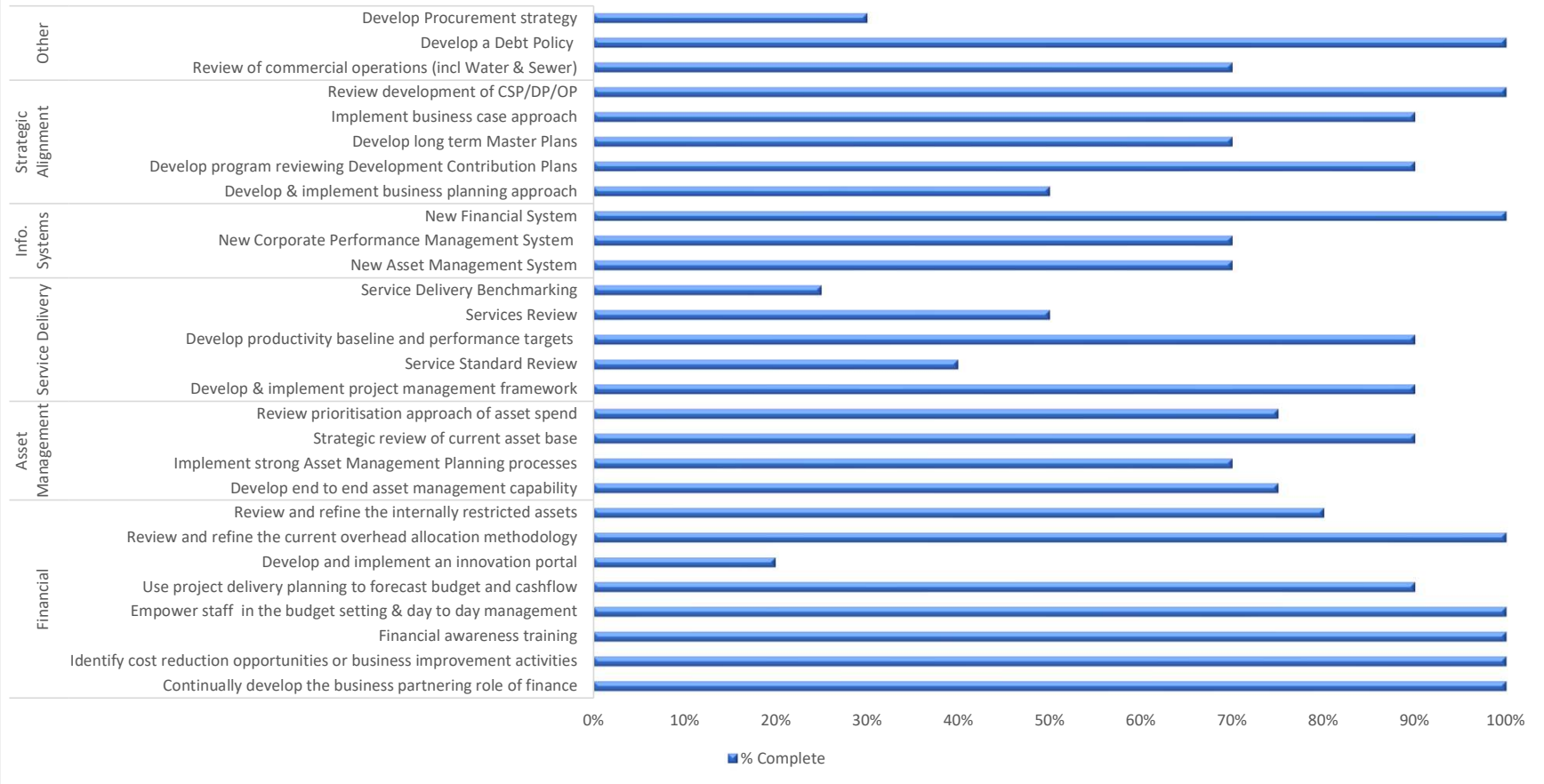


Financial Sustainability Portfolio as at 30 June 2022



Financial Sustainability Portfolio as at 30 June 2022

GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Asset Management	FS05	Strategic review of current asset base	KSC asset base is fit for purpose and aligned to community service requirements. Non core assets are divested and any funds realised are reinvested into core assets	Implementation	90%	In line with the State Government's Integrated Planning and Reporting (IP&R) requirements Council developed a 10-year Strategic Asset Management Plan (SAMP). The SAMP is part of our Resourcing Strategy, along with long-term financial planning, and Workforce Management Planning. The SAMP covers all of Council's major infrastructure classes and includes discussion on key challenges and risks along with financial modelling and Levels of Service (LoS) analysis for each. It documents Council's current level of asset management maturity with strategies for continued improvement across the organisation.
Asset Management	FS06	Review prioritisation approach of asset renewals and new asset construction	New assets are costed on a life cycle basis allowing Council to fully evaluate the investment requirement over the asset life along with the impact on the maintenance & replacement of existing assets. New asset investment decisions also reference community services expectations	Implementation	75%	In developing the SAMP Council was able to leverage improved asset data captured over the last 2 years by using new predictive modelling software. Brightly Predictor was used to model projected asset renewals against planned budgets in the Long-term Financial and show accumulated consequences over a defined planning period. In total, more than 50,000 assets valued at 1.2 billion dollars were modelled as part of the development of the SAMP.
Asset Management	FS13	Develop end to end asset management capability	Better asset management practices have led to improved financial performance, better asset decision making, a decrease in risk, an improvement in service outcomes, and therefore maximising the assets contribution to the community.	Implementation	75%	An Asset Management Steering Committee has been established to oversee and guide the asset management business improvement project. To coordinate and facilitate ongoing change, a new Asset Management Team has been created within the Strategic and Asset Planning Group. The new team has the responsibility to develop, implement, and maintain appropriate business processes and systems to support the ongoing delivery of best practice asset management across the organisation. A number of improvements have been implemented over the last quarter in line with the agreed plan. This has included the completion of the SAMP and building condition audits. Asset registers have been progressively reconciled, validated, and moved into a formalised and protected asset information management system (Assetic).

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Asset Management	FS14	Implement strong Asset Management Planning processes	Asset management planning has reduced costly reactive maintenance, improved works program development, prioritisation and delivery, resulting in improved value for money	Implementation	70%	Council is moving to a formal Asset Management Information System (AMIS) through Assetic, and once fully migrated, the system will assist Council to develop maintenance and works programs based on improved and collated data. Work has progressed on the preparation of Water and Sewer Asset data for migration into the Assetic system.
Commercial Focus	FS07	Review of commercial operations (incl Water & Sewer)	KSC commercial entities operate on a commercial fitting, providing financial returns to Council's General Fund to ease the rating burden on the community	Implementation	70%	A tender has been awarded for the long-term lease of the Kempsey Regional Saleyards achieving an improved financial outcome for Council (\$120k per annum recurring additional revenue). A \$6.3M Bushfire Local Economy Recovery Fund (BLERF) grant has been awarded for the upgrade of Saleyards reducing Council's capital contribution to upgrading this asset in future. Crown Land Holiday Parks achieved the revised profit target for the 2021-22 year of \$2.5M, although this had been revised down slightly from the original \$2.6M target (due to impacts of COVID restrictions and severe and ongoing wet weather). The Council endorsed 10-year concept plans, which include the rationalisation of annual licences and diverse product offerings, are designed to increase revenue earnings from the parks. The holiday park capital improvement program continues to progress and is achieving increased revenue earnings as evidenced with the new cabins at the Crescent Head Holiday Park. A waste services review and long-term strategy options have commenced. A detailed review of Council's property rental procedure has been completed which will achieve rental equity amongst community groups and market-based rental for commercial operators. Renegotiation of 2 x leases have resulted in material income increases (telecommunications tower and Ingenia). Cemeteries Strategy has now been completed which resulted in fee structure being reconfigure to better meet in perpetuity costs. The Water and Sewer business is being assessed through the IWCM (Integrated Water Cycle Management) project.

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Financially Accountable Culture	FS23	Use project delivery planning to forecast budget and cashflow requirements in the financial planning processes to ensure alignment between delivery & cashflow/budget	Project budgets are informed by detailed project planning that articulates the phased delivery and therefore cashflow requirements, allowing project budgets to be phased appropriately, reducing carry overs between financial years.	Implementation	90%	Project prioritisation templates and processes have been developed to prioritise projects against defined criteria including funding. Work continues to improve the forecasting of major project spend. Heavier focus is being conducted on business cases which outline how much is to be spent in the various project stages during the project with increased accuracy. Doing this will enhance short and medium term forecasting and cashflow accuracy and minimise the risk of projects going over budget. The PMO Infrastructure function formed in November 2021 has already started contributing to improved forecasting and business cases.
Financially Accountable Culture	FS27	Review and refine the internally restricted assets currently held to ensure they are reflective of future requirements.	Internally restricted assets have a clear purpose and rational for restriction.	Implementation	80%	Internally restricted reserves have been rationalised to provide a clearer view of cash available for internal use. Council appointed an investment advisory firm to manage the ~\$90M cash investment portfolio. Refer also to FS28 - Debt Management. Work is yet to be conducted to determine Council's optimal working capital/internally restricted funds policy and limits. Currently, General fund has 26% in internally restricted funds which is adequate and is being monitored quarterly.
Information Management Systems	FS11	New Asset Management System	KSC asset management system enables best practice asset management, enabling the asset base to deliver long term value to the community	Implementation	70%	Further system implementation focused on the loading of the remaining General Fund asset classes including buildings, land, and land improvements. Whilst buildings and land were loaded for financial purposes only, land improvements included full configuration of spatial, financial, and asset details. Land Improvements encompasses all the associated assets with the airport, parks & reserves, sports fields, tourist parks, pools, waste facilities, and SES & RFS facilities. In total, more than 3850 assets were configured and loaded.
Information Management Systems	FS12	New Corporate Performance Management System	KSC Corporate performance management system enables best practice performance management, whilst also enabling Council & the community to monitor CSP, LTFP performance, along with DP and OP delivery	Implementation	70%	While a system has been implemented, the scope of reporting is limited to the Operational Plan. A business plan has been approved for a corporate performance management system that will look at Risk, Audit, Integrated Planning and Reporting (IP&R), and Project Management. Implementation of this is expected in the 2022-23 financial year.

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Service Delivery	FS01	Services Review	A suite of services that are well defined, deliverable and aligned to community expectations	Implementation	50%	A project and resources have been approved to drive this initiative forward. Recent changes to the IP&R requirements include that Councils have a continuous program of Services Reviews included in the Delivery Programs and Operational plans going forward. The project is underway. A framework and service list has been developed and pilot service reviews will soon commence.
Service Delivery	FS02	Service Standard Review	A suite of services that are well defined and delivered to an agreed service standard aligned to community expectations	Implementation	40%	Micromex conducted survey of the community relating to levels of importance and satisfaction across 35 services. Results were previously reported to Council. These results will be used to inform the development of the next Community Strategic Plan, and set service levels for the next 10 years. Further work related to this initiative will be included in the project established in FS01 .
Service Delivery	FS03	Service Delivery Benchmarking	Services are continually reviewed to ensure they deliver value to the community	Implementation	25%	Work related to this initiative will be included in the project established in FS01
Service Delivery	FS04	Develop & implement project management framework	Project delivery is predictable and consistent in delivering on time, on budget and quality projects	Implementation	90%	A Corporate Project Management Framework has been rolled out and training conducted. The Project Management Office (PMO) Infrastructure formed in November 2021 has drafted a Capital Project Infrastructure Framework and governance. Monthly project reporting has commenced for infrastructure projects.
Service Delivery	FS18	Develop productivity baseline and performance targets to drive continuous improvement in delivery	Productivity is consistently measured and monitored ensuring services are delivered in the most efficient manner	Implementation	90%	Corporate KPIs have been reported to Council quarterly since July 2020. Improvements are being made in KPI reporting by using repeatable quantitative data instead of the qualitative approach that has previously been taken. Operational performance KPIs have been considered as well, but more work is required across various data collection points to provide meaningful information.
Strategic Alignment	FS08	Develop long term Master Plans	Key asset and service areas have clear long term master plans in place that guide short to medium term decision making, project prioritisation and delivery.	Implementation	70%	Master plans are progressively being rolled out for Council's key open space areas. Work on the Airport Master Plan has commenced - consultants engaged, stakeholder engagement underway and draft being developed. Cemetery Strategy and Master Plans have been developed and endorsed by Council in June 2022. Macleay Valley Coast Holiday Park master plans have been developed and endorsed by Council in March 2021. Other master plans such as South West Rocks Structure Plan is nearing completion, draft to go on exhibition by September 2022.

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Strategic Alignment	FS09	Develop a rolling program of review and refinement of Development Contribution Plans	Developer Contribution Plans are in place, up to date and balance the future costs of asset provision between the existing and future populations	Implementation	90%	Internal audit identified a number of initial findings in relation to Development Contributions Plans (DCPs). A committee has been established to work through these issues. A consultant has been engaged to finalise the draft contribution plan. The DCP draft is being finalised and is to be tabled at the October Council meeting before going out on public consultation.
Strategic Alignment	FS15	Develop & implement organisational wide business planning approach	Annual business planning provides a systematic review of operations, a consistent link between delivery and budget setting / prioritisation along with agreed target setting across the management team.	Implementation	50%	A business plan template has been developed. An organisational wide building block approach is being explored for budgeting and operational plans.
Strategic Alignment	FS16	Implement business case approach	Formal business cases are in use for key investment decisions across both new services and asset construction, identifying benefits, whole of life costs and performance metrics to allow prioritisation by Council	Implementation	90%	A business case template is included in the Project Management Framework, although a whole of life cost model is yet to be developed for both Corporate and Infrastructure projects.
Financially Accountable Culture	FS25	Develop and implement an innovation portal	Innovation is seen as a key attribute across KSC, staff are empowered to identify and nominate improvement opportunities and the improvements are delivering value across the organisation	On hold	20%	Report submitted to ELT to initiate this project. Project is currently on hold.
Procurement Capability	FS19	Develop Procurement strategy	Procurement is a key business partner and is delivering improved supplier relationship management whilst also driving down 3rd party spend	On hold	30%	The focus has been implementing system enhancements driven mainly by the Corporate Business Systems project including a web and phone based procurement system, as well as a web based Contract management and Tender platform. Due to continued resourcing commitments, Council is investigating the option of engaging a consultant to progress this initiative.
Strategic Alignment	FS17	Review development of CSP/DP/OP to ensure better linkages to LTFP & yearly budget	Clear linkages are established between operating unit business plans & budgets through to organisational planning documents including the CSP & LTFP	Complete	100%	This will be undertaken as part of the project to develop the Integrated Planning and Reporting (IP&R) suite of documents for the next term of Council which is due in June 2022. Solid linkages now exist between budgets, the long term financial plan and the combined Delivery Program and Operational plan.

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Debt Management	FS28	Develop a Debt Policy outlining the how debt will be used, linking intergenerational equity and the consumption of assets across the useful life.	The use of debt is understood and accepted by Council and the community as a way of funding long term assets that are consumed by current and future generations, thereby balancing asset costs across generations.	Complete	100%	A review of the use of loan funds versus cash reserves has been undertaken, resulting in Council securing \$26.5M in loans at a competitive fixed rate.
Financially Accountable Culture	FS20	Undertake financial awareness training across the organisation	KSC staff are financially aware, have commercial acumen and are able to make decisions in the best interests of the long term financial health of KSC	Complete	100%	Some initial training was conducted as part of the new system roll out and on other occasions as required. This was followed by Finance and Budget training sessions. Continuous training occurs through the business partnering in the Corporate Performance Department.
Financially Accountable Culture	FS21	Empower staff to have greater involvement in the budget setting & day to day management, using section business plans & AMPs to guide the budget setting process	KSC staff are leading the budget setting process from individual unit business plans which are informed by Asset Management Plans and community expectations	Complete	100%	There has been an increase in the maturity levels of budgeting and financial management. This is embedded in the business now as business as usual with the business partners continuing to support and work with the business on a frequent and recurring basis. The Integrated Planning and Reporting (IP&R) Project is working to achieve closer integration between Asset Management Plans, Budgeting and Forecasting and Workforce Plan. This will ensure we balance the revenue we are able to raise with the cost of work required to maintain our assets and services to agreed standards and ensure we have the required staffing levels to deliver the work.
Financially Accountable Culture	FS22	Continually develop the business partnering role of finance	The KSC Finance team is seen as a key business partner and is supporting and guiding operational units with analytics and decision support information	Complete	100%	Departmental portfolios have been assigned to the two Finance Business Analysts. These roles have fostered closer relationships with business owners to deliver improved budgeting, forecasting and reporting outcomes. Whilst this initiative is complete, continuous improvement has become a part of business as usual.
Financially Accountable Culture	FS24	Implement short term measures to identify waste, cost reduction opportunities or business improvement activities to ease short term financial pressure	Quick win opportunities are identified and realised early to demonstrate early success and assist in funding future improvement programs	Complete	100%	A large number of process improvements have been identified through internal audit and other means. Many of these have been implemented and have also resulted in the elimination of many paper based processes. Opportunities related to this initiative continue to be identified in business as usual activities.

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GROUP	ID	PROJECT	DESIRED OUTCOME	STATUS	% COMPLETE	COMMENTS
Financially Accountable Culture	FS26	Review and refine the current overhead allocation methodology to ensure overhead cost apportionment is accurate & reflective of the true cost to serve of operating units.	Overhead distribution is reflective of the consumption of support services allowing true service costs to be identified and included in community engagement activities.	Complete	100%	Solution implemented.
Information Management Systems	FS10	New Financial System	KSC financial management system enables best practice financial management, accountability and reduces non value add activities	Complete	100%	The core financial system and budgeting application have been implemented and training delivered. The last non-core modules are being implemented.