

Template 2

17 June 2015

Council Improvement Proposal

(Existing structure)



Office of
Local Government

Council details

Council Name Cessnock City Council ▼

Date of council resolution endorsing this submission

17-06-2015

1.1 Executive summary

Cessnock City Council recognises that it needs to be financially sustainable (or fit for the future) in order to, over the long-term, generate sufficient funds to provide the levels of service and infrastructure agreed with the community. Financial sustainability is also a key part of Council's charter: in particular the need to demonstrate responsible custodianship of the community's assets and prudent decision-making that takes into account the long-term and cumulative impacts on resources, infrastructure and the environment.

Council has the appropriate scale and capacity (consistent with the recommendations of the Independent Local Government Review Panel) and, in its initial self-assessment, met five out of the seven fit for the future benchmarks. Council's financial position is relatively sound and by 2019-20 it will meet all of the Fit for the Future benchmarks.

Cessnock City Council's Improvement Proposal has been based on its adopted Financial Sustainability Initiative. The Financial Sustainability Initiative is an umbrella initiative for a series of projects that will contribute to securing Council's fiscal future by focusing on three underlying objectives: reduce costs, increase revenues, and improve value-for-money.

A fourth objective, improve governance, has been included in this Improvement Proposal as a robust governance framework is an essential part of an organisation having the capacity to be fit for the future.

The central theme of this Improvement Proposal is addressing the Operating Performance Ratio without compromising the other benchmarks – the key focus is incremental advances commencing with a service review and the identification of productivity improvements and efficiencies underpinned by a continuous improvement culture change program.

1.2 Scale and capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(i.e. the Panel did not recommend your council needed to merge or become a Rural Council).

Yes



Consistent with the Independent Local Government Review Panel recommendations, Cessnock City Council has appropriate scale (a population in excess of 50,000) for a non-metropolitan council and it has demonstrated strategic capacity through its regional collaboration (in, for example, recycling and waste-related services); its management of major construction projects (such as the performing arts centre and vineyard road upgrades); and its collaboration with State and Federal agencies (particularly in the areas of safety/crime prevention, preventative health and young people).

In addition, Cessnock City Council has worked with ten other local government councils in the Hunter region for 60 years. This alliance has resulted in strong communication between Mayors and General Managers; shared professional expertise through staff working groups; and many inter-council collaborative projects.

2. Your council's current position

2.1 About your local government area

The Cessnock City local government area is largely made up of the traditional lands of the Wonnarua people. European settlement dates from the 1820s, initially as a service centre at the junction of the Great North Road and, following the discovery of coal in the 1890s, as a centre for mining. As the gateway to the Hunter Valley vineyards, today tourism is a major industry in the local government area.

The Cessnock City local government area is located in the Hunter Valley of New South Wales about 120 kilometres north west of Sydney and 40 kilometres west of Newcastle. Cessnock City shares boundaries with seven other local government areas: Maitland (to the north), Newcastle and Lake Macquarie (to the east), Wyong, Gosford and Hawkesbury (to the south) and Singleton (to the west).

At June 2014 the population of the local government area was estimated to be 54,979 with a population density of 0.28 people per hectare.

The 2011 Census revealed that the Cessnock LGA has a relatively young population, with the median age being 37 years (compared with 41 years for regional NSW).

The age profile of the Cessnock LGA (compared to regional NSW) has a higher percentage of younger population groups (0-11 years) and (18-34 years) and a lower percentage of older age groups (60-85+ years).

The Department of Planning forecasts that, by 2031, the Cessnock LGA population is projected to be 66,400 – representing an increase of 24% from the 2011 Census population and that people aged 65 years and over will increase by 100% (equating to an additional 7,250 people).

The average household size in the Cessnock LGA is 2.6 people per dwelling.

In the 2011 Census the Cessnock local government area had a larger proportion (13.8% compared with 11.3% in regional NSW) of high income households (earning more than \$2,500 per week) and a lower proportion (25.5% compared with 27.2% in regional NSW) of low income households (earning less than \$600 per week).

Unemployment in the Cessnock LGA is higher than for neighbouring local government areas. The Small Area Labour Markets data found that, in September 2014, Cessnock's unemployment rate was 9.7% compared with 4.4% in Singleton, 5.7% in Lake Macquarie, 6.2% in Newcastle and 6.3% in Maitland.

Whilst the local government area's socio-economic index for areas (SEIFA) of 936.42 is on the low side, it is variable across the local government area (ranging from 868.8 to 1,089.1).

The community's priorities are articulated in the community strategic plan, *Cessnock 2023*. The community has identified five desired outcomes (around the themes of community, economy, environment, infrastructure and governance) that are underpinned by 16 objectives and 42 strategic directions.

Community research has found that the condition of the road network is consistently identified as the highest priority issue for the local government area. The most recent research (2014) found that employment opportunities and, to a lesser extent, access to quality health services were also priority issues for individuals and families.

2.3 Performance against the Fit for the Future benchmarks

2.2 Key challenges and opportunities

<p>Strengths</p> <ul style="list-style-type: none"> • A robust tax base (rates are an efficient and effective means of raising revenue). • Adequate proportion of own-source revenues. • Capacity for increased debt (and still be within benchmarks). • Economies of scale from regional resource-sharing. • Well-established track record of regional collaboration. • Deliver a reasonable range of services and infrastructure. • No annual asset maintenance gap (as at June 2014). • Manageable infrastructure backlog (\$238 BTS per capita as at June 2014). • Governance oversight including internal audit, Audit Committee. • Resources allocated to develop an enterprise risk management framework. • Regular community consultation and surveys. • Community satisfaction with Council's overall performance (similar to the Micromex All of NSW benchmark). 	<p>Weaknesses</p> <ul style="list-style-type: none"> • No special rate variation to strengthen revenue base since 2006 (only variations to extend temporary increases). • 2013 TCorp financial sustainability rating (moderate) and outlook (negative). • Difficulties in attracting and retaining appropriately skilled staff (in some vocations/professions). • Inconsistent methodologies for rating, fees & charges, sponsorships and in-kind subsidies. • Poor structure and collection of developer contributions. • Reactive culture. • A developing asset management planning methodology. • Poor records management.
<p>Opportunities</p> <ul style="list-style-type: none"> • Recognition of need for, and plan to achieve, financial sustainability. • Population growth. • Large and economically diverse local government area (that has high visitation). • Changes to the Local Government Act that emphasise the importance of integrated planning and reporting. • Potential for enhanced integration of asset management plans, workforce plan and long-term financial plan. • Changes to rate pegging arrangements. • Outcomes of the developer contributions review. • New information and communications technologies (transforming methods of service delivery). • Joint Organisations as a focus for planning and advocacy on key strategic issues in the region. 	<p>Threats</p> <ul style="list-style-type: none"> • Tighter fiscal environment limiting grants to local government. • Political context. • Labour market competitiveness. • Ageing population (and an increasing dependence on local infrastructure and services). • Urban development pressures and the ability to provide appropriate infrastructure and protect the environment. • Increased likelihood of adverse climate change events (and impacts on infrastructure assets and community services).

2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-0.021	No	-0.003 (average over 3 years)	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	75.7%	Yes	73.6% (average over 3 years)	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	106.37%	Yes	154.4% (average over 3 years)	Yes

2.3 Performance against the Fit for the Future benchmarks

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council's Long-Term Financial Plan forecasts operating surpluses in the years 2015-16 to 2019-20, resulting in the Operating Performance Ratio meeting the Fit for the Future benchmark in 2017-18 (refer Section 4.1).

During the period 2014-15 and 2015-16 Council increased the number of full-time equivalent staff to expand both external and internal services (in particular, visitor information services and human resources). Council has recognised that this trend cannot continue and has incorporated reduced allocations to employee costs (anticipated from the service review and productivity improvement projects) into its future financial projections.

The Building and Infrastructure Asset Renewal Ratio is impacted by significant non-recurrent capital grants during the period 2012-13 to 2016-17. By 2019-20, once the impact of these grants has been worked through, Council's result continues to exceed the Fit for the Future benchmark (refer Section 4.1).

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	1.84%	Yes	1.41%	Yes
Asset Maintenance Ratio (Greater than 100% average over 3 years)	67.42%	No	99.33% (average over 3 years)	No
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.57%	Yes	2.88% (average over 3 years)	Yes

2.3 Performance against the Fit for the Future benchmarks

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council's Asset Maintenance Ratio is forecast to exceed the Fit for the Future benchmark in the years 2017-18 to 2019-20 (refer Section 4.1).

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita A decrease in Real Operating Expenditure per capita over time	1.03	Yes	0.90	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Consistent with the Fit for the Future benchmark, Council continues to forecast a decrease in Real Operating Expenditure per capita over time.

3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies to improve performance against the Sustainability benchmarks focus on increasing Council's own-source revenues. The expected outcomes will improve Council's operating result and the Operating Performance Ratio.

Explain the key assumptions that underpin your strategies and expected outcomes.

The key assumptions underlying these strategies and expected outcomes include:

- Inflation – Except where indicated below the underlying inflation rate is sourced from the Local Government Cost Index (2.8% for 2014-15) produced by the Independent Pricing and Regulatory Tribunal (estimated to be 2.5% for 2016-17 to 2019-20).
- Salaries and wages forecasts are based on no real increase in overall salaries and wages forecast for 2016-17 followed by a 2.0% per annum increase in following years.
- Materials and contracts are based on a 1.0% per annum increase.
- Consultants are based on a 1.0% per annum increase.
- Legal costs are based on no real increases.
- Members' fees and expenses are based on a 2.0% per annum increase.
- Street lighting is based on a 2.0% per annum increase.

- Fringe Benefits tax is based on no real increases with the exception of a one-off 5% reduction in 2017-18.
- Interest rates – anticipated to remain steady at 5.0% for new loans and 2.5% for interest on investments.
- Rating capacity – assessment growth based on land use planning projections of new lots (including the Huntlee development in 2016-17).
- Fees & charges – statutory and regulatory charges are based on a 1.5% per annum increase, while selected discretionary fees and charges increased by 2.0% (in anticipation of the outcomes of the fees & charges review).
- Grants and subsidies – based on 2014-15 receipts adjusted for one-off capital grants.
- Financial Assistance Grant – based on a 1.0% per annum increase from 2017-18.
- Borrowings – in line with requirements identified in asset management plans and long-term financial plan.
- Reserves – being built up to the level identified by the external auditor in their 2013-14 audit report.
- Major planned expenditures – from Council's Delivery Program, asset management plans and development contribution plans.
- Depreciation based on current levels adjusted for expensing of road inventory components plus growth in line with new/additional assets.
- Progressive implementation of the Financial Sustainability Initiative projects, including phases 2-3 of strategic property review in 2016-17 and phase 1 of fees & charges Review in 2016-17.

3.1 Sustainability

Outline your strategies and outcomes in the table below.

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> Increase revenues 	Strategic property review	<ul style="list-style-type: none"> 2014-2015 – Phase 2 in progress – Investigate stage 1 properties, identify stage 2 properties and implement Property Investment Fund reporting. 2015-16 – Implement actions for stage 1 properties, investigate stage 2 properties, and identify stage 3 properties. 2016-17– Implement actions for stage 1 properties, investigate stage 2 properties, and identify stage 3 properties. Further stages as required. 	<p>To review Council's property portfolio to ensure it is being efficiently and effectively managed on behalf of the community.</p> <p>To ensure that property assets are being appropriately utilized.</p> <p>To convert 'lazy' assets into sustainable revenue-generating assets through the establishment of a Property Investment Fund where 20% of the return on investment generated will be used to fund infrastructure, services and facilities in line with Council's adopted Delivery Program.</p>	<ul style="list-style-type: none"> Operating performance Own source revenue Debt service Asset maintenance

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> • Reduce costs • Improve governance 	Sponsorship and subsidies review	<ul style="list-style-type: none"> • 2015 – Project team to establish framework and commence review. • 2016 – Continue review and incorporate results into 2017-21 Delivery Program and long-term financial plan forecasts. 	To identify all of the in-kind and monetary donations/sponsorships and other instances where market rates are not being charged to ensure there is transparency, equity and improved governance around these types of transactions.	<ul style="list-style-type: none"> • Operating performance • Real operating expenditure per capita
<ul style="list-style-type: none"> • Increase revenues 	Fees & charges review	<ul style="list-style-type: none"> • 2015 – Project team to establish framework and commence review. • 2015-16 – Incorporate phase 1 results in 2016-17 Operational Plan • 2016 – Finalise review and incorporate results into 2017-21 Delivery Program and long-term financial plan forecasts. 	To develop a consistent and transparent methodology for costing services, applying the principles of cost recovery and structuring charges.	<ul style="list-style-type: none"> • Operating performance • Own source revenue
<ul style="list-style-type: none"> • Increase revenues 	Investment strategy	<ul style="list-style-type: none"> • 2015 – Commence review. • 2016 – Implement and incorporate results into 2017-21 Delivery Program and long-term financial plan forecasts. 	To complement Council's property investment portfolio and maximise the return on Council's financial investments.	<ul style="list-style-type: none"> • Operating performance • Own source revenue

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> Increase revenues 	Business opportunities framework	<ul style="list-style-type: none"> 2015 - Project team to scope project. 2016 – Project team to commence development of framework. 	To establish the basis for the operation of entrepreneurial activities to yield Council sustainable revenue streams in the medium to long term.	<ul style="list-style-type: none"> Operating performance Own source revenue Real operating expenditure per capita
<ul style="list-style-type: none"> Increase revenues 	Special rate variation strategy	<ul style="list-style-type: none"> Refer to Section 4.1. 	To be re-visited in the medium-term, following the incorporation of the outcomes of the other strategies into Council's Long-Term Financial Plan, to determine whether Council needs to consider a further general rate increase to secure its financial position.	<ul style="list-style-type: none"> Operating performance Own source revenue

3.2 Infrastructure and service management

Summarise your council's key strategies to improve performance against the infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies to improve performance against the Infrastructure and Service Management focus on reducing costs and improved service delivery and asset management. The expected outcomes will improve the Asset Management Ratio, so that all three measures meet the Fit for the Future benchmarks.

Explain the key assumptions that underpin your strategies and expected outcomes.

The key assumptions underlying these strategies and expected outcomes include:

- Interest rates – anticipated to remain steady at 5.0% for new loans and 2.5% for interest on investments.
- Borrowings – in line with requirements identified in asset management plans and long-term financial plan.
- Major planned expenditures – from Council's Delivery Program, asset management plans and development contribution plans.
- Depreciation based on current levels adjusted for expensing of road inventory components plus growth in line with new/additional assets.
- Progressive implementation of the Financial Sustainability Initiative projects, including refined asset management plans and accounting treatments in 2016-17.

3.2 Infrastructure and service management

Outline your strategies and outcomes in the table below.

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> Reduce costs Improve value-for-money 	Service review	<ul style="list-style-type: none"> 2015 – Project team to refine approach and prioritise services for review. 2015 – Commence review of services. 2016 – Continue review of services and incorporate results into 2017-21 Delivery Program and long-term financial plan forecasts. 	To examine each function that Council undertakes and assess whether Council should be providing this service, and, if so, to what service standard and how it can be done most efficiently.	<ul style="list-style-type: none"> Operating performance Own source revenue Asset maintenance
<ul style="list-style-type: none"> Reduce costs 	Assets, depreciation and capital commitments review	<ul style="list-style-type: none"> 2015 – Community consultation to determine the meaning of satisfactory condition for infrastructure assets; and transfer asset management plans to new templates. 2016-17 – Community consultation to determine levels of service. 	To revise Council's accounting policies with regards to infrastructure assets, review asset management plans and re-examine the forecasts of future capital expenditure incorporated in Council's Long-Term Financial Plan.	<ul style="list-style-type: none"> Operating performance Debt service ratio Building and infrastructure renewal Infrastructure backlog Asset maintenance Real operating expenditure per capita

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> • Increase revenues 	Developer contributions review	<ul style="list-style-type: none"> • 2014-15 – Internal review of developer contributions. • 2015 – Commence implementation of review's recommendations. 	To establish a robust development contributions framework (by implementing the recommendations of the internal audit review) and re-assess the existing contributions plans including the infrastructure to be provided (as a result of development) and the apportionment of costs.	<ul style="list-style-type: none"> • Operating performance • Own source revenue • Infrastructure backlog • Asset maintenance • Real operating expenditure per capita
<ul style="list-style-type: none"> • Reduce costs • Improve value for money 	Plant and fleet management review	<ul style="list-style-type: none"> • 2015 – Commence review • 2016 – Continue review and incorporate results into 2017-21 Delivery Program and long-term financial plan forecasts. 	To ensure efficient and effective usage of resources in delivering infrastructure and services to the community.	<ul style="list-style-type: none"> • Operating performance • Building and infrastructure renewal • Asset maintenance • Real operating expenditure per capita
<ul style="list-style-type: none"> • Reduce costs • Improve value for money • Improve governance 	Procurement review	<ul style="list-style-type: none"> • 2015 – Implement new procedures and investigate opportunities for further efficiencies. 	To critically review spending on materials and contracts and ensure robust procurement practices.	<ul style="list-style-type: none"> • Operating performance • Building and infrastructure renewal • Asset maintenance • Real operating expenditure per capita

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

The key strategies to improve performance against Efficiency measures focus on reducing costs, improving value-for-money and strengthening the governance framework. The expected outcomes will ensure that the Real Operating Expenditure per Capita Ratio meets the Fit for the Future benchmark.

Explain the key assumptions that underpin your strategies and expected outcomes.

The key assumptions underlying these strategies and expected outcomes include:

- Population forecasts – based on the Australian Bureau of Statistics Estimated Resident Population for 2013 plus the Department of Planning & Environment projected population data for 2016 and 2021.
- Inflation – Except where indicated below the underlying inflation rate is sourced from the Local Government Cost Index (2.8% for 2014-15) produced by the Independent Pricing and Regulatory Tribunal (estimated to be 2.5% for 2016-17 to 2019-20).
- Salaries and wages forecasts are based on no real increase in overall salaries and wages forecast for 2016-17 followed by a 2.0% per annum increase in following years.
- Materials and contracts are based on a 1.0% per annum increase.
- Consultants are based on a 1.0% per annum increase.
- Legal costs are based on no real increases.
- Members' fees and expenses are based on a 2.0% per annum increase.
- Street lighting is based on a 2.0% per annum increase.
- Fringe Benefits tax is based on no real increases with the exception of one-off 5% reduction in 2017-18.
- Interest rates – anticipated to remain steady at 5.0% for new loans and 2.5% for interest on investments.
- Major planned expenditures – from Council's Delivery Program, asset management plans and development contribution plans.
- Depreciation based on current levels adjusted for expensing of road inventory components plus growth in line with new/additional assets.
- Progressive implementation of the Financial Sustainability Initiative projects, including implementation of the first round productivity improvements and cost savings in 2016-17.

3.3 Efficiency

Outline your strategies and outcomes in the table below.

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> Reduce costs Improve value for money 	Productivity improvements and cost saving project	<ul style="list-style-type: none"> 2015 – Project team to progress work on potential productivity improvements. 2016 – Incorporation of first round improvements into long-term financial plan forecasts. 	To reinforce a culture among staff to actively seek out productivity improvements and cost savings. Preliminary work undertaken in this area during 2013 identified 35 productivity improvements resulting in almost \$2m in one-off and over \$600,000 in ongoing annual savings.	<ul style="list-style-type: none"> Operating Performance Ratio Real Operating Expenditure per Capita
<ul style="list-style-type: none"> Improve value for money Improve governance 	Project management framework improvement	<ul style="list-style-type: none"> 2015-16 – Project team established to review framework and identify improvements. 2016-17 – Transition to improved project management framework commences. 	To improve the robustness of Council's project management framework to more efficiently deliver infrastructure and services.	<ul style="list-style-type: none"> Real Operating Expenditure per Capita

Objective	Strategies	Key Milestones	Outcome	Impact on other measures
<ul style="list-style-type: none"> Improve governance 	Rating structure review	<ul style="list-style-type: none"> 2015-16 – Project team to develop framework and work up options. 2016-17 – Transition to new structure to be incorporated into Revenue Policy. 	To reduce the number of rating categories and re-align all rates to the residential rates.	
<ul style="list-style-type: none"> Improve governance 	Records management review	<ul style="list-style-type: none"> 2015 – Internal audit review. 2016 – Commence implementation of review recommendations. 	To improve record keeping practices to minimise the organisation's risk exposure and enhance operational efficiency.	<ul style="list-style-type: none"> Operating Performance Ratio Real Operating Expenditure per Capita
<ul style="list-style-type: none"> Reduce costs Improve value for money 	Embed a continuous improvement culture	<ul style="list-style-type: none"> 2015 – Develop organisational values and agreed behaviours 2016 – Pilot ways to integrate a continuous improvement philosophy into day-to-day operations. 	To reinforce a culture among staff of doing the right things the best way to provide exceptional service to the community.	<ul style="list-style-type: none"> Operating Performance Ratio Real Operating Expenditure per Capita

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

3.4 Action Plan

Actions	Milestones
1. Strategic property review	<ul style="list-style-type: none"> - Complete phase 2 - Commence phase 3
2. Sponsorship and subsidies review	<ul style="list-style-type: none"> - Establish project team - Scope project - Commence review
3. Fees and charges review	<ul style="list-style-type: none"> - Establish project team - Scope project - Complete phase 1
4. Investment strategy	<ul style="list-style-type: none"> - Scope project - Commence review
5. Business opportunities framework	<ul style="list-style-type: none"> - Establish project team - Scope project
6. Service review	<ul style="list-style-type: none"> - Establish project team - Scope project - Commence review
7. Assets, depreciation and capital commitments review	<ul style="list-style-type: none"> - Transfer asset management plans to new templates - Revalue assets -

Actions	Milestones
8. Developer contributions review	<ul style="list-style-type: none"> - Establish project team - Commence implementation of internal audit recommendations
9. Plant and fleet management review	<ul style="list-style-type: none"> - Establish project team - Scope project - Commence review
10. Procurement review	<ul style="list-style-type: none"> - Implement new procedures - Investigate opportunities for further efficiencies
11. Productivity improvements and cost savings project	<ul style="list-style-type: none"> - Establish project team - Scope project - Identify first round of potential improvements
12. Project management framework improvement	<ul style="list-style-type: none"> - Establish project team - Scope project - Commence review of existing framework
13. Rating structure review	<ul style="list-style-type: none"> - Project team established - Scope review - Commence review
14. Records management review	<ul style="list-style-type: none"> - Conduct internal audit - Establish project team - Commence implementation of internal audit recommendations
15. Embed a continuous improvement culture	<ul style="list-style-type: none"> - Develop organisational values and agreed behaviours

- *Please attach detailed action plan and supporting financial modelling.*

The detailed action plan is included as Attachment 1, along with Council's adopted Long-Term Financial Plan as Attachment 2.

Outline the process that underpinned the development of your Action Plan.

The Action Plan was developed after a lengthy process of consultation with elected representatives and staff. Community research was also undertaken to confirm support for Council's strategic direction of achieving financial sustainability.

The process started in 2013 with a series of briefings on Council's financial sustainability, and the options to shore up Council's fiscal position, which culminated in 2014 with the adoption of the Financial Sustainability Initiative. The work on this Council Improvement Proposal has been an extension of the projects already identified as part of Council's Financial Sustainability Initiative with a further series of briefings being held to give elected representatives the opportunity to influence and endorse the direction of the document.

The process to develop the Council Improvement Proposal is outlined below:

Date	Activity
September 2013	Councillor briefing on financial sustainability
October 2013	Councillor briefing on financial sustainability
November 2013	Councillor briefing on financial sustainability
May 2014	Executive briefing on Financial Sustainability Initiative
June 2014	Councillor briefing on Financial Sustainability Initiative
July 2014	Council report on Financial Sustainability Initiative
August 2014	Audit Committee report and briefing on Financial Sustainability Initiative
August 2014	Management Team briefing on Financial Sustainability Initiative
September 2014	Councillor briefing on Fit for the Future reform package by General Manager
October 2014	Staff briefings on Fit for the Future reform package by General Manager and Directors
October 2014	Self-Assessment calculations for Council and adjacent local government areas
November 2014	Fit for the Future project inception meeting between General Manager, Director and Project Manager

Date	Activity
November 2014	Community research including consultation on Council's approach to financial sustainability
November 2014	Audit Committee briefing on Fit for the Future reform package by General Manager
November 2014	Councillor briefing on Fit for the Future reform package and Self-Assessment results
Nov - Dec 2014	One-on-one meetings with Managers to progress Financial Sustainability Initiative projects
January 2015	One-on-one meetings with key staff on Fit for the Future Improvement Proposal
January 2015	Executive briefing on Fit for the Future Improvement Proposal
January 2015	Project group brainstorm on Fit for the Future Improvement Proposal
February 2015	Council report on Fit for the Future reform package
February 2015	Community research on satisfactory standard of infrastructure assets
March 2015	Management Team briefing on Fit for the Future reform package
March 2015	Councillor briefings on 2015-16 round of IP&R and linkages to the Fit for the Future reform package
March 2015	Joint Executive-Management determination of priority corporate projects
April 2015	Preliminary draft document distributed for comment
April 2015	Councillor briefing on Fit for the Future Improvement Proposal
April 2015	Management Team workshop on Improvement Proposal projects
April 2015	Executive review of draft Improvement Proposal
May 2015	Executive review of Fit for the Future ratio forecasts
May 2015	Audit Committee report on Fit for the Future reform package
May 2015	Council report on Fit for the Future reform package update
May 2015	Management Team meeting to establish Project Control Group and finalise scopes of Fit for the Future Improvement Proposal projects
June 2015	Executive review of revised Fit for the Future ratio forecasts
June 2015	Final draft document distributed for comment
June 2015	Management Team meeting to review final draft Fit for the Future Improvement Proposal
June 2015	Executive review of final draft Fit for the Future Improvement Proposal
June 2015	Councillor briefing on Fit for the Future Improvement Proposal
June 2015	Council report on Fit for the Future Improvement Proposal

Note this Proposal has been based on the best and most accurate information available to the authoring group at the time of endorsement.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

In preparing the Improvement Action Plan, Council considered the following strategies/actions but decided not to adopt them:

Council Merger –

After consideration of the Independent Local Government Review Panel's discussion paper, Council resolved, on 20 March 2013, that it did not support any amalgamation with other councils.

Voluntary Boundary Adjustments –

Council resolved, on 20 March 2013, that it supports voluntary boundary adjustments if they are in the best interest of the community for more effective use of council resources.

Further, on 4 February 2015, Council resolved to commence discussions with neighbouring councils (including Maitland City and Singleton) in relation to local government boundaries. These discussions took place in March 2015 and negotiations are continuing.

Organisation Structure –

The General Manager undertook a review of the organisation structure in early 2015 (twelve months after the commencement of the newest Director). A comprehensive organisational restructure based on functional analysis and workflows will not be undertaken until Council has progressed the service review project and will coincide with the formal review of the structure during the twelve months following the local government election in 2016.

Centre of Excellence –

It is envisaged that regional collaboration amongst non-metropolitan councils will eventually result in councils becoming specialists in functional areas where they excel. The opportunity to nominate Cessnock City Council as a centre of excellence (in, for example, building certification or internal audit) in the proposed Hunter Joint Organisation was considered premature pending the outcome of the joint organisations pilot.

3.5 Other actions considered

Investment in revenue-generating infrastructure –

Given that the community has consistently identified the condition of the road network as the highest priority issue for the local government area, when grant funding opportunities (such as *Resources for Regions*) have arisen, Council has opted (e.g. resolution of 6 August 2014 - GMU11/2014) to put forward road upgrade projects ahead of investing in revenue-generating infrastructure (such as Cessnock Airport and/or Richmond Vale Railway Museum).

Special Rate Variation Strategy –

A comprehensive special rate variation has been deliberately identified as the final project in Council's Financial Sustainability Initiative (rather than as a "quick fix" to improve the financial benchmarks). Refer to section 4.1.

4. How will your plan improve performance?

4.1 Expected improvement in performance

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio	-0.002	-0.009	-0.003	0.007	0.011	0.017	Yes
Own Source Revenue	72.9%	71.9%	73.6%	77.9%	81.0%	82.8%	Yes
Building and Infrastructure Asset Renewal *	142.9%	153.0%	154.4%	121.0%	106.7%	100.2%	Yes
Infrastructure Backlog Ratio	0.84%	1.11%	1.41%	1.59%	1.80%	1.80%	Yes
Asset Maintenance Ratio	81.3%	98.4%	99.3%	102.5%	101.4%	100.8%	Yes
Debt Service Ratio	2.70%	2.77%	2.88%	2.76%	2.78%	2.81%	Yes
Real Operating Expenditure per Capita	0.97	0.95	0.90	0.87	0.85	0.83	Yes

* The Building and Infrastructure Asset Renewal Ratio is impacted by significant non-recurrent capital grants during the period 2012-13 to 2016-17. By 2019-20, once the impact of these grants has been worked through, Council's result continues to exceed the Fit for the Future benchmark.

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

Council anticipates, after implementing the Improvement Action Plan, that it will achieve all of the Fit for the Future benchmarks.

If, at some time in the future, Council determines that it requires accelerated asset upgrades or renewals, or enhanced service provision; then Council will investigate a special rate variation strategy to ensure that the organisation remains financially sustainable (and generates sufficient funds to provide the levels of service and infrastructure agreed with our community).

A comprehensive special rate variation has been deliberately identified as the final project in Council's Financial Sustainability Initiative (rather than as a "quick fix" to improve the financial benchmarks).

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

The Improvement Action Plan will be embedded into Council's integrated planning and reporting cycles.

The short-term actions are included in the 2015-16 (and 2016-17) Operational Plan(s) as part of the progression of the Financial Sustainability Initiative; while the medium-term actions will be incorporated into Council's 2017-21 Delivery Program.

Reports on the progress against Delivery Program deliverables are prepared quarterly, published on Council's website and considered by the elected Council. This ensures transparency for the Program's ultimate stakeholders, the community.

The Annual Report and End-of-Term Report also provide information on progress against Council's Delivery Program.

In addition, progress reports on the Financial Sustainability Initiative are prepared for the elected Council annually; while the Councillors are briefed on individual Financial Sustainability Initiative projects as they are being implemented.

The Action Plan initiatives will be championed by the Management Team as part of their charter to advance key corporate projects. The Management Team will also act as the Project Control Group to coordinate the implementation of these projects. In addition, the Management Team meets bi-annually with the Executive to discuss progress (of these projects) and priorities.