



# FINANCIAL SUSTAINABILITY REVIEW ACTION PLAN

2024 - 2027



# Introduction

MidCoast Council considered a report on 28th September 2022 which established a pathway to financial sustainability. The report noted that financial sustainability is a longstanding sector wide challenge and one not faced by MidCoast Council (MCC) alone. The Report referred to previous Government commissioned reports which identified broader government reforms were required to ensure councils across NSW could deliver services which meet community needs. Consideration of broader reforms by the State Government are ongoing and Council actively participates in these both individually and through industry representative bodies.

The Report followed two significant Council resolutions as set out below:

## **Council Meeting 11<sup>th</sup> May 2022**

### ***174/2022 RESOLUTION***

*(Moved Cr J Miller / Seconded Cr A Tickle)*

- 1. That Council place the Draft 2022-2026 Delivery Program and 2022-2023 Operational Plan as at **Attachment 1**, the draft Statement of Revenue Policy as **Attachment 2**, the Draft 2022-2023 Fees & Charges Schedule as at **Attachment 3**, and the Draft Detailed Budget 2022-2023 as at **Attachment 4** on public exhibition for 28 days to allow consideration of its contents by the public and the lodgement of submissions during the exhibition period.*
- 2. That in view of the projected ongoing General Fund deficit position (Operating Result before Capital Grants & Contributions) identified in the Long Term Financial Plan, Management prepare a plan of action for Council consideration so as to return the General Fund to a surplus position within a 4 – 6 year timeframe. This plan of action to consider, but not be limited to, the following matters:*
  - Completion of works program identified within the Asset Management Strategy (including development of asset management plans) to inform discussion on asset service levels.*
  - Framework and Program for the conduct of service reviews to inform discussion on services provided by Council and the level / cost of those services.*
  - Identification of opportunities to achieve operational efficiencies through the Business Transformation Program and other relevant reviews.*
  - Engagement with the community.*
  - Timeframes.*



3. *That the plan of action be reported to the September 2022 Ordinary Council Meeting.*

At the next Council Meeting the following resolution was adopted:

**Council Meeting 25<sup>th</sup> May 2022**

**181/2022 RESOLUTION**

*(Moved Cr C Pontin)*

*That Council notes the Mayor has called on staff to:*

*1. Prepare a Transport Asset Strategic Plan that:*

*a. Describes the current condition of MidCoast transport assets, including roads,*

*b. Explains the funding since merger to reduce the infrastructure backlog,*

*c. Identifies the current transport assets (including roads) infrastructure backlog,*

*d. Projects the changes in asset conditions over time based on the current and projected levels of transport assets funding,*

*e. Breaks these amounts into operational and capital costs for each of the various categories of roads, separated by funding source,*

*f. Proposes options for reverting the roads to a satisfactory standard,*

*g. Proposes appropriate ongoing road maintenance and renewal budgets to ensure, Council's roads assets do not continue to deteriorate faster than they are renewed, and*

*h. Identifies possible funding options and timelines for this work.*

*2. Provide this Report to a Council meeting in December 2022 with an interim report on progress in September 2022, noting the extensive work that will be required to prepare the report,*

*3. Amend the current budget and expenditure reporting format and timing to enable Council to:*

- a. approve clearly defined annual budgets for transport assets (including roads), broken down into maintenance, renewal and new capital projects,*
  - b. enable quarterly monitoring of expenditure against those budgets, and*
  - c. provide annual reports of the progress in reducing the transport assets backlog.*
- 4. Commence this budgeting and reporting schedule by December 2022.*

Following these Council resolutions the action below has been implemented:

1. AEC Group Ltd appointed to undertake an independent Financial Sustainability Review (FSR) in July 2023
2. Roads Strategy Update Report presented to Council 25 October 2023
3. AEC delivered their Report to Council in December 2023
4. Council Report in December 2023 committing to preparing an Action Plan in response to the AEC Report and presenting this to Council in the first Quarter of 2024
5. Reports presented to 1<sup>st</sup> May 2024 Council Meeting
  - a) Financial Sustainability Report
  - b) Roads Strategy

The AEC Financial Sustainability Review was a comprehensive and independent review of Council's position across assets and finances. It confirmed that many of the action's Council is taking are relevant and appropriate.

While Council has relevant actions currently underway to address long term financial sustainability there are many learnings from the AEC Report which have been taken on board to further Council's progress to becoming financially sustainable. As a result, Council has developed this MidCoast Council Financial Sustainability Action Plan to ensure the current improvement path is built upon and accelerated.

## MidCoast Council Financial Sustainability Review Action Plan

### Goal:

MidCoast Council aims to be financially sustainable. This means having sufficient funds to meet all of our resource and financial obligations, including the provision of agreed services and properly maintaining our assets.

It also means:

- a) Being able to maintain infrastructure (physical assets) over the long term for our future generations.
- b) Having sufficient cash reserves to accommodate unexpected financial events.

**Objective 1:** Expenditure is managed to ensure that limited funds are controlled and spent effectively

**Objective 2:** Council operations are effective, efficient, and lean - delivering value for money to the community

**Objective 3:** Council assets are strategically managed across their entire lifecycle and asset management capability is continually developed and improved

**Objective 4:** Revenue sources are regularly reviewed to align with expenses and agreed service levels

**Objective 5:** Generate sufficient unrestricted cash as determined by Council policy.

| Activity to Achieve Objectives  | Sub- Activities  | Target Dates                           | Outcome   |
|---|--|--|---|
| <b>Objective 1 - Expenditure Managed to ensure that limited funds are controlled and spent effectively</b>              |  |  | Expenditure is managed more effectively leading to reduced wastage and delivery of better value services to the community |
| Implement a Financial Sustainability Governance Framework   | Develop a Financial Sustainability Governance Framework<br><br>Implement the Financial Sustainability Governance Framework<br><br>(sub-components of the Financial Sustainability Governance Framework will be referred to throughout this action plan e.g. Project Management Framework, Grant Application Framework) | End December 2024<br><br>End June 2025 | Financial management decision making is consistently managed and documented   |
| Business case required for proposals for significant new or upgraded services (new or upgraded assets over \$1million). | Incorporate this in Council's Project Management Framework<br><br>(This is a sub-component of the Financial Sustainability Governance Framework)   | End December 2024                      | Control expenditure and ensure lifecycle costs of new assets can be funded.   |

| Activity to Achieve Objectives  | Sub- Activities  | Target Dates   | Outcome   |
|---|--|--|---|
| Implement a Grant Application Framework   | <p>Develop a Grant Application Framework</p> <p>Implement the Grant Application Framework</p> <p>(This is a sub-component of the Financial Sustainability Governance Framework)</p>  | <p>End December 2024</p> <p>Start March 2025</p>             | <p>Grant applications are only submitted for projects where internal funding sources are identified and verified.</p> <p>New or renewed asset grant applications only submitted if asset lifecycle costs can be funded.</p> |
| Develop an activity-based annual budget process   | <p>Develop a project and resourcing plan for implementation of activity-based budgeting</p> <p>Review Budget Development Policy and align with activity-based budgeting</p> <p>Implementation of actions from the developed Project Plan</p> | <p>End August 2025</p> <p>End August 2025</p> <p>2026/27</p> | <p>Increased efficiency, reduced waste, improved management of resources.</p>   |
| Implement the Project Management Framework, which includes appropriate gateways for project selection, planning, execution, and closure, and enforces the project management governance for all potential projects (including approval to proceed with grant applications). | <p>Implement the Project Management Framework</p> <p>Project Lifecycle Management technology module implemented</p> <p>(This is a sub-component of the Financial Sustainability Governance Framework)</p>                                    | <p>End December 2024</p> <p>End December 2024</p>            | <p>Improved Project Delivery Efficiency</p> <p>Improved and more efficient project reporting</p> <p>Reduced project overruns</p> <p>Reduced project risk</p>  |

| Activity to Achieve Objectives   | Sub- Activities  | Target Dates   | Outcome  |
|--|--|--|--|
|  |  |  | <p>Improved project selection and prioritisation aligned with Council adopted strategies</p> <p>Reduced duplication of project approaches and effort across Council operations</p> <p>Integration of project information with Council's core financial and asset systems</p>                 |
| <p><b>Objective 2:</b></p> <p><b>Council operations are effective, efficient, and lean delivering value for money to the community</b></p> |  |  | <p>Value for money services delivered to the community</p>   |
| <p>Conduct a Service Review Program to strategically assess the range and levels of service provided to the community</p>                  | <p>Establish productivity and efficiency targets to include in the Service Review Program</p> <p>At the beginning of each term, Council will identify areas of service that will be reviewed within its four-year Delivery Program, along with how we will engage with the community and other stakeholders to determine service level expectations and appropriate measures</p> | <p>End June 2024 (reviewed annually)</p> <p>Council to determine by end June 2025</p> <p>Council to determine by end June 2024</p> | <p>Align levels of service to community requirements</p> <p>Improve customer experience</p> <p>Maximise the use of community assets and the levels of services being provided</p> <p>Support financial sustainability, including continuous improvement and increased sources of revenue</p> |



| Activity to Achieve Objectives  | Sub- Activities  | Target Dates   | Outcome  |
|---|--|--|--|
|   | <p>Specific details of service reviews to be undertaken in a given year will be included in Council's Operational Plan, commencing 2024/25.</p>  |  | <p>Identify opportunities to improve ways of working and operational efficiencies</p>  |
| <p>Review the efficiency and effectiveness of current corporate functions, particularly the services with large operating expenditure and potential to support improvements in productivity and efficiencies such as ICT, procurement, fleet and plant operations, finance, and asset management.</p> | <p>A benchmarking review of corporate functions will be undertaken to assess opportunities for efficiencies.</p> <p>The outcomes from the benchmarking review will be built into the service review program with priorities set by Council</p>           | <p>End December 2024</p> <p>Council to determine by June 2025</p>  | <p>Opportunities to improve ways of working and operational efficiencies</p>   |
| <p>Implement and fund productivity, efficiency, and effectiveness improvement initiatives previously identified including achieving the intended \$21.35 m in efficiency benefits of the Business Transformation Project</p>  | <p>Delivery of our five-year Business Transformation program to improve services to the community, streamline administrative processes, operate more efficiently, and reduce wastage. Benefits of \$21.35 m are accumulated across a 10-year period.</p> | <p>2024/25 (savings from initial components of the Program will be progressively identified and realised during 24/25 with full financial year benefits accumulating from 2025/26)</p> <p>2025/26 (\$1.131 million)</p> <p>2026/27 (\$1.291 million)</p> <p>2027/28 (\$2.149 million)</p> <p>2028/29 (\$3,137 million)</p> | <p>Improved services</p> <p>Operational efficiency</p> <p>Operational effectiveness</p> <p>Reduced wastage</p> <p>Projected financial savings realised</p> |

| Activity to Achieve Objectives   | Sub- Activities   | Target Dates   | Outcome  |
|--|---|--|--|
|  |   | 2029/30 (\$3.537 million)<br>2030/31 (\$3.451 million)<br>2031/32 (\$3.368 million)<br>2032/33 (\$3.286 million) |  |
| <b>Objective 3:</b><br><br><b>Council assets are strategically managed and asset management capability is continually developed and improved</b>               |   |  | <p>Council asset lifecycle costs are accurate and agreed levels of service are reflected in Councils asset and funding plans (including the Long Term Financial Plan)</p> <p>Ensure the identification of funding required to meet agreed service levels (or funding required to maintain and renew assets to an acceptable level)</p> |
| Improve the strategic and technical asset management capability and practices with a focus on planning to manage assets at the most optimal whole of life cost | Complete development and updating of asset management plans for priority asset classes including improvement plans to continue development of greater | End June 2024 – program to be updated annually   | <p>Asset decision making and funding are directed in areas of greatest need</p> <p>Asset funding gap clearly identified to inform funding</p>  |

| Activity to Achieve Objectives | Sub- Activities  | Target Dates | Outcome   |
|--------------------------------|--|--------------|---|
|                                | <p>levels of asset management maturity</p> <p>Develop and document asset lifecycle strategy for all assets that is supported by the Long Term Financial Plan and Asset Management Strategy</p> <p>Develop asset-based service levels for the existing asset portfolio based on existing service delivery expectations</p> <p>Clearly define roles &amp; responsibilities and formalise asset management functions and systems so that asset management practices are accurately reflected in Council's organisational structure, financial management system and forward modelling/planning</p> <p>Asset management staff training and development</p> <p>Asset Management Planning for Elected Members training through IPWEA</p> <p>Develop procedures and policies that document responsibilities</p> |              | <p>required to adequately maintain and renew all Council assets</p> <p>Asset lifecycles and risks are understood and reflected in the asset strategy an individual asset plans</p> <p>Roles and responsibilities are understood providing greater accountability</p> <p>Procedures and clear and well followed</p> <p>Staff &amp; elected members have the training and skills required for their roles</p> <p>Continuous improvement is embedded into every element of asset management to increase the level of asset management maturity</p> |

| Activity to Achieve Objectives   | Sub- Activities   | Target Dates  | Outcome  |
|--|---|---|--|
|  | <p>for capitalising, commissioning, depreciating and disposing of assets</p> <p>Each major asset class has an adopted improvement plan with specific actions aligning to the Asset Management Strategy</p> <p>Policy and procedure ongoing review and refinement</p>            |   |  |
| <p>Prepare an asset management strategy that provides guidance and direction to improve Council's asset management approach</p>                        | <p>Update the Asset Management Strategy to reflect the Long Term Financial Plan, revised Asset Management Plans and incorporate improvements achieved</p> <p>Update the asset management maturity assessment to inform revision of the asset strategy and improvement plans</p> | <p>End December 2024</p> <p>Annual revision</p>   | <p>Improve resource allocation</p> <p>Increase the awareness of current asset performance/risk</p> <p>Integrate the Asset Management Plans, Long-Term Financial Plan &amp; Resourcing strategy, providing direct alignment benefitting the level of maturity for Integrated Planning &amp; Reporting</p> <p>Improved levels of asset management maturity</p> |
| <p>Review and update the asset management plans for each asset class to determine and direct the optimal life cycle approach for each asset class.</p> | <p>All asset classes reviewed</p> <p>Service levels for assets determined through community engagement and incorporated into asset management plans</p>   | <p>Asset Management Plans reviewed in 2023/24 for Community Infrastructure</p> <p>Remaining plans to be reviewed in 2024/2025</p> | <p>Optimal life cycle determined for assets ensuring asset renewal and replacement plans are accurate</p>  |

| Activity to Achieve Objectives   | Sub- Activities  | Target Dates   | Outcome   |
|--|--|--|---|
|  | <p>Review asset data for accuracy and currency, refining data integrity</p> <p>Undertake planned/scheduled revaluations</p>  | End August 2025  | <p>Agreed levels of service with the community which are then reflected in councils asset management plans and funding strategies</p> <p>Data continues to be improved providing greater accuracy and confidence</p>  |
| <p>Develop a “State of Assets Report” and present to Council to enable discussion between Councillors and management on progressing improvement in asset management and asset renewal planning</p> | <p>A State of Assets Report with commentary for all asset classes that explains “Special Schedule - Report on Infrastructure Assets” in the Annual Financial Statements. (The Report on Infrastructure Assets in the Annual Financial Statements provides valuable information on Councils asset position and a State of the Assets Report will provide more detail, interpretation, and commentary on the state on MidCoast Council Assets)</p> | October 2024   | <p>Improved decision making through improved understanding of the state of MidCoast Councils assets on an annual basis</p> <p>Opportunity to reflect on the result being achieved for asset classes and reconsider the setpoints and targets in the asset strategy.</p> |
| <p>Review developer contributions plans, to ensure that the current contribution levels are able to support the future development costs</p>   | <p>Engagement of expertise to review plans</p> <p>Review of developer contribution plans</p>   | <p>June 2024</p> <p>December 2025</p> <p>June 2026</p> | <p>Revenue applied to asset programs on a timely basis</p> <p>Appropriate contributions from development towards new or</p>   |



| Activity to Achieve Objectives  | Sub- Activities   | Target Dates  | Outcome  |
|---|---|---|--|
|   | Consideration of plans by Council and adoption  |   | expanded infrastructure servicing growth   |
| <b>Objective 4:</b><br><b>Revenue sources are regularly reviewed to align with expenses and agreed service levels</b>   |   |   | Council has adequate revenue to deliver services at agreed levels to the community   |
| Review the pricing for fees and charges and ensure they reflect full cost price for services, as far as it is practical to do so, without impacting significantly on access to services by the community. | Review conducted and considered by Council  | By end June 2024<br>Annual Review                               | Fees and charges maximised while balancing community access to services.   |
| Develop a Property Portfolio Strategy   | Undertake a property portfolio review<br>Identification of opportunities for Council owned property<br>Consideration of business cases<br>Implementation of strategies on individual properties<br>Establishment of a Commercial Property Reserve to manage | Ongoing and reporting through Councils Asset Advisory Committee | Property portfolio actively managed to achieve a sustainable portfolio of properties which funds property management resources and returns funds for other council purposes as determined by Council |

| Activity to Achieve Objectives   | Sub- Activities  | Target Dates  | Outcome  |
|--|--|---|--|
|  | <p>funds generated from commercial property activities. The aim of the reserve is to transition towards a self-funded property portfolio model which over time returns a residual percentage of income back to the General Fund for allocation to priorities determined by Council</p> |   |  |
| <p>Maintain integration of the Annual Budget and Long-Term Financial Plan with the Delivery Program, Operational Plan, Asset Management Plans, Workforce Strategy, and other adopted plans</p>           | <p>Annual Budget and Long Term Financial Plan improvement program.</p> <p>Develop process to update all plans when material decisions are made</p> <p>(This is a sub-component of the Financial Sustainability Governance Framework)</p>   | <p>Annual</p>   | <p>A holistic view of the Council's financial position is available, ensuring that all decisions are made in consideration of long-term financial sustainability.</p> <p>Longer term price paths are modelled for major revenue streams.</p> <p>Increased oversight and accuracy of medium to long-term cash position.</p> |
| <p>Explore all other avenues for operational efficiency, and other revenue sources, before considering a special rate variation application recommended by the AEC Financial Sustainability Review .</p> | <p>All revenue and efficiency opportunities explored</p>   | <p>2024/2025</p> <p>Consider progress on other Financial Sustainability Review recommendations and efficiencies achieved and review this recommendation</p> | <p>Revenue and efficiency maximised and asset information improved before considering a special rate variation application</p>   |

| Activity to Achieve Objectives  | Sub- Activities  | Target Dates  | Outcome   |
|---|--|---|---|
| <p><b>Objective 5:</b></p> <p><b>Generate sufficient unrestricted cash as determined by Council policy</b></p>    |  |   | <p>Council retains a sufficient buffer of cash to meet unexpected events.</p>   |
| <p>Budget for and maintain, at least in the short term, an unrestricted cash reserve of at least \$10 million</p> | <p>Commence development of a Treasury Management Policy to identify parameters for day-to-day cash management balances, restriction usage, reporting etc.</p>  | <p>June 2024</p>  | <p>Sufficient cash reserve contingency for unplanned asset renewals/replacements due to asset failure or other unknown or unplanned events.</p> |
| <p>Implement a monthly reconciliation and reporting process for all external restrictions.</p>                    | <p>Budgeted movements within external restrictions reported to Council via the quarterly budget review process.</p> <p>Investigate options to improve reconciliation and reporting timeframes of external restriction movements.</p> <p>(This is a sub-component of the Financial Sustainability Governance Framework)</p> | <p>2024/25 Ongoing (currently occurring)</p> <p>2024/25 Conduct scheduled review of Restricted Funds Policy and incorporate reconciliation and reporting requirements</p> | <p>Increased transparency and understanding of Restricted fund balances.</p>  |
|   |  |   |   |