

AMENDED REPORT



Item No: 2.1
Title: Business Recovery Plan - Status Report
Department: Chief Financial Officer

23 November 2020 Ordinary Council Meeting

Reference: F2020/00039 - D14296732
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Summary

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.

Recommendation

1 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:

- 1081/20 *Each (fortnightly) Council meeting during the next 12 months will receive a report that details;*
- i. the financial position of council at that time*

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- 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 on a daily basis. 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 highlights from the status report are as follows:
- Council has accepted a \$50 million loan from a top tier financial institution at an interest rate below 2%.
- Negotiations are under way for a loan to secure \$50-\$100m of capital works.
- The first phase of identifying property assets has been completed and this will be recommended to Council for sale at the Ordinary Council Meeting on 30 November 2020.

Progress of the Forensic Audit

Post the meeting with KPMG representatives on Monday 2nd November, KPMG have been providing Council staff with a detailed list of information requests which will be used in finalising the first phase of their engagement. Council staff have been compiling and securely providing the information as required by KPMG.

Outline of any other relevant strategy in response to the Financial Crisis and progress against those strategies

In addition to the above, the following financial actions have been undertaken:

- A complete review of Council's operating budget and capital plans have been completed and proposed budget reductions have been incorporated within the quarter 1 2020 budget adjustments going to Council at the 30 November 2020 meeting.

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- Financial assumptions have been tested, updated and communicated regarding the preparation of the monthly and quarterly Budget Packs to provide a more transparent and user-friendly financial reporting.
- An opportunities log detailing initial ideas to improve Council's financial position has been developed with approximately 200 items collected throughout the business. These ideas have been triaged and are being prioritised and investigated further to ensure that Council's strategic direction is not negatively impacted.
- Daily monitoring of cash, payments and restrictions and communications with suppliers.

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 D14310769

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
1.0 Governance	1.1 Project Management - Engaging Workstream leads to ensure consistency in Work Breakdown Structure to enable effective reporting and visibility across each plan. 1.1.2 Project Governance – Refinement of Project Governance Framework and decision-making structure in progress 1.6 Legal – Continuing to work with Clayton Utz as required for the provision of external Counsel 1.7 Key Stakeholder Engagement –Unit Managers have been engaged to help the development of key stakeholders listing to inform the stakeholder management plan 1.8 Record Keeping and Continuity – Council systems including the electronic document management system are being used to ensure the keeping of Council records 1.10 Confidentiality and release of information – Key project staff and stakeholders have all completed their NDA’s. Using least privileged access as per Council’s IM+T Information Security Policy
2.0 Finance	2.1 Funding – Secured \$50 million loan and identified infrastructure to potentially use a security for further funding arrangements. 2.2 Controls – Daily monitoring of cashflow and cash balances continues 2.3 Working Capital Optimisation – continuing to work with suppliers to address outstanding invoices whilst maintaining working capital. We have seen an overall reduction in the purchasing across council through purchase orders and PCard activity

<p>3.0 Operational</p>	<p>3.2 Workforce Review – The following key reviews are in progress:</p> <ul style="list-style-type: none"> • Ongoing review of current staff benefits to model different scenarios for cost saving; • Review of flexible working options and other cost saving measures. <p>In addition, weekly meetings have been set with the Unions to support ongoing engagement and collaboration.</p> <p>Overtime reduction strategy continues to provide favourable results with significant reduction on the historical average trends.</p> <p>3.4 Business as Usual - A review of 20/21 financial year budgeted operational expenditure has been undertaken to realise savings. Additionally, an extensive log has been developed with input from Unit Managers across the organisation identifying approximately 200 opportunities to further reduce operational expenditure. The current priority focus is to validate the ideas presented, analyse the time required to realise any financial savings, and identify actions that will produce further financial savings in the immediate future.</p>
<p>4.0 Assets</p>	<p>4.3 Asset Policies, Efficiencies and Sales – Council staff have identified the first phase of underperforming properties assets that will be recommended to Council for sale at meeting 30 November 2020. Council are currently finalising the recommendation and undertaking extensive due diligence works involving finance and legal. Procurement are working in parallel to establish a period contract/panel for use in the disposal of property assets.</p> <p>4.3.8 Information Technology - Detailed list of IT technology assets and mobile services has been sent to Unit Managers to review utilisation and the potential for rationalisation of devices. Software licensing reviews are underway with a view to rationalise volumes leading into the next annual renewal cycle. Technology contracts nearing renewal are also undergoing strategic review to maximise efficiency and cost effectiveness.</p>