

**REPORT**  
**CM/7.1/22.04**

**Subject:** Draft Community Strategic Plan 2022-2032 and Long Term Financial Plan 6 (2022-2033) - Exhibition

**TRIM No:** SF21/5734

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**RECOMMENDATION:**

That Council:

1. Publicly exhibits the draft Community Strategic Plan 2022-2032 (Waverley 2032) and the draft Long Term Financial Plan 6 (2022–2033) attached to the report (Attachments 1 and 3) for 28 days.
2. Receives and notes the Waverley Community Strategic Plan Community Engagement Outcomes Report 2022–2023 attached to the report (Attachment 2).
3. Notes that the Long Term Financial Plan (LTFP):
  - (a) Will be reviewed annually in line with the Operational Plan and Annual Budget development.
  - (b) Sets out the projects and initiatives that Council intends to invest in and the associated resource requirements for the next 10 years. It considers and utilises a range of options for achieving balanced budgets over the life of LTFP 6 likely including realising efficiencies and cost reductions within Council operations, applying reserve funds earlier than forecast in LTFP 6, reducing or rescheduling the capital expenditure program and increasing revenue to fund specific programs and initiatives.
4. Authorises the General Manager to make any necessary editorial and content changes to the draft Waverley 2032 and LTFP documentation for public exhibition to give effect to Council’s resolution.
5. Officers prepare a report to Council following the exhibition period.

**1. Executive Summary**

This report is seeking Council approval to place the draft Community Strategic Plan 2022-2032 (Waverley 2032) and Long Term Financial Plan 6 (2022-2033) on public exhibition for the period 20 April 2022 to 18 May 2022. A further report will be presented to the Council which reports on any public submissions received and sets out any proposed changes in response to these submissions, before the final adoption of these documents.

**2. Introduction/Background**

All NSW councils are required to facilitate the development of a Community Strategic Plan (with a minimum 10-year outlook) along with a Delivery Program (based around the four-year term of the Council) and an

Operational Plan (which looks at yearly activities to be undertaken). These plans are informed by a Resourcing Strategy that is made up of a Long Term Financial Plan, a Strategic Asset Management Plan, and a Workforce Management Strategy.

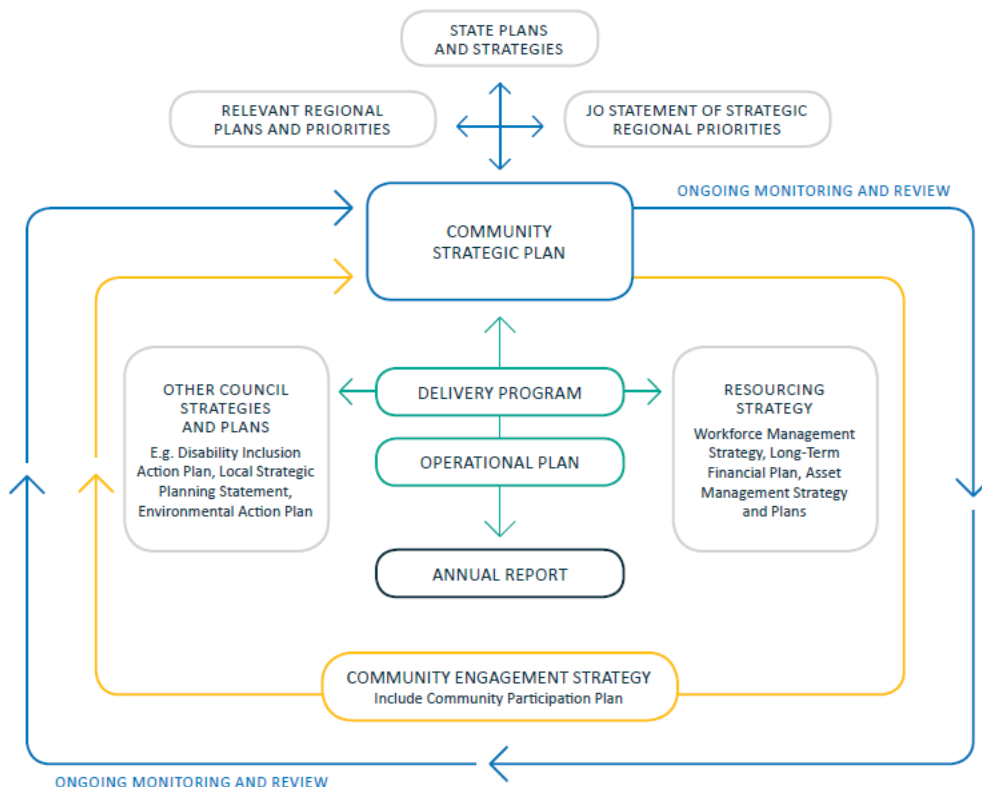


Figure 1. The Integrated Planning and Reporting (IP&R) Framework

The Integrated Planning and Reporting (IP&R) Framework consists of an inter-related hierarchy of plans which aims to ensure a more sustainable local government sector. Waverley Council has in place a hierarchy of integrated plans consisting of a Community Strategic Plan, Delivery Program and an Operational Plan.

The IP&R framework requires councils to constantly review their plans to ensure they remain relevant and in-tune with changing community needs. Section 402(3) of the *Local Government Act* requires that:

*‘Following an ordinary election of councillors, the council must review the community strategic plan before the 30 June following the election. The council may endorse the existing plan, endorse amendments to the existing plan or develop and endorse a new community strategic plan, as appropriate to ensure that the area has a community strategic plan covering at least the next 10 years.’*

With the delayed local government elections due to the COVID-19 pandemic, the time available to engage the community was limited. To address this issue, Council presented a Community Engagement Plan with options for engagement to the outgoing Council in June and September 2021. Council engaged the community from July 2021 to February 2022 to understand the community vision and priorities for the draft Community Strategic Plan 2022-2032 (Waverley 2032).

Each newly elected Council must develop a new Delivery Program that will run for their term in office. The Delivery Program must draw upon the broad directions and strategies defined in the Community Strategic Plan and set out the specific Waverley Council strategies and activities (services and projects) it will undertake during its term to help the community move closer to attaining its long-term vision and

aspirations. The draft Delivery Program 2022-26 (Waverley 2026) sets out the strategies and deliverables Council will need to deliver in the first four years of the 10-year draft Community Strategic Plan 2022-2032.

Every year the Council is also required to develop an Operational Plan (which is a sub-plan of the Delivery Program) setting out the specific activities (services and projects) it will undertake in that year. Operational Plan 2022-23 (Waverley 2023 ) sets out the key activities (deliverables), actions, budget and performance measures Council will employ during the 2022-23 financial year. A report on Delivery Program and Operational Plan is part of this Council meeting agenda and will be discussed separate to this report.

### **3. Relevant Council Resolutions**

Nil.

### **4. Discussion**

In accordance with section 406 of the *Local Government Act*, the Office of Local Government (OLG) has published Guidelines and a Handbook to support the administration of integrated planning and reporting. The draft Community Strategic Plan 2022-32 (Waverley 2032) and Long Term Financial Plan 2022-2033 have been developed in accordance with the OLG Guidelines and Manual.

#### **Waverley Community Strategic Plan 2022-2032 (Waverley 2032) and Waverley Community Strategic Plan Community Engagement Outcomes Report 2022-2023 (Attachments 1 and 2)**

The purpose of the Community Strategic Plan is to identify the community's main priorities and aspirations for the future, and plan strategies to achieve them. These strategies are required to take into consideration the issues and pressures that may affect the community and the level of resources that will realistically be available. While Council has a custodial role in initiating, preparing and maintaining the Community Strategic Plan on behalf of the local government area, it is not wholly responsible for its implementation. Other partners, such as state agencies and community groups may also be engaged in delivering the long term objectives of this Plan.

The Community Strategic Plan essentially addresses four key questions for the community:

- Where are we now?
- Where do we want to be in 10 years' time?
- How will we get there?
- How will we know we've arrived?

The Council's role is to guide the community through these important discussions and to document the response in a meaningful Community Strategic Plan. However, it is important to stress that it is not the Council's responsibility to deliver every aspect of the Community Strategic Plan. Also, it is important to understand that Community Strategic Plan is not a 'council' plan but rather a 'community' plan. Council's primary role is to facilitate its creation.

Council undertook an extensive community engagement program that sought to ensure everyone in the community had the opportunity to contribute. The aim was to determine where we are now, where we want to be and how we will get there. The community consultation commenced in July 2022. During this phase we asked our community what they love about Waverley, what needs to change, and to provide feedback on priority areas for our local government area to focus on.

More than 975 community members took the opportunity to share their aspirations for Waverley and tell us our community concerns, vision, future priorities and service levels should be. The Waverley Community Strategic Plan Community Engagement Outcomes Report 2022-2023 attached to this report summarises key findings from community engagement.

### **Long Term Financial Plan (LTFP 6) (Attachment 3)**

Each year, we review our Long Term Financial Plan (LTFP) alongside with the annual budget preparation. The LTFP sets out the services, projects, and initiatives we intend to invest in to make Waverley more resilient and vibrant to Council continue to be meeting the needs of our community and resident's needs, how much these may cost and how much they will be funded.

This is a summary of our long-term financial planning assumptions covering revenue, expenditure, assets and our overall ability to deliver intended levels of service.

The financial information has been prepared based on best estimate assumptions as to the future events which the Council expects will occur. It takes account of recent economic shifts and conditions in the Australian economy. It is noted that individual financial year forecasts will be varied on an annual basis as time goes by as more accurate information comes to hand and program, income and expenditure forecasts become more accurate.

The basis for the forecast cost indices comes from independent industry advice from TCorp, and Prudential Financial Advisers for local authorities to use in their budget processes consistent with the long-term financial plan (LTFP). These cost indices have been used for both operating and capital budgets as appropriate.

The LTFP 6 covers an 11-year period. Assumptions are necessary to ensure that there is a consistent and justifiable basis for the preparation of the financial forecasts.

The following key assumptions are applied to the LTFP 6 forecasts:

#### *Key income assumptions*

- Rate peg at CPI increase.
- Building construction activities average over time at 2022–23 level.
- No policy or legislative change impact on parking revenue.
- Financial Assistant Grant remains static at the 2022–23 level.
- Continued availability of Government grants to contribute to specific community building upgrade and major infrastructure projects.
- Other items CPI increase where applicable.
- No new borrowing proposed (subject to ongoing review for financial advantage).

#### *Key expenditure assumptions*

- Salaries/wages increase in line with CPI after the expiry of current Award.
- Fixed term positions cease where applicable and no further staffing increase.
- Improved WHS and claims management is expected to graduate reduction in Council's workers compensation premium by 30% to the \$2.22 million mark in 2024-25, thereafter increase in line with CPI.
- Other items increase by CPI where applicable.

### **How have the impacts of COVID-19 been considered?**

The Council's Long Term Financial Plan is being prepared in an environment of heightened uncertainty given the global and national impacts of COVID-19. Incorporating assumptions on the impacts of COVID-19 is essential. Some of the key COVID-19 macroeconomic assumptions are:

- No more lockdowns.

- Economic activities rebound better than the pre-COVID levels.
- Return of international visitors will reinvigorate the tourism sector.
- Domestic tourism spending increases given the government’s encouragement in domestic travel.

**Balancing the budget over time**

LTFP works on the basis that Council will consider and utilise a range of options for achieving balanced budgets over the life of the Plan that may vary from forecasts at this time. These are likely to include combinations of realising efficiencies and cost reductions within Council operations, applying reserve funds earlier than forecast in LTFP 6, reducing or rescheduling the capital expenditure program and increased grant revenue from Federal and State Governments for the investment in specific infrastructure projects identified in the capital works program (Attachment 3).

The draft LTFP 6 forecasts a balanced budget during the planning period. The medium-term operational budget deficits are predominately due to the heavy investments of the capital works program and the ICT strategy program during those periods.

Council staff are currently working through several initiatives that will assist in managing the future financial sustainability of the organisation. These include

- ICT strategy and resulting process and productivity efficiencies, estimated a \$24.8m financial benefit over the LTFP planning period from the ICT modernisation project investment.
- Employee Leave Management strategy to achieve a 10% leave reduction.
- Council-wide service reviews.

Financial benefits anticipated from Initiatives 1 and 2 have been incorporated into the LTFP. Initiative 3 is not quantifiable, with no financial benefits included in the LTFP.

In regard to the fit-for-future operating performance ratio, Council projects to meet the ratio in 2022/23. Council will not be able to meet this ratio in 2023–24 and 2024–25 while we are implementing the ICT modernisation project. The ratio returns to positive from 2025–26 as we are realising the efficiency benefits from ICT implementation, as illustrated below.

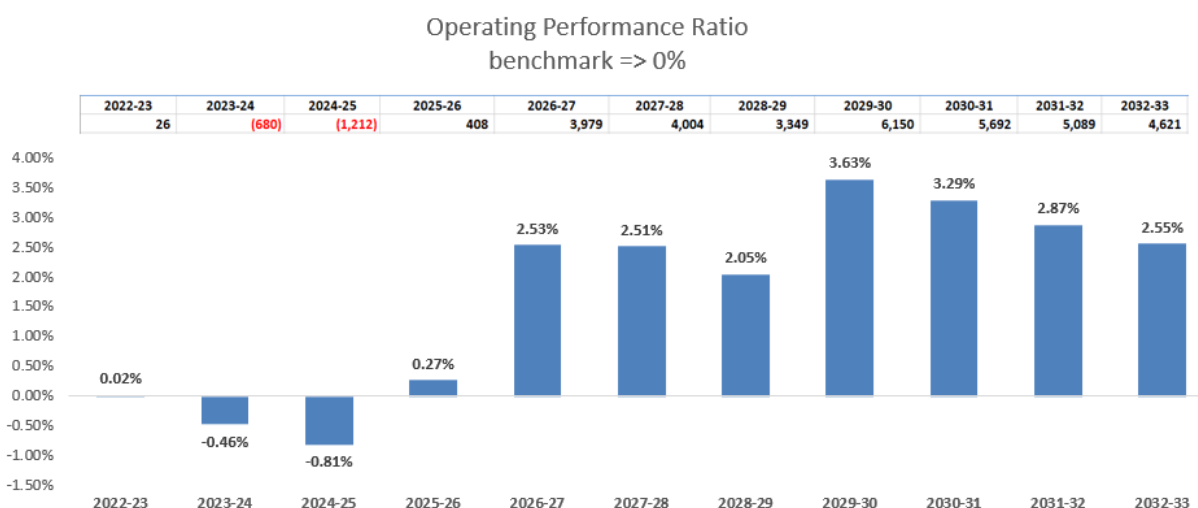


Figure 1. Operating Performance Ratio.

The LTFP 6 forecasts a cash and cash investments balance to be \$122 million and a reserve balance of \$108 million at the end of this planning period 30 June 2033, as illustrated in the following figure.

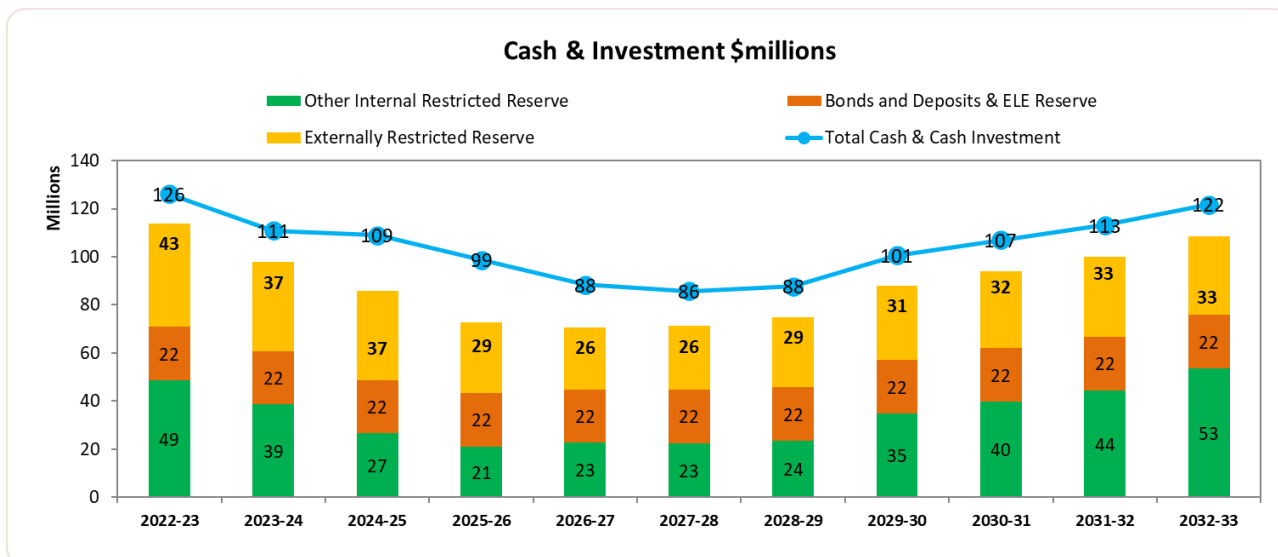


Figure 2. Cash and investments balance.

*LTFP 6 Capital Works Program*

Investing in our infrastructure assets is vital to make sure we are delivering services to Waverley residents in the most effectively and efficiently manner, and make Waverley an even better place to live, work, play and visit as we go into the future. A total of \$404 million capital works program investment to renew our infrastructure assets as summarised in the following table. Refer to the LTFP 6 Appendix 1 for further detail.

Table 2. LTFP 6 Capital Works Program.

LTFP 6 Capital Works Program	11 years (2022-23 to 2032-33)		
	Expense	Grants/Contributions Income	% of grant funding
Building Infrastructure	101,835	9,283	9.12%
Living Infrastructure	20,366	610	3.00%
Parking Infrastructure	4,885		0.00%
Public Domain Infrastructure	78,170	33,156	42.42%
Recreational & Public Spaces Infrastructure	32,645	4,731	14.49%
Road Infrastructure	158,449	33,957	21.43%
Sustainability Infrastructure	7,770	4,088	52.61%
<b>Total</b>	<b>404,121</b>	<b>85,825</b>	<b>21.24%</b>

In summary, the LTFP 6 forecasts a balanced budget for every individual year throughout this planning period to 2032–33. It forecasts a cash and cash investments balance to be \$122 million and a reserve balance of \$108 million at the end of this planning period 30 June 2033.

*LTFP 6 sensitivity analysis*

The Office of Local Government (OLG) Guidelines for development of long-term financial plans require councils to consider optimistic and pessimistic scenarios and predict potential variations to model results. The LTFP 6 forecasts are sensitive to multiple influences over any 10-year period. Sensitivity scenarios analysed in previous versions of the LTFP 5.3 have been revised for LTFP 6. Items to be considered sensitive and has a material financial impact on the LTFP 6 forecasts have been examined and applied to the sensitivity scenarios analysis, as following:

<b>Table 6: Positive &amp; Negative Effects of Modelled Sensitivities on Financial Outcomes for LTFP 6</b>				
<b>Item</b>	<b>Optimistic Scenario</b>		<b>Pessimistic Scenario</b>	
	<b>Positive effect on modelled results - \$'000</b>		<b>Negative effect on modelled results - \$'000</b>	
<b>Rate Peg</b>	Rate peg is higher than current projection by 1%;	33,049	Rate peg is lower than current projection by 1%;	(31,126)
<b>Planning Agreement Contribution</b>	Increase due to achieving additional 20% of the current projection	2,945	Decrease due to achieving 20% less than the current projection	(2,945)
<b>S7.12 Contribution</b>	Increase due to achieving additional 20% of the current projection	973	Increase due to achieving additional 20% of the current projection	(944)
<b>Staff Award Rate</b>	Staff Award rate is lower than CPI by 1.5%;	56,059	Staff Award rate is higher than CPI by 1.5%;	(76,398)
<b>Staff Turnover</b>	Consistent staff turnover rate, hence, the step progress increase is not required.	6,675	Consistent staff turnover consistent with current rate	
<b>Grant Income</b>	Grant income consistent with current projection		Grant income is lower than the current projected level by 40%	(35,098)
<b>Temporary Positions</b>	Realistic at current projection		Temporary positions continue after the current term expiry.	(8,857)
<b>Rental Returns</b>	Enhance properties returns resulting from the Strategic Property Review.	4,977	Consistent with the current projection	
<b>Bondi Pavilion</b>	Bondi Pavilion operating model breakeven after depreciation	15,313	Consistent with the current projection	
<b>Parking Revenue</b>	Parking revenue increase by 10%	28,525	Parking revenue decrease by 10%	(28,525)
<b>Covid-19 Impact</b>	Consistent with the current projection		COVID-19 continues impact on Council's revenue stream by up to \$10m in the first two years of the LTFP 6 planning period	(10,000)
<b>ICT Modernisation Impact</b>	Consistent with the current projection		ICT modernisation project's financial benefits are not able to materialise	(24,850)
<b>Special Variation</b>	Consistent with the current projection		The 2.5% special variation application is not successful. The base-year rate increases only by 0.8%.	(9,845)
<b>Total</b>		<b>148,517</b>		<b>(228,589)</b>

The above table demonstrates the impact of the sensitivities to the Council's long-term financial outlooks. It emphasises the need for Council to be financial vigilant and continually monitoring the performance of Council.

## 5. Financial impact statement/Time frame/Consultation

The draft Community Strategic Plan 2022-2032 is funded by the Long Term Financial Plan 2022-2033.

Council is forecasting a balanced budget through the period until 2032–33 in supporting the current services level and council's key strategic priorities.

### Time frame

- Council meeting – 12 April 2022.
  - Council endorses the Integrated Planning and Reporting suite of documents for purposes of public exhibition.
- Public exhibition – Exhibition dates: 20 April 2022 to 18 May 2022.
  - The Integrated Planning and Reporting suite of documents is placed on public exhibition for a period of at least 28 days, as per statutory requirement.
- Council meeting – 21 June 2022.
  - Council adopts the Integrated Planning and Reporting suite of documents as required under the Integrated Planning and Reporting framework.

**6. Conclusion**

Before adopting the Community Strategic Plan, Delivery Program and Operational Plan, Council must place these documents on public exhibition for a statutory period of 28 days. This report is seeking Council approval to place the draft Waverley Community Strategic Plan 2022-2032 (Waverley 2032) and Long Term Financial Plan 2022-2033 on public exhibition. The submission period is likely to close on 18 May 2022.

Once the submission date is closed a further report will be presented to the Council incorporating any public comment at its meeting in June 2022 where Council will be required to adopt the final plans. These documents will become effective on 1 July 2022.

**7. Attachments**

1. Draft Waverley Community Strategic Plan 2022-2032 (Waverley 2032) (under separate cover)
2. Waverley Community Strategic Plan Community Engagement Outcomes Report 2022 (under separate cover)
3. Long Term Financial Plan (LTFP 6) (under separate cover) .