

## ADDITIONAL ITEM



**Item No:** 3.7  
**Title:** 100 Day Recovery Action Plan  
**Department:** Environment and Planning

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19 October 2020 Extraordinary Council Meeting

Reference: F2020/00039 - D14244917  
Author: Lisa Fox, Senior Advisor Policy and Projects  
Manager: Scott Cox, Director Environment and Planning  
Executive: Jamie Loader, Acting Chief Executive Officer

### Summary

The purpose of this report is for Council to consider and adopt the 100-day Recovery Action Plan.

While this report is not confidential, it does relate to a confidential matter. Councillors and staff are reminded of their obligation under the Code of Conduct to appropriately manage confidential information. It is noted that Councillors received legal advice regarding this issue. Should Councillors wish to discuss this matter, including confidential information provided, it is recommended that Council resolves as follows:

*That Council resolve that this matter be dealt with in closed session pursuant to s. 10A(2)(g) of the Local Government Act 1993 for the following reason:*

*2(g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege,*

*And because consideration of the advice received in open Council would on balance be contrary to the public interest as it would affect Council's ability to manage legal matters effectively and in the best interests of Central Coast community.*

### Recommendation

***That Council adopt the 100-day Recovery Action Plan.***

### Context

Council's 2019/20 financial results, together with the identification of the potential use of restricted funds has accelerated the need for rapid change at Council.

All decisions taken during this period of rapid change will be guided by the following principles:

- Financial Sustainability

### 3.7 100 Day Recovery Action Plan (contd)

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- Maintaining Essential Services
- Minimise impact on the Community
- Future focus – set the Council up for success.

Given the scope of change needed, the quantum of savings required to be identified, and the need for a full restructure, Council's strategy is split into two stages:

- *Stage 1 - First Response:* to swiftly identify and implement strategies which would have an immediate effect on reducing the rate of expenditure currently being incurred, thereby seeking to preserve cash. A number of Stage 1 actions have commenced. These were detailed in the 12 October 2020 Council report titled Additional item 3.8 *Serious Financial Situation (Attachment 1)*.
- *Stage 2 – 100-day Recovery Action Plan (Attachment 2)*.

#### The 100 Day Recovery Action Plan

The draft 100-day Recovery Action Plan was developed by Council staff with the assistance of Grant Thornton Australia Limited.

At the Ordinary Council meeting on 12 October 2020 Council resolved:

*980/20 That Council consider the draft 100-day recovery action plan and financial forensic scope documentation at a workshop to be held on Thursday 15 October 2020.*

A workshop with Councillors was held on Thursday, 15 October 2020 to provide an overview and seek feedback on the draft 100-day Recovery Action Plan.

The purpose of the 100-day Recovery Action Plan is to provide a road map for the necessary restructure of Council. The goal is to establish a future Council structure which is sustainable, while meeting the needs of the community. Key elements of the 100-day Recovery Action Plan are:

- In depth reviews and actions around Governance, Operational activities, Workforce planning, Capital works and Financial functions.
- Development of a rigid budget process for realignment of this year's budget adjustments, and next and future year's budgets. These will be determined in line with service and affordability levels.

Where possible, implementation of the 100-day Recovery Action Plan will commence inside the 100 days.

The 100-day Recovery Action Plan will be continually reviewed as it is implemented. At the Ordinary Council meeting on 12 October 2020 Council resolved:

### 3.7 100 Day Recovery Action Plan (contd)

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982/20 That Council resolve to utilise current scheduled Councillor Workshops Saturday 31 October 2020 for the purposes of reviewing the actions taken to date.

Additional workshops will be scheduled as required.

#### **Consultation**

Feedback on the draft 100-day Recovery Action Plan was sought from Council's Audit, Risk and Improvement Committee.

A copy of the draft 100-day Recovery Action Plan was also provided to the Office of Local Government for comment.

A Council workshop on the draft 100-day Recovery Action Plan was held on 15 October 2020, with feedback received having been incorporated into the document.

#### **Financial**

The adoption of the 100-day Recovery Action Plan will lead to the immediate and longer-term financial sustainability of Central Coast Council.

#### **Link to Community Strategic Plan**

Theme 4: Responsible

#### **Goal G: Good governance and great partnerships**

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

#### **Attachments**

- |   |   |           |
|---|---|-----------|
| 1 | Additional item 3.8 Serious Financial Situation | D14248572 |
| 2 | 100-day Recovery Action Plan                    | D14248523 |

## ADDITIONAL ITEM

**Item No:** 3.8  
**Title:** Budget Review Process  
**Department:** Governance

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12 October 2020 Ordinary Council Meeting

Reference: F2020/02840 - D14232048

Executive: Gary Murphy, Chief Executive Officer



### Summary

The purpose of this report is to provide an overview summary of key actions taken in response to Council's Budget position. The report pulls together information previously provided to Councillors through various sources and forums.

While this report is not confidential it does relate to a confidential matter. Councillors and staff are reminded of their obligation under the Code of Conduct to appropriately manage confidential information. It is noted that Councillors received legal advice regarding this issue. Should Councillors wish to discuss this matter, including confidential information provided it is recommended that Council resolves as follows:

*That Council resolve that this matter be dealt with in closed session pursuant to s. 10A(2)(g) of the Local Government Act 1993 for the following reason:*

*2(g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege,*

*And because consideration of the advice received in open Council would on balance be contrary to the public interest as it would affect Council's ability to manage legal matters effectively and in the best interests of Central Coast community.*

### Recommendation

- 1 That the report on Central Coast Council's serious financial situation be received and noted.**
- 2 That Council consider the draft 100-day recovery action plan and financial forensic scope documentation at a workshop to be held on Thursday 15 October 2020**
- 3 That Council request that the CEO write to the Minister for Local Government seeking urgent assistance with the following matters:**

**3.8 Serious Financial Situation (contd)**

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- ***Seek approval to borrow from restricted funds including the Developer contributions under the EP&A Act, the Developer servicing plan contributions under the Water Management Act, Domestic Waste management funds and unrestricted cash within the water and sewer funds comprising income from user and service charges, and advice on the process to obtain such approval; or***
  - ***Secure necessary external borrowing up to \$100 million from TCorp or any other emergency funding sources for the purposes of maintaining liquidity in the Council until such time as the actions within the draft 100-day recovery action plan are implemented; and***
  - ***Confirmation on the timing, scope and terms of reference for the previously committed financial and human resources advisors***
- 4** ***That Council resolve to utilise current scheduled Councillor Workshops Saturday 31 October 2020 for the purposes of reviewing the actions taken to date.***
- 5** ***That should the Minister for Local Government not be able to assist in securing borrowing through TCorp that Council authorise the CEO to present a loan proposal for its consideration at a future meeting of Council for the sum of up to \$100 million.***

**Context**

The Council is in a serious financial situation and faces an immediate and serious liquidity issue.

Council has, in the course of a review of the council's financial situation that its budgetary position has deteriorated since the March quarter result in 2020 when a deficit of \$41 million was reported. Following a rigorous review of the Council's budget this deficit has now increased to \$89 million.

Last year was an exceptional year. In addition to the bushfires, floods, coastal erosion, followed by COVID -19 loss of income and impacts on service delivery, Council delivered an enormous number of projects, maintained staff resources and service levels.

Due to amalgamation Council also inherited an enormous asset backlog of works once merged, coupled with the costs of merging two very different organisations with different systems and programs. Council has been playing catch up since amalgamation which is why Council's long-term plan identified that in the first few years there would be a requirement to operate a deficit in order to catch up. The estimated costs for amalgamation have been underestimated and had a much greater impact on the Council's long-term financial plan.

Previous audits including the external audit of council finances for 2018/19 by the NSW Audit Office failed to pick up any discrepancies in the finances. A PWC report in 2019 in fact indicated that council had "a financially prudent plan" in place.

### **3.8 Serious Financial Situation (contd)**

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In April 2020, Grant Thornton was commissioned to undertake a review of Council's finances and systems this year due to COVID -19 impacts, including potential cashflow issues in relation to reduced revenue streams . The result of that review identified there were discrepancies.

On 2 September 2020, the Chief Executive Officer engaged an external provider, DMB Consulting Pty Ltd for the purpose of advising further on the discrepancy issues raised from the Grant Thornton review surrounding the use of Council reserves (internal restrictions) and specifically whether the reserves have been utilised in accordance with their approved purposes.

On 23 September 2020, DMB Consulting Pty Ltd met with Council's Executive Leadership Team and the acting Chief Executive Officer to present preliminary findings. The provider was requested to provide an Interim report as soon as possible.

As a preliminary measure, Council's Executive Leadership ceased all but essential recruitment and removed delegations from staff with regards to tenders and contracts as a prudent action.

On 3 October 2020, DMB Consulting Pty Ltd submitted a draft interim report to the Chief Executive Officer. This draft report (dated 3 October 2020) highlighted that some expenditure over the past 12-18 months may have resulted in restricted funds being used contrary to the provisions of the Local Government Act 1993.

#### **Subsequent Actions**

Over the long weekend between Saturday, 3 October 2020 and Monday, 5 October 2020, Council's Executive Leadership Team and relevant Unit Managers, convened to consider the findings of the draft interim report from DMB Consulting Pty Ltd. The Chief Executive Officer and Executive Leadership Team determined that despite having concerns regarding the accuracy of detail within the draft Interim report, and noting that the draft Interim report expressed concerns as to the reliability of the financial information provided to DMB Consulting on which the draft interim report was based, that there was enough substance for Councillors and the Office of Local Government (OLG) to be notified.

Over the course of the long weekend, the Executive Leadership instructed Council's General Counsel to engage MBM Legal and seek advice regarding Council's position and the legal implications of the information received to date. MBM Legal was also requested to provide advice to the Councillors on Tuesday, 6 October 2020.

On Monday, 5 October 2020, the Chief Executive Officer rang all Councillors to advise them on the briefing to be conducted on 6 October 2020. The members of Council's Audit, Risk and Improvement Committee were also contacted and advised of a briefing on Wednesday, 7 October 2020.

**3.8 Serious Financial Situation (contd)**

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On Tuesday, 6 October 2020 a briefing was conducted for all Councillors. At this briefing DMB Consulting Pty Ltd presented the analysis in the draft interim report provided on 3 October Councillors met privately with MBM Legal and Council's General Counsel.

On Tuesday, 6 October 2020 the Chief Executive Officer formally notified the Office of Local Government and sought assistance. The Chief Executive Officer updated Councillors following this notification.

On Tuesday, 6 October 2020, the Chief Executive Officer spoke to the following people/agencies for the purpose of personally advising them of Council's position:

- Chief of Staff – Minister for Local Government
- Parliamentary Secretary Central Coast – Adam Crouch MP
- David Harris MP

Those who were not able to be contacted that day were emailed:

- Yasmin Catley MP
- Leisel Tesch MP
- David Mehan MP
- Taylor Martin MLC
- Department of Planning
- NSW Water
- Chief of Staff – Minister for Water
- NSW Audit Office

A media statement was also issued to local media outlets and placed on Council's website.

All staff were notified and a meeting was conducted with the Council's larger Leadership Group. Council's Employee Assistance Provider was available to all staff. Meetings were scheduled for staff engagement up to Friday 9 October 2020.

On Tuesday, 6 October 2020, a second meeting was conducted with representatives from the Office of Local Government.

A Tactical Team was established and met on Tuesday, 6 October 2020 for the purpose of implementing actions determined by the Executive Leadership team.

A summary email of action taken was provided to Councillors after 5pm on Tuesday, 6 October 2020.

The NSW Ombudsman was formally notified by the Chief Executive Officer on Wednesday, 7 October 2020.

On Wednesday, 7 October 2020, the Chief Executive Officer spoke to the following people/agencies for the purpose of personally advising them of Council's position:

**3.8 Serious Financial Situation (contd)**

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- CEO and President of Local Government NSW
- Lucy Wicks MP
- Emma McBride MP
- Representatives from the relevant Unions

On Wednesday, 7 October 2020, the Chief Executive Officer met with the Mayor and Deputy Mayor.

On Wednesday, 7 October 2020, Council updated IPART.

On Wednesday, 7 October 2020 a briefing was conducted with Council's Audit, Risk and Improvement Committee to seek an understanding of how they will be able to assist Council.

Those who were not able to be contacted that day were emailed:

- Senator Deborah O'Neill

On Wednesday, 7 October 2020, the Chief Executive Officer and Executive Leadership Team met with representatives from the Office of Local Government.

On Wednesday, 7 October 2020, the Chief Executive Officer and Executive Leadership Team decided that future grant funding received would be quarantined in separate accounts.

A summary email was provided to Councillors after 5pm on Wednesday, 7 October 2020.

On Thursday, 8 October 2020, the Chief Executive Officer and Executive Leadership Team met with representatives from Grant Thornton to formulate the key actions as part of a 100 day for recover. This plan will be in place for implementation from 12 October 2020 and will be reviewed following councillor input.

On Thursday, 8 October 2020, certain members of the Executive Leadership Team were available at Council Depots to speak with staff.

On Thursday, 8 October 2020, the Chief Executive Officer spoke to the following people/agencies for the purpose of personally advising them of Council's position:

- NSW Audit Office
- Department of Planning
- David Mehan MP
- Chief of Staff – Minister for Planning
- Taylor Martin MLC
- NSW Water

On Thursday, 8 October 2020, the Chief Executive Officer met with the Mayor and Deputy Mayor.



### 3.8 Serious Financial Situation (contd)

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A media statement was also issued to local media outlets and placed on Council's website.

On Thursday, 8 October 2020, the Chief Executive Officer and Executive Leadership Team met with representatives from the Office of Local Government. The Chief Executive Officer and Executive Leadership Team met with Councillors as part of the CEO Weekly Update.

#### First response

The following actions were agreed in response to Council's financial situation for immediate implementation:

- Ceasing recruitment for all roles except those for which there is a safety requirement or statutory requirements.
- Significantly reducing staff delegations to limit those staff with authority to spend to Unit Manager level.
- Ceasing all unnecessary spending on operational expenditure.
- Review of Council's contingent workforce to reduce expenditure on temporary staff or contractors.
- Management and reduction of overtime with regular reporting.
- Review of all capital projects and halting where practicable to allow further review
- Establishment of Tactical Team to deliver 100-day plan.
- Review of controls over Council's financial systems to develop improved and more regular reporting.
- Daily monitoring of Council's cash balances to understand Council's current position.
- Dashboard reporting of key financial indicators

The Council will also engage a forensic accounting firm to investigate and report on the matters raised in the draft interim report of DMB Consulting and to establish the correct position in respect of those matters. The Terms of Reference for the engagement of the forensic accounting firm will be provided to the Office of Local Government and NSW Audit Office for their comment.

#### Immediate Funding Needs

As a First Response, Council has established a Tactical Team to implement actions which will immediately preserve cash while a broader restructure is planned and implemented via the 100 Day Plan. It is acknowledged that working capital and funding for committed and necessary capital projects will be required during this period to avoid any further utilisation of restricted funds in the absence of unrestricted funds.

As such, immediate funding is required so that the current restricted funds position can be preserved as at 1 October 2020, with ongoing operations and necessary capital projects funded by only unrestricted funds received post 1 October 2020 and the immediate funding currently being sought (or from restricted funds for those capital projects which are duly authorised to utilise restricted funds).

### 3.8 Serious Financial Situation (contd)

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A high-level assessment of the cash flow needs for the four-month period from 1 October 2020 to 31 January 2021, which will encompass the period required for the 100-Day Plan, was undertaken, supported by external financial advisers and provided to Council staff on 11 October. The high-level assessment has focused on:

- The approved operating and capital budgets for the 2020/21 year and the expected phasing from a cash flow perspective; and
- Perceived risks to achieving the budget as a result of a number of internal and external factors which cannot necessarily be controlled by Council.

Based on the high-level assessment, the external financial advice received estimates that Council will require between \$24 million and \$60 million for working capital and funding for necessary capital projects for the four-month period. The \$24 million figure is based on Council achieving its Operational and Capital budgets, however does not make any allowance for unforeseen events. The \$60 million figure assumes a number of unfavourable risks that could materialise, including delays in confirming external loans and in rates collections.

Based on this information, external financial advisers recommend that Council seek up to an additional \$100 million working capital to pursue the 100-day plan and develop and start implementation of a longer-term financial sustainability strategy beyond that initial period.

#### **100 Day Recovery Plan – Workshop with Councillors**

On Monday, 12 October 2020, Council's 100-day Recovery Plan will commence implementation, but the plan will be reviewed as it is implemented and Councillor input is critical.

The plan has been developed incorporating the advice of Grant Thornton and the draft was provided to all Councillors on 12 October.

Councillor input is critical in the finalisation of the plan. In addition, feedback will be sought from Council's Audit, Risk and Improvement Committee regarding the plan. The OLG will also be consulted for their comment.

To facilitate Councillor involvement it is recommended that two Workshops be conducted with Councillors on Thursday, 15 October and Saturday, 31 October 2020 with further Workshops to be scheduled as required.

#### **Link to Community Strategic Plan**

Theme 4: Responsible

#### **Goal G: Good governance and great partnerships**

**3.8 Serious Financial Situation (contd)**

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R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

**Attachments**

*Nil.*

## Central Coast Council

DRAFT 100 Day Recovery Action Plan

Business Restructure

DRAFT



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## **Executive Summary**

Executive Summary

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## Executive Summary

Central Coast Council has, following a year of natural disasters and the impact of COVID-19, undertaken a review of the Council's budget which reveals that its budgetary position has deteriorated since the March 2020 result. The deficit reported at that time of \$41 million is now expected to increase to \$89 million. The Council is in a critical financial situation and faces an immediate and serious liquidity issue. In addition, some expenditure over the past 12-18 months may have resulted in restricted funds being used contrary to the provisions of the Local Government Act 1993.

Given the scope of change needed, the quantum of savings required to be identified, and the need for a full restructure, Council has prepared and began implementation of a 100-day plan for business restructure. Council's 100-day plan is a multi-faceted approach to address the current liquidity issues and introduce structural changes aimed at ensuring the longer-term financial sustainability of Council operations. The 100-day plan is split into two stages:

Stage 1 - First Response: to swiftly identify and implement strategies which would have an immediate effect on reducing the rate of expenditure currently being incurred, thereby seeking to preserve cash.

Stage 2 – 100-day Action Plan: Ongoing focus on the intake of cash and expenditure reduction, coupled with more sustainable cash preservation and funding. Stage 2 actions are grouped under the key categories of Governance, Finance, Operations and Assets.

The Executive Leadership Team has commissioned a Financial Tactical Team to oversee and facilitate the delivery of critical actions which aim to ensure actions included in the 100-day plan are swiftly implemented. There are also a number of key actions that aim to provide greater financial controls and visibility over Council's financial position. Another important aspect of the plan is to fully cost the restructure of Council's business operations, ensuring that value for money is considered in redefining Council's service delivery priorities and level of service delivery. .

All decisions taken during this period of rapid change will be guided by the following principles:

- Financial Sustainability
- Essential Services are to be maintained
- Impact on community to be minimised
- Focus on the future to ensure Council is well placed financially

It is envisaged that the implementation of the 100-day plan will be completed by 31 January 2021, however an ongoing focus on the ongoing financial sustainability of Council will be required beyond that period. The implementation of the plan will cause disruption and will have impact on Council stakeholders, particularly in the short-term. Ultimately, over the long-term, it will position the Central Coast Council to deliver effective and efficient services to meet community needs and aspirations.

## Executive Summary (continued)

### What does this mean immediately?

- New budget process focussed on cashflow
- Significant reduction in projects and programs proposed for 2019/20
- Operational Plan 2019/20 altered to reflect changes
- No new recruitment unless required under relevant legislation to perform a function eg: child care workers' quota
- No overtime unless required from under legislative, Local Government Award, safety or emergency function
- New restricted financial delegations for employees
- 

### What does this mean long term?

- Business restructure
- Zero based budget to be prepared with a focus on 2021/22.
- A sustainable structure for the long-term in which community needs can still be met efficiently will require:
- A review of current services, including an assessment of alternate delivery options for all services
- A review of workforce numbers
- A review of revenue options
- Community Strategic Plan review

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DRAFT



01

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## Objectives

Objectives

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# Objectives

## First Response

Rapid intake of cash to service the immediate cash funding requirements of Council. These require an action plan enabling 'quick wins' by:

- Switching off expenditure that can be done, now
- Focusing on a rapid intake of cash from rates via strategies encouraging early payment and collection of delinquent rate payments
- Extending supplier and contract payments out to 60 days
- Seeking immediate liquidity funding to bridge the Council's requirements until more sustainable funding is available and medium-term plans take effect
- Monitoring the use of that funding via the cash flow model

## Second Stage

Ongoing focus on the intake of cash and expenditure reduction, coupled with more sustainable cash preservation and funding such as:

- Raising debt from T-Corp and/or the commercial bank market (supported by a fully costed Restructuring Plan)
- Assessing appropriate service levels and structure
- Conducting a workforce review
- Identifying operational cost saving opportunities and efficiencies
- Restructuring the capital projects plan
- Implementing an asset realisation programme
- Putting in controls and systems to ensure root causes are resolved
- Ongoing cash focus for Council

**02**

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## **Principles and Approach**

Principles and Approach

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## Principles and Approach



### Financial Sustainability

Given the current financial position of Council, the focus and principles of Council need to be revised. Opposite are new principles agreed by the ELT to assist with guiding decision making during the current situation.



### Maintain Essential Services

#### Approach

- The 2019/20 financial results together with the identification of the use of restricted funds has accelerated the need for rapid change at Council. Given the scope of change required, the quantum of savings required to be identified and the need for a full restructure, the strategy is split into two stages:
  - Stage 1: First Response
    - The focus of Stage 1 is to swiftly identify and implement strategies which would have an immediate effect on reducing the rate of expenditure currently being incurred, thereby seeking to preserve cash.
    - It is necessary to identify the 'rapid' intake of cash and to hold cash for longer in the business function.
    - The focus is on actions which do not have a long lead time nor incur liabilities for Council such as break costs or contract termination costs.
  - Stage 2: 100 Day Recovery Action Plan
    - Stage 2 involves in depth reviews and actions around Governance, Operational activities, Workforce planning, Capital works and Financial functions.
    - Where possible, implementation of the Plan will commence inside the 100 days.
    - Through making necessary changes now, the goal is to establish a future structure of Council which is sustainable while meeting the needs of the community
    - Developing a rigid budget process for realignment of this years budget adjustments, next and future years budgets in line with service and affordability levels will be an essential component.



### Minimise Impact on the Community



### Future Focus – Set the Council up for Success

03

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## First Response

First Response

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# First Response

## Operating Expenditure

- Cease all recruitment immediately other than:
  - Legislative roles; and
  - Roles endorsed by the ELT.
- Review contingent workforce and cease most temporary and contractor roles (excluding current apprentices and trainees).
- Freeze all overtime except for:
  - Legislative roles;
  - Award;
  - Emergencies;
  - Cost savings; and
  - Safety.
- Provide weekly overtime reports to enable managers and ELT to monitor overtime on a timely basis in accordance with above
- Review of Original 2020/21 Budget to identify actions to meet incorporated savings targets.
- Review of ongoing operating projects and cease where possible.

## Controls and Finance

- Implement 'strict' new delegation levels to:
  - Reduce spend limits/authorisations
    - \$1-\$10,000 for Unit Managers
    - \$10,001 to \$2.0 million for ELT
  - Prohibit contracts being entered without ELT authorisation.
  - Amend delegations on Trade and Purchase Cards.
- Management of purchase orders/procurement process to ensure compliance with processes and policies.
- Commence working capital review:
  - Receivables/collections process review; and
  - Supplier payment review.
- Develop new reporting tools/dashboard with cash focus:
  - Daily cash balance;
  - Daily cash movements (including rates receipts);
  - Restricted funds balance (at last available month end); and
  - Forecast cash flow.
- Develop 13 week rolling cash flow forecast to support monthly (12 month) cash flow model.

## Capital Expenditure

- Starting point – 'mothball' all projects regardless of if commenced, committed or pipeline.
- Then by exception only, continue if and 'only' if projects:
  - Are funded from Grants, Development Contributions or approved Restricted Funds use (if funded from 'restricted funds' and doesn't meet the below exceptions, stop)
  - Create a serious safety risk which cannot be mitigated with an alternate measure; Have a pay-back period of less than 12 months eg \$1 spent will return more than \$1 in 12 months; and
  - Have a prohibitive break cost if already commenced.
- Review projects with day labour/Internal staff and consider plan to delay projects or redirect staff to other projects such as grant or developer contribution funded projects. Also consider redeploying staff to projects within other directorates that meet this criteria.

## Other

- On-going communication and stakeholder management plans. Regular and frequent communication to councillors (including cash-flow reporting) and other stakeholders.
- Project team management and reporting.



The focus of the First Response is to implement all available levers which will immediately reduce spend while a restructure is being implemented. Cost savings that have an upfront cost (e.g break costs) or longer term implications (e.g. sale of assets) should be considered more thoroughly during the restructure process where the impact of various options can be modelled.

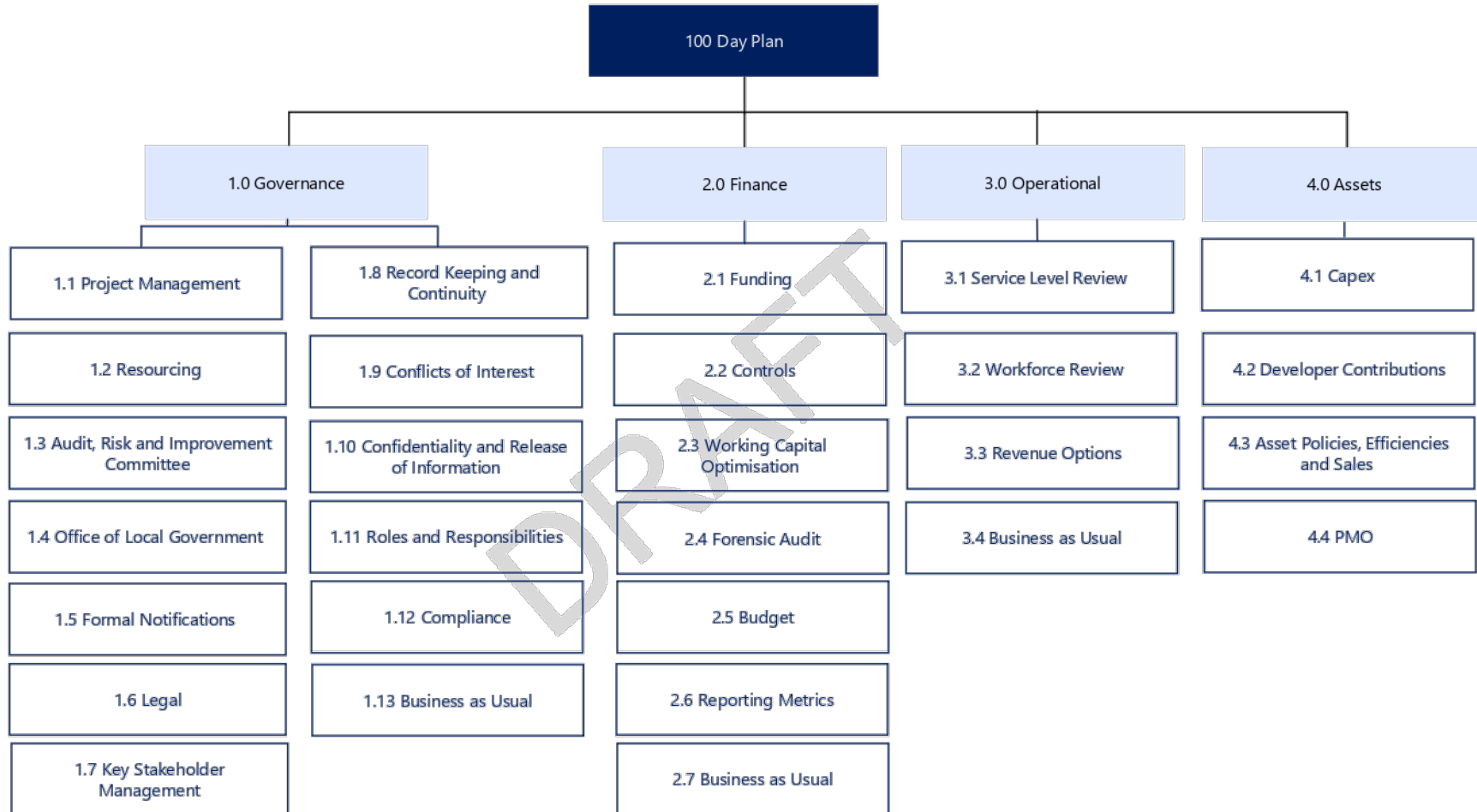
**04**

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## **100 Day Recovery Action Plan Overview**

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# Key Elements of the 100 Day Recovery Action Plan





# 1.0 Governance

## 1.1 Project Management

- Identify Project Manager/Program Lead.
- Document project plan with governance structure established.
- Assign a probity manager to advise on the project.

## 1.2 Resourcing

- Identify key roles required, including:
  - Project Management;
  - CFO;
  - Treasury; and
  - Appropriate administration support.

## 1.3 Audit, Risk and Improvement Committee

- Establish the of role of ARIC.
- Consideration of bespoke Committee with Councillor involvement.
- Consideration of 100 Day Recovery Action Plan and relevant recommendations to Council.

## 1.4 Office of Local Government

- Management of notification and actions required.
- Agree and document scope of OLG role.
- Agree and document communication cycle.
- Ensure the appropriate flow of information

## 1.5 Formal Notifications

- Where notifications have occurred, follow up with any actions as required by external agencies.

## 1.6 Legal

- Engagement of external Counsel and scope of role.
- Ongoing provision of advice.

## 1.7 Key Stakeholder Engagement

- Develop ongoing communication strategy/communication plan (managed as a sub-project).
- Engage early and regularly with key stakeholders to keep parties informed, including:
  - Mayor;
  - Councillors;
  - Employees;
  - Community and residents;
  - Unions;
  - Suppliers;
  - Finance Committee;
  - Office of Local Government; and
  - ARIC.
- Establish reporting cycle to stakeholders.

## 1.8 Record keeping and continuity

- Ensure appropriate records are maintained in corporate systems.
- Manage key person risk to ensure continuity due to staff movements or availability

### Objective/Focus:

- Ensuring controls are in place and establishing accountability for the 100 Day Recovery Action Plan;
- Engaging with stakeholders; and
- Oversight of key legal advice and external recommendations.



## Governance (continued)

### 1.9 Conflicts of Interest

- Regular discussions and standing meeting items to consider and manage conflicts of interest.
- All reports from external parties required to include a conflict of interest consideration and statement.

### 1.10 Confidentiality and release of information

- Ensure NDAs completed and submitted as required.
- Where practicable, reports provided are to be able to be made publicly available.
- Regular reviews as to what information can be released proactively.

### 1.11 Roles and Responsibilities

- Document scope of role for ELT, Project Team and Tactical Team.
- Document scope of role for consultants and their relationships/communications.
- Document scope of role for project management.
- Appoint key Project Lead to ensure strong communication of goals and outcomes to Stakeholders including various local and state government authorities.

### 1.12 Compliance

- Ensure all procurement processes are followed for procurement under the 100 Day Plan

### 1.13 Business As Usual

- Councillor engagement.
- Ensure that ongoing reporting and governance requirements are met during the 100 Day Recovery Action Plan and that progress of the 100 Day Recovery Action Plan is incorporated into reporting, for example:
  - Q1 reporting; and
  - 31 October 2020 Councillors' workshop.

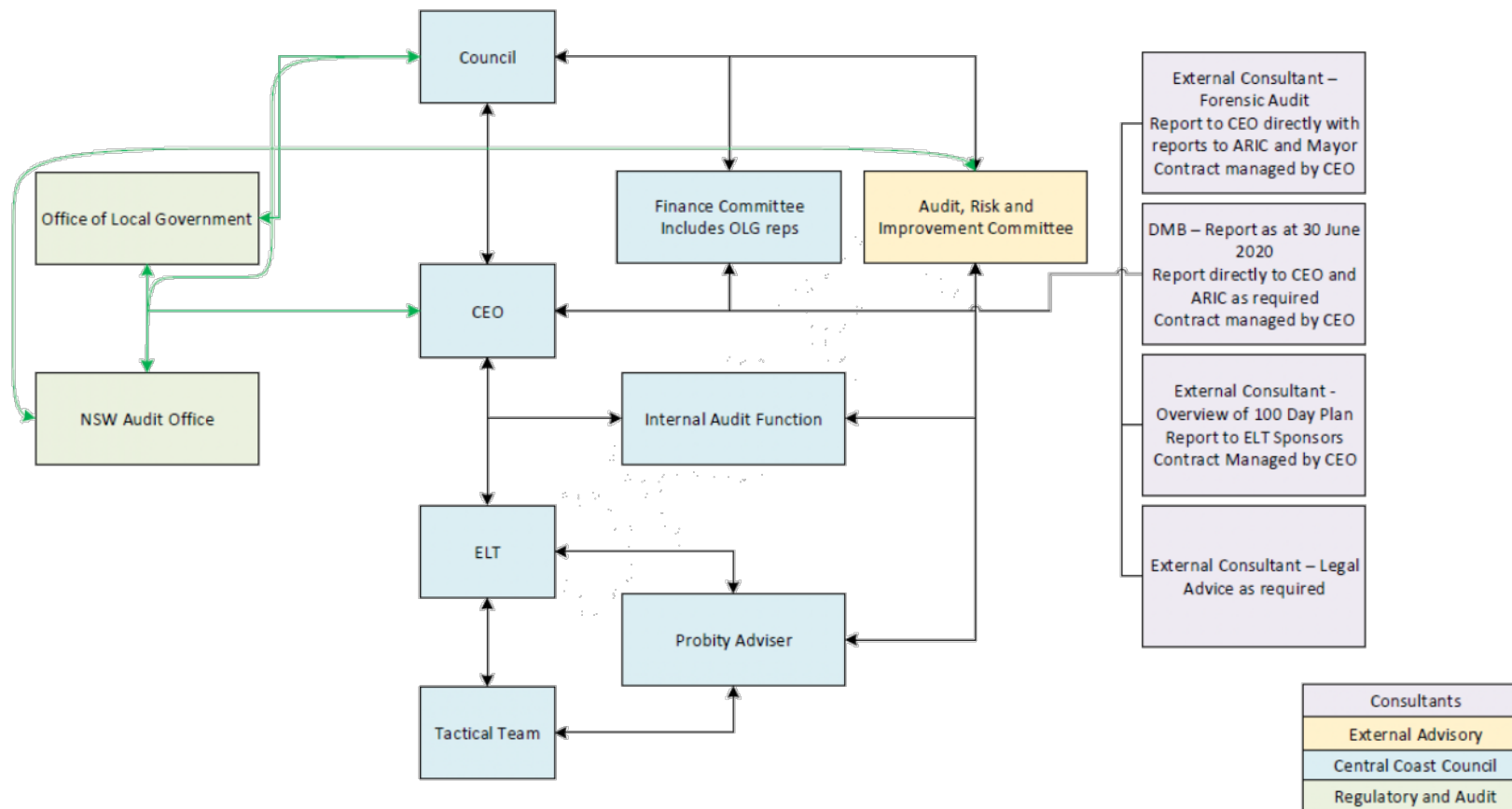


#### Objective/Focus:

- Ensuring controls are in place and establishing accountability for the 100 Day Recovery Action Plan;
- Engaging with stakeholders; and
- Oversight of key legal advice and external recommendations.

# Governance Framework

Governance Structure – Financial Recovery and Sustainability



## 2.0 Finance

### 2.1 Funding

- Determine funding needs (both immediate needs and to fund the restructure)
- Develop strategy with respect to funding, including:
  - Explore options for 'Emergency' working capital funding;
  - Develop strategy to seek approval from internal borrowings; and
  - Explore ability to seek long term external debt for working capital needs and to normalise the position.
- Develop documentation and modelling in support of requests for borrowings for approval by the Councillors and/or Ministers and external Banks.
- Develop a fully costed Restructure Plan to determine funding needs.
- Review expenditure undertaken against restricted project requirements for opportunities to 'refund' General Funds and draw down restrictions.

### 2.2 Controls

- Enhance cash reporting:
  - Review of current financial reports (with a focus on cash reporting).
  - Establish and regularly refine reports available to assist with decision making of the Tactical Team and ELT (and as ongoing best practice). This may include:
    - Cash flow forecasting;
    - Daily cash balances; and
    - Fund reporting.
- Develop 13 week rolling cash flow forecast to support monthly cash flow model.
- Establish separate bank accounts for each Fund and type of fund (e.g. restricted):
  - Assess logistics with respect to new accounts (i.e. reporting in Oracle, established bank account practices (e.g. historic payment into old accounts)); and
  - Assess legal position regarding ongoing structure versus proposed structure in absence of funding to rectify current position.

- Develop Liquidity Contingency Plan.
- Implement strategies to address control weaknesses identified in external reports including the audit.
- Establish a long-term financial plan in accordance with Principles adopted.

### 2.3 Working Capital Optimisation

- Increase day-to-day liquidity via review of working capital cycle. This includes:
  - Debtors:
    - Review of collections/recovery process and practices;
    - Adopt practices to maximise collections including early phone calls, focus on large debtors and improved reporting by age;
    - Regularly monitor and report on rates and water collections to assess arrears and impact of COVID;
    - Consider incentives and discounts for upfront payments; and
    - Recoup outstanding grant and emergency funding owed to Council by other agencies.
  - Creditors:
    - Extend payment terms to more commercial terms (say 30 days for all suppliers except those subject to the Securities of Payment Act);
    - Extend payment terms for large commercial organisations to 45-60 days;
    - Reduce frequency of payment cycles;
    - Monitor and enforce internal processes with respect to ordering such as purchase orders and delegated limits.
  - Stock:
    - Consider alternate methods to reduce stock held (and cost of stores) such as third party supplier arrangements.



#### Objective/Focus:

- Ensuring controls are in place to fix root causes;
- Establishing adequate reporting of cash and a cash management framework, seeking rapid intake of cash; and
- Modelling and forecasting the financial impact of restructure.

## Finance (continued)

### 2.4 Forensic Audit

- Appoint forensic accountant to undertake forensic review focusing on restricted funds:
  - Engage appropriate firm;
  - Agree scope and instructions; and
  - Assist with collation of documentation and assisting forensic accountants.

### 2.5 Budget

- Prepare 'zero based' budget based on restructured organisation;
- Prepare Budget and Operational Plan for 2021/22. Budget Steering Committee to meet to agree framework and messaging, with a focus on:
  - The Operational Plan driving the budget
  - Establishing a recurring budget with all operational and capital projects subject to a business case and review process;
  - Zero based budget or bottom up revenue approach;
  - Limitation of FTE;
  - Limiting the capital budget based on available cash (depreciation less deficit [noting the budget should not be in deficit] less debt reduction plus grants, DCs and restricted funds);
  - Establishing clear and consistent messaging with respect to the framework and limitations of the budget with 'buy in' by all leaders; and
  - Working towards the establishment of a PMO.

### 2.6 Financial Metrics

- Conduct Internal Cost review.
- Consider overhead allocation model.
- Review of depreciation schedules.
- Review of loan book and break costs to assess opportunities to refinance and reduce borrowing costs.

### 2.7 Business As Usual

- Monitor resourcing and progress of 'business as usual' to ensure new risks do not arise given the likelihood of increasing workloads. Key workflow over the coming months includes:
  - Finalisation of Year End accounts and FY20 Audit;
  - Budget and Operational Plan;
  - Monthly reporting and Quarterly review;
  - IPART information return; and
  - Core systems consolidation.
- Review capacity and capability of the Finance team and re-establish the team right through to the leadership via appointment of a new CFO.
- Culturally focus Management on the importance of cash and ensure forecasting tools are standard use in Management meetings going forward.



#### Objective/Focus:

- Ensuring controls are in place to fix root causes;
- Establishing adequate reporting of cash and a cash management framework, seeking rapid intake of cash; and
- Modelling and forecasting the financial impact of restructure

## 3.0 Operational

### 3.1 Service Level Review

- Review current services provided and assess whether the service is :
  - Essential (legislated);
  - Provided based on community expectations/only supplier; or
  - Non-essential.
- Assess and model alternate delivery options for all services. This may include considering:
  - Outsourcing services;
  - Reducing service levels such as increased response time or reducing operating hours; or
  - Sale of business.
- Utilise data available from Service Review to date.
- Financially model the impact of various delivery and service models.
- Consider new services that may be able to generate revenue.
- Review of all operating projects.

### 3.2 Workforce Review

- Set workforce reduction target.
- Review workforce needs based on assessment of the essential nature of the service, service delivery levels and proposed structure post restructure.
- Model various redundancy options and the pay-back period.
- Develop strategies with respect to redundancies, considering timing, communication, impact on remaining employees.
- Consider reduced working hours and other flexible working options;
- Engage and collaborate with the unions with respect to strategies and options.
- Review of staff benefits, including but not limited to:

- Annualised Salary Agreement (ASA)
- Vehicles
- Market loading
- Allowances
- Review internal costing model

### 3.3 Revenue Options

- Explore all available revenue options:
  - Conduct benchmarking against other councils and commercial operators;
  - Prepare financial modelling;
  - Collate and model collective impact or revenue opportunities to provide optionality to Councillors.
- Consider Special Rate Variation and criteria to apply (including potential need to evidence a restructure prior to applying).
- Engage in early dialogue with IPART to assess the impact of the current financial situation on the next determination.
- Review current loan portfolio and costs.



#### Objective/Focus:

- Creating a sustainable structure for the long term in which community needs can still be met efficiently.
- Leveraging from the restructure process to design the future of the organisation

# Operational

## 3.4 Business as Usual

- Monitor resourcing and progress of 'business as usual' to ensure new risks do not arise given the likelihood of increasing workloads. Reviews and controls may include:
  - Additional requests for overtime
  - Escalation in number of incident and complaint reports on council services
- Review of supplier contracts to renegotiate commercial contracts (e.g. telephone contracts)
- Decommissioning of IT systems and thereby reduce costs (e.g. Authority, ECM, etc)
- Develop compliance culture with respect to procurement processes.
- Review project management roles and authorities.

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### Objective/Focus:

- Creating a sustainable structure for the long term in which community needs can still be met efficiently.
- Leveraging from the restructure process to design the future of the organisation

## 4.0 Assets

### 4.1 Capex

- Review Capital Projects and defer any projects unless they:
  - Are funded from Grants, Development Contributions and Restricted funds
  - Create a serious safety risk which cannot be mitigated with an alternate measure;
  - Have a pay-back period of less than 12 months; and
  - Have a prohibitive break cost if already commenced.
- Review projects with Day Labour/Internal staff and consider plan to delay projects or re-direct staff to other projects such as grant of developer contribution funded projects. Also consider redeploying staff to projects within other directorates that meet this criteria.
- Review capex process with 1-4 and 4-10 year plans to provide a framework for prioritisation of capital works.
- Review outstanding amalgamation-related projects and consider deferral where possible.
- Enhance capex budgeting framework and controls (as part of budget process)

### 4.2 Developer Contributions

- Review developer contribution plans and model expenditure prediction with a view to minimise expenditure from general revenue.
- Address all recommendations made in the Developer Contribution Audit and ensure clear strategy.
- Continue review of historical spend to identify funds that may have been expended from incorrect sources ie Developer contribution eligible projects that have been funded from general revenue.
- Investigate if assets procured could become assets of the various funds.

### 4.3 Asset Policies, Efficiencies and Sales

- Review portfolio of liquid assets and shares, and consider opportunities to increase liquidity.
- Create a property (land) register including details on the use and return on property.
- Assess the holding costs of all non-income producing assets and the current and future needs (e.g. community expectation) /strategy for maintaining the property.
- Consider the sale of non-core assets no-longer required – identify the value return and ensure sustainable use, ie pay down of debt.
- Utilise data from GPS to drive decisions with respect to plant and fleet including:
  - Most cost-efficient method (e.g. own v hire v lease);
  - Utilisation and ability to sell underutilised equipment
- Review employee entitlements and policies (such as renewal period) with respect to vehicles and alternate options including pool cars and novated leases.
- Review fuel card usage, controls and restrictions.
- Review IM&T equipment policies including:
  - Telephone/data policy;
  - Re-negotiation of key contracts; and
  - Equipment replacement policies and timeframes (laptops/mobiles).
- Consider sale of businesses.

### 4.4 PMO

- Investigate the establishment of a PMO (including pay-back period) with a focus on:
  - Management and prioritisation of capital works pipeline; and
  - Strategic levels (Plans) and asset management plans.



#### Objective/Focus:

- Obtain clear understanding of all assets held and their return on investment (or community benefit); and
- Develop capital plans for 1-4 and 4-10 years periods to assist with prioritisation of capital for consideration by PMO.



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## Next Steps

Completed Actions / Next Steps

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## Completed Actions / Next Steps

### Completed Actions –

- Establish Tactical team, appoint Project manager & Sponsor
- Identify first response activities and implement
- Document a Draft Project Management Plan (Scope, Activities, Measurement, Outcomes)
- Establish communications activities for councillors and staff
- Distribute 100 day plan overview to councillors
- Share plan information with OLG and ARIC
- Conduct workshop with councillors to gain alignment on activities, timelines and proposed outcomes

### Next Steps -

- Agree on communication activities for formalised plan
- Finalise detailed plan and monitoring dashboard
- Continue with all agreed activities as per plan

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