PROMOTING BETTER PRACTICE PROGRAM

LACHLAN SHIRE COUNCIL REVIEW REPORT

Office of
Local Government

March 2015

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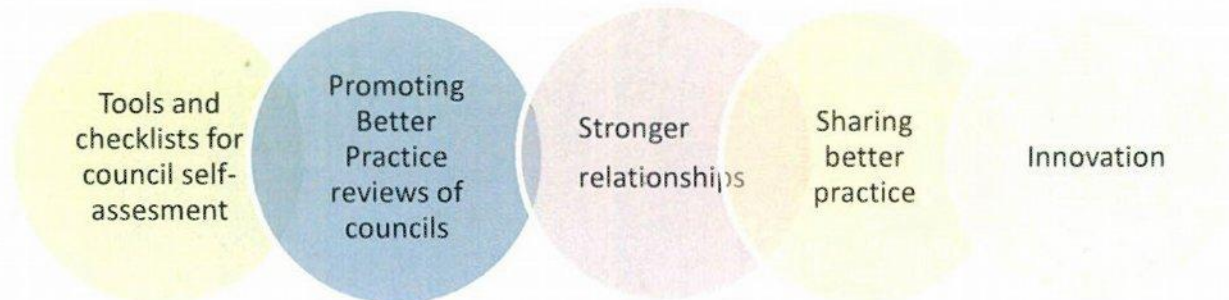
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1 PROMOTING BETTER PRACTICE

The Program

By promoting better practice, the Office of Local Government aims to assist in strengthening the local government sector by assessing performance and promoting continuous improvement.

The Program includes:

- working with councils to identify, share and promote better practice in key areas.
- working cooperatively with councils to promote strong relationships within the sector.
- providing councils with feedback on areas requiring improvement or further development, and assisting them in developing solutions.
- identifying trends and issues arising from council reviews to support policy and legislative changes for the local government sector.
- encouraging and facilitating innovation within the NSW local government sector.

| Tools and checklists for council self-assesment | Promoting Better Practice reviews of councils | Stronger relationships | Sharing better practice | Innovation |

Promoting Better Practice reviews

Reviews of individual councils are designed to act as a 'health check' to examine the extent to which there are appropriate strategies, policies, systems and procedures in place at the strategic and operational levels.

The reviews are conducted by a team from the Office of Local Government in collaboration with councils. During a visit to council key strategic areas are examined together. A key outcome is a report which reflects the findings of the review but most importantly contains a Review Action Plan with strategies to facilitate better practice and increase council's overall capacity to deliver appropriate services to its community.

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Key strategic areas considered

Leadership and governance examines how the elected body and the council organisation provide leadership within the local community. It considers all the means by which a council is directed and controlled to ensure effective decision making and ensure the organisation is meeting its legal and ethical obligations. Council's regulatory and enforcement framework is also considered.

Councils work with their communities to prepare a community strategic plan which covers a minimum of 10 years and forms the foundation of its service delivery. The focus is on how well council engages its community in planning, and how well the Community Strategic Plan; Delivery Program, and Operational Plan capture the community's aspirations and goals. The extent to which strategic land-use planning matters are integrated into the council's implementation of the Integrated Planning and Reporting framework are also considered here.

Capacity to deliver considers the current and future financial capability of a council to sustain its operations and deliver appropriate services to the community as set out in the Community Strategic Plan, the Delivery Program and Operational Plan. The quality and utility of the council's long-term financial planning, asset management, and workforce planning is a key part of this assessment.
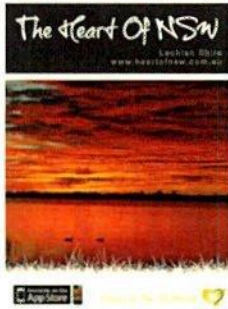
Services to the community relates to how the facilities and services in council's Community Strategic Plan, Delivery Program and Operations Plan have been translated into action. This includes looking at how the council informs the community of its performance in delivering services and facilities according to Plan, and how it measures customer satisfaction or receives community feedback to inform ongoing planning.

The review process

The review team consisted of Caroline Egberts, Principal Program Officer and Ross Bailey, Senior Program Officer.

PROMOTING BETTER PRACTICE REVIEW PROCESS

PREPARING

Lachlan Council completed a comprehensive self-assessment checklist and the review team considered a range of documents.

ASSESSING

The review team considered local circumstances in order to understand the pressures on the Council and how it has sought to manage within that environment.

DISCUSSING (VISIT TO THE COUNCIL)

A visit to Council allowed the team to 'reality check' what it had found in the material received from Council, and to discuss any issues arising. The visit focused on conversations with councillors and key council staff on key strategic areas that contribute to the council's overall health and sustainability.

ANALYSING AND REPORTING

After the visit, the review team prepared a draft report for Council's consideration and input. Once the report is tabled by the council, the final report is published on the Office of Local Government website, along with other council review reports.

IMPLEMENTING AND MONITORING

The review report highlights opportunities for further development for Council. Specific activities are captured in an action plan to guide Council. Lachlan Council and the Office will monitor progress as agreed.

Better practice identified during the review will be shared as appropriate within the local government sector.

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2   ABOUT LACHLAN SHIRE

The Lachlan Shire is geographically "the heart of New South Wales". It is located to the west of major centres such as Orange and Parkes; south-west of Dubbo and north-east of Griffith. The Shire covers an area of 15,000 square kilometres. The Wiradjuri people are acknowledged as the traditional owners of the land.
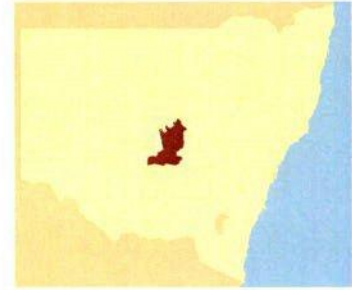
Lachlan Shire is the home to many traditional farming cultures and is one of the largest grain producing areas of NSW. It is also produces sheep, wool and beef. Lachlan Shire is primarily an agricultural area — producing grain, sheep, wool and beef.

A small but successful light-manufacturing sector has emerged in both Condobolin and Lake Cargelligo. Tourism is an emerging industry with the natural beauty of the Lachlan River, the picturesque Lake Cargelligo, and Gum Bend Lake, and the Shire being a gateway to the outback.

A snapshot of the Council and the Shire is presented on the following pages.
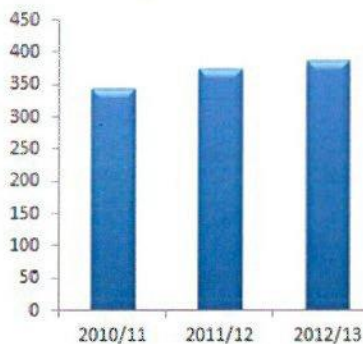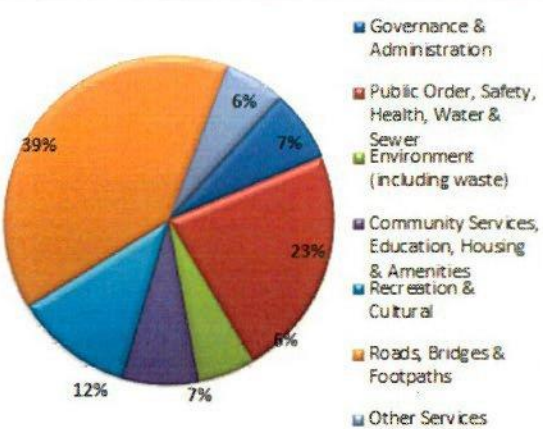
Lachlan Shire Council

Lachlan Shire has an area of approximately 14,973.2 km2 with a population of 6,735. Located in the central west region, agriculture is a major industry with the production of grains, wheat, oats, barley and feed crops and is also known for its sheep and cattle stations. Lachlan is home to the annual two day cross country navigational rally, the Condo 750.

Your Local Population	LGA	Group Avg
Five year population change (%)	0.0	1.7
Population aged 19 or less (%)	26.7	25.9
Population aged between 20 & 59 (%)	48.5	47.4
Population aged above 60 (%)	24.8	26.7
Aboriginal & Torres Strait Islanders (%)	16.4	7.9
Language Spoken Other than English (%)	1.9	2.6
Socio-Economic Index Rank (1 low, 152 high)	39	n/a

Your Council	LGA	Group Avg
Councillors (No.)	10	9
Population per Councillor (No.)	674	835
Equivalent Full Time Staff (EFT) (No.)	141	108
2012/13 Revenue ($'000)	31,119	23,296
2012/13 Expenses ($'000)	28,243	22,483
Residential Pensioner Rebates (%)	23	25
Population Density (residents per km^2)	0.45	1.80

Your Local Economy	LGA	Group Avg
SALM Unemployment Rate (%)	4.8	5.5
Avg Taxable Income ($)	30,222	34,729
Avg Household Family Size (No.)	3.0	2.9
Largest Industry Employer	Agriculture, forestry & fishing	
Value of DAs determined ($'000)	8,014	10,612
Active Businesses in LGA (No.)	1,083	851

Your Public Facilities	LGA	Group Avg
Public Swimming Pool Complexes (incl rock pools) (No.)	3	2
Public Halls (No.)	9	7
Public Libraries (No.)	2	2
Open Public Space (ha)	269	151
Total Road Length (km)	3,981.5	1606.1
Access to Internet at Home (%)	56.8	61.4

Average Residential Ordinary Rates

Expenditure on Services

- Governance & Administration
- Public Order, Safety, Health, Water & Sewer
- Environment (including waste)
- Community Services, Education, Housing & Amenities
- Recreation & Cultural
- Roads, Bridges & Footpaths
- Other Services

Council's Waste Services

- Recycling
- Garden Organics
- Household Waste

Council's Spending on Assets

- Actual Asset Maintenance Expenditure ($)
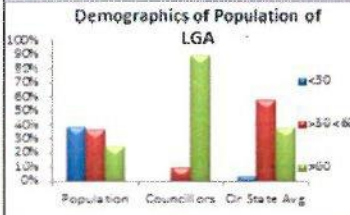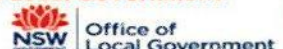- Required Asset Maintenance Expenditure ($)
- Total Council Expenditure ($)
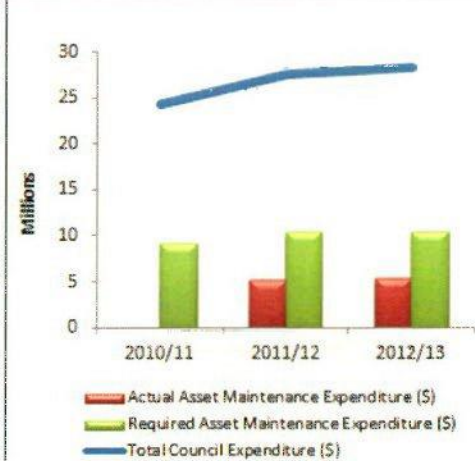
In 2013 TCorp assessed your Council's current Financial Sustainability Rating as Moderate with a Negative outlook.

In 2013 the Infrastructure Audit assessed Council's infrastructure management to be Weak.

Contacting Council	Your Council's Finances	LGA	Group Avg	Your Council's Services	LGA	Group Avg
58-64 Molong Street	Avg Ordinary Residential Rate ($)	388.28	516.92	Governance & Administration Expenditure per capita ($)	281.81	416.68
Condobolin NSW 2877	Avg Ordinary Business Rate ($)	497.81	1,196.86	Environmental Expenditure (including waste) per capita	221.53	218.44
Postal Address:	Avg Ordinary Farmland Rate ($)	2,468.31	2,257.70	Water & Sewer Services Expenditure per capita ($)	727.54	377.40
PO Box 216, Condobolin NSW 2877	Avg Ordinary Mining Rate ($)	18,000.00	89,571.68	Community Services, Education, Housing, Amenities Expenditure per capita ($)	317.74	319.06
Phone: 02 6895 1900	Total Land Value / Total Rate Revenue ($)	135.94	179.29	Recreational & Culture Expenditure per capita ($) *	491.76	279.50
Fax: 02 6895 3478	Typical Residential Water and Sewer Bill (including usage) ($)	1,759	1,067	Public Order, Safety & Health Expenditure per capita ($)	234.00	142.68
Email:	Avg Domestic Waste Charge ($)	247.92	270.75	Other Services Expenditure per capita ($)	251.22	414.94
council@lachlan.nsw.gov.au	Own Source Revenue (%) (TCorp Benchmark 60%)	35	49	Library Services Expenditure per capita ($)	37.27	45.73
Web:	Grants & Contributions Revenue (%)	58	44	Library Circulation per capita (Items)	3	5
www.lachlan.nsw.gov.au	Operating Performance Ratio (%) (TCorp Benchmark >-4.0%)	1.8	-6.8	Domestic waste not going to land fill (%)	27	31
	Unrestricted Current Ratio	5.1	5.1	Development Applications (mean gross days)	55	58
	Outstanding Rates & Annual Charges (%)	7.8	9.2	Development Applications determined (No.)	65	88
	Debt Service Cover Ratio (TCorp Benchmark >2.0)	39.7	26.5	Companion Animals microchipped (No.)	2,565	3,107
	Cash Expense Cover Ratio (Mths) (TCorp Benchmark > 3 mths)	1.8	6.3	Companion Animals microchipped and registered (%)	33	53

Demographics of Population of LGA

Your Council's Community Leadership			Your Council's Assets		
Development Applications determined by Councillors (%)	5	5	Roads, Bridges and Footpath expenditure per capita ($)	1,667.85	1,039.65
Audited Financial Reports submitted by due date (Y/N)	N	n/a	Building & Infrastructure Renewal Ratio (%)	94.0	79.0
Code of Conduct Complaints (No.)	0	1	Infrastructure Backlog Ratio (%) (TCorp Benchmark <20%)	14.6	16.6
Complaints investigated requiring action (No.)	0	0	Road Length per '000 capita (metre)	591.2	234.2
Cost of dealing with Code of Conduct Complaints ($)	0	2,417	Asset Maintenance Ratio (TCorp Benchmark >1.0)	0.5	0.9
Population per EFT Staff (No.)	48	71			

See Appendix 1 for definitions, calculations & benchmarks See Appendix 3 for Council Groups

Comparative Information on NSW Local Government

Measuring Local Government Performance 2012-13

NSW Office of Local Government

March 2015

The Council's response

As a general comment on the statistical material contained in the Report, we felt that more emphasis should be placed on the 'tyranny of distance' which impacts on our operations. This is not clear when comparing Lachlan to the Group Average in many of the areas presented. A simple example of this is the comparison made in EFT staff. The statistic does not accurately reflect the decentralised nature of the Shire and the fact that it has three depots centred around its three main towns all approximately 100kms or more apart. Equally the total road length; population density; and grants comparisons all deserve fuller explanation so the impacts of the comparisons are clearer.

3   EXECUTIVE SUMMARY

The Promoting Better Practice Review of Lachlan Shire Council took place in June 2014. The review team wishes to thank Lachlan Shire Council Mayor, Clr Desmond Manwaring, the General Manager, Liz Collyer, and the Senior Management Team for their enthusiastic participation in the review and for providing valuable information about the Council's strategic directions and key initiatives.

Lachlan Shire Council faces a number of challenges particularly in relation to its governance framework and financial sustainability.

It is acknowledged that the Council has taken the Promoting Better Practice Review as an opportunity to further develop its management of change plan: *Building Civic Leadership and Pride, Organisation Development Program, A Draft Management Change Plan for Lachlan Shire Council April 2014.* This Plan presents the means for improvement and change by identifying areas for development and appropriate actions to address these.

The review team has prepared an Action Plan to record all areas requiring development and proposed actions arising from the Promoting Better Practice Review. Once confirmed, it is suggested that the additional areas and actions identified by the review team be included in the Council's Organisation Development Plan. It is critical that the Organisation Development Plan also connects with the Council's Integrated Planning and Reporting suite of documents.

Leadership and governance

Until recently, Lachlan Shire Council had not given its organisational governance framework the attention it requires. Consequently, over time, it has become quite deficient in a number of areas and has not kept abreast of current policies, procedures and practices. The Council does not comply with legislative requirements in several areas and is exposed to significant risk.

The Council's new leadership team acknowledge the need to rebuild the governance framework as a matter of priority. Work has commenced as per a range of actions set out in the Organisation Development Plan.

Community Strategic Planning

The Council largely meets the legislative requirements of the Integrated Planning and Reporting framework. In the last 18 months, the Council has focused on re-engaging with the Lachlan community and has displayed better practice in doing so.

Delivering a sustainable future

This is an area requiring priority attention. The Council's financial position has deteriorated over a number of years. It has reported operating deficits before capital grants and contributions in six of the last eight years. The Council did not meet the statutory requirements in regards to the fair valuation of its assets. The outcome of this is that its depreciation has been understated in the last two financial years (2011/12 and 2012/13). If the correct depreciation charge had been applied, deficits would have been reported for the all of the last eight years.

In addition to this, Lachlan Shire's Long-Term Financial Plan is predicting further deficits for the next ten years.

Without positive intervention there is a potential risk that the Council's financial position may become distressed.

It appears the Senior Management Team is aware of the gravity of this situation, but it is unclear if the elected body has the same level of understanding. Ensuring Quarterly Budget Review Statements are made available to and reviewed by the elected Council is strongly encouraged to improve the awareness of the councillors in relation to this matter.

Some options to improve the Council's financial situation are canvased in the body of the report and should be considered as part of an urgent review of its Resourcing Strategy.

4 LEADERSHIP AND ORGANISATIONAL GOVERNANCE

Councils are best placed to provide civic leadership locally. Good leadership is critical to forming and maintaining both internal and external relationships that are positive for all parties.

Good governance means having effective and efficient structures, systems, policies and processes in place that support civic leadership and decision making to ensure the council is achieving its strategic and operational objectives thereby promoting community confidence in Council.

Good governance and civic leadership seek to achieve participation, consensus, accountability, transparency, responsiveness, efficiency, equity and legal compliance.[1]

Civic leadership and organisational governance at Lachlan Shire Council

- The Council provided an induction for all new councillors following the local government general election in 2012.
- Regular councillor workshops are held to provide background information to councillors about priority issues. These forums are not designed to "make decisions behind closed doors" but rather provide an important opportunity for councillors to be informed before making decisions at formal meetings.
- The Council participates in a variety of arrangements with other councils to support its administrative and governance functions. These include:
  - various joint initiatives as part of Central NSW Regional Organisation of Councils (CENTROC).
  - a Friendship Alliance with Penrith City Council. Lachlan Council has invited a delegation from Penrith to the Shire to participate in its National Aborigines and Islanders Day Observance Committee (NAIDOC Week) activities.
  - The Central West Salinity and Water Quality Alliance. The regional Catchment Management Authority formed a partnership with the Central West Salinity and Water Quality Alliance to undertake strategic projects across the catchment. The Alliance comprises sixteen councils in the Central West area.
- While the Council displayed leadership and engaged with the community to develop its initial community strategic plan, it acknowledges that ongoing engagement has not been a priority. Recently, the Council took a leadership role with its community to seek and understand its views in relation to potential amalgamation. The community's preference is

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[1] *Good Governance Guide – Helping Local Governments Govern Better, Local Government Professionals (Vic); Victorian Local Government Association; Municipal Association of Victoria; Department of Planning and Infrastructure Victoria;*

to "*Keep Lachlan Local*". The Council has resolved to support this approach and build its internal capability to be able to meet current and future challenges. The Council also hosted a community rally to allow the community to express disapproval of the decision to close the Condobolin's Target Country Store and its impacts on the community and local business economy. Other initiatives recently introduced to re-engage with its community are discussed later in this report.

- In the past, Lachlan Shire Council has not given its organisational governance framework the attention it requires. Consequently, over time, it has become deficient in a number of areas and has not kept abreast of current policies, procedures and practices. The Council does not comply with legislative requirements in several areas and is exposed to significant risk. These deficiencies are discussed later under opportunities and areas for development.

- Rebuilding the Council's governance framework to make it more contemporary and compliant with legislation as well as industry standards will take time, effort and resources.

Key Strengths

- Following the appointment of a new General Manager in January 2013, the Council reviewed its organisation structure and recruited a new Senior Leadership Team to implement a much needed reform agenda (including the rebuild of its governance framework). Regular weekly meetings are held with the Executive Staff. Agendas are set and minutes taken. Council reports are considered by the Leadership Team following each Council meeting to ensure decisions are implemented efficiently.

- Council has taken the Promoting Better Practice Review as an opportunity to further develop its management of change plan: *Building Civic Leadership and Pride, Organisation Development Program, A Draft Management Change Plan for Lachlan Shire Council (Organisation Development Plan)*. The review team commends Council for taking a positive and proactive approach to addressing its governance challenges.

Opportunities/Areas for development

In response to the Self-Assessment Checklist completed by the Council, a range of deficiencies were identified in relation to organisational governance. Several governance projects have been included in the Council's Organisation Development Plan[2] to address these and other issues. These are listed below.

- Senior Management Team: A Charter is to be developed which includes a leadership model, work/life balance considerations, meeting types (eg strategic/operational) and meeting procedures.

- Review of policies: All policies and procedures are to be revised to a standard format, with version control and be reflected in a policy register. Targeted training is to be provided to relevant staff.

- Ensuring legislative compliance: A system or process will be put in place to ensure the Council's legislative and regulatory obligations are met.

- Business continuity: The existing business continuity arrangements will be tested to ensure that Council can operate in the event of a catastrophic disaster or emergency.

- Risk management/fraud control: This area has not been a priority for Lachlan Shire Council, potentially exposing it to a range of risks across its operations. An enterprise risk management plan is to be developed (based on Statewide Mutual's template) that addresses all key business risks facing the Council.

- Internal audit: The Council does not currently have any capacity in this area. It intends to explore and implement internal audit capability using a shared service approach with neighbouring councils (i.e. CENTROC councils).

- Procurement, disposal and tendering: While the Council has procurement and tendering guidelines in place, procedures for monitoring the performance of contractors and overall contract management are informal and have not been documented. To provide assurance to the Council, the Lachlan community and tenderers that contractual arrangements are being appropriately established and scrutinised, the Council plans to undertake a major review to align its policy and practices with industry best practice. This will include training appropriate staff in their implementation.

- Policy on staff interactions with the Mayor and councillors: Current relationships between councillors and the leadership team are considered cordial and respectful, but they are not governed by a clear policy framework. It is intended that a policy be developed on:

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[2] Projects 1.1 – 1.9 *Building Civic Leadership and Pride, Organisation Development Program, A Draft Management Change Plan for Lachlan Shire Council*

1. the interaction between the Mayor and General Manager.

2. the interaction between councillors and staff.

3. Access to information by councillors.

- Code of Conduct: The Council is generally meeting its statutory obligations in relation to this area. However, to ensure it is less prone to corruption risk, the Council will work to reinforce awareness of the Code to its delegates, the public and contractors. As part of this process, the Council intends to also strengthen awareness of Protected Interest Disclosure and related notification procedures.

- Delegations: Clear statements documenting what the Mayor, General Manager, other key staff and committees are accountable for are lacking or inconsistent across the organisation. This has resulted in reduced clarity of roles, leading to delayed decision-making and, at times, affected the timeliness of customer service. A review of delegations is currently underway with a view to establishing a Standard Instrument of Delegations/Register which clearly documents which functions of the Council have been delegated to whom. Staff members accountable for enacting delegations will require appropriate induction, training and support and monitoring to ensure that the delegations are appropriately applied.

The review identified a number of additional governance areas which require development and do not appear to be included in the Council's Organisation Development Plan. These include:

- Statement of business ethics: The Council does not have a statement to guide external parties (such as suppliers and contractors) on the standards that are required when dealing with the Council or acting on the Council's behalf. As identified in the Organisation Development Plan, the Council intends linking its Code of Conduct to the Procurement Policy. This should also include identifying specific expectations of conduct relating to suppliers and contractors.

- Legal services: A long standing relationship has been maintained between the Council and a local lawyer to provide it with legal advice when required. This arrangement is currently under review. The Council ultimately intends to establish a legal advice panel.

- Privacy management: The Council has not formally adopted a privacy management plan. While it has provided training on privacy to staff, this training has not been offered to councillors.

- Council committees: Support to the Council's committees (s355) could be improved by providing them with a constitution or charter setting out their role and membership, as well as a handbook and/or other written procedures and relevant training.

- The Friendship Alliance with Penrith City Council: The review team suggests the Council seek assistance through its alliance with Penrith City Council to strengthen existing governance arrangements and other areas of Lachlan Shire Council's operation. These particular strategies or arrangements should also be reflected in the Organisational Development Plan.

Lachlan Shire Council's regulatory arrangements

This part of the review considered how Council is enforcing or ensuring compliance with laws to protect the community and the environment. Examples of areas enforced by local councils include: swimming pool legislation, unauthorized land use, signage and building work, storm water pollution, backyard fires, removal of noxious weeds, dog attacks, breaches of tree policies and shopping trolleys.

Legislative requirements also require councils to prepare a number of policies and plans such as a Companion Animals Plan. Regulation is important to support a wide range of social, economic and environmental goals as identified in the Community Strategic Plan.

Key Strengths

- Lachlan Council has programs and procedures for most aspects of enforcing and ensuring compliance with the laws to protect the community and environment as described above.

Opportunities/Areas for development

The Council is encouraged to include the following items in its Organisation Development Plan:

- Management of its on-site sewerage management register should ensure regulated inspections are being undertaken as required.

- The Council acknowledges that it does not have a planned approach to waste management. In particular, it does not have a Waste Management Plan which addresses the need to reduce waste to landfill, increase recycling rates and promote better control over the management its land fill sites.

- The current Storm Water Management Plan is incomplete and out-of-date.

- Companion Animals information on the Council's website is not accurate and is out–of-date. Reference to registration fees on the website needs to be updated to reflect changes to fees from 1 January 2014.

The Council's response – Leadership and organisational governance

Nil

5 COMMUNITY STRATEGIC PLANNING

Local councils have an important role in undertaking strategic community planning with and on behalf of their local communities to address challenges and realise opportunities for their area. The Integrated Planning and Reporting requirements of the Local Government Act provide the framework for councils to carry out efficient planning and delivery of services in partnership with the community. Plans and programs are supported by a Resourcing Strategy to ensure they are translated into action.

Lachlan Shire Council has been operating under the Integrated Planning and Reporting framework since 2012, and updated its suite of documents in 2013, in line with statutory requirements.

Key Strengths

Overall

- A desktop review of the Council's suite of Integrated Planning and Reporting documents found that the legislative requirements of the framework are being met. The suite of documents is generally well-integrated

- The Council has displayed good practice in implementing some elements of the overall framework. For example, the Community Strategic Plan clearly identifies the Council's role in realising each of the community's goals and provides informaticn about "what the community can do" against each goal. This encourages ongoing community commitment to the Plan, and supports a partnership approach to achieving outcomes.

- During the review team visit to the Council, it was apparent that the Senior Management Team members have a sound understanding of the Integrated Planning and Reporting framework. The Senior Management Team is working collaboratively to take a "whole of council" and "whole of community" approach to plan and deliver the community's aspirations and goals.

Engaging with Lachlan's community

- The Council's Community Engagement Strategy is comprehensive and clearly identifies key stakeholders and engagement methods. The Strategy provides an excellent overview of the local community and the issues that need to be considered when undertaking consultation programs in the Shire. It embraces social justice

principles to incorporate targeted engagement programs for typically hard-to-reach groups.

- On-going community engagement is a priority for the Council to ensure the aspirations and goals of the Community Strategic Plan remain relevant to the community, special interest groups and other partners. A recently introduced suite of initiatives to engage the community in a variety of ways is considered better practice as it is comprehensive and contains a number of innovate elements:

- A Community Engagement Network, facilitated by the General Manager, has been set up within the Council across all operations. All network members were trained in the International Association for Public Participation methodology, which represents industry good practice.

- An engagement approach titled *Garden of Opportunities* utilises community forums and specific engagement to inform the community, and seek views and priorities in a creative way. Community members are encouraged to write their thoughts onto 'leaves' which are placed on 'trees' for all to see.

- BusinessConnect@Lachlan is a network facilitated by the Council to keep the representatives of the business community and businesses in touch with each other. Lachlan Shire Council, in collaboration with Business Connect and other sponsors, hosted the inaugural Lachlan Christmas Fiesta which was designed to encourage people to shop locally for Christmas and engender a sense of community spirit and celebration. The six hour event was an opportunity for local retailers to showcase their products as well as providing a night out for the whole family with free local entertainment, children's activities, fashion parades and a town crier. The turning on of the lights on a new community Christmas tree was the highlight of the evening.

- The recently launched CouncilConnect@lachlan is a customer service initiative, the main aim of which was to actively review and resolve customer complaints (91% of 4,000 items since May 2013 have been successfully finalised). The initiative also promoted awareness of the Council's services via small flyers/one-page brochures which contained Council facts and figures as well as information on how to contact the Council. All outdoor staff are provided with business cards to refer any requests for service or complaints directly to the Council.

- A social media presence has been established on Facebook with a view to promoting Council initiatives and engaging with a broader cross-section of the community.

- The social justice principles of access, equity, participation and rights inform all engagement activities.

Translating the Community Strategic Plan into action

The Delivery Program is a statement of commitment to the community from each newly-elected council.

- *Lachlan Shire Delivery Program 2014 to 2016* represents a statement of commitment from the elected body of councillors on how it intends to put the community's strategic goals into action during its term of office. The Delivery Program also incorporates the Operational Plan which articulates the specific infrastructure, facilities, services and programs flowing from the Delivery Program that the Council will deliver in a given year.

- The Delivery Program/Operational Plan is well presented and links well with the Community Strategic Plan goals and strategic objectives.

Identifying and committing the resources required

In order to contribute to the achievement of community aspirations, as identified in the Community Strategic Plan, councils must prepare a Resourcing Strategy. The Strategy identifies the resources required to carry out the activities set out in the Delivery Program and Operational Plan. Three essential areas: long-term financial planning, asset management planning and workforce planning must be considered in the Resourcing Strategy.

- The *Living Lachlan Style 2022 Resourcing Strategy July 2012* is generally well presented and meets the requirements of the legislation. The Council's overall financial position and how it is managing its resources in the three essential areas is discussed in the next section *Delivering A Sustainable Future*.

Opportunities/Areas for development

- Ongoing community engagement around the Community Strategic Plan should canvass community priorities and acceptable levels of service. The 'Garden of Opportunities' initiative currently seeks information about community priorities. Information is also required about the level of service that is acceptable for each service. These should be explicitly referred to in the next revision of the Community Strategic Plan.

- A key project in the Council's Organisation Development Plan is the introduction of a Business Planning Model which aligns the Council's strategic intent to operational effort. As

part of this process, the Council intends to develop and carry out activities to strengthen monitoring and reporting on implementing obligations arising from the Integrated Planning and Reporting framework.

- Improved linkages: The Resourcing Strategy could better demonstrate how they will enable the achievement of the Delivery Program and Operational Plan. The individual plans within the Resourcing Strategy (ie Long-Term Financial Plan, Asset Management Plan and Workforce Strategy) should also link to each other. Consideration of how to achieve these linkages across the suite of plans should be explored as soon as practicable.

The Council's response – Community Strategic Planning

Nil

6   DELIVERING A SUSTAINABLE FUTURE

This section examines Lachlan Shire Council's overall financial position and how it is managing its finances, assets and workforce in order to deliver the outcomes of the Community Strategic Plan in a manner which can be sustained into the future.

Overall financial performance and outlook

- In 2013, the NSW Treasury Corporation (TCorp) conducted an assessment of the financial position of all councils in NSW. Lachlan Shire Council was found to have a "moderate" financial position with a "negative" long-term outlook.

- The Shire has a small rate base which accounts for only 23% of the Council's total revenue (2012/13 financial statements).Consequently, the Council is heavily reliant on grants (58% of income in 2012/13). Any reduction in these grants will place the Council in a serious financial predicament.

- The challenge to be financially sustainable is significant and ongoing for Lachlan Shire Council. The Council has limited options to increase its revenue and faces increasing expectations for community services from its community.

  - The Council expressed the view that government regulation is increasing and services are being withdrawn from less-populated rural areas. Community need and pressure has resulted in the Council having to provide a range of services such as medical services.

- While the Council has reported operating surpluses before capital grants and contributions for the last two years, this does not reflect the true financial health of the organisation. The Council's depreciation charges are based on historical cost, rather than fair value. It is expected that when depreciation is applied at fair value it will increase significantly and will impact negatively on the Council's overall financial position.

- The Council's Long-Term Financial Plan forecasts deficits for the next ten years for its Water and Sewerage operations. While modest surpluses are forecast for the General Fund, these will probably not be sustained when the new depreciation charge is calculated based on the 'fair valuation' of assets.

- The Council is considering a special rate variation as a means of increasing revenues from this source to improve its financial position.

Asset management

- TCorp identified that the Council's Infrastructure Backlog has been above $81 million in the last four years, with the 2013-14 projected $9.6 million shortfall in asset maintenance and renewals funding increasing the infrastructure backlog further.

- An Infrastructure Audit was also undertaken in 2013, which identified the Council as having "weak" infrastructure management.

- The Lachlan Shire has one of the largest road networks in NSW. The Council is responsible for maintaining 4,460 kilometres of road.

- The Council acknowledges that its asset condition audits and subsequent depreciation and renewal allowances vary from good practice to poor practice depending on the asset type. Priorities for asset renewal have not been consistently identified across each asset type and nor have they been costed and integrated with the *Lachlan Shire Delivery Program 2012 – 2016* (incorporating the annual Operational Plans).

Workforce

- Lachlan Shire Council, as with most rural councils, faces significant challenges with its workforce. The Council's Workforce Plan identifies that it has an ageing workforce (35% of staff aged over 50) and its remoteness makes recruiting staff with the required skills a challenge. The Council highlighted that, to help overcome this situation, it is working closely with local schools to run innovative training, traineeships and apprenticeships. The Council currently has three cadets.

- Around 16.4% of the population of the Lachlan Shire identify as being indigenous. The Indigenous employees at Lachlan Shire represent 20.24% of its workforce.

Opportunities/Areas for development

- The Long-Term Financial Plan requires further development. Key Performance Indicators are not included. Commentary is needed to explain the scenarios within the Plan. A sensitivity analysis should also be undertaken to determine the impact the actual outcome of a particular variable will have if it differs from what was previously assumed.

- Once the Council has finalised the fair valuation of its assets, it should then update its Asset Management Plans, Long-Term Financial Plan and Delivery Program to reflect the revisions as a matter of urgency.

- Full asset maintenance costs should be included in the relevant asset management plans and the Long-Term Financial Plan.

- The financial data contained in the Asset Management Plans and Workforce Plan differ from what is in the Long-Term Financial Plan and the Delivery Program. When these plans are next revised, all financial data should align.

- As recommended by TCorp, the Council is encouraged to focus on asset renewals (as opposed to upgrades or new assets) to assist with improving the quality of the asset base and reducing the maintenance and renewals funding gap.

- The Council has not prepared a Quarterly Budget Review Statement in the 2013/14 financial year, despite it being a legislative requirement. It is important that this task is completed as the Statement will help to accurately inform the Council of its financial position.

- The Council's Water Fund is a Category 1 business. The National Competition Policy requires a council category 1 business (Water Fund) to at least make a return on capital (break-even or a surplus), and adopt a corporate model (Business Plan). In addition, a dividend cannot be declared from a business if it is reporting deficits. The Council will need to either increase its water rates or alternatively, reduce expenditure in order to bring the fund to a break-even position.

- The Council's Sewerage Fund is a Category 2 business, and is reporting deficits before capital grants and contributions. The Council will need to review this Fund with the view of returning it to a surplus.

- The Council intends to develop a set of workplace values to complement the set of values articulated as part of the community strategic planning process. It is proposed that these values will be developed in consultation with staff to help shape a more positive culture for the organisation (*4.5 of the Council's Organisation Development Plan*).

- The Council does not have a Succession Plan which is of some concern as it has an ageing workforce (35% of staff over the age of 50) and by its own admission, has trouble attracting skilled staff because of its remote situation. The Council should develop a Succession Plan as soon as it is practicable.

- The Council's Workforce Plan does not clearly address the workforce requirements of the Delivery Program, as required. It also does not show how the cost of its proposed actions is reflected in the Long-Term Financial Plan. This should be addressed when the next suite of Integrated Planning and Reporting plans is prepared.

The Council's response – Delivering a Sustainable Future

Nil

7 BETTER PRACTICE EXAMPLES[3]

	Example	Description and better practice elements

1.	**Innovative community engagement**	A comprehensive suite of initiatives to engage with the community in innovative ways:
		
		• A cross-Council Community Engagement Network, with all members trained in the IAP2 methodology which represents current industry good practice.
		
		• The *Garden of Opportunities* encourages community members to record their thoughts and priorities.
		
		• BusinessConnect@Lachlan is a network facilitated by the Council to keep the representatives of the business community in touch with each other for the purpose of enhancing business enterprise within the Shire.
		
		• CouncilConnect@lachlan is a customer service initiative which actively reviews and resolves customer complaints. The Council's services are also promoted by outdoor staff are provided with business cards to refer any requests for service or complaints directly to the Council.
		
		    • A social media presence.
		
		    • Social justice principles inform all engagement activities.

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4 Definition of Better Practice, Office of Local Government

Better practice	• Beyond or above minimum compliance requirements, published guidelines or in some way better than standard industry practice. • Innovative and/or very effective. • Contributes to continuous improvement within the local government sector.

8   ACTION PLAN

Lachlan Shire Council faces a number of challenges, particularly in relation to improving its governance framework and achieving financial sustainability.

The review team has prepared the following Action Plan to record the areas requiring development and proposed actions arising from the Promoting Better Practice Review. Areas and actions already captured in the Council's Organisation Development Plan have been noted in the Progress Report Column. A notional risk rating for each area has also been included in the priority column.

The Council is asked to review each area, the proposed actions and the risk ratings allocated. It is suggested that once confirmed, the additional areas and actions identified by the review team be included in the Organisation Development Plan. The Council is encouraged to include start and finish dates based on priority as soon as practicable. It is critical that the Senior Management Team monitor progress against the tasks in the Organisation Development Plan and report to the Council quarterly.

The Council is also encouraged to review the linkages between the Organisation Development Plan and its suite of Integrated Planning and Reporting documents. As part of this process, start and completion dates, as well as indicative costs, should also be included in the Organisation Development Plan.

Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
LEADERSHIP AND GOVERNANCE				
1. Review of policies	High	- Review all policies and procedures to align with a standard format. - Introduce version control and an up-to-date policy register. - Provide training to relevant staff.	Complete by 30.06.15	DCSG	• Captured in Organisation Development Plan (ODP) • Standardised format developed; version control and TRIM references included; review work underway • Relevant training being developed and induction manual updated
2. Legislative compliance	High	- Put in place a system or process to ensure legislative and regulatory obligations are met.	Complete by 30.04.15	DCSG	Captured in ODP • Priority work commenced on planning, budgeting and reporting requirements • Information reference sheet being prepared for all staff • Investigation to purchase appropriate software underway
3. Business Continuity	High	- Test the existing Business Continuity arrangements to ensure that the Council can operate in the event of a catastrophic disaster or emergency.	Complete by 31.03.15	DCSG	Captured in ODP • Development of BCP commenced • Investigation underway to identify alternative emergency command centre • Current BC arrangements to undergo testing to identify existing gaps
4. Risk management/ fraud control	High	- Develop an enterprise risk management plan to identify and address all key	Complete by	DCSG	Captured in ODP

	Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
			business risks facing the Council.	31/10/15		• ERM plan and policy under review • Risk management handbook (Centroc developed) to be updated • Discussions underway with Centroc Internal Audit Panel advisors to assist in identifying key fraud mechanisms and gaps.
5.	**Internal audit**	High	- Implement an internal audit capability using a shared service approach with neighbouring councils (i.e. CENTROC councils).	Complete by 30/06/15	DCSG	Captured in ODP • Currently investigating shared services approach with Forbes Shire Council • Internal Audit advisory service being contracted to review financial controls
6.	**Procurement, disposal and tendering**	High	- Review all policies, guidelines, practices and procedures in this area. - Develop policies, guidelines and practices relating to overall contract management and monitoring the performance of contractors - Provide training to relevant staff.	Complete by 30/3/15	GM	Captured in ODP • ARC Blue initial consultation and report being investigated, policies and procedures under review
6.1	**Asset Management**	High	- Establish up to date data base of all assets	Complete by 31/10/15	GM	• Continue to update asset management database
7.	**Policy on staff interactions with the Mayor and councillors**	Medium	Develop a policy on: - the interaction between the Mayor and General Manager. - the interaction between councillors and staff. - Access to information by councillors.	Complete by 30/3/15	GM	Captured in ODP • Review of existing Code of Conduct to determine adequacy/gaps.

	Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
8.	**Code of Conduct**	Medium	- Implement strategies to reinforce awareness of the Code to Council delegates, the public and contractors. - Promote awareness of Protected Interest Disclosure and related notification procedures.	Complete by 30/3/15	GM (GT)	Captured in ODP • Reviewed Policy approved by Council, Councillors and all staff undertaken training • Require to link current Policy to Procurement, Disposal and Tendering policies and procedures. • Code posted on website • All Council S355 Committees provided with a copy of the Code • E-learning module to be used for raising staff, contractor and volunteer awareness
			LEADERSHIP AND GOVERNANCE			
9.	**Delegations**	High	- Complete current review of delegations. - Establish a standard instrument of delegations or register. - Provide appropriate induction, training and support for staff accountable for enacting delegations. - Develop monitoring mechanisms to ensure that delegations are appropriately applied.	Complete by 28/2/15	DCSG	Captured in ODP • Currently being reviewed • Standard register established • Individual delegations to be included in induction and attached to Position Descriptions • Include review/monitoring in internal audit program
10.	**Statement of business ethics**	Medium	- Link the revised Procurement Policy to the Council's Code of Conduct. - Develop a statement to guide external parties (such as suppliers and contractors)	Complete by 30/3/15	GM	NOT captured in ODP • Now included in ODP • To be developed and

Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
		on the standards that are required when dealing with the Council or acting on the Council's behalf.			linked to Procurement and Local Preference Policies • Summary document to be provided to all suppliers and contractors
11. Legal services	Medium	- Finalise review of provision of legal services to the Council. - Establish a legal advice panel.	Complete by 30/3/15	GM	NOT captured in ODP • Now included in ODP • Register of legal engagement/advice and panel to be established
12. Privacy management	Medium	- Prepare and adopt a privacy management plan. - Provide training on privacy management to councillors and refresher training to relevant staff as required.	Complete by 30/3/15	GM	NOT captured in ODP • Now included in ODP • Privacy Management Plan to be developed • Adoption of the E-learning module provides training on privacy management to Councillors and relevant staff
13. Supporting Council's committees (s355)	Medium	- Provide committees with a constitution or charter setting out their role and membership, as well as documented procedures and relevant training.	Complete by 30/6/15	DCSG	NOT captured in ODP • Now included in ODP • Review underway to establish consistent Terms of Reference roles and responsibilities • Training including Code of Conduct to be incorporated
14. The Friendship Alliance with Penrith City Council	Medium	- Utilise the alliance with Penrith City Council to assist in strengthening existing	Complete	GM	NOT captured in ODP • Now included in the ODP

	Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
			governance arrangements.	by 30/3/15		• Relationship management /interactions/exchange of staff and information regular
	COMMUNITY STRATEGIC PLANNING FOR THE FUTURE					
17.	**Improved linkages between all of the Council's plans and strategies**	Medium	- Review and improve links between the Resourcing Strategy and the Delivery Program and Operational Plan. - Better integrate the individual plans within the Resourcing Strategy (ie Long-Term Financial Plan, Asset Management Plan and Workforce Strategy).	Complete by 31/12/15	DCSG	Captured in ODP • Work has commenced on providing a strategic overview and critical dates to assist in the production of a key reference resource available to all staff • Update and formulate plans as required
18.	**Long-Term Financial Plan**	High	- Include Key Performance Indicators as required - Provide commentary to explain scenarios. - Carry out a sensitivity analysis	Complete by 30/6/15	DCSG	NOT captured in ODP • Now captured in the ODP • Significant work to be undertaken in development including Asset Management Plan and Workforce Strategy.
	DELIVERING A SUSTAINABLE FUTURE					
19.	**Update the Resourcing Strategy and Delivery Program**	High	- Once the Asset Management Plans have been updated to include the Fair Valuation of Assets (value and depreciation), the Council should also update its Long-Term Financial Plan and Delivery Program accordingly. - The updated Asset Management Plans should also include full asset maintenance costs.	Complete by 30/6/15	All Directors	• Now captured in the ODP • This work has been factored into the ODP and is part of the ongoing program to update Council's strategic

	Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
			– The Long-Term Financial Plan should include the costs of initiatives from the Workforce Management Plan.			planning and products.
20.	**Alignment of financial data for the Resourcing Strategy and Delivery Program**	High	– Once the Asset Management Plans and the Workforce Plan have been updated, the financial data contained in those plans should agree with the information in the Long-Term Financial Plan and the Delivery Program.	Complete by 30/6/15	DCSG	• Now captured in the ODP • This work has been factored into the ODP and is part of the ongoing program to update Council's strategic planning and products.
21.	**Quarterly Budget Review Statement**	High	– The Council should recommence the preparation of a Quarterly Budget Review Statement, as per legislation.	Complete by 30/3/15	DCSG	• Now captured in the ODP • Work is on track to table September and December 2014 QBR statements at the February 2015 Council meeting.
	DELIVERING A SUSTAINABLE FUTURE					
22.	**Water Fund**	High	– The Council should prepare a business plan for its Water Fund as per the National Competition Policy. – The Council should increase its water rates or reduce expenditure to enable the fund to at least break even in line with the National Competition Policy.	Complete by 30/6/15	DIS DCSG	• Now captured in the ODP • Will be considered as part of the budget development process • Business Plan to be presented to Council
23.	**Sewerage Fund**	High	– The Council should consider increasing its sewerage rates to at least bring the Fund to a break even position.	Complete by 30/6/15	DIS	• Now captured in the ODP • Will be considered as part of the budget development process
24.	**Succession Plan**	Medium	– The Council should develop a succession plan.	Complete by 31/12/15	DCSG	• Now captured in the ODP • To be integrated as a

	Areas for development	Priority	Action proposed	Timeframe	Responsibility	Progress report
						critical section in the Workforce Plan and subject to consideration when undertaking staff appraisals
25.	Workforce Plan	Medium	– The Council should clearly address the workforce requirements of the Delivery Program, and ensure that costs associated with proposed workforce actions are addressed in the Long-Term Financial Plan.	Complete by 30/6/15	DCSG	• Now captured in the ODP • Currently being updated and will include Succession Plan
26.	Asset Management Review		–	Complete by 30/9/15	DCSG	• Now captured in the ODP • Significant review of all areas currently being undertaken • Results of review to influence Long Term Financial Plan
27.	Procurement Policy - Review		–	Complete by 30/9/15	DCSG	• Now captured in the ODP • Currently underway, looking at achieving efficiencies through revised Procedures and expenditure controls • Policy to also reflect disposal of Assets and Tendering processes