COFFS HARBOUR CITY COUNCIL

Transformation to Sustainability (T2S)

Project - Council Meeting 10 July 2014

Attachment 3

Helping to achieve the 2030 Community Vision

TRANSFORMATION TO SUSTAINABILITY PROJECT

Purpose:

To present to Council the Organisation Diagnostic, Business Case and the Indicative Program Plan developed by consultants engaged under the terms of reference for the Transformation to Sustainability (T2S) project and to seek Council's endorsement to progress with the implementation of the project.

Description of Item:

Council at its Ordinary Meeting held on 14 November 2013, considered a report regarding the T2S project and resolved that:

> *"1.   Council endorse the T2S project and proceed with the development of Terms of Reference for the engagement of a suitable consulting firm to conduct an organisational diagnostic and prepare a detailed business case and proposed implementation plan.*
>
> *2.   Council approve a budget of $90,000 for this project and that it be funded from the Business Development Fund."*

Council's consideration of this report came about following earlier consideration at its 28 February 2013 meeting of a related report which was deferred pending further briefings and provision of information.

The T2S project has always been an essential component of Council's efforts to achieve a financially sustainable position. Together with the community's contribution to partly fund increasing costs of service provision (via a Special Rate Variation or specific fees and charges), Council is also pursuing ways to deliver the same services with less resources. This provides a robust financial sustainability strategy with both Council and the community contributing for the long term benefit of future generations.

It is not proposed to restate the information presented in the Organisation Diagnostic, Business Case and the Indicative Program Plan as that information speaks for itself. Copies of each of these documents are attached to this report and have been available to Councillors for several weeks now.

In summary, the key messages from the Diagnostic include:

- Whilst the consultants did observe good practice in the Coffs Harbour City Council organisation, the nature of the diagnostic and subsequent reports require the consultants and Council to challenge and focus on what requires improvement.

- Coffs Harbour City Council is an improving organisation. The current improvement journey began three years ago and T2S is the evolution of this.

- Incremental improvements have been identified and delivered.

- A step change is now necessary to achieve a financially and operationally sustainable organisation.

- A new organisation culture is necessary for sustainable improvement to take place.

- Leadership (civic and managerial) is critical to the success of the changes.

Sustainability Assessment:

- **Environment**

  There are no inherent environmental issues with this project.

- **Social**

  Any project that pursues a transformational culture change and re-engineers processes is likely to result in identifying excess staff capacity. The implementation of the T2S project will have at its foundation strong consultative and engagement principles, aimed at mitigating any negative social issues.

- **Civic Leadership**

  As well as simply being good management practice, the pursuit of a financially sustainable position is fundamental to Council's civic leadership role: Council must have the capacity to deliver the services valued by the community into the long term.

  The transformation process will, at times, demand that difficult decisions be made. Such decisions must be made in the context of the long term future of the City.

- **Economic**

  Broader Economic Implications

  The identification of opportunities to generate savings and/or increase revenues is the primary outcome of the T2S project. At this stage it is estimated that following the three year implementation, savings of $3.2 million per annum could be realised. It is also identified that to yield these savings an investment of some $1.7 million is required over the three year implementation phase.

  Delivery Program/Operational Plan Implications

  At the time of preparing the Delivery Program for 2014/15 to 2017/18 and Operational Plan for 2014/15, the draft outcomes of the T2S project were known in a preliminary way. Accordingly, the investment required and projected savings have been factored into the current Delivery Program.

  Importantly, should Council resolve not to endorse the T2S project, Council will be faced with identifying other ways to yield $500,000 savings in 2014/15 to avoid a deficit and will also need to identify further savings in subsequent years.

Risk Analysis:

A risk assessment forms part of the Organisation Diagnostic and Business Case.

Consultation:

The implementation of the T2S project will be supported by a Communication Strategy. It is essential that we engage with the staff and where appropriate their union representatives. Given that this project is aimed at delivering a result which does not impact on the levels of service to the community, our focus will be on internal engagement.

To date the following consultation has occurred:

- A number of information bulletins have been provided to staff and their unions over the last six months or so, including the most recent bulletin issued in the week commencing 30 June 2014;

- A variety of engagement activities undertaken within the organisation by the consultants as they gathered information for the T2S project;

- A briefing for Councillors on the afternoon of 10 June 2014;

- Access to one-on-one sessions for Councillors with the consultants on 25 June 2014;

- A workshop for Councillors on the afternoon of 25 June 2014;

- Briefing for the Leadership Team on 11 June 2014;

- Directors have engaged with their staff regarding the high level outcomes identified in the T2S report;

- General Manager, in conjunction with relevant Directors, conducted briefing/information sessions with staff groups over the period 2 to 4 July 2014.

Related Policy and / or Precedents:

Not applicable.

Statutory Requirements:

Not applicable.

Issues:

The T2S project is focused on three key elements:

- Clarity and improved planning for the delivery of the vision for the City and the Council;
- Leadership Development and Cultural Change Programs;
- A transformational Change Program which:

    – builds on the work already undertaken;
    – develops a new management and operating culture with accountability at its heart;
    – changes how work is undertaken and how people are managed;
    – realises savings by re-engineering processes.

The following broad outcomes will be achieved via the effective implementation of the project:

- Improved short term viability (ie do more for the same money, or same activity for less money).
- Improved long term sustainability (ie fundamentally change Council's cost structure).
- Continuous improvement (ie strive for continuous innovation).

In summary, given Council's financial position we cannot afford to do nothing. The implementation of the T2S project has the potential to yield real savings and move Council toward financial and operational sustainability.

Implementation Date / Priority:

The T2S project will be implemented as soon as possible, acknowledging that some further effort is required in respect of the detailed planning at the front end of the project.

Engagement within the organisation will be critical at the beginning, and will remain so throughout the project.

One of the first tasks will be the establishment of the Program Management Office which will oversee the effective implementation of all elements of the project.

Recommendation:

That Council:

1. **Note the Organisation Diagnostic, Business Case and the Indicative Program Plan prepared by the consultants engaged to undertake this aspect of the T2S Project, namely LKS Quaero.**

2. **In acknowledging its civic leadership role, endorse the further implementation of the T2S Project, particularly in light of the projected efficiency gains that will assist Council in achieving financial and operational sustainability.**

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Commercial in Confidence

Coffs Harbour City Council Organisation Diagnostic

June 2014

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Executive Summary

Like many Councils across the sector, Coffs Harbour City Council is finding it increasingly difficult to meet community expectations within its current funding base. Asset management has been identified as a critical issue requiring additional investment to maintain existing infrastructure. Additional resources are also sought to lift the Council out of the current cycle of successive deficit budgets and enable it to achieve balanced results and a position of financial sustainability.

The Administration is undertaking an improvement program to assist its ambition of financial sustainability. In 2011/12, the Council commenced a Service Review process to identify opportunities for efficiency and improvement in service delivery. The Administration also introduced a number of initiatives to improve awareness of the Community Strategic Plan, strategic capability and leadership capacity, alignment of services and the management of performance. These have helped the Administration to improve and have laid the groundwork for the next stage of the improvement journey; the Transformation to Sustainability (T2S) project. This involves examining its internal and external services, systems, processes, financials and resources with a view to identifying areas for sustainable improvement.

Key Findings

Coffs Harbour City Council is an improving organisation. Staff are proud to work for the Council which has a generally positive working environment characterised by friendliness and respect.

There is general confidence in the leadership of the Administration with staff and managers believing that the organisation is well led. The Executive is seen as a unified team, however, staff throughout the organisation would welcome more regular and direct engagement and face to face communication. Better awareness of the role of Council is needed to ensure that all efforts are harnessed to deliver the community vision for 2030.

There is widespread recognition that accountability and the management of performance requires improvement. Recent initiatives like Performance Conversations provide a basis for further improvement which must include addressing leadership and management capability throughout the organisation. This must be supported by the development of a new Organisation Development Strategy which provides the management tools and support necessary to deliver a high performance organisation culture.

While steps have been taken to improve performance management at an individual employee level, there is also scope to do so at the corporate level. The 'golden thread' of Council vision, corporate strategies (2030 Community Strategic Plan) and

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delivery plans is not readily discernable. The metrics against which the Council can measure its progress in the periodic performance reports are largely descriptions of activity. Development of metrics of outcome at the strategic and corporate level will enable the cascade down to the operational level and better support priority setting and resource allocation. Integration of community, economic, environmental and spatial strategies will improve the sustainability of the Council's activities.

The Council and Administration recognise that while incremental improvements have been delivered, a step change is necessary to achieve a financially and operationally sustainability organisation. There is recognition and anticipation among Councillors, management and staff that change is both needed and necessary, and the "false starts" of the past must not be allowed to persist. Consequently, the organisation has reached a 'tipping point' for change and there is a level of readiness which needs to be supported by clear communication of the destination and the benefits to staff and the community.

There is a pervasive view within the organisation that improvement can only be achieved with additional resources. This needs to be challenged at all levels and supported by better clarity of performance expectations, improved planning and prioritisation, and prudent management of resources.

Improvement initiatives within the organisation are perceived as 'balls in the air' lacking completion and unclear as to their desired benefits. This can be overcome through formal program planning and management control over change processes, including clear communication of the purpose and intended benefits. A move to a "transformational" program approach with a compelling vision of the future organisation is necessary to enable the Council to deliver its goals. A change in organisation culture will need to be the central element of the new transformation program.

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Introduction

Coffs Harbour is located on the Mid North Coast of New South Wales, about 540 kilometres north of Sydney and 430 kilometres south of Brisbane. With a population over 70,000, the city encompasses a total area of 1,174 square kilometres of land. The traditional home of the Gumbaynggirr people, Coffs Harbour was opened up by European settlers in the second half of the nineteenth century. Significant development did not occur until the post-war years, particularly during the 1950s and 1960s. Rapid growth took place during the 1970s and 1980s, spurred by tourism. The population of the city grew from 15,000 in 1966 to 70,000 in 2011. The population is predicted to reach between 95,000 and 100,000 by 2030.

The Coffs Harbour economy is based on tourism, retail, manufacturing and construction, government services, education and the health industry. The region is renowned for its ecological diversity with half of the Local Government Area dedicated as reserves, parks, National Parks and State Forest holdings bounded offshore by the Solitary Islands Marine Park.

Settlement is based around the main town of Coffs Harbour, and the townships of Sawtell, Toormina and Woolgoolga, with many small villages and localities along the coast and inland. Coffs Harbour also fulfils a regional role to towns including Bellingen, Dorrigo, Nambucca Heads, Macksville, Kempsey, Port Macquarie and Grafton. Residents of the Bellingen and Nambucca municipalities in particular often work in Coffs Harbour and/or use it as a centre for services, shopping and entertainment.

Like many Councils across the sector, Coffs Harbour City Council is finding it increasingly difficult to meet community expectations within its current funding base. Asset management has been identified as a critical issue requiring additional investment to maintain existing infrastructure. Additional resources are also sought to lift the Council out of the current cycle of successive deficit budgets and enable it to achieve balanced results and a position of financial sustainability.

In 2011/12, the Council commenced a Service Review process that exposed all internal and external services to a review which challenged Service Leaders to justify their Levels of Service, and questioned the resourcing of these services against service level criteria. The service level information, for external services, has recently been the subject of a process of engagement with the community to understand the preferences for either a decrease in service levels or a move toward some level of increase in ordinary rates. An application for a three year Special Rate Variation was approved by the Council. A recent determination has been made by IPART for a one year Special Rate Variation.

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The Council has now initiated the next stage of its Transformation to Sustainability process. This involves examining its internal and external services, systems, processes, financials and resources with a view to identifying sustainable areas for improvement.

Purpose Of This Report And Our Approach

This document is a strategic review of the Council using international standards and benchmarks for well-governed organisations delivering high quality public services.

Good public service organisations are able to balance a number of competing and sometimes conflicting targets and tensions. They are able to reconcile multiple accountabilities. They do this by effective management of 'hard' characteristics, usually described as systems and processes, and 'soft' characteristics, such as the organisational culture. During this review we have looked for evidence of:-

- *effective leadership* that generates clarity of understanding about strategy, objectives, and values, and about who is responsible for contributing to achieving those objectives
- reliable information produced by *robust and effective systems and processes* enabling the right decisions to be reached about what needs to be done in order to achieve the objectives
- a culture based on *openness and integrity* in which decisions can be challenged and accountability is clear
- an *outwardly focused perspective*, with clear communication and constructive dialogue between decision makers, service users and the public
- Reflection, learning and *continuous improvement* using innovation to challenge historic positions

The consultant team at LKS Quaero have been leaders of complex public and private sector organisations in Australia and the United Kingdom. As experienced managers of public services we also recognise that there is a context in which every organisation operates and we have reflected on this before drawing conclusions about what we have observed.

The evidence for this report is based on:-
- analysis of data and documentation provided by the Administration.
- facilitated workshops separately with the Council, and the Executive and Leadership Team
- structured interviews with all Directors and Managers, and some team leaders
- facilitated focus groups with a cross section of staff working at various levels of the organisation
- an online and paper survey of staff and managers
- a facilitated focus group of invited stakeholders

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- high level service reviews focusing on the delivery of community outcomes, management practice and resource management

Forty managers were invited to complete on online survey including the Chief Executive, Directors, Executive Managers, Managers and other staff considered part of the wider leadership team. A total of 34 (85%) responses were received.

All paid staff were invited to complete the survey with paper hard copies distributed to staff who did not have easy access to a computer. A total of 202 responses were received but only 183 were fully complete. All results have been included in this report. This sample provides a 95% level of confidence with a margin of error of ± 6%.

To simplify the analysis and presentation of data, this report refers to the "Net Positive Result (NPR)". This is the sum of all respondents who answered "Agree" or "Strongly Agree", less those who answered "Disagree" or "Strongly Disagree." In all cases, the higher the NPR, the better the result for the Council. The maximum NPR achievable is 100%. The worst result is -100%. A 0% NPR is achieved when equal numbers of staff strongly agree/agree and strongly disagree/disagree.

There are elements of good practice in all organisations and we have tried to highlight these where we have found them. However, it is the nature of this exercise, and this report, that we challenge and focus on what requires improvement.

We are grateful to the Council and the Administration for the support it has given us in undertaking this review. All participants were polite, co-operative and extremely candid in presenting their views and we greatly appreciate their time. We thank them for make making us feel so welcome and providing such valuable insight into the organisation.

For the avoidance of doubt, all references to the "Administration" refer to the paid officers of Coffs Harbour City Council. All references to the "Council" refer to the elected body which governs Coffs Harbour City Council.

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Strategy And Vision

The purpose of strategic planning is to provide an overall strategic direction to the management of an organisation. A good strategic plan is critical to the success of a community and an organisation because it enables key decisions to be made about the focus of activity and the application of resources.

The need for a clear strategic direction is especially important for Coffs Harbour as it balances competing community demands within limited resources. Issues like projected growth population, an ageing population and maintaining competitiveness as a regional centre for tourism and commerce may all bring challenges that need to be balanced to ensure a thriving and sustainable community.

Ambition And Positioning

The Coffs Harbour 2030 Plan sets out the vision for the whole community. The original plan was developed in 2009 through a series of community forums and has recently been updated following the 2012 election.

Our survey of staff showed a 49% NPR for staff who understand the vision for Coffs Harbour. This appears to be an improvement from the Council's previous Employee Satisfaction Survey undertaken in 2012 which found that awareness of the Coffs Harbour 2030 Strategic Plan was generally poor, with 5 per cent claiming to be "extremely aware" of the plan, and a further 31 per cent being "quite aware". In comparison, Managers we surveyed returned an 88% NPR that they understood the vision for Coffs Harbour and their role in delivering it.

The pattern is similar for staff and managers regarding the extent to which they are aware of the Council's corporate goals with managers reporting an 88% NPR against a 40% NPR for staff.

Understanding of the vision among participants at the stakeholder focus group appeared more limited along with articulation of what the Council was seeking to achieve for the city. Some stakeholders were aware of the existence of the 2030 Strategic Plan and the general need for the Council to work with stakeholders in delivering it.

Councillors present at the Elected Member focus group were mostly aware that the 2030 Strategic Plan and its related suite of documents represented the Council's strategic intent and direction. However, ownership of the contents was more limited. The review of the Community Plan was early in the Council's life, and with many first time Councillors, there appeared a lack of clarity about the purpose of the review of the strategy. Many Councillors saw the 2030 Strategic Plan as a "check box" exercise and this represents a missed opportunity to engage the Council in agreeing to a compelling vision of the city. The revised document itself states:-

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"The review following the 2012 election resulted in a number of key changes to the document designed at making the document easier to understand."

It is therefore not surprising that among Councillors there are mixed views of the vision for the city. Some Councillors described the vision as "growth of the city" especially economically, while others were of the view that residents were much more interested in the quality of local services such as footpaths. There was concern over the seeming lack of prioritisation which was expressed as business interests overriding local residents.

A compelling vision for the city, with strong ownership among Elected Members, stakeholders and staff is not intended to prevent dissenting views. Rather it is a fundamental requirement in the process of facilitation and negotiation between competing interests and in maintaining long term consistency in direction and decision making.

The evidence above would suggest an opportunity for the Council; for both Elected Members and the Administration, to develop a "city leadership" role. Examples have been provided by the Administration where important plans or decisions which have an impact on services or community life have been delayed like the Jetty Foreshore. While the specific issues behind these are numerous, they suggest an opportunity to develop and present a better argument for the Council's preferred position informed by robust analysis and passionate justification of the positive outcomes.

The Strategic Planning Framework

Coffs Harbour City Council is a Group 1 council having implemented the Integrated Planning and Reporting Framework on 1 July 2010. Since its introduction, the framework has been subject to continuing review. This has included an ongoing review by the organisation, a DLG review (December 2010) and elements of a Promoting Better Practice Review (July 2011).

The Community Strategic Plan is broken into five key themes, with each theme setting out a vision, a number of different levels of action and community indicators to measure performance.

The key weakness of this plan is the dependence on activity statements as strategic directions. These do not describe the degree of change that is planned nor is there evidence of need presented to justify why these strategic directions are the right ones to pursue. There is an absence of outcomes which are 'SMART' (Specific, Measurable, Achievable, Realistic and Time bound) and no direct correlation between the objectives, strategic directions and the community indicators within each theme. For example:-

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- *Objective: LC 1 Coffs Harbour is a strong, safe and adaptable community*
- *Strategy: LC 1.3 Promote a safe community*
- *Community Indicator: Rate of offences per population (Crimes against the person and Crimes against property)*
- *Community Indicator: Community perception of safety*

It could be assumed that the intention of the strategy was to reduce crime and increase the perception of safety. However, with no indication of the current or desired position (target), the order of priority or scale of challenge is not apparent. Consequently, it is a challenge to determine the level of investment required, the implications for the Council's assets, workforce, and relationships with other stakeholders. While the document lists key stakeholders, it provides no indication, commitment or assurance that they will engage in the delivery of the strategy. The success of the city and the well-being of its people is equally dependent on how well other public services serve their needs. Therefore the strategy must define what changes the Council will seek to influence in other public services to ensure the vision is achieved. This is an opportunity for the Council to assert its role as de facto community leader and proactively engage with other public service organisations to deliver a jointly owned strategy for the city.

The Council's Delivery Plan and Operational Plan share the same development needs as the 2030 Strategic Plan. Collectively, these plans set out a substantial amount of activity that is undertaken by the Council for and on behalf of its community. Yet for all the detail that is provided, these documents do not convey the key differences that the Council seeks to bring about, and therefore the value delivered by the Council to its communities.

The Council's Long Term Financial Plan 2013 sets out projected income and expenditure over a ten year period. It contains three financial scenarios, with one identified as the preferred scenario. As would be expected with a document of this nature, there are a number of underlying assumptions. There does not appear to be any assessment of the validity of these assumptions which might typically be undertaken through a risk assessment. Given the level of development required within the Councils asset planning capability, and major capital infrastructure omissions, these risks could be quite significant and consequently have a significant impact on the projections on which the Council is basing its funding strategy.

Reference is made within the plan to level of service for assets, but no reference is made to the delivery of the strategic plan for the city. Consequently the financial plan represents an "input" model and with no corresponding "outputs" stated in either the financial plan or the strategies referred above, the value of the document for strategic purposes is limited. Lack of reference to what the Council's investment 'purchases' inhibits the value of the plan as a financial decision making tool.

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Consequently, it is a financial profile, rather than a financial plan stating how the Council's stated intentions will be funded.

The Council is investing in the development of its strategic asset planning and management capability by establishing a new team with a dedicated focus in asset planning. A Strategic Asset Management Plan, and separate Asset Management Plans for Transport, Water and Sewer, Buildings, and Recreation have been prepared. The Council's position in the strategic asset planning development cycle means that presently these strategies are descriptive. Ongoing work is planned to develop these strategies further.

The Council's Workforce Management Plan 2011-16 sets out the current workforce demographics and a number of human resource and organisation development initiatives. The plan concludes that the "current level and make up of Coffs Harbour City Council's staff .... is adequate to provide the necessary human resources to fulfil the demands." The level of analysis in the plan is simplistic and the plan does not identify what the future workforce requirement will be but concedes that revision will be required as change initiatives are implemented.

The statutory Integrated Planning and Reporting framework is supported by a number of other strategies. Examples include the new economic development strategy for Coffs Harbour which may be more creative than practical. It is difficult to ascertain the sense of ambition of the city from this strategy which might also benefit from a more detailed economic analysis. Actions within the document cover the short term. The strategy includes a narrative on economic development but does not establish what changes are targeted, indicating a misunderstanding of the timescales required in developmental economics. Some of the actions in the plan are inconsistent with the strategy and not outcome focused. For example, the "buy local" target is to encourage people to sign up to a "think, buy, local campaign" Interestingly, the strategy does not have an indicator or target for business formation and the only reference to this is in relation to Aboriginal and CALD communities. The Council's "Switched on Coffs" Digital Strategy also has generalised activities and no clear timescales for delivery. Similarly, the City Centre Master Plan 2031 is a spatial development plan and does not identify any tangible economic and social benefits that will arise from implication of the plan. The Coffs Harbour Cultural Plan 2013-16 sets out a number of strategies, programs and projects to improve quality of life through cultural activity, but does not quantify what the impact of the strategy will be after implementation.

Discussions with managers suggests there is a development need in converting long term strategy into short and medium term planned action. Some managers feel there is an underlying misunderstanding of what strategy is, and that new strategy is always constrained by the culture of doing what has always been done. The documents reviewed above would support these assertions. Some managers suggested that the link between strategy and action, and resourcing and

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performance is not helped by structure of financial ledger which is based on an old program structure. Plans are in place to change this, but this does not explain the gaps described above.

Strategic planning by the Council would benefit from documented and evidence based needs assessments for its communities. For example, there is no specific documented needs assessments for vulnerable/disadvantaged groups. The Administration believes that their needs are informed by a range of strategic and social planning documents as well as through participation in relevant local and regional planning sessions, internal research and the ongoing interactions between staff and sector networks, funding bodies and groups.

As with all organisations, the internal policy framework is constantly evolving. The Administration recognises that work is required on the spatial planning framework, and the development of key policies to inform and regulate the anticipated growth of the city. Work is underway in developing a Social Strategy to replace the previous Social Plan and a Disability Access and Inclusion Policy. Discussions are also underway regarding the development of a Reconciliation Action Plan. The key challenge for the Administration is to ensure that sufficient integration exists between these plans such that individually they address the needs of the community, and collectively they deliver the vision set for the city. Both managers and staff conceded that there is greater scope for joined up planning and action within the Council.

The Council's Forward Strategy

The challenge of financial sustainability has a high priority on the strategic agenda for the Council. It has a history of seeking additional funding for specific programs. A central feature of Council's 2013/2017 Delivery Program is a long term budget strategy that relies on Special Rate Variations (SRV) in 2013/2014 and 2014/2015. The 2013/2014 SRV is an extension of an expiring SRV involving a Special Rate being applied to Business properties within the Coffs Harbour CBD for a further 10-year period. These additional funds will be used to fund a dedicated works program supporting community outcomes identified through the development of the Council's City Centre Masterplan. Additional levies have been used to fund other programs like the Priority Infrastructure and Economic Development Program, the Flood Mitigation and Drainage Works Program and the Community Facilities Program.

The general view held by many in the Administration is that additional investment is required to maintain the current levels of service and/or fund new activities. Many also hold the view that improvement in service delivery or quality can only come from additional investment. This results in a considerable leadership and management challenge for the organisation as the evidence for the effective

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management of resources would suggest that there is considerable room for improvement.

Hitherto, the Council's improvement strategy has been to identify "core" services and engage with the community over the "level of service" provided. A recent budget allocator process was used to inform the Council's decision to apply for a general Special Rate Variation for additional funding to achieve a sustainable level of service for its infrastructure. The Council believes that an estimated $6.2M per annum over and above current funds for asset repair and renewal is required to maintain current infrastructure condition and avoid continued deterioration over time. Furthermore, the Council believes that additional funding estimated at $1.8M per annum is required to fund the underlying operating deficit of expenditure over revenue. Thus, the Council believes that an additional $8m per annum is required to maintain a "sustainable position".

The Council's strategy to date has focused on raising additional income to meet the anticipated expenditure requirement with insufficient consideration given to the level of expenditure incurred in service delivery (i.e. the cost of services). The 2011 Service Review Process while identifying some opportunities for improvement did not address whether the cost of operation was fundamentally sustainable. The Transformation to Sustainability Project has now been commissioned to address this.

The Council's financial sustainability planning would be greatly enhanced by a robust review of its actual expenditure and better articulation of its service priorities. This is not the same as identifying "core" services, but rather a fundamental review of the impact its services are having on the community and whether they are consistent with the 2030 strategic plan. To ensure financial sustainability, the Council must consider not only the level of expenditure, but the purpose and performance of its expenditure against its stated intensions.

Many managers believe that without the Special Rate Variation and the Transformation to Sustainability Project, the Council has no option other than to cut the level of service to the community. Consequently, the need to undertake necessary reform is greater now than ever before. Some managers and staff are frustrated and feel that these processes have been unnecessarily delayed. A significant risk to the Council is that most managers do not fully appreciate the level of change that may be necessary to achieve a sustainable community and a financially sustainable organisation.

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Responding To Customers

The last customer satisfaction survey undertaken in 2012 revealed that 43% of customer were satisfied with the Council's performance; 17% were dissatisfied and the balance neutral. Not surprisingly, the survey found that Customer satisfaction decreased with the number of times the customer had to contact the Council to resolve their issue. The survey showed that 39% of enquiries were resolved with just one call, while 22% had taken two or three calls, and 11% four or more. A further one in four inquiries were deemed by respondents "not yet resolved". In more than half these cases the issue was ongoing. In eleven (of 51) cases the issue had not been resolved in the respondent's favour, and in nine cases the respondent claimed the Council had not responded.

Our staff and manager surveys returned a NPR of 58% for managers and 46% for staff who believed they understand what customers expect from them. The absence of a customer relations management approach means that there is no unified view of the customer within the Council. Data provided by business units is not conclusive in determining whether customer needs and expectations are fully understood and met principally because they do not contain targets for the resolution of customer applications or requests. Managers also report that there is no consistency in the way that customer services requests are captured for action, or marked as complete. Consequently, this data is considered unreliable. Performance against customer satisfaction actions in the Operational Plan is reported using customer volume data, and other service metrics rely on attendance data or service response within a timeframe. Performance against all aspects of the Council's Customer Service Policy is not formally monitored.

Improving customer service is a key ambition for the Administration, and a new position has been created (currently vacant) in the structure to lead improvement across the organisation. Interviews with managers suggest that a broader approach to improving customer service may be needed tackling underlying cultural issues. An indication for this may be found in the previous Employee Satisfaction Survey which found that only one in six staff were motivated by the difference they made to Council's customers.

Community Engagement And Partnership Working

The Administration is involved in a number of regional bodies and working groups and there are some examples of joint working at service level such as in Environment Services, and Waste Management Services. There are positive examples of engagement with the community at corporate and service level throughout the organisation. The recent Community Engagement Strategy for Levels of Service included a "budget allocator" to allow individuals to make choices about the services they wanted and how this would affect the budget. Other

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examples of community engagement include the City Centre Master Plan, for which the Council won the International Association of Public Participation (IAP2) NSW award for Best Project of the Year 2013.

The Council is actively engaged with neighbouring Councils and the Mid North Regional Organisation of Councils in relation to the local government reform agenda. The Council is aware of the reform agenda and is clear that it will consider innovative solutions which deliver the vision for the city in a sustainable way.

The Council is also working with local partners in the public, private and community sectors to pursue the delivery of the Community Strategy. There are opportunities to strengthen some of these relationship and facilitate strong joint working by adopting a more active city leadership role.

Recommendations

R1	Establish an integrated strategic planning function which can direct and align city wide social, economic, environmental and spatial planning strategy with internal service delivery programs
R2	Introduce medium term (4 year) business plans for all business units aligned to the Strategic Plan and Long Term Financial Plan. These plans should contain profiled performance targets and indicative resource profiles for the term of the plan
R3	Continue development of the Asset Management Plans, with greater emphasis on establishing performance outcomes aligned to the Strategic Plan
R4	Ensure stronger alignment of the Long Term Financial Plan to the 2030 Strategic Plan to show investment in each theme/community outcome
R5	At the next opportunity, revise the Strategic Plan to include clear priorities for action (goals) with SMART objectives and targets. The scope of the plan should include all aspects of community life, wellbeing and public service delivery within Coffs Harbour
R6	Refine the Performance Conversations framework to establish a strategic performance framework which aligns the activity of individual staff members, to Business Units, and the strategic direction of the Council

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| R7 | Develop a customer service improvement strategy with service performance targets for key/popular transactions. Investigate the opportunities to develop a single view of the customer using existing technology capabilities |

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Leadership And Organisational Culture

Leadership is the ability to direct, influence and motivate others towards a better outcome. Leadership is the single most important determinant of the performance and success of an organisation. Leadership is not a single person or team but a demonstrable set of competencies and behaviours that should be found throughout an organisation. Our review of the Administration sought evidence of good leadership behaviour.

Culture And Values

The Administration has recently reviewed the values of the organisation and undertaken steps to improve awareness of them among staff. Our survey of managers and staff found that both were overall positive about the culture of the organisation, but managers were considerably more positive than staff in general. The surveys found a NPR of 47% for managers, and a NPR of 12% for staff who believed that the culture at Coffs Harbour Council was positive. However, the interviews with managers and focus groups with staff did not reflect as positively citing issues such as silo working between departments and lack of both co-operation and collaboration.

Despite the introduction of recent initiatives like Performance Conversations, the general behaviour described by both managers and staff within the Administration does not bear the hallmarks of a performance oriented culture. Lack of accountability in all parts of the organisation was persistently raised and is also reflected in the staff survey. A number of managers said that the prevalent behaviour was "don't put your head up" and staff also gave multiple examples of issues raised that were not acknowledged by supervisors or managers let alone adequately addressed. Both staff and managers commented that change initiatives that were started were rarely completed.

Councillors at the Elected Members focus group believed that the organisation generally had a positive culture. Similarly, all staff focus groups commented that the Council was generally a good place to work reconfirming the previous Employee Satisfaction Survey which found that 28% of staff were happier than they were 12 months earlier. The fact that 43% were neither happy nor unhappy may be a matter of concern, but this does not appear to have been followed up after the survey.

Other issues arising from the 2012 Employee Satisfaction Survey of interest include the fact that "amount of pay" was the most important determinant of job satisfaction, ranked as a first priority by 34% of respondents answering the question, and as a top three priority by 60% of employees. In our staff focus groups, when asked "what is good about Coffs Harbour City Council" every single group raised this, and typically it was the first item that was cited.

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The Employee Satisfaction Survey also found that 23% of respondents felt they had been subjected to bullying or harassment within the previous six months. Although raised in the feedback report, there was no management response citing the conduct of training for staff for the reporting rate.

Councillors saw the relationship between themselves and the Administration as positive although their interaction with staff below Manager level was limited. While not a unanimous view, some Councillors considered the City Council to be "wasteful" and slow to deal with unproductive staff. They were concerned that the change that has been signaled with the Diagnostic Review actually happens as the "false dawns" of the past had been damaging. They also saw that there was no longer any choice.

The Executive And Leadership Team

There is a strong view within the Administration that the organisation is well led as illustrated in the chart below.
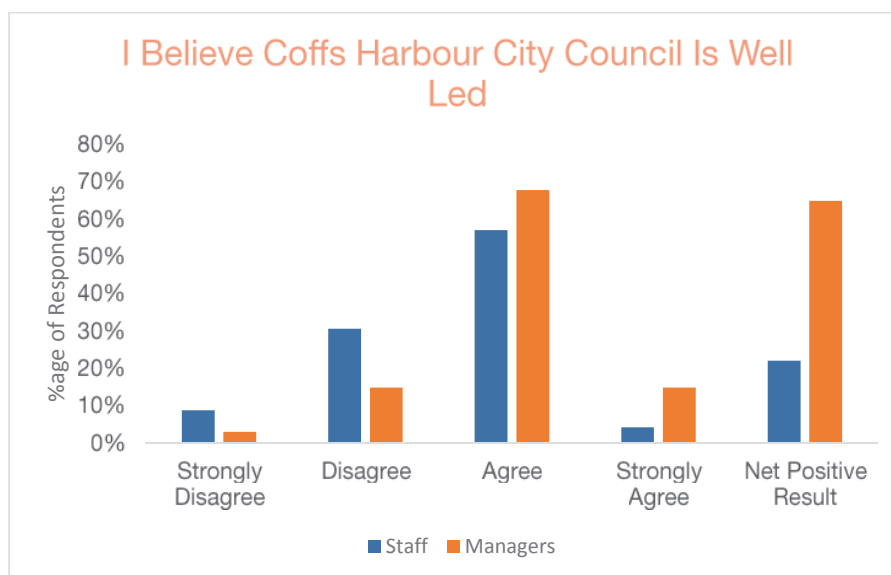
This view is stronger among managers than staff of whom 39% disagreed or strongly disagreed that the Council is well led. The difference between staff and managers is of interest and reflects a general trend throughout the survey. Managers are generally more positive about the organisation than staff as illustrated in the chart below which shows the NPR for all questions in the survey.

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Comparison Of Net Positive Result
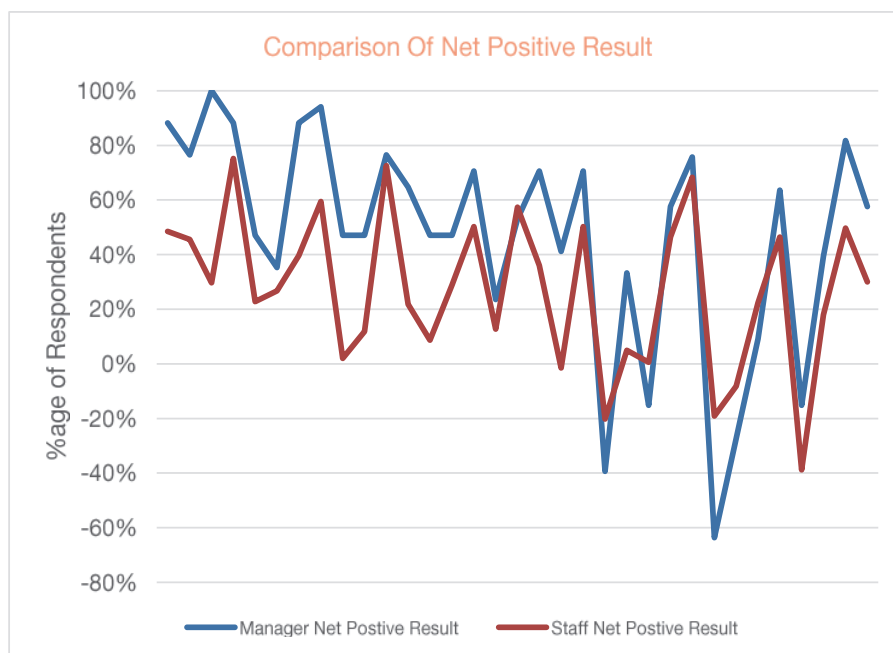
The following table highlights some of the areas with the greatest divergence between staff and managers. This suggests managers need to give greater attention to developing their awareness of the organisation.

	Managers NPR	Staff NPR	Difference
I understand the vision for Coffs Harbour and my role in delivering it	88%	49%	-40%
I understand the role of Elected Members in delivering the vision for Coffs Harbour	100%	30%	-70%
The culture at Coffs Harbour Council is positive	47%	12%	-35%
I believe Coffs Harbour City Council is well led	65%	22%	-43%
The leadership style in Coffs Harbour City Council supports staff to excel at what they do	47%	9%	-38%
The Executive Team work well together for the benefit of the whole organisation	47%	29%	-18%
Overall, there is good communication between managers and staff at Coffs Harbour City Council	41%	-2%	-43%

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Change at Coffs Harbour City Council is managed well	-15%	1%	16%
Everyone at Coffs Harbour City Council is clear about their role	-27%	-8%	19%
Poor staff performance is tackled at Coffs Harbour City Council	-15%	-39%	-24%

The general message from the staff survey, and the above table is however positive. There are a relatively few questions which return a net negative result.

The majority of staff and managers are unclear about their current role. This is despite the implementation of a long awaited restructure and highlights the scale of the challenge for the Executive Team in conveying the benefits that the new structure is designed to bring. The Executive and some managers believe that the new structure brings additional leadership capacity and clarity of function. This view was not widely held among the staff and the rest of the wider leadership team.

The team culture within the Executive is perceived to have improved significantly after recent changes. All Executive leaders commented on a greater sense of collective purpose and increased collaboration. The team has yet to articulate a collective vision for the future direction of the organisation and some are hoping this will emerge from the Transform to Sustainability initiative.

Most managers believe that they are adequately skilled in leadership and management to undertake their role. The perceived gap between the Executive, the wider leadership team (3rd tier Managers) and staff is, however, significant. Many staff still consider the Executive to be remote and many managers spoke of the desire for more structured leadership interaction at their monthly and annual leadership meetings. There is also confusion about decision making roles within the organisation and this is a source of frustration particularly for those who would prefer greater corporate leadership on major initiatives. A number of staff focus groups expressed frustration that the Executive needed to do more to both understand and address the negative cultures within the organisation. This view was not limited to any particular part of the Council. These staff, and some managers, believe that the Executive collectively, and some Directors in particular, placed too much trust and faith in their managers. Staff would prefer more regular and direct interaction with senior leaders.

The expectation and value that the Executive have of their collective wider leadership team does not appear to be universally shared by members of that team. Many managers feel that the expectations of leaders have not been sufficiently defined. The purpose of recent leadership development activity does not appear to

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have been fully understood and improvement activity was left to individual leaders to pursue without structured follow up or evaluation. Monthly leadership meetings are seen primarily as a vehicle for sharing information between the Executive and the Leadership Team. These meetings would benefit from greater clarity about subsequent responsibilities and follow on actions. There is also demand for more active forms of engagement during these sessions. While these sessions may involve individuals with leadership responsibility, they do not appear to increase the leadership capacity or capability of the organisation. A greater distinction is needed between a structured leadership development program, and regular and necessary management interaction.

The sustainability of investment in leadership is also undermined by lack of follow up activity for the Emerging Leaders Program. Furthermore, given the profound perception of lack of accountability in the organisation, existing leadership development activity does not appear credible with staff because it has not in perception or practice addressed these fundamental weaknesses in organisation culture. This combined with observations made later in this report point to a significant weakness in existing organisational development capacity and capability.

Elected Members

Our observations suggest there is more work to be done in building productive relationships between the Administration and the elected body.

All managers stated that they understood the role of Elected Members in delivering the vision for Coffs Harbour. However, while still significantly positive, The NPV dropped to 30% among remaining staff. The most striking issue emerging from the staff and manager survey is illustrated below.

There Is A Positive Relationship Between Staff And Elected Members At Coffs Harbour City Council

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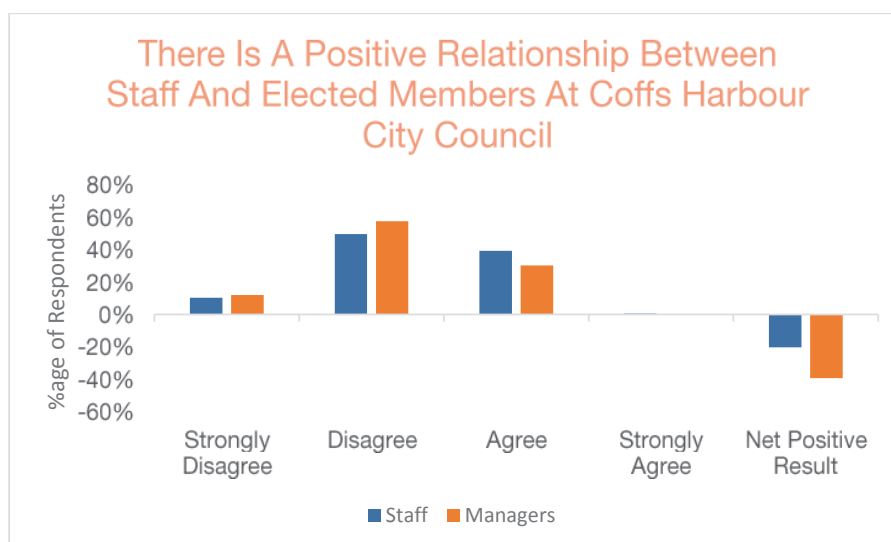
Staff perceive the relationship with Elected Members to be poor. They perceive that Elected Members act in their own personal interest rather than that of the City and do not represent wider community views accurately. The majority of those who believe this do not have much constructive interaction with Elected Members and base their perception on Council decision making and the requests for information made by individual Councillors.

Further discussion with both staff and managers revealed a fundamental lack of awareness and misunderstanding of the role of elected representatives in a democratically governed organisation. Moreover, staff awareness of their own duties and responsibilities in relation to the Council, particularly among managers, was weak.

Recommendations

R8	Reassess the organisation values through a process of extensive staff engagement to guide the ongoing change program and inform a progressive organisation culture
R9	Develop and implement a leadership development program for the Leadership Team as soon as practical
R10	Develop and implement an awareness program within the Administration regarding the role and duties of Council
R11	Adopt a regular programme of Leadership team 'away days' between Council and the Executive focusing on strategic issues and monitoring of performance against long term goals

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Managing Change

There is a difference of opinion between staff and managers regarding the management of change. Converse to the general trend, staff are more positive about the management of change than managers as illustrated below. Nonetheless, the staff and manager surveys indicate that there is significant scope for improvement.

Change At Coffs Harbour City Council Is Managed Well

%age Respondents

| | Strongly Disagree | Disagree | Agree | Strongly Agree | Net Postive Result |

Legend: ■ Staff ■ Managers
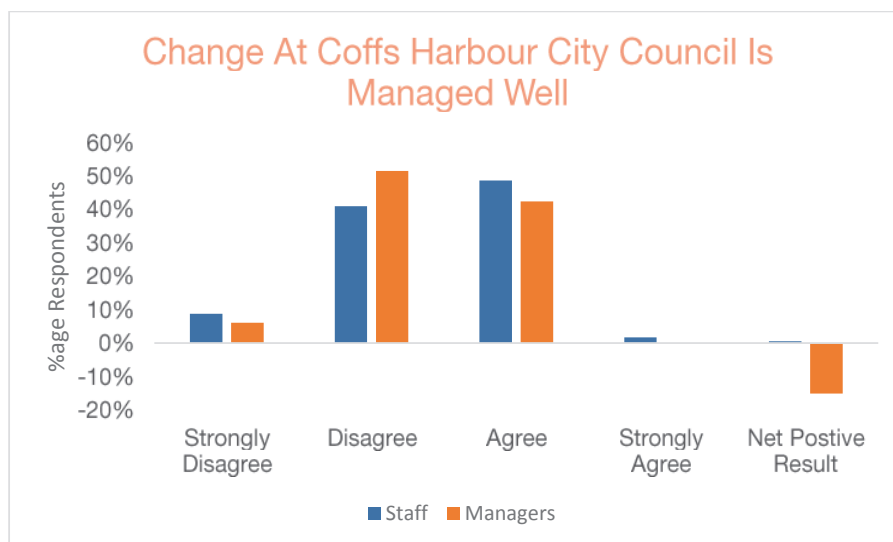
The general view is that the Administration is improving. Staff and manager surveys showed a NPR of 58% for managers and 30% for staff who believed that Coffs Harbour City Council was improving. However the timescale over which the improvement is perceived to have taken place is long. Typically, staff referred to what it was like "ten years ago."

What the improvement is moving towards is less clear. The creation of "financial sustainability" as an overarching goal is widely accepted but there is less clarity at all levels of management about what this means beyond the avoidance of an annual financial deficit. Equally, there seems less clarity and common understanding of how financial sustainability can be achieved, although most agree that the Transform to Sustainability project will be a key contributor to the delivery of it.

Perceptions of the impact of improvements that have taken place in recent years vary within the Administration. Both the manager survey and interviews confirm that those who have joined the organisation recently believe there is scope for more improvement.

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The chart below illustrates that managers who have been with the Council between 2-5 years are consistently less positive across all aspects of the manager survey, with the exception of confidence in tackling difficult staffing issues. This result from this last question may also have a bearing on the subsequent chart which shows that in general, staff who have been here for longer than 5 years are less positive across the areas surveyed.

T2S Manager Survey - Net Positive Result
(Polynormal Trend)

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T2S Staff Survey Comparison of Net Positive Result (Polynormal Trend)
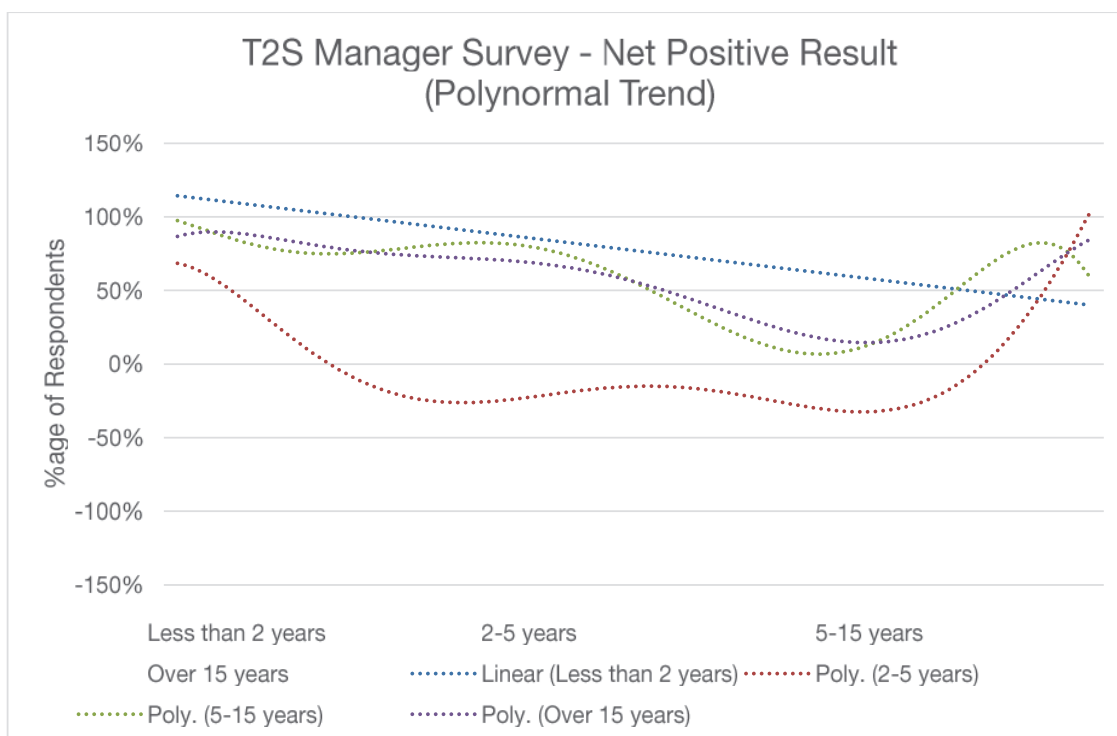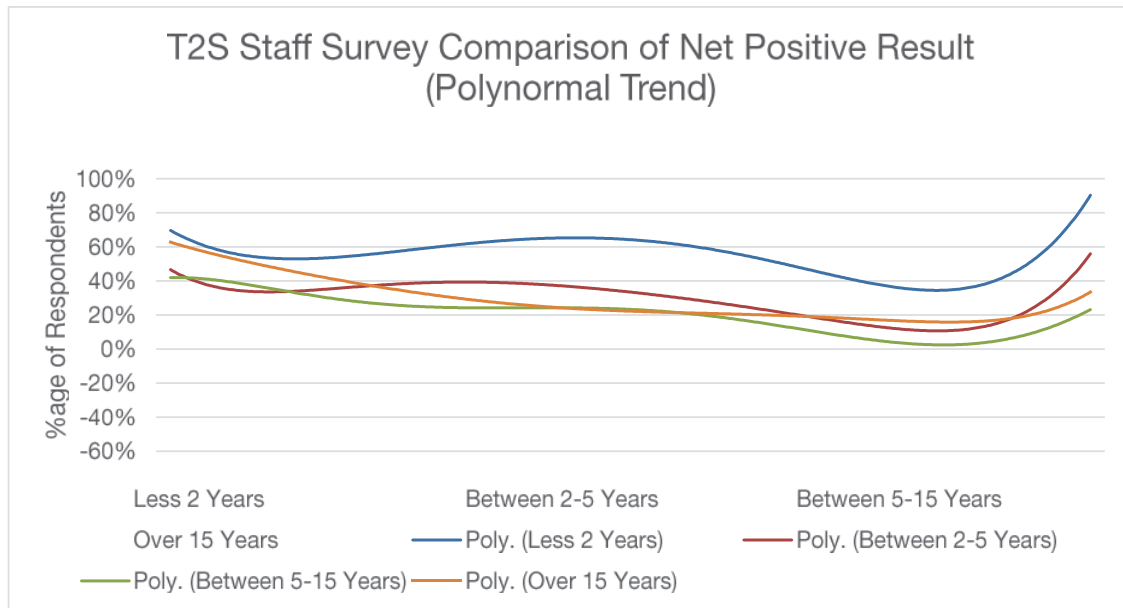
There is a strong appetite for change across the whole organisation. This results from a lingering frustration from previous change attempts, and genuine recognition of the financial sustainability issues now facing the Council. There is clear acceptance at Executive level that a strategy seeking additional rate revenues must be accompanied by internal changes within the organisation. There is also an acceptance that any future changes need to be led corporately and structured more cohesively.

This is a significant shift from previous change initiatives which lacked ownership of change by the whole Executive leadership team. Individual Directors led the change initiatives which they were assigned and this was visible to staff within the organisation and by the outputs from the processes. These initiatives engaged managers across the organisation, but lacked the leadership drive required to overcome what many leaders described as "spinning wheels." To others outside the immediate activity, this was perceived as a lack of seriousness resulting in the self-fulfilling expectation of "nothing ever changes."

The perceived lack of coherence in change initiatives still remains today despite attempts by the General Manager and the Executive to clarify how these constituted a program of change. Managers described "balls in the air" that were characterised by lack of clarity about necessity, ambition, priority, output/outcome and governance. Understanding of some individual initiatives may have been greater than others, but managers did not see these as a formal improvement program, and did not feel as though they were managed as a formal program.

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The biggest recent change within the organisation was the implementation of a new organisation structure. This was eagerly anticipated by management and there is frustration over the time it has taken to implement. It is viewed as a key part of the Administrative improvement plan as it is deemed to provide additional strategic capacity and greater clarity around the positioning of some business units. The level of understanding among staff of the reasons and benefits of the new structure are not as clear, and some see it as contradictory to the drive for financial sustainability. The implementation of the new structure may not yet be complete as 12% of those who responded to the staff survey did not know which team (business unit) they belonged to. Furthermore, the manager survey returned a NPR of negative 27% for those who believed that everyone at the Council was clear about their roles. While slightly better, a negative 8% NPR among staff is also of concern, with staff in City Planning Services returning the lowest NPR of negative 27%. The rationale for the structure set out in the Employee Update of August 2013 focused in the span of control for a Director. It noted the additional cost of the new structure ($26,000) but did not set out what the benefits would be for staff or for service delivery to the community.

A major change arising from the restructure is in City Infrastructure Services resulting in a new 'client – contractor' operating model and the closer integration of the water and sewer functions. The operating culture in the latter was described by managers as challenging and this was echoed in staff focus groups which highlighted management and leadership issues throughout City Infrastructure Services.

Understanding of the new City Infrastructure Services operating model is emerging. Managers reported that they are still uncertain about their new roles but feel that these are becoming clearer. Within City Infrastructure Services, the staff survey reported a NPR of negative 9% that everyone in the Council is clear about their roles.

All senior leaders in City Infrastructure Services believe that it is the right direction of travel and are confident that the new model will work. However, the level of confidence may be over zealous given the embryonic nature of the change, the absence of documented change plans or controls, the lack of experience of working with this model (although some individual leaders have experience gained elsewhere) and the underlying cultural issues mentioned above. Understanding of the new City Infrastructure Services operating model is also evolving throughout the rest of the Administration but it is not yet strong enough to overcome prevailing scepticism that historic relationships between departments will improve.

The change within City Infrastructure Services is a great opportunity for the Administration but there are a number of risks to successful implementation which need to be managed. The implementation of the structure has resulted in managers undertaking new and unfamiliar roles. Consequently, some managers have

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recognised development needs, but these have not been formally identified and do not appear to be managed by the Administration. This is exacerbated by the underlying weaknesses in the human resources and organisational development framework described later in this report. Moreover, reminiscent of previous change initiatives, the implementation of the new operating model does not appear to be a corporate endeavour. It does not appear that there is effective partnership working with and between services such Finance or ICT that is necessary to successfully operationalise this model. There are some notable exceptions to this with the recent work to improve asset recording being an example. This was initiated following an adverse external Auditor report.

The new Community Services Directorate is also embarking on process of change. Managers in this Directorate are excited by the opportunities the new configuration of services could bring and are undertaking an internal review process. The initiation of this review at the same time as the Transformation to Sustainability project risks both duplication and the creation of uncertainty among staff seeking to understand why there is yet another "ball in the air."

Staff Morale And Motivation

Overall staff morale was reported to be positive in manager interviews, the staff focus groups, and in both surveys. The NPR among managers is 33% although no manager "strongly agreed" that staff morale was good. The NPR among staff is significantly lower at 5%.

The overall position does not indicate the differences within Directorates. The NPR for staff in the City Infrastructure Services is negative 9%. Discussion in the staff focus groups suggested that this was due to the underlying culture within that Directorate rather than a transient issue arising from the implementation of the restructure. Staff gave examples of what they perceived was the absence of performance management of staff, waste in resource management, and poor general management and leadership throughout City Infrastructure Services.

Although the staff survey reports morale to be positive in all other divisions, staff gave examples of perceived weak management and leadership culture in all Directorates. Staff also gave examples of good individual and team morale. When asked to explain why this was the case, (good) quality of line management was cited as the reason. The most common reason given by staff for poor morale was the perceived lack of accountability for performance, and the (lack of) willingness of management to address this.

Staff in all Focus Groups believed that, overall, they do a good job and have the best interests of the community at heart. They are proud to work for the Council. Many commented that as residents they have a dual interest in the success of the Council and were disappointed with the perception held of the Council in the wider

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community. Despite these views, the Administration's previous Employee Satisfaction Survey, and the responses from staff at these focus groups confirms that the primary motivation for staff is the terms and conditions of employment offered by the Council and the lifestyle benefits provided by the Coffs Harbour environment.

Communication

A number of channels are used to communicate with staff. These include newsletters, employee updates via team meetings / morning teas, and organisation wide emails. Briefings are held with the Leadership Team, and separately with supervisory staff and outdoor staff. The General Manager also holds organisation wide road shows.

Despite this, many staff feel that internal communication is insufficient with an overreliance on email communication. Some staff also commented that they found out what was going on from the local newspapers. These views are not uncommon in all organisations, however, there does appear to be an overreliance on informal or irregular forms of communication. For example, there is an expectation that organisation wide emails will be read by all staff, and where team meetings are held, their content is not consistent. Some managers reported that they were happy with the feedback they received from their Director, but only received this when they sought it. This is representative of a wider perception in the organisation that information will find its way through to those who need to know. This is not the expectation of staff many of whom were also critical of the perception that information does not appear to flow back up to the top of the organisation resulting in false assumptions about what may really be happening. Consequently, many staff were specific that they would prefer more frequent and direct communication with senior leaders.

These views are not inconsistent with earlier findings about the expectations, awareness and lack of understanding among leaders of their role. As the chart below illustrates, there is a considerable difference of opinion between managers and staff about the quality of communication between them.

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Overall, managers report a NPR of 41% that there is good communication between managers and staff at the Council. Staff report a NPR of negative 2%. Staff in City Services report a NPR of negative 20%, and staff in Community Services report a NPR of negative 4%.

Communication between departments is also considered to be in need of development with both staff and managers referring to "silo" working. This was also a key finding of the 2012 Employee Satisfaction Survey. Some managers gave specific examples of collaboration between departments, but generally this was considered underdeveloped with the greatest opportunity for improvement between City Planning Services and City Infrastructure Services.

In addition to Council reports, formal communication with Councillors also takes place through briefings and periodic Councillor bulletins. Councillors at the Elected Members focus group were of the view that external communication needed to be more proactive and positive and were concerned that the right messages were not going out to the community at the right time. The Council does not have a formal media strategy and while good news is regularly identified and published, examples that were reviewed would suggest greater attention is needed to messaging. This is recognised by the Administration which believes that better communication of the Council's activities is needed to address the negative perceptions held within the community.

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Recommendations

R12	Develop a vision of the 'Administration of the future' which responds to the 2030 Strategic Plan and financial sustainability requirements which in turn will guide the internal change program and articulate its benefits to staff, customers and residents
R13	Formalise the internal change program using program management methodology and governance. Set clear timescales for change to inform expectations and manage performance
R14	Establish a formal Program Management Office (PMO) to oversee the implementation of the internal change program, and to monitor and communicate benefits that are achieved
R15	Develop and implement an internal Communications Strategy
R16	Improve reporting of customer and community satisfaction and performance outcomes to Council and wider stakeholders

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Managing Performance

Performance management is needed to ensure that the Council delivers its stated objectives and gives good value to its residents and stakeholders.

Quality Of Service Provision

Staff and managers both share a strong belief that the Council delivers high quality services and works positively to impact people's lives. The manager survey returned a NPR of 76% of managers who believed that the Council delivers high quality services. The corresponding NPR for staff was 68%. Despite these strong scores, when asked to provide specific examples, both managers and staff found it difficult to recall specific, quantified and compelling evidence. This corresponds with survey data reporting a 35% NPR for managers, and a 27% NPR for staff who believe that the Council uses evidence to monitor the impact it has on the community. Similarly, a NPR of 2% is returned by staff who know what progress is being made towards the delivery of the Council's goals. It is considerably higher at a NPR of 47% for managers.

When discussing *quality of services*, managers liken this with *levels of service*. These are not the same. The former relates to the outcome of a service intervention and the latter is an input. As a consequence of the development needs in the strategic planning and performance reporting framework, the availability of data in the organisation to assess service quality is limited. Some services, like Libraries, used external benchmarking data but beyond this, it does not appear that either internal or external performance data is used consistently to review and improve service performance.

Governance

Corporate governance is the amalgamation of the rules, practices and processes by which an organisation is directed and controlled to deliver its objectives. For a Council, governance extends beyond the legal and democratic framework to which all NSW Council's must adhere.

Overall, both managers and staff are positive that the Council has robust processes to engage the community in determining its priorities. The manager and staff surveys reported NPRs of 47% and 23% respectively. A number of examples were given of community and stakeholder engagement in the development of plans and strategies.

The Council maintains a list of finance policies and procedures within its policy framework and has a timetable for their review. This approach might benefit other departments particularly Human Resources to identify gaps and ensure policies

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remain relevant to current needs and practice. Managers identified a number of areas where they felt the Council's policy framework required strengthening. These were primarily in human resource management and the Council's spatial policy framework.

The key challenge for the Council is to ensure that its policy framework is understood and consistently applied. Examples were given across all departments where practice was not consistent with policy and or procedure e.g. procurement of goods and services. In these cases, improvement in information management systems will assist with better understanding of the degree of inconsistency and provide process control.

The Council's external Auditor, as part of the audit process, undertakes an assessment of internal controls. With the exception of asset recording no major issues have been highlighted recently as high risk. Nonetheless the Council would benefit from establishing a periodic and systematic review of internal controls to assure itself of both probity and best management practice.

Managers highlighted the need for clarity around decision making within the Council, and particularly the role of the Executive. Both service managers and some members of the Executive provided examples of uncertainty over types of decisions (i.e. were they Executive Decisions, Director Decisions or manager decisions), the robustness of the information provided (e.g. a formal report or business case), and attendance by relevant managers and staff at Executive meetings. Examples were given of decisions that managers felt should have been made at the Executive because they affected the whole organisation and were made by others, and vice versa. A record is taken of Executive meetings but there is lack of clarity about their availability within the organisation. Some managers commented that the minutes and or feedback received following Executive meetings was insufficient. There is a clear distinction in style and content between Executive and Corporate Development Team meetings, although why the latter is necessary is questionable as some human resource matters are clearly discussed at Executive meetings.

This feedback raises two issues for resolution; clarity of decision making processes, and the nature of the leadership culture within the organisation such that these issues are raised and resolved to the satisfaction of those concerned. A review of Executive meeting documentation would suggest that more formality in decision making practices would benefit the organisation.

The engagement of Councillors in the decision making process may benefit from a formal review. Councillors reported that they were not getting enough information, and needed better information upon which they could make decisions. They commented that Council agendas were long, complicated and sometimes they felt the right information was not provided. Briefings are given to Councillors on major

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issues prior to Council meetings. This was valued by Councillors but not considered a substitute for concise and timely information in Council reports.

The Council recently agreed a Cultural Plan but without resources requested by the Administration. The covering report to Council did not set out a compelling case, or outline investment options for Councillors to consider with a risk appraisal should the recommendations not be accepted. The Strategy makes a passionate case for arts and culture but did not provide enough clarity about the difference it would make to the community. Consequently, the Administration should consider whether sufficient information and guidance was given to Members to enable them to make a decision about a (re)allocation of resources.

There are a number of services which are perceived to operate as business units. These include the Coffs Harbour Regional Airport, Coffs Harbour Holiday and State Parks, Telecommunications and New Technology and the Environmental Laboratory. The management of these business units require review given the nature of the businesses, the commercial issues which determine their success and the Council's consequent exposure to risk. These are managed inconsistently at present. Other services / facilities like the Coffs Harbour International Sports Stadium may also warrant a similar approach.

There are other aspects of the governance framework which raise opportunities for improvement. For example, there is no common program or project management methodology in use across the Council and controls over projects appear weak. The maintenance of project data on spreadsheets, particularly in City Infrastructure Services does not support a consistent and coherent approach to corporate information.

The Council would benefit from systematic use of business cases to inform key decisions. Use of these at present is inconsistent across the Council dependent on the officers undertaking the work. A common template or standard may benefit improvement in quality. For example, the business case for the relocation of the Visitor Information Centre set out the rationale for the proposal but did not include evidence of customer perspectives, an underpinning business strategy, option appraisal, impact analysis or risk assessment. The structure and format of this was different to that prepared for the RFID project in Library Services.

The 2011 Service Review

The Service Review project undertaken by the Administration in 2011 began by defining a total of 25 external services and 16 internal services. The methodology for the review was adapted following a visit to Parramatta City Council which had undertaken a similar process.

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The purpose of the Service Review was to enable Council to make informed decisions about how it wanted to allocate funding across all services. A key element of the methodology was the definition of "levels of service" and identification of the cost of providing these. The underlying premise for the review was that Council needed to find opportunities to improve service efficiency and effectiveness without increased funding.

A review of documentation provided shows that the Administration invested a significant amount of energy into the process, entering into it with best intentions. However, the execution of the service review revealed a number of underlying issues with the methodology and leadership of the process. The approach assumed that new or additional services needed to be funded by reductions in other services. This in turn was based on the assertion that the Council did not receive sufficient funding to maintain the services it was providing.

The service based approach restricted the ability to undertake a fundamental and strategic review of activity. The methodology was not a collective review of all Council service activity, but a review of each service. Consequently, any analysis, discussion or challenge was limited to the scope of that review. From the documentation provided, the order in which the reviews were undertaken and whether they were all completed to the same degree is not clear. Differences in the conduct of each review will impact the ability to undertake comparative analysis. The "3Rs" approach provided a framework for the review, but its application was insufficient to identify both inefficiency and significant opportunities for improvement. The improvements that were identified were therefore specific to each service and not common to all services across the Council.

The review was prepared by the "service owner" and this impacted the objectivity of the process from the outset. The process allowed for challenge of the review findings by a panel of peer managers. This challenge was based on the information presented, service knowledge and review skills of peer managers who may have conformed to the prevalent management culture. Consequently, the process relied upon an element of trust that all relevant issues had been investigated.

The information provided in each review appears to be existing organisational information (e.g. budgets, staffing complement) rather than service analysis. Gateway 1 in the process sought to answer whether the service was defined adequately and the quality of this information at this stage would significantly impact the quality of the rest of the review. The extent to which the information provided sought to verify how well the service was being managed is not clear.

Document templates were provided to ensure consistency of information collection and presentation. Assessment of a selection of completed templates suggests that this was not achieved. In some cases, the information presented was individual opinion rather than an evidenced position. The review appears to have provided

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insight rather than objective assessment of the services. The information suggests that the emphasis lay on what services did rather than how they did it.

There were many references to the 2030 Strategic Plan. An underlying vision of what kind of organisation was needed to deliver the Strategic Plan would have enabled consistency in the challenge process which would result in cohesive services. The Service Level options provided by Service Owners were not based on outcome, performance, or an agreed service standard linked to a commercial or customer service outcome. The question asked was "What is the minimum [LOS] that you believe the community would accept" rather than what was needed. It does not appear that the services were formally asked to present an option where an enhanced level of service could be offered with the current level of resourcing. This was because the underlying assumption was that a higher level of service would automatically require a higher level of funding. Consequently, the service levels were input driven and the impact of the change in service outcome was not sufficiently considered.

The service based approach did not identify the organisation wide cultural issues underlying service delivery and performance. The improvements that were identified were service specific, and limited in scope with the benefits confined to that service. For example, a business case presented for change in the service delivery model for Library Services (D01575857) identified the financial benefit as a reduction in one post. At this rate of improvement, it would have been a major challenge for the Service Review to have made a significant impact on the Council's financial position. Of the 43 services on the review list, 25 did not identify any "revenue opportunities" including the Airport and the "caravan parks" which are both considered to be commercial services.

The Service Review process highlighted the importance of organisational leadership and managerial cohesion for a successful outcome. Recent changes in the leadership team may have addressed some of the leadership issues but the importance of managerial ambition should not be underestimated. Managers that were asked to describe the outcomes of the Service Review suggested that the best outcome of the process was that it improved understanding of what services did in the Council. They also commented that the reviews were carried out hastily and this affected the quality of the outputs and overall process. The quantifiable benefits of the service review are limited, but the organisational learning gained through the process could be more considerable if this is now sustained through ongoing improvement. The Service Review has helped to build awareness of financial sustainability challenges and was an important step in the improvement journey which set the foundations for the current T2S process.

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Managing Financial Resources

A technical review of the Council's financial position is not in the scope of this report. Similarly, this report is not intended to provide any specific assurance on the Council's financial control framework, however, our review would suggest that there is a need to strengthen some controls.

The Council has an annual financial planning process which is led by the Finance department. Both managers and Councillors are critical of this process for its lack of engagement. Managers described a process where their budgets are prepared by corporate finance and given only a few days to comment or make amendments. Consequently, new budgets are primarily based on historic allocations updated to reflect the current position.

The chart below illustrates the dissatisfaction among staff and managers over the allocation of resources. Managers reported a NPR of negative 64%; the lowest result recorded for managers. Staff reported a NPR of negative 19%.
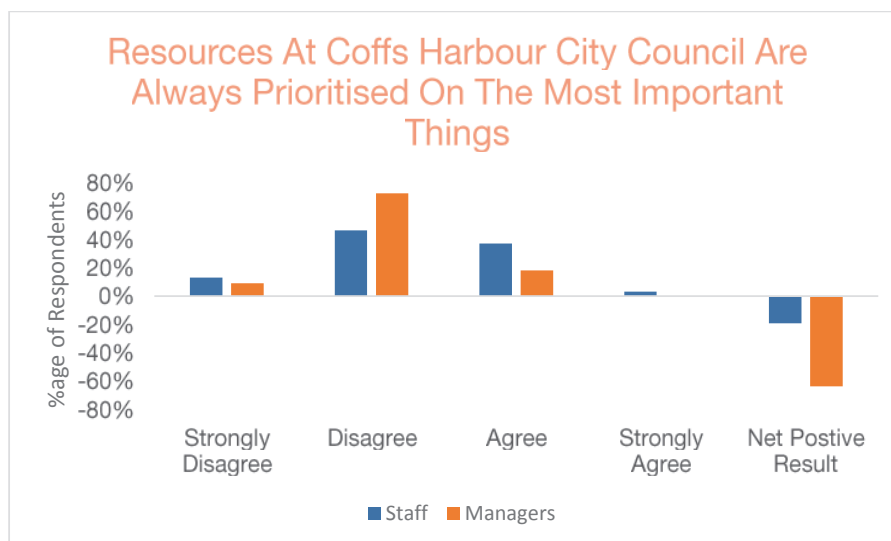
Councillors view budget setting as a staff driven exercise based on Delivery Plans and are frustrated by the lack of opportunity for them to confirm or change annual priorities for expenditure. They are also frustrated that they are unable to monitor the outcomes achieved (or not achieved) from previous budgets and have that information to inform the priorities for the forthcoming year. All Councillors at the Elected Members focus groups were of the view that while investment decisions were not necessarily made in support of the Council's priorities, there is a real concern about where funds could be found to fund areas of priority. They were clear

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that cuts in services was the last option for consideration. The Administration recognises the deficiencies in current budget setting and an improved process for future years is currently being developed.

The Council's budgeting process is strengthened by a medium term outlook. However, a major deficiency in the financial management process is the absence of a relationship between investment and performance. For example, apart from the Revenue Policy and the road reseal program, the 2013/14 Operational Plan contains no information on expenditure. Internal business unit plans, where they exist, do not provide this function. This is further exacerbated by the structure of the general ledger which most managers consider to be archaic and not conducive to budget management.

Management Of Cost

There are some examples of managers attempting to understand and manage their costs. These include benchmarking swimming pools and legal costs, and the reinvestment of insurance rebates into preventative work to mitigate risks to properties. In some service areas, for example City Works, mobile technology is deployed to minimise administrative activity although this is limited to specific teams. Some improvement has also occurred in the procurement of goods and services since an external review of procurement was undertaken two years ago.

However, contrary to the financial sustainability narrative, the management of cost (as opposed to expenditure) has received relatively little attention. Staff participating in the focus groups gave numerous examples of what they considered to be poor management practice and budget discipline resulting in additional and unnecessary cost to the Council. Moreover, they reported that when these were raised with management, they were received with derision.

The outputs of the Service Review and management practices like the acceptance of a staffing overhead at 52% also indicate the need for more attention on the drivers of cost within the organisation. In other cases whether there is an awareness of cost, insufficient work has been undertaken to assess their true and full amount. These include the overhead rates applied to commercial business units (up to 10.5%) and for Private Works in City Works ($3,300 per project).

A recent budgetary reduction has been made to staffing overhead, however, a change in management practice will be needed to achieve this. Limited data provided shows that in the last 12 months a total of 9,597 days were taken as Personal Leave. The Administration has not provided the staff rate of absence but a rough calculation would suggest this equated to almost 17.5 days per employee. Similarly, there are significant time in lieu and outstanding annual leave (86,855 hours costing $3,027,685), and outstanding long service leave (226,568 hours

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costing $8,813,528) balances. If the Administration applied the Local Government Award correctly to outstanding annual leave balances, it could save over $328,000. Control of casual labour could also be improved. Analysis prepared by the Administration shows that in the first 32 weeks of the current financial year, almost $3m was spent on temporary staff and this is projected to exceed $4.8m for the full financial year. Over the last year, almost $1.7m was spent on overtime. On the positive side, while the number of works compensation claims have remained erratic, the net insured costs have fallen year on year for the past four years. Although raw data was provided for the above analysis, we did not find evidence of systematic or regular management reporting or action in these areas.

Managers highlighted examples of duplicate activity and inefficient service processes. Some of these were stimulated by lack of trust in corporate systems and services. Examples include duplication of event management, finance and grounds maintenance services at the Holiday and State Parks; and grounds maintenance for community ovals and the International Sports Stadium. There are numerous parallel and duplicate ICT systems in use, for example in asset management and the use of spreadsheets in City Works instead of supported applications. Examples were given of managers and staff creating "work a rounds" for processes which were perceived not to work, and the circumvention of automated invoice reconciliation through non use of Purchase Orders and established procurement procedures. While a significant proportion of the Council's expenditure is covered by prearranged contracts, the Administration has no assurance that it is gaining best value from procurement expenditure.

Service costs can be reduced by moving across to lower cost service channels and full digital processing. The Council's online transacting capability is currently limited and manual application and processing is only method available for applications and permits. One of the innovative projects initiated by the Council is the e-planning initiative however the current level of functionality is still significantly short of full digital processing. The implementation of RFID in the library services should also bring opportunity for cost savings and improved customer service, although at present the business case for this project has not identified any ongoing savings.

The e-planning project highlights some of the challenges the Council will face in changing the way it delivers its services to lower cost options. The are many complex technical, legal and procedural challenges to overcome with this project, but non more so than the cultural and leadership challenge. It would appear that this project was perceived as a technical project rather than cultural one requiring a change in working practices and robust leadership and project management. The Project Plan Risk Log rated staff resistance to change as "unlikely" highlighting a fundamental misunderstanding of the nature of the project. Equally, the design of the service seems not to have considered the needs and requirements of the Customers in providing a service with added value.

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The major driver of new costs within the organisation is the outcome of strategic asset planning. While this is still in its early stages there is a need to ensure current expenditure is effectively deployed through planned maintenance scheduling, targeted reduction in reactive maintenance and active monitoring of costs.

Better understanding of service costs also aids better income targeting and cost recovery particularly from services with regulated pricing. The current lack of understanding of true cost has resulted in managers setting fees for services based on historical trends rather than actual costs or other commercial principles. Consistent approaches to lease and licence management may also yield additional opportunities as well as risks. Closer working between business units and integrated planning for activities like events could also maximise income potential for the Council and the city.

The City Infrastructure Directorate has been undertaking private works since 2008 on the basis that this will result in improved staff and plant utilisation, local employment of plant and civil subcontractors, exposure to the commercial culture, improvement of services for the community and the payment dividends to Council. While the opportunity for additional income may be attractive, care must also be taken that this does not distract management from taking necessary decisions to ensure value for money from the core service and avoid unnecessary excess capacity and risk to the Council. The cultural change argument is interesting as it implies that activity funded by private clients is more valuable than that funded by the Council.

Managing People

The overall positivity of the manager and staff survey masks a number of issues which need urgent management attention. The principal issue raised by staff and managers was the perceived absence of accountability and management of poor performance.

The following chart illustrates that staff are more concerned about the management of poor staff performance than managers.

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Poor Staff Performance Is Tackled At Coffs Harbour City Council
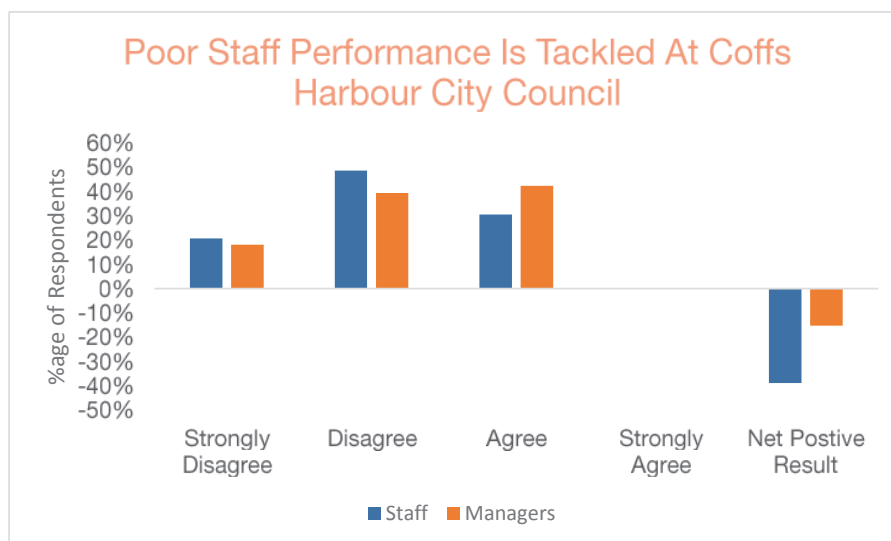
The staff survey reported a NPR of negative 39%, the lowest result for staff across the entire survey by a considerable margin for those who believed poor performance is tackled. By comparison, the NPR for managers was negative 16% and not the lowest return. No staff member or managers strongly agreed with this proposition.

The Administration has introduced a twin process for the performance appraisal of staff. A formal performance review is linked to pay progression, while a second "performance conversation" addresses competencies linked to the corporate values.

No data has been provided on completion of formal performance reviews, and no policy or procedure document for its implementation. We understand however, that these are competency based and staff who are not on their maximum pay point on their salary scale are entitled to request one. Some staff at the focus groups expressed frustration and ridicule over management practice regarding performance appraisal commenting on the inconsistency and inequity in practice between different parts of the organisation.

Performance conversations were introduced recently to separate performance goals & career aspirations from the competency assessment process. The conversations are framed on generic values based behaviour, with three schemes in operation for managers, supervisory and not supervisory staff. The three schemes do not use a common framework. There are fewer competencies for managers than there are for supervisors and non-supervisory staff. For example "Achievement" nor "Integrity" are included in the manager performance conversation, but are included in the

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supervisory and non-supervisory conversations. Moreover, training provided to support the implementation of the program seems to concentrate on communication rather that the management of performance. The objectives of the training is "to provide an understanding of the impact of communication in the workplace, and to practice some skills aimed at improving or enhancing methods of workplace communication."

No data has been provided on implementation of the performance conversations program e.g. how many people have completed a performance conversation to date and targets for completion over time. Some completed conversation documentation was provided. It is not entirely clear from these how they could be used for performance management purposes given the limited content both in volume and quality assuming the process is designed to cover all work activities and performance targets. Half of the samples provided stated that no development plan was required and no document included evidence to support the conclusion of the reviewer. The review documentation appears paper based and it is not clear how subsequent conversations (intended to be held monthly) would be recorded. Nor is there any indication of how the documentation from all conversations could be collated and analysed corporately for management information and workforce planning.

The Council has a Workforce Management Plan 2011-16 and a Workforce Development And Learning Plan 2012-13. Neither document describes the nature of the future workforce that the Council requires to deliver its business objectives. A Human Resources & Organisational Development Strategic Plan was prepared in 2012. This plan lists a number of workforce strategies, however, there is no indication in the plan of when these are intended to be achieved. The plan does not identify resourcing implications or performance improvements that would arise from the implementation of the strategies. There is no monitoring of the implementation of these documents.

We have found little evidence of formal succession planning although both managers and staff were complementary about the financial support provided by the Administration for personal development. However, prioritisation of the support and its relationship to documented workplace development may need further scrutiny. The Administration also operates an Emerging Leaders Program but this does not appear to be specifically linked to workforce development and succession planning as there is no targeted enrolment and continued planned development once the participant leaves the program. Given the age profile of the organisation with 47% of the workforce aged over 50 years old, greater attention may be needed to succession planning and the retention of skills and knowledge.

Some managers expressed frustration over the support and the general quality of information and data provided by Human Resources and Organisation Development. While this is not uncommon in organisations, the limited data that has

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been provided for this review indicates that staff management practices with the Administration exposes the Council to unnecessary cost. The introduction of a new human resources management information system may have some bearing on the information currently provided, however, the issues that managers point to predate the new system, and in some cases have considerable longevity like renewal of the Council's pay policy. In any case, failure to provide necessary and accurate HR information points to a deficient system acquisition and / or implementation.

The last Employee Satisfaction Survey was conducted in 2012 and another is planned shortly. While the outputs of the survey were discussed at the Executive and some follow up actions are reported to be been undertaken, there is no documented action plan, or evidence of follow up. Many of the issues raised above were also raised in the 2012 survey as documented in the report:-

"On the negative side, perceived inefficiency and/or lack of accountability were the main bugbears, along with some aspect/s of management, low morale and/or a poor work culture, poor pay or conditions, and issues with colleagues. Lack of appreciation and lack of resources were also raised, along with a perception by some that Council needed some fresh talent to replace the "time servers".

Use Of Technology

This report is not intended to provide a technical review of the Administration's Information Technology infrastructure but rather how information and technology is used to deliver business objectives.

The Council's Information Technology Strategic Plan is due for renewal and a Records Management Strategy outlines improvement actions over a 3 year period. There is limited awareness of these across the organisation, and particularly of how information and communication technologies (ICT) might be used to engender new ways of working. The revision process for the Information Technology Strategic Plan should make every effort to engage business units in exploring how better use of information and technology could be used to enhance service delivery and staff productivity. Key drivers should include "channel shift" to full digital service processing and improved online transacting capability.

The staff and manager surveys both positively report that ICT systems at the Council help individuals to do their jobs. Managers reported a NPR of 9%, while staff were slightly more positive at a NPR of 22%.

Like many organisations, the Council has multiple information systems with overlapping functionality. However, a major and continuing risk is the lack of overall

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corporate control over ICT prioritisation and investment. The Council does not have a corporate ICT governance board although an IT Steering Group did exist but has not met for a year. Some departments rely on localised desktop applications for core business information management, and undertake modifications to systems not supported by Corporate Information and without adequate business continuity arrangements. Examples of these include the works order and job costing systems. The development and maintenance of such activity appears uncontrolled and constitutes a major risk to the organisation. Improved corporate governance over ICT will assist with collaboration between departments and the resolution of divergent needs.

The Corporate Information business unit and managers across the organisation report challenges with the prioritisation of ICT development resources. This is also as a key factor in the lack of structure and control over ICT projects. Two recent major ICT initiatives; e-planning and the new corporate HR system are not fully functional, and have either not delivered expected business benefits or are behind schedule. The absence of detailed project and implementation plans, and monitoring reports makes any assessment of the reasons for this challenging. Consequently the division of roles, responsibility and accountability is unclear between the Corporate Information business unit and client departments. A new public website is planned for development by June 2014 but the lack of resources is cited as the reason for the absence of a project plan. The redevelopment of the website is timely as the current one contains a number of flaws. Stakeholders complained it was difficult to find information on the current website, and links on the Council's homepage to do not connect to the correct pages e.g. "fees and charges" links to corporate planning and reporting. Other links lead to unnecessary intermediate pages as in the case of Libraries and Development Assessment and collectively undermine customer experience.

Both managers and staff reported frustration with the level of user support received from the Corporate Information business unit. The relationship with the Telecommunications and new Technology business unit is unclear and a source of frustration with the latter still responsible for some aspects of internal service delivery. In the absence of unified management, some formal arrangements are necessary to ensure definition, prioritisation and continuity of service provision.

Observation of the office environment in the two main administrative buildings suggests that existing ICT is not being utilised to its full extent. The maintenance of hard copy and digital files and individualised workstations suggest agile working practices would benefit the Council and potentially allow the consolidation and rationalisation of space. The introduction of these working practices is likely to encounter resistance similar to that experienced with the e-planning project and general records management.

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Performance Reporting

The manager survey returned a NPR of 47% of managers who knew what progress was being made towards the delivery of the Council's goals. The equivalent NPR for staff was 2%. Staff in non-corporate divisions were least clear about progress being made to deliver corporate goals, the lowest of which was City Infrastructure Services which returned a NPR of negative 3%.

The Administration now monitors budget performance on a monthly basis reporting variations to the budget and the estimated year end result. The report provides a position statement and no other commentary or assurance is given on the likelihood of achieving the year end position. Consequently it has limited value as a management information tool. Managers commented that they have little input into the production of financial monitoring reports and considered the current structure of the financial ledger to be one of the reasons which inhibit financial monitoring.

Performance against the Annual Plan has been reviewed recently and is now monitored half yearly. The 1 July to 31 December 2013 edition was a 53 page report and the covering report introducing it to Council was 6 pages long. This report details activity rather than progress against intended outcomes. It reports progress in completing internal management actions like the preparation of plans and strategies. Where performance indicators are used, these tend to be internal service volume indicators. Most performance indicators do not have targets, and others rely on the trend as a measure of success. The report provides a lengthy summary of what the Council has been doing, but it does not demonstrate how well the Council holds itself to account, and what actions it has, or intends to take to improve performance. There is currently no integration of financial and performance reporting making any assessment of value for money challenging.

Some services were able to provide service performance data as requested for this review, but this was not consistent for all services. Moreover, most services provided raw data rather than management information reports suggesting that use of performance data is not a regular feature of operational management. Draft Service Level Agreements (SLAs) have been prepared to support the commercialisation of City Works. Beyond these, SLAs do not appear to be used to manage the relationship between corporate and customer facing services.

Some major service contracts, for example in waste management are monitored infrequently, some on a half yearly basis. A regular performance report is received from the Council's waste collection and disposal contractor. The report contains large volumes of data about collection and disposal activity, but does not contain any performance targets, and therefore has limited value in monitoring performance against expectation.

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Performance reporting is not visible throughout the organisation (e.g. on notice boards). While some team meetings take place, these do not follow a consistent format across the organisation with performance reporting absent from the agenda. Both managers and staff confirmed that team meetings tended to be used for sharing information rather than structured business meetings. Some managers described how they were trying to change this culture and the resistance they faced. Others described the difficulties they had with their information systems which were not able to or not configured to provide the performance data they required.

The Council has secured a number of special rate variations in the past for specific programs for activity. While activity undertaken with these funds has been reported with annual reporting requirements, it does not appear that the Administration has undertaken any evaluation of the impact and outcomes from these investment programs.

Recommendations

R17	Establish a Service Quality Framework for each business unit aligned to the Strategic Plan which sets out targets for performance and cost.
R18	Integrate the strategic performance framework with the new financial planning process to ensure alignment of investment with strategic service objectives
R19	Establish a monthly performance reporting framework for service/business unit performance, revenue and capital expenditure
R20	Undertake a review of business intelligence requirements and current systems capabilities and develop a prioritised improvement program
R21	Establish a new transformational change program building on previous improvement initiatives
R22	Establish an 'Invest to Save Bank' to track investment and savings from the transformational change program
R23	Establish a 'Commercial Hub' to coordinate and govern commercial activity across all services ensuring that the Council obtains value for money from all investment and divestment decisions, and from its commercial business units

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R24	Establish a corporate project management methodology and protocols overseen by the Program Management Office (PMO).
R25	Re-engineer all major internal processes exploiting opportunities for digital processing, automation and "channel shift".
R26	Develop full cost recovery schedules for all business units
R27	Develop a program to realise further efficiency and improved service delivery in sourcing, purchasing and procurement
R28	Develop a new Organisation Development Strategy. Redevelop the Workforce Development Plan with stronger emphasis on talent management and succession planning
R29	Review the Competency Frameworks currently in operation within the Council, to unify and realign with the revised corporate values and Organisation Development Strategy
R30	Develop a corporate training program for staff and Elected Members informed by the Workforce Development Plan to prioritise expenditure from the corporate training budget
R31	Develop an improved risk management framework with greater sensitivity to the identification and management of commercial risks
R32	Introduce a Corporate Information Management Board to govern investment and program management of ICT projects

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Commercial in Confidence

T2S Business Case

June 2014

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Introduction

The Transformation to Sustainability (T2S) Project was established to create sustainably valued services to the Coffs Harbour Community.

This document sets out the opportunities for improvement to ensure improved service delivery and financial sustainability at Coffs Harbour City Council.

Background

Like many councils across the sector, Coffs Harbour City Council is finding it increasingly difficult to meet community expectations within its current funding base. The Administration is undertaking an improvement program to assist its ambition of financial sustainability. In 2011/12, the Council commenced a Service Review process to identify opportunities for efficiency and improvement in service delivery. This, alongside other improvement initiatives have helped the Administration to improve and have laid the groundwork for the next stage of the improvement journey; the Transformation to Sustainability (T2S) project. This involves examining its internal and external services, systems, processes, financials and resources with a view to identifying areas for sustainable improvement.

Baseline Assessment

During the 2012/13 financial year, the Council's total income of $149,238,000 was exceeded by total expenditure of $156,064,000.

During the 2012/13 financial year the Council spent at total of $37,716,000 on employee benefits and on-costs and $43,314,000 on materials and contracts.

In the 2013/14 financial year the Council has budgeted to spend $133.6m.

Data provided by the Human Resources and Organisation Development Team shows that there are 551 staff employed by Council. The following tables show the staff profile and their allocation across the current Directorates.

Directorate	Number Of Staff
Corporate Business	118
Community Development	58
City Infrastructure Services	272
City Planning	85
Executive Office	18

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Age	Less than 24yrs	25-49yrs	50-64yrs	65+yrs	Total	%
Male	11	163	176	18	368	67%
Female	5	111	64	3	183	33%
Total	16	274	240	21	551	100%
%	3%	50%	44%	4%	100%	

The following table shows the number of staff who have left or joined the Council in recent years.

	2010/11		2011/12		2012/13		2013/14 YTD	
	Left	Joined	Left	Joined	Left	Joined	Left	Joined
Number	45	44	52	45	44	35	36	27
% of all Staff	8	8	8	8	8	6	6	5

The Council benefits from the services of approximately 550 volunteers.

An analysis undertaken by the Council showed that, between January 2013 to December 2013, a total of $60.1m was spent on goods, services, materials and contracts. Of this expenditure, $40m (66%) was identified as expenditure under contract. A further $12m was consider non contracted expenditure and $8.6m was uncertain.

The Council's asset portfolio includes transport, water supply, sewerage, storm water drainage, buildings and recreation assets. Together these have a replacement value of around $2 billion. The Council's asset by class are listed in the Asset Management Plans. Of particular note is that the Council owns 232 buildings with a replace value of $118.3m. The Council generates over $2.5m in revenues annually from leases and licenses from these buildings in addition to their function in service delivery.

The Councils performance outputs are reported in the Annual Plan.

The Council's current business unit structure is illustrated below.

Attachment 2

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COFFS HARBOUR CITY COUNCIL
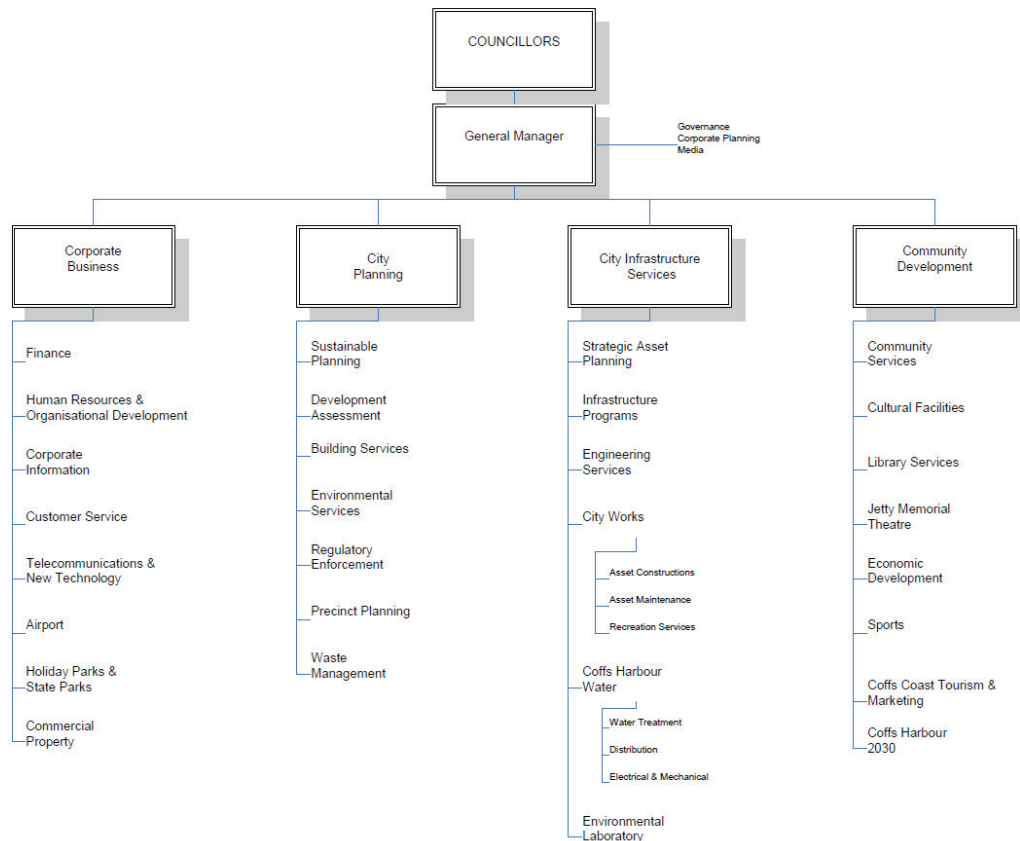
Drivers of Change And Other Considerations

The Council's wider leadership team have identified the following issues to be of key significance to the future success of the Council:-

- delivery of the 2030 vision and Community Strategy for Coffs Harbour
- financially sustainable service delivery, ensuring that annual expenditure does not exceed annual revenue
- engaging with the community and managing their expectations of services provided by the Council
- legislative and local government sector reform currently under consideration by the State Government
- changing technology assisting alternative forms of service delivery, and enabling third parties to create value using information provided by the Council

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- economic and demographic changes in Coffs Harbour resulting in residential growth and an increasingly ageing population
- cost shifting by other governmental and public service bodies transferring activity or responsibility to the Council without sufficient resources
- change the culture of the organisation to one which embraces performance management and accountability

The management team also need to consider the views and issues raised by customers, stakeholders and staff about its services, and the extent to which these merit or require change.

The Council's Customer Satisfaction Survey undertaken in 2012 revealed:-

- overall satisfaction with Council's performance was positive. Forty three percent of respondents declared themselves satisfied against 17% dissatisfied, and the balance neutral
- of the people who had recent contact with the council, 39% of enquiries were resolved with just one call, while 22% had taken two or three calls, and 11% four or more. A further 25% of enquiries were deemed by respondents "not yet resolved". In more than half these cases the issue was ongoing. In 11 (of 51) cases the issue has not been resolved in the respondent's favour, and in nine cases the respondent claimed the Council had not responded.
- Half of all those making enquiries were satisfied with the outcome, against 32% dissatisfied and the balance neutral. Furthermore, there was a direct and significant correlation between the number of enquiries, the number of times an enquiry or issue takes to resolve with the satisfaction with Council's overall performance. (i.e. the longer resolution takes, the less satisfied customers are)
- Seventy two percent of enquiries had been initially made by phone, with a further 21% made face-to face. Just 6% had been made by email or through the Council website. The most popular reasons for contacting Council was to lodge or seek information on a Development Application, ranger matters, vegetation and trees, road and footpaths, and water/sewerage issues.

Key issues arising from the Council's Employee Satisfaction Survey 2012 (of relevant to this Business Case) include:-

- Some 88% of employees were satisfied with their standard of service to Council customers.
- Only 17% were motivated by the difference they made to council's customers.

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Creating A Sustainable Organisation

The purpose of the T2S program is to create a sustainable organisation. There is widespread recognition of the financial challenges facing the Council. This is one aspect of sustainability. Other aspects include :-

- a clarity of role, purpose and function resulting in a clear strategy for delivering agreed service delivery and community outcomes
- an organisation culture underpinned by public service values (e.g. probity, integrity, transparency, impartiality), sound management practice (e.g. accountability, governance, financial management, performance management), and a passion for meeting the needs of customers and communities
- a robust organisation planning and service delivery framework which reconciles needs, priorities, ambitions and risks resulting in transparent allocation of (financial and human) resources and effective management of performance outputs and outcomes
- an agile organisation shape, structure and skills matrix with appropriate mechanisms for reward, recognition, and the development and management of human resources

Fundamentally, a sustainable organisation is one which delivers its purpose within its current resourcing framework, and can adapt to planned and unplanned changes in its internal and external business environment. For a Council this means:-

- articulating the future aspirations of the City's residents and businesses (civic leadership)
- managing and allocating its resources to ensure it consistently delivers services at the best value to the community (financial sustainability)
- consistently meeting the community's expectations for service and quality of life outcomes (high performing)

Prerequisites For Delivery Of This Business Case

There are numerous improvement strategies that will enable an organisation to improve its strategic and operational effectiveness. There is also a wealth of academic literature for leaders to consider about how to change organisations. Recent literature highlights the importance to two related factors:-

- Organisation leadership – the ability to lead people, undertake strategic planning, inspire commitment and manage change

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- Organisation health – the ability to sustain high performance, by learning and changing over time faster than competitors

A key link between these factors is the right leadership culture. As organisations face change, they need to invest intentionally in a leadership culture that will match the unfolding challenge. The beliefs that drive leadership behaviours need to align with the operational business strategy.

In a global survey undertaken by McKinsey and Company in 2010, "eighty-three percent of all respondents say their companies' transformations focused wholly or in part on changing the organizations' long-term health by building capabilities, changing mind-sets or culture, or developing a capacity for continuous improvement. Transforming leadership capacity seems to be particularly significant in transformations that succeeded in improving long-term health: 63 percent of executives who say their companies' transformations had a significant impact on leadership capacity indicate that the transformation improved both short-term performance and long-term health."

The implementation of this Business Case requires the use of a "transformational" change methodology. This is a whole organisation methodology which results in a shift in whole organisation culture. It involves changes in strategy, operational structures and processes.

A transformation approach to change is proven to work because it fundamentally challenges all aspects of an organisation from the efficiency of its technical process through to the values and beliefs of its people. It recognises that organisations are organic 'wholes', and activity or change in one area will inevitably impact on the rest of the organisation. If change is not managed collectively across the whole organisation, it will undermine the success of the whole process. Coffs Harbour City Council has experienced this in recent improvement initiatives.

Accordingly, the successful implementation of this Business Case requires three prerequisites:-

- *A sustainable management (and organisation) culture*
  The implementation of recommendations from the Organisation Diagnostic provide the foundations of a successful organisation. Partial or non-implementation of these recommendations places the success of any change program at risk. The implementation of these recommendations will result in positive management behaviour which utilises resources efficiently and effectively for the delivery of agreed community outcomes

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- *Investment in leadership development*
  Robust leadership capability is essential to the delivery of any improvement strategy by assisting those with development needs, and those who are accomplished leaders to ensure that their ambition and expectations are achieved. Managing change is always difficult. Investment in leaders helps to ensure change is managed effectively. Investment in leadership is critical when the success of the change program depends on a change in organisation culture

- *Formal program management*
  This document provides a high level business case and overall program of action. Further detailed planning will be required and the implementation of individual actions must be controlled using established project and program management methodologies. Major changes (e.g. implementation of specific technology solutions) should be informed by the development of a detailed business case. This provides increased assurance that the change will be successfully delivered and sustained in the long term. The establishment of a Program Management Office (PMO) will provide the resourcing and methodology to manage the delivery of a complex change program. It will support leaders, provide management information, and ensure that the benefits expected of the program are delivered. The establishment of the "Invest To Save Bank", managed by the PMO, will ensure that the financial costs and benefits of the change program are monitored and not lost through unplanned activity.

Developing The Improvement Strategy

The following diagram illustrates how the improvement strategy underlying this business case was developed.
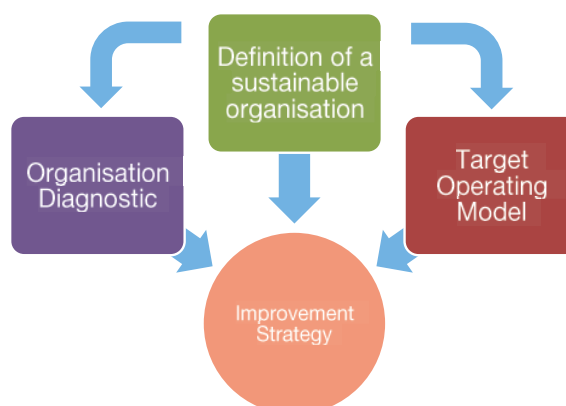
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Organisation Diagnostic

The organisation diagnostic was commissioned to:-

- independently review the performance of the organisation
- objectively critique the vision, intent, and performance of the organisation against internationally recognised performance benchmarks
- assess how well the organisation is placed to deliver its future ambition and known challenges
- appraise the capacity and capability of the organisation; its strengths, weaknesses, risks and opportunities for improvement

The Organisation Diagnostic highlights the need and opportunity for cultural change across the *whole* organisation. An organisation culture is the sum of all the prevalent behaviours of individuals within an organisation. These are influenced principally by the leadership of the organisation. Behaviours are more difficult to change when they have become entrenched over a long period of time. A change in the performance of an organisation can only be achieved by promoting positive behaviours (e.g. spending to target), and challenging negative behaviours (e.g. overspending without authority to do so).

The Organisation Diagnostic shows that there are insufficient or absent management behaviours consistent with a high performing, sustainable organisation. Other key findings include:-

- Coffs Harbour City Council is an improving organisation. Staff are proud to work for the Council which generally has a positive working environment characterised by friendliness and respect.

- There is general confidence in the leadership of the Administration with staff and managers believing that the organisation is well led. The Executive is seen as a unified team, however, staff throughout the organisation would welcome more regular and direct engagement, and face to face communication. Better awareness of the role of Council is needed to ensure that all efforts are harnessed to deliver the community vision for 2030.

- There is widespread recognition that accountability and the management of performance requires improvement. Recent initiatives like Performance Conversations provide a basis for further improvement which must include addressing leadership and management capability throughout the organisation. This must be supported by the development of a new Organisation Development Strategy which provides the management tools and support necessary to deliver a high performance organisation culture.

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- While steps have been taken to improve performance management at an individual employee level, there is also scope to do so at the corporate level. The 'golden thread' of Council vision, corporate strategies (2030 Community Strategic Plan) and delivery plans is not readily discernable. The metrics against which the Council measures progress in periodic performance reports are largely descriptions of activity. Development of metrics of outcome at the strategic and corporate level will enable the cascade down to the operational level and better support priority setting and resource allocation. Integration of community, economic, environmental and spatial strategies will improve the sustainability of the Council's activities.

- The Council and Administration recognise that while incremental improvements have been delivered, a step change is necessary to achieve a financially and operationally sustainability organisation. There is recognition and anticipation among Councillors, management and staff that change is both needed and necessary, and the "false starts" of the past must not be allowed to persist. Consequently, the organisation has reached a 'tipping point' for change and there is a level of readiness which needs to be supported by clear communication of the destination and the benefits to staff and the community.

- There is a pervasive view within the organisation that improvement can only be achieved with additional resources. This needs to be challenged at all levels and supported by better clarity of performance expectations, improved planning and prioritisation, and prudent management of resources.

- Improvement initiatives within the organisation are perceived as 'balls in the air' lacking completion and unclear as to their desired benefits. This can be overcome through formal program planning and management control over change processes, including clear communication of the purpose and intended benefits. A move to a "transformational" program approach with a compelling vision of the future organisation is necessary to enable the Council to deliver its goals. A change in organisation culture will need to be the central element of the new transformation program.

Coffs Harbour City Council Draft Target Operating Model

A Target Operating Model is a description of an organisation at a future point in time. Its purpose is to define what a program of change is designed to achieve. Its value his helping understanding what the output of the change process will be. The following draft Operating model was developed from a workshop held with the General Manager, Directors and selected Managers. This draft may serve as the basis of a more detailed operating model developed in wider consultation within the Council.

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Improvement Strategy

The suggested improvement strategy consists of three steps:-

Step 1: Improving short term financial viability
Step 2: Developing long term financial sustainability
Step 3: Delivering continuous improvement and innovation

Steps 1 and 2 are complementary and are often undertaken simultaneously. Typically, they are implemented before proceeding to Step 3. This will ensure that any value derived from the improvement of existing services is retained by the Council. Step 3 should then be used to test whether greater value can be achieved.

Improving Short Term Financial Viability (Step 1)

This should be achieved by reducing the annual operating deficit without unnecessarily reducing services to the community. Principally, this is undertaken by re-engineering activity (process) and improving the management of the existing resource base by:-

- reducing process cost by the re-engineering of "end to end" processes utilising digital and automated workflow, and implementation of "once done and complete" processes

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- optimising the use of existing information systems and rationalising unnecessary systems, and duplication of functionality
- increased use of "self service" delivery models and extending service "channel shift" to lower cost transaction models
- targeted income generation strategies
- introduction of full cost of service accounting and recovery from Water, Sewer, and other business units undertaking "commercial" activity
- Better prioritisation of expenditure using defined performance outcomes and data based service management
- Ensuring that all investment, e.g. learning and development, is aligned to delivery of key business outcomes
- Improved governance over decisions through the use of Business Cases, strategic gateways, and robust project and program management
- Improved monitoring and controls over expenditure with regular assessment of expenditure and performance at all management levels
- Improved sourcing, procurement, purchasing and reconciliation
- Improved control of temporary staffing and sickness absence
- Review of staffing terms and conditions ensuring consistency of application and reduction in unnecessary cost. Consider the merits of establishing an Enterprise Bargaining Agreement

The actions set out above are all individual and incremental improvements which managers in a high performing organisation would undertake on a regular basis. It is also the behaviour that is displayed when an effective continuous improvement cycle is in operation. For Coffs Harbour City Council, the implementation of all these together from the current baseline, and in the timescale suggested makes it a transformational change.

The implementation of these actions will result in two principal outputs:-

- Excess staff capacity: the labour requirement for the *current* volume of work is less - fewer staff are needed to do the *same* amount of work due to automation and digital processing etc. Improved productivity is also gained from improved staff management practice.

- Reduction in goods, services and material volumes and / or costs – the *current* level of activity can be delivered at lower cost through better procurement, management of cost or because fewer inputs are required. For example, better procurement means the *same volume* of goods can be purchased at lower cost. Better planning might mean less is purchased thereby reducing waste.

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This presents the organisation with two options:-

- Take up the excess capacity by undertaking more activity

- "Cash" the savings – this increases sustainability because the same activity is being delivered at lower overall cost. It turns a short term improvement into a long term change.

Savings in the reduction of goods and services are usually realised by budget reductions through the financial planning process. To cash staff savings, the organisation needs to move to Step 2.

Developing Long Term Financial Sustainability (Step 2)

This should be achieved by fundamentally transforming the way the organisation works. In addition to implementing the recommendations from the Organisation Diagnostic, the following opportunities and changes should be pursued:-

- Creation of a sustainable organisation optimised for agile service provision
- Consider alternative management structures for Commercial Business Units including the Regional Airport, Holiday and State Parks, Environmental Laboratory, and Telecommunications and New Technology
- Consider options for improved property utilisation and rationalisation

Becoming Agile By Changing How Work Is Undertaken

Progressive culture and efficient processing are at the heart of high performing organisations. These organisations are "agile" because they can adapt rapidly and cost efficiently to changes in their business environment. Agility is maintained by adapting goods and services to meet customer demands, adjusting to the changes in the business environment and using human resources effectively. In public services, agility is about "doing the right things" as well as "doing things right".

Agility in an organisation can be achieved by integrating planning with execution to enable an optimal ordering of work tasks. Much of this work focuses on the development of people and knowledge capital, the ability to rapidly re-skill employees according to business need, to create opportunities for real-time collaboration, and to support the workforce with better management information and systems.

Opportunities to improve agility at Coffs Harbour City Council include:-

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- undertaking a "commissioning" approach where services are specified to meet established need at best value
- integrating activities by function or process to gain the benefits of streamlining and economies of scale
- integrating functional and process activities fostering better team working and resource planning *within* teams, and improving working *between* teams in "end to end" processes
- explore partnering or contestable options which promote long term sustainability
- meeting customer expectations in service delivery by engaging with the community in strategic needs assessment and service design
- distinguishing between strategic community needs assessment, service programming, and the management of facilities
- integrating spatial planning, spatial development and regulatory enforcement thereby enhancing the "place shaping" and "place making" functions of the Council
- promoting improved customer relationship management through a "corporate front office" as the first point of customer contact either in person, on the phone or via the website and seeking to resolve as many transactions as possible at first point of contact
- utilising manager and staff self-service technology to assist the management of internal resources

The benefits of agile working can be captured in better service performance, and more efficient utilisation of human resources.

Commercial Business Units

The Council has a number of services which operate as quasi-commercial business units. These include:-

- Coffs Harbour Regional Airport
- Coffs Harbour Holiday Parks and State Parks
- Telecommunications and New Technology
- Environmental Laboratory
- Private Works

An initial financial analysis of these business units suggest that they are not operated in a manner which would allow the Council to maximise revenue or rate of return. Equally, they may expose the Council to risks which are not fully assessed. More importantly, the success of these businesses requires a long term commercial perspective which may not best suit the democratic governance model within local

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government. While there may be some benefits to being part of the Council, there are other drawbacks which affect the competitiveness of these businesses.
In the short term, the Council should seek to:-

- improve overhead recovery
- eliminate duplication of activity with other Council functions
- fully identify and manage the risks associated with each operation

Parallel to this work, the Council should initiate a process to determine:-
- the full commercial rate of return that is or could be achieved from these operations
- the ongoing relationship between these operations and the Council based on a socio-economic cost benefit analysis
- the most appropriate entity structure and governance model to enable the businesses to better compete and grow, and to protect the Council from risks and liabilities arising from their activity

There are a number of other activities within the Council which may benefit from a similar approach. These include some elements of tourism and marketing, the International Sports Stadium and properties exclusively for community use.

Property Utilisation and Rationalisation

The Council owns 232 buildings and generates over $2.5m in revenues annually from leases and licenses. The Building Asset Management Plan is planned for further development. To assist this process, the Council should undertake a fundamental strategic review of its property in the context of:-

- actual and optimum utilisation
- the optimum service delivery model(s) for the Council
- the geospatial positioning of the Council's assets and the opportunity to drive or support wider economic development objectives
- commercial considerations including the actual and potential rate of return
- an acquisition, maintenance, renewal and disposal strategy based on consideration of these wider factors

The Council is planning a review of its leasing and licensing arrangements. This should be conducted as quickly as possible.

The Council occupies two main administrative buildings with in the Coffs Harbour commercial business district. Visual analysis suggests that neither building is optimised for utilisation for administrative purposes. Both buildings also hosts direct service delivery facilities. The managers of the cultural service facilities within these

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buildings consider them restrictive or unfit for the potential services that could be provided. The Council's adopted Cultural Strategy recommends a purpose built cultural facility within Coffs Harbour. Furthermore, the Council commissioned a CBD Commercial Brief in February 2012 which proposed a number changes to property use.

The adoption of "agile" working practices will enable the Council to better utilise it's administrative space within its two main administrative buildings. Agile working is not new, but it is a "new way of working" arising from changing work practices, deploying new technologies and creating new working environments. The adoption of agile working, and a fundamental strategic review of property will assist the Council to rationalise its operational footprint allowing it to:-

- consider the need, requirement and deployment of it property assets
- consider alternative uses where appropriate for its property assets, including disposal
- identify the implications of its strategic ambitions and plan more effectively
- improve staff productivity through the adoption of better working practices
- realise costs savings in maintenance, renewal and replacement
- realise additional income from disposal or improved commercial management

The implementation of the outcomes of this review should be subject to robust management control. Each change or opportunity should be the subject of a further detailed business case which analyses the opportunities, benefits, costs and risks associated with each proposal.

Delivering Continuous Improvement And Innovation (Step 3)

The benefits of transformation can be further enhanced through continuous improvement. This is principally achieved by:-

- utilising core management processes to challenge the purpose, prioritisation and performance outcomes from activity
- explore new opportunities for innovation in service delivery

Opportunities for partnering and shared services can be explored with both the public and private sector where it is consistent with the Council's aims and objectives. Further innovative service delivery could arise from:-

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- managed corporate services like information technology and human resource management. Typically, managed services work well for transactional activity, while the strategic capability would remain with the Council
- informal partnering with other local government, public service or private organisations in corporate services, common customer facing services and utilisation of shared assets
- Formalised shared services with other local government public service or private organisations
- Commercial (single or joint) ventures within the private sector (e.g. tourist attractions) or delivery of services for a fee to other public service bodies

The local government reform agenda may enable these opportunities in future, or could act as a catalyst for sector led reform promoting sustainability without the need for primary legislation. With both scenarios, Councils which are prepared to take risks and leadership may be more resilient to imposed change.

Benefits Appraisal

A benefit is a measurable improvement delivered by a program which is seen by a stakeholder to be positive and worthwhile. These include financial benefits that are measured in monetary terms, and non-financial benefits that cannot be directly quantified in monetary terms. Non-financial benefits often have indirect financial benefits.

Financial Benefits

The gross financial benefits of this Business Case include:-

Financial Benefit	Estimated Amount	Type
Savings arising from business process re-engineering changing ways of working	$2,620,000	Cash – resulting in an ongoing reduction in budgeted resources
Savings arising from improved sourcing, procurement and purchasing	$750,000	Cash – resulting in lower unit cost for like for like procurement
Savings arising from property divestment and commercial management	Subject to further analysis and business case development	Cash – resulting in a one off dividend and ongoing reduction / growth in budgeted resources
New sources of income arising from existing or new service provision	Subject to further analysis and business case development	Cash – arising from review of fees and charging and new chargeable service provision

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The savings and investment profile for this Business Case is as provided below.

	Year 1	Year 2	Year 3	Total
Savings				
Business Process Re-engineering and changing ways of working	$1,000,000	$750,000	$870,000	$2,620,000
Source to Pay	$500,000	$250,000	$0	$750,000
Annual Total	$1,500,000	$1,000,000	$870,000	
Cumulative Savings	**$1,500,000**	**$2,500,000**	**$3,370,000**	**$3,370,000**
Investment				
Service Transition Cost	$742,000	$144,000	$0	$886,000
Program Management	$250,000	$250,000	$100,000	$600,000
Leadership Support	$50,000	$50,000	$20,000	$120,000
Information Technology (in addition to planned expenditure)	$0	$50,000	$50,000	$100,000
Annual Total	**$1,042,000**	**$494,000**	**$170,000**	**$1,706,000**
Cumulative Investment	$1,042,000	$1,536,000	$1,706,000	
Net Annual Savings	**$458,000**	**$2,006,000**	**$3,200,000**	
Cumulative Rate of Return on Investment	**44%**	**63%**	**98%**	

Non-Financial Benefits

The non-financial benefits of this Business Case include:-

Non-Financial Benefit	Measure	Impact
Improved customer satisfaction	Customer satisfaction score	Fewer complaints, improved reputation and brand awareness
Improved staff satisfaction	Staff satisfaction score	Improved staff productivity, recruitment and retention, reputation as employer of choice and innovator in local government
Improved staff competency, capability and satisfaction	Improved competency scores	Improved staff productivity, recruitment and retention, reputation as employer of choice and innovator in local government

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Risk Analysis

The following table provides an analysis of key risks at the onset of the program. A further risk analysis should be undertaken once the program has begun and maintained throughout its lifetime.

Risk	Likelihood	Impact	Mitigation
Lack of ownership of the program by management	Likely	Medium	Leadership Development Program Communications Plan
Lack of ownership of program from staff	Possible	Medium	Leadership Development Program Communications Plan
Lack of ownership of program from Elected Members	Possible	Medium	Communications Plan
Adverse reaction from customers arising from planned service changes	Possible	Low	Leadership Development Program Business Case and communications planning prior to change
Service performance deteriorates during change process	Likely	Medium	Performance monitoring

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Attachment 2

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Commercial in Confidence

Indicative Program Plan

June 2014

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Contents

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The purpose of this document is to set out the outline actions and the 'critical path' that is necessary to implement the improvement strategy set out in the T2S Business Case.

Outline Critical Path

The sequence of key steps to implement the Transformation Program are illustrated below.

Leadership Development Program – Suggested Brief

The implementation of the Transformation Methodology and Program will require the implementation of a customised leadership development program which:-

- works with the Chief Executive / General Manager and the Leadership Team to develop a culture, vision and set of behaviours across the Council, helping to create a cohesive and effective approach to change
- ensures that each member of staff with leadership responsibility understands their role in driving change, both individually and collectively; and has an understanding of each other's roles, responsibilities, strengths and weaknesses and how to work collectively to overcome these
- helps the Leadership Team to understand how it can shape and deliver the required step change, overcome obstacles and challenge behaviours to create alignment to the Coffs Harbour 2030 Strategic Plan and corporate objectives
- creates an organisation culture and working dynamic that is built on values such as respect, openness, empathy, integrity, collaboration, accountability and honesty

The program should include:-

- professional psychometric and behavioural analysis
- individual and collective team analysis
- collective team feedback and improvement planning
- individual feedback and improvement planning
- individual and team coaching and support throughout the Transformation Program

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Indicative Program Plan

The following outline Program Plan illustrates the sequence and indicative timing for the implementation of the Organisation Diagnostic recommendations and actions in the Business Case improvement plan.

ID	Ref	Task Name
1		**Diagnostic Recommendation**
2	R1	Establish an integrated strategic planning function
3	R2	Introduce medium term (3 year) business plans for all Divisions
4	R3	Continue development of the Asset Management Plans
5	R4	Ensure stronger alignment of the Long Term Financial Plan to the 2030 Strategic Plan
6	R5	Revise the Strategic Plan to include clear priorities for action (goals)
7	R6	Refine the Performance Conversations framework
8	R7	Develop a customer service improvement strategy
9	R8	Reassess the organisation values through a process of extensive staff engagement
10	R9	Develop and implement a leadership development program
11	R10	Develop and implement an awareness program on the role and duties of Council
12	R11	Establish regular programme of Leadership team 'away days' between Council and the Executive
13	R12	Develop a vision of the 'Administration of the future'
14	R13	Formalise the internal change program using program management methodology and governance
15	R14	Establish a formal Program Management Office (PMO)
16	R15	Develop and implement an internal Communications Strategy
17	R16	Improve reporting of customer and community satisfaction and performance outcomes
18	R16	Establish a Service Quality Framework for each Division
19	R18	Integrate the strategic performance framework with the new financial planning process
20	R19	Establish a monthly performance reporting framework
21	R20	Undertake a review of business intelligence requirements and current systems capabilities
22	R21	Establish a transformational service review program
23	R22	Establish an 'Invest to Save Bank'
24	R23	Establish a 'Commercial Hub'
25	R24	Establish a corporate project management methodology
26	R25	Re-engineer all major internal processes
27	R26	Develop full cost recovery schedules for all business units
28	R27	Realise efficiency and improved service delivery in sourcing, purchasing and procurement
29	R28	New Organisation Development Strategy
30	R29	Review current Competency Frameworks
31	R30	Centralise the training budget and develop a corporate training program for staff and Elected Members
32	R31	Develop an improved risk management framework
33	R32	Introduce a Corporate Information Management Board

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Attachment 3

ID	Ref	Task Name		3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Q
			J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J
34		New Ways Of Working														
35	S1	Prepare communications for distribution														
36	S2	Prepare restructure letters to share with the Unions														
37	S3	Distribute Communication														
38	S4	GM & Directors to have a group meeting by Directorate														
39	S5	Send out Restructure letters to unions														
40	S6	Consultative Committee briefing														
41	S7	Group meeting of affected employees by directorate														
42	S8	Notification to affected employees of redundancy provision														
43	S9	Redundancy notifications sent to union														
44	S10	Pre-scheduled periodic divisional and branch meetings implemented														
45	S11	Implement new ways of working														
46		**Commercial Business Units**														
47	C1	Document current operating model														
48	C2	Identify strength, weaknesses, opportunities and threats														
49	C3	Undertake option appraisal														
50	C4	Prepare Business Case														
51	C5	Agree Business Case														
52	C6	Prepare Transition Plan														
53	C7	Implement Transition Plan														
54		**Property Review**														
55	P1	Document current purpose and utilisation														
56	P2	Update Buildings Asset Management Plan														
57	P3	Identify opportunities for improved utilisation, commercial return or alternative uses														
58	P4	Prepare business Case for proposed changes														
59	P5	Agree Business Case														
60	P6	Prepare improvement or transition plan														
61	P7	Implement improvement or transition plan														
62		**Innovation In Service Delivery**														
63	I1	Identify opportunities for innovation														
64	I2	Prepare soft market brief														
65	I3	Undertake soft market testing														
66	I4	Undertake procurement														
67	I5	Implement solution														

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