

## AMENDED ITEM



**Item No:** 2.1  
**Title:** Business Recovery Plan  
**Department:** Chief Financial Officer

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14 December 2020 Ordinary Council Meeting

Reference: F2020/00039 - D14267941  
Author: Michael Ross, Unit Manager, Procurement and Projects  
Executive: Natalia Cowley, Chief Financial Officer

### Report Purpose

The purpose of this report is to provide an overview summary of Council's financial position, progress against the adopted Business Recovery Plan (formerly the 100 Day Recovery Action Plan), progress of the Forensic Audit, and details of progress against any strategies or performance improvement orders that are in place.

While this report is not confidential, it does relate to a confidential matter. Administrator and staff are reminded of their obligation under the Code of Conduct to appropriately manage confidential information. It is noted that Administrator 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.*

### Chief Financial Officer Recommendation

That Council receive and note the report "Business Recovery Plan – Status Report".

### Background

At its Ordinary meeting held 26 October 2020, the Council resolved as follows:

*1153/20 Each (fortnightly) Council meeting during the next 12 months will receive a report that details;*

- i. the financial position of council at that time*
- ii. progress against the Business Recovery Plan*
- iii. progress of the Forensic Audit, until completed*
- iv. an outline of any other relevant strategy in response to the Financial Crisis and progress against those strategies*
- v. progress against any Performance Improvement Order that is in place.*

**Financial Position of Council**

Council is continuing to closely monitor, track and reconcile its cash position daily. Progress has been made on identifying and mitigating the key causes for the situation that Council finds itself in. Senior management are focused on implementing the actions below.

**Progress Against the Business Recovery Plan**

Council staff have provided a program status report for the progress of stage two of the business recovery plan. (Attachment 1)

Some notable items from the status report include:

- Further reduction of the 2020-2021 CAPEX program to \$170m and the development of guiding principles for the development of the 2021-2022 CAPEX program;
- A notification has been submitted to the Independent Pricing and Regulatory Tribunal for a special rate variation to raise supplementary revenue from 2021/22 onwards;
- A structural reduction target in employee costs and materials and contracts of approximately \$50m has been set with an initial assessment to identify areas for reduction whilst minimising impacts to the services for the community
- Council approved the phase 1 underperforming property assets for sale on 30 November, this is moving ahead with the procurement of valuers and agents to progress sales whilst finalising further tranches of proposed property asset sales.
- Negotiations are under way for a loan to secure \$50-\$100m in capital works.

**Progress of the Forensic Audit**

The first phase of information sharing and the initial assessment been completed which will inform the scope of the final phases of the audit. The Audit Report is currently still on track for completion late January 2020.

**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 Business Recovery Plan Status Update Stage 2 - 141220 D14395563

**Stage 2: Business Recovery Plan - Update**

The objective of Stage 2 is to achieve financial recovery by continuing to focus on the intake of cash and expenditure reduction, coupled with more sustainable cash preservation initiatives & strategies which support long term financial recovery & sustainability. These include but are not limited to:

- 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; and
- Putting in controls and systems to ensure root causes are resolved

ITEM	Action to Date
<b>1.0 Governance</b>	<p><b>1.1.2 Document Project Plan with Governance Structure Established:</b></p> <ul style="list-style-type: none"> <li>• Financial Tactical Team's opportunities are being incorporated into the focus area project plans</li> <li>• Meetings held with Workspace leads to ensure consistency in project plan reporting of status and health</li> </ul> <p><b>1.7.3 Establish reporting cycle to stakeholders:</b></p> <ul style="list-style-type: none"> <li>• Portfolio and Program reporting dashboards created</li> </ul>
<b>2.0 Finance</b>	<p><b>2.1 Funding</b></p> <ul style="list-style-type: none"> <li>• Negotiations with financial institutions are continuing regarding additional funding to supplement working capital</li> </ul> <p><b>2.2 Controls</b></p> <ul style="list-style-type: none"> <li>• Daily monitoring of cashflow and cash balances continues</li> </ul> <p><b>2.4 Forensic Audit</b></p> <ul style="list-style-type: none"> <li>• Sharing of information and the initial assessment been completed which will inform the scope of the final phases of the audit. The Audit Report is currently still on track for completion late January 2020.</li> </ul>

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	<p><b>2.5 Budget</b></p> <ul style="list-style-type: none"> <li>• Capital works budget guiding principles have been agreed which inform the preparation of the 2021-2022 capital works budget commencing shortly.</li> </ul> <p><b>2.7 Financial Metrics</b></p> <ul style="list-style-type: none"> <li>• Required savings targets have been identified in Materials &amp; Contracts and Employee costs</li> </ul>
<b>3.0 Operational</b>	<p><b>3.2.1 Workforce Reduction Target</b></p> <ul style="list-style-type: none"> <li>• The workforce reduction target has been set to reduce the Employee cost down to \$175M</li> </ul> <p><b>3.2.2 Workforce Review</b></p> <ul style="list-style-type: none"> <li>• The initial assessment of the workforce reduction has been completed by the Executive Leadership Team which minimises the impacts to services for the community.</li> </ul> <p><b>3.2.3 Model Various Redundancy Options</b></p> <ul style="list-style-type: none"> <li>• Discussions continue with the Unions to finalise the format of the various redundancy options</li> </ul> <p><b>3.3 Revenue Options</b></p> <ul style="list-style-type: none"> <li>• A recent review of the current fees &amp; charges has identified some areas of opportunities. Staff are currently finalising details on the proposed increases for consideration.</li> </ul> <p><b>3.4 Business as Usual</b></p> <ul style="list-style-type: none"> <li>• Further efficiencies will be reviewed as BAU in line with the new structure, workforce requirements and BAU opportunities as identified by the business (ie business improvement measures)</li> </ul>
<b>4.0 Assets</b>	<p><b>4.1 CAPEX:</b></p> <ul style="list-style-type: none"> <li>• Completed the Phase 2 CAPEX Reductions to reduce the program to \$170M</li> <li>• Completed the review of Asset Useful Lives and Depreciation</li> <li>• Capital works budget guiding principles have been agreed to inform the development of future budgets.</li> </ul>

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	<p><b>4.2 Development Contributions:</b></p> <ul style="list-style-type: none"> <li>• Warnervale Contributions Plan exhibition period closed 7th December 2020</li> <li>• Completed projects review is on hold due to insufficient staff resources - currently investigating alternate resourcing options.</li> </ul> <p><b>4.3 Asset Policies, Efficiencies &amp; Sales:</b></p> <ul style="list-style-type: none"> <li>• The Tactical Team component of the property sales is almost complete with Tranche 1 property sales submitted to Council on the 30 Nov 2020 - this project will now move into a BAU phase of procuring valuers / agents and progressing sales whilst finalising further tranches of work.</li> <li>• The Plant and Fleet project is progressing with a working paper submitted to ELT for further direction;</li> <li>• Confirmation that the recent efficiencies in Plant &amp; Fleet realised as a result of reduction in budget will remain as ongoing BAU (e.g. extension of useful asset life)</li> <li>• The hold back/underutilisation of assets has been identified and plant and fleet are currently working through the sale of these assets over the remaining financial year. Revenue realised to date from asset sales is \$2.8m</li> </ul> <p><b>4.3.8 Information Technology:</b></p> <ul style="list-style-type: none"> <li>• The IMT project has completed the business review of devices with work underway on establishing contract savings and standard service models;</li> <li>• Telephone Policy reviewed and modernised.</li> <li>• Renegotiated or reviewed scopes on several contracts and prepared business cases for action.</li> <li>• Workshop held for computer leasing and replacement options. Briefing session complete</li> </ul>