

LAKE
MACQUARIE
CITY



**RESOURCING
STRATEGY**
2022-2032

ACKNOWLEDGEMENT OF COUNTRY

We remember and respect the Ancestors who cared for and nurtured this Country.

Dhumaan ngayin ngarrakalu kirraanan barayidin.

It is in their footsteps that we travel these lands and waters.

Ngarrakalumba yuludaka bibayilin barayida baaduka.

Lake Macquarie City Council acknowledges the Awabakal people and Elders past, present and future.

Lake Macquarie City Council dhumaan Awabakala ngarrakal yalawaa, yalawan, yalawanan.

Wording by the Aboriginal Reference Group and translated by Miromaa Aboriginal Language and Technology Centre.



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MESSAGE FROM THE CEO



While our Community Strategic Plan, Delivery Program and Operational Plan outline our city vision and the actions we will take to achieve it, our Resourcing Strategy is the document that details the materials and means that Council can draw on to assist us on this path.

We are committed to sustainable and transparent management of our resources; whether it's Council's finances, the people who carry out our work, the roads, shared pathways, commercial buildings and recreation spaces used by us and our community, Council's plant and fleet or our digital assets.

You will find individual strategies relating to all of these resources detailed in this Resourcing Strategy.

As with our Community Strategic Plan, the Resourcing Strategy has a 10-year lifespan, and it is reviewed every four years to ensure our available resources continue to support delivery of our shared vision for the city.

Our Resourcing Strategy also contains reporting timelines for the sub-strategies contained within it to ensure accountability and transparency.

All of these resources are managed by Council on behalf of our community, and it is a responsibility we take seriously. I am proud to present this strategy to you.

CEO Morven Cameron

ABOUT OUR STRATEGY



The Lake Macquarie City Resourcing Strategy supports the Community Strategic Plan 2022-2032, the Delivery Program 2022-2026, and the annual Operational Plans. While the Community Strategic Plan describes the long-term goals of our community, the Resourcing Strategy outlines how we will help achieve these in terms of time, money, assets and people.

The Resourcing Strategy is the critical link between the Community Strategic Plan and the Delivery Program, detailing the resources needed to implement the strategies.

The strategies and actions from this Resourcing Strategy are found under the Organisational support key focus area of the Delivery Program 2022-2026 and our annual Operational Plans.

INTEGRATED PLANNING AND REPORTING FRAMEWORK

The NSW Local Government Integrated Planning and Reporting framework acknowledges most communities share similar aspirations: a safe, healthy and pleasant place to live, a sustainable environment, opportunities for social interaction, education and employment, and reliable infrastructure. The difference lies in how each community responds to these needs.

The framework has been developed with the understanding that council plans and policies should not exist in isolation – they are interconnected. It allows NSW councils to draw their various plans together, understand how they interact and get the maximum leverage from their efforts by planning holistically and sustainably for the future.

Community Strategic Plan

The key document in the framework is the 10-year Community Strategic Plan. The purpose of the plan is to identify the community's main priorities and aspirations for the future, and outline objectives and strategies to achieve them. These objectives and strategies will take into consideration the issues and pressures that may affect the community and the level of resources that will realistically be available.

The Community Strategic Plan is organised under seven key focus areas that reflect the community's vision and values. The Delivery Program and Operational Plan use the same seven key focus areas, as well as an eighth key focus area called 'Organisational support'. These key focus areas provide clear strategic alignment between Council's long-term, mid-term and annual planning and reporting.

Resourcing Strategy

The Community Strategic Plan can only be achieved with sufficient resources. Council's Resourcing Strategy supports the Community Strategic Plan, Delivery Program and Operational Plan by detailing how Council can help achieve the community's goals in terms of time, money, assets and people.

Delivery Program

The Delivery Program is a plan that covers the term of an elected Council. To create the program, we look at the Community Strategic Plan and ask what strategies we can achieve over the coming term to bring us closer to the community's vision and values, using the resources identified in the Resourcing Strategy.

Operational Plan

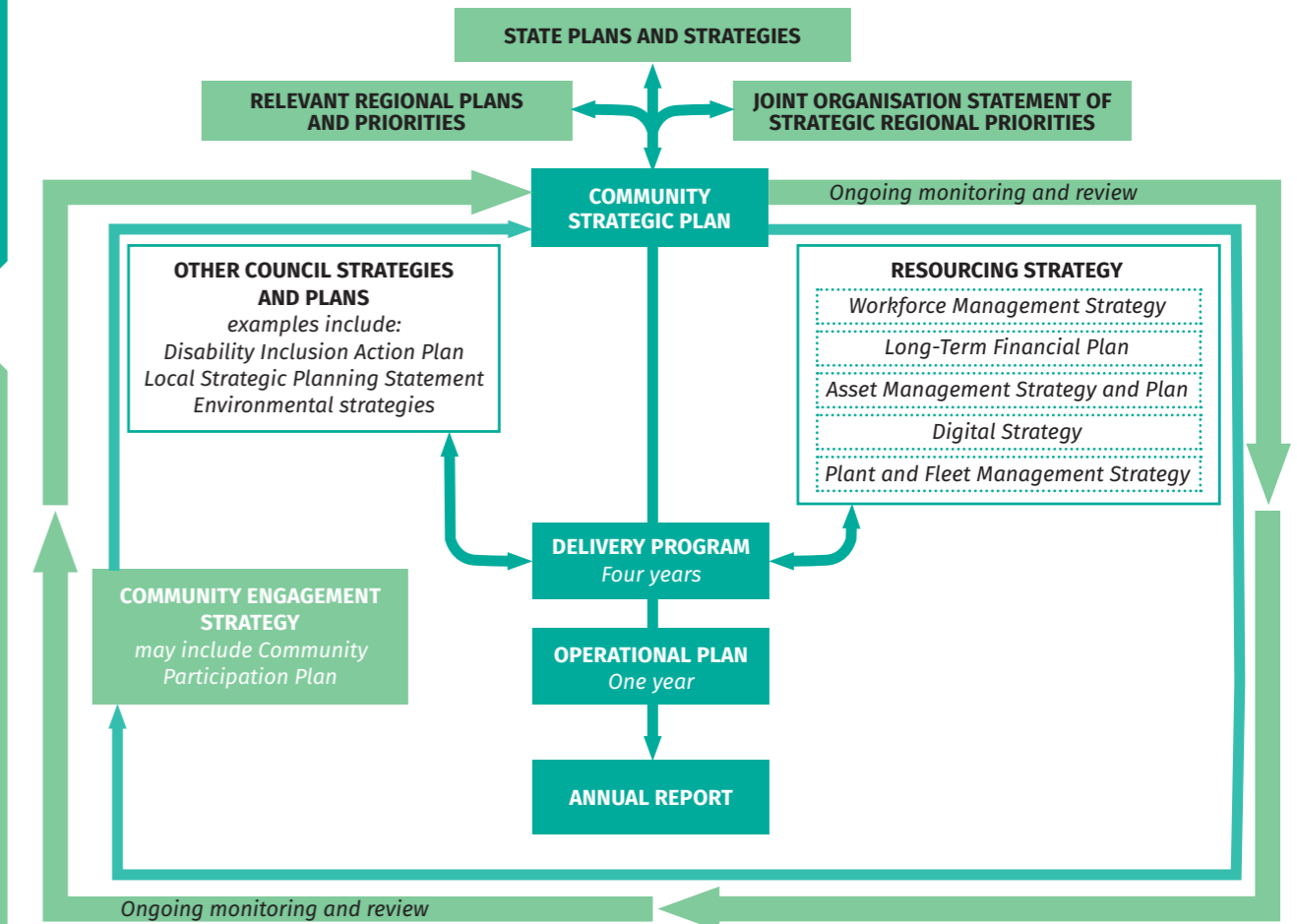
The Operational Plan outlines the actions Council will undertake in the coming year to achieve the Delivery Program strategies under each key focus area. The Operational Plan also details how Council will fund these actions.

Monitoring and reporting

The Community Strategic Plan and Resourcing Strategy are reviewed every four years in line with the Local Government election cycle.

The Delivery Program and Operational Plan are reviewed annually to ensure Council's long-term planning is consistent with the current and future needs of the community.

In addition to our Annual Report, we report four times each year on progress towards our Delivery Program and current annual Operational Plan. These reports are available at lakemac.com.au.



OVERVIEW OF THE SUB-STRATEGIES

The Resourcing Strategy contains five sub-strategies:

LONG-TERM FINANCIAL PLAN 2022-2032

The Long-Term Financial Plan is a 10-year rolling plan that informs decision-making and demonstrates how the objectives of the Community Strategic Plan and commitments of the Delivery Program and Operational Plan will be resourced and funded. It includes the financial implications of asset management and workforce planning, and outlines Council's ability to deliver cost-effective services to our community into the future, with a focus on financial sustainability.

WORKFORCE MANAGEMENT STRATEGY 2022-2026

The Workforce Management Strategy shapes the capacity and capability of the workforce to achieve Council's strategic goals and objectives. It considers what people, with what capabilities, experiences and expertise are required to implement Council's four-year Delivery Program, and ultimately, the long-term goals in the Community Strategic Plan.



ASSET MANAGEMENT FRAMEWORK 2022-2032

Council is the custodian of more than \$3.96 billion of infrastructure, community, operational and commercial assets, including roads, drains, footpaths, community facilities, recreational facilities, parks, buildings, works depots, and holiday parks.

The Asset Management Framework includes an Asset Management Policy and an Asset Management Strategy. Also included in the framework, and published as a separate attachment, is an Asset Management Plan that covers our 11 asset categories:

- road pavements
- roadside assets
- footpaths and shared pathways
- stormwater drainage
- natural assets
- retaining walls
- bridges
- community buildings
- commercial and operational buildings
- recreation and community
- swim centres.

PLANT AND FLEET MANAGEMENT STRATEGY

The Plant and Fleet Management Strategy ensures the ongoing ownership and operation of more than 1500 plant and fleet assets continue to meet the evolving needs of the organisation and support the efficient delivery of our community's priorities.

DIGITAL STRATEGY

The Digital Strategy outlines how our digital resources, including corporate information systems, websites, data and voice networks, data centres and devices, will be allocated to deliver the greatest value to the organisation and the community.

LONG-TERM FINANCIAL PLAN 2022-2032



OUR FINANCE GOALS

The Long-Term Financial Plan combines the financial implications arising from the Community Strategic Plan, Delivery Program and the annual Operational Plan to ensure all items in these plans are achievable and sustainable.

The Long-Term Financial Plan combines Council's current financial state with future delivery actions, including the ongoing delivery of services, facilities and infrastructure, while ensuring financial sustainability for the long-term financial health of Council.

This plan provides a 10-year projection of income, expenses, capital works, cash, assets and liabilities.

The goal of Council's Long-Term Financial Plan is to update and maintain a long-term financial blueprint for Council and the

community that ensures the cost-effective delivery of works and services, and the appropriate maintenance and renewal of our significant asset base, within the framework of present and future financial sustainability.

It is within this 10-year plan that the long-term aspirations and goals of our community are tested against financial reality.

Projections for a 10-year financial plan require a number of assumptions to be made for what will occur in the future and how this will impact Council's financial position. These assumptions will be monitored and reviewed annually to ensure changes within the economy globally and locally, as well as strategic direction, are reflected and amended.

Our goals for this Resourcing Strategy term include:

- ✓ **FOCUS ON FINANCIAL SUSTAINABILITY**
The aim of financial sustainability practices is to ensure Council is able to deliver acceptable, affordable and ongoing services to the community, while also ensuring Council can continue to provide these services over the longer term.
- ✓ **MAKE CONTINUOUS IMPROVEMENTS**
Council will engage in a review of current practices and generate efficiencies through technology, education and training to improve services to the community and increase visibility of financial information.
- ✓ **RETURN TO SURPLUS**
Council aims to return the financial operating result to a surplus position over the course of the Delivery Program 2022-2026 and will actively seek opportunities to continue towards a two per cent (of operating income, excluding capital income) surplus operating position.

FINANCE SNAPSHOT

CURRENT FINANCIAL STATE

Council has historically operated in a surplus position. However, in recent years, Council has been operating in a strategic deficit, intentionally utilising reserves to fund expenditure for the purposes for which the reserves were held, in some cases to offset fee increases.

Council holds cash reserves to the value of \$331 million as at 30 June 2021 and is largely able to fund the capital works program with these cash reserves. Of these cash reserves, \$183 million is held in external restrictions to be used for specific purposes such as development contributions and domestic waste services.

The past two years of Council's financial performance has been challenging to predict and ensure adequate and fast-moving strategies are adopted to respond rapidly to external matters, such as the COVID-19 pandemic. Council's significant reserves have allowed a buffer during such events.

The past challenges have allowed Council to review the level of information used in long-term planning to ensure operating surpluses will return despite short term results.

OUR CHALLENGES

COVID-19

The COVID-19 pandemic and global health crisis have negatively impacted the community, business and tourism. This has created increased operating costs for cleaning and equipment, as well as reduced revenue as a result of closing services to the community and restricting numbers of some services under Public Health Orders.

Council has implemented various strategies to assist the community during this time while continuing to consider the financial impact to Council's long-term objectives with the uncertainty of COVID-19 impacts in the future.

INDEPENDENT PRICING AND REGULATORY TRIBUNAL (IPART) RATE PEG

IPART is an independent authority established under the *Independent Pricing and Regulatory Tribunal Act 1992*.

IPART is responsible for setting a 'rate peg' each year. This rate peg identifies the maximum allowable increase that can be applied to ordinary rates annually without special approvals, such as a special rate variation or Additional Special Variation.

The rate peg limits the amount the Council can increase rates each year without obtaining special permissions. The rate peg for 2022-2023 was set at 0.7 per cent. Given that rates and charges income represents 58 per cent of income received by Council, this represents a challenge for the Council in increasing income and continuing to meet community expectations, manage assets and operate in a growth environment.

See page 18 for information about how Council addressed this challenge through an Additional Special Variation application to increase the rate peg to 2.5 per cent.

INCREASING COSTS

Increasing costs of operating and capital materials, as well as the availability of these materials, create many challenges for Council. The cost of construction has risen significantly in 2021.

Increasing costs mean efficiencies are required to be made continually in how Council spends money to provide these services and to ensure cost increases do not rise at a higher rate than Council income.

A small movement in Consumer Price Index (CPI) indices can have a multimillion-dollar negative impact to Council's operating position.

To mitigate this risk, Council is engaged in business improvement and financial sustainability practices across the organisation to identify and put in place strategies to reduce the impact of these changes as they occur.

INSTABILITY OF CONTINUED GRANTS

During the past two years, with the emergence of the COVID-19 pandemic, there has been an increase in capital and operating grants made available to assist Council in funding specific projects and programs.

However, it is not anticipated that the current rate of available grants will continue into the future. The increase in grants over this period is expected to reduce as the economy returns to a more normal way of operating. It is possible that as a result of increased available grants in recent periods, future grants will reduce below the previous level. This would require Council to seek other methods of funding operating and capital programs without the benefit of grants.

PROJECTED FINANCIAL STATEMENTS

PLANNING PRINCIPLES

The purpose of this plan is not to provide specific detail about various individual works or services. The Long-Term Financial Plan will provide a decision-making tool that allows various assumptions and sensitivity analysis to be carried out, which will indicate the ability of Council to deliver cost-effective services to our community into the future, within a framework of financial sustainability.

The key principles in the development of the financial planning and modelling process include:

- ✔ continuing to engage in financial sustainability initiatives
- ✔ identifying and implementing initiatives to reduce expenditure and/or increase income
- ✔ progressively driving the operating result towards a two per cent surplus
- ✔ maintaining current and future infrastructure
- ✔ effectively using funding sources
- ✔ managing loan borrowings
- ✔ exploring profit generating activities.



PLANNING ASSUMPTIONS

The Asset Management Framework and Workforce Management Strategy are major drivers of the assumptions used within the Long-Term Financial Plan.

The budget in the annual Operational Plan 2022-2023 creates the basis of the projections when building the Long-Term Financial Plan. Relevant adjustments have been made to the current financial year to reflect the impact of COVID-19, with future year assumptions reflecting the expected return to a normal business state.

Relevant indices have been used as the basis of assumptions for income and expenditure as well as growth factors based on region projections from Remplan and/or increased services and facilities. A number of income and expense assumptions have been derived from the relevant CPI indices to provide an indicative guide on the long-term movements within the plan.

Some significant adjustments within the plan do not use assumptions for projections:

- ✔ Capital programs are built at a project level and/or using other relevant inputs.
- ✔ Capital grants are projected on the basis of known capital projects and the likelihood of grants being available for recurrent programs.
- ✔ Administration costs of local government elections are projected only for the identified year an election will occur. However, funding for this projected expense is allocated on an annual basis.
- ✔ Asset maintenance cost increases are projected based on the capital program.
- ✔ There are unknown impacts of the continued COVID-19 pandemic due to the inability to predict this.
- ✔ Non-cash revaluations are not projected due to the uncertainty of valuations and that these have no impact on Council's budgeted cash position.

SENSITIVITY ANALYSIS

Council's Long-Term Financial Plan is built on assumptions of what will occur over the course of the plan. Should assumptions change, sensitivity analysis helps Council determine the impact of these movements on financial performance.

Pages 18-23 outline the sensitivity analysis on significant income and expense categories to identify how small movements in assumptions can change Council's financial position.

ADDITIONAL SPECIAL VARIATION

The Minister for Local Government announced a one-off opportunity available for the 2022-2023 year for councils to apply for an **Additional Special Variation (ASV)** of up to 2.5 per cent, inclusive of the previously determined rate cap of 0.7 per cent.

Lake Macquarie City Council applied for this, as the 0.7 per cent rate peg from IPART was significantly lower than the 2.5 per cent used as a baseline assumption from prior year increases.

IPART advised that Council's Additional Special Variation application was successful. Therefore the information in this document is based on the approved 2.5 per cent rate peg.

OUR INCOME

Council has several major sources of income which are explained below.

Rates and annual charges are the primary source of annual income, contributing about 58 per cent of total annual income.

Rates are calculated annually, in accordance with NSW legislative requirements, and include the ordinary rate and annual charges for domestic waste collection and management and for on-site sewer management. The ordinary rate is calculated by applying a flat base amount, plus a rate in the dollar (ad valorem) multiplier to each property owner's unimproved land value.

Each property falls into one of four categories for rating purposes depending on the land use of the property.

These categories are residential, business, farm land and mining.

Increases for ordinary rates are determined at a maximum amount by IPART. This increase is described as a rate peg and is determined by reference to the annual movement in the local government cost index. The rate peg for 2022-2023 is set at 2.5 per cent. It has been assumed that a two per cent rate peg will apply in future years and we have therefore applied the two per cent rate peg as well as an additional 0.7 per cent to allow for development growth in the region.

Rates and annual charges sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
0.5%	985	1,018	1,052	1,083	1,115	1,148	1,182	1,218	1,253	1,289
1.0%	1,970	2,036	2,104	2,167	2,231	2,297	2,365	2,435	2,506	2,578
1.5%	2,954	3,054	3,155	3,250	3,346	3,445	3,547	3,653	3,758	3,867

Fees and charges for goods and services provide about seven per cent of annual income. This income is derived from the use of facilities and services by the public.

Fees and charges are determined annually, published with the Operational Plan and incorporated within the annual budget. These fees are levied to cover the cost associated with:

- the supply of a product, service or commodity
- the giving of information
- providing a service in connection with the Council's regulatory functions, including receiving an application for approval, granting an approval, making an inspection and issuing a certificate
- allowing admission to any building or enclosure.

Fees and charges sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	238	240	248	255	263	271	279	287	296	304
2.0%	476	480	496	510	526	542	558	575	591	608
3.0%	714	720	743	766	789	813	837	862	887	912

Interest income is earned by Council on the investment of funds that are surplus to its current needs. Investments are made in accordance with the appropriate legislative requirements and our Investment Policy and strategy, which is reviewed annually and approved by Council. Interest revenue accounts for about two per cent of annual income.

Interest income sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	80	88	95	104	110	116	121	129	141	151
3.0%	240	263	286	311	331	348	364	386	422	454
5.0%	400	438	477	518	552	580	606	644	703	756

Operational grants and contributions are received from other government bodies to supplement other sources of income and provide additional funding for specific projects and programs where there may be shared outcomes.

Council is allocated about \$17.4 million annually from the Commonwealth Government in the form of the Financial Assistance Grant. This is a general-purpose grant paid to Council under the *Commonwealth Local Government (Financial Assistance) Act 1995*. These funds comprise an unconditional grant, and a smaller local roads component.

Operational grants and contributions sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	261	264	268	272	276	281	285	290	295	299
2.0%	522	528	536	544	553	562	571	580	589	599
3.0%	783	792	803	816	829	842	856	870	884	898

Capital income includes development contributions that provide significant funding towards the cost of essential public facilities and infrastructure provided by Council. This income helps fund infrastructure such as parks, community facilities, local roads, footpaths, stormwater drainage and traffic management.

Capital grants are received by Council for specific projects to assist in funding community facilities and infrastructure. The grants provide supplementary funding that can assist in accelerating the start of a project, demonstrate a shared commitment from the other party or provide a greater benefit arising from additional funding.

Capital grants income does not require sensitivity analysis as this is budgeted at a detailed level based on the minimum known grants available and those grants that have been committed for specific projects. Any variations to capital grants income are assessed against the capital program and asset management plans.

OUR EXPENDITURE

Council has several major sources of expenditure which are explained below.

Operating expenditure is expected to increase in general over the next 10 years and an average increase for CPI growth has been applied to all costs, unless specifically modified on the basis of other data or assumptions.

Employee costs includes the costs of salaries, wages and other associated costs of Council's workforce.

Direct employee costs represent about 51 per cent of Council's total annual operating costs (excluding depreciation).

Increases applied to this class of expenditure are in line with previous Enterprise Agreements as well as an allowance for growth as Council is required to provide additional services to residents.

Employee costs sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
0.5%	537	552	565	577	591	605	620	635	650	666
1.0%	1,074	1,105	1,131	1,155	1,181	1,209	1,240	1,269	1,299	1,332
1.5%	1,611	1,657	1,696	1,732	1,772	1,814	1,860	1,904	1,949	1,998





Materials and contract expenditures are another significant cost element accounting for 38 per cent of Council's total annual operating costs (excluding depreciation).

This category includes costs for services contracted to external parties, costs associated with consultants and labour hire contracts and the purchase of goods such as materials.

Projections have been based on existing contracted rates escalated for CPI where applicable.

Major financial risks within this category of expenditure include:

- increased costs of inputs such as waste/recycling disposal costs, fuel and labour
- increased levels of service expected by the community and other stakeholders
- new services expected to be delivered in the future
- additional asset maintenance costs of new infrastructure
- limited competitive supply for some specific service areas.

Materials and contract sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	788	767	804	812	840	869	915	931	963	998
2.0%	1,576	1,535	1,609	1,624	1,679	1,738	1,831	1,863	1,927	1,996
3.0%	2,364	2,302	2,413	2,436	2,519	2,606	2,746	2,794	2,890	2,995

Borrowing costs represent the interest charges on loans taken out to finance new capital expenditure projects. Loan funds are typically used to generate the cashflow to deliver new infrastructure and allow the cost of the project to be spread across the useful life of the asset in order to facilitate inter-generational equity for these assets.

The risk inherent in this category is increasing interest rates caused by uncertain financial markets. Council mitigates this risk through most of its current borrowing being on a fixed rate basis. Hence, the sensitivity analysis is on planned new borrowings only.

Borrowing costs sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	85	86	96	107	114	115	116	114	114	111
2.0%	171	173	192	214	228	230	231	229	227	222
3.0%	256	259	288	321	342	345	347	343	341	333

Other expenditure includes the following:

- insurance premiums
- NSW Fire Brigades, Rural Fire Service and State Emergency Service contributions
- electricity and street lighting
- telephone and communications
- Councillors' fees, allowances and expenses
- subscriptions and memberships
- bank charges.

Other expenditure sensitivity analysis

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
1.0%	151	149	153	157	162	166	171	176	180	185
2.0%	303	298	306	315	324	333	342	351	360	370
3.0%	454	448	460	472	485	499	512	527	541	555

PROJECTED FINANCIAL STATEMENT

	2021-2022 \$'000	2022-2023 \$'000	2023-2024 \$'000	2024-2025 \$'000	2025-2026 \$'000	2026-2027 \$'000	2027-2028 \$'000	2028-2029 \$'000	2029-2030 \$'000	2030-2031 \$'000	2031-2032 \$'000
Income from continuing operations											
Rates and annual charges	189,583	196,964	203,568	210,366	216,656	223,074	229,692	236,488	243,548	250,553	257,800
User charges and fees	22,109	23,789	24,010	24,782	25,523	26,292	27,087	27,896	28,737	29,561	30,404
Other revenue	9,741	11,895	9,723	10,126	10,469	10,770	11,216	11,440	11,669	11,902	12,140
Grants and contributions provided for operating purposes	27,765	26,105	26,416	26,777	27,202	27,637	28,080	28,531	28,992	29,462	29,941
Grants and contributions provided for capital purposes	65,055	66,890	57,671	54,071	56,616	56,070	56,601	57,139	58,148	59,164	59,908
Interest and investment income	7,118	8,004	8,759	9,531	10,354	11,048	11,609	12,125	12,872	14,062	15,119
Other income	5,538	5,628	6,011	6,784	7,207	8,028	8,300	8,578	8,866	9,157	9,455
TOTAL INCOME FROM CONTINUING OPERATIONS	326,909	339,275	336,158	342,437	354,027	362,919	372,585	382,197	392,832	403,861	414,767
Expenses from continuing operations											
Employee benefits and on-costs	(100,740)	(107,423)*	(110,450)	(113,097)	(115,476)	(118,146)	(120,939)	(123,972)	(126,922)	(129,909)	(133,211)
Borrowing costs	(8,350)	(8,544)	(8,648)	(9,613)	(10,698)	(11,391)	(11,484)	(11,573)	(11,446)	(11,354)	(11,102)
Materials and contracts	(80,078)	(78,809)	(76,746)	(80,426)	(81,210)	(83,973)	(86,881)	(91,546)	(93,135)	(96,343)	(99,821)
Depreciation and amortisation	(66,833)	(65,952)	(67,388)	(68,267)	(71,127)	(72,421)	(73,334)	(74,558)	(75,323)	(82,058)	(82,435)
Other expenses	(14,434)	(15,134)	(14,924)	(15,322)	(15,738)	(16,175)	(16,626)	(17,081)	(17,551)	(18,023)	(18,500)
TOTAL EXPENSES FROM CONTINUING OPERATIONS	(270,435)	(275,862)	(278,156)	(286,725)	(294,249)	(302,106)	(309,264)	(318,730)	(324,377)	(337,687)	(345,069)
Operating result from continuing operations	56,474	63,413	58,002	55,712	59,778	60,813	63,321	63,467	68,455	66,174	69,698
Net operating result for the year attributable to Council	56,474	63,413	58,002	55,712	59,778	60,813	63,321	63,467	68,455	66,174	69,698
Net operating result before grants and contributions provided for capital purposes	(8,581)	(3,477)	331	1,641	3,162	4,743	6,720	6,328	10,307	7,010	9,790
Capital expenditure	(116,516)	(134,895)	(120,196)	(116,719)	(113,101)	(102,577)	(101,822)	(100,672)	(101,305)	(100,765)	(102,287)
Capital dedications	(29,809)	(22,829)	(22,829)	(22,829)	(22,829)	(22,829)	(22,829)	(22,829)	(23,256)	(23,691)	(23,691)
Transfer to restricted cash	(68,374)	(70,057)	(86,162)	(92,082)	(100,600)	(104,106)	(107,644)	(111,292)	(114,428)	(123,847)	(127,644)
Loan repayments	(8,680)	(9,664)	(10,380)	(11,785)	(13,409)	(14,763)	(15,814)	(16,947)	(18,006)	(19,135)	(20,249)
TOTAL CAPITAL	(223,379)	(237,445)	(239,567)	(243,415)	(249,939)	(244,275)	(248,109)	(251,740)	(256,995)	(267,438)	(273,871)
Funds required	(166,905)	(174,032)	(181,565)	(187,703)	(190,161)	(183,462)	(184,788)	(188,273)	(188,540)	(201,264)	(204,173)
Funded by:											
Loans utilised	13,281	11,708	32,111	36,667	27,229	15,397	16,425	12,577	13,632	11,384	12,178
Proceeds from asset sales	2,886	7,521	-	-	-	-	-	-	-	-	-
Restricted cash	150,097	154,803	149,454	151,036	162,932	171,565	173,663	182,152	183,508	200,580	204,795
Budget surplus/(deficit)	(641)	-	-	-	-	3,500	5,300	6,456	8,600	10,700	12,800

*reduction in employee costs capitalised from 2022-2023.

PROJECTED STATEMENT OF FINANCIAL POSITION

	2021-2022 \$'000	2022-2023 \$'000	2023-2024 \$'000	2024-2025 \$'000	2025-2026 \$'000	2026-2027 \$'000	2027-2028 \$'000	2028-2029 \$'000	2029-2030 \$'000	2030-2031 \$'000	2031-2032 \$'000
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents	5,000	5,000	10,665	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Investments	213,585	200,229	200,229	200,978	207,665	214,327	223,853	231,890	242,937	254,962	268,456
Receivables	16,723	18,299	17,190	17,569	18,162	18,608	19,194	19,680	20,203	20,732	21,290
Inventories	1,971	1,954	1,926	1,975	1,986	2,023	2,062	2,124	2,145	2,188	2,235
Other	976	970	946	988	1,001	1,034	1,068	1,121	1,143	1,181	1,221
TOTAL CURRENT ASSETS	238,255	226,452	230,956	241,510	248,814	255,992	266,177	274,815	286,428	299,063	313,202
NON-CURRENT ASSETS											
Investments	91,372	85,658	85,658	85,979	88,840	91,689	95,765	99,203	103,929	109,073	114,846
Receivables	1,927	2,006	2,069	2,137	2,201	2,266	2,333	2,402	2,474	2,545	2,618
Inventories	4,190	4,190	4,190	4,190	4,190	4,190	4,190	4,190	4,190	4,190	4,190
Infrastructure, property, plant and equipment	3,277,570	3,418,924	3,504,186	3,666,927	3,742,198	3,795,345	3,870,427	3,931,532	4,193,833	4,245,260	4,288,398
Other	56,784	58,052	59,543	60,795	61,052	61,194	61,408	61,353	61,039	60,530	61,278
TOTAL NON-CURRENT ASSETS	3,431,843	3,568,830	3,655,646	3,820,028	3,898,481	3,954,684	4,034,123	4,098,680	4,365,465	4,421,598	4,471,330
TOTAL ASSETS	3,670,098	3,795,282	3,886,602	4,061,538	4,147,295	4,210,676	4,300,300	4,373,495	4,651,893	4,720,661	4,784,532
LIABILITIES											
CURRENT LIABILITIES											
Payables	23,514	23,649	23,448	24,224	24,553	25,182	25,840	26,766	27,236	27,947	28,707
Borrowings	9,664	10,380	11,785	13,409	14,763	15,814	16,947	18,006	19,135	20,249	21,265
Provisions	85,808	86,761	87,729	88,715	89,718	90,739	91,777	92,834	93,910	95,008	96,129
Other	2,533	2,792	2,492	2,384	2,496	2,499	2,541	2,583	2,627	2,672	2,723
TOTAL CURRENT LIABILITIES	121,519	123,582	125,454	128,732	131,530	134,234	137,105	140,189	142,908	145,876	148,824
NON-CURRENT LIABILITIES											
Borrowings	198,631	199,958	220,284	243,542	256,009	255,592	255,070	249,641	244,138	235,273	226,186
Provisions	26,562	26,790	27,021	27,254	27,490	27,729	27,971	28,215	28,462	28,713	28,969
Other	643	436	210	246	284	325	369	416	466	519	575
TOTAL NON-CURRENT LIABILITIES	225,836	227,184	247,515	271,042	283,783	283,646	283,410	278,272	273,066	264,505	255,730
TOTAL LIABILITIES	347,355	350,766	372,969	399,774	415,313	417,880	420,515	418,461	415,974	410,381	404,554
NET ASSETS	3,322,743	3,444,516	3,513,633	3,661,764	3,731,982	3,792,796	3,879,785	3,955,034	4,235,919	4,310,280	4,379,978
EQUITY											
Retained earnings	1,472,504	1,535,917	1,593,920	1,649,633	1,709,411	1,770,225	1,833,546	1,897,014	1,965,469	2,031,643	2,101,341
Revaluation reserves	1,850,239	1,908,599	1,919,713	2,012,131	2,022,571	2,022,571	2,046,239	2,058,020	2,270,450	2,278,637	2,278,637
TOTAL EQUITY	3,322,743	3,444,516	3,513,633	3,661,764	3,731,982	3,792,796	3,879,785	3,955,034	4,235,919	4,310,280	4,379,978

PROJECTED CASH FLOW STATEMENT

Council maintains a number of assets (or reserves) for various purposes. Externally restricted reserves can only be used for the purpose for which they have been received, whereas internally restricted reserves have been determined by Council for use in a specific function.

	2021-2022 \$'000	2022-2023 \$'000	2023-2024 \$'000	2024-2025 \$'000	2025-2026 \$'000	2026-2027 \$'000	2027-2028 \$'000	2028-2029 \$'000	2029-2030 \$'000	2030-2031 \$'000	2031-2032 \$'000
Cash flows from operating activities											
Receipts:											
Rates and annual charges	189,545	196,810	203,431	210,224	216,526	222,941	229,554	236,346	243,402	250,407	257,649
User charges and fees	24,177	23,628	23,989	24,708	25,452	26,218	27,011	27,819	28,657	29,482	30,324
Investment and interest revenue received	5,836	8,074	8,729	9,456	10,291	10,986	11,525	12,053	12,777	13,960	15,006
Grants and contributions	60,173	70,231	61,178	57,990	61,016	60,877	61,861	62,851	63,893	64,944	66,168
Other	13,706	16,418	16,831	16,771	17,457	18,649	19,285	19,883	20,397	20,919	21,450
Payments:											
Employee benefits and on-costs	(100,222)	(106,892)*	(109,906)	(112,540)	(114,907)	(117,563)	(120,343)	(123,362)	(126,297)	(129,270)	(132,557)
Materials and contracts	(84,774)	(78,862)	(77,001)	(79,968)	(81,071)	(83,612)	(86,502)	(90,972)	(92,900)	(95,928)	(99,376)
Borrowing costs	(7,731)	(7,894)	(7,983)	(8,939)	(10,022)	(10,714)	(10,800)	(10,884)	(10,750)	(10,648)	(10,383)
Other	(12,707)	(15,032)	(14,916)	(15,226)	(15,673)	(16,083)	(16,531)	(16,963)	(17,470)	(17,921)	(18,391)
Net cash flows from operating activities	88,003	106,481	104,352	102,476	109,069	111,699	115,060	116,771	121,709	125,945	129,890
Cash flows from investing activities											
Receipts:											
Sale of investment securities	8,737	19,071	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	2,886	7,521	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities	-	-	-	(1,070)	(9,548)	(9,511)	(13,601)	(11,476)	(15,773)	(17,169)	(19,266)
Purchase of infrastructure, property, plant and equipment	(114,392)	(132,033)	(116,754)	(113,531)	(110,694)	(100,080)	(98,913)	(97,690)	(98,266)	(97,611)	(98,549)
Purchase of intangible assets	(2,124)	(2,862)	(3,443)	(3,187)	(2,407)	(2,498)	(2,909)	(2,982)	(3,039)	(3,153)	(3,738)
Net cash flows from investing activities	(104,893)	(108,303)	(120,197)	(117,788)	(122,649)	(112,089)	(115,423)	(112,148)	(117,078)	(117,933)	(121,553)
Cash flows from financing activities											
Receipts:											
Proceeds from borrowings	13,281	11,708	32,111	36,667	27,229	15,397	16,425	12,577	13,632	11,384	12,178
Payments:											
Repayment of borrowings	(8,679)	(9,664)	(10,380)	(11,785)	(13,409)	(14,763)	(15,814)	(16,947)	(18,006)	(19,135)	(20,249)
Principal component of lease payments	(220)	(222)	(221)	(235)	(240)	(244)	(248)	(253)	(257)	(261)	(266)
Net cash flows from financing activities	4,382	1,822	21,510	24,647	13,580	390	363	(4,623)	(4,631)	(8,012)	(8,337)
Net increase/(decrease) in cash and cash equivalents	(12,508)	-	5,665	9,335	-	-	-	-	-	-	-
Cash and cash equivalents at beginning of year	17,508	5,000	5,000	10,665	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash and cash equivalents at end of year	5,000	5,000	10,665	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Plus: Investments on hand at end of year	304,957	285,887	285,887	286,957	296,505	306,016	319,618	331,093	346,866	364,035	383,302
Total cash, cash equivalents and investments at end of year	309,957	290,887	296,552	306,957	316,505	326,016	339,618	351,093	366,866	384,035	403,302
Representing:											
- External restrictions	170,172	168,555	173,548	186,367	195,401	196,949	206,377	219,677	233,251	248,107	264,171
- Internal restrictions	128,467	102,584	94,670	86,982	87,484	94,556	97,669	95,191	96,247	101,531	107,398
- Unrestricted	11,318	19,748	28,334	33,608	33,620	34,511	35,572	36,225	37,368	34,397	31,733
	309,957	290,887	296,552	306,957	316,505	326,016	339,618	351,093	366,866	384,035	403,302

*reduction in employee costs capitalised from 2022-2023.

PROJECTED RESTRICTED CASH

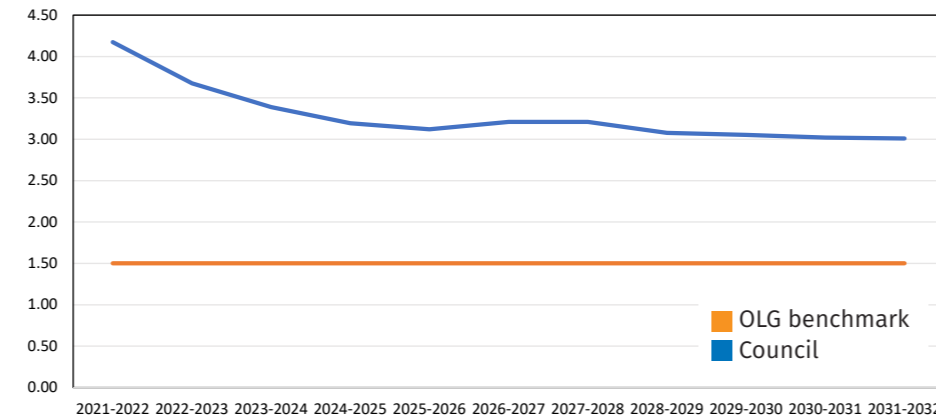
	2021-2022 \$'000	2022-2023 \$'000	2023-2024 \$'000	2024-2025 \$'000	2025-2026 \$'000	2026-2027 \$'000	2027-2028 \$'000	2028-2029 \$'000	2029-2030 \$'000	2030-2031 \$'000	2031-2032 \$'000
External restrictions											
Developer Contributions Section 7.11	126,834	126,259	130,100	139,784	143,143	140,121	143,389	148,964	154,949	161,248	168,081
Specific purpose unexpended grants	5,822	5,578	5,429	5,266	5,099	4,930	4,757	4,580	4,400	4,217	4,030
Domestic waste management	8,523	6,386	5,896	6,934	8,401	9,895	11,623	13,370	15,225	17,023	19,535
Domestic waste management land infrastructure	5,977	6,631	7,298	7,979	8,673	9,380	10,103	10,839	11,590	12,356	13,138
Domestic waste management site rehabilitation	11,652	12,685	13,738	14,813	15,909	17,027	18,168	19,331	20,518	21,728	22,963
Crown reserve	290	8	60	67	79	97	119	148	181	221	266
Holiday Park reserve	3,035	2,927	2,902	3,355	5,883	7,239	9,911	14,090	17,984	22,860	27,653
Waste and sustainability improvement	11	11	11	11	11	11	11	11	11	11	11
Contributions to works	2,352	2,394	2,438	2,482	2,527	2,573	2,620	2,668	2,717	2,767	2,818
Trust restricted asset	4,416	4,416	4,416	4,416	4,416	4,416	4,416	4,416	4,416	4,416	4,416
Section 90 restricted asset	532	532	532	532	532	532	532	532	532	532	532
Other sundry contributions	130	130	130	130	130	130	130	130	130	130	130
Regional Illegal Dumping squad reserve	598	598	598	598	598	598	598	598	598	598	598
	170,172	168,555	173,548	186,367	195,401	196,949	206,377	219,677	233,251	248,107	264,171
Internal restrictions											
Asset replacement reserve	44,394	49,971	49,283	45,816	44,379	50,026	51,687	49,080	48,153	51,328	55,937
Unexpended loan funds	14,668	-	-	-	-	-	-	-	-	-	-
Strategic property reserve	17,303	14,622	7,537	4,537	5,060	4,749	4,514	4,328	4,194	4,116	4,087
Matching funds Section 7.11	7,915	8,000	8,379	8,765	9,160	9,588	10,025	10,470	10,925	11,388	11,861
General fund restricted cash	12,061	-	-	-	-	-	-	-	-	-	-
Open space acquisition	3,620	3,519	3,475	3,430	3,385	3,339	3,291	3,243	3,194	3,144	3,092
Grant matching funds	4,131	4,261	4,394	4,529	4,667	4,808	4,951	5,098	5,247	5,400	5,555
Community land	11,853	10,157	10,345	10,536	10,731	10,930	11,132	11,339	11,550	11,766	11,985
Cemeteries improvement	1,191	1,328	1,469	1,614	1,762	1,915	2,072	2,232	2,397	2,566	2,740
IT replacement reserve	1,412	1,212	465	594	740	576	394	336	549	815	1,113
Water and energy reduction strategies reserve	263	263	263	263	263	263	263	263	263	263	263
Charlestown open space endowment fund	2,916	2,990	2,040	916	968	1,021	1,075	1,130	1,186	1,243	1,301
Cardiff Town Park endowment fund	2,236	2,282	2,328	2,376	2,424	2,474	2,524	2,576	2,628	2,682	2,736
Insurance proceeds	716	816	918	1,022	1,128	1,236	1,347	1,459	1,574	1,691	1,811
Roads and drainage reserve	161	159	159	159	159	159	159	159	159	159	159
Community facilities reserve	1,318	1,340	1,362	1,130	1,153	1,177	1,201	1,226	1,252	1,277	1,304
Wangi Point Lakeside Holiday Park	1,337	317	525	563	376	761	1,086	1,430	1,724	2,003	1,317
Election reserve	972	1,347	1,728	732	1,129	1,534	1,948	822	1,252	1,690	2,137
	128,467	102,584	94,670	86,982	87,484	94,556	97,669	95,191	96,247	101,531	107,398
TOTAL	298,639	271,139	268,218	273,349	282,885	291,505	304,046	314,868	329,498	349,638	371,569

RATIOS

UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is specific to local government, measuring the adequacy of liquid working capital and its ability to satisfy its financial obligations as they fall due in the short-term. Restrictions placed on various funding sources (for example, development contributions) complicate the traditional current ratio used to assess liquidity of businesses, as cash allocated to specific projects is restricted and cannot be used to meet Council's other operating and borrowing costs. The benchmark set by the Office of Local Government (OLG) is greater than 1.5.

$$\frac{\text{Current assets less all external restrictions}}{\text{Current liabilities less specific purpose liabilities}}$$

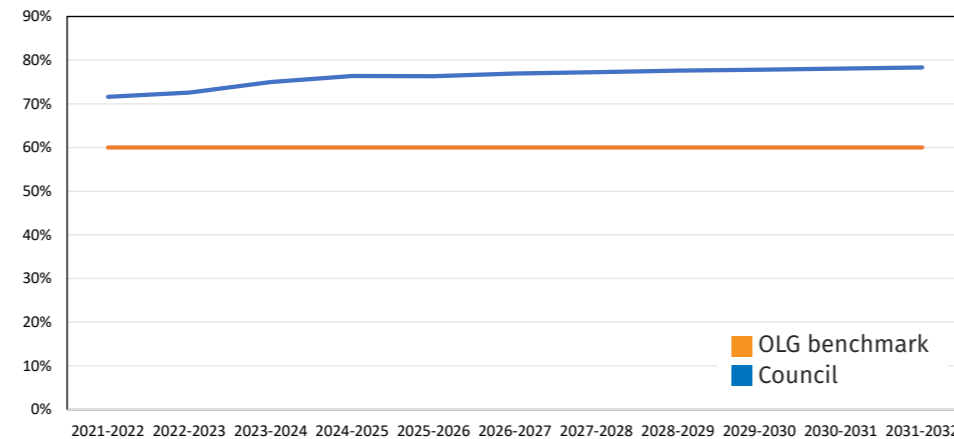


	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council	4.17	3.67	3.39	3.19	3.12	3.21	3.21	3.08	3.05	3.02	3.01
OLG benchmark	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

OWN SOURCE OPERATING REVENUE RATIO

A measure of fiscal flexibility, own source revenue refers to Council's ability to raise revenue through its own internal means, thereby reducing reliance on external sources of income and insulating against negative fluctuations in external funding. The benchmark set by OLG is greater than 60 per cent.

$$\frac{\text{Total continuing operating revenue excluding all grants and contributions}}{\text{Total continuing operating revenue}}$$

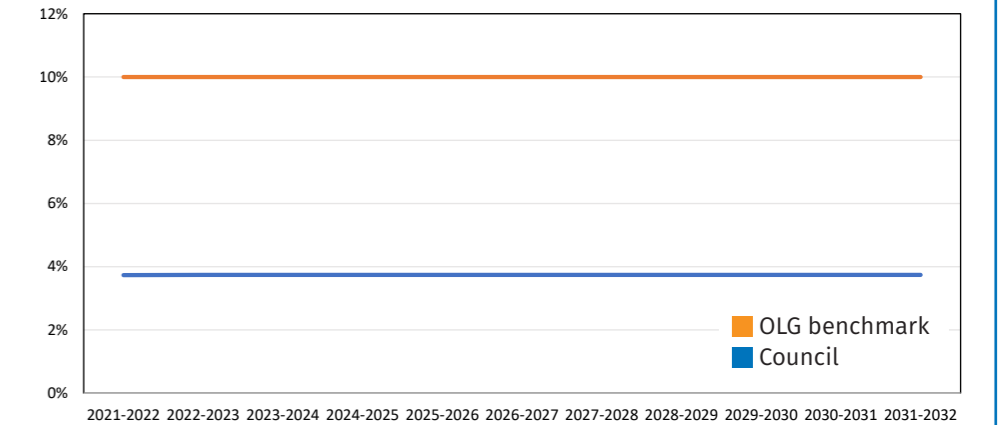


	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council	71.60%	72.59%	74.99%	76.39%	76.32%	76.94%	77.27%	77.58%	77.82%	78.06%	78.34%
OLG benchmark	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%

RATES AND ANNUAL CHARGES OUTSTANDING RATIO

This measure indicates Council's success at recovering its annual rates and charges, with higher percentages of outstanding debts indicating a potential threat to Council's working capital and liquidity. The benchmark set by OLG is below 10 per cent.

$$\frac{\text{Rates and annual charges outstanding}}{\text{Rates and annual charges collectable}}$$

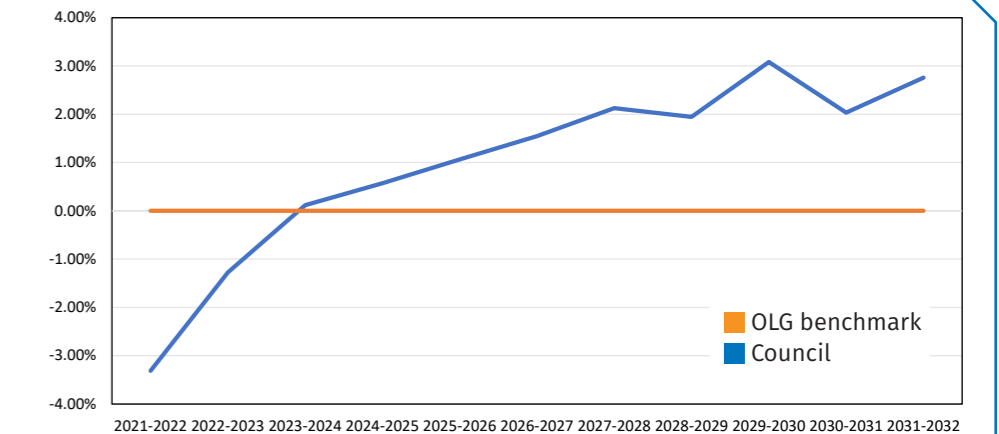


	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council	3.73%	3.74%	3.74%	3.74%	3.74%	3.74%	3.74%	3.74%	3.74%	3.74%	3.74%
OLG benchmark	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

OPERATING PERFORMANCE RATIO

This ratio provides an indication of Council's financial sustainability by measuring operating result excluding capital grants and contributions (which are typically tied to delivery of new capital works). Performance at or above benchmark indicates Council has the ability to internally generate sufficient funding for its ongoing operations. The benchmark set by OLG is greater than 0 per cent.

$$\frac{\text{Total continuing operating revenue excluding capital grants and contributions}}{\text{Total continuing operating revenue excluding capital grants and contributions}}$$



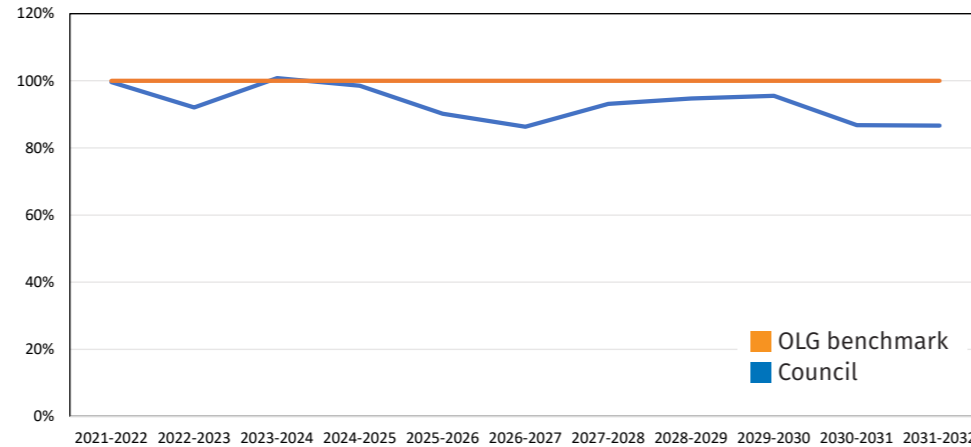
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council	-3.31%	-1.28%	0.12%	0.57%	1.06%	1.55%	2.13%	1.95%	3.08%	2.03%	2.76%
OLG benchmark	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

RATIOS

ASSET RENEWAL RATIO

This ratio indicates Council is adequately maintaining its asset base on the basis of planned renewal activities as a proportion of the depreciation expenditure. A ratio result of 100 per cent indicates Council is renewing its asset base and not contributing to infrastructure backlogs. The benchmark set by OLG is greater than 100 per cent.

$$\frac{\text{Asset renewals expenditure}}{\text{Depreciation and amortisation expenditure}}$$



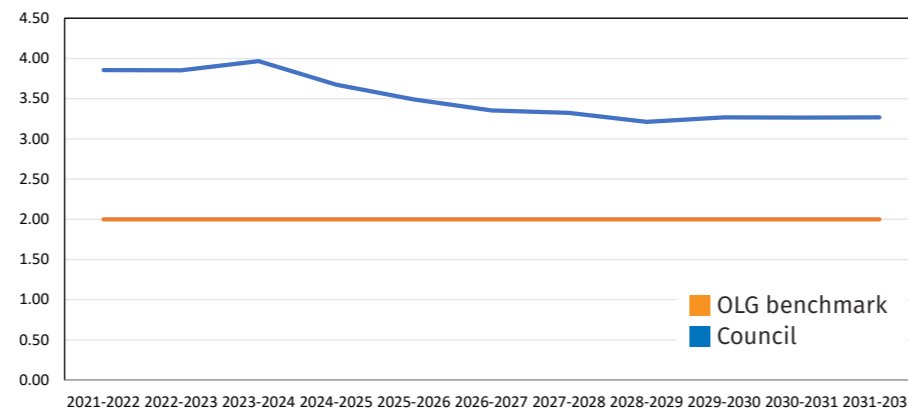
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council*	99.55%	92.06%	100.77%	98.49%	90.16%	86.32%	93.13%	94.70%	95.51%	86.75%	86.65%
OLG benchmark	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

*Ratio calculation does not include asset renewals expenditure that is incorporated as part of a new capital project.

DEBT SERVICE COVER RATIO

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. A high ratio indicates the ability of the Council to repay debt. The benchmark set by OLG is greater than two.

$$\frac{\text{Operating result before capital excluding interest and depreciation/impairment/amortisation}}{\text{Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)}}$$



	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Council	3.86	3.85	3.97	3.68	3.49	3.35	3.32	3.21	3.27	3.27	3.27
OLG benchmark	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

FINANCIAL PERFORMANCE INDICATORS

Council complies with the reporting requirements of the Integrated Planning and Reporting framework, with periodic reviews and reporting cycles to allow revision of performance and adjustment of planning activities based on results. This allows plans to be amended should performance indicate there is a risk to the achievement of the financial goals.

A critical component of measuring performance is identified by performance indicators set by Council and the Office of Local Government, including those outlined on pages 32-34.

STRATEGIC ALIGNMENT

The Long-Term Financial Plan combines the financial implications arising from the Community Strategic Plan, Delivery Program and the annual Operational Plan to ensure all items in these plans are achievable and sustainable.

The Asset Management Framework and Workforce Management Strategy are major drivers of the assumptions used within the Long-Term Financial Plan.

OUR STRATEGIES AND ACTIONS

Strategies from this plan are found in the Delivery Program 2022-2026, under the Organisational Support key focus area.

Actions from this plan are found in the annual Operational Plan, under the Organisational Support key focus area.



Relevant strategies and actions are indicated with this symbol.

WORKFORCE MANAGEMENT STRATEGY 2022-2026



OUR WORKFORCE GOALS

Lake Macquarie City Council's vision is to be an organisation of

'empowered people working together to create an even better Lake Macquarie City'.

We do this by anticipating and responding to the ever-changing sector and community landscape, ensuring we attract and retain high-performing staff aligned to Council's workforce of the future. This will be achieved through strategies and actions that attract, develop and provide a healthy and safe work environment, and empower, engage and support great people at Lake Mac, now and into the future.

This strategy has been prepared as part of our cyclical planning process and considers Council's goals, our workforce snapshot, our opportunities and challenges and the strategies and actions that will enable us to maintain a high-performing workforce to deliver Council's services to the Lake Macquarie community.

VISION, VALUES, STRATEGIES AND PRIORITIES

Council's vision is enabled through our three values:

- ✓ **Shaping our future**
- ✓ **Leading at all levels**
- ✓ **Working together.**

Our values guide the actions of our leaders and staff, provide clear expectations on behaviours, form the foundation for role capabilities across the organisation and are a key tool for our recruitment processes.

Our strategic workforce goals are to:


- ✓ **attract and retain quality staff**
- ✓ **develop a high-performing workforce**
- ✓ **provide a healthy and safe work environment for our staff**
- ✓ **empower, engage and support our staff to be an employer of choice**
- ✓ **grow our future workforce.**


WORKFORCE SNAPSHOT

 Headcount
1287

 Permanent
1029 (80%)

 Temporary/term contract
118 (9.2%)

 Education to Employment (E2E)
(apprentice/trainee/cadet):
41 (3.2%)

 Casual
99 (7.6%)

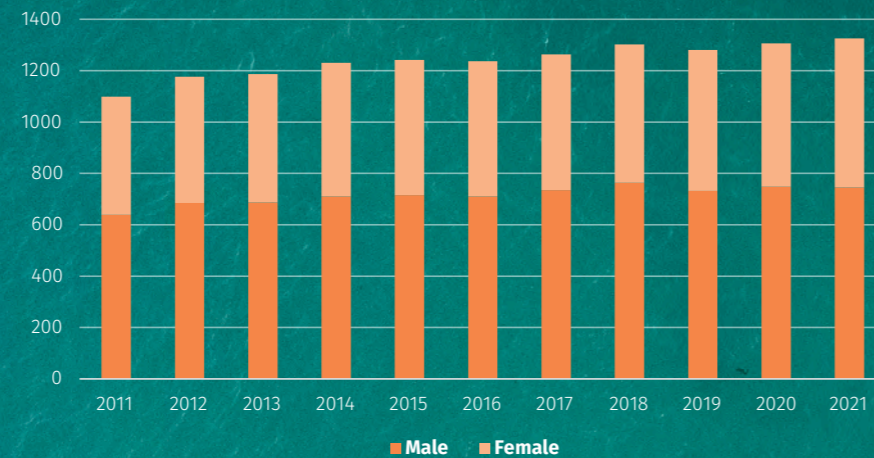
 Turnover
12.6%

DIVERSITY OF COUNCIL'S WORKFORCE


 Male
724 (56%)

 Female
563 (44%)

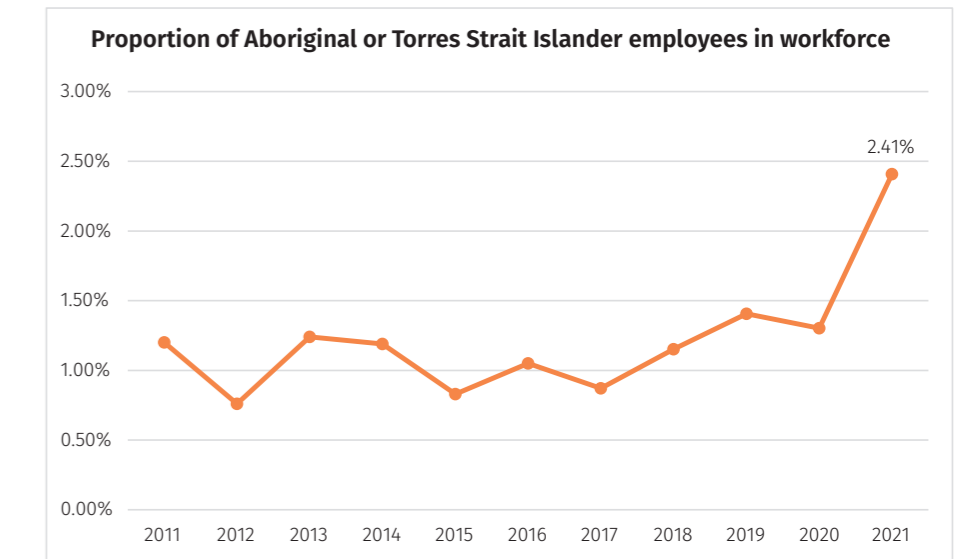
GENDER TREND 2011-2021



Our gender profile for male to female employees has remained consistent over the previous 10 years, however, there has been an increase in the number of female managers or above. As at 30 June 2021, 46 per cent of managers or above were female. This is an increase of 11 per cent in the last six years.

 Aboriginal or Torres Strait Islander
2.41%

ABORIGINAL OR TORRES STRAIT ISLANDER TREND 2011-2021

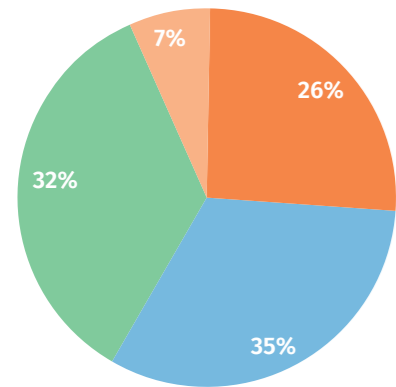


Through the delivery of our 2019-2022 Equal Employment Opportunity (EEO) and Diversity Management Plan, and by collecting data about employees' Aboriginal or Torres Strait Islander background, we have recorded a growth of new employees to Council with declared Aboriginal or Torres Strait Islander background.

AGE PROFILE

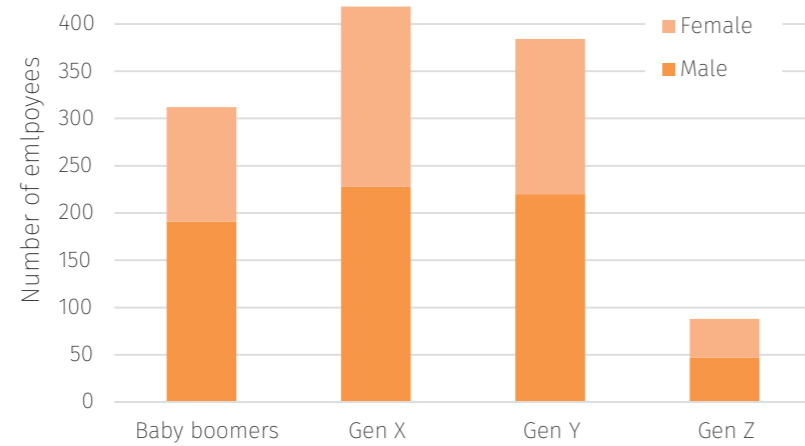
Like many councils, Lake Mac is experiencing a changing generational workforce mix. Some of our baby boomers are reaching retirement age and Council is attracting more Gen Z through our Education to Employment program for apprentices, trainees and cadets.

Workforce by generation



- Baby boomers (1943 - 1966)
- Gen X (1967 - 1980)
- Gen Y (1981 - 1994)
- Gen Z (post 1994)

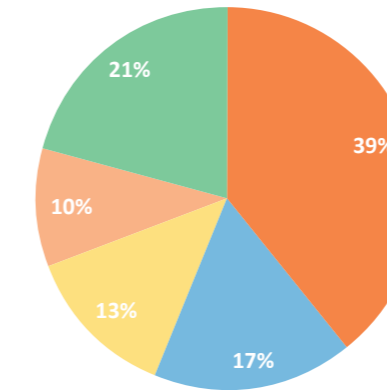
Gender of workforce by generation



The generational make up of Council's workforce has shifted from almost half (44 per cent) of employees as baby boomers (1943-1966) in 2015, to only accounting for 26 per cent of the workforce in 2021.

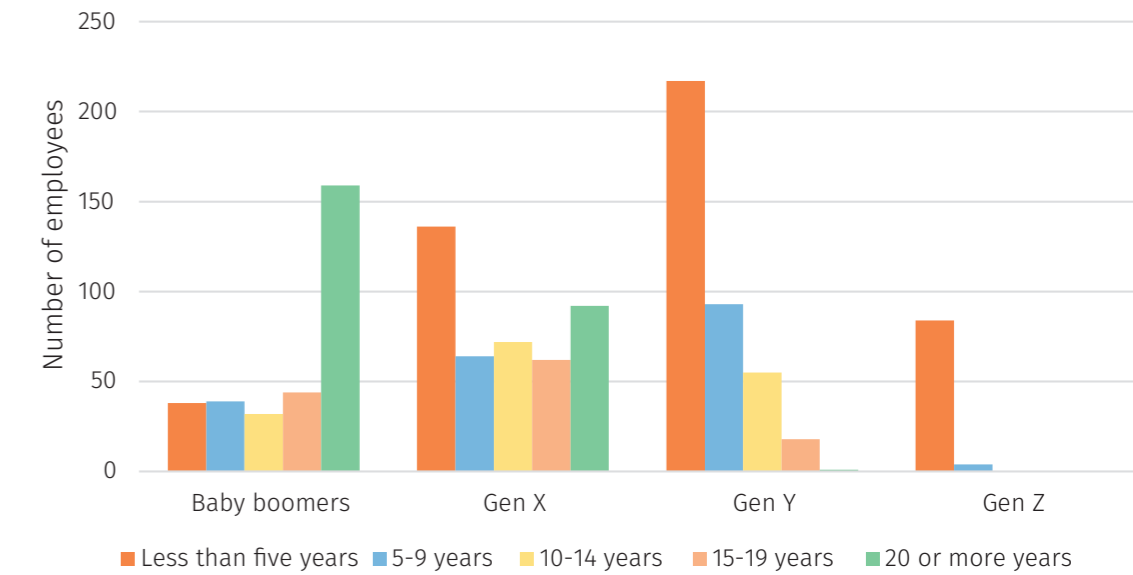


Tenure of Council's workforce



- Less than five years
- 5-9 years
- 10-14 years
- 15-19 years
- 20 or more years

Tenure by generation



As at 30 June 2021, baby boomers make up 17 per cent of employees with more than 15 years' experience at Lake Mac.

OUR CHALLENGES AND OPPORTUNITIES



ATTRACTING AND RETAINING TALENT

We will work to attract and retain talent in a competitive market to deliver even better services to the community.



ENCOURAGING DIVERSITY AND INCLUSION

At Lake Mac we value diversity and inclusion. We will continue to recognise the benefits of a diverse and inclusive workforce to better represent the community we serve.



BUILDING LEADERSHIP AND WORKFORCE CAPABILITY

We will continue to build our leadership capability to navigate transformational change and be more responsive and adaptive to the ever-changing landscape.



EMBRACING EMERGING TECHNOLOGIES

Emerging technologies will have an impact on future capabilities and skills required in the digital age. Our challenge is to keep up with the rapid changes in this space.



OUR AGEING WORKFORCE

We will work to mitigate the disruption to service delivery due to skills shortages and lack of knowledge transfer with an ageing workforce.

We'll also embrace this opportunity to expand our Education to Employment program with trainees, apprentices, cadets, graduates and work experience placements employing a younger demographic.



EMPOWERING AND ENGAGING OUR WORKFORCE

Employee engagement is key to our customer and employee experience. We will enhance workforce planning, business intelligence, data analytics, systems and processes to better support business decision-making.



SUPPORTING OUR STAFF HEALTH, SAFETY AND WELLBEING

Ensuring the health and safety of our staff is an ongoing challenge, including investing in their mental health and wellbeing to enhance employee resilience and psychological safety in the workplace.



PLANNING FOR THE FUTURE OF OUR WORKFORCE

We will be adaptive to global trends and seize opportunities to consider new ways of working aligned to our future customer and staffing needs.

These challenges and opportunities are addressed through the strategies and actions of this strategy.

WORKFORCE PLANNING AND APPROACH

Strategic workforce planning at Lake Mac ensures we:

- ✓ identify future business directions and workforce needs based on global and sector challenges and opportunities
- ✓ analyse and understand the make-up of the current workforce
- ✓ determine the necessary skills, capabilities and competencies required to achieve strategic and operational goals in the future
- ✓ develop strategies and actions that will assist in achieving these goals
- ✓ are better able to respond to the changing needs of our customers and identify strategies that are people-focused, unleash human potential and contribute to our business success.



STRATEGIC ALIGNMENT

We recognise that councils operate within challenging environments that demand greater flexibility, responsiveness and performance improvements to meet agile labour markets, skills shortages and an ageing workforce.

Our Workforce Management Strategy is a proactive plan that shapes the capacity and capability of our workforce to achieve Council's strategic goals and objectives.

It clearly identifies how future staffing and skills requirements will be met, and resourced in conjunction with our Long-Term Financial Plan, Asset Management Framework and Digital Strategy.



OUR STRATEGIES AND ACTIONS

Detailed workforce management strategies are found in the Delivery Program 2022-2026, under the Organisational Support key focus area.

Actions from this strategy are found in the annual Operational Plan, under the Organisational Support key focus area.



Relevant strategies and actions are indicated with this symbol.

ASSET MANAGEMENT FRAMEWORK 2022-2032



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1. PURPOSE

The community of Lake Macquarie has set out the aspirations for our city in the Community Strategic Plan.

Through these aspirations, the community has communicated the value of the **places, spaces, facilities and infrastructure** we provide.

The purpose of Council's Asset Management Framework is to make these things possible, now and into the future.

We will undertake, and continuously mature asset management, to:

- ✓ understand and communicate the current and future plan for our assets
- ✓ balance our community needs, risk appetite, resources and financial capacity
- ✓ maximise the long-term functionality and value of our assets
- ✓ make better decisions for our assets.

The intent of this strategy is to implement Council's objectives for asset management, as defined by the Asset Management Policy.

The framework is comprised of:

Asset Policy (Four years)	Sets the stage through principles and a goal for asset management
Asset Strategy (Four years)	Provides the direction by establishing the strategic objectives we will follow to implement asset management
Asset Management Plan (One year)	Tells the story by defining our assets, what we want them to achieve, and what is required to do this

The framework is supported by a number of internal planning documents including:

Asset Category Plans (One year)	Defines individual category assets and undertakes life cycle modelling
Forward Works Plans (10 years)	Lists and prioritises forward capital projects
Risk Management Plans (live)	Identifies and prioritises asset related risks
Asset Improvement Plan (Four years)	Identifies systems and practices improvements and prioritises actions

2. ASSET MANAGEMENT POLICY

PURPOSE

The Asset Management Policy defines Council's vision for asset management in accordance with legislative requirements, community needs, affordability and risk management.

Under this policy, Council will prepare and implement an Asset Management Framework to provide a sound foundation for asset management activities across all aspects of our business.

This policy addresses legislative requirements under the **Local Government Amendment (Governance and Planning) Act 2016** and associated guidelines and will be revised in accordance with any future changes to this legislation.

SCOPE

Under the Community Strategic Plan, Council develops and implements a Resourcing Strategy, which includes the Asset Management Framework.

This framework is comprised of the following documents to guide and deliver effective asset management:

- Asset Management Policy (this document)
- Asset Management Strategy
- Plant and Fleet Management Strategy
- Asset Management Plan.

The policy defines Council's vision and service delivery objectives for asset management.

The Asset Management Strategy and Plant and Fleet Management Strategy enable this policy through identification of strategic priorities for implementation across Council.

The Asset Management Plan defines Council's asset portfolio, and provides the outcomes of asset life cycle modelling.

The framework covers all assets owned or managed by Council, regardless of their purpose or source of acquisition.

The Asset Management Framework is supported by other elements of the Resourcing Strategy including the Long-Term Financial Plan, Workforce Management Strategy and Digital Strategy.

POLICY STATEMENT

The community of Lake Macquarie values the places, spaces and facilities that Council provides. The provision of assets to meet community needs and expectations is fundamental to the economic, social and cultural vibrancy of the city.

Council's overall goal in managing assets is to support the provision of its services, aligned to community needs and aspirations, within its financial capacity, in a safe and compliant manner.

PRINCIPLES

To ensure the organisation meets its goals for asset management, two key principles are applied.

Principle 1: Asset management is a whole of organisation function and responsibility.

The provision of assets to deliver services is the responsibility of all areas of Council, at all levels. The Asset Management Framework and its enabling actions seek to share responsibility and ownership across the organisation, and unify the business in a common purpose for asset management.

Principle 2: Asset management practices consider whole of asset life cycle.

Effective asset management is delivered by defining asset needs across the life cycle phases of acquisition, operation, maintenance renewal and disposal. Council aligns its business activities and actions to reflect whole of asset life requirements.

OBJECTIVES

Under this policy, Council will ensure the establishment and regular review of an asset management framework to achieve the following objectives:

- ✔ Implement asset life cycle management activities as identified in asset management plans.
- ✔ Allocate funding to asset management activities (acquisition, renewal, maintenance and operations) through the annual budget and Long-Term Financial Plan.
- ✔ Set levels of service for assets that align with financial capacity, risk and community expectations.
- ✔ Ensure the impacts of decisions relating to asset management practices are understood.
- ✔ Record information on assets managed by Council, and continuously improve the level of accuracy of asset-related data.
- ✔ Improve efficiency in asset management through exploration of emerging and innovative technology.
- ✔ Provide sound education for elected representatives and Executive members on asset management principles and related financial management practices within six months of commencing their term.
- ✔ Continue to expand the knowledge and competency of asset management throughout the organisation.
- ✔ Monitor and report on asset competency throughout the life of the framework.

ROLES AND RESPONSIBILITIES

Councillors

- Provide stewardship and reflect the needs of the community in asset management activities and practices.
- Consider the impact of managing Council's assets on the financial position of the organisation.
- Participate in training and seek required skills and knowledge to effectively engage in asset-related decision-making.
- Adopt the Long-Term Financial Plan and annual Budget, incorporating commitments for asset management requirements.

Executive

- Ensure business practices and organisation structures are established to support sound asset management and the implementation of the Asset Management Framework.
- Ensure resources are allocated to achieve asset strategic priorities.
- Ensure compliance with legal obligations.
- Ensure recommendations made to the elected Council adequately consider the impact to asset management.
- Set strategic principles for allocation of funds to support asset management activities and recommend the budget to Council.

Asset Management Steering Group

- Implement the Asset Management Improvement Plan.
- Develop and foster organisation-wide literacy in asset management.
- Identify opportunities for alignment of policies and procedures across the organisation for effective asset management.
- Provide the governance framework for asset management activities, including budget governance.

Asset practitioners

- Undertake asset life cycle management activities including development of forward capital works programs, asset maintenance and renewal programs.
- Undertake asset life cycle modelling.
- Develop and implement Asset Category Plans.
- Manage and maintain systems for recording asset knowledge and data.
- Record and maintain asset-related information and data.
- Develop program and project budgets.
- Monitor costs and expenditure for asset activities against allocated budgets.

REVIEW AND EVALUATION

The effectiveness of this policy will be evaluated through a number of indicators including:

- community feedback on the levels of service provided by assets
- financial performance including expenditure of asset renewals and maintenance
- rate of asset failures and asset risk occurrences
- delivery of asset maintenance activities.

These indicators are reported to the Executive and the elected Council through the Annual Report.

This policy is reviewed in conjunction with the elements of the Community Strategic Plan and Resourcing Strategy, aligning with elected term of Council.

3. ASSET MANAGEMENT STRATEGY

Our Asset Management Strategy will ensure:

- ✓ assets are delivered and managed in a cost-effective manner
- ✓ services can be provided at an appropriate and agreed level through the creation, acquisition, maintenance, operation, rehabilitation and disposal of assets
- ✓ the financial impact of future assets is considered and accounted for when planning to provide them
- ✓ assets are maintained at a suitable level for present and future users
- ✓ long-term needs are known and planned for, both technically and financially.



LEGISLATIVE CONTEXT

There are various legislative requirements and codes of practice Council must comply with in relation to the management of its assets. Some key examples are provided below.

Integrated Planning and Reporting Framework

Under the *Local Government Amendment (Governance and Planning) Act 2016* and associated guidelines, Council must have a long-term Resourcing Strategy covering the provision of resources required to implement its Community Strategic Plan. The Resourcing Strategy is to cover asset management planning, among other areas. Asset management planning requirements of this legislation include the development of an Asset Management Policy endorsed by Council for inclusion in an Asset Management Strategy. The Asset Management Strategy is required to support the Community Strategic Plan and Delivery Program and provide for a minimum timeframe of 10 years.

Local Government Act 1993

Council has a number of statutory responsibilities in relation to asset management under the *Local Government Act 1993*, which outlines Council's functions, responsibilities and powers, including providing and maintaining community infrastructure. This legislation states, in part, that Council shall:

- have regard to the long-term and cumulative effects of its decisions
- bear in mind that it is the custodian and trustee of public assets
- effectively account for and manage the assets for which it is responsible.

Other Acts and Regulations

The NSW and Federal Acts and associated Regulations that may apply to strategic asset management include the:

- *Roads Act 1993*
- *Environmental Planning and Assessment Act 1979 and Regulations 2000*
- *Work Health and Safety Act 2011 and Regulations 2011*
- *Protection of the Environment Operation Act 1997 and Regulations 2009.*

The *Civil Liability Act 2002* also requires Council to minimise the risk to Council from public liability and address the reasonable expectations of the community in managing the risk to the public through the prudent management of Council's assets.



CURRENT STATE OF ASSET MANAGEMENT

ASSET MANAGEMENT AT COUNCIL

Council formally established its Asset Management Planning Framework and Asset Management Plans in 2009, and these have been periodically reviewed since that time.

The framework was based on the International Standard for Asset Management ISO55000 and used the format developed by the Institute of Public Works Engineering of Australia.

The Asset Management Planning Framework was previously developed using five key asset categories – roads and transportation, buildings, parks and reserves, stormwater drainage, and natural areas.

Council established its first Asset Management Steering Group in 2011 following the completion of its first maturity audit. This audit assessed the maturity of the asset management systems and processes across the organisation.

Key improvement areas and an action plan were implemented by the Asset Management Steering Group from 2011-2019.

Some key achievements from this improvement plan include:

- ✓ implementing an asset management information system and integrated asset register
- ✓ initiating planned maintenance activities for buildings and facilities
- ✓ high-level asset management knowledge training for key staff
- ✓ organisation-wide reconfiguration to align asset management activities with key operational activities
- ✓ establishing the Asset Optimisation team to increase focus on opportunities to enhance asset management through new and emerging technologies

- ✓ comprehensive review of the capital works program, and establishing the Capital Works Steering Group
- ✓ developing and implementing asset capitalisation policy and procedure
- ✓ developing and implementing a project management framework
- ✓ implementing asset renewal programs across key asset categories to improve asset conditions and extend useful lives
- ✓ seeking community feedback on asset-related services through community surveys.

Council was assessed as having the most advanced asset management capability of 37 local governments audited by the Office of Local Government as part of its 2012-2013 review of the sector's asset management practices. Since then, Council has continued positioning itself as an asset management leader.

From 2012-2019, Council's asset management activities were supported through a special rate variation. The special rate variation allowed Council to prioritise asset renewal activities to progressively reduce the asset renewal backlog and improve the overall condition of the asset base.

A comprehensive review of the Asset Management Framework has been undertaken during 2021-2022. This has included a revised asset maturity audit and refresh of the Asset Management Policy, this Asset Management Strategy and the Asset Management Plans.

CURRENT MATURITY

In 2021, Council engaged the University of Newcastle (UoN) to complete a revised maturity audit. This audit concluded that Council is a mature organisation with a high level of asset management competence and skills.

The outcomes identified that Council's asset management practices met or exceeded core maturity in the areas of:

- Strategic Long-Term Plan (3.9)
- Annual Budget (4.2)
- Annual Report (4.3).

Areas that score below core maturity were:

- Asset Management Policy (2.7)
- Asset Management Strategy (2.1)
- Asset Management Plans (2.4)
- Governance and management (2.4)
- Levels of service (1.7)
- Data and systems (2.6)
- Skills and processes (2.3)
- Evaluation (1.5).

Scores achieved through the self-assessment audit processes were above average in comparison to other councils that have completed this audit activity with UoN.

In reviewing the Asset Management Framework and developing this strategy, Council has already significantly progressed in maturity. The asset management improvement discussed later in this strategy seeks to continue these efforts.

ASSET RISK MANAGEMENT

Council's Enterprise Risk Management Framework outlines our commitment to effective management of risk and provides guidance as to the process we will follow to ensure a structured and comprehensive system of enterprise risk management. The Enterprise Risk Management Framework is intended to be integrated into all of Council's decision-making processes, governance structures, operational procedures and integrated planning and reporting processes. The framework includes the following details regarding asset risk and asset related risks (quoted from Council's Enterprise Risk Management Framework):



Asset risk

An asset risk is any risk that could cause damage to Council's equipment and infrastructure. Loss of assets such as trucks or buildings can disrupt our business.

Risk appetite

Council will ensure a physical dam failure never results in the loss of human life under any reasonably foreseeable circumstance.

Council has a low risk appetite for any asset failure that would:

- endanger human life, including but not limited to failures of buildings, roads, bridges, drains and play equipment
- create a reportable environmental impact
- result in assets or infrastructure being unavailable with significant inconvenience to the community. Council acknowledges non-critical assets will fail occasionally, and has a medium risk appetite for these risks.

Council will:

- systematically monitor assets to the extent possible with its finite resources and competing priorities
- respond to asset failures to minimise impacts on our community and customers.

Asset risk occurrences are reported quarterly to Council's Audit, Risk and Improvement Committee. The framework for managing asset-related risks is outlined in Council's internal procedure for managing asset-related risks.

Asset category-specific risk management plans are included in the relevant Asset Category Plan. They provide evaluation of the significant risks, risk treatments and risk-monitoring activities. A number of risk decision-making tools have been applied to prioritise asset management activities to reduce asset-related risks.



CRITICAL ASSETS

Critical assets are specific assets that are defined as having a consequence of failure that is not acceptable under Council’s risk appetite thresholds, and have a greater consequence as a result of failure than other assets across the category. The following critical assets have been identified, and asset management activities for these assets are prioritised in accordance with the risk appetite statements.

Critical asset(s)	Failure Mode	Impact
Garden Suburb Detention Basin No. 2	Physical failure of declared dam	Endanger human life and property
Floraville Road detention basin	Physical failure of declared dam	Endanger human life and property
Swim centre plant room (itemised in Asset Category Plan)	Equipment failure	Reportable environmental event
Bridges serving as single access point to a location (itemised in Asset Category Plan)	Structural	<ul style="list-style-type: none"> • Impact to residents evacuating, which causes endangerment to human life • Impact to essential services such as emergency vehicle access and Council waste collection • Disruption to transport and freight routes
Administrative Centre	Essential services interruption/failure – power, water, communications greater than one hour, asset or critical component physically unsafe or non-compliant	Significant disruption of customer services operations and Council administrative functions
Works Depot	Essential services interruption/failure – power, water, communications greater than one hour, asset or critical component physically unsafe or non-compliant	Significant disruption of service provision to community
Mount Sugarloaf Road, Seahampton	Physical failure of road pavement	Stops access to key communication facilities for the Hunter Region, which results in assets or infrastructure being unavailable with significant inconvenience to the community
Roads within high-risk sea-level rise/flooding area (itemised in Asset Category Plan)	Essential service interruption – impacts residents’ ability to evacuate	<ul style="list-style-type: none"> • Impact to residents evacuating, which causes endangerment to human life • Impact to essential services such as emergency vehicle access and Council waste collection • Disruption to transport and freight routes
Evacuation routes - roads within high-risk bush fire area (itemised in Asset Category Plan)	Essential service interruption – impacts residents’ ability to evacuate	<ul style="list-style-type: none"> • Impact to residents evacuating, which causes endangerment to human life • Impact to essential services such as emergency vehicle access and Council waste collection • Disruption to transport and freight routes
Wilton Road, Awaba	Physical failure of road pavement	Access for transport to Council’s waste facility, which results in assets or infrastructure being unavailable with significant inconvenience to the community

Council has specific obligations under the *Dam Safety Act 2015* for the management of declared dams. Council has implemented a framework to ensure compliance with this legislation.

STRATEGIC ALIGNMENT

Our Asset Management Framework is supported by the strategic priorities of our organisation-wide Resourcing Strategy.

The goals set out in our Long-Term Financial Plan, to focus on financial sustainability, continuous improvement and return to surplus, are highly dependent on the success of our asset management activities. The Office of Local Government sets the target for asset renewal to be equivalent to, or exceed, 100 per cent of the rate of asset depreciation (the asset renewal ratio to be at greater than 100 per cent). Council targets a ratio above 85 per cent to allow assets to be upgraded as our community grows and changes, rather than be renewed with the same service level as the previous asset. The Asset Management Framework provides the system to achieve financial sustainability through sound asset management principles and actions.

To achieve the objectives for our asset management activities, we are dependent on the capability of our people. Our Workforce Management Strategy identifies actions required

to align our workforce to our business needs. Aspects of this strategy that are key to asset management are the focus on preparing Council and our people for a changing work landscape and enhancing continuous improvement and innovation.

The Digital Strategy supports the Asset Management Framework by setting priorities to build capability in IT systems, and optimise and integrate systems to manage and utilise asset data to support decision-making. Projects to provide systems specific to supporting asset management activities have been incorporated in the forward works program, and actions that reflect these are included in the Operational Plan under the Organisational support key focus area. As we move towards a digital society, assets will become the platform for access to technology. A number of key projects identified in the Digital Strategy are supported by the asset capital works program, such as the Smart Cities projects and Internet of Things.

The Plant and Fleet Management Strategy is a sub-strategy to our Asset Management Framework. It sets out the strategic direction for management of

plant and fleet to support our business activities in a cost effective and financially sustainable manner. Capital renewal programs and targets for plant and fleet are defined within our forward capital works program and Long-Term Financial Plan, along with renewal targets for all asset categories.

Council recognises that the changing environment and access to global resources are having a significant impact on our community, our business activities and our asset management practices. In response to these global influences, Council has adopted the following strategies and plans:

- Local adaptation plans
- Waterway Flooding and Tidal Inundation Policy
- Urban Heat Strategy (draft)
- Bush fire management plans
- Circular Economy Policy and Framework.

These documents drive asset management decision-making for building a more resilient asset base.

ASSET FINANCIAL MANAGEMENT

The activities required to maintain financial sustainability are detailed in the Long-Term Financial Plan (LTFP) (2022-2032). The LTFP has been developed using inputs required to achieve asset objectives. The following information provides an explanation of the aspects of asset management that have significant influence on Council's financial sustainability and are integrated to the LTFP.

Asset life cycle costs

Council allocates funds in the Long-Term Financial Plan and annual budgets to manage the life cycle costs of assets. Asset renewals, maintenance and operations targets have been developed through asset life cycle modelling and incorporated into the LTFP. Committing and delivering these targets in annual budgets is crucial to achieving the desired outcomes for the Asset Management Framework.

A breakdown of expenditure allocations for asset renewal, asset maintenance and asset acquisition can be found in the Asset Management Plan.

Asset renewal expenditure

Asset renewal is an asset life cycle phase that restores an existing asset or component of an asset to its original condition. It includes activities that refurbish or replace assets with assets of equivalent capacity or performance capacity. A key factor in the decision to undertake asset renewal is the asset desired useful life. This is the extent of time that the asset is desired to remain in service. If renewal occurs prior to useful life being achieved, then there is a financial write off to be accounted for. Renewal works are identified in forward works plans, and prioritised based on criteria relevant to each asset category, including risk, technical levels of service and customer levels of service. Prioritised projects are included in the Delivery Program and Operational Plan.

Asset renewal funding gap

Infrastructure assets have a useful economic life, after which renewal should occur to ensure continued service and cost-effective maintenance and repairs. The availability of infrastructure assets is imperative to the sustainability of Council's asset-related

services. Therefore, an important performance indicator relating to asset management is the renewal funding gap.

This is determined by identifying projected (or required) renewal expenditure, based on a range of factors, including asset condition, age and remaining life. The projected renewal expenditures are then compared to planned (or funded) renewal expenditure over the planning period. This identifies the funding gap between projected and planned renewals. Minimising this gap ensures that services are being provided in a sustainable manner.


Asset maintenance


Asset maintenance is the regular ongoing work that is necessary to keep assets functional to provide the required levels of service. It includes activities directed at preserving the condition of an asset. Maintenance funding should aim to align to increases in the size and age of the asset base, changing standards and increasing community expectations.


UNDERSTANDING OUR CUSTOMERS

We engage with the community to seek their feedback on how assets align with services and whether assets are achieving community expectations. A number of surveys and engagement activities contribute to our customer view of asset management.


In 2021, we completed a survey to gather specific feedback on the performance of our assets, with the following results:


 **94 per cent** of residents are at least somewhat satisfied with the quality of assets.


 **92 per cent** are at least somewhat satisfied with the performance of Council in the last 12 months.


 Top three assets identified for 'more investment':


- footpaths and shared paths
- local sealed roads
- facilities at and conditions of parks, reserves, local beaches and lake foreshores.

 Two other frequently mentioned areas were seawalls and lakeside assets, and local unsealed roads.

 The areas that generated the lowest desire for 'invest more': Childcare centres, cultural buildings, skate parks, community centres and halls.

 **80 per cent** support a balance between maintaining existing assets along with building new assets.

 **75 per cent** support smaller facilities of a lower standard across the Council area.

 **90 per cent** support a preference for environmentally sustainable solutions for asset development and improvement.



ASSET MANAGEMENT PLANNING

Council has prepared an Asset Management Plan that is attached to this strategy. Detailed Asset Category Plans have been prepared for key asset groups to inform the preparation of the Long-Term Financial Plan for the organisation. The Asset Category Plans provide a long-term assessment of the activities and actions required to deliver services related to infrastructure and community assets. They document the levels of service currently provided, future demands on assets, as well as planned improvements.

Council's Asset Category Plans cover the following key groups of assets:

- Road pavements
- Road side assets
- Footpaths and shared pathways
- Stormwater drainage
- Natural assets
- Retaining walls
- Bridges
- Community buildings
- Commercial and operational buildings
- Recreation and community
- Swim centres.

ASSET LIFE CYCLE MODELLING

The Asset Category Plans take a whole-of-life approach to managing the assets. Expenditure projections and funding requirements are identified for the next 20 years, allowing for projected cost increases and growth in assets. This includes planning, acquisition/creation, operation, maintenance, renewal and disposal. They detail the priorities Council considers to operate and maintain the asset network to achieve the asset objectives.

Current life cycle modelling has identified the following broad trends across the overall asset base:

- Predicted renewal funding is aligned to the Long-Term Financial Plan over the life of the plan.
- Modelling was undertaken in 2021-2022 using figures identified in the previous version of the Long-Term Financial Plan. This modelling predicated that should our allocations for operations and maintenance continue along the planned trajectory, a significant funding gap would occur, with the gap predicted to increase over time. The Long-Term Financial Plan now requests additional funding to close this gap.
- The method for setting annual budgets has previously only allowed for the same allocation of renewal from year to year. This method did not allow for application of asset renewal funding based on the asset renewal profile. The Long-Term Financial Plan now identifies required renewal funding for each asset category year to year.



DESIRED FUTURE STATE

The following table identifies a number of key indicators for effective asset management and our desired outcomes.

Indicator	Discussion	Desired outcome
Asset conditions	Current asset condition profile indicates conditions are acceptable. Targeted activities may be required for assets with critical functions to increase asset condition. It is accepted that assets without critical functions may decrease in condition.	Maintain at current levels
Community satisfaction	Regular surveys are undertaken to compare our own community aspirations over time. Benchmarking undertaken against other local governments for a number of criteria. Customer service requests data is collected and reviewed to gain an understanding of community expectations and aspirations for assets. Further work is required to better capture and respond to emerging trends and use customer feedback to forecast demand drivers into the future.	Stable satisfaction reported through regular surveys (no dramatic shifts) Provision of assets is closely aligned with Council strategies that are supported by the community
Renewal ratio	Setting targets for renewal activities ensures the condition of the assets remains at an acceptable standard and our asset management activities are financially sustainable.	Renewal ratio (OLG target 100%) Backlog ratio (OLG target <2%) Maintenance ratio (OLG target 100%)
Asset useful lives	Useful lives are affected by asset condition and performance, and maintenance and renewal activities are aligned to achieved desired outcomes for useful lives. Assets may be performing adequately but are not required by the community (functional obsolescence) and require review. Asset end of life assessment may determine that repurposing may be more suitable than renewal.	Maximise useful life while minimising costs and risks Improve confidence in the remaining life estimates for all assets
Asset failure rates	This is not typically measured, and definitions are not consistent across asset categories. Asset failure is linked to effective asset life cycle risk management and desired levels of service. Improvements in condition data are required to accurately predict asset failure likelihood.	Minimise unexpected failures Minimise disruptions that impact on agreed services standards
Environmental responsiveness	Assets are significantly impacted by external pressures (for example, climate change, urban heat, flooding and inundation). There is significant work required to understand and respond to these pressures.	Adopted asset standards respond to expected environmental changes
Asset knowledge	There are a number of factors impacting confidence in asset knowledge that have been identified through the asset management maturity audit. The standard of management of asset data and knowledge is an identified area for improvement across the local government sector.	High data confidence

OUR CHALLENGES

INTERNAL CHALLENGES

Financial

Within the constraints on our overall financial plan, maintaining the required level of asset renewal spending remains a priority. The asset management plans have identified required amounts of asset renewal for each asset category to achieve desired asset useful lives. Allowances have been made in the Long-Term Financial Plan to reflect these amounts, and it is critical to Council's financial sustainability that these targets are achieved.

Budgets and financial allocations for operations and maintenance increase each financial year based on the Asset Management Plan requirements. These increases will be applied to specific asset categories to reflect service levels.

Resourcing commitments

While a number of significant improvements have been made in the delivery of capital works, programming and planning activities are not yet mature enough to develop works programs to fast-track works to address renewal backlogs.

Varying our workforce typically requires long lead times and capital programs are generally built to align to existing resources.

Maintenance activities are largely reactive and workforce skills and capability are established to reflect these activities. Levels of maintenance resources are not currently aligned to asset needs or service objectives.

Workforce adjustments required to address changes in the way maintenance activities are planned and delivered generally need to occur in steps. Resources need to be applied at a crew level, not individual staff or supply level, and budgets need to reflect this.

Knowledge and systems

There are a number of known key gaps in asset data that are impacting levels of confidence in asset modelling.

Our asset data management configuration does not allow good visibility of asset data. The configuration does not support users entering, editing and analysing asset data.

Our systems do not currently provide good connections between data collection and data management.

Asset systems user knowledge throughout the organisation is inadequate.

Organisation-wide knowledge of fundamental asset management principles is limited.

EXTERNAL CHALLENGES

Climate change

Our asset base will be significantly impacted by climate change. It is expected that some of these impacts will start to be realised within the life of this plan. These challenges include (but are not limited to):

- reduction in asset useful lives
- suitability of materials
- increased maintenance costs
- abandoned/stranded assets
- increased energy costs/changing operational costs
- increased in damage or failure due to storm events.

Legislation and standard changes

Changes to legislation and standards may require programs for upgrades to facilities and infrastructure that have not been budgeted or allowed for. Increase in standards can have impacts on asset replacement values.

Demographic changes

Council uses credible data sources to predict demographic changes and pressures. However, population growth and distribution does not always reflect these predictions, and this can impact upon planning and provision standards for assets.

Other challenges

- Local geography requires a distributed model for asset provision.
- Cost shifting from other levels of government to local governments can result in additional assets and services being inherited that weren't planned for.

STRATEGIC PRIORITIES

THREE PILLARS FOR SOUND ASSET MANAGEMENT

As outlined above, our asset management planning activities have considered a range of factors and their influence on our assets and the services that they deliver, including:

- financial goals and financial constraints
- other internal constraints and external challenges
- asset risks and organisational risks
- customer expectations and levels of service
- technical levels of service
- asset life cycle requirements
- desired future state and current gaps to achieve this.

To effectively achieve our objectives for asset management, asset management priorities have been developed under three key pillars. These pillars align with practices our organisation has in place for delivering asset management. They also reflect best practice in asset life cycle management, and allow for strategic activities to occur alongside day-to-day asset management activities.

Pillar 1: Asset planning – making it work

Council will continue to implement an Asset Planning Framework that identifies the current state and the desired future state of our assets, and aligns actions to resourcing capability, desired levels of service and acceptable levels of risk.

Pillar 2: Capital works and maintenance – making it happen

Council will plan for, and undertake activities to maintain, enhance, improve, and provide, new assets to deliver the services and facilities as agreed with our community.

Pillar 3: Asset Improvement Plan - making it better

Council will continue to integrate asset management practices across Council, and implement an Asset Improvement Plan for ongoing targeted improvement across all aspects of asset management.

OUR STRATEGIES AND ACTIONS

Strategies from this strategy are found in the Delivery Program 2022-2026, under the Organisational Support key focus area.

Actions from this strategy are found in the annual Operational Plan, under the Organisational Support key focus area.



Relevant strategies and actions are indicated with this symbol.

IMPLICATIONS

The intention of the strategic direction outlined in this Asset Management Framework is to continue to provide services to the Lake Macquarie community through the assets Council manages and maintains.

Through the strategic pillars identified, it is expected that, in most cases, asset conditions will remain stable, and asset useful lives will be achieved or exceeded across all asset categories. The increased focus on maintenance will see a positive impact on customer service levels and contribute to assets achieving their desired useful lives.

Application of a hierarchy approach to managing road conditions will see a change in condition profile for some road sub-categories, with some decreasing and some increasing. However, the methodology applied will ensure the road network can be managed in a sustainable way, and efforts are aligned to usage and community impact.

Assumptions for asset category growth is generally limited to dedicated assets and development contribution plans, with no significant Council-initiated acquisitions identified. Future reviews of contribution plans will seek to align asset renewal activities with the provision of new assets.

GOVERNANCE FRAMEWORK

Asset management is a core function of Council. The principles and activities required to deliver effective asset management are distributed across all departments and teams.

To support accountability and guide improvements in asset management, Council operates an Asset Management Steering Group. The Manager Asset Management and the Chief Financial Officer have key ownership of this steering group. The framework for the steering group is explained in the following diagram.



- Actions contributing to asset management are undertaken through a number of working groups and project teams including:
- Asset Management Working Group
 - Capital Works Steering Group
 - Business Improvement team
 - Asset Maintenance Practices Working Group
 - IT Steering Committee.



PERFORMANCE AND REVIEW

Asset Management performance will be measured against a number of key performance indicators.

The framework will be maintained in conjunction with the elements of the Community Strategic Plan and Resourcing Strategy.

Indicator	Reported through	Responsibility
Capital works program actions	Operational Plan and Delivery Program	Various managers
Resourcing Strategy actions	Operational Plan and Delivery Program	Manager Asset Management
Asset renewal ratio	Annual Report	Manager Asset Management Chief Financial Officer
Infrastructure backlog	Annual Report	Manager Asset Management Chief Financial Officer
Maintenance expenditure ratio	Annual Report	Manager City Works
Asset risk occurrences	Audit, Risk and Improvement Committee	Manager Asset Management Various managers

Element	Timeframe	Responsibility
Community Strategic Plan	10 years	Council and Executive
Asset Management Policy and Strategy	Four years maximum	Manager Asset Management Chief Financial Officer
Asset Management Plan	Annually	Manager Property and Business Development Manager Environmental Systems Coordinators Asset Management
Asset Category Plans	Annually	Asset category owners
Asset Improvement Plan	Annually	Asset Management Steering Group

PLANT AND FLEET MANAGEMENT STRATEGY



OUR PLANT AND FLEET GOALS








Plant and fleet resources are an essential element in effectively delivering our community's priorities within our 10-year Community Strategic Plan.

Council owns and operates more than 1500 plant and fleet assets consisting of light vehicles, trucks, trailers, heavy plant and equipment, small plant and fixed machinery. This strategy ensures our plant and fleet is managed in a sustainable manner to maintain the city.

Council's City Works department manages the ownership of the fleet, and is responsible for its servicing, repair and capital renewal, whereas relevant departments of Council take responsibility for the use and operation of those plant and fleet items assigned to them.

Council supplements its fleet with externally hired plant and equipment (both with and without operators) when it does not have sufficient internal plant to meet its needs or when specialised plant is required such as cranes, profilers and asphalt pavers.

PLANT AND FLEET SNAPSHOT

Plant and fleet class	Number in class
 Passenger and light commercial vehicles including cars, utilities and vans	320
 Trucks and trailers including small tipping trucks - 4.5t Gross Vehicle Mass (GVM) to large truck/dog combinations (48t GVM)	200
 Waste collection trucks including side-loading domestic waste trucks and rear-loading bulk waste collection trucks	20
 Heavy mobile plant and equipment including compaction rollers, loaders, graders, landfill compactors, mobile worksite caravans and shipping containers	50
 Agricultural tractors/mowers including tractors with mowing attachments and self-propelled mowers	60
 Small plant and equipment including fixed plant machinery, hand mowers, brush cutters, chainsaws, blowers, tandem-drum rollers, kerb machines, cranes and fixed plant	850
 Rural Fire Service (maintenance only)	70

OUR CHALLENGES



SUPPLY

Recent challenges associated with COVID-19 have negatively impacted on global supply chains. Delivery lead times for new plant and fleet purchases are now considerably longer than previously experienced. As the world slowly emerges from the pandemic, it remains unclear whether supply chains will return to their previous capability.



GREENHOUSE GAS EMISSIONS

There is limited technology to reduce plant and fleet greenhouse gas (GHG) emissions in Australia compared to the rest of the world.

GHG reduction technologies are well advanced overseas due in part to vehicle manufacturers focusing technology efforts towards larger European and North American markets. Economies of scale are influencing where manufacturers market their technologies, limiting options for the Australian market.



FINANCIAL CONSTRAINTS

Financial constraints are not a new challenge in managing plant and fleet assets. However, as community expectations increase in the future, new ideas are required to manage plant and fleet assets.

These challenges are addressed through the strategies and actions of this strategy.



PLANT AND FLEET MANAGEMENT STRATEGY

A long-term strategy is applied to the ongoing ownership and operation of Council's plant and fleet assets. The strategy is reviewed annually in consultation with our stakeholders to ensure it continues to meet the evolving needs of the organisation.

The annual budget for the ownership cost of the fleet is provided in Council's annual Operational Plan and budget. We actively manage the internal recovery of these costs through internal plant hire charges to the works and services that use the plant and fleet assets.

Assets are grouped into categories depending on asset type, intended work application, and use patterns. For each asset category, an internal hire charge is set based upon the relevant ownership costs including depreciation, registration, insurance, consumables (fuels/oils/tyres), and servicing and repair.

The internal charge rates for the fleet are benchmarked with the external market on an annual basis to ensure the service is being delivered in a cost-efficient manner. We seek to deliver our plant and fleet assets at a rate that is 90 per cent or less than external commercial rates. Regular reviews are also undertaken to validate that Council's fleet ownership strategy remains beneficial compared to alternative delivery options such as leasing or external hire.

CAPITAL RENEWAL PROGRAM

Council has a long-term plant replacement (capital renewal) schedule that predicts and estimates the cost of its plant replacement needs over a rolling 10-year period.

The schedule is used to form Council's long-term financial plans to ensure the necessary funds are allocated for the timely renewal of Council's plant and fleet assets. The value of Council's annual budget is funded from the internally restricted asset replacement reserve, trade-in income and loan funds, where appropriate.

ENVIRONMENTAL SUSTAINABILITY

Council focuses its efforts on what is available, with a view of transitioning our light vehicle fleet to hybrid technology and battery electric technology.

In the heavy fleet and equipment sectors, a longer-term view is required as the heavy vehicle market is not as mature. Pilot programs are considered a key element to opening up local market demand.

REPLACEMENT FREQUENCIES

Plant and fleet assets are replaced at frequencies outlined in the following table. Our adopted replacement frequencies are designed to optimise ownership costs and maximise operational availability, accounting for the various costs and other considerations including:

- depreciation costs
- residual values (resale value)
- maintenance costs (accounting for the nature of the asset and the operating environment)
- risk of increased down-time.

In addition to these aspects, the replacement program ensures the fleet remains current with work, health and safety standards, and takes advantage of emerging technological advances and improvements in environmental performance.

Plant and fleet class	Nominal replacement frequency (years)
Passenger and light commercial vehicles	4 years/120,000km (whichever comes first)
Trucks	6-15 years (depending on category)
Waste collection trucks	6 years
Heavy mobile plant	10-15 years (depending on category)
Agricultural tractors/mowers	8 years
Small plant and equipment	2-10 years (depending on category)

Replacement intervals are adjusted on a case-by-case basis to suit evolving needs to maximise the financial and environmental sustainability of Council's plant and fleet assets.



STRATEGIC ALIGNMENT

The Plant and Fleet Management Strategy supports the Asset Management Strategy by providing appropriate assets for maintaining the city, and supports the Workforce Management Strategy in terms of providing appropriate assets for the health and wellbeing of Council staff.

The strategy is also aligned to the Long-Term Financial Plan by procuring sustainable assets and effectively managing asset life cycles to accommodate the city's current and evolving requirements.

OUR STRATEGIES AND ACTIONS

Strategies from this strategy are found in the Delivery Program 2022-2026, under the Organisational Support key focus area.

Actions from this strategy are found in the annual Operational Plan, under the Organisational Support key focus area.



Relevant strategies and actions are indicated with this symbol.

DIGITAL STRATEGY



OUR DIGITAL GOALS

We aspire to personalise digital services that anticipate our community needs.

We want to use technology to create an even better Lake Mac for our community, our businesses and our staff.

We need to work together, building on a shared sense of trust and respect, to make our vision a reality. We aim to develop a track record of delivering reliable digital success with a shared sense of community.

For our community, we want to provide technology that provides a personalised experience and anticipates their needs. We will use data, information, people and technology to make our services seamless across all of Council.

For our businesses and industry, we will use technology to make it easier to invest, partner, start and grow a business in Lake Mac.

For our staff, we will promote collaboration and the right technology to work effectively anywhere and anytime. We will model a digital workplace that facilitates our teams being connected, engaged, creative and innovative.

OUR GOALS FOR THIS RESOURCING STRATEGY ARE TO:

Be a digital Council

- Enable residents and businesses to engage and transact with Lake Mac using digital channels.
- Provide businesses with communication infrastructure that attracts investment in our area.
- Make relevant data sets available to the community.
- Maintain personal information and privacy for digital transactions.

Be a digital workplace

- Equip our staff with technology that provides the information they need to deliver services efficiently.
- Adopt a digital-first approach when designing processes.
- Build upon our digital literacy skills to encourage innovation through the use of technology.

Optimise digital technology

- Leverage technology to make smarter technology decisions and reduce technical debt.
- Be innovative with technology within our risk appetite.
- Build strategic partnerships to deliver technology collaboratively, faster.
- Invest in technology that allows us to respond faster to the changing needs and deliver services more efficiently.



OUR DIGITAL SNAPSHOT

Where are we now?

- Phase 1 of the Fibre City network delivered as part of the extension of Munibung Road from Boolaroo through to Cardiff
- 42,000 payments made online and 2900 regulatory applications lodged online
- 1000+ mobile devices in use across Council
- 14 free WiFi locations provided by Lake Mac across the city
- 80 data sets have been published to the community
- More than 4.2 million website visits over 12 months
- Cameras at eight of our beaches provide accurate visitation statistics to help maintain our excellent beach safety services
- 142 digital services provided on our website
- Up to 75 per cent increase in improved employee digital skills over 12 months
- Employees have rated the introduction of technology that enables a collaborative workplace 8.2 out of 10

OUR CHALLENGES

CYBER SECURITY

The growing demand for technology across the business and growing technology ecosystem has created a complex network of systems to secure. In addition, the need for remote working capabilities and cloud computing has increased our attack surface and risk factors. Our challenge is to respond to the constantly-shifting threat landscape while delivering high-quality technology services to our staff and community in a secure manner.

BUSINESS CONTINUITY

Our technology is supported by technical staff and contractors who continually monitor and administer our systems. Disruption can arise when outbreaks impact access to these critical resources. A pandemic can result in worldwide supply issues that can delay the delivery of computer hardware. Our challenge is to ensure we have the right business continuity plan to mitigate risks to resourcing and the supply of equipment to continue delivering services to our community.

DIGITAL ACCELERATION

The COVID-19 pandemic accelerated digital adoption within our community in ways that could never have been predicted. Customers have moved towards online channels requiring a change in our ability to communicate and collaborate virtually. We now have more demand for new technology than ever before. Our challenge is to balance this demand with the broader demand for Council services, and invest in the technology that provides the best return for our community.



DATA SATURATION

Data can be used to inform and improve decision-making, and the amount of data we collect and store grows every day. Our challenge is to implement a data strategy that maintains privacy. We need to ensure data is either owned by Council or is licenced to facilitate its release and use by other parties, fit for purpose and the right data is used for decision-making.

INNOVATION

Technological innovation enables us to work better than we could before. Automation, the 'Internet of Things' and the use of drones are some examples where innovation has improved the way we deliver services. Our challenge is to invest in innovation that reduces the risk of an impact to the delivery of services and financial impacts.

DIGITAL LITERACY

The digital acceleration due to COVID-19 has impacted how we work and required the rapid deployment of technology to ensure continued delivery of our services with little or no impact to the community. Digital acceleration and innovation will continue to increase technology demand in the future. Our challenge is to improve the digital literacy for our staff so the introduction of new technology can be adopted seamlessly.

DYNAMIC OPERATING ENVIRONMENTS

Technology is changing at a rapid pace and the introduction of new technology means we need to change the way we deliver services. Staying abreast of these changes and disruptions allow us to be innovative and adaptive to our customers' needs.

OUR STRATEGIC PRIORITIES

The strategic priorities are focusing our efforts and guiding principles are shaping daily decisions as we position ourselves for our digital future.

1. BUILDING CAPABILITY AND FOUNDATIONS

We must first build solid foundations to enable greater innovation and capability into the future.

We recognise that connectivity, including digital infrastructure, is a key enabler for the future of Lake Mac. We are taking a planned approach to building better connectivity for all our communities.

2. OPTIMISING AND INTEGRATING SYSTEMS AND DATA

Optimising core systems and applications, and integrating these systems and data that pull together related transactions across the organisation, combining them into single services to make customers' lives easier.

3. PERSONALISING THE CUSTOMER EXPERIENCE

For our customers, we are designing services to be more intuitive, streamlined across departments, and delivered when and how our customers want them. We want to provide our customers with personalised services that anticipate their needs.

4. EMPOWERING THE EMPLOYEE EXPERIENCE

Our people are at the heart of our strategy. We want to empower our staff to grow, change, contribute to and participate in our shared digital future. This includes the people that develop and deliver our services. We will build capability so together we can deliver and benefit from a truly digital Council. We want to provide our people with a personalised experience to attract and retain our key talent to deliver an even better Lake Mac.



5. DATA-DRIVEN DECISION-MAKING

We are balancing the way we use information to deliver services to make communities' lives easier, with responsible data analytics, knowledge management, transparency and security. We are proactively managing our information so we can make better policy decisions and deliver better customer service by using insight gained from the data Council holds. As our service delivery becomes more digital and reliant on data, security of information and being trusted custodians of information, grows in importance.

6. INNOVATING AND ENABLING AGILE WAYS OF WORKING

We are providing services in a complex changing world; it makes sense that we would design our solutions that mandate an iterative framework for technology deployment. Co-design provides greater insight and by using the latest technology our digital environments can innovate in real time and adapt as people use them.

STRATEGIC ALIGNMENT

The Digital Strategy is a key enabler of our wider organisational strategies as we strive to become a digital council. Building digital infrastructure and connectivity is a key area where we integrate with our Asset Management Framework to provide digitally-connected community assets now and into the future.

Provision of reliable, integrated and appropriate analytical tools support innovation and the delivery of the Plant and Fleet Management Strategy, enabling our teams to make data driven decisions in relation to environmental sustainability and replacement frequencies.

The provision of technology to enable working from anywhere supports our Workforce Management Strategy to prepare our people for a changing work landscape, ensuring we deliver on our goal to be a digital workplace and optimise our ongoing use of technology through continuous improvement.

The Digital Strategy resourcing plan has been developed within the context of the Long-Term Financial Plan's focus on financial sustainability. We recognise the need to continuously review our technology ecosystems and seek to leverage and rationalise where possible our existing tools, without compromising our ability to deliver on our wider strategic objective of being a digital council.



OUR STRATEGIES AND ACTIONS

Strategies from this strategy are found in the Delivery Program 2022-2026, under the Organisational Support key focus area.

Actions from this strategy are found in the annual Operational Plan, under the Organisational Support key focus area.



Relevant strategies and actions are indicated with this symbol.

MEASURING OUR SUCCESS

Although it is prepared as a 10-year plan, the Resourcing Strategy is reviewed in detail, and a new strategy is prepared, every four years. The Long-Term Financial Plan is reviewed annually.

The strategies and actions from each sub-strategy are also monitored and reviewed annually as part of the Annual Report, and the preparation of the new Operational Plan.

These strategies and actions are also reported on as part of the quarterly review of the Operational Plan and Budget. This ensures our resources are sustainably managed, to achieve the community's goals.



For more information



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