

# ATTACHMENT NINE

## Detailed Improvement Action Plan & supporting financial modelling (to be read in conjunction with Section3)

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

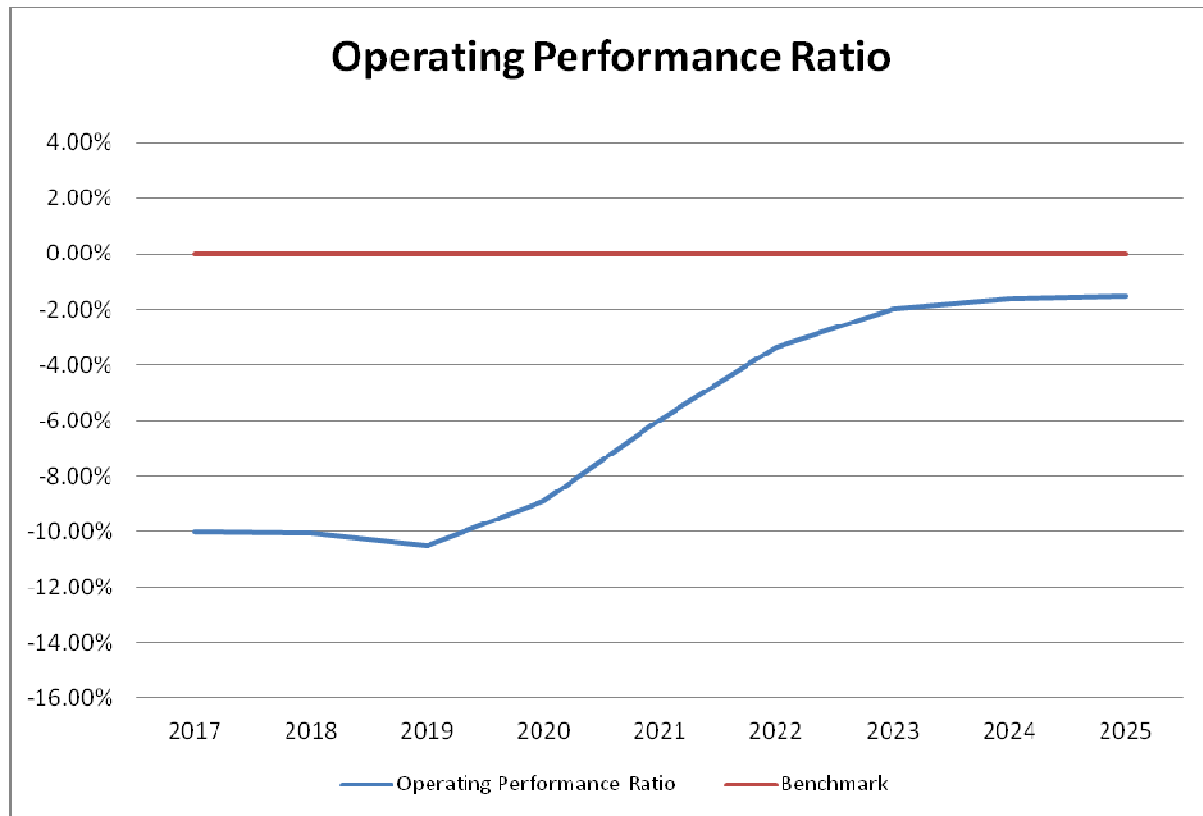
Action	Timeframe	Cost/benefit	Risk	Link to IP&R
Activity based accounting	Expanded to other key areas of Council by October 2017	Consultants may be required to assist in development ~\$30k. Benefits to Council over the life of the plan are expected to be significant	Ongoing financial loss to Council through failure to act and adopt improved strategic financial management practices	Link to CSP 4.2; DP 4.2.2  Mapped to financial management and risk. Develop specific OP activity
Commence development of internal 'funding allocation process' for new capital projects	Commence Oct 2015	Liaise with JO member organisations who have completed and implemented such a process. Some consultant input may be required (~\$30k).	Ongoing financial loss to Council through failure to act; potential reputational risk through inappropriate development	CSP 4.2 & 4.6; DP 4.2.2 & 4.6.1  Mapped to financial management and risk. Develop specific OP activity for this and the above activity

Internal efficiency review (Business Process Improvement)	Commence July 2015	<p>Process to be undertaken with third party consultant working with staff .</p> <p>Process will help to redefine/review internal operations and identify organisational efficiencies. The process will inform various aspects of the IP&amp;R documents including the Workforce MP as part of Resourcing Strategy; budget and LTFP and the OP/DP.</p>	Ongoing financial risk through failure to act	<p>CSP 4.9; DP 4.9.1</p> <p>&amp;</p> <p>CSP 4.14; DP 4.14.1</p> <p>Mapped to workforce management and IP&amp;R improvement (Resourcing Strategy)</p> <p>Develop specific OP activity</p>
Undertake periodic Community Engagement Survey (incl. targeted approach to establishing 'satisfaction' of assets & infrastructure)	Complete April 2016	Approximate cost \$32,000	Potential reputational risk through lack of community engagement	<p>CSP 4.1 &amp; 4.5 DP 4.1.1 &amp; 4.5.1</p> <p>Mapped to governance (council autonomy) &amp; community engagement/satisfaction</p>
Review Fees and Charges	Complete by end April 2016	Opportunity for increased revenue	Ongoing (minor) financial risk through failure to act	<p>CSP 4.2 DP 4.2.3</p> <p>Mapped to financial management. OP to include specific activity.</p>
Undertake review of status of commercial interests and	Review undertaken	Internal process to identify opportunities for increased revenue	Ongoing financial risk through	<p>CSP 4.3; DP 4.3.1 &amp; 4.3.2</p> <p>Ongoing and reported</p>

maximise existing and identify new revenue opportunities	every 6 months	through new and existing commercial activities	failure to act	every 6 months. Mapped to diversify and expand new & existing revenue sources
Review depreciation – review options to increase asset lives:	Complete by end Sep 2015 for some asset classes; full review by end June 2016	Internal review with ongoing assistance from asset management consultant	Ongoing financial risk if failure to act	CSP 4.2 ; DP 4.2.2  Mapped to financial management. Undertake as part of current OP internal audit activity
Fit for the Future Community engagement	Commence July 2015 and completed by June 2016	Ongoing benefit to Council by commencing an ongoing process that outlines the actions Council will need to undertake from this point forward as a result of F4F and Improvement Plan. Focus on financial sustainability; asset management and community expectations; actions (incl future need for rate increases)	Significant reputational risk through failure to properly and adequately engage with the community	CSP 4.1 & 4.5 DP 4.1.1 & 4.5.1  Mapped to governance (council autonomy) & community engagement/satisfaction

### Scenario 1:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-8.08%	-10.02%	-10.14%	-10.49%	-8.91%	-5.97%	-3.36%	-1.97%	-1.63%	-1.56%
Benchmark	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



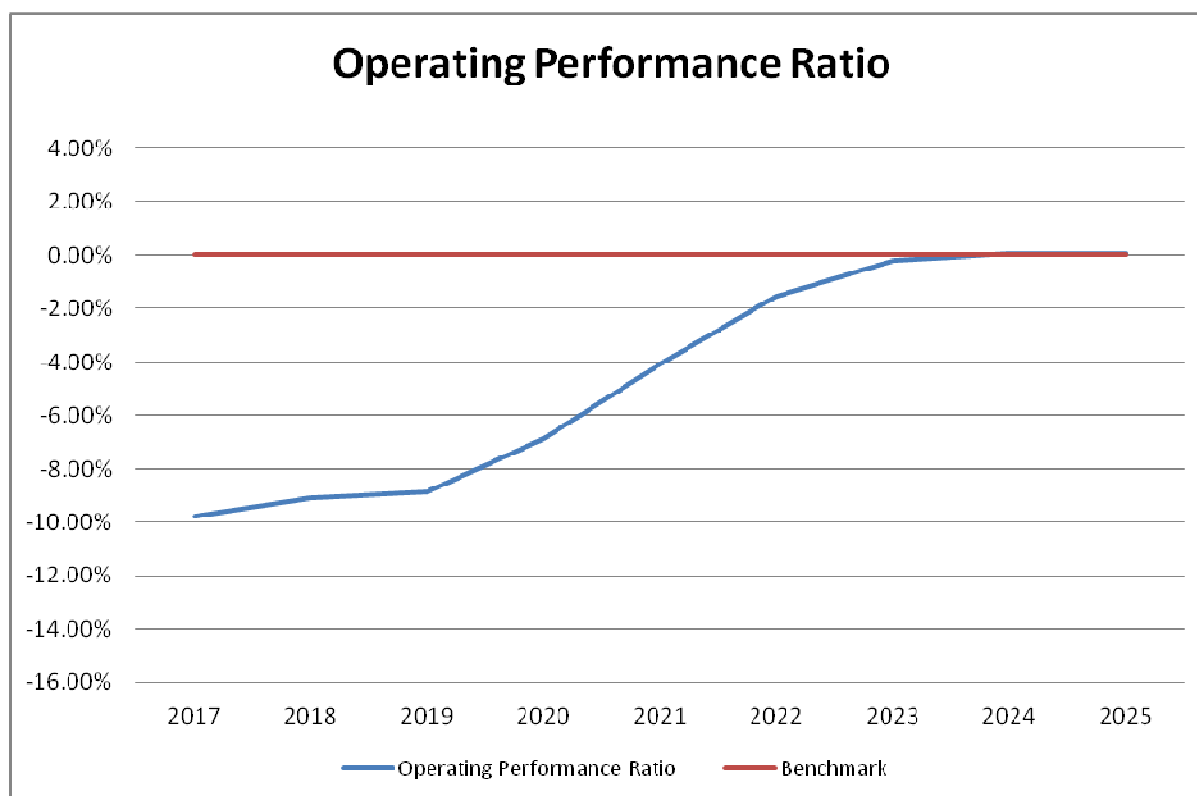
### Efficiency savings

**Fees & Charges** - The completion of fees and charges by 2016/17 is proposed to identify the true cost of services with a view to obtaining possible increases in discretionary fees. Council is also involved in commercial activities that generate ongoing revenue and this will be one of the areas of review. The assumption is that an increase in fees charged (non statutory) in 2016/17 and a 2.5% consumer price index (CPI) increase each year over the rest of the Long Term Financial Plan (LTFP). It is anticipated a review could yield approximately \$700K extra revenue over the life of the LTFP.

**Employee costs** - As part of the efficiency review across the organisation it is anticipated that savings will be made in the 2017/18 and 2018/19 years. This review will focus on overtime costs, casuals wages, redesign of positions and natural attrition in some positions within the organisation. The savings can be made in these two years and using an assumption of wages growth of 3% per annum, this could yield approximately \$3.5M in savings over the life of the LTFP. Kiama's involvement in the Joint Organisation of Councils is likely to also generate savings in the medium to long term.

## Scenario 2:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-8.08%	-9.76%	-9.08%	-8.85%	-6.89%	-4.06%	-1.55%	-0.23%	0.06%	0.08%
Benchmark	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



## Efficiency savings

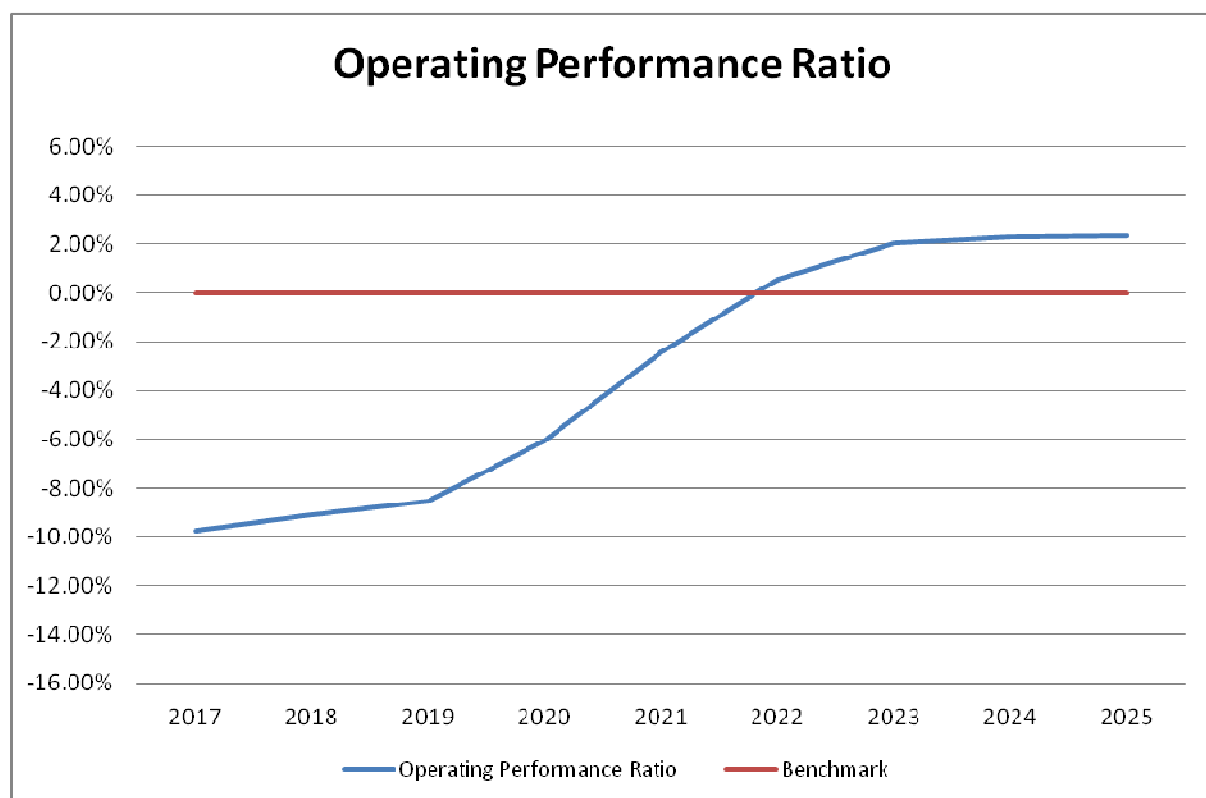
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**Materials and contracts** – Cost saving associated with Regional Procurement opportunities could yield substantial savings to Councils involved. Research undertaken in Victoria by Ernst and Young in 2008, and quoted in the Southern Councils Group Regional Procurement Roadmap Report highlighted that significant savings of up to 15 – 20% are available through improved procurement practice and increased collaboration. A conservative approach taken in Kiama in the years 2016/17 to 2019/20 compounded over the life of the LTFP would generate savings of \$9M in procurements costs.

### Scenario 3:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Performance Ratio	-8.08%	-9.76%	-9.08%	-8.55%	-6.06%	-2.45%	0.52%	2.05%	2.32%	2.34%
Benchmark	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



### Efficiency savings

**Fees & Charges** - The completion of fees and charges by 2016/17 is proposed to identify the true cost of services with a view to obtaining possible increases in discretionary fees. Council is also involved in commercial activities that generate ongoing revenue and this will be one of the areas of review. The assumption is that an increase in fees charged (non statutory) in 2016/17 and a 2.5% consumer price index (CPI) increase each year over the

rest of the Long Term Financial Plan (LTFP). It is anticipated a review could yield approximately \$700K extra revenue over the life of the LTFP.

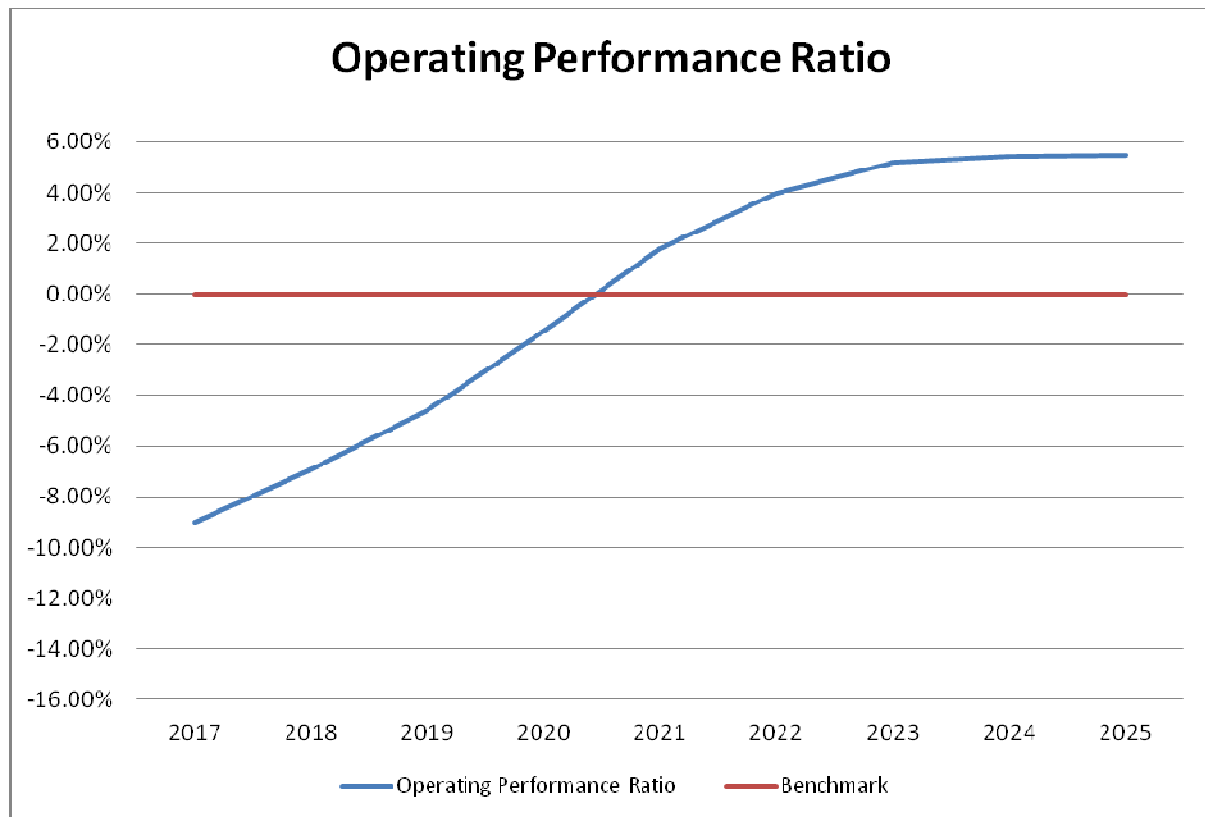
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**Rate increase** – Rate increases at year 3, 4 & 5 - 2018/19, 2019/20 & 2020/21 by 3% plus rate peg of 2.5% (with 0.05% for rate growth) then revert back to annual increase of 2.55% including 0.05% for rate growth. An increase in revenue of \$9M is anticipated over the life of the plan.

### Scenario 4:

[illegible]



## Efficiency savings

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**Rate increase** – Rate increase at year 2, 3 & 4 - 2016/17, 2017/18 & 2018/19 by 7% plus rate peg of 2.5% then revert back to annual increase of 2.5% including 0.5% for rate growth. Increased revenue of \$28M over the life of the plan.