

ECONOMICS & LOCAL GOVERNMENT

WILLOUGHBY CITY COUNCIL  
City of Diversity

Willoughby City Council



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What do we mean when we talk about economics?

- Home economics
- National economy
- Global economy
- Economic outlook

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Economics

- *Is the "study of the allocation of scarce resources which have competing uses"*

Microeconomics

- *Studies individual people and individual firms*

Macroeconomics

- *Studies national economies*

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- Scarcity
- The concept of scarcity of one of the most important concepts in economics
- Opportunity Costs
- Opportunity cost flows directly from scarcity, we must choose one desire to fulfill over another

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- The Factors of Production
  - Land
  - Labour
  - Capital

*Council have all 3 factors of production – land, labour and capital – so theoretically we should be able to produce*

- Inflation
  - Inflation is when there is a general increase in the cost of goods and services

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- How Economics works in Local Government
- *Economic questions:*
  - What should be produced?
  - How many should be produced?
  - What methods should be used?
  - How should the goods and services be distributed?

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- Types of Economies:
  - Command Economy
  - Market Economy

***Local Government operates in a mix of command and market economies***

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- Allocation of scarce resources – that is local government budgeting
- Who pays for and who uses the resources (not a market economy)
- Can't satisfy demand on all services

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- How Council budgets are developed
- Council budgets are put together like any other budget
- **Household Budget:**
  - What is your income?
  - What is your expenditure?
  - What do you have in savings?

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- Council Budget :
- We look at our income, our expenditure and savings
  - Income estimates
  - New legislation or State determinations
  - Income received from services produced
  - Income generated from our investments
  - Income from grants, contributions, donations
  - Entrepreneurial activities

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- Expenditure:
  - Non-discretionary
    - Statutory charges, debt servicing of loans, utilities, pensioner rebates, councillor fees, base level labour, materials, plant
  - Discretionary expenditure
    - Capital expenditure replacing existing infrastructure, plant & equipment
    - Capital expenditure on new infrastructure, plant, equipment
    - New services or new levels of service
    - Levels of maintenance
    - Increasing council's savings
    - Wish lists and politics

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- Economic considerations in the decision making process:
  - Inflation outlook
  - Interest rate outlook – loans and investments
  - Labour cost and availability – professions/blue collar workers
  - Local, national and international economic conditions
  - Building sector outlook
  - Likely demand for services

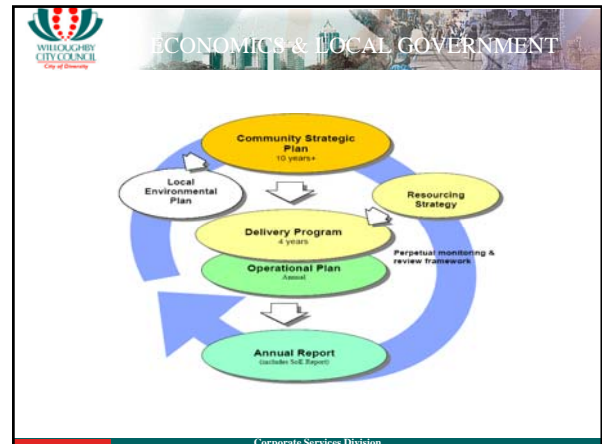
***Allocation of scarce resources – that is local government budgeting***

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- Changes in Local Government Financial Management
- *IP & R (Integrated Planning & Reporting)*
- *Investment requirements, capital expenditure requirements, rating special variations*
- *More and more reporting, substantiation to Government*
- *Quarterly Budget Review Statements -QBRS*

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- The Community Strategic Plan
  - The highest level plan that a council will prepare
  - The plan is to identify the community's main priorities and aspirations for the future
  - To plan strategies for achieving these goals
  - Council has a custodial role in initiating, preparing and maintaining the Community Strategic Plan
  - Other partners, such as State agencies and community groups may also be engaged in delivery of the plan

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- The Resourcing Strategy
  - Resources – time, money, assets and people
  - 3 components:
    - Long Term Financial Planning
    - Workforce Management Planning
    - Asset Management Planning

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- Long Term Financial Plan (LTFP)
  - 10 years minimum
  - Update at least annually as part of the development of the Operational Plan
  - Review in details as part of the four yearly review of the Community Strategic Plan

LTFP must include:

  - Projected income & expenditure, balance sheet and cash flow statement
  - Planning assumptions used to develop the Plan
  - Sensitivity analysis – highlights factors/assumptions most likely to affect the plan
  - Financial modelling for different scenarios e.g. planned/optimistic/conservative
  - Methods to monitor financial performance

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- Workforce Management Plan
  - Developed to address the human resourcing requirements of the Delivery Program
  - Must be for a minimum timeframe of 4 years

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- Asset Management Plan
  - Asset Management Strategy and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program
  - Must be for a minimum timeframe of 10 years

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- The Asset Management Strategy
  - Must include a council endorsed Asset Management Policy
  - Identify assets critical to the Council's operations
  - Outline risk management strategies for these assets
  - Include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.

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- Asset Management Plans
  - Must encompass all the assets under a council's control
  - Must identify asset service standards
  - Must contain long term projections of asset maintenance, rehabilitation and replacement costs.

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- Operational Plan
  - Individual projects and activities
  - Achieve the commitments made in the Delivery Program
  - Includes the Annual Budget

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**e.restore**  
improving our environment

Developed in response to gaps identified in SOE and Environmental Management Plan  
Supported by the Willoughby Community \$1 million environmental levy program that commenced in July 2000

- e.restore 1 - 3 years with restoration focus
- e.restore 2 - 5 years from 2003-2008 commencing at \$1.75million:
  - Repairing the past
  - Reduce our impact
  - Change for the future

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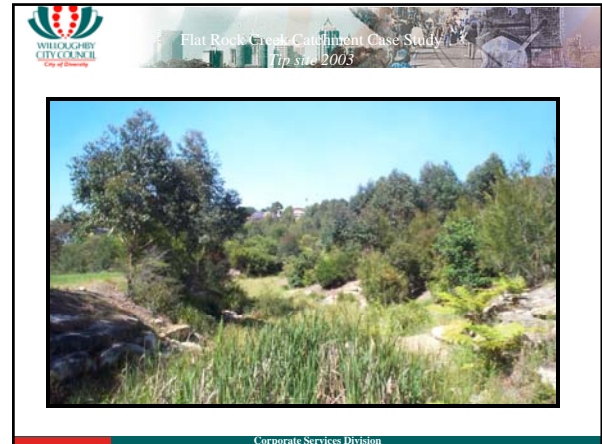


**e.restore**  
improving our environment

e.restore 3 commenced in 2008 at \$4.25 million and is now approved as a permanent levy

- Natural ecosystem, biodiversity and environmental health
- Healthy lifestyles & lifelong learning
- Sustainable practices
- Local business & industry
- Community engagement

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Quadruple Bottom Line Assessment tool

To promote long term sustainability outcomes in all major projects

- Cost v Benefit & QBL:
  - Activities directed by Delivery Plan
  - Willoughby use a model to calculate a QBL score for items >\$20K
  - QBL scores are peer reviewed by a panel to ensure consistency
  - QBL score is included in Operational Plan listing

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- Issues and needs for the future:
  - Work towards fulfilling commitments of delivery program
  - Improving asset performance by rationalizing, targeted maintenance & capital works
  - Amalgamation or regional delivery of services and infrastructure:
    - Aquatic facilities
    - Playing fields
    - Arts/cultural facilities

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- Economic approach to works aimed at addressing climate change:
  - Investing in projects that have gains long into the future
- Enhance economic growth and economic efficiency in local economies
  - free commuter shuttle bus
  - strip shopping enhancement
  - land- use planning flexibility

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- Wellbeing
  - physical and socio-economic features of place
  - accessible health provision,
  - learning and employment sites
  - a strong local economy, local shops
  - public transport

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## ECONOMICS & LOCAL GOVERNMENT

- Local production of power
  - co-gen, tri-gen
  - Solar
- Regional waste management
  - collection
  - recycling
  - disposal
  - waste to energy
  - char production

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