good governance

innovation

improvement

challenges

Local Government Reform Program - Promoting Better Practice

REVIEW REPORT

HORNSBY SHIRE COUNCIL

APRIL 2005

dlg **Department of Local Government**

TABLE OF CONTENTS

1. ABOUT THE REVIEW

Review objectives

The Local Government Reform Program - Promoting Better Practice is a review process that has 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.

Review process

The review process was developed after extensive research into council performance measurements in Australia and overseas. The review process is based upon a range of models including:

- the UK Audit Commission council inspection model
- the ICAC corruption resistance reviews
- LGMA/ICAC governance health check
- LGMA financial health check
- previous programs conducted by the Department of Local Government.

Promoting Better Practice is designed to encourage improvement in the way councils conduct their activities and to ensure good governance. Promoting Better Practice is also about monitoring performance of councils.

Reviews also have a wider role in the development of local government services across the state and identifying the need for future action or legislative change by the department.

A review involves a 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 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.

There are essentially five steps in a review - preparing, assessing, checking, analysing and reporting. The review team examines local circumstances in order to understand the pressures on council and how the council has sought to manage that environment.

It is expected that a review will only "scratch the surface" of council operations. The analysis of the practice checklist, as well as the activities undertaken during the review visit, give reviewers a reasonable picture of the council's performance. Reviews act as a "health check", giving confidence about what is being done and helping to focus attention on key priorities.

Hornsby Council Review

Hornsby Council was asked to complete a checklist of key council practices. The completed checklist was analysed by the review team prior to commencing the on-site review process.

Senior Investigations Officers Katrina Annis-Brown and Angus Broad comprised the review team, and conducted an on-site review of council from Monday 20 November 2004 to Wednesday 22 November 2004. Their on site work was supplemented with further review work carried out by other departmental staff, particularly in analysing council policy and procedure documents.

In order to review council it is necessary to examine its performance across a range of functions. A number of modules of a practice checklist have been developed to assist council in assessing its functions and checking its compliance. Council's response to the checklist is used as a guide for the on-site review and tests how council has set about delivering its priorities and measuring its achievements.

The on-site review consisted of a briefing for council's senior staff, conducting interviews, and the review of a number of council's policies and other documents. A short informal meeting was also held with the Mayor.

2. RECOMMENDATIONS

Governance

2.1   Council should, as part of its review its policy under section 252 for the payment of expenses and the provision of facilities to councillors in line with Circular 04/62, introduce appropriate monetary limits on the use of telephone and fax lines. *(Refer to Departmental Circular 04/60)*

2.2   Council should review its legal expenses policy CSISAS 17 in light of Departmental Circular 05/08 and, if necessary, amend the policy in light of the advice set out in that circular on the circumstances in which council will indemnify councillors for legal expenses. *(Refer to Departmental Circular 05/08)*

2.3   Council should ensure that future annual reports include details of council's actual performance in its principal activities against its projected performance and in relation to the manner in which competitive neutrality complaints are made known to the public.

2.4   Council should review the content of future management plans, particularly the finances section, to ensure that it complies with the requirements of sections 403 and 404 of the Act. *(Refer to the Department's Management Planning Guidelines (2000)).*

2.5   Council should develop an overarching risk management plan and should regularly carry out risk assessments in its key areas of activity, possibly incorporated as part of its internal audit framework.

2.6   Unless it has already done so, council should forthwith complete a review of its organisational structure.

2.7   Council should review its procurement and disposal and its tendering policy and procedures to ensure that records are kept on tendering and procurement

files sufficient to fully record all relevant details of the process. The policy should be reviewed to ensure it is consistent with council's procurement policy. *(Refer to the ICAC publication "Taking the Con out of Contracting" (2001)).*

2.8   Council should develop and adopt a policy supporting legislative compliance, possibly incorporated as part of council's internal audit framework.

2.9   Council should review its procedures for supporting the lodgement of pecuniary interest returns to ensure that all returns are marked with the time and date of receipt when lodged.

2.10   Council should consider implementing a common form for delegations at all levels, and should ensure all delegations include an acknowledgement by the delegate that the delegate has read and accepts the delegation.

2.11   Unless it has already done so, council proceed to adopt the Model Code of Conduct as amended or supplemented under section 440 of the Act. *(Refer to Departmental Circular 04/63 and attached model code of conduct and guidelines)*

Regulatory functions

2.12   Council should review its environmental planning policies and brochures to ensure they are both current and, to the maximum extent possible, presented in a user-friendly format.

2.13   Council should put in place strategies to reduce the euthanasia rates of unwanted animals as part of its Companion Animals functions.

Asset and financial management

2.14   Council should consider adopting a rates hardship policy under section 577 of the Act.

2.15   Council should develop an Asset Management Plan to assist it to forward plan its asset maintenance requirements and seek funds to address its asset maintenance shortfall.

2.16   Council should investigate why the amount of rates and charges outstanding has increased significantly in the past year, and should implement measures to ensure that this indicator does not continue to increase.

Community and consultation

2.17   Council should develop a cultural plan having regard to the joint Department/New South Wales Ministry of the Arts guidelines to assist councils to develop and implement a cultural plan appropriate for their area.

2.18   Council should develop a single comprehensive complaints handling policy that documents the process for receiving, examining and responding to complaints from members of the public. The policy should detail processes for logging, analysing and reporting on complaints, and outline council's commitment to improved performance based on complaints data. *(Refer to the NSW Ombudsman publication "Complaints Handler's Toolkit").*

Workforce relations

2.19   Council should develop an overarching human resources strategy to guide its human resources activities, and to ensure that it has in place a viable long term plan for its workforce consistent with council's broader vision for its future development as a local government entity.

2.20   Council should ensure that it includes in its management plan (and its annual report) details of its EEO activities. This should include reports on strategies and outcomes for EEO in its annual report.

3. CONTEXT

The Hornsby Shire Council area extends from the Hawkesbury River on the north to Epping on the south. It is largely bounded by the Ku-ring-gai Chase National Park and the Northern Road (Wiseman's Ferry Road) on its east and west.

It is the second largest local government area in the Sydney region, covering 510 square kilometres, located on the Hornsby Plateau. This Plateau is cut by steep gullies drained by the Berowra and Cowan Creeks. Steep valleys dominate much of the area. These valleys impose constraints on urban development and road connections in the northern part of the shire. Conversely large areas of rural land remain to the west of Berowra Creek.

About 10% of the Shire is zoned and used for urban development, 14.6% for rural purposes, 4.8% for open space, and the remainder is National Park or Nature Reserve.

Those parts of the shire where residential development is permitted have largely been developed. Early development within the shire followed the railway lines and ridge tops. The current zoning patterns of the shire reflect this development and the restrictions imposed by the area's geography. Limited infill development is occurring, principally within the areas zoned for medium density development adjacent to Hornsby.

When compared to other outer Sydney council areas, the population growth of the shire can be considered relatively low. Unlike other such councils, Hornsby Shire Council has a relatively stable urban/rural interface. This relative stability potentially allows long-term land use planning to be undertaken.

4. DELIVERING AND ACHIEVING

This part of council's assessment focussed on: 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; performance information; risk managed appropriately; open to external challenge.

4.1 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 industry 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 team examined a range of aspects of council's governance practices including:

- *Councillor expenses and facilities*
- *Management planning*
- *Risk management*
- *Organisational structure*
- *Tendering*
- *Pecuniary interest*
- *Gifts and benefits*
- *Delegations*

What is Working Well

Councillor Guide
Council has developed an excellent guide for councillors. The guide sets out councillor's roles and responsibilities, the relationship between councillors and

council staff and provides advice on meeting processes and procedures. The guide also contains copies of several key policy documents. The guide is easy to read, succinct and would be of great assistance to both new and existing councillors. It demonstrates a serious commitment to good induction and to support for councillors in the discharge of their roles and responsibilities.

"Our Commitment" Brochure and Service Standards

Council has put together a brochure for local residents titled "Our Commitment". The brochure is a user-friendly document that provides residents with advice on areas such as council meetings, how to comment on local issues, how council keeps residents informed and the standards of service that the community may expect from council. This brochure clearly identifies council's values and demonstrates how the community can become involved in local issues and matters being considered by the council.

An audit of council's performance is undertaken through its annual customer satisfaction survey. Council suggests that its customer satisfaction surveys indicate 70% customer satisfaction. The council aims to lift this figure to 80 – 90% through and following the introduction of the new IT system.

The customer satisfaction survey results would suggest that residents view the council as generally performing to reasonable standards. It is clear that the council is committed to improvements in its service standards.

Council's Expenses and Facilities Policies

Section 252 of the Local Government Act requires that councils adopt a policy on the payment of expenses and provision of facilities to the Mayor, Deputy Mayor and Councillors. The review team looked at the way that the council provides for the payment of councillor expenses and its provision of facilities for them. The council has adopted a principal policy with additional separate policies for:

- Councillor's expenses and facilities
- Councillor's attendances at conferences

- Interstate and overseas travel
- Legal expenses

The policies are clearly written and cover their key topics, for example:

- The terms upon which claims for travelling and subsistence will be paid
- The way that claims are to be made
- The facilities that will be provided, including telephone, motor vehicle and facilities within the administrative centre
- The number of conferences that councillors may attend and attendance at additional conferences
- The responsibility to advise of claims, recovery of costs and legal representation
- Adherence to ICAC guidelines
- Provision of reports on trips

The travel facilities policy places primary limits on the travel that may be undertaken, ensuring that additional travel is the subject of a resolution or within existing allocations. Where overseas travel is to be undertaken, the policy provides that it forms part of council's Management Plan. This information is usefully provided in the Councillor Guide mentioned earlier.

Gifts and Benefits

Councils are encouraged to implement a policy for gifts and benefits in line with the ICAC publication, *Gifts, Benefits or Just Plain Bribes* (1999). We are pleased to note that council maintains a gift and benefits policy and a gift register.

The policy applies to all gifts and benefits received in the course of duties of more than nominal value ($20.00), requiring that the gifts be registered within 7 days of receipt. Registers are made available at the Administration Centre and the Works Depot.

The policy provides that gifts over the nominal value become the property of the council and are required to be dispersed equitably according to divisional procedure. The gifts register records a number of gifts and benefits ranging from alcohol to entertainment, suggesting the register is in active use.

Council's policy is reflected in a current statement of business ethics, which council uses to ensure that councillors, council staff, contractors and other service providers are made aware of council's position on matters of ethical conduct and probity. A statement of business ethics can be an excellent tool for raising private sector awareness of public sector values. This is important because strong working relationships with the private sector are an essential part of building an efficient and cost-effective public sector.

Delegations

The delegation of council's powers to staff is an important tool that assists council officers to carry out the functions of council in an effective and timely manner. Delegations need to be made in accordance with sections 377-381 of the Local Government Act and regularly reviewed to ensure they remain current.

We inspected a number of the instruments of delegation issued to staff and were told that delegations were:

1   Issued only where staff had demonstrated a sufficient capacity to exercise the powers delegated
2   Limited when first granted
3   Reviewed regularly in light of the experience of the particular member of staff and the needs of the position
4   Withdrawn if staff failed to exercise their powers appropriately

The form of the delegations that we inspected were clear and concise, recording:

1   The name and occupation of the donee
2   The Acts under which the delegation is granted
3   The date of the delegation

4   The nature of the operational, financial, legal and managerial functions granted by the delegation

5   Recent amendment

Delegations to more senior staff contained an acknowledgement that the delegate has read and accepts the delegation. This acknowledgement was dated and was signed by the donee. The delegations suggest that the council is adopting good governance principles to the delegation of its functions. The delegations are clearly written and precisely drawn. They delineate the nature and the extent of the delegations and, as appropriate, the circumstances when they are exercisable.

Purchasing policy

Council has an up to date purchasing policy that sets out appropriate methods of procurement based on dollar values across a range of amounts up to the (then) tendering threshold of $100,000. It will of course be necessary for council to revise this policy in light of recent changes to the tendering threshold. Council prudently provides that procurement in amounts within $10,000 of the $100,000 tendering threshold should be subject of formal tendering. The policy includes advice on probity and internal control issues. Council also has a comprehensive tendering policy to guide staff on the legal, probity-related and operational issues around tendering.

Challenges to Improve

Expenses and Facilities Policies

At the time of the review, none of the policies appear to have undergone recent amendment. While the nature of such policies is such that they may not require constant review, the department's recently issued Circular No. 04/60 raises issues for all councils that will need to be reflected in a review. If council has not yet done so, it should review the policy forthwith in line with the circular.

The existing expenses and facilities policy does not place monetary limits on telephone calls and fax charges that can be incurred, relying on councillors to vouch

that the calls have been "wholly incurred on council business". Council should ensure it imposes appropriate monetary limits on these kinds of expenses. *(See Recommendation 2.1)*

The legal expenses policy notes that the council will take out indemnity insurance. The department encourages councils to have regard to Circular 00/22 in respect of what legal expenses councils should and should not indemnify councillors for. Council's policy appears more generous than the position of the department. Council's policy will provide indemnity for councillors even when they are not shown to have acted in good faith. The indemnity is only withdrawn when the loss incurred is attributable to dishonesty or intentional wrongful acts. Council should review its legal expenses policy in light of Circular 00/22 and, if necessary, amend the policy in light of that advice*. (See Recommendation 2.2)*

Annual Report

The department's review of council's annual report against statutory requirements revealed a general compliance, but highlighted a small number of areas of non-compliance. The annual report does not contain a comparison of council's actual performance of its principal activities during the year with council's projected performance of those activities as required under section 428(2)(b) of the Act.

Council has provided a statement within its annual report in regards to the establishment of a complaints handling mechanism for competitive neutrality complaints. However, the report does not state the manner in which such complaints are made known to the public as stipulated by clause 31(1)(d)(vii) of the Local Government (General) Regulation 1999. Council should ensure that it rectifies both areas of non-compliance. *(See Recommendation 2.3)*

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 set out what is to be included in

council's draft management plan. The draft management plan is to be exhibited in accordance with section 405 of the Act.

Council's management plan for 2004/2005 requires greater detail in order to comply with sections 403 and 404 of the Local Government Act 1993 and the Local Government (General) Regulation 1999. Specifically, the management plan should contain more information on the following:

1   The sale of assets to be conducted by council should be recorded. This should include real estate purchases and developments and a brief rationale for disposal should be provided.

2   Programs to be undertaken by council to implement its EEO management plan. The management plan should contain the key priorities identified in the EEO management plan for the reporting period.

3   The EEO management plan is a supporting document to the management plan and its intent and content should be reflected in council's strategic and operational documents.

4   The rating information should be presented in the format required by the Act, particularly in regard to information about the base rate. An example of the relevant format is provided in the department's Management Planning for NSW Local Government Guidelines on page 42.

5   The charges council is proposing to levy should contain the information required under section 404(3) of the Act.

6   Council is required to provide details of fees, the type of fee and its amount in the management plan. In Hornsby's situation, this information can be included as an appendix to the plan. However, the management plan should make reference to the separate fees and charges document that accompanies it.

7   Council is required to provide a general estimate of its income and expenditure for the second and subsequent years for which the plan is prepared.

Council should review the format of its management plan, particularly the finances section, to ensure that it complies with the requirements of sections 403 and 404 of the Act. Council should undertake this review in the context of the department's *Management Planning for NSW Local Government Guidelines. (See Recommendation 2.4)*

Risk management and internal control

A risk management plan provides council with a framework to proactively identify and manage generic and specific risks so that ethical behaviour and practice can be promoted.

Council does not have an overall plan to guide its risk management activities. There is no systematic scrutiny or assessment of council's operations, systems and performance, including purchasing, the disposal of assets or tendering. Council should develop an overarching risk management plan and should regularly carry out risk assessments in its key areas of activity*. (See Recommendation 2.5)*

Review of Organisation Structure

Pursuant to section 333 of the Local Government Act 1993, council is required to re-determine its organisation structure within 12 months after any ordinary election of the council. The last local government election was held on 27 March 2004. As such, council is required to conduct a review of its current structure by March 2005. Council should be mindful of this requirement and, if it has not already done so, carry out the review forthwith. *(See Recommendation 2.6)*

Tendering

The review team reviewed the file relating to tender T29/2004 for the supply and delivery of metal drainage grates, access covers and litter traps. The review team

found that in the main, the tendering requirements as prescribed by the Act and the Local Government (Tendering) Regulation 1999 had been followed. However, the review team did note the records available were in some respects less than better practice in this area. Specifically, there was:

1   No record of evidence of council selecting either open or selective tendering methods being kept on the tender file.

2   No record of staff that were involved in preparing and issuing tender documents being kept on the tender file (only the names of the evaluation staff were noted on the file).

3   No record of declarations of conflicts of interest for staff being kept on the tender file.

4   No record of written communications between tenderers and council staff being kept on the tender file.

Council should ensure that all tenders comply with better practice tendering, and should specifically review tendering procedures to ensure records of this kind are maintained.

Council's tendering policy should be reviewed to ensure it is consistent with the council's purchasing policy. At present, the purchasing policy requires that council tender where contracts involve amounts of $90,000 or more. But this is not mentioned in the tendering policy. The tendering policy may be enhanced by providing greater advice to staff on documenting key decision and on the issues around communication with potential tenderers. *(See Recommendation 2.7)*

Legislative Compliance

A fundamental principle of good public administration is that public officials comply with both the letter and spirit of applicable law (be it statutory or common law). No public official has an unfettered power or discretion.

To facilitate compliance with legal requirements, agencies and their senior staff should ensure that:

1. Management commitment to compliance is clear and unequivocal;

2. The legal requirements which apply to each activity for which they are responsible are:

3. Identified (including updates reflecting changes to the law), and

4. Documented (preferably in detailed, but as a minimum by reference to relevant provisions);

5. All staff are kept fully informed, briefed and/or trained about the key legal requirements relevant to their work;

6. Staff are made aware of the potential repercussions of non-compliance with legal requirements that apply to them, and

7. Record keeping systems and practices that capture evidence of compliance and non-compliance are in place.

Essentially there are two areas that a policy on legislative compliance could cover. The first is in regard to implementation. When legislation changes, council should have a system in place to ensure that, where necessary, steps are taken to ensure that it complies with the legislation.

The second area is in regard to a review process. Council should review its current processes to ensure that that it is complying with legislative requirements.

This aspect could be incorporated with an internal audit function, where periodic examinations are conducted into key operational areas. Council should develop and adopt a policy supporting legislative compliance. *(See Recommendation 2.8).*

Pecuniary Interests

The Local Government Act requires that councillors, senior staff and others make disclosures relating to their pecuniary interests. In certain instances it also requires that persons, principally councillors, not be involved in the decision-making process where the have a pecuniary interest in the matter before council. These statutory requirements place an absolute responsibility on councillors and certain staff to

provide written returns of their interest on appointment or following election and thereafter annually.

The review team examined whether the council has implemented a policy, whether disclosures are being made and to provide any commentary that might arise. We have adopted this approach.

The review team inspected all councillor returns. Two councillors had been part of the earlier council while the other seven councillors had been elected in the March 2004 elections.

Those councillors who had been part of the previous council were required to lodge a return for the period 1 July 2003 to 30 June 2004 (see s. 449(2) & (3)). These returns were due by 30 September 2004. The reporting provisions of section 449(1) required that the newly elected councillors lodge an initial return from 7 April 2004 (the date the poll in Hornsby was declared) to 7 July 2004. The provisions of the Act mean that these councillors did not need to lodge a further return by 30 September 2004. Notwithstanding this, by virtue of Departmental Circular 04/30, all councillors in this position were encouraged to do so.

We noted returns lodged by two councillors did not record the date of receipt. . The return for the period ending 30 June 2004 lodged by one continuing councillor was dated 9 October 2004. The notation on it records it as having been received on 11 October 2004. This return was therefore lodged after the time prescribed. A newly elected councillor lodged their return on 12 July 2004, again after the time prescribed. Another return, lodged by a newly elected councillor, was dated 13 October 2004. However, as this councillor was not strictly obliged to lodge a further return on or before 30 September, this does not constitute a failure to lodge a return on time.

The review team also reviewed a sample of the returns of the general manager, senior staff and other persons who fall into the classification of "designated persons". Again, one return did not record the date of receipt. In addition, the date of receipt of

one return pre-dates the date of the declaration on the form. Council should ensure it has procedures to record dates of receipt on every return. *(See Recommendation 2.9).*

The Local Government Pecuniary Interest and Disciplinary Tribunal has pointed out the need for councillors and designated staff to give due care and attention to the accuracy, detail and content of the disclosures required in returns and ensure that returns are lodged within time.

It is important that councillors and staff who are identified as designated persons complete the pecuniary interest returns accurately and in a timely way. Council could use the information provided in the department's Circular 04/16 to prepare information for staff and councillors to assist them in completing their returns.

Delegations

We noted delegations to less senior staff did not contain any acknowledgment that the donee has read and accepted the delegation. While the delegations are generally of a high standard, a common format, containing the acknowledgement would be an improvement to council's processes and should be implemented. *(See Recommendation 2.10)*

Code of conduct

We note the commencement of the Local Government Amendment (Discipline) Act 2004 on 1 January 2004 and recommend that, unless it has already done so, council proceed to adopt the Model Code of Conduct as amended or supplemented under section 440 of the Act. *(See Recommendation 2.11)*

4.2   Regulatory Functions

Council exercises regulatory functions in relation to a range of activities within its area. The efficiency and probity of council's regulatory functions is important for effectively managing council's responsibilities and for preserving public trust in council and its staff. Regulation is important to achieve a wide range of social, economic and environmental goals.

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*

Background

Councils are given responsibility as the primary authority determining what use and development of land may be undertaken with their council area.

The exercise of this responsibility requires that councils codify the nature of the uses and the developments that may be undertaken and exercise their determinative powers according to law and in an open and transparent manner.

In 2004 over half of all the complaints that the department received related to planning issues. This was more than twice the number of complaints received for any other category.

Notwithstanding any processes adopted by councils, it is likely that complaints regarding planning issues will continue to be a major cause of concern for residents. However, positive actions taken by councils can provide a greater understanding of

the issues and the processes of determining such applications and may reduce the number of complaints.

The adoption of a clear planning regime allied with open and transparent decision-making processes and the involvement of the community will strengthen the community's faith in the processes, leading to a reduction in complaints.

The review team placed considerable emphasis on the land-use planning regime adopted by the council, particularly to see if it might provide a model for other councils.

The determination of any development application involves consideration of purely legal issues (ie whether the application is capable of being granted a consent). The determination will always involve consideration of the merits of the application, and whether, if consent is warranted, it is appropriate to impose conditions on such consent.

Councils must therefore exercise substantial discretion when determining such applications. The way that such discretions are exercised will always remain a contentious issue. It is not possible to effectively review the way that a council exercises such discretions. But the adoption of a clear, accessible and user-friendly regime of planning instruments and policies will assist in making this process more transparent and build the public's faith in its processes.

The team's approach was to review council's planning instruments, policies and processes both from an applicant's perspective and from the public's or an objector's perspective. We looked to see if, through the documents and through council's processes, applicants and the public were able to easily understand and access the land-use planning system adopted by the council.

What is working well

Strategic Planning

Land use planning is essentially an indication of the long-term goals of a council in areas such as land use, population, commercial and industrial development and environmental protection. A council cannot achieve its goals overnight but must be content to move in a positive direction that ultimately achieves its aims. Councils must look at their role over the long term, providing strategies that will have the resilience and continuity to achieve these aims.

Underlying the planning regime is sound strategic planning, rather than reactive responses. The review team looked at the strategic plans published by the council and spoke to council staff, particularly the general manager, regarding these issues.

As has been indicated earlier in this report, the council area contains a diverse range of uses, including large residential, rural and bushland areas. Unlike other fringe residential councils, the Hornsby Shire Council has not been placed under the pressures placed on similar councils to provide for the expansion of Sydney's population.

The general manager also emphasised the longevity of senior staff as important in providing long-term stability in council's strategic planning.

The council has undertaken a number of studies, including:

- Employment Lands Review
- Housing Strategy
- Industrial Lands Review
- Rural Lands Study
- Leisure Strategic Plan
- Commercial Centres Hierarchy
- Aboriginal Archaeological Study
- Sustainability Review of Hornsby Shire Local Environmental Plan
- Integrated Land Use & Transportation Study
- Heritage Study
- Tourism Strategy

All of this strategic work provides a useful springboard to its long term land-use planning.

Separately, the council has prepared a social atlas, providing social, demographic and economic characteristics of its community, from the 2001 census data.

We discussed strategic planning with council staff, who advised that strategic planning associated with its rural lands strategy has a 20-year horizon. When talking about their processes they emphasised the use of a facilitator, focus groups the need for openness and transparency, continuing dialogue and, ultimately, attempting to obtain a sign off from all groups. Interestingly, the council has utilised a master plan obtained from another council, which it proposes to modify to suit its needs.

Land Use Planning

The planning regime in New South Wales exists at both State and local levels. The State exercises overall management of planning issues adopting plans and policies affecting the State or regions.

The majority of work associated with planning matters falls on councils through the adoption of planning instruments and policies. These provide a hierarchy of mandatory and discretionary controls.

The number, complexity and the inter-relationship of these instruments and policies often serve to confuse the public and to raise doubts about council processes. Clarity therefore becomes an essential element in land-use planning.

The planning regime at Hornsby Shire Council

The principal planning instrument affecting land use and development is the Hornsby Shire Local Environment Plan, 1994. This is a statutory plan and binding on the council.

The historical notes to the plan indicate that it has been consistently been amended since its adoption, most recently on 13 September 2004. This is indicative of continuing review by the council in accordance with its statutory obligations under the Environmental Planning and Assessment Act 1979.

Development Control Plans

Lying beneath the local environment plan are a series of policies and guidelines in the nature of development control plans (DCPs), policies and brochures, providing an indication of council policy or giving guidance to assist both applicants and the community to understand those matters that the council regards as important in determining applications.

While the local environment plan essentially follows a format common to most such plans adopted by DIPNR or its predecessor, the council has formulated its own DCPs, policies and guidelines.

The council has adopted a variety of DCPs, including those affecting:

- Residential Subdivision
- River Settlements
- Extractive Industries
- Sustainable Water
- Local Areas, such as Berowra/Cowan
- Heritage buildings

The DCPs adopt a common format, indicating:

- The application of the plan
- Its purpose
- Its objectives
- The circumstances where a development application is required
- The manner that the council considers a development application, and
- Any other relevant DCPs
- The legislative context

Importantly, each provides a statement explaining the way that the various terms contained in the various strategies operate. At the outset in each DCP council's approach is made clear in simple and succinct terms. The DCPs then set out council's development application procedures, the information to accompany an application and a checklist. The DCPs then set out the various strategies and elements of the plan.

Each such strategy and objective sets out its objective, performance criteria and the prescriptive measures necessary to achieve these aims.

The DCPs are written in a clear and easily understood format and contain well-drawn sketches depicting the elements being referred to. Overall they provide a clear indication, both through the text and the images of the elements of the particular policy. It is clear that the council has made a concerted effort to provide a suite of DCPs in a clear and common format. They provide context and clarity.

Policies and brochures
The council has adopted policies affecting energy efficient housing and waste minimisation. In addition, the council publishes brochures addressing issues associated with alterations, additions and outbuildings and with new dwellings.

These do not follow the same format as the DCPs and, by comparison are not as user friendly. They are perhaps intended to provide more technical advice to professional advisers with appropriate levels of clarity and their language reflects this role.

Like the DCPs, they are in a clear and easily understood format and contain well-drawn images depicting the elements being referred to. These brochures are designed to provide clear and concise advice to members of the public intending to build, renovate or extend. They complete the suite of documents providing clarity to both applicants and the public.

Our criticism relates more to format than content. The new dwellings brochure is user friendly, establishing whether a development application is needed and then passes down the necessary steps to preparing the application. Usefully, it provides a checklist and precedents and then deals with the need and requirements to obtain a construction certificate. Overall the review team found this aspect to be well done, although not to the same levels as the DCPs.

Availability of information

Council's website contains if not all, the great majority of the information that has been referred to earlier in this part.

In addition to this, the council makes available a number of forms, including those for development, building and subdivision applications in adobe format. While this does not allow direct lodgement, it makes the forms available in a readily accessible downloadable and printable form.

This availability is enhanced by the provision of applications that are exhibited for comment. This is particularly useful as the applications are listed on the website by number, nature of development and the address of the property with a jump link to the material. In turn, the material provided includes a site diagram, elevations and the Statement of Environmental Effects. This material enables the viewer to obtain a good understanding of the proposed development.

There are 2 further links on each listing enabling comments to be made through email to the council and facilitating the item to be emailed to another recipient. This allows a viewer to forward the details of the application to others who may be interested.

Council's determination processes

Council's delegations differentiate between the nature of applications that are delegated to staff. The council offers both pre-lodgement and post-lodgement services.

The pre-lodgement services are offered without fee, with council making available officers with town planning, development control and flora and fauna expertise.

The post-lodgement services include mediation through the Australian Commercial Disputes Centre. The services have been utilised for major projects or where substantial community concerns exist, with the costs being met by the council. Council also utilises its planning staff to provide facilitation services.

Council provides for regular reporting of turnaround times for development applications. It has provided for electronic lodgement of applications and intends to soon deploy on line tracking. It deals with about 97% of applications under delegated authority. All of these aspects of the process are positive and commendable. Comparative performance indicators published annually by the Department of Local Government reveal that council's mean and median times for determining development applications are stable, and only very marginally above the average for its group.

Companion Animals

Council has adopted a companion animal management plan, which is recognised as good practice. Such a plan provides council with an opportunity to identify the future direction of these services and strategies to meet the challenges faced in providing these services.

Challenges to improve

We found that, compared to council's DCPs, the policies and brochures do not provide the same levels of clarity nor are they as user friendly. While the policies may be aimed at a more technical level – probably professional advisors - the information brochures are clearly aimed to provide assistance to the general public.

Given the clarity of the DCPs it was surprising that these documents do not adopt a similar format to the DCPs with similar set out and the use of diagrams. We recommend that council review these policies and brochures with a view to

increasing their ease of use and ensuring they are up to date. *(See Recommendation 2.12)*

Companion Animals

While council appears to be generally meeting its obligations in this area, we recommend council put in place strategies to reduce the euthanasia rates of unwanted animals. *(See Recommendation 2.13)*

4.3   Asset & Financial Management

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.

A review was conducted of a range of aspects of council's practices in the areas of:

   1   *Financial management*
   2   *Asset management*

Overview of financial position

Council has made operating surpluses (before capital items) for three of the past five years. The surplus before capital items for 2003/04 was $4.487 million. The unrestricted current ratio for council as at 30 June 2004 was 1.37:1. This indicator is a measure of council's ability to meet its current financial obligations. A ratio of 1.5:1 is considered satisfactory: a ratio of 2:1 or better is generally viewed by the industry as good. Council acknowledges that this needs further improvement.

Council's debt service ratio for 2002/03 was 2.90% and 2.46% for 2003/04. This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. There is no set benchmark for the debt service ratio given debt is influenced by a range of factors including the level of growth in a local government area. The use of loan funds for infrastructure improvements and other capital purposes is considered to be a prudent financial strategy.

The rates and annual charges outstanding percentage assesses the effectiveness of a council's revenue collection. The percentage of rates and annual that are unpaid at the end of the year is a measure of how well a council is managing debt recovery.

For the financial years 1999/00 to 2002/03 council had an outstanding rates and annual charges percentage of 3.3%. For the financial year 2003/04 this percentage increased to 4.68%. Council should investigate why the amount of rates and charges

outstanding has increased. Council should also implement measures to ensure that this indicator does not continue to increase. *(See below)*

Council has not applied for a special variation to rates in the past six years. Council has average residential rates in comparison to comparable councils, with average rates of $670.00 compared to $617.00 for the group. Council levies significantly lower rates for farmland and business categories in comparison to councils in the same category. Average farmland rates were 20% lower than the group average and the average business rates were 17% lower than the average for comparable councils.

What is working well

Council's overall financial position is deemed to be satisfactory. Council has a number of key elements to a good financial planning framework, including asset maintenance programs and registers. As noted below, this framework would be enhanced by long term asset planning for its infrastructure by asset class.

Council has a program of quarterly reporting of financial performance against benchmarks, which is satisfactory.

Challenges to improve

Rates hardship policy
Section 577 of the Local Government Act 1993 allows council to extend concessions to avoid hardship in relation to its rates and charges.

Council does not have a rates hardship policy in place. Given the demographics of the area there appears to be a need for council to consider adopting such a policy. *(See Recommendation 2.14)*

Asset management planning
Council has not developed a comprehensive Asset Management Plan. This has not allowed council to forward plan its asset maintenance requirements and seek funds

to address its asset maintenance shortfall. Council should develop an Asset Management Plan. *(See Recommendation 2.15)*

Rates and charges outstanding

While the level outstanding is not of itself of significant concern, as noted earlier, council should investigate why the amount of rates and charges outstanding has increased significantly. Council should also implement measures to ensure that this indicator does not continue to increase. *(See Recommendation 2.16)*

4.4   Community & Consultation

A council's charter requires that a council:

1   Provides services after due consultation

2   Facilitates the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and coordination of local government

3   Actively promotes the principles of multiculturalism

4   Plans, promotes and provides for the needs of children, and

5   Keeps the local community and State government informed about its activities

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

- *The methods council uses to involve and determine the views of its community*

- *Access to information*

- *Complaint Handling*

What is working well

Council has a range of planning tools to assist its community service activities. Council has in place a social and community plan. Council is responsive to the significant increase in its area of residents from a non-English speaking background.

Council has a pleasing level of commitment to consultation with social justice groups. It has a community development officer assigned to most social justice groups.

Council conducts regular community surveys, which include specific feedback on council's performance including its customer service performance. This level of engagement is pleasing, and there is evidence that results are important indicators for council in reviewing and improving its performance.

Challenges to improve

Cultural planning

Council has not prepared a cultural plan or undertake cultural planning activities. A cultural plan is a valuable means for council to take a strategic approach to cultural affairs in the council area. The department has, with the New South Wales Ministry of the Arts, issued guidelines to assist councils to develop and implement a cultural plan appropriate for their area. Council should act on these guidelines and develop a cultural plan. (*See Recommendation 2.17)*

Complaints 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.

The council adopted a complaints handling policy, titled "Customer Service Request Logging System" on 8 March 2000. The policy is currently under review.

The department does not consider that the existing policy is adequate. The policy is lacking in detail and does not appear to reflect much of what we were advised is being done on the ground at council. While the existing policy appears to differentiate between complaints and requests for service, it does so in a way that suggests that complaints only arise from unsuccessful responses to customer service requests.

The existing policy does not provide a definition for what council regards as a complaint, as opposed to a request for service. However, from interviews with the appropriate staff, it was clear that council has mechanisms in place that define complaints and make express provision for the way they are to be handled and who has responsibility for them. Unfortunately, this does not appear to be documented. We were told that staff receive individualised training in complaint handling and are rotated through branches within council to obtain a wider understanding of council's business.

The complaints management system is supported by a computer system introduced in the last 6 months. This system will allow better tracking of complaints and not

allow them to be deleted. Complaints will self escalate if not dealt with within time limits imposed by the system. The council is in the process of adopting an enhanced IT program that will strengthen its complaints handling processes

The council notifies its complaints handling process through its "Our Commitment" brochure that is available to the public. This brochure outlines council's service commitment, response times, the facilities to complain, its processes and the opportunity to provide feedback. The brochure provides a clear and concise statement in an easily read format. That council has clear and transparent service standards of this kind is very pleasing.

Unfortunately, the processes outlined in the brochure and provided by council's computer system do not appear to be reflected in its existing policy documentation we reviewed. Council has some work to do in this area. *(See Recommendation 2.18)*

4.5 Workforce Relations

Councils have a number of legislative responsibilities in relation to their role as an employer. Council is required to conduct itself as a responsible employer.

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

- *Human resources planning and strategy*
- *Job descriptions*
- *Recruitment and selection processes*
- *Equal employment opportunity*
- *Occupational health and safety*

Overview of the organisation

Council had, at the time of the review, a full time equivalent staff of 600. Council's overall staff profile by age and gender is heavily concentrated in the 25 – 54 age band, with a very balanced gender spread across all age bands. Indeed, nearly 55% of council staff are female.

What is working well

Council appears to have a solid policy framework across its human resources area, including a human resources policy/procedure manual, a documented recruitment and selection policy, provisions to ensure selection panels are trained in merit selection and an internal appeals process. All positions have written job descriptions. Councils has a documented salary system. Council appears to have an active consultative committee.

Council appears to have a well-developed OH&S policy and procedural framework. Council has a practice of conducting systematic OH&S risk assessments. Its efforts in this area would be enhanced by adopting a more systematic approach to monitoring and reporting on staff sick leave.

Challenges to improve

Human Resources Strategy

Hornsby, like many other councils, is exposed to a number of workforce issues, such as:

1   the shortage of specialised skills in certain areas, such as in the area of planning

2   an aging workforce

3   a change in workload for certain sections as council's and government priorities change

4   increases in career opportunities outside the area.

Council needs to consider a long-term workforce plan that looks at the staffing needs of each section of council and allocates staff according to workload and priorities. The long-term plan should also address the issues of:

1   council's aging workforce,

2   the provision of a plan of succession for key positions, and

3   increase opportunities for apprenticeships, cadetships and traineeships to address these concerns.

Council advised in its response to the checklists of council practices that it does not currently have a human resources strategy or plan. This is a key part of effective modern human resources management. A human resources strategy can integrate and guide council's overall human resources effort, particularly in the areas of recruitment and retention and staff training and development. A strategy of this kind should be integrated with other council strategies to ensure that, consistent with the council's view on the future direction of the organisation, planning is underway to support that direction at the human resources level. (*See Recommendation 2.19*)

Equal Employment Opportunity

As noted earlier, council needs to include in its management plan (and its annual report) details of its EEO activities. For its management plan, this includes:

- Programs to be undertaken by council to implement its EEO management plan. The management plan should contain the key priorities identified in the EEO management plan for the reporting period.

- The EEO management plan is a supporting document to the management plan and its intent and content should be reflected in council's strategic and operational documents.

Council should also report on strategies and outcomes for EEO in its annual report. The existing reporting is cursory and lacking in content in this regard. (*See Recommendation 2.20)*