

Local Government Reform Program - Promoting Better Practice

challenges improvement innovation good governance

REVIEW REPORT

BOGAN SHIRE COUNCIL

OCTOBER 2006



dlg

Department of Local Government

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1. ABOUT THE REVIEW

Review objectives

Promoting Better Practice reviews have a number of objectives:

- to generate momentum for a culture of continuous improvement and greater compliance across local government
- to provide an 'early intervention' option for councils experiencing operating problems
- to promote good governance and ethical conduct principles
- to identify and share innovation and good practice in local government
- to enable the department to use review information to feed back into its work in identifying necessary legislative and policy work for the local government sector.

Reviews act as a "health check", giving confidence about what is being done and helping to focus attention on key priorities.

The results of reviews are analysed and fed back to the elected council, the Director General of the Department of Local Government and the Minister for Local Government.

Review process

The review process was developed after extensive research into council performance measurements in Australia and overseas. There are essentially five steps in a review - preparing, assessing, checking, analysing and reporting.

The process involves a Department of Local Government (DLG) review team evaluating the effectiveness and efficiency of the council's operations and giving feedback. This involves checking compliance, examining appropriate practices and ensuring that council has frameworks in place to monitor its performance. The process does not seek to directly measure the community's level of satisfaction with council and did not canvass public opinion on council.

For this review, Bogan Shire Council was asked to complete a strategic management assessment tool and a comprehensive questionnaire about key council practices. The review team examined council's responses and a range of other source documents prior to visiting council, in order to gain a preliminary understanding of council and the shire.

Two Senior Investigations Officers, Mr Paul Terrett and Mr Richard Murphy, conducted the review.

The on-site component of the review occurred on 24 May 2006 and 25 May 2006. The on-site review involved interviews with the general manager and a range of specialist staff, an interview with the mayor, observation of a council meeting, visits to council facilities/worksites and a more detailed review of a number of council's practices, policies and other documents.

A draft report was sent to council on 27 July 2006 for comment. The council provided extensive comment on the draft report and the review process. A copy of the council's submission of 25 August 2006 has been included in the report.

The final text of this report was revised after consideration of council's submission. The report seeks to focus council's attention on key areas for improvement. A number of recommendations included in the draft report have been amalgamated into a smaller number of more broadly focussed recommendations. Others have been deleted because council has already considered them when it examined the draft report. Some less significant issues requiring council's attention referred to in the body of the report but not made subject of specific recommendations.

This report details the review's findings, recommendations and council's response. The department expects council to formally respond to the review process, to prepare an action plan to address agreed issues and to provide progress reports on the implementation of the action plan.

2. EXECUTIVE SUMMARY

It is not surprising that a comprehensive review process such as this has identified many areas where council needs to improve its performance, as well as areas in which the council is performing well.

In regard to the need for improvement, it should be acknowledged at the outset that council was already aware of many of those areas prior to the review and there is evidence of a change program being implemented to address those areas.

The council has already commenced a strategic planning process, which appears to be comprehensive and well thought out. This process should provide a sound foundation for the required improvements in its management planning and enhance council's ability to monitor its performance.

Council needs to critically review the content and format of its management plan and ensure that the draft plan for 2007 - 2010 addresses the concerns raised in this report. In doing so it should ensure the management plan lists and accurately describes the actual activities council intends to undertake in each of the next three financial years, and ensure detailed information is provided about the next year's activities.

There are some other governance issues that council needs to address. Council needs to pay particular attention to risk management. There is also a need for council to develop and implement better records management practices. Again, this was an area that had already been identified by council prior to the review. At the time of the onsite review the council had organised a visit to another council as a way of showing staff what was possible and required. Council has also indicated it has committed training resources to this important issue.

The council makes extensive use of delegated authority to efficiently deal with development applications. Council has also recognised the need to allocate additional resources to the enforcement of key regulatory functions. Both these decisions are commendable.

There is scope for council to improve its performance in the way it approaches its environmental responsibilities. Particular attention needs to be paid to council's state of environment reporting and to increasing awareness of its charter and to manage the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development.

The council, having regard to its relatively limited resources, has made a significant commitment to community development and provision of related services. It has a full-time community development officer and a current and comprehensive social and community plan. It auspices a mobile pre-school, has made a significant investment in the provision of a new library and has accepted it has an advocacy role aimed at securing the provision of services in the area by other tiers of government.

However, the council would benefit from reviewing how it includes the community in its processes. Its current approaches lack rigour and integration. It will be important that council engages with the community as it sets council's priorities for the future and implements any changes it sees as necessary. In council's response to the draft report it makes the point that it has taken the initiative to increase consultation and the level of community involvement.

Council needs to develop its website as a key conduit for communicating with its community. It is important that it leverages this investment by promoting the site in the community. Currently the website is badly out of date.

Council's financial position is somewhat uncertain given the lack of reliable information it has about the condition of its assets and the infrastructure it is responsible for. The work that council is currently undertaking to update its asset register and its stated intentions to do condition assessments and update valuations will assist it in developing a long term financial plan.

The section of the report on council's workforce relations practices makes a number of suggestions and notes the recent work undertaken on council's policy and procedure for the recruitment and selection of staff, which is commendable.

Many of the challenges raised in this report are identical to those being faced by other councils. While the council is working co-operatively with its neighbours, there remains scope for the council to learn from other councils and to re-think how it delivers certain services. The review team encourages council to consider developing a sister city relationship with a large city council, to develop professional and cultural ties. Council should also identify what areas it is doing really well and consider the opportunities offered it providing services in these areas for neighbouring councils.

It is clear from council's response to the draft report that it found the review process somewhat confronting. However, it is admirable that council has acknowledged that this report provides good information on gaps in policy and practice that need to be addressed and that it will use this information as part of its existing program aimed at improving governance.

The development and monitoring of an action plan to address the recommendations contained in this report will provide the council with the opportunity to help ensure it achieves the changes it is seeking to make and in doing so, help ensure it meets the ongoing expectations of the Government and its community.

3. RECOMMENDATIONS

AMBITIONS, PRIORITIES AND FUTURE FOCUS

1. Council should ensure that its current strategic planning process considers the need to rationalise assets, sharing resources with other councils, the potential to provide certain services to other councils to achieve economies of scale and the outsourcing of services that others (including other councils) may be able to provide more efficiently.
2. Council should prepare a long-term strategy to meet current and future needs for older people in its community. Priority actions should be determined on an annual basis and incorporated in council's management plan and budget.
3. Council should consider the costs and benefits of various approaches to the use of information technology (IT) and document its considered position in an IT strategy.

GOVERNANCE

4. Council should critically review the content and format of its management plan and ensure that the draft plan for 2007- 2010 addresses the concerns raised in this report.
5. Council should review the statutory reporting requirements and ensure that future annual reports are fully compliant. It also needs to include more detail and provide a range of meaningful qualitative and quantitative data.
6. Council should investigate commissioning a regional State of the Environment report in conjunction with other councils.
7. Council should develop and implement a risk management plan. In doing so, it should develop and adopt a policy to facilitate legislative compliance, consider an internal audit process and incorporate a disaster recovery and business continuity plan.
8. Council should revise its internal reporting policy (for the making of protected disclosures).
9. Council should revise its purchasing and tendering policies.

10. Council should develop a statement of business ethics.
11. Council should set up a gift register and adopt a policy/procedure for declaring gifts and benefits.
12. Council should consider changing the location of its meetings to a place that is more accessible to the general public.
13. Council should ensure all of its section 355 committees have a constitution or charter setting out their membership, functions and delegations. Committees that carry out functions on behalf of council should be provided with procedural or operational manuals.
14. Council should amend its section 252 policy to ensure that it covers all facilities provided to councillors.
15. Council should make changes to its record keeping practices, to facilitate compliance with the State Records Act, to ensure that its record systems support the needs of the organisation and to facilitate community access.
16. Council should prepare a Summary of Affairs and implement an internal control mechanism to ensure that it is submitted for publication in the Government Gazette by the due date.
17. The general manager should identify what council resources are currently used by staff for private purposes, review the adequacy of council's policies and procedures covering such usage and review the charges for such use.

REGULATORY FUNCTIONS

18. Council should use the review of its LEP as an opportunity to ensure that council's land use and other infrastructure planning is integrated with council's strategic plan.
19. Council should consider adopting a section 94 contributions plan. Council should also consider using planning agreements to ensure developers contribute to the provision of infrastructure required as a result of their development.

20. Council should review its plans of management of community land and ensure the plans are appropriate for the current use of the community land covered by the plan.
21. Council needs to ensure that it inspects food outlets and hairdressing salons at least annually and high-risk operations more frequently.
22. Council should provide information to the public on how to report alleged breaches and non-compliance.
23. Council should prepare and adopt a companion animals management plan.

ASSET & FINANCIAL MANAGEMENT

24. Council should prepare a long-term financial plan.
25. Council should review its water pricing so that it can move towards achieving a breakeven position.
26. The general manager should arrange for a project plan to be developed and implemented for the updating of council's asset register, the completion of condition assessments and the updating of asset valuations. Implementation of this plan should be monitored by the general manager and reported to council on at least a quarterly basis.
27. Council should use the updated information on its assets to develop a long-term asset management strategy, it should adopt a total asset management policy, and prepare and implement an assets management plan.
28. Council should develop and adopt a more comprehensive road hierarchy to guide the allocation of resources and to provide a benchmark against which council can measure its performance in maintaining roads.
29. The general manager should determine the current status of the Water and Sewerage Strategic Plan being prepared by the Department of Commerce, take appropriate action to expedite the finalisation of the project and provide a report to council on the action taken and the likely time frame for completion and implementation of the plan.

COMMUNITY & CONSULTATION

30. Council should take action to develop and implement a communication strategy. In doing so, it should determine the role of its website, the information that is to be provided on the website and improve the quality of the information available on its website.
31. Council should adopt a “guarantee of service” and/or “request for service policy”. These documents should be readily available and promoted.
32. Council should develop a single organisation wide system for recording customer service requests and the action taken to address them. It should use the data recorded in such a system for reporting on and improving its level of service.
33. Council should develop a complaint handling procedure that ensures that complaints are recorded, brought to senior management’s attention and most importantly, addressed in a timely manner.
34. The general manager should report to council on the effectiveness of its section 355 committees having regard to the issues raised in this report.
35. Council should review the effectiveness of council’s recent consultations with the community in relation to the draft management plan.
36. Council should prioritise the actions arising from its social and community plan and ensure these priority actions are explicitly referred to in the annual management plan.

WORKFORCE RELATIONS

37. Council should consider documenting a long-term workforce plan as part of the strategic planning process.
38. Council should take action to ensure that all positions in the organisational structure have a current job description.
39. Council should review the application of its salary system progression rules, in conjunction with its consultative committee, to determine whether the rules are being complied with and whether they can be improved.
40. The general manager needs to ensure that council’s consultative committee meets on a regular basis.

41. The general manager should undertake a review of the current arrangements for providing vehicles to council staff and report on the review to council.
42. Council should review and revise its EEO policy and prepare a new EEO plan having regard to section 345 of the Act.
43. The general manager should arrange for more rigorous checking of compliance with council's recruitment policy prior to approving appointments.
44. The general manager needs to ensure the occupational health and safety committee meets more frequently and regularly.
45. The council needs to develop a system that ensures that workplace hazards are documented, promptly brought to the relevant manager's and the general manager's attention and most importantly, addressed in a timely fashion, having regard to the potential risk of the hazard.
46. The general manager should take immediate action to address the hazards that have been identified at council's waste management facility.
47. The general manager and the OH & S committee should review the status of council's employee safety handbook and determine whether it is still current and required.
48. The general manager should arrange for the preparation of a training plan as required by the Local Government (State) Award.
49. Council should develop a policy and procedures to deal with grievances in the workplace.
50. Council should prepare and adopt a secondary employment policy.

4. CONTEXT

Bogan Shire has an area of 14,610 square kilometres, equivalent to about 1.8% of the State's land surface. The geographical centre of the State lies within the shire's boundaries. It has an estimated population of 3220. Nyngan is the only town in the shire. It has an estimated population of 2500. Nyngan is located on the Bogan River at the junction of the Mitchell and Barrier Highways.

The shire has productive agricultural land for sheep and cattle production and large scale cropping enterprises.

Between 2005 and 2022 the population of Bogan is projected to decrease in size from its current estimate of 3,220 to around 2,566 (-18.1%). At the same time the percentage of its population that is 65 or over is forecast to grow substantially.

The shire is experiencing a protracted period of drought. This has placed economic pressure on the agricultural sector and the area generally.

A new mine opened in the shire in 2003. The development and operation of the mine has provided employment and much needed diversification to the area's economy. The mine has an expected life of another 10 years. While there is some prospect that further economic reserves will be found, council needs to be mindful that this is not certain.

As a rural shire, the shire's road network is of prime importance and this priority is clearly reflected in the percentage of council expenditure allocated to road maintenance.

The current general manager has been with council since 2003. The Engineering Services Manager and the Corporate Services Manager have both been with council for less than 12 months. Such significant changes to the senior management of the council provide a fresh perspective. Their arrival also comes with some inherent costs such as the loss of the corporate knowledge held by the previous incumbents and the need for the new managers to become acquainted with the shire. Comments

on the current state of council operations need to be considered having regard to these recent changes.

5. AMBITIONS, PRIORITIES AND FUTURE FOCUS

The review assessed the clarity of council's strategic direction and whether council plans reflect a shared and realistic vision.

It is commendable that council has commenced developing a framework for strategic decision-making and has completed strategies in such areas as tourism, economic development, building maintenance and plant replacement. Strategic projects in the early stages of implementation include integrated water cycle management, a drought management strategy and an emergency risk management strategy.

Council has contracted a consultant to facilitate the strategic planning process. It is important that the current strategic planning process considers the need to rationalise assets, opportunities to share resources with other councils, the potential to provide certain services to other councils to achieve economies of scale and the outsourcing of services that others (including other councils) may be able to provide more efficiently. **(Recommendation 1)**

In making this recommendation it is acknowledged that economies of scale will not exist in relation to some areas of council operations, due to the shire's area and location. However council should, as a minimum, examine opportunities to obtain resources and/or use facilities from other regional councils in the areas of waste management, internal audit, information technology, financial modelling, organisational development and asset management planning.

The review team encourages council to consider developing a sister city relationship with a large city council, to develop professional and cultural ties.

It is acknowledged that council is involved in the development of the Western Councils Land Use Strategy and that it is a member of Orana Regional Organisation of Councils and the Western Alliance. Council indicated in its response to the draft report that it already shares resources and will continue to explore opportunities with these two bodies.

Need to plan for an ageing and declining population

One of the major strategic issues the council needs to address is the changing demographics of its population. Between 2005 and 2022 the population of Bogan is projected to decrease in size from its current 3,132 to around 2,566 (-18.1%). Its youth and working age populations are projected to decline in size while its elderly population will grow substantially.

With 14.8% of residents currently aged 65 or over, council is NSW's 74th oldest local government area. By 2022 it will be its 49th oldest. The population currently aged 65 or over is projected to grow to 37.3% by 2022. Bogan's population aged 85 and over is projected to almost double in proportion from 1.8% to 3.3% of the population. The impact on the demand on services, facilities and infrastructure of these changes will be significant. They will impact on virtually all aspects of council's operations.

The Local Government and Shires Associations have produced a report "*Planning the local government response to ageing and place*". This paper is intended to offer a framework to assist Councils to begin to plan for the population ageing unique to their area by:

- providing information on what is happening with general population trends and access to population projection information for each local government area
- providing information on the existing and likely diversity amongst older people
- providing evidence on what population ageing means for all roles that councils performs
- encouraging councils to examine their numbers and proportion of older people and their rate of population ageing, in conjunction with the evidence on impacts, to identify what roles they may need to change and when

The department encourages councils to use this paper in its planning process.

Given council's ageing population is increasing at a significant rate, council needs to consider ways to raise the awareness of this issue across all sections of council. Building upon strategies in its Social and Community Plan and using the Ageing and Place Framework developed by the Local Government Associations, council should

prepare long term strategies to meet current and future needs of older people.

(Recommendation 2)

Priority strategies should be determined on an annual basis and incorporated in council's management plan and budget, the business plans of each section and the work plans of individual officers. Progress in relation to these priorities should be reported on a regularly basis via the performance appraisal system and management plan reports as well as annually in council's Annual Report.

Shrinking workforce

Currently Bogan has a labour market "entry : exit ratio" of 0.9, meaning that it has around 9 people at labour market entry age (15-24 years) to every 10 people approaching retirement age (55 – 64 years). The ratio is expected to be 0.7 by 2022. This change in the labour market will place additional pressures on the economic development of the area. It is important that the council and businesses in the Shire consider this issue in their forward planning.

IT Strategy

The council recently reviewed its need for information technology infrastructure and how the need would be funded. However, it is apparent that the council has not adequately considered its overall information technology strategy. That is, it does not appear to have formed a considered view as to the extent that it will make use of information technology across the organisation and in the delivery of services. A well-developed IT strategy would inform council's decision making in relation to the purchase or lease of IT infrastructure. It is recommended that the council consider the costs and benefits of various IT options when developing its strategic plan.

(Recommendation 3)

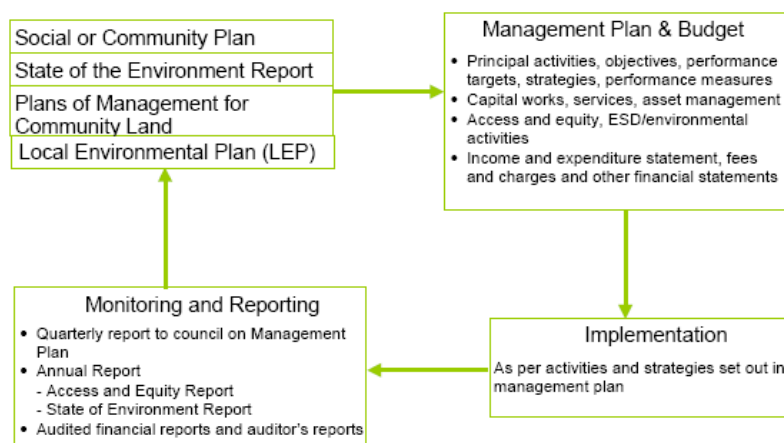
Need for an integrated planning and reporting framework

A whole of council management approach is essential for the council to obtain the best value from its resources. "Whole of council" means understanding and co-ordinating the relationship between all of the council's functions, as part of the planning and operational processes. No council function can be carried out in isolation from its other functions.

Council will need to consider how it is going to integrate the results of the seven strategic planning workshops with its existing plans such as the Social and Community Plan and the Economic Development Plan.

Figure 1 provides an example of the sources and processes that a council may use to achieve a “whole of council” strategic management approach.

Figure 1: Factors to be included in whole of council approach to Management Planning¹



The inclusion of a chart or list of all plans as an appendix in the management plan can be useful as a simple first step to ensuring that the need for a integrated approach is not forgotten. This should be considered when addressing Recommendation 4, which relates to the content and format of council’s management plan. This is discussed in the next section of the report.

Summary

The council is to be commended making the commitment to the strategic planning process and for being willing to face the challenges that are inevitably identified by a sound planning process. In twelve months time, the council should know a lot more about itself and the emerging challenges it needs to address. While many of the changes will be initially difficult to implement, they will ultimately prove beneficial. Since joining the council in 2003, the general manager has initiated some significant changes to council’s operations. The elected council appears to have been generally supportive of these changes and the organisation is now in a state of transition.

¹ NSW Department of Local Government Discussion Paper - Integrated Planning And Reporting. 2006

6. DELIVERING AND ACHIEVING

This part of council's assessment focussed on five key areas:

- Governance
- Regulatory Functions
- Asset and Financial Management
- Community and Consultation
- Workforce Relations

The review considered council's statutory responsibilities and looked for evidence of good or better practice. The review team looked for:

- capacity and systems to deliver performance improvement;
- defined roles and responsibilities and accountabilities;
- delivery through partnership;
- modern structures and processes;
- strong financial management;
- resources follow priorities;
- use of performance information;
- risk managed appropriately;
- exposure to external challenge.

6.1 Governance

“Corporate governance refers to all the means by which entities are directed and controlled.” (Standards Australia, HB401-2004:12) Corporate governance is important because it enhances organisational performance; manages and minimises risks; increases the confidence of the community and the local government sector in the organisation; ensures that an organisation is meeting its legal and ethical obligations; and assists in the prevention and detection of dishonest or unethical behaviour.

The review considered a number of specific processes including:

- *Management planning*
- *Annual Reporting*
- *State of Environment Reporting*

- *Meetings*
- *Internal reporting*
- *Pecuniary interest returns*
- *Risk management and internal control*
- *Records management*

Management plan

Each year council is required to prepare a draft management plan with respect to its activities for at least the next 3 years and its revenue policy for the next year. Sections 403 and 404 of the Local Government Act require certain particulars to be included in council's draft management plan. The review team examined council's draft Management Plan for 2006/2009.

The positive attributes of the plan include the general manager's foreword, which provides context for the plan and explains its structure. The general manager's foreword could be improved by highlighting the new initiatives being considered by council. For example, the foreword could have drawn attention to the very significant strategic planning work the council is going to undertake in 2006/2007. An alternative to doing this would be to include an "executive summary".

The plan is divided into four logical sections, being "Strategic Direction", "Statement of Principal Activities", "Statement of Revenue Policy" and the "2006/2007 Draft Budget".

Council's strategic direction has already been dealt with earlier in this report so will not be discussed here in detail. However, we feel it is important to acknowledge the inclusion this year of a sub-section detailing "Council Performance Principles" as good practice. There are significant benefits that can arise from having a set of agreed principles.

There are three sets of principles listed. Those adopted by councillors, those adopted by managers and a set of workplace principles to guide employees as to council's expectations. These principles as a whole provide an excellent foundation for development of a positive organisational culture, which recognises the different

but complementary roles of councillors, the general manager, council employees and the community.

Council can improve its management plan and get more value from it by including more clarity and detail about to what the council is planning to do. Why is the detail important? Firstly because the Act and Regulation require more detail than council provides. The requirements are set out in Chapter 13 of the Act and Part 9 of the Regulation. The Promoting Better Practice Management Plan Checklist (available for download on the department's website) will assist council in ensuring all statutory requirements are addressed.

The inclusion of more detail will assist the management plan achieve its primary purpose of facilitating accountability. It will also assist in making consultation with the community more meaningful.

For example, we have already mentioned the absence of information in the management plan about council's intentions in relation to strategic planning. This major project should be included in the management plan with appropriate, time specific key performance indicators. Doing so, will afford the community the opportunity to know what council is doing and give the council and the community the opportunity to use the quarterly review process to assess how council is performing.

As council will be well aware, the general manager is responsible for the day-to-day management of council. Including more detail in the plan will provide a better basis for the elected council to communicate clearly what it expects and facilitate more meaningful reporting.

The plan should include a description of how it was developed. This allows the quality of the planning process to be scrutinised and improved over time.

A range of both quantifiable and qualitative performance targets and performance indicators should be included for each of the principal activities. Council should avoid the use of subjective terms such as "quality" and "high standard" and should replace them with an explicit description of what it means by the terms.

When describing targets, terms such as “minimise” should be replaced with an explicit numerical target. Baseline data should be included where council proposes to set a percentage target for change.

The proposed revenue and expenditure for each activity should be included with the description of the activity, as well as in the consolidated budget.

The plan does not make it clear what the council plans to do and achieve in 2006/2007 (as distinct to the following two years). While the general manager’s foreword states that the plan includes “broad proposals for the following two years” the nature of these proposals is not apparent.

The section of the plan that is supposed to describe the activities to be undertaken to implement its equal employment opportunity management plan does not do this. It does refer to council’s EEO plan but there are no clear descriptions of what the council intends to do to implement the plan in the coming year. The text in this year’s draft plan is identical to last year’s. The plan they both refer to was developed and adopted in 1994. Council clearly needs to review the 1994 plan. This issue is discussed further later in this report.

The description of council’s human resources activities is also the same as last year’s. The description does not appear to be an accurate reflection of what the council intends doing in this area.

Council is required to consider its most recent State of the Environment (SoE) Report when developing the management plan and apply the principles of ecologically sustainable development. However, there is no evidence to indicate that it has done so. In fact, there is no mention of the SoE report at all in the management plan.

The plan does not include a statement with respect to proposed council activities in relation to access and equity activities in the area, even though it uses the term “access and equity” extensively throughout the plan. The inclusion of such a

statement and reference to priorities drawn from the social and community plan is a statutory requirement.

In summary, the review team recommends that council critically review the content and format of its management plan and ensure that draft plan for 2007 - 2010 addresses the concerns raised in this report. **(Recommendation 4)**

Annual Report

The Act requires a council to prepare an annual report within 5 months of the end of the financial year, as to its achievements with respect to the objectives and targets set out in its management plan for that year. The Act and Regulation stipulate what must be included.

As with the management plan, the report includes a general manager's foreword. It is very informative.

The most fundamental area for improvement in council's annual report is reporting of outcomes with respect to the objectives and targets set out in its management plan. As indicated previously, council's management plan lacks clear objectives and targets and therefore it is not surprising that its annual report is deficient in this regard.

Generally, what is required is more detailed information and the inclusion of a range of qualitative and quantitative data so that the readers can satisfy themselves that an outcome has or has not been achieved. Many of council's outcomes are reported with the statement "being achieved".

For example, the annual report refers to a sewerage strategy that is described as "satisfactory disposal of discharges from oxidation ponds". The performance indicator was "complaints minimised". The outcome is described as "being achieved". There is no mention in the report of the problems the council has had in relation to algal blooms and the concerns raised by the DEC. The performance criteria is very narrow i.e. it only related to complaints. Without knowing how many complaints were made, it is not possible to know whether they were minimised.

In relation to the processing of development applications, the report states that the performance indicator was “turn-over with 10 working days”. When reporting an outcome, there is no indication as to whether this was achieved or not. Instead, the outcome is described as “more rigorous procedures are being implemented to improve the outcome”. It is important that outcomes are reported clearly and relate to the relevant performance indicator.

Council is required to include a copy of its audited financial reports in its annual report. The 2004/2005 report contains such an appendix but not all the required reports are included. The council should ensure that future annual reports include the entirety of the audited reports and a copy of the audit certification.

The council is required to include a statement in the annual report of the action taken by council in complying with the requirements of the Privacy and Personal Information Protection Act (PPIPA). While the annual report states council adopted the model plan in 2000, it does not indicate whether the council took any action in 2004/2005 to implement that plan. This year council should report on the review it undertook and any other action it takes in relation to complying with the Act’s requirements.

The annual report is required to report on the provision of facilities to councillors. There is no reference to the provision of a motor vehicle to the mayor.

The annual report refers to council having a training plan. However, the council informed the review team that it does not have such a plan (even though it is required to have such a plan).

The inadequacies of council’s EEO Management Plan are discussed later in this report. Given these inadequacies, it is not surprising that the EEO information in the annual report could be better.

Council should review the statutory reporting requirements and ensure that future annual reports are fully compliant, include more detail and provide a range of qualitative and quantitative data. **(Recommendation 5)**

State of the Environment Reporting

Since 1999 councils have been required to report on the state of the environment in their area through State of the Environment (SOE) Reports. The reports must address 8 environmental sectors and include major environmental impacts and related activities within the local government area.

The Local Government Act requires councils to prepare a comprehensive report the year following each council election and to provide a supplementary report in each of the intervening years. The report must identify any new environmental impacts since the council's last report and update the trends that are important to each environmental sector.

The department has issued guidelines that emphasise the need for the involvement of the community (including environmental groups) in monitoring changes to the environment over time. The guidelines suggest that councils consult their community through State of the Environment working groups. This is not apparent in the current SoE report.

The council's SoE report mentions each environmental sector but lacks detail. There are no performance indicators and no trends. There is no explicit link between the SoE and the management plan. The environmental activities in the management plan primarily relate to the provision and maintenance of infrastructure rather than being plans for the stewardship of the environment.

Council should ensure its SoE reports include a summary of issues and future directions or actions that are to be addressed and referred to in council's management plan. There needs to be clearer integration between this report and actions to be taken in the management plan. A summary of future actions could provide a clearer reference point for actions in the management plan.

In addition future reports need to discuss gaps in information and data (or identify if there are none) and identify community consultation that has taken place in preparing the report and implementing the projects.

Given its limited resources, council should investigate commissioning a regional State of the Environment report in conjunction with other councils (perhaps based on the main catchment area) (**Recommendation 6**)

Pecuniary interest returns

The Local Government Act, Chapter 14, sets out the parameters that must be adhered to when councillors and staff have a conflict between their public duty and private pecuniary interests. The Act also requires councillors and designated staff to lodge disclosures of interest returns. Part 8 of the Regulation prescribes the information required to be included when lodging returns.

The review team examined the most recent returns and found their completion to be generally of a good standard. However, we suggest council review its administrative processes for the completion of disclosure of interest returns, to ensure that they accurately reflect signing and lodgement dates. Council could provide all councillors and designated staff with a copy of departmental circular 04/16 and the recent Pecuniary Interest Guidelines to assist them in completing their returns.

Risk management and internal control

Risk management is about the systematic identification, analysis, evaluation, control and monitoring of risks. Councils are exposed to a wide range of risks as a consequence of their diverse functions. It is important that council's manage their risk exposure.

While risk cannot be entirely eliminated, councils should aim to establish a risk aware culture. Council indicated in its draft response to the review that it has been developing a culture that encourages and supports risk management.

Councils need to continually work towards establishing structures, processes and cost effective controls that reduce the council's risk profile. In doing so, councils of course need to be mindful that there should be a balance between the cost of managing risk and the benefits expected from engaging in an activity that has inherent risks.

One aspect of effective risk management is ensuring legislative compliance. To facilitate compliance with legal requirements, councils and their senior staff should ensure that:

- management commitment to compliance is clear and unequivocal,
- the legal requirements which apply to each activity for which they are responsible are:
 - identified (including updates reflecting changes to the law), and
 - documented (preferably in detail, but as a minimum by reference to relevant provisions),
- staff are aware of where/how council's current policies and procedures can be accessed;
- all staff are kept fully informed, briefed and/or trained and reminded of the key legal and policy requirements relevant to their work,
- staff are made aware of the potential repercussions of non-compliance with legal requirements that apply to them and council, and
- record-keeping systems and practices that capture evidence of compliance and non-compliance are in place.

Council should keep these issues in mind as it implements the recommendations of this report.

Internal audit and control provides for systematic scrutiny of an organisation's operations, systems and performance. It assists in ensuring that service standards are met, data records are accurate and complete, and established procedures are being followed. Council does not have an internal audit committee or an internal audit plan. An internal audit committee and/or an internal audit could assist the council in ensuring that it has adequate internal controls.

The development of internal audit processes is also important as council does not appear to have undertaken any fraud risk assessment. Nor does it have a fraud control policy or strategy. Changes to the Australian Auditing Standard 210 (AIS210) now require all external auditors to obtain a written representation from management that the organisation has systems to deal with fraud risks.

Council does not have a disaster recovery and business continuity plan. The need for such a plan is obvious in light of the severe flood experienced in Nyngan in 1989.

It is recommended that council develop and implement a risk management plan. In doing so, it should develop and adopt a policy to facilitate legislative compliance, consider an internal audit process (possibly on a shared basis or on a contracted basis) and incorporate a disaster recovery and business continuity plan.

(Recommendation 7)

Protected Disclosure

Council does not have an adequate process in place to assist councillors and staff with disclosures under the Protected Disclosures Act 1994. Council should develop a new process that facilitates such reporting and which provides the requisite protection and information for councillors and staff. **(Recommendation 8)**

Procurement and Tendering

The council's existing purchasing policy does not provide sufficient transparency in the decision making process. It does not deal with a range of key issues such as contract splitting, preferred supplier agreements, payment procedures, conflicts of interest, risk management, value for money, ethical standards and environmental principles.

The current policy sets criteria for purchase of goods and services of less than \$5000; \$20,000; \$50,000; \$150,000; and above \$150,000. The policy mandates the calling of tenders for those exceeding \$100,000 but less than \$150,000.

The tendering policy (adopted April 2006) sets out the provisions of the Local Government Act 1993 and Regulation. However, it does not address other important matters including the ethical principles to be adopted, negotiations, contract splitting, tendering methods, documentation, evaluation, carrying out a formal risk assessment for tenders. Importantly, it does not adopt the principles established in the ICAC tendering guidelines.

The purchasing and tendering policies need to be revised having regard to the aforementioned issues. **(Recommendation 9)**

Statement of business ethics

Council has business relationships with the private sector but does not have a statement of business ethics to guide these relationships. This is important because strong working relationships with the private sector are an essential part of building an efficient and cost-effective public sector. A statement of business ethics can be an excellent tool for raising private sector awareness of public sector values. **(Recommendation 10)**

Gifts register

Council has adopted a code of conduct that provides some information on the procedures to be followed by staff and councillors in relation to gifts and benefits. However, the council does not have a gifts register. It is recommended that the council facilitate compliance with the code of conduct by creating the required register and by adopting a policy/procedure for declaring gifts and benefits. Council should review the ICAC publication, *Gifts, Benefits or Just Plain Bribes (1999)* when preparing the policy. **(Recommendation 11)**

Council meetings

A member of the review team observed part of a council meeting during the onsite review. We also reviewed council's code of meeting practice, business papers and minutes. The main concerns identified relates to the accessibility by members of the public to attend meetings and the location/layout of the council chamber.

As a general rule, meetings of the council and its committees are required to be open to the public. Where council determines that a matter should be dealt with in confidential session, sections 10A to 10D of the Local Government Act 1993 outline the requirements for closing meetings.

At the time of the onsite review, the grounds for closing the meeting as contained within section 10A(2) of the Act were not being stated in the minutes as required under section 10D(2). Specifically, the information required by section 10D(2)(a) and

(c) was not included in the grounds. The council has subsequently amended its practice.

In deciding whether or not a matter should be discussed in closed session, council should ensure that it applies the public interest test as required by section 10D of the Act. The general manager can help facilitate this by ensuring that reports discuss why he considers that dealing with the item in open session will not be in the public interest. A full explanation is required.

Council uses a projector to display each council resolution at the front of the council meeting. This facilitates transparency and facilitates the councillors being clear on the motions they are considering. It is a good practice that other councils may wish to emulate.

The current configuration of the council chamber is not conducive to the public attending. It is located on the first floor of the building at the back of the office area and up stairs. There are very few seats for the public and limited business papers available. While the small chamber does offer some advantages in terms of councillors being able to readily communicate with each other, council should consider a location that is more accessible to the general public and persons with a physical disability. **(Recommendation 12)**

It is understood that the council chamber is used relatively infrequently. Given this, council should consider meeting at a venue that can be readily used for other purposes when not being used for council meetings.

Section 355 committees

Council has a number of section 355 committees. These committees provide an opportunity for community involvement and can be an effective way of delivering services. The council has advised that three of its committees have constitutions.

It is important that all of the committees have a constitution or charter setting out their membership, functions and delegations. Procedures or operational manuals should be provided to those committees that carry out functions on behalf of council.

(Recommendation 13) This will help ensure that they carry out those functions in a proper manner. It is also suggested that council provide adequate training for committee members in relation to their relevant area.

Section 252 policy

All councils are required to annually adopt a policy on the payment of councillors' expenses and the provision of facilities to councillors pursuant to section 252 of the Act. A council must not pay any expenses or provide any facilities otherwise than in accordance with its section 252 policy. Councils are required to report on the expenses paid and the facilities provided in their annual report. Council has a section 252 policy.

The review team noted that the mayor is provided with a council car and use of an office (albeit one that is very modest by any standard). Both these items fall within the province of facilities and therefore should be included in the section 252 policy. However neither is. It is noted that the council does have a separate policy on the provision of the motor vehicle but this is not what the Act requires. Council should ensure that it amends its section 252 policy accordingly and reports on the provision of these facilities in its annual report. **(Recommendation 14)**

Records management

The State Records Act 1998 requires councils to make and keep full and accurate records of their activities. It also requires councils to establish and maintain a records management program that conforms to best practice standards and codes. The review identified several opportunities for council to improve its record keeping

practices. The council appeared to have an awareness of a number of these prior to the review and was proposing to take appropriate action.

Council does not have a records management policy. It clearly needs such a policy and detailed procedures to facilitate compliance with the State Records Act and to meet its operational business needs.

Various sections of council maintain separate record systems, some paper based and others electronic. Council should ensure that its records management systems are integrated and provide training to relevant staff (including all “indoor” staff) on records management and the need to comply with the State Records Act.

Council currently archives its documents at the council depot. Council should review whether this arrangement affords an adequate level of security. Council may wish to consider a group archive with other councils to ensure a secure repository is maintained.

A good records management policy should incorporate information about, and procedures for, community access to records under section 12 of the Local Government Act. While the Act provides for access, it is important to note that the Act also imposes an obligation on the Public Officer of council to assist people gain access. A well-written policy and straightforward procedures can be a practical way of assisting the public gain access.

Council should make the required changes to its record keeping practices, to facilitate compliance with the State Records Act, to ensure that its record systems support the needs of the organisation and to facilitate community access.
(Recommendation 15)

Privacy management

The Privacy and Personal Information Protection Act 1998 (“PPIPA”) provides for the protection of personal information and for the protection of the privacy of individuals. Section 33 of the PPIPA requires all councils to prepare a Privacy Management Plan. Council adopted the Model Privacy Management Plan in 2000. The model plan provides for regular reviews. Council states it reviewed the plan in 2005. While

we did not examine the scope or outcomes of this review, council needs to consider whether it is in a position to demonstrate it is implementing the plan it has adopted, given the aforementioned concerns about its record keeping practices.

Summary of Affairs

Councils are required to publish a “Summary of Affairs” in the Government Gazette each six months. This is a requirement of the Freedom of Information Act (FOIA). Aside from being a statutory requirement, the preparation of a Summary of Affairs is an important process as it requires the council to identify and list each of the council’s current policy documents.²

The process of identifying and listing each policy is very valuable because it affords the council the opportunity to review the listing for any omissions and any policies that are no longer required. Council could also consider distributing a copy of the Summary to staff and councillors so that they can be made aware of the matters on which council has a policy.

Bogan Shire Council did not publish a summary in 2005 and therefore is not complying with the FOIA. It is recommended that council prepare a Summary of Affairs and implement an internal control mechanism to ensure that it is submitted for publication in the Government Gazette by the due date. **(Recommendation 16)** Further information on this issue can be found in the department’s Practice Note No. 7 – Freedom of Information.

Use of council resources

The code of conduct states that a councillor, member of staff or delegate must use council resources effectively and economically in the course of his or her public or professional duties and must not use them for private purposes unless such usage is lawfully authorised and proper payment is made.

Use of resources for private use at discounted or internal employee rates not available to the public may expose council to corrupt activities or the perception of corruption and is contrary to the code of conduct.

² It also requires other information to be collated and published.

It is recommended that the general manager identify what, if any, resources are currently used for private purposes, review the adequacy of council's policies and procedures covering such usage, and review the charges for such use, to ensure that a proper payment is being made. **(Recommendation 17)** Council should refer to the ICAC publication "No Excuse for Misuse" when reviewing policies on the use of council resources.

6.2 Regulatory Functions

A review was conducted of a range of aspects of council's regulatory practices including:

- *Council's planning instruments and policies*
- *Development assessment*
- *Environmental management*
- *Enforcement practices*
- *Companion Animals*

The efficiency and probity of council's regulatory functions is important to preserving public trust in council and its staff. The functions involve the use of significant public resources.

It is commendable that the council has acknowledged a need to allocate additional resources to ensure its regulatory functions can be properly exercised. It has appointed a ranger and proposed the employment of an additional Environmental Services Officer in 2006/07.

Development Assessment

Council dealt with approximately 60 development applications over the last year. Most of the applications are not complex and approximately 80% of all DAs are dealt with under delegated authority. Council advised that it has not been necessary to apply the "stop the clock" provisions.

While the process appear to be working well, council should promote the availability of a review process, as provided for under section 82A of the Environmental

Planning and Assessment Act 1979 (EP&A Act) and section 100 of the Local Government Act. This is particularly important given the high use of delegated authority.

Planning instruments

Council is required by section 73 of the EP&A Act to keep its planning instruments and policies, such as local environmental plans and development control plans, “under regular and periodic review”.

Council currently has one Local Environmental Plan (LEP 1991) that covers the entire shire area. Council will be reviewing its LEP, like all councils in NSW, in accordance with recent changes to the EP&A Act. The review team was advised that council is currently listed on the three-year timetable within which to complete this process. Council has also advised it is preparing Development Control Plans.

The review of the LEP is an opportunity to ensure that council’s land use, and other infrastructure planning is integrated with council’s strategic plan. **(Recommendation 18)**

Developer contributions

Council does not currently have, nor has it previously had, any section 94 contributions plans. The council has previously considered the issue and decided against developing any plans. Council contends that the level of development is unlikely to justify the development of a plan. It is also concerned that levying of development contributions may discourage development in Bogan Shire.

While council’s viewpoint is acknowledged, council cannot entirely predict when it may need to provide for the extension and augmentation of its assets in conjunction with future development. It is unable to levy a contribution towards this renewal from any new developments if it does not have contributions plans in place. Council always has the discretion to waive or reduce contributions if it has a plan in place. Alternatively, recent amendments to the EP&A Act have enabled councils to enter into planning agreements and to set fixed contribution levies. Council should explore these options in conjunction with the question of whether to adopt a plan. **(Recommendation 19)**

Community Land

Council has a land register which appropriately identifies community and operational land. In reviewing community land, the plans of management of these lands are out-of-date and in need of review. As part of council's strategy of reviewing its assets and infrastructure, it should review its plans of management of community land and ensure the plans are appropriate for their current use. **(Recommendation 20)**

Inspections program

The review team was advised that council conducts ad-hoc inspections of food outlets and hairdressing salons to ensure compliance with health and related criteria. Council needs to ensure that it inspects all such premises at least annually and high-risk operations more frequently. **(Recommendation 21)**

Enforcement

Council has an active program of checking compliance and reports on the inspections undertaken Council has also appointed a Ranger to enforce council's policies and regulation. However it is noted that council has served no penalty infringement notices in the last 2 years.

Council's enforcement work would be enhanced by the development a policy framework. This would describe the manner in which the council will carry out its enforcement functions including the procedural steps that may be involved, the circumstances in which council will institute court proceedings and the manner and circumstances when discretion may be exercised.

Council does not provide information to the public on how to report non-compliance and alleged breaches of various environmental requirements. Given its statutory obligation in areas of public health and safety, the council should ensure that the residents of Bogan Shire are properly informed as to how they may report alleged breaches and non-compliance. This will enable council to more effectively monitor these key areas of responsibility and thus reduce the risk of non-compliance for residents. **(Recommendation 22)**

Companion Animals

The primary aim of the Companion Animals Act 1998 is to provide for the effective and responsible care and management of companion animals. Local councils are the authority responsible for implementing the Companion Animals Act. The Act imposes requirements on both councils and the owners of companion animals.

All dogs and cats born or who have changed owners since the 1 July 1999 are required to be microchipped by 12 weeks of age, at the point of sale or on change of ownership, whichever occurs first. They must be registered by the time they reach six months of age. However only 12 cats (22 since 1999) have been registered for the Bogan LGA, since 1 June 2005, indicating a low level of compliance, which in turn may be related to a low level of awareness in the community as to the requirement to register cats. Dog registrations since 1999 number about 444, but only 12 since 1 June 2005. Council estimates that approximately 20% of all dogs have been microchipped.

The review team was advised that pig hunters travelling through the shire often steal dogs. It is unacceptable that these dogs are often left badly injured. Council may consider strategies to minimise this practice and the loss of dogs registered in the Bogan Shire area.

Council does not have a companion animals management plan. There is a clear need for a plan to address issues with the ownership and control of companion animals in the Bogan Shire and as a means of raising awareness of and compliance with the relevant legislation. It is recommended that council prepare and adopt a companion animals management plan. **(Recommendation 23)**

The plan should identify strategies that council will pursue in meeting its obligations under the Companion Animals Act. This includes, but is not limited to, community education, enforcement, environmental and community amenity strategies. Council also has an obligation under section 64 of that Act to seek alternatives to that of euthanasia and if practicable, adopt any such alternatives. Strategies should be linked to, and monitored through, the council's management plan.

The Department of Local Government recognised that many councils may require assistance with the preparation and direction of companion animals plans specific to

their area of operations. To address this, a strategic guide to preparing companion animal management plans was developed by the Department and is available free of charge from the Departments website in the following location:

<http://www.dlg.nsw.gov.au/dlg/dlghome/documents/Forms/gpscamp.pdf>.

The template provided by the guide covers various areas of companion animal management and allows each council to develop individual strategies.

6.3 Asset & Financial Management

The review examined a range of council's practices in the areas of financial management, asset management and management of its businesses.

Under its charter, council has a responsibility to raise funds for the purposes of carrying out its functions. This can be achieved by the fair imposition of rates, charges and fees, borrowings and grants. The council is also the custodian and trustee of public assets and must effectively account for and manage these assets.

Financial management

Council has incurred operating deficits before capital items for at least the past 5 years. The amount of the deficit before capital items has improved since 2003/04, with a decrease from \$740,000 in 2003/04 to \$364,000 in 2004/05. Results after capital items ranged from a deficit of \$3,300,000 in 2001/02, to a surplus of \$2,000,000 in 2003/04, decreasing in 2004/05 to a deficit of \$25,000. Grants for operating purposes are relatively stable, however grants for capital purposes fluctuated substantially in this period.

The budget report considered by council on 22 May 2006 had five scenarios, all of which resulted in a deficit. Council should be cautious about incurring continuing deficits.

The budget report notes the impact that depreciation has on the bottom line of council's finances. Council needs to be mindful that the lack of current up-to-date valuations of council's assets may mean that council's financial position may be worse than it appears. It is important that council undertake condition assessment

and obtains accurate information on the value of its assets. This is discussed further later in the report.

Council is dependent on rates from the mining industry. It is estimated that this revenue will fall over the next 10 – 12 years unless additional mines are opened. In 2005-2006 mining rates were \$381,511; farmland rates were \$1,226,925; business rates were \$181,242 and residential rates were \$191,410. As income from mining rates falls more pressure will be placed on other sections of the rating community in order to maintain income.

Concern is raised as to the adequacy of the Water Fund to meet the council's needs. For 2006-2007 the Water Fund again will be in deficit by \$207,732. As noted below, the written down value for the water supply network and the sewerage network is 38% and 39% respectively. This is significant for Bogan, because that the Bogan River is not a permanent water source and is supplemented by water from the Macquarie River system via the Albert Priest Channel. This channel, built in 1942 and owned by Bogan Shire, services Cobar and Bogan Shire. The continuing drought and the cost of maintaining the water system places considerable pressure on this system and may require additional funds should the drought continue.

Budgeted vs. Actual Results

	Before Capital		After Capital	
	Budget	Actual	Budget	Actual
2004/05	(\$1.045M)	(\$364K)	(\$490K)	(\$25K)
2003/04	(\$1.005M)	(\$740K)	(\$246K)	\$1.962M
2002/03	(\$3.377M)	(\$108K)	(\$2.707M)	\$456K
2001/02	(\$3.187M)	(\$3.408M)	(\$3.006M)	(\$3.257M)

The main reason for the variance in results before capital in 2004/05 was User Charges and Fees being \$555,000 above budget. This is mainly a result of an increase in water user charges and water pricing, which may not be available to the council on an ongoing basis.

The written down value (WDV) of Council's assets for 2004/05 period are:

Roads, Bridges & Footpaths	47%,
Stormwater Drainage	86%,
Water Supply Network	38%
Sewerage Network	39%.

The department considers that WDV below 50% may be cause for concern. This is because once an asset has been depreciated substantially, there may be deterioration that requires major reconstruction. Council should consider directing resources to the improvement of its water supply and sewerage networks as a matter of priority.

For the year 2004/05, estimated costs to bring assets to a satisfactory condition were \$175,000, however this figure was only related to public buildings. In 2003/04, council estimated costs of \$7,900,000 were required to bring assets to a satisfactory standard. The amount required to bring assets to a satisfactory standard is currently unclear without an asset management plan or up to date and systematic condition assessments.

Council estimated annual maintenance for 2004/05 at \$3,504,000 while programmed maintenance was \$2,878,000, a shortfall of \$626,000.

Liquidity and Cash Position

A good unrestricted current ratio (UCR) is considered to be greater than 2. Council's UCR for 2004/05 was 3.71. For the periods 2003/04, 2002/03 and 2001/02 it was 2.7, 3.7 and 3.24 respectively. The UCR measures the adequacy of working capital and the ability to satisfy obligations in the short term. It does not include externally restricted activities such as water, sewer or specific grants.

Council's unrestricted cash for the periods 2004/05, 2003/04 & 2002/03 were \$758,000, \$728,000 and \$183,000 respectively. This is considered to be adequate.

The Rates & Annual Charges Outstanding Percentage (RACO%) in 2004/05 was 7.75%, a decrease from 8.86% in 2003/04 and 9.16% in 2001/02. The RACO% assesses the impact of uncollected rates and charges on liquidity and the efficiency

of debt recovery. A benchmark for rural councils such as Bogan is less than 10%. Council's progress in this area is significant and pleasing.

The Debt Service Ratio (DSR) in 2004/05 was 8.89%, an increase from 6.74% in 2003/04 and 5.67% in 2002/03. This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. A DSR of less than 10% is good.

Council's Employee Leave Entitlements (ELE) is cash funded to 35% by internally restricted reserves. This is considered high as a percentage of 20% is considered adequate. Council has determined a need for a reserve higher than 20% to cover the expected costs associated with the departure of two employees with long periods of service.

Long-term financial planning

Council does not have a comprehensive long-term financial plan. The need for such a plan was identified in 1993 when the department last undertook a review of Bogan Shire Council. Among the recommendations at that time was the need for a linked long-term management and financial plan. It should ensure one is put is developed and implemented. **(Recommendation 24)**

The plan should be based on detailed financial figures for the next 7-10 years and integrated to the overall strategic plan and the asset management plan. It should include a capital works program and cash flow forecasts. The plan should also be linked to council's rating strategy, borrowing needs and investment strategies. On a yearly basis, the long-term plan should be updated to reflect current policies and obligations.

Business Activities

Council has two significant business activities, namely water supply and sewerage services. The water supply has had a deficit result on an annual basis, indicating that pricing policies are not geared towards achieving a breakeven position. Council should again review its water pricing in line with the relevant guidelines issued by the Department of Energy, Utilities and Sustainability. **(Recommendation 25)**

Assets Management and Infrastructure Maintenance

As indicated earlier, council's Assets Register has not been maintained for a number of years and council does not have current/accurate information on the value of its assets. However, council has allocated funds in the 2006/2007 budget for purchasing asset management software and associated training of staff.

A project plan for updating the asset register, undertaking condition assessments and updating valuations should be prepared and presented to the elected council for its information. Implementation of this project is a priority, and should be monitored by the general manager and reported to council on at least a quarterly basis.

(Recommendation 26)

Council should use the updated information on its assets to prepare a total asset management policy, a long-term asset management strategy and an assets management plan. **(Recommendation 27)** These documents should incorporate information on the expected useful life of each asset, optimum replacement dates and a plant replacement program and infrastructure maintenance program.

This will ensure council's investment in infrastructure is secured and will facilitate proper medium to long-term decisions about council assets. It will be important for council to weigh the costs of investing in infrastructure renewal over the medium term against the potential costs of failing to do so over the long term.

Council may find the following publication useful in developing a new asset management strategy: *'Asset Management Policy, Strategy and Plan: Guidelines for Developing an Asset Management Policy, Strategy and Plan, Department for Victorian Communities, August 2004.'*

It is important that councils, particularly those responsible for extensive road networks adopt a road hierarchy. A comprehensive roads hierarchy can provide the council with an empirical basis for making decisions about the frequency and extent of maintenance.

It is understood that council has a basic road hierarchy. However, as road maintenance costs represents a very significant percentage of council's overall

expenditure and council's road network is in excess of 1,693 kms, it is recommended that council develop and adopt a more comprehensive roads hierarchy to guide the allocation of resources and to provide a benchmark against which council can measure its performance in maintaining roads. **(Recommendation 28)**

The development of such a roads hierarchy will also provide a good opportunity to consult with the community about the state of the road network. These consultations will afford the council the opportunity to address community expectations as to the level of maintenance to be undertaken on specific roads.

Council commissioned the Department of Commerce to prepare a Water and Sewerage Strategic Plan. Work on the development of the plan commenced at least twelve months ago. Development of the plan has apparently stalled, ostensibly over a disputed unpaid account. It is recommend that the general manager determine the current status of this project, take appropriate action to expedite the finalisation of the project and provide a report to council on the action taken and the likely time frame for completion and implementation of the plan. **(Recommendation 29)**

6.4 Community & Consultation

A council's charter requires that a council:

- Provides services after due consultation
- Facilitates the involvement of councillors, members of the public, users of facilities and services in the development, improvement and coordination of local government
- Actively promotes the principles of multiculturalism
- Plans, promotes and provides for the needs of children, and
- Keeps the local community and State government informed about its activities

The review of council's activities in this area looked at:

- *Social and community functions of council*
- *The methods council uses to involve and determine the views of its community*
- *Keeping the community informed about its activities*
- *How council deals with requests/inquiries from members of the public*

The council, having regard to its relatively limited resources, has made a significant commitment to community development and provision of related services. The council has employed a new full-time community development officer. It has a current and comprehensive social and community plan. It auspices a mobile pre-school and has made a significant investment in the provision of a new library. Council has acted to ensure the area has a dentist, and is exploring opportunities for economic and tourism development. Council plays an advocacy role aimed at securing the provision of services in the area by other tiers of government.

Council's commitment to this area of its charter is acknowledged and is commendable.

Communication protocol and practices

Councils have statutory obligations to communicate and consult with their communities. The means by which councils do so is a key strategic issue for them.

It is acknowledged that as a rural shire, Bogan Shire councillors no doubt have a lot of direct and informal contact with constituents. However, the council as a corporate body does not have an integrated or documented strategy for communicating and consulting with its community. As a consequence, its efforts to engage may not be as effective as they could be if a well thought out strategy was in place and implemented.

A communication strategy documents council's approach to:

- Informing the community on the services council provides and how to access these services
- Consultation during the development of the draft management plan
- Communication of the proposed content of the management plan
- Eliciting formal and informal feedback on the proposed management plan
- Communication of council's values, priorities, progress and performance
- Communication with residents throughout the LGA
- Communicating and consulting on key issues and policies
- Informing the community of complaint and review mechanisms

Website

The need for council to develop a communication strategy is evident in the current state of council's website. The website has been poorly maintained in recent years and the council does not appear to have an agreed position on what role the website should have and what resources should be allocated to it.

The increasing importance of the Internet as a primary source of information has been widely reported. Council's website will inevitably become an increasingly important means of communication with the community. However the council does not appear to have formally considered these issues.

Council uses the "Local-e" platform for its website. This is a sound choice as it is in use in over 100 councils across the state and the standard template it provides for a council site would address the needs of most persons who would be accessing council's website. The template is also understood to have the potential to integrate with council's internal IT platform.

In the past, the council has invested time and other resources in getting the website up and running. However, as indicated previously, it has been poorly maintained in recent years. Where information and documents are available on the website, they are not current. For example, the site has a link to council's annual report but it appears the most recent report that has been uploaded is the one for 2002/2003.

It is recommended that council take action to develop and implement a communication strategy. In doing so, it should determine the role of its website, the information that is to be provided on the website and improve the quality of the information available on its website. **(Recommendation 30)**

Requests/inquiries from members of the public

Councils are service providers. Like any service provider, it is important that councils clearly communicate:

- what services they provide;
- the terms for receiving/accessing a service;

- the standard of service that customers can expect;
- how services can be accessed;
- how complaints can be made; and
- how council will deal with any complaints it receives.

There is scope for council to improve in all of these areas.

It is recommended that council address these matters in a “guarantee of service” and/or “request for service policy”. **(Recommendation 31)** These documents should be readily available and promoted. Once they are in place, they will provide a clear benchmark against which council’s customer service can be assessed.

Customer service standards (also known as guarantees of service) set out some key performance standards for the most frequently used services. The highlighting of customer service standards sets a level of expectation within the community, as well as providing guidelines for staff performance.

Council needs to develop a better system for recording and tracking of customer service requests. Currently there is no coherent system for dealing with the wide range of requests that come to council’s attention.

It is acknowledged that at the time of review, the council was in the process of developing a complaints/service request form. However, council should also consider developing procedures detailing when and how the form is to be used (i.e. for all service requests) and ensure that the information on the form is recorded onto a database that allows tracking of council’s response/whether the service has been provided.

We also suggest that council considers the direct entry of the information onto an electronic form as this would avoid the need for completion of a paper form and allow the electronic forwarding of the service request to the responsible section. Systems such as this are in use around the State.

It is recommended that council develop a single organisation wide system for recording customer service requests and the action taken to address them. It should use the data recorded in such a system for reporting on and improving its level of service. **(Recommendation 32)**

Council's website features a link, "Make a request". However, there does not appear to a facility by which an online service request can be made and nor is it readily apparent how requests in relation to issues such as local road maintenance garbage, or water or sewerage can be made or how they will be dealt with e.g. what response time should be expected.

While no doubt such requests can be made by telephone or in person, the process for requesting such services and the manner in which council will deal with them should be documented.

Complaint handling

An effective complaint handling system is an essential part of the provision of quality council services. It is one method of measuring customer satisfaction to provide a useful source of information and feedback for improving the council's service. Council does not have a clear system for dealing with complaints. Nor does council clearly distinguish between service requests and complaints about the failure to provide a service or the quality of that service. Service requests and complaints warrant different approaches.

It is recommended that council develop a complaint handling procedure that ensures that complaints are recorded, brought to senior management's attention and most importantly, addressed in a timely manner. **(Recommendation 33)** Better practice would be for the procedure to recognise that complaints are a very valuable source of information that can be used to identify opportunities for continuous improvement. For this ideal to be realised, it will be necessary for council to incorporate a regular analysis of complaints to identify such opportunities.

Library Service

Council has made a significant commitment to the provision of a public library service. The library, which is located in Nyngan, was upgraded in recent times. It is

open five days per week and for 3 hours on Saturday. Home delivery is available for homebound borrowers. The library offers broadband access, which we understand is used by members of the community to access the services of other government agencies, many of which no longer have a local office. The library service is operated as part of a broader regional library service. The council is to be commended for its commitment to the provision of this service.

Community consultation

It will be important that council engages with the community as it sets council's priorities for the future and implements any changes it sees as necessary. While the review team did not conduct an extensive review of council's processes, we did identify a number of issues that the council should consider.

Council has five section 355 committees with community membership. Section 355 committees can be a useful means of involving the community if:

- they have clear charters and delegations
- they are required to keep records and report to council on a regular basis
- are representative of the relevant stakeholders
- they are provided with sufficient policy and procedural guidance
- they are provided with training where this is considered necessary

The general manager should report to council on the effectiveness and use of section 355 committees having regard to the aforementioned issues.

(Recommendation 34)

As mentioned earlier, the council's chamber is inaccessible and in any case, does not have any space for members of the public to comfortably observe council meetings. Council should consider how it can make its meeting room accessible and encourage more interest and public participation in its meetings (see recommendation 12).

Some councils have developed a formal memorandum of understanding (MOU) with their Aboriginal communities. It was noted that the council does not have any formal means of consulting with the Aboriginal community. The development of a MOU can

be used to identify issues of mutual interest. It also acknowledges the importance of the Aboriginal community and its heritage, and can give rise to the establishment of a consultative framework that can be used by the parties to identify needs and resolve any concerns that may arise from time to time.

Council stated in its comments on the draft report that it works with the Aboriginal community on cooperative basis with minimal conflict. Notwithstanding this, the council and the community may wish to consider pursuing a MOU if the need for one becomes apparent.

It was pleasing to note that council had planned two public meetings to discuss its draft management plan – one targeting the business community and another targeting community organisations such as the CWA. The need for such consultations was raised by the mayor via a mayoral minute when council was considering the draft management plan.

By the time this report is received, the council itself will be able to consider whether these meetings were worthwhile. In considering their effectiveness, council should consider the number and diversity of those attending and consider seeking feedback from those who attended. Perhaps the most valid indicator of the effectiveness is whether the council makes any changes to its proposed plan having regard to the issues raised at the meetings. **(Recommendation 35)**

If the council finds that the meetings are less effective than it would like, it should consider other means of consultation and changing the format of the meetings. Council should consider contacting other rural councils to determine how they engage with their communities.

Social and community plan

Councils are required have a social and community plan. Bogan Shire Council adopted a new plan in 2005. In most respects, the council's plan has been developed having due regard the relevant departmental guidelines. For example the plan includes demographic profile of the LGA's population and a detailed need assessment. There is evidence of development using participatory process and it

refers to the needs of all the mandatory target groups. The plan is readable and accessible to the community, councillors and council staff.

Importantly for a plan, it identifies what actions should be taken to address most of the needs that were identified. However, it should be noted that most of the actions are very passive i.e. they do not involve the council acting directly to respond to a need.

There is no evidence in the plan that indicates whether there was an assessment of the effectiveness of the previous social plan. Ideally such an assessment should have been done as it would have informed the development of the current plan.

The plan is not cross-referenced to other relevant plans.

Now that council has a current plan, it should aim to focus on implementing the plan and reporting on what has been achieved. Both implementation and reporting will be easier if the council develops more concrete performance indicators. These are not evident in either the management plan or the annual report. The earlier recommendations in this regard should ensure that this is addressed.

Council should prioritise the actions arising from its social and community plan and ensure these priority actions are explicitly referred to in the annual management plan. **(Recommendation 36)**

6.5 Workforce Relations

All employers have legislative responsibilities in relation to their staff. The *Local Government Act* and the *Local Government (State) Award* imposes additional requirements on councils. Importantly, a council's charter requires it to conduct itself as a responsible employer.

Key areas that councils need to consider when managing its workforce include:

- *Workforce planning*
- *Recruitment and selection processes*
- *Employee remuneration*

- *Equal employment opportunity*
- *Performance Management*
- *Training*
- *Occupational health and safety*

The review team examined council's recruitment and selection processes, the operation of its occupational health and safety committee, its consultative committee and its approach to equal employment opportunity. It also identified a need for council to finalise a current project that has identified staff who lack a current written job description, staff who have not have had annual review and a need for the council to review the terms on which it provides vehicles to staff.

Workforce planning

Council has indicated, in its comments on the draft report, that workforce planning will be part of its current strategic planning process. The council should document the decisions made in the process relating to staff in a workforce plan.

(Recommendation 37)

Such a plan would consider and document the current and future staffing needs of each section of council. The plan should detail actions council needs to take to ensure its future staffing needs can be met and identify those factors that will be/are beyond council's direct control, that council needs to be aware of when making more general plans for the future of council and the Shire.

Job Descriptions and council's salary system

Council is already aware that some staff do not have written job descriptions that reflect their current role, responsibilities and the skills, qualifications and experience requirements of their position.

Job descriptions are integral to the operation of council's salary system. The system adopted by council states that employees will "be provided with a copy of their position description and a copy of their training plan."

Job descriptions are an important means of communicating to employees what is expected of them. They can be used to document the scope of an employee's role (to help ensure that employees act within their authority), they are necessary for the conducting of a merit based recruitment and selection process and they provide information that can be used to identify staff training needs.

It is important that council take action to ensure that all positions in the organisational structure have a current job description. **(Recommendation 38)**

We were provided with a copy of a council document with the title "Bogan Shire Council Salary Structure" that incorporates council's salary system "progressional" rules. The document also includes recruitment and selection procedures and a code of conduct. There is no indication as to when the document was written or its current status.

While it is understood that the salary system rules are current, the code of conduct and recruitment and selection procedures in the document have been superseded. However, there is no indication in the document we were provided that this is the case. While this is essentially a governance issue (ensuring that only current policies and procedures are in circulation) the apparent ready availability of the "old" document and a lack of ready access to the current policy/procedure may give rise to inadvertent non-compliance.

Council should consider whether there is a need to withdraw the document or at the very least, direct staff to clearly annotate those sections of the document that are no longer current. As indicated in the governance section, it is recommended that council ensure that all staff are aware of where/how council's current policies and procedures can be accessed and that they be reminded from time to time as to what matters are covered.

There is some evidence that the council may not be fully complying with its own salary system rules. Given the limited scope of the review, this should not be taken as a finding of non-compliance. In the circumstances, it is recommended that council review the application of its salary system progression rules in conjunction with its consultative committee. The aim of the review should be to determine whether the

rules are being complied with and whether they can be improved. **(Recommendation 39)** In particular, council should take action to ensure that all employees who should have annual review are reviewed annually.

Induction Manual

Council has recently collated an Induction Manual to assist new members of staff and to inform those staff on relevant council policies and procedures. This is commendable.

Effective induction is important as councils have statutory, legal and moral obligations to ensure employees are informed as to their rights and obligations as employees. A good induction process will also speed the period new staff require before they become fully productive.

Council should consider making copies of the induction manual available to all staff as part of a strategy to ensure all staff are fully aware of their rights and obligations.

Consultative committee

Each council is required to establish and properly maintain a consultative committee, which is supposed to meet regularly pursuant to the Local Government (State) Award 2004. The aim of the consultative committee is to provide a forum for consultation between council and its employees.

Council has established a consultative committee. However, it should be noted that it met on only three occasions in 2005 and did not meet at all between 13 July 2005 and 10 February 2006. This year it has met in February, March and May. Council needs to ensure that the committee meets on a regular basis. **(Recommendation 40)**

We recommend that the committee meet at least bi-monthly. However, the committee should consider meeting more frequently given that the council is clearly contemplating making a number of changes that will impact on employees and that would benefit from employee input.

There are many areas of current activity where there is potential for the consultative committee to make a positive contribution. For example, some council employees lack current written job descriptions, some have not been reviewed annually for salary progression as provided for in council's salary system and the council needs to prepare a training plan. The council has also recently developed new procedures for the recruitment and selection of staff. There appears to be potential for the council to make greater use of the consultative committee to help address these issues.

The mayor is currently a member of the consultative committee. While the review team is not aware of anything that suggests the mayor's membership of the committee has been problematic, having councillors on the committee (effectively as management representatives) is not considered appropriate and may mean that councillors become involved in operational matters that are beyond their province.

The Award prescribes the size and composition of the consultative committee. The committee is required to be representative of *council's workforce* and the Award provides that "*Management representative(s)* on the consultative committee shall be nominated by council" (*emphasis added*). Section 335 of the Act stipulates that the general manager is responsible for the day-to-day management of council, the appointment of staff and the direction of staff.

It is noted that the consultative committee has already recognised the need to review its constitution. This process should provide a good opportunity for the committee and council to canvass the issues raised in this report.

Provision of motor vehicles

Bogan Shire Council allows certain staff to use a council provided vehicle for private purposes. Currently, these staff are provided with a vehicle on the basis that they pay for petrol for travel outside of the shire.

The current council policy provides for the fortnightly fee to be increased annually by the "rate pegging" amount. The fee that is charged, and certainly the annual increase amount, do not appear to have any direct relationship to the costs of providing the cars for private use. The current policy has not been reviewed since 2002.

It is recommended that the general manager undertake a review of the current arrangements for providing vehicles and report to council. **(Recommendation 41)** The review should consider what is an appropriate fee to be paid by staff, having due regard to the cost of providing the cars (including any fringe benefit tax). In making this recommendation, it is acknowledged that it is open to council to consider factors other than cost when setting a fee. The council may also consider seeking the advice of the Shires Association.

The general manager should examine whether council and the drivers of the vehicles are maintaining accurate and adequate records showing the amount of private and business use of the vehicles. The general manager should ensure that council has correctly determined its fringe benefit tax liability in relation to the cars and that there is an adequate internal control mechanism in place to ensure that staff are making the requisite petrol purchases for private use.

Equal employment opportunity

Section 334 of the Local Government Act states that council are “to promote equal employment opportunity for women, members of racial minorities and physically handicapped persons in councils”. In accordance with section 345 of this Act, council is also obliged to “prepare and implement an equal employment opportunity management plan”.

Council adopted an EEO policy/plan in 1994. There is no evidence to suggest that has been reviewed since then. The council does not have a current plan i.e. one based on the current needs of council.

As indicated earlier in this report, the draft management plan does not describe the activities to be undertaken to implement its equal employment opportunity management plan.

Council should review and revise its EEO policy and prepare a new EEO plan having regard to section 345 of the Act. **(Recommendation 42)**

Recruitment and selection processes

Councils have a statutory obligation to appoint staff on merit. The review team was advised by council that in the past, concerns had been raised about possible nepotism and bias. The council appears to be well aware of its statutory obligations and has responded to the concerns by recently revising and enhancing its recruitment and selection policy and procedures. This is commendable.

The review team examined the new policy and procedures. They are comprehensive and incorporate better practice. However, when we examined recent recruitment files we failed to find evidence that the procedures are being complied with. While this may be explained in part by poor record keeping practices, it suggests that more rigorous checking is required prior to the general manager approving appointments.

(Recommendation 43)

Occupational health and safety (OH & S)

At the time of the onsite review, the council's occupational health and safety committee had not met since 13 October 2005. It needs to meet more frequently and regularly. **(Recommendation 44)**

OH & S Committee members have been trained. They conducted inspections in September 2005. The inspections identified numerous hazards, at least some of which have not been addressed. While a consultant has recently undertaken an OH&S audit, the council needs to develop a system that ensures that workplace hazards are documented, promptly brought to the relevant manager's and the general manager's attention and most importantly, addressed in a timely fashion, having regard to the potential risk of the hazard. **(Recommendation 45)**

The following example is provided to highlight the need for council to improve the way it deals with OH & S concerns. In September 2005, a team of council employees conducted an inspection of the tip. They identified a number of hazards, one of which was considered by them to have the potential to give rise to a fatality. This hazard has not been addressed. When the review team visited the facility, there was an obvious lack of warning signs and there appears to be need for the erection of physical barriers to help reduce the likelihood of persons entering dangerous areas of the facility. It was also noticed that there is no indication as to restrictions on the disposal of hazardous materials such as asbestos. The general manager should take

immediate action to address the hazards that have been identified at the facility.
(Recommendation 46)

In 2002 council has prepared an Employee Safety Handbook. The handbook has not been updated since that time. It is recommended that council review the need for such a handbook in conjunction with its OH & S committee. **(Recommendation 47)**

If the handbook is still required, it should be reviewed to ensure that it remains current. If council continues using the handbook, it would be prudent to ensure that council has evidence that all employees have been given a copy of the handbook and had its contents explained to them.

On a more positive note, council's engineering department has a comprehensive OH & S manual that incorporates better practice. While the review team did not undertake an audit to determine the extent that the manual is being used, it did sight some records that indicate that it is. A member of the review team visited the council workshop/depot and found a very high standard of housekeeping. Further, the reviewer was required to undertake a site induction designed to help ensure the safety of all persons entering the site. These practices are commendable. Council may want to consider whether the practices documented in the engineering department OH & S manual can be used by other sections of council.

Training

The Local Government Award (clause 23) requires each council to develop a training plan and budget. The Award prescribes what is required to be taken into account when preparing the plan. The Award requires that the plan be designed in conjunction with the council's consultative committee. The council does not have a current training plan. It should develop one having regard to the requirements of the Award. **(Recommendation 48)**

Beyond being a statutory requirement, a training plan would help ensure that the expenditure and on-the-job training is appropriately targeted. A plan would provide a basis for the council and the community to assess whether the money it is spending on training has been well spent.

Grievance management

Council does not have or promote a grievance management policy or procedures that are consistent with those established under the *Local Government (State) Award*. Council should develop a policy and procedures to deal with grievances in the workplace. **(Recommendation 49)**

Secondary employment

Section 353 of the Local Government Act states the requirements for both the general manager and staff in relation to secondary employment. Section 353 (1) stipulates that a general manager must not engage in outside employment or contract work without the approval of council. The general manager can prohibit a staff member from engaging in secondary employment.

The general manager issued a memorandum to all staff in January 2006 advising staff of the need to notify him of any secondary employment. However, the council does not have a secondary employment policy. A policy will serve as an on-going reminder to staff as to council's requirement for them to seek authorisation.

The general manager should consider the adequacy of current arrangements having regard to the number of notifications he has received since issuing his memo. It is recommended that council develop a secondary employment policy incorporating the instructions included in the January memorandum.

(Recommendation 50)

7. COUNCIL'S RESPONSE

Council's response to the draft report is reproduced on the following pages.

It should be noted that the content of this final report has been revised following consideration of the council's response. As such, some of the comments in the council response are no longer be relevant.

The references to numbered recommendations in the council's comments no longer correspond to the numbered recommendations in this final report. This is because there are now significantly fewer recommendations. A number of recommendations have been amalgamated and some have been deleted.

Enquiries in regard to council's response to final report and recommendations should be directed to the council.

1.0 Introduction

Council has prepared a detailed response to the Draft Review Report and requests that comments from this document be taken into account in the preparation of the revised final report.

The comments have been prepared by the Senior Management Team (MANEX) in consultation with Councillors and represent the organisation's corporate response.

2.0 General Comments

Overall the report provides good information on gaps in policy and practice that need to be addressed and Council will use this information as part of its existing program aimed at improving governance. Ongoing improvements in service delivery through a process of continuous improvement are at the core of the Performance Principles recently adopted by Council.

At the outset it must be said that the report is imbalanced in that there is an over emphasis on fault finding and the need for improvement. In considering the review the most noted comment was that the report reflects an attempt to focus on the negative without acknowledgement of achievements.

While Council acknowledges the need to provide more resources to improve governance and achieve best practice it must be said that Council has devoted much of its resources to core activities delivering much needed services on the ground. In terms of the most importance indicator of performance – delivering services to our customers – Council has directed whatever resources it has available to meet the needs of its ratepayers.

Senior Management and Councillors have found this approach “soul destroying” given the emphasis now placed on continuous improvement. The report focuses on what we are expected to do rather than what we are doing.

It is the view of Council that the review process has a regulatory “flavour” and is not conducive to cooperation or improvement. It is far removed from the training, mentoring and empowering model considered best practice in today's modern organisations. The big brother or top down approach does little to build confidence, trust and participation. More can be achieved in an environment or spirit of partnership and cooperation.

The report is written in such a way that makes it difficult (apart from statutory obligations) to distinguish between what is considered an essential action or recommendation by the review team and what should be investigated by Council and implemented at its discretion.

It is often the case that smaller Shires rely more on practice than policy and the absence of a policy does not imply non-compliance. There are a number of cases where policies or plans benefit larger Councils but are not beneficial or in fact create unnecessary costs to smaller Shires. The introduction of Section 94 Plans in areas with low levels of development is a good example where more resources have been spent on administering small unviable funds than returned by contributions.

There appears to be a different structure, approach and level of detail in this report when compared to other reports such as the Narromine Report. The Narromine Report seems to be more general and has aggregated concerns and recommendations as well as separate sections called “What’s Good” which highlight the positive features of its management or governance. The apparent variation in report detail has the effect of making comparisons more difficult. The length of the report and level of detail makes the Shire look extremely inefficient by comparison to other Shires when in fact this is not the case. The Council considers this unfair and unreasonable. It should be noted that this report will be placed in the public domain and will have significant impact on the perception of ratepayers towards Council.

Many of these recommendations are repeating what Council is already doing without acknowledgement of the initiatives. A number of these initiatives should be more prominent at the front of the report (the Executive Summary needs to be embellished). The review team would be aware that in the past two years the new Senior Management Team and Council have made a conscious decision backed up by initiatives to change the operation or governance of the organisation. This includes changes in policy, procedure and organisational culture. Council has fully supported this change and is in the process of reversing some decades of inertia that is common in Local Government.

Unfortunately a snapshot of the organisation does not allow insight into the change that has occurred over this period of time. This is a change that will continue indefinitely.

There was no contact with the community to measure service level satisfaction. This report provides no information on the views of the community. There is no indication of attempts to speak to members of the public.

There is concern that specific views have been formed based on the comments of select individuals. It is evident that the initiated change within the organisation has met with resistance and this is reflected in the negative responses of select individual staff. This concern was expressed at the meeting with the review team. There is clear evidence of this resistance to change in the information received and reported by the team. It is increasingly understood in the industry that Local Government will not progress without change.

There are a number of areas such as tendering and public access to documents which are covered in the Local Government Act and Regulations. There is some question as to the need for policies where legislative coverage is provided.

Council operations must be seen in its real context. It needs to be said, in reinforcing the findings of the Local Government Inquiry into Sustainability, that the lack of financial resources made available by the other two tiers of government along with increasing responsibilities have had significant impact on the ability of the organisation to carry out its function. Good governance and best practice cannot adequately compensate for the lack of resources and this fact is supported by statements made by the President of the LGSA and by the findings of the Inquiry.

The roles, responsibilities and expectations of Councils have increased at rates which far exceeds their resource capabilities.

As discussed with one of the review team members there is an opportunity to improve Local Government operations by taking a completely different approach and working more directly with Councils. This would include mentoring, use of model documentation and a form of cooperative partnership in change and would mean a move from a regulatory role on behalf of the department to one of a constructive partnership. Such a relationship would better inform Councils of the Department's concerns and directions while providing the Department with on-the-ground experience and an improved understanding of the diversity within and between Local Government areas. Council considers this crucial in progressing Local Government in NSW.

3.0 Executive Summary to the Report

The following points are made in relation to the Executive Summary:

- The summary acknowledges that Council has an awareness of issues but not the initiatives taken by Council.
- While projections are for population decline the establishment of a new mine along with improved seasonal rainfall may see an increase in population in the Shire. This could have the effect of changing the demographic structure.
- Council acknowledges the need to review its Management Plan structure and place greater emphasis on performance management particularly in relation to key performance indicators.
- Council has taken initiatives to improve records management including consultation and training through other organisations.
- Council has taken the initiative to increase its consultation and representation with community including meeting with sporting groups, Ag Expo, farming groups, business groups, show committee and through a recent community survey. We also provide weekly information by way of the Mayor's column, Council column and regular reporting through regional media.

- Council represents and works with the community across a number of areas: ambulance service, health service including membership on the MPS Planning and Development Committee, active participation in the CMA, Law and Order, Liquor Consultative Committee, Outback Arts, meetings with village groups, regular meetings with police including PACT meetings and representation on the Country Library Association.

4.0 Assets and Financial Management

Council's auditors have made comment on the section relating to Assets and Financial Management and the comments are provided below:-

"The comments made in regards to liquidity and cash position, rates outstanding, DSR & ELE funding do not raise any concerns from a financial position point of view. They are all in positive territory and well within the industry's health checks guidelines. In regards to the DSR it should be borne in mind that \$250,000 is being repaid by the "Yarrandale" project and that the DSR would have been 4.83% excluding it - not 8.89%. The 8.89% takes into account council's exposure to all debt. In the event that the \$250,000 is not paid council would have to bear the cost.

Their comment on continuing deficits is a fair one and should be addressed. You may recall that depreciation rates were considered too high in 2002 where depreciation cost was 42%. They were subsequently revised and depreciation cost for the years 2003 to 2005 were ~ 25% of total cost which is in the range of similar councils. WDV's may have been affected by the higher rates prior to 2003. In any event the Dept's recommendation to undertake condition assessment and obtain accurate information on the value of its assets should be carried out".

5.0 Recommendations of the Report

Comments are based on individual report recommendations and are numbered accordingly.

1. On page 18 - amendments should be made to note that the integrated water cycle management strategy, drought management strategy and emergency risk management strategy are in their early stages.

Council agrees. Council already shares resources and will continue to explore opportunities with its Western Alliance and OROC. Examples include working with other Council engineers through the Regional Engineers Group, Sub Regional Land Use Planning Group of Councils, bulk purchase of electricity, sharing of plant and staff and joint training with neighbouring Councils.

- Council will continue to look at outsourcing as an option based on cost effectiveness however availability of contractors and restrictions due to distance significantly limits this option. The sharing of contracts with neighbouring Councils is something being investigated through the OROC Group.
2. Council will continue to liaise with other Councils to achieve best practice in these areas. Council has made important visits to Bathurst City, Parkes Shire and Narromine Shire Councils to share information on IT systems, records, policy issues and general governance. Council has commenced strategic asset management and is in the process of purchasing asset software. Most changes are being made in consultation with neighbouring councils.
 3. It is agreed that Council should consider developing a sister city relationship which is likely to result in mutual benefits.
 4. Council has participated in an investment tour with the aims of attracting investment in aged and retirement housing. This initiative was undertaken in conjunction with adjoining Shires including Dubbo City Council. Council will consider the aging population in the strategic planning process.
 5. Council and the business community should consider the impacts of changes in workforce when developing strategic plans, although, this requires making a number of assumptions. The opening of the mine along with improved seasonal conditions may result in significant change in workforce structure.
 6. IT is to be an integral part of Council's strategic planning process. Council is already, based on a report by a consultant, upgrading its hardware and through consultation with regional and adjoining councils extending the use of its software opportunities.
 7. On completion of Council's seven Strategic Plans other plans such as the Social Plan, Tourism Plan and Economic Plan will be better integrated into the Management Plan.
 8. Agreed.
 9. Council will review the contents and format of its Management Plan and based on a range of considerations include concerns raised in this report where such concerns improve the value of the Management Plan.
 10. Agreed.
 11. Agreed.
 12. Council will investigate commissioning a regional state of the environment report in conjunction with adjoining Councils. At this time OROC is investigating options for reporting on a regional basis although working on a catchment basis provides another possibility.

13. Council has regularly filled out Pecuniary Interest Returns and will endeavour to improve this process to ensure complete compliance. Councillors have been provided with Departmental Circular 04/16.
14. Council agrees with the need to ensure Legislative compliance but is uncertain as to the form, content and nature of the policy that would facilitate this. Advice on an effective policy would be most beneficial. Are there any examples of best practice available? Council is investigating the purchase of software to facilitate timely compliance.
15. Agreed. Council has been developing a culture that encourages and supports risk management. The approach so far has been focused on OH & S, specific site and task risk assessments for work activities and the development of safety policies. Acceptance and implementation have improved and matured to the point where further implementation can occur. There will be an opportunity for risk management training soon in connection with the emergency risk management project. That training is targeted at the Local Emergency Management Committee and dealing with emergency situations. The principles are transferable to risks associated with Council's assets and operations. After this training, risk management can be tackled in a more structured way. For now some specific risk management activities are being undertaken, including some relating to various DLG recommendations eg IT, and business continuity.

Inspections of assets such as roads and footpaths will be progressively incorporated into the risk management system as asset management systems improve. Council does need to pull its risk management together in one comprehensive plan using the developments that have already taken place.
16. Council sees benefit in an audit committee and/or an internal audit plan.
17. Council will investigate options to better identify and manage fraud risk.
18. Agreed. Partial implementation includes offsite storage of computer backup.
19. Agreed.
20. Agreed.
21. Agreed. The particular principles, such as honesty and integrity are part of council's code of conduct.

22. Agreed.
23. Agreed. Council has changed its practice in providing reasons for closing meetings pursuant to section 10D.
24. Agreed.
25. Council will consider alternative locations for meetings. There have been some discussions already regarding disabled access to meetings. Council will need to find an affordable option.
26. Three of Council's committees have constitutions and constitutions will be developed for other committees. Council will endeavor to develop appropriate procedure manuals.
27. There is a separate policy for the Mayoral vehicle and this can be incorporated into the general expense policy. This policy will be reviewed, however, Council has been advised that the Department is developing new guidelines to cover this area which have taken considerable time. Council will review its policy on receipt of the guidelines.
28. Agreed. Section 12 of the Act provides definitive guidelines on public access to Council documentation.
29. Council is moving towards a completely integrated electronic records system. The recruitment of new staff will allow for training and Council is currently integrating all records.
30. Agreed. Council will explore options through OROC to share a repository.
31. Council has a current model Privacy Management Plan and the Privacy Code of Practice. Council will develop procedures to ensure compliance with the PPIPA (see previous comments regarding statutory compliance).
32. Agreed.
33. There is no knowledge of inappropriate private use of Council property however a policy will be developed relating to usages and charges for such items. Council will refer to the ICAC publication "No excuse for misuse".

34. Agreed. This process will occur as part of Council strategic planning process.

NB: bottom of page 41 should read “Council is in the process of preparing Development Control Plans”.

35. The level of development is unlikely to justify a Section 94 Contribution Plan and the use of planning agreements may offer a viable alternative and will be further explored by Council.

36. Agreed.

37. Agreed. Council has objectives of two inspections per annum but has not been able to carry this out over the previous year, but will ensure that this objective is met this financial year. No air conditioning towers exist in the Shire. Additional staff resources have been budgeted for and will assist this process.

38. Council will review its inspection fees. Council will introduce fees for a wider range of inspections.

39. Agreed. Council will provide information in its newspaper column.

40. Agreed. Council is seeking sample plans from other Shires.

41. Agreed. Council is aiming to develop comprehensive asset management systems. An initial software purchase has been budgeted. Asset management will be an integral part of the strategic planning process which will involve asset maintenance and replacement planning. This has commenced with road and parks and gardens assets being the largest asset group. There are currently projects underway to develop strategic business plans for water and sewerage assets through the Department of Commerce which will identify a funding time table.

42. Our strategic planning process will assist with the long term financial planning (15 years). See also 41 above.

43. Council has employed Community Services Officer who has taken on the role of assisting with grant applications and identification of potential funding. The employment of a grants officer is not affordable at this point in time. While grant officers can assist in obtaining funding a significant number of grants are dollar for dollar with contributions from Council competing with other areas of expenditure.

44. Council has previously substantially changed its water pricing structure and has moved considerably towards compliance with best practice guidelines. Council has progressively increased its water charge in order to recover full cost. The Council is mindful of cost burden that full cost recovery would place on its residents. The level of infrastructure replacement requirements are a product of poor asset management in the past coupled with inadequate funding to Local Government.
45. Agreed.
46. Agreed.
47. Agreed.
48. Agreed. Included in the strategic planning process.
49. Agreed. Already in progress.
50. Agreed. Currently underway.
51. Agreed. This will build on Council's adopted principle which has customer service as its main focus.
52. Agreed. Work has commenced.
53. Agreed. Work has commenced. Same as 52.
54. Council's committees report to Council on their operations and make recommendations.
55. Council works with the aboriginal community on a cooperative basis with minimal conflict. There would appear to be no benefit for a MOU where open communication and effective co-operation occurs.
56. Agreed. Survey of community attitude has commenced.

57. There is no apparent need for a “critical review” however it is acknowledged that prioritised actions within the plan should be incorporated in the Management Plan.
58. Considerable effort has been made to include access and equity considerations throughout the functions within the Management Plan to ensure that all decisions made by Council are prefaced by these important factors. More definitive actions from the Social and Community Plan should be included in the Management Plan.
59. Workforce planning will be part of Council strategic planning process and will fit within our governance program. Council is mindful of the need to provide for succession planning across the organisation. Contrary to generic statement on Council’s aging workforce it is considered that Council workforce is represented by a range of ages and experiences.
60. Agreed. Presently being finalised.
61. Agreed. Review of competencies currently underway. It should be noted that Council must compete on the open market for competent staff. While it has been discussed at a number of levels and with the union representative the General Manager will not employ staff other than on merit (experience, qualifications and performance at interview). Pressure to employ based on relationships and bias towards internal appointment without opening to the market is considered discriminatory, in breach of legislation and contradicts Council policy. This must be adhered to despite pressure.

It must also be emphasised that Council may need to pay a premium for competent staff. To do otherwise would limit the skill base and maintain a culture that perpetuates the system that the Department is advising Local Government should avoid. A breaking of the “old boy network” in favour of merit based appointments is considered good practice although it will meet with opposition.

62. Agreed. Quarterly meetings have been regularly scheduled since the start of 2006.

63. The Mayor's representation has facilitated decision and communication however, this matter will be discussed with the committee at its next meeting as part of the review of the constitution. It should be said that this Council prides itself on cooperation between elected members, the community and staff. Such cooperation is essential in maximising services to the community. It should be noted that there has been no attempt by the Mayor to interfere in operational matters and he has supported important change and has been a valued link between Council and staff.
64. Agreed.
65. Agreed.
66. Agreed.
67. Agreed. The General Manager has continually reviewed and signed off positions within the organisation with the exception of one or two cases where record maintenance needed improvement. The anomalies have now been rectified.
68. Agreed. The OH&S Committee now have scheduled meeting dates to the end of 2007.
69. An audit has been carried out by a consultant with recommendations from the consultant reports being acted on and this includes hazard identification, reporting, actions, SOPs etc.
70. Agreed. Work about to commence subject to available contractor.
71. Agreed. Council handbook and safety manual currently under review under the guidance of the OH&S Committee.
72. All copies of completed handbooks to be given to staff who will be inducted into the procedures.
73. Agreed. In progress. Anticipated to be complete by March 2007 in preparation for budget.
74. Agreed. Grievance policy to be prepared.
75. Memo has been sent out to all staff and meetings with staff have taken place. Policy to be prepared as part of action plan.