

PUBLIC EXHIBITION OF DRAFT RESOURCING STRATEGY 2032

ATTACHMENTS:	1. IMPLICATIONS 2. DRAFT <i>RESOURCING STRATEGY 2032</i> (DISTRIBUTED UNDER SEPARATE COVER)
RESPONSIBLE OFFICER:	DEBRA JUST – CHIEF EXECUTIVE OFFICER
AUTHOR:	MAXINE KENYON – DIRECTOR CUSTOMER & CORPORATE
CITY STRATEGY OUTCOME:	5.4 – ANTICIPATE AND RESPOND TO CHANGING COMMUNITY AND CUSTOMER NEEDS
MEETING DATE:	26 APRIL 2022

1. PURPOSE OF REPORT

To endorse for public exhibition, the draft *Resourcing Strategy 2032* which comprises the Long Term Financial Plan, Asset Management Strategy and Workforce Plan.

2. OFFICER'S RECOMMENDATION

That Council:

1. Endorse the draft *Resourcing Strategy 2032* which comprises the Long Term Financial Plan, Asset Management Strategy and Workforce Plan for public exhibition. Noting, the Long Term Financial Plan includes a permanent Additional Special Variation (ASV) of 1.3%.
2. Delegate to the Chief Executive Officer to make amendments to the draft *Resourcing Strategy 2032* which do not alter the scope, purpose or intent of the Strategy.
3. Note that a report will be presented to enable consideration of submissions received from the public on the draft *Resourcing Strategy 2032* to the Council meeting of 27 June 2022.

3. BACKGROUND

Under the *Local Government Act NSW 1993* all NSW councils must have a long term resourcing strategy (RS) for the provision of resources required to implement the Community Strategic Plan. The Community Strategic Plan, is a plan that identifies the aspirations for the future of Willoughby covering a 10 year period. The *Resourcing Strategy 2032* (**Attachment 2**) details how Council can help achieve these in terms of time, money, assets and people and includes:

- 10 year Long Term Financial Plan
- 10 year Asset Management Strategy
- 4 year Workforce Plan.

The Resourcing Strategy must be reviewed in detail as part of the four yearly review of the Community Strategic Plan.

This report presents the draft Resourcing Strategy for Council's endorsement for public exhibition.

4. DISCUSSION

Long Term Financial Plan

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

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

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

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

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

While the Council is undertaking savings measures in 2022/23, the overall impact of the above issues – if not corrected - means the Council is likely to find itself having to manage a year-by-year erosion in its general fund (i.e.: its working capital), commencing in 2022/23 and continuing for a further six years. This outcome is not sustainable.

For this reason, the 2022/23 Long-Term Financial Plan is proposing a permanent 1.3 per cent Additional Special Variation (ASV) to rates, to apply on an ongoing basis from 2022/23. This will allow the Council to maintain its general fund level in 2022/23, and then increase it in subsequent years. It will also mean the Council will avoid having to consider using other internal reserves, which have been set aside for specific purposes, for working capital.

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

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

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

Asset Management Strategy

The *Asset Management Strategy 2032*, outlines the strategic context of asset management, the current and future status of asset management at Council, and how we can meet our asset management goal: to achieve “core level” of asset management maturity by 2023 and “advanced level” in the longer term.

This Strategy is part of Council's Asset Management Framework, which includes the Asset Management Policy; Asset Management Strategy; and Asset Management Plans. This Strategy sets out the way Council will implement the principles of the Asset Management Policy: accountability and direction; asset information management; asset lifecycle management; and service management. Whereas, the Asset Management Plans provide the detailed asset data and approach for each asset class.

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

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

Asset performance has been positive, meeting the Office of Local Government asset sustainability measures and have been doing so for the past few years.

Our **asset value and condition** has also improved over the years and places us in a positive position to continue advancing our asset portfolio and will continually be reviewed with increased data, reviews of service levels and long term financial planning:

- Renewal backlog has reduced by \$51m since 2014 and the backlog is now only 1.3% of total asset value
- Current replacement value of our assets is over \$1b

- Buildings and road assets constitute over three quarters of our asset stock by value; with stormwater assets constituting a further 15%
- 75.9% of assets are in condition 1 (Excellent) and 2 (Good) and do not require immediate replacement, in part due to the investment from the Infrastructure Levy Council has received over the last seven years
- We will need to spend \$291m over the next 10 years on renewals upgrades (\$175m) or new assets (\$115m).

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

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

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

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

Workforce Plan

The *Workforce Plan 2032* considers the people, capabilities, experience and expertise required to implement Council's *Delivery Program 2023-2026*. It provides an opportunity to plan the workforce to meet changing community expectations, our operating environment and the available broader workforce.

This 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 2023-2026*. The Plan includes strategies to take advantage of identified opportunities while minimising the risks, as outlined below.

The major opportunities identified include:

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

The major risks include:

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

The strategies developed to mitigate these risks and take advantage of the opportunities over the next four years are:

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

Consultation

The *Integrated Planning and Reporting Guidelines* require the draft Resourcing Strategy be placed on public exhibition for a period of at least 28 days before being adopted by Council.

The draft *Resourcing Strategy 2032* will be on public exhibition for a period of 28 days from 2 May to 30 May 2022. To consult on the Strategy, Willoughby City Council will:

- Seek feedback through a range of mechanisms, including a media release, social media posts and flyers distributed in Chatswood Mall and Local Centres
- Create a central online consultation hub via Have Your Say
- Hold interactive community engagement sessions.

Following the public exhibition period, feedback and any proposed revisions to the draft Strategy will be presented to Councillors at a workshop prior to seeking adoption of the final Strategy at the 27 June Council meeting. The Council report will note submissions received and any intended amendments proposed to the document. Council is required to adopt the RS by 30 June 2022.

5. CONCLUSION

The draft *Resourcing Strategy 2032*, has been prepared for public exhibition, prior to presentation and consideration of submissions and adoption by 30 June 2022.

IMPLICATIONS	COMMENT
City Strategy Outcome	5.4 – Anticipate and respond to changing community and customer needs
Business Plan Objectives, Outcomes / Services	The Strategy articulates how it will allocate resources to achieve the aspirations (outcomes) and priorities for the community for the future of Willoughby informed by the CSP. The RS will guide Council's planning for the next 10 years.
Policy	There are no policy implications associated with this report.
Consultation	<p>On 7 February Councillors received a briefing on Council's financial position.</p> <p>On 21 March and 4 April Councillors received a briefing on Council's financial strategy.</p> <p>On 11 and 19 April councillors received a briefing on the draft <i>Resourcing Strategy 2032</i>.</p> <p>Community consultation is the subject of this report.</p>
Resource	Council officers' time was used in the preparation of the draft <i>Resourcing Strategy 2032</i> .
Risk	There are minimal risks associated with this report. Preparation of, and consultation on the Strategy is in accordance with the Integrated Planning and Reporting Framework requirements as described in the <i>Integrated Planning and Reporting Guidelines</i> for local government and complies with the requirements of the <i>Local Government Act 1993</i> .
Legal	There are no legal implications associated with this report.
Legislation	Under Section 403 of the <i>Local Government Act 1993</i> , Council must have a long-term strategy (called its " resourcing strategy ") for the provision of the resources required to perform its functions (including implementing the strategies set out in the community strategic plan).
Budget/Financial	This is within approved budget.

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