staff Retention

Our voluntary turnover rate tracked has decreased to 11.91% in the 2018/19 period down from 13.47% the year before.

Exit interviews indicated that the most common reasons for leaving included wanting to work closer to home and lack of career progression owing to the long tenure of most managers.

To address those who wish to work closer to home the importance of advocating for improved access to the LGA through transport infrastructure is important as well as exploring better flexibility and technology options for employees to work from home or different sites

Given our workforce size, we are somewhat limited in being able to provide career paths to all employees, but it is an important issue that must be addressed. Strategies to provide career development opportunities have been carefully considered and included in the workforce plan.



External Supply

It's important to assess external supply when determining whether we will be able to secure the staff required to meet our Delivery Program over the next three years. There are several relevant job types that have shortages in NSW⁸:

- Engineer
- Urban and Town Planners
- Building Surveyors
- Environmental Health Officers
- Project Managers

Other job types relevant to Council with national shortages include:

- Mechanics
- Arborists
- Sheet metal workers⁹

Other job roles with recruitment difficulties in NSW relevant to Council include:

- IT/ICT Technicians
- Supervisors/Team Leaders
- Labourers
- Trades – Plumber
- Trades – Building and Construction

Other job types with recruitment difficulties nationally that are relevant to Council include:

- Childcare Workers for long day care centres
- Civil Engineers

Conclusion

Analysis of our labour supply and demand identified several risks to successful delivery of our Delivery Program. These include the following factors:

- Increased competition for staff owing to economic conditions, particularly in the critical and difficult-to-fill job groups. This may cause insufficient staff in terms of numbers and skills, or retention costs that significantly impacts the Long-Term Financial Plan.
- A mismatch of existing skills and required skills could prevent us from meeting our delivery programs efficiently and cost-effectively.
- Inability to secure appropriately skilled staff to replace those leaving could cause shortages in staff numbers and/or skills.
- Loss of operational knowledge may impact on efficiency and productivity.
- An increasing skills gap between available and required talent may impact efficiency and productivity and increase training and development costs.

⁸ Preliminary Findings – 'National Skills Survey' LGNSW – March 2018

⁹ <http://australia101.com/migration/skilled-occupation-list/>

The analysis also identified several opportunities. These include:

- Increased access to new skills development for existing staff
- Increased career development options as retiring employees exit from higher level positions
- Greater number of opportunities to assess the skills and capabilities required for positions vacated by retiring employees
- Increased opportunities to create teams that comprise members with different functional skills but aiming towards the same outcomes

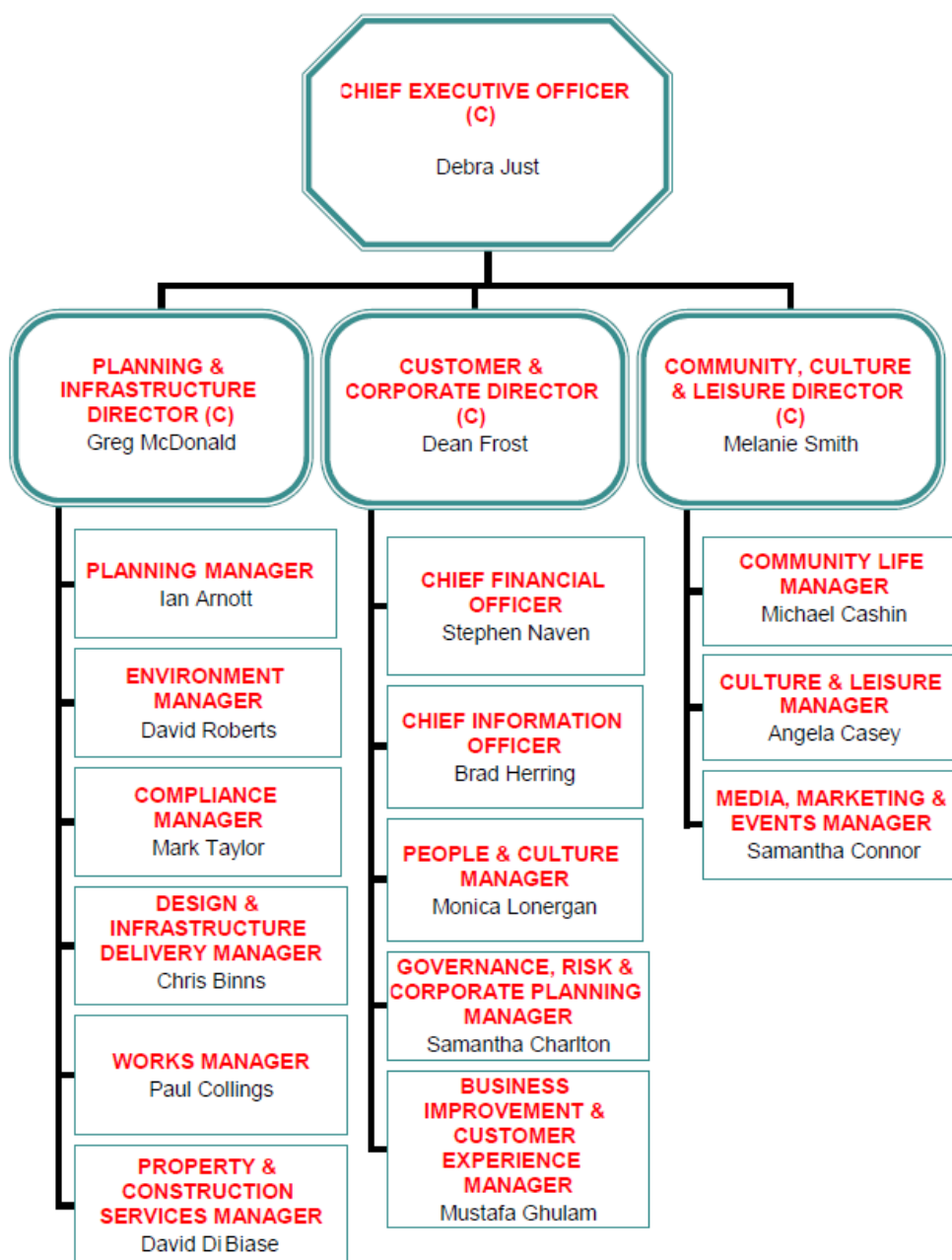


Part 3 – Relevant Data and Metrics

The following attachments provide details of the data and metrics that informed our Workforce Plan.

Attachment 1 – Current Management Structure

Council Management Structure

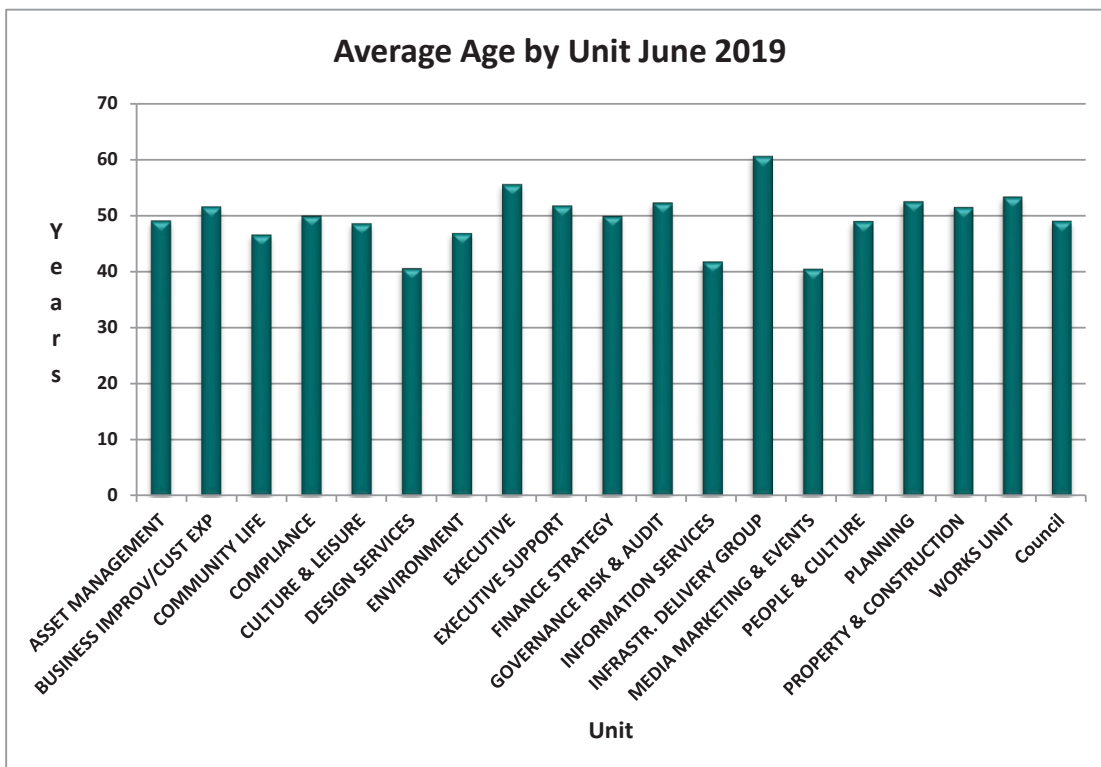


Attachment 2 – Organisational Analysis 30 June 2019

Organisational Analysis	Financial Year 14/15	Financial Year 15/16	Financial Year 16/17	Calendar Year 2017	Financial Year 17/18	Financial Year 18/19
Full-Time Equivalents (FTEs)	404.2 (budget FTEs 427.65)	365.7 9(budget FTEs 413.83)	352.83 9(budget FTEs 408.61)	358.63 (budget) FTEs 410.43)	399 (budget) FTEs 410.43)	360.89(budget FTEs 412.72)
Headcount	436	406	387	393	401	400
Full-time staff	351	328	315	326	335	328
Part-time staff	85	78	72	67	66	72
Overall LTO %	15.1	22.0	17.26	17.83	15.71	13.71
Voluntary LTO %	9.2	12.0	14.68	16.02	13.47	11.91
Tenure	9.48 years	9.68 years	10.27 years	10.10 years	9.92 years	10.07 years
Overall Gender Profile %	55 Female 45 Male	52.46 Female 47.54 Male	51.42 Female 48.58 Male	50.25 Female 49.75 Male	50.87 Female 49.13 Male	52.25 Female 47.75 Male
Gender of ELT (MANEX) %	37.5 Female 62.5 Male	75 Female 25 Male	50 Female 50 Male	50 Female 50 Male	50 Female 50 Male	50 Female 50 Male
Gender of Directors %	33.33 Female (2/6) 66.67 Male	66.7 Female (2/1) 33.33 Male	33.33 Female (1/3) 66.67 Male	33.33 Female (1/3) 66.67 Male	33.33 Female (1/3) 66.67 Male	33.33 Female (1/3) 66.67 Male
Gender of Branch Managers %	52.38 Female 47.62 Male	23.53 Female 76.47 Male	16.67 Female 83.33 Male	20.00 Female 80.00 Male	20.00 Female 80.00 Male	28.57 Female 71.43 Male
Age	46.87 years	47.31 years	48.45 years	48.28 years	48.41 years	49.01 years
Generational Profile %	2 Builders, 40 Boomers, 38 Generation X, 20 Generation Y,	0.99 Builders, 41.87 Boomers, 35.22 Gen X, 21.92 Gen Y, 0.0 Gen Z	1.03 Builders, 42.38 Boomers, 35.14 Gen X, 21.45 Gen Y, 0.0 Gen Z	0.76 Builders, 40.20 Boomers, 37.15 Gen X, 21.63 Gen Y, 0.25 Gen Z	0.75 Builders, 38.65 Boomers, 38.90 Gen X, 21.20 Gen Y, 0.50 Gen Z	0.75 Builders, 37.25 Boomers, 39.00 Gen X, 21.75 Gen Y, 1.25 Gen Z
Generational Profile Using PwC dates %		0 Builders, 50.14 Boomers, 29.30 Gen X, 20.56 Gen Y, 0.0 Gen Z	0 Builders, 51.34 Boomers, 28.96 Gen X, 18.70 Gen Y, 0.0 Gen Z	0 Builders, 48.53 Boomers, 31.18 Gen X, 20.29 Gen Y, 0.0 Gen Z	0.25 Builders, 44.39 Boomers, 34.91 Gen X, 20.20 Gen Y, 0.25 Gen Z	0.25 Builders, 43.00 Boomers, 35.25 Gen X, 21.00 Gen Y, 0.50 Gen Z

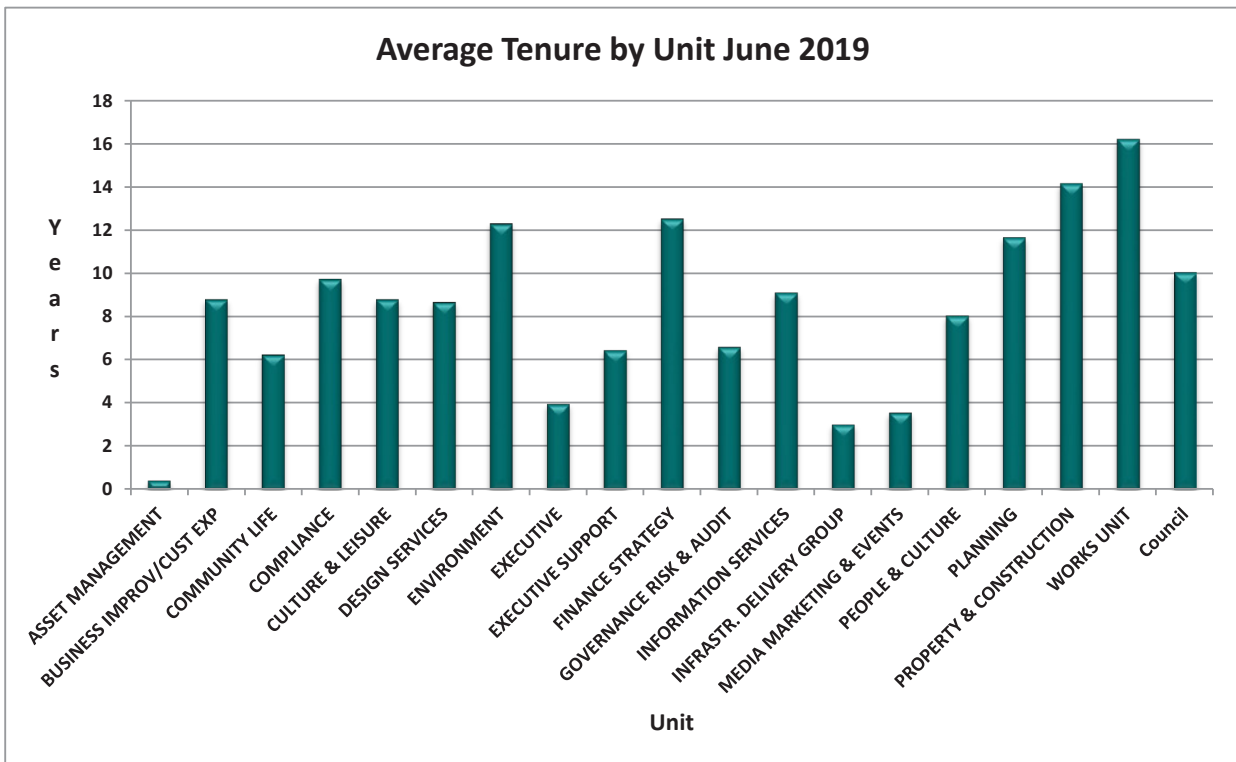
Attachment 3 – Average Age by Unit as at 30 June 2019

Unit	Ave Age
ASSET MANAGEMENT	49.05
BUSINESS IMPROV/CUST EXP	51.60
COMMUNITY LIFE	46.59
COMPLIANCE	49.95
CULTURE & LEISURE	48.59
DESIGN SERVICES	40.58
ENVIRONMENT	46.82
EXECUTIVE	55.55
EXECUTIVE SUPPORT	51.73
FINANCE STRATEGY	49.90
GOVERNANCE RISK & AUDIT	52.26
INFORMATION SERVICES	41.78
INFRASTR. DELIVERY GROUP	60.52
MEDIA MARKETING & EVENTS	40.49
PEOPLE & CULTURE	48.95
PLANNING	52.49
PROPERTY & CONSTRUCTION	51.44
WORKS UNIT	53.30
Grand Average	49.01



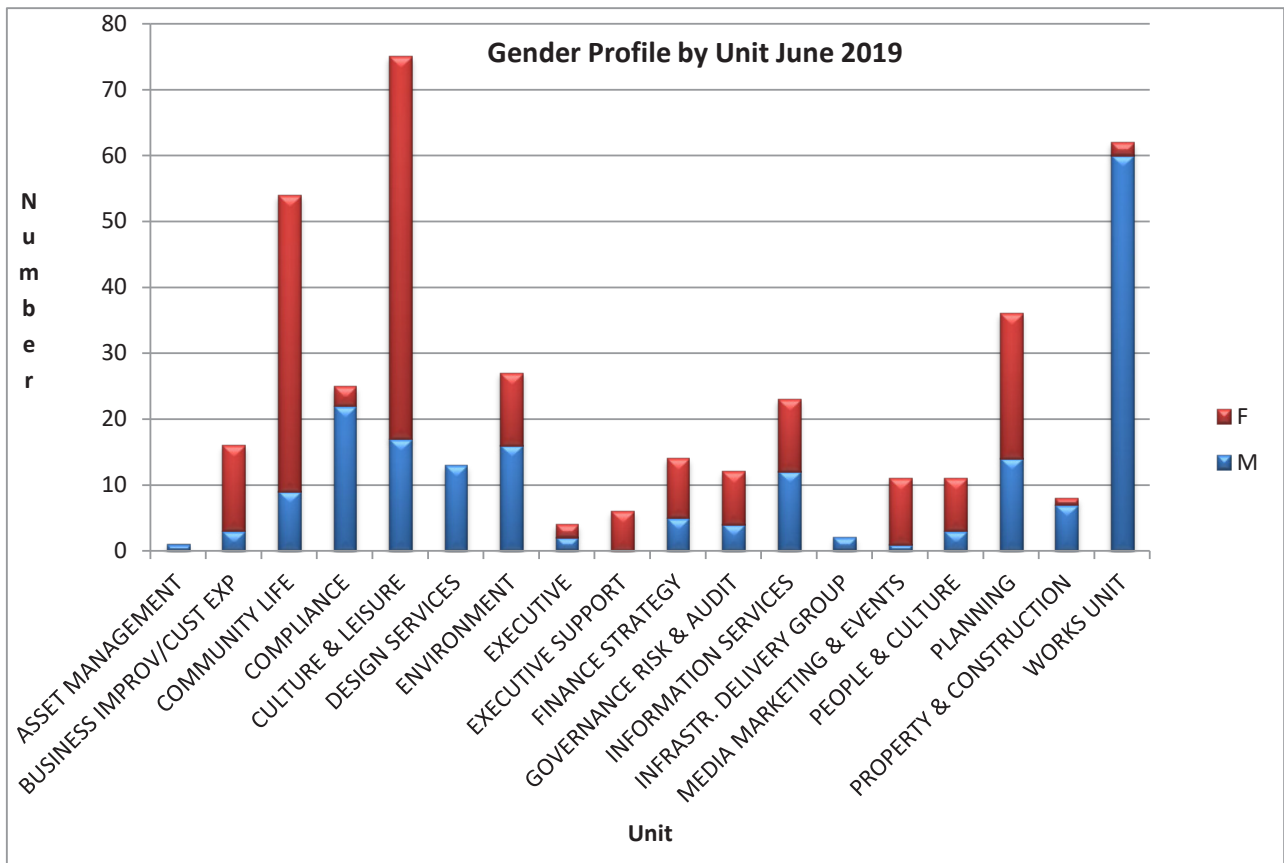
Attachment 4 - Average Tenure as at 30 June 2019

Unit	Ave Tenure
ASSET MANAGEMENT	0.42
BUSINESS IMPROV/CUST EXP	8.84
COMMUNITY LIFE	6.29
COMPLIANCE	9.77
CULTURE & LEISURE	8.83
DESIGN SERVICES	8.71
ENVIRONMENT	12.34
EXECUTIVE	4.00
EXECUTIVE SUPPORT	6.48
FINANCE STRATEGY	12.55
GOVERNANCE RISK & AUDIT	6.64
INFORMATION SERVICES	9.14
INFRASTR. DELIVERY GROUP	3.05
MEDIA MARKETING & EVENTS	3.60
PEOPLE & CULTURE	8.08
PLANNING	11.69
PROPERTY & CONSTRUCTION	14.19
WORKS UNIT Average	16.23
Grand Average	10.07



Attachment 5 - Gender Profile by Unit as at 30 June 2019

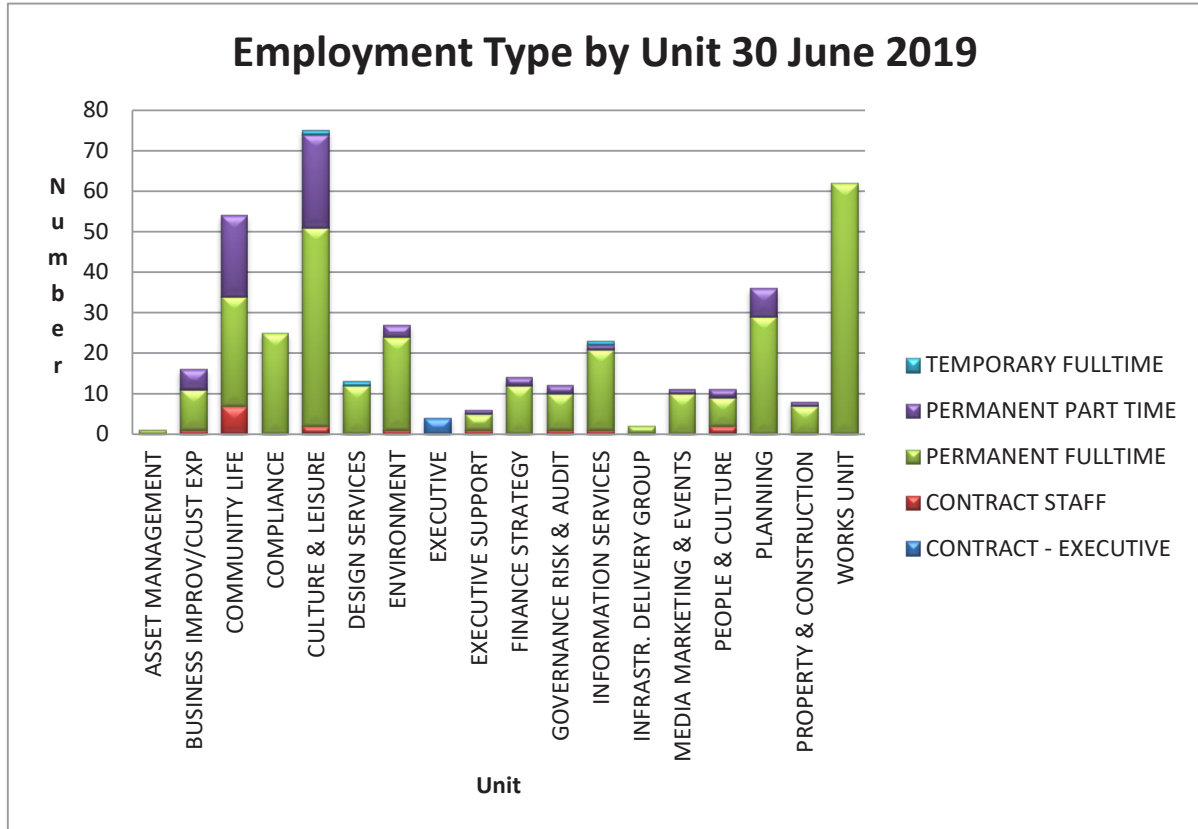
Unit	Gender	
	Male	Female
ASSET MANAGEMENT	1	0
BUSINESS IMPROV/CUST EXP	3	13
COMMUNITY LIFE	9	45
COMPLIANCE	22	3
CULTURE & LEISURE	17	58
DESIGN SERVICES	13	
ENVIRONMENT	16	11
EXECUTIVE	2	2
EXECUTIVE SUPPORT		6
FINANCE STRATEGY	5	9
GOVERNANCE RISK & AUDIT	4	8
INFORMATION SERVICES	12	11
INFRASTR. DELIVERY GROUP	2	
MEDIA MARKETING & EVENTS	1	10
PEOPLE & CULTURE	3	8
PLANNING	14	22
PROPERTY & CONSTRUCTION	7	1
WORKS UNIT	60	2
Grand Total	191	209



Attachment 6 - Staff by Employment Type 30 June 2019

Number of Employees	Emp					
Unit	CONTRACT - EXECUTIVE	CONTRACT STAFF	PERMANENT FULLTIME	PERMANENT PART TIME	TEMPORARY FULLTIME	Total
ASSET MANAGEMENT			1			1
BUSINESS IMPROV/CUST EXP		1	10	5		16
COMMUNITY LIFE		7	27	20		54
COMPLIANCE			25			25
CULTURE & LEISURE		2	49	23	1	75
DESIGN SERVICES			12		1	13
ENVIRONMENT		1	23	3		27
EXECUTIVE	4					4
EXECUTIVE SUPPORT		1	4	1		6
FINANCE STRATEGY			12	2		14
GOVERNANCE RISK & AUDIT		1	9	2		12
INFORMATION SERVICES		1	20	1	1	23
INFRASTR. DELIVERY GROUP			2			2
MEDIA MARKETING & EVENTS			10	1		11
PEOPLE & CULTURE		2	7	2		11
PLANNING			29	7		36
PROPERTY & CONSTRUCTION			7	1		8
WORKS UNIT			62			62
Grand Total	4	16	309	68	3	400

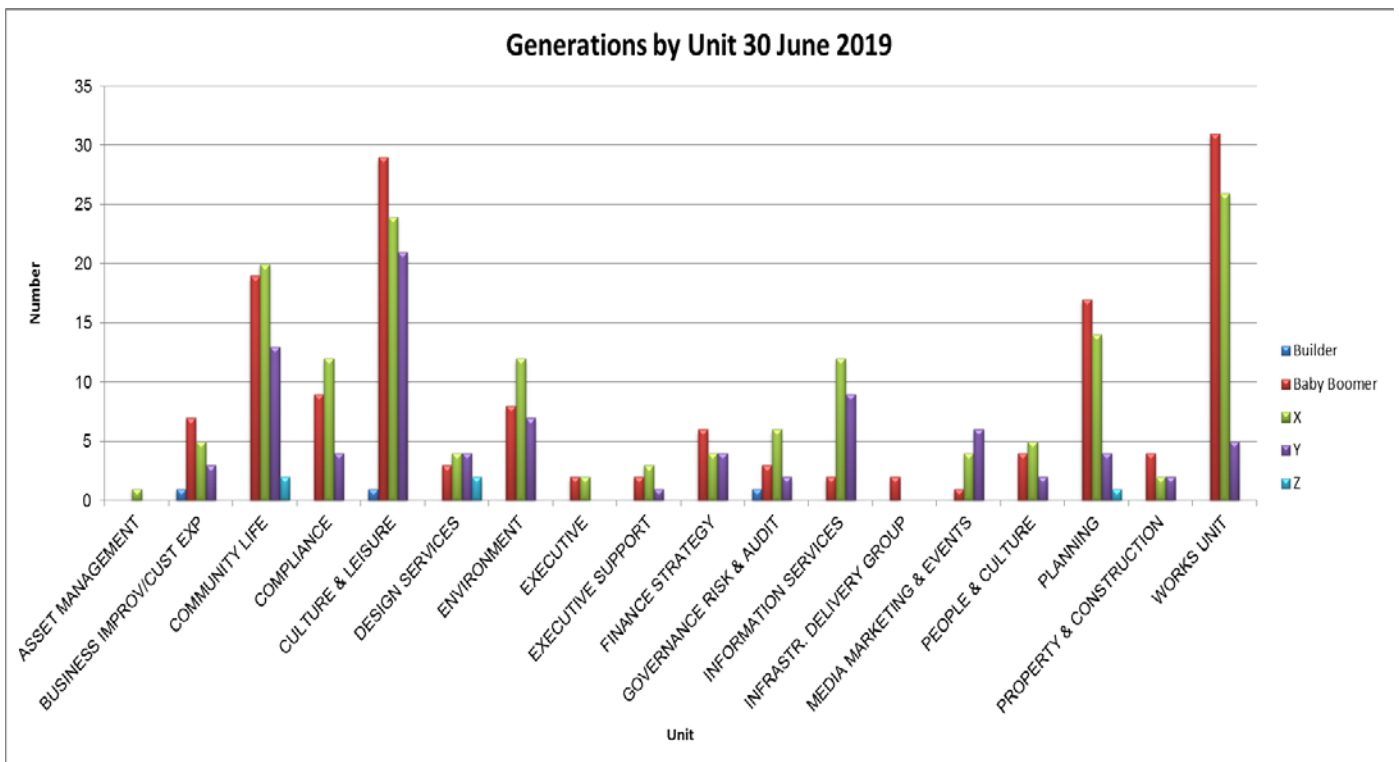
Attachment 7 - Graph of Staff by Employment Type as at 30 June 2019



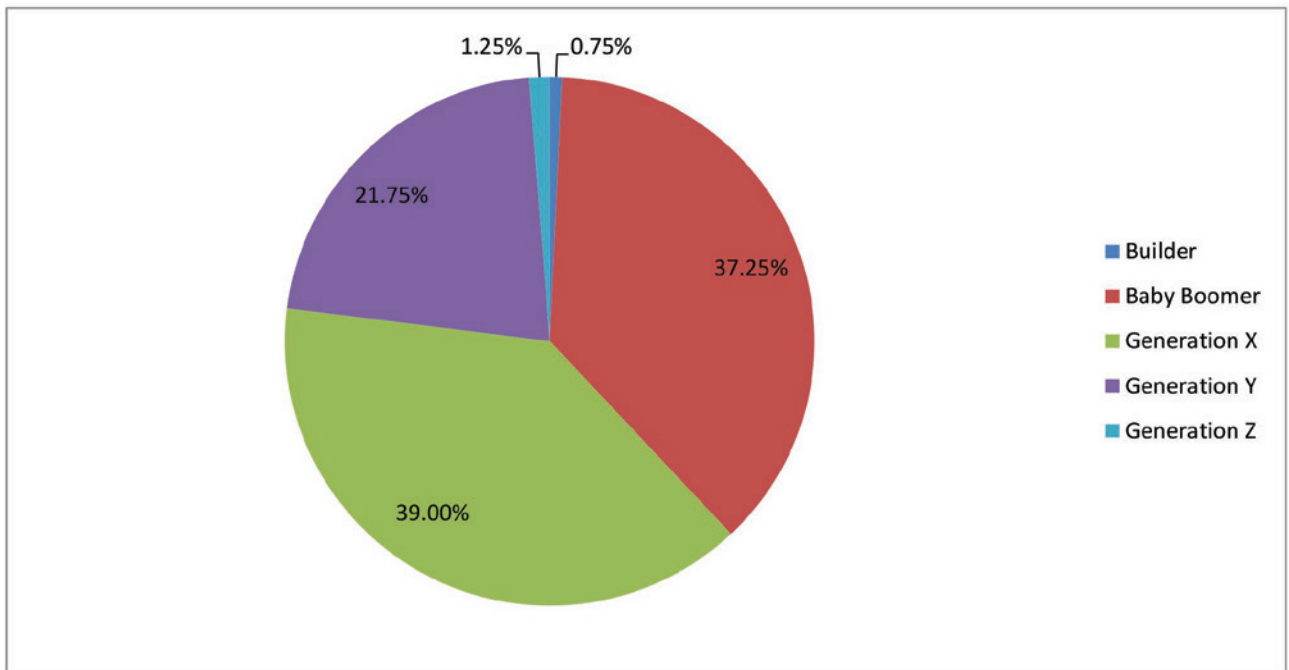
Attachment 8 - Organisational Generational Profile by Unit as 30 June 2019

Unit	Builder	Baby Boomer	X	Y	Z
ASSET MANAGEMENT Total	0	0	1	0	0
BUSINESS IMPROV/CUST EXP Total	1	7	5	3	0
COMMUNITY LIFE Total	0	19	20	13	2
COMPLIANCE Total	0	9	12	4	0
CULTURE & LEISURE Total	1	29	24	21	0
DESIGN SERVICES Total	0	3	4	4	2
ENVIRONMENT Total	0	8	12	7	0
EXECUTIVE Total	0	2	2	0	0
EXECUTIVE SUPPORT Total	0	2	3	1	0
FINANCE STRATEGY Total	0	6	4	4	0
GOVERNANCE RISK & AUDIT Total	1	3	6	2	0
INFORMATION SERVICES Total	0	2	12	9	0
INFRASTR. DELIVERY GROUP Total	0	2	0	0	0
MEDIA MARKETING & EVENTS Total	0	1	4	6	0
PEOPLE & CULTURE Total	0	4	5	2	0
PLANNING Total	0	17	14	4	1
PROPERTY & CONSTRUCTION Total	0	4	2	2	0
WORKS UNIT Total	0	31	26	5	0
Grand Total	3	149	156	87	5

Attachment 9 - Graph of Generations by Unit 30 June 2019



Attachment 10 - Organisational Generational Profile as at 30 June 2019

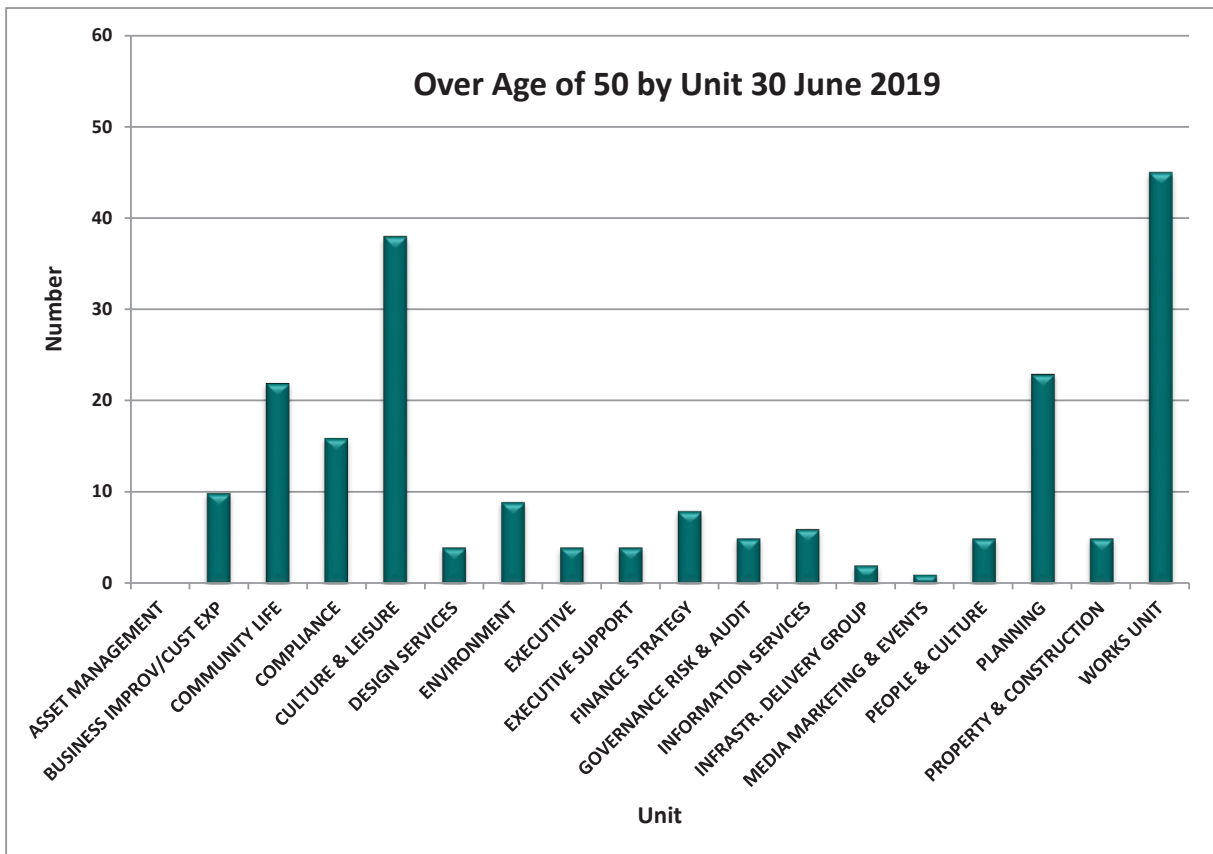


**Attachment 11 - Organisational Generational Profile as at 30 June 2019
Using PwC Dates**

Branch	Builder	Baby Boomer	X	Y	Z
ASSET MANAGEMENT Total	0	0	1	0	0
BUSINESS IMPROV/CUST EXP Total	0	10	4	2	0
COMMUNITY LIFE Total	0	20	21	13	0
COMPLIANCE Total	0	12	9	4	0
CULTURE & LEISURE Total	0	32	22	21	0
DESIGN SERVICES Total	0	4	3	5	1
ENVIRONMENT Total	0	9	13	5	0
EXECUTIVE Total	0	2	2	0	0
EXECUTIVE SUPPORT Total	0	4	1	1	0
FINANCE STRATEGY Total	0	7	4	3	0
GOVERNANCE RISK & AUDIT Total	1	3	6	2	0
INFORMATION SERVICES Total	0	3	11	9	0
INFRASTR. DELIVERY GROUP Total	0	2	0	0	0
MEDIA MARKETING & EVENTS Total	0	1	4	6	0
PEOPLE & CULTURE Total	0	4	5	2	0
PLANNING Total	0	17	14	4	1
PROPERTY & CONSTRUCTION Total	0	4	2	2	0
WORKS UNIT Total	0	38	19	5	0
Grand Total	1	172	141	84	2

Attachment 12 - Staff Aged Over 50 by Unit as at 30 June 2019

Unit	Over 50
ASSET MANAGEMENT	0
BUSINESS IMPROV/CUST EXP	10
COMMUNITY LIFE	22
COMPLIANCE	16
CULTURE & LEISURE	38
DESIGN SERVICES	4
ENVIRONMENT	9
EXECUTIVE	4
EXECUTIVE SUPPORT	4
FINANCE STRATEGY	8
GOVERNANCE RISK & AUDIT	5
INFORMATION SERVICES	6
INFRASTR. DELIVERY GROUP	2
MEDIA MARKETING & EVENTS	1
PEOPLE & CULTURE	5
PLANNING	23
PROPERTY & CONSTRUCTION	5
WORKS UNIT	45
Grand	207



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