

challenges improvement innovation good governance

Promoting Better Practice Program

REVIEW REPORT

NAMBUCCA SHIRE COUNCIL

AUGUST 2008

Department of Local Government



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1. ABOUT THE REVIEW

Review objectives

The Promoting Better Practice review program 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.

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

Review process

The review process was developed after extensive research into council performance measurements in Australia and overseas. There are essentially five steps in a review - preparing, assessing, checking, analysing and reporting. The review team examines local circumstances in order to understand the pressures on council and how the council has sought to manage that environment.

The process involves a Department of Local Government (DLG) review team evaluating the effectiveness and efficiency of the council's operations and giving feedback. This involves checking compliance, examining appropriate practices and ensuring that council has frameworks in place to monitor its performance.

The 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.

Nambucca Shire Council Review

Nambucca Shire Council was asked to complete a strategic management assessment and a comprehensive set of checklists about key council practices. The review team examined these and a range of other source documents prior to visiting Council, in order to gain a preliminary understanding of the influencing factors facing Council within its operating environment.

The strategic management assessment tool asked Council to respond to four critical questions:

- How has Council determined its ambitions and priorities?
- How do these ambitions and priorities drive the Council's services and resources?
- How does Council use its corporate capacity and systems to drive forward the organisation in an ambitious, challenging yet managed way?
- How does Council measure the progress it is making with its agenda to ensure that its priorities are delivered and that service improvement is achieved?

Mr Ian Melville, Senior Business Consultant from the Internal Audit Bureau, working for the Department, conducted the on-site component of the review from 17 to 20 December 2007.

The on-site review involved a meeting with Council's Mayor and General Manager, interviews with Council's senior staff, sourcing documents from managers, attending an ordinary Council meeting on 20 December 2007, meeting with some members of the community, the review of a number of Council's policies and other documents and visits to a number of Council facilities/worksites. The reviewer also attended part of the Works Committee meeting on Wednesday 19 December 2007, which included consideration of outcomes from the recent community survey and tourism strategy.

Following the on-site review, further analysis was undertaken. Council management was then provided with the opportunity to respond to the review's preliminary findings.

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

2. EXECUTIVE SUMMARY

Nambucca Shire Council is well placed to respond to the demands placed on local government coastal councils from the migration of population from the major city centres. Competing demands for development and environmental protection places responsibilities on Nambucca Shire that requires both a strategic vision by councillors and implementation of these plans by experienced professional staff.

Council has an experienced senior management team supported with long serving staff that possess a sound knowledge of local government that is capable of responding to the current challenges confronting Council. The General Manager joined the management team over a year ago and has been focussing on a comprehensive review of the operations to address more recent changes in legislation and the need for transparency and performance reporting.

There is a continuing planned vacancy for the position of Director Corporate Services. For a trial period, the Council formally decided that the duties of this position would be undertaken by the General Manager. As many of the recommendations in this report relate to the corporate services area, this will impact heavily on the duties of the General Manager, who will have overall responsibility for these actions.

The absence of an overarching Strategic Plan as a long-term blueprint for Council to determine its future direction across all policy and operational areas has limited the coordinated planning and linkages between the Management Plan and other plans such as the State of the Environment and the Local Environment Plans.

Council had commenced a process to identify deficiencies in its policy and operational areas and had started addressing these issues just prior to formal notification of this Review. Council's responses to the initial information sought by the Department have been well researched and prepared. The officers interviewed during the review demonstrated a good understanding of their areas of responsibilities.

Council's financial position is now strong. However, consideration could be given to allocating additional funds to assist in programs to develop systems. This includes the asset management system and the preparation of the Strategic Plan to provide the framework across Council. Infrastructure expenditure on older community halls and an extensive number of road bridges, many in poor condition, has placed high financial demand on Council's finances.

The absence of a comprehensive risk assessment plan across Council requires urgent attention to identify risk exposures. Council should prepare an internal audit program that could be implemented through combining resources with neighbouring councils or the Strategic Alliance.

Economic development plans have been successful over the past seven years and have allowed Council to attract business and employment opportunities to the area. Council now faces the challenge to establish long-term strategies to maximise the potential opportunities for these mid-north coast communities.

3. RECOMMENDATIONS

Ambitions, Priorities and Future Focus

1. Council prepare a 10-20 year Strategic Plan as the overarching document that links the corporate vision, Management Plan, Operational Plan, financial statements and other planning documents. This is a high priority.
2. The Vision and Mission Statements should be included in Council policy and other key documents to reinforce among staff and the community the values that the organisation upholds.
3. In association with the preparation of the Strategic Plan, Council should arrange for a review of the Vision and Mission Statement to ensure that it complements Council's new strategic focus.
4. Council's web site should be enhanced by inclusion of key documentation such as financial performance, fundamental management information and meeting minutes for the previous two years, as well as an improved search function.

Governance

5. Formal code of conduct training needs to be included in the proposed committee training programs and future councillor induction.
6. Council should review the effectiveness of its internal reporting policy and the procedures contained within the policy.
7. Council should prepare a Statement of Business Ethics for external parties dealing with Council and outline penalties for breaches of the requirements of this statement.
8. Council should review the preparation of its Management Plan template to ensure that all legislative requirements are included and that this Plan more effectively translates Council's ambitions to the community in a more concise, easily referenced document.

9. The key performance indicators in each area of the Management Plan should be included as an element in the Directors' work agreements to demonstrate a quantitative 'results based' reporting of activities under their responsibility.
10. Council should conduct a risk assessment across all operational areas to identify the levels of risk exposure that are yet to be addressed.
11. Council should consider the establishment of an internal audit function that might comprise a shared internal auditor and/or an Internal Audit Committee.
12. Council should prepare a fraud and corruption prevention plan and undertake a fraud risk assessment.
13. Council should establish a system for internal reporting of legislative or regulatory non-compliance and fines/penalties/prosecutions against Council.
14. Council should review its code of meeting practice and meeting practices generally to minimise the use of "questions without notice".
15. Council should develop a formal induction program for councillors with core subject content, in preparation for the next local government election in September 2008. This should include training on managing conflicts of interests.
16. Council should identify the individual development needs of councillors within a training and development schedule, as well as current attendance at conferences and seminars.
17. Council should develop a formal policy and procedures for the purchasing of goods and services and disposal of assets.
18. Council should include in its policy procedures to deal with complaints from third parties concerning procurement and disposal of assets.
19. As a general risk assessment protocol, Council should regularly review and analyse potential risk exposure within Council's procurement and disposal practices to minimise potential corrupt conduct and financial loss through non-compliance.

20. Council should review its policy made under section 252 of the Act to ensure that it complies with the *Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors for Local Councils in NSW*, issued by the Department in May 2007.
21. Council should produce a comprehensive set of records management procedures or guidelines to assist staff in complying with the requirements of the State Records Act.
22. Delegations should be reviewed at least every two years or whenever a change in the responsibility of a council officer or committee member requires such a change.
23. Council should develop an audit program to examine the exercise of delegations on a regular basis.
24. Council should develop a complaints policy and procedure to define a complaint and specify processes for dealing with them.
25. Council should provide staff with training on complaint handling.
26. Council should prioritise the development and adoption of an Information and Communication Technology Strategic Plan.
27. Council should review the General Manager's performance management process to ensure it is consistent with the Performance Management Guidelines for General Managers.

Planning and other regulatory functions

28. Council should encourage greater involvement from community groups who may contribute environmental data that could be incorporated effectively into State of the Environment reports.
29. Council should ensure that it is provided with a detailed and accurate account of section 94 contributions to demonstrate that the fund is compliant.
30. Council should prepare a formal enforcement and prosecution policy.

31. Council should finalise risk-based strategies for reporting non-compliance with environmental standards and unauthorised development.
32. Council should inform the community on the provision of assistance in identifying areas of non-compliance with environmental standards and unauthorised development.
33. Council could consider the possibility of upgrading the pound facilities or alternatively utilise the services of an animal welfare organisation.
34. Council should develop a Companion Animals Management Plan, as required under the regulation.
35. Council should address deficiencies identified in the Environmental Management Systems study of the Council depot at Macksville to initiate action to overcome potential pollution risks from the site.

Asset and financial management

36. On completion of the Asset Management Plan, Council should continually review its long-term financial plan with more accurate infrastructure life cycle costs and link it with the development of the new Strategic Plan.
37. Council should accelerate action to purchase asset management system software and provide increased staff resources and training in the software system to facilitate the data collection completion and implementation of this system.
38. Council should complete plans of management for all community land that it owns or is under its care and control.
39. Council should deposit income from its Crown reserves that are under its care and control into a trust fund.
40. Council should prepare formal business plans for its major businesses.

Community and Consultation

41. Council should develop strategies to deal with the impact of its ageing population on its services and infrastructure needs.
42. Council should prepare a guarantee of service to assist it in meeting its obligations to the community and establish a clear set of service standards and benchmarks against which its performance can be measured.
43. The review of the Nambucca Economic Development Plan would be further strengthened by indicating the period for which it is developed and to better define future outcomes, as well as specific measurable outcomes for achievement of its defined strategies.

Workforce relations

44. Council should evaluate its current workforce and determine strategies to deal with an ageing workforce.
45. Council should develop a long-term workforce plan that is designed to ensure that Council's human resources needs are integrated into Council's strategic and operational priorities.
46. Council should complete a human resources strategy to give direction to the human resources function.
47. Council should review all human resources policies and procedures at least every three years or when legislative or other changes demand.
48. Council should extend the comprehensive training plan developed for the outdoor staff across the whole organisation.
49. Council should review the current grievance policy and ensure that it has a process in place to monitor grievance notifications.
50. Council should consider an employee attitude survey to help determine the key workforce issues that impact on the organisation.

51. Council should review its secondary employment application form to request more detail from applicants regarding potential conflict of interest and include comments from the General Manager for reasons for his decision.

4. CONTEXT

Nambucca Shire Council is located on the mid-north coast of NSW, 510km north of Sydney and 490km south of Brisbane. The Shire is divided into two main areas; on the west are the rugged eastern edges of the New England Plateau, dominated by steep hill slopes and valleys. The eastern region features the gentle slopes of the Nambucca River & Taylors Arm floodplains and adjacent undulating lands. Data from the 2006 Census shows Nambucca's main population centres are Nambucca Heads (6,137), Macksville (2,155), Valla Beach (1,054), Scotts Head (789) and Bowraville (1,322).

The name 'Nambucca' is derived from the Aboriginal word 'Ngambugka' meaning 'winding or crooked river' and its modern history began with early settlers in search of cedar in the 1830's. The Gumbaynggiir people are the original inhabitants of the area.

As with many of the State's coastal areas, Nambucca Shire has become an ideal 'sea change' location, although it is not as developed as many of its larger neighbouring coastal councils. It is known in tourism publications for 'its clean and attractive surf beaches and spectacular headlands, its peaceful rainforests and mild gentle climate'. Macksville is a major town located centrally within the Nambucca Shire and the modern administration office of the Shire is located within this town. Nambucca Shire is home to the famed 'pub with no beer', which is located at Taylors Arm. The Shire has kilometres of beautiful low inhabited beaches and the famous Macksville Gift, Australia's second oldest foot race.

Nambucca Shire LGA population was listed as 17,897 in the 2006 Census. Census figures for 2006 indicate that the median age in Nambucca Shire LGA is 46 years, compared with 37 years for persons in Australia; 13.2% are between 5-14 years; and 37.2% are aged 55+. The Shires Indigenous population is a lot higher than the State average, being 5.7% of the Shire's population.

The median weekly income is \$296 (household \$562 and family \$642) and the median weekly rent is \$146. Housing loan median monthly repayments are \$900. The Index of Relative Socio-Economic Advantage and Disadvantage produced by

the Australian Bureau of Statistics ranks the Nambucca LGA as the seventh most disadvantaged area in NSW. Additionally, the LGA's unemployment rate is significantly higher than other regional centres on the Mid North Coast and NSW at 10.4% (September 2007).

The Nambucca Valley has become a growing manufacturing centre in the State, particularly in the area of vehicle body parts with manufacturing industry reported to make up 7% of the workforce. Other industries within the Shire include retail trade (16.6%), health and community services (11.6%), agriculture, forestry and fishing (10.3%), education (8.9%), construction (8.3%), accommodation, cafes and restaurants (7.6%).

Emerging growth areas are macadamia processing, construction, oyster farming, steel frame construction and gravel extraction. Council's economic development initiatives have recently attracted another major employer to manufacture concrete structural units to support the upgrading of rail infrastructure and bridge replacements.

Nambucca Shire Council was established in 1915, covers an area of 1,491 square kilometres, and is bordered by Bellingen Council to the north, Kempsey to the west and south. There are nine (9) councillors on Nambucca Shire Council including the Mayor who was elected unopposed as the popularly elected Mayor at the 2004 LGA election.

Council employs one hundred and eighteen (118) full-time equivalent staff and is represented by a total of one hundred and thirty (130) staff. Of these, five (5) are aged between 15 -19 years, one (1) is aged between 20-24 years, twenty-two (22) are aged between 25-34 years, thirty-seven (37) are aged between 35-44 years, forty-eight (48) are aged between 45-54 years, seventeen (17) are aged between 55-64 years and none are aged over 65 years.

In 2006/2007, Council's expenses from ordinary activities were \$22,072,000 and revenues were \$22,841,000.

5. COUNCIL'S AMBITIONS, PRIORITIES AND FUTURE FOCUS

This part of Council's assessment focussed on: clear ambition; a focus on communities and services; ownership of problems and willingness to change; a shared and realistic vision; a sustained focus on what matters; improvement integrated into day-to-day management; flexibility and innovation; capacity and systems to continue to deliver performance improvement.

During 2007, following extensive consultation, Council completed a detailed Structure Plan for the future development of the local government area. The Structure Plan brings together current and future population characteristics, land requirements for urban development, infrastructure requirements and conservation issues. Council recently completed a community survey with a 95% statistical reliability to determine customer satisfaction with its services. This survey was designed to be a forerunner to the review of the next Management Plan and building a longer term financial plan.

Representations were also received during the review from business persons who were seeking a greater appreciation by Council to undertake a higher level of controlled development and saw Council as conservative in initiating greater opportunity in this high demand area. Others commented on opposing views within the community on estuary management with some proposing engineering solutions through dredging the channels while others supported tight ecological control of the waterways.

Council will need to manage these future options in its strategic approach to the longer term development of these natural resources and show ownership of any decisions. This will provide a challenge for councillors to assess the community needs, consider options for potential changes in direction and be involved in the development of a new strategic plan to drive changes within the Nambucca Shire.

Background

With the closure of the local abattoir in 1990 and the resultant loss of over 400 jobs in the town, Council at that time faced a challenge to help rebuild and stimulate the local economy. In a sense, it necessitated a focus on short-term survival rather than a longer term strategic planning approach.

The preparation of the 2001 Economic Revival Plan and the Invest Nambucca Strategy resulted in the attraction of new investment to the area. The local economy is now reported to be ‘more diversified, less dependent on its traditional industry base and should be more resilient to external macroeconomic shocks’.

Council itself has also recovered in terms of its financial base with a current strong cash position and an ability to meet unforeseen contingencies. There is now however a need to adopt a long-term strategic plan for future growth within the community. This was confirmed in discussion with councillors and senior staff and there appears to be potential to formulate a strong planning instrument to drive the new phase of Council’s development. With a number of current councillors indicating their intention to retire at the next local government election, there is scope for other community members to contribute to this ongoing change process.

The Strategic Plan is the overarching document that links the corporate vision, Management Plan, Operational Plan, financial statements and other planning documents such as the State of the Environment Report, Local Environmental Plan, etc, and its preparation should be given high priority. **(Recommendation 1)**

Corporate Vision

Council has set its Vision and Mission Statement to provide the framework for its operational and policy development and these are listed prominently in its annual Management Plan.

Council’s vision is for ‘A Viable and Sustainable Future’ and was initially adopted in a similar form at its meeting some ten years ago and most recently updated prior to the current Management Plan.

The Mission Statement is 'A Commitment to providing the highest quality services and facilities to the community through:

- Effective leadership
- Strategic Planning
- Responsible Management of Infrastructure and Assets
- Community Involvement through Partnership with Council
- Enhancement and Protection of the Environment
- Promotion of economic development to maximise business and employment opportunities
- Development of facilities and services to meet Social and Cultural needs of the Community'.

The values were adopted after consultation with councillors and staff as a guide for the community to Council's corporate approach. There is benefit in engaging the community in establishing these values through consultation, which was identified as a major community issue in the results of the community survey presented to Council at its 20 December 2007 meeting.

Liverpool City Council is implementing over the next two years, community visionary and engagement processes called 'Creating Our Future Together Partnership Project' to drive Council's management planning and day-to-day business. Nambucca Shire could benefit from investigating a similar program to more effectively engage the community in strategic planning and identify the community's future demands.

The Vision and Mission Statements also need to be included in Council's policy and other key documents to reinforce among staff and the community the values that the organisation upholds. **(Recommendation 2)**

Given the lengthy time lapse between the original determination of the Vision and Mission Statement and potential changes in community attitudes, it would be timely to reconsider revision of these organisational drivers particularly given the urgent need to develop a long-term strategic plan. We recommend that in association with the preparation of the Strategic Plan that Council also arrange for a review of the

Vision and Mission Statement to ensure that it complements Council's new strategic focus. **(Recommendation 3)**

Strategic Alliances

Council advised that it has joined with seven (7) neighbouring councils to form the Mid North Coast Strategic Alliance to achieve economies of scale in its common business operations, as well as benefiting from information sharing. One example is the development of a common Information Technology Strategic Plan for all councils within this group.

These councils include Gloucester, Great Lakes, Kempsey, Port Macquarie-Hastings, Bellingen, Coffs Harbour and Greater Taree. Council also has other arrangements with its two neighbouring councils at Bellingen and Kempsey where it currently shares a section 94 (*Environmental Planning and Assessment Act 1979*) officer. Smaller councils often face the difficulty of utilising specialist services such as internal audit, human resources and Information Technology. The memorandum of understanding (MOU) signed with these other councils will greatly assist Nambucca Shire Council in improving its organisational performance.

Council's web page

Council's web page is attractive, simple and easy to navigate for visitors seeking information. There is scope for the web site to be enhanced to ensure that the homepage satisfies the primary key access needs of its clients. At the time of review, we noted that the current search facility was deficient in that simple search requests could not be processed due to constraints in processing keywords.

The major deficiency appears to be the absence of documents such as back copies of meeting agendas and minutes, as well as financial reports for previous financial years, to enable interested parties to monitor the performance of Council. Council should include additional key documentation such as meeting minutes for the previous two years, as well as related financial performance for these periods, and other fundamental management information. **(Recommendation 4)**

6. 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.

Overview

6.1 Governance

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

A range of aspects of Council's governance practices were reviewed including:

- *Ethics and values*
- *Risk management and internal control*
- *Council's decision-making processes*
- *Monitoring and review*
- *Access to information*

Code of conduct

Section 440 of the Act requires every council to adopt a code of conduct to be observed by councillors, members of staff and delegates of council that is consistent with the Model Code of Conduct prescribed under the Regulation. The Council's code of conduct adopted under the Local Government Act is important because it assists councillors and Council staff to understand the standards of conduct that are expected of them.

Nambucca Shire adopted the Department's model code of conduct on 20 January 2005. However, Council's adopted code has more onerous provisions in terms of the use of Council plant and equipment where private use is prohibited. The code was reviewed on 18 May 2006.

The code of conduct is provided to all staff during the induction process and discussing its purpose forms part of the training program. Council is intending to undertake some training for the members of some of its section 355 committees. This training and future councillor inductions needs to include relevant training on the code of conduct. **(Recommendation 5)**

Council indicated in its response to the draft review report that it would not be feasible to provide code of conduct training to all its committees. However, it is noted above in this report that Council is proposing to provide training for some of these committees in the future. This should incorporate relevant matters relating to the code of conduct.

Protected Disclosures

The Protected Disclosures Act requires Council to have a mechanism in place to receive and investigate protected disclosures. Council has an internal reporting policy dated 19 December 1996 to assist staff to make disclosures concerning corrupt conduct, maladministration and serious and substantial waste in the public sector. This policy needs review and will be considered in the current comprehensive policy review initiated by the General Manager.

There was no evidence that Council has reviewed the effectiveness of its internal reporting and accordingly a review of the policy should include a review of the procedures contained within the policy. **(Recommendation 6)**

Disclosure of Pecuniary interests

The *Local Government Act 1993* sets out the parameters that must be adhered to when councillors and staff have a conflict between their public duty and private interests that constitutes a pecuniary interest. The Act requires that councillors and designated staff complete and lodge disclosure of interest returns. It is important that

councillors and staff observe these requirements, as to not do so has the potential to seriously undermine the community's confidence in the integrity of local government and the decision-making processes.

The Department has issued Circular 04-16 to assist councils in preparing these returns.

The returns of interest that were submitted by all councillors for the period 1 July 2006 to 30 June 2007 were inspected. From this sampling, it was noted that the standard of returns was good. However, there were minor omissions relating to the accurate disclosure of addresses in Sections B1, E and G of the returns.

The minutes of ordinary meetings were also reviewed to determine whether appropriate formal disclosures of pecuniary and/or non-pecuniary interests were being made at Council and committee meetings. Section 6.6 of the Model Code of Conduct states that *Where necessary, you must disclose an interest promptly, fully and in writing. If a disclosure is made at a council or committee meeting, both the disclosure and nature of an interest must be recorded in the minutes.*

It was noted that Council has initiated a procedure where a pro forma declaration is attached to the business papers for councillors to complete should they seek to declare a pecuniary or non-pecuniary interest for any item and have this taken into consideration during the meeting.

Statement of Business Ethics

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.

When Council is dealing with third parties, it is important that they are aware of the ethical standards that Council expects from them in contractual dealings and that these are expressed clearly prior to any contractual arrangements being concluded. A Statement of Business Ethics should be included in standard documentation such

as tenders to bind contractors to these prescribed operating standards. The Statement should also include procedures to be followed where breaches occur.

Council should prepare such a statement and ensure that it is reflected in other documentation for third parties to ensure compliance. Any penalty for breaches of the requirements of this statement of business ethics should also be clearly outlined.

(Recommendation 7)

Management Plan

Each year Council is required to prepare a draft management plan with respect to its activities for at least the next 3 years and its revenue policy for the next year. Sections 403 and 404 of the Local Government Act require certain particulars to be included in Council's draft management plan. The draft management plan is to be exhibited in accordance with section 405 of the Act.

The Nambucca Shire Management Plan 2007/2012 was adopted by Council after the 28 day notification period and Council gave full consideration to all submissions received during that period.

The current Plan is easy to follow but considerable in size. Council should determine the present likelihood of the average community member finding this document a useful summary of Council's proposed programs. Council must ensure the inclusion of all the prescribed statutory content. For example, the 2007/2012 Plan does not contain environmental protection information, as required by section 403(2) of the Act.

The human resources activities listed in the Management Plan were generic statements and did not provide sufficient evidence of actual activities planned in this area or alignment with the Human Resource Plan. Similarly, the programs relating to implementing the EEO Management Plan were standard statements that appeared to lack any demonstration of significant initiatives in this key employment area.

Council could reduce the size of future management plans by separating more detailed reporting of performance measurement for inclusion in an associated Operational Plan.

The Operational Plan should be used by Directors and staff as a guide to their annual performance agreements and to monitor their work through the use of key performance indicators. This would allow for streamlining of the Management Plan to a summary report for ratepayers and community members of Council's intentions for the following financial year.

Council has provided a separate revenue policy for 2007/08 as an attachment. However, in the main section of the Plan the estimate of income and expenditure is not detailed enough nor related to sources for borrowing to fund any planned deficiency.

Council should review the preparation of its Management Plan template to ensure that all legislative requirements are included and that this Plan more effectively translates Council's ambitions to the community in a more concise, easily referenced document. **(Recommendation 8)**

In addition, the objectives in the Management Plan should be reviewed and performance measures reassessed under the 'SMART' principles so as to be **Specific, Measurable, Achievable, Realistic and Time based**. The current outcomes are difficult to report against on a quarterly basis and disadvantage Council in assessing the continuing performance of its programs and senior management performance. The key performance indicators in each area should be included as an element in the Directors' work agreements to demonstrate a quantitative 'results based' reporting of activities under their responsibility. **(Recommendation 9)**

Risk management and internal audit controls

Risk management is about the systematic identification, analysis, evaluation, control and monitoring of risks. While risk cannot be entirely eliminated, Council should aim to establish a risk aware culture and to continually work towards establishing structures, processes and controls that cost effectively reduce the Council's risk profile and thereby protect the interests of Council, the public and other key stakeholders. There should be a balance between the cost of managing risk and the benefits expected from engaging in an activity that has inherent risks.

Council does not have a risk assessment model and has not undertaken a comprehensive review of risk exposure across the whole of the organisation. The assessments that have been undertaken have focussed more on the narrow area of OH&S activities and safety rather than the broader spectrum of all council functions. As an initial commitment, a risk assessment across all operational areas of Council needs to be given high priority to identify the levels of risk exposure that are yet to be addressed. **(Recommendation 10)**

Council does not employ an internal auditor because of the relatively small size of Council's operation. However, as with the section 94 officer, there may be an opportunity to either share this resource with neighbouring councils or appoint a consultant on a project-by-project basis to undertake this work.

Council does not have an Internal Audit Committee to oversee a program to monitor potential risk exposure within the organisation. An Internal Audit Committee has the role of independently considering the outcomes of any reviews that may identify risk exposure in the organisation. Reports from internal audit investigations are presented to this committee.

Council should consider the establishment of an internal audit function that might comprise a shared internal auditor and/or an Internal Audit Committee. **(Recommendation 11)**

Fraud and Corruption Prevention

Fraud is a specific risk that requires action by councils across all areas of their operations to give assurance as to the security of systems within the organisation. Auditing standard AUS210/ASA240 specifies that auditors are to obtain written representation that an audit client has systems in place that effectively deal with the prospect of fraud.

Council does not have a fraud and corruption prevention plan and is yet to undertake a fraud risk assessment; two matters that should now be addressed. **(Recommendation 12)**

Legislative compliance

Council has not fully developed an effective system to identify all legislation that applies to Council activities or ongoing legislative programs within each of the operational areas. Council should act promptly to develop and implement such a system. Council should also ensure that any specialist staff are resourced and trained to react to legislative change. Council should periodically review its level of compliance with key legislative requirements. It should establish a system for internal reporting of legislative or regulatory non-compliance and fines/penalties/prosecutions against Council. (**Recommendation 13**)

Council and committee meetings

The ordinary meeting of Council is held on the first and third Thursday of the month. The meeting agenda includes a section for public presentations to Council. The reviewer attended the meeting on the evening of Thursday 20 December 2007. There was good interaction between Councillors, however not all contributed to the debates.

There was an opportunity for members of the public to address Council on matters of concern and they were given adequate time by the Mayor and councillors to properly express their case and answer any questions relating to their presentation. A copy of the presentation is also required by Council from all members of the public who utilise this opportunity. Council has initiated a new software package that allows the public to follow the resolutions of Council on an overhead projection. This allows Council to more effectively record and disseminate resolutions from the meetings to staff.

It was noted that the practice of asking Questions Without Notice is often used to seek basic information from senior management attending the meetings. The majority of these references could more easily be undertaken informally by direct telephone contact with the relevant Director or the General Manager prior to the meeting.

Clause 249 of the Local Government (General) Regulation 2005 allows questions to be raised at Council meetings. The right to ask questions at Council meetings should

be used appropriately, and not on matters outside of the proper business of the council meeting.

Pursuant to clause 241 of the Regulation, questions during a Council meeting should be in relation to the business before Council and councillors should avoid raising business that can be discussed under other items of business on the agenda. Business that can be discussed and dealt with at Council meetings under clause 241 includes:

- Business that a councillor has given written notice of within the required time before the meeting (clause 241(1)(a)) and of which notice has been given to councillors (section 367 of the *Local Government Act 1993*)
- Business that is already before the Council or directly relates to a matter that is before the Council (clause 241(2)(a)). For example, business that was discussed at the last Council meeting or business in a report made by Council staff in response to an earlier Council request for a report.
- The election of a chairperson for the meeting (clause 241(2)(b))
- A matter raised in a mayoral minute (clause 241(2)(c))
- A motion to adopt committee recommendations (clause 241(2)(d))
- Business ruled by the chairperson to be of great urgency (clause 241(3)) but only after a motion is passed to allow this particular business to be dealt with.

The *Local Government Act 1993* provides a number of other methods for councillors to bring matters to Council, such as using notices of motion or holding councillor information sessions on significant matters.

Council should review its code of meeting practice and meeting practices generally to minimise the use of “questions without notice”. (**Recommendation 14**)

Extraordinary meetings

In the past year, Council held two (2) extraordinary meetings for various purposes in addition to twenty-three (23) ordinary Council meetings. This is considered appropriate for the reasons provided.

Closed meetings

As a general rule, meetings of the Council and its committees are required to be open to the public. Where Council determines that a matter should be dealt with in confidential session, section 10 of the Local Government Act outlines the requirements for this determination.

Council records indicate that meetings were closed to the public on twenty-two (22) occasions during the 2006/2007 financial year. Six (6) reports from July to December 2007 were sampled and it was found that these met the requirements of the Department's Circular No 07-08 dated 11 April 2007. This outlines the need for councils to use the correct procedure when closing meetings to the public and media and refers to Meetings Practice Note 16, dated November 2005, as a guide. In particular, the reasons provided for the closures were properly outlined.

However, Council should ensure that it only deals with matters in closed session out of necessity so that the underlying principles of openness and transparency in its decision-making are preserved.

Declaration of interests

Council has initiated a procedure where a form to declare pecuniary interests is attached to the business papers to assist councillors and/or staff declare an interest in any matters before Council.

Conflict of interest matters have been the subject of much debate between councillors and as a result, some councillors may feel that they should regularly absent themselves rather than face any adverse comment from colleagues in the chamber. There appears to be a need for further training in managing conflict of interests.

Councillor induction and training

Council does not currently provide formal induction training for councillors. New and re-elected councillors need specialised training to properly equip them with the skills required for local government administration and policy development. Council should

therefore develop a formal induction program for councillors with core subject content prior to the next local government election. **(Recommendation 15)**

Council also has a responsibility to provide up-to-date training to councillors on changes to legislation and basic skills that support them in dealing with the ongoing changes within local government. This will include identifying individual development needs within a training and development schedule, as well as attendance at conferences and seminars. **(Recommendation 16)**

Council indicated in its response to the draft report that it was not sure who was responsible for identifying the individual development needs of each councillor. The Department is currently preparing a councillor development strategy and has recently issued a circular (08/22) in this regard. As part of the councillor development strategy, all councils are being strongly urged to develop and implement both a councillor induction program and an on-going professional development program for councillors. Council's human resources staff would be suitably skilled to undertake skills needs assessment with councillors to identify their development needs.

Tendering, Procurement, contract management and asset disposal

Tendering, procurement, contract management and asset disposal are significant operational responsibilities for Council and cannot be properly controlled without formal policy and procedures within the organisation. Council has confirmed that it does not have documented policy and procedures for purchasing or disposal of assets. These processes need to be governed by strict considerations of probity, transparency and accountability in the expenditure of public funds.

Council's obligations in relation to formal tenders are regulated under section 55 of the Local Government Act and the relevant provisions of the Regulation. These provisions relate to contracts with a value of \$150,000 or more.

Council should develop a formal policy and procedures for the purchasing of goods and services and disposal of assets. **(Recommendation 17)**

Council needs to include in its policy when it is developed procedures to deal with complaints from third parties concerning procurement and disposal of assets.

(Recommendation 18)

As a general risk assessment protocol it is necessary to regularly review and analyse potential risk exposure within Council's procurement and disposal practices to minimise potential corrupt conduct and financial loss through non-compliance. Council should undertake a risk analysis every two years to minimise potential financial loss. ***(Recommendation 19)***

Councillor expenses and facilities policy

Under section 252 of the Local Government Act, councils are required to prepare a policy on the payment of expenses and provision of facilities to the Mayor, Deputy Mayor and councillors. The Department has issued guidelines to assist councils in the preparation of this policy. Council adopted this policy on 8 April 2004 and recently reviewed the document on 15 November 2007.

Council's policy is well structured and readable. However, there are some areas where the policy can be improved. The policy requires information on:

- appropriate approval processes for expense areas
- councillor training
- carer expenses
- legal expenses
- no private benefit or general allowance provision.

Council should review its policy in accordance with the *Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors for Local Councils in NSW* issued by the Department in May 2007. ***(Recommendation 20)***

Records Management

Council adopted a records management policy on 6 February 1997. This was reviewed on 17 February 2005 in compliance with the *State Records Act 1998*. TRIM has been introduced as a records database and there are basic instructions relating

to administering this system, including reminders to staff and councillors as to their obligations.

However, Council has not produced comprehensive records management procedures or guidelines to assist staff in following the basic instructions. Council should develop a comprehensive set of records management procedures or guidelines to assist staff to comply with the provisions of the State Records Act and a further review of the policy should be undertaken. **(Recommendation 21)**

Delegations

The power of delegation 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 continually reviewed to ensure that they remain current.

Council confirmed that there are currently no documented delegations to the Mayor. Delegations to the General Manager and Directors have been reviewed over the past year. Council intends reviewing remaining staff delegations following the September local government elections. This should be prioritised and made publicly available. Delegations should be reviewed at least every two years or whenever a change in the responsibility of a Council officer or committee member requires such a change. **(Recommendation 22)**

Council should also develop an audit program to examine the exercise of delegations on a regular basis. **(Recommendation 23)**

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.

Council advised that while there is a rudimentary complaints handling policy, it is deficient in identifying and monitoring records of any complaints. Council should develop a complaints policy and procedures that defines a complaint and specifies

processes for dealing with them, including referring them to the Ombudsman's Office, ICAC or the Department. Staff should be provided with relevant training on complaints handling. **(Recommendations 24 and 25)**

Information and Communication Technology Strategic Plan

Council has not yet prepared an Information Management Strategic Plan to outline strategic initiatives for a five-year period in the areas of business application systems, IT Infrastructure, customer service and data security and integrity. The preparation of such a Plan will enable new technology and new software solutions to be deployed at Council in a coordinated and controlled way and will also complement the Management Plan.

While Council developed a draft IT policy on 25 May 2001, as an initiative of the Manager, Information Technology, it was not formally adopted. The Mid North Coast IT group is developing an Information and Communication Technology Strategic Plan as a core template that can then be used to finalise the Nambucca Shire Strategic Plan. This should be completed by December 2008. **(Recommendation 26)**

Review of General Manager's performance

Performance management is an essential part of good management practice. At the General Manager level, performance management is the means by which Council and the General Manager can reach a mutual understanding of expectations, and a process through which an assessment can be made as to whether the expectations have been met, exceeded, or remain unmet.

In interviews with the Mayor and General Manager, we discussed the current method used to review the annual performance of the General Manager. The current process appears to be unstructured and rather than assess the established performance criteria listed in the contract documents, it involves a review by several councillors as to their own assessment of the General Manager's achievements.

The Department issued Guidelines to assist with the General Manager performance management process. Council should review its performance management process

taking into account the information provided in the Guidelines. (***Recommendation 27)***

6.2 Planning and other 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*
- *Section 94 plans*
- *Companion animals*
- *Environmental management*
- *Enforcement practices*

Strategic land use planning

Council adopted its Shire wide Structure Plan at its ordinary meeting on 21 September 2007 subject to some amendments. This document (which comprised a comprehensive study across the Shire) will provide valuable input into the proposed new Local Environment Plan that is scheduled for completion in December 2008.

The Structure Plan was commissioned to guide the future development of the Shire over the next 20 years and based on ecologically sustainable development principles, focussed on the following five (5) main areas:

- Infrastructure
- Land Use
- Economic and Social Issues
- Urban Design
- Environmental management.

In addition to the completion of the Structure Plan, Council is consolidating its fourteen (14) Development Control Plans into a single Shire-wide composite document and has a draft Rural Residential Strategy that has been endorsed by Council for exhibition. Council has also developed an Economic Development Strategy.

Council's web site has complete information on the planning policies and plans and this information can be downloaded from the site. Council has targeted exempt and complying development under its Development Control Plan 10 to initially include 60% of all development applications (DAs).

Development assessment

Council confirmed that ninety-eight (98) percent of development applications are dealt with under delegated authority and that criteria has been developed to determine those files that need to be referred to Council.

Council has a procedures manual to assist staff in the assessment of development applications and provides pre-lodgement advice to applicants. Assessment guides, lodgement and assessment sheets and standard conditions have each been reviewed within the past two years. Processing times for development applications are reported to Council monthly, as well as those that are dealt with under delegated authority.

Council has initiated a DA tracking system to enable applicants to search on its web site for applications that have been submitted to, as well as determined by, Council. To minimise formal appeals on decisions on DA determinations, Council has instituted pre-determination and post-determination meetings.

State of the Environment Report

The Department received Council's State of the Environment (SOE) Report on 30 November 2007. We noted that Council's State of the Environment reporting has improved over time and there is now a good format adopted for the supplementary report. The supplementary reports that have been prepared for the last 3 years are quite inclusive.

The Report is informative and easy to read. It shows evidence of the programs that Council is implementing and how they are addressing some of the State and Pressure issues identified in the report.

The Report shows evidence that the Council has used the Department of Local Government Guidelines. It includes references to the regional indicators project, which is a good initiative and also mentions working with the Catchment Management Authority on projects, which is encouraged.

The SOE report does not indicate how the Council involves the community in its environmental programs or what input the community has into the priorities that are assigned to environmental issues. Council is encouraged to start thinking about how it will deal with getting the community's views. Council should also encourage greater involvement from community groups who have environmental data that could be effectively incorporated into SOE Reports. Council should consider these suggested inclusions when preparing the next SOE Report. **(Recommendation 28)**

Section 94 contributions

Section 94 of the *Environmental Planning and Assessment Act 1979* is a legislative mechanism permitting a council to recover costs associated with the provision of infrastructure, facilities and/or services required within the local community owing to the intensified demand due to development that results in increased population.

Council has approved the following eight (8) section 94 plans, which remain current:

- South Macksville Roadwork 2005
- Surf lifesaving 1995-2007
- Public Reserves and Community Facilities
- Traffic Management and Control Bellwood
- Car parking Macksville CBD Development and Redevelopment 2003
- Car parking Nambucca Heads (Bowra Street)
- Rural Roads/ Mines/ Extractive Industries/ Scotts Head Road/Grassy Head Road Intersection/Hyland Park Road/ Bald Hill Road/ Valla Beach Road Overbridge/ Upper Warrell Creek Road Overbridge

- Project Administration.

Council advised that it is currently undertaking a comprehensive review of its section 94 plans and an officer has been employed to work-share together with Kempsey and Bellingen Councils. There has been inadequate oversight and monitoring of these funds and at 30 June 2007 there was an amount of \$6.862M retained by Council from these contributions.

A review of the working papers illustrates that there have been several administrative errors in the management of section 94 contributions. As a result, there are instances of Council continuing to accept contributions when the fund had already reached the required financial target. In addition, there are examples where Council has accepted developer contributions and through administrative oversight not matched its own financial contribution responsibility. This appears to have resulted from a split of responsibilities between the Engineering Services and Planning and Development Directorates with insufficient input from the Finance Branch.

The General Manager has transferred responsibility for section 94 programs to the Finance Branch and the current comprehensive review will result in a reversal of these earlier errors. Council will be provided with a detailed and accurate account of the section 94 contributions so that reversals and transfers between accounts can restore the contributions to a compliant state. (**Recommendation 29**)

Enforcement practices and prosecution policy

Council should have a formal enforcement and prosecutions policy to assist in the successful handling of complaints. The NSW Ombudsman's *Enforcement Guidelines for Councils* is a useful resource that contains a model enforcement policy. Council has not finalised this policy and should do so as a matter of priority. (**Recommendation 30**)

Council currently does not have a separate system for the reporting and investigation of suspected non-compliance and unauthorised development within the Shire. In addition, Council does not provide information to the community on mechanisms to report these actions. This can have serious implications for the regulatory regime for Council.

It is recommended that Council finalise risk-based strategies for reporting non-compliance with environmental standards and unauthorised development. (**Recommendation 31**) Council should also inform the community on the provision of assistance in identifying these areas of non-compliance. (**Recommendation 32**)

Companion Animals Management Plan

Council currently utilises a contractor to undertake field duties for the companion animal functions in conjunction with council administration staff. In discussion with staff, it is apparent that in low socio-economic areas of the local government area, many residents are surrendering animals to the pound rather than paying registration and associated fees to have them returned to their owners.

Council advised that although the local RSPCA branch had received a government grant to assist with microchipping, due to a low pre-registration interest, this was cancelled. There is an increased level of euthanasia. However, Council has reported insufficient resources to develop strategies to reduce this number.

Section 85 of the *Companion Animals Act 1998* requires registration fees to be applied only for the purposes relating to companion animals control and management in the area.

There have been recent incidents of break-ins at the Macksville pound to release animals. This has resulted in the death of an impounded animal following the unauthorised release of a dangerous dog during a break-in. The Council pound is adjacent to the Works Depot and is relatively isolated. Further, it has inadequate accommodation for peak periods when animals have to be caged together. Council could consider the possibility of upgrading the pound facilities or alternatively utilise a local animal welfare organisation. (**Recommendation 33**)

Under the *Companion Animals Act 1998*, Council is required to prepare a Companion Animals Management Plan to provide for the effective and responsible care and management of companion animals. While Council is administering the general requirements under the Act, it is yet to formally develop and adopt a management plan as required under the legislation. (**Recommendation 34**)

Environmental management

During an inspection of the Works Depot in Macksville, it was noted that although an Environmental Management Systems report was prepared in March 1997, which identified deficiencies in environmental performance, Council has not yet adequately funded these works to minimise pollution from discharges from the site to neighbouring areas. The future of the workshop is currently being considered and priority should be given to addressing these environmental solutions within the Depot. **(Recommendation 35)**

6.3 Asset and 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, noted below.

Overview of financial position

Council's income statement for 2006/07 shows a deficit result from continuing operations after capital grants and contributions of \$706,000 compared to a deficit of \$957,000 in 2005/06. The result before capital items was a surplus of \$769,000 compared to a surplus of \$3,895,000 in 2005/06.

The original budget of Nambucca Shire Council estimated a surplus from ordinary activities after capital amounts of \$782,000. The actual result of a reduced operating surplus of \$769,000 was a result of significant variations in both income and expenditure with a net reduction of \$13,000. The additional revenue was derived mainly from \$428,000 in increased user charges and fees, \$332,000 net in capital grants and contributions, \$192,000 from gain in the sale of assets and \$325,000 in investment revenue. Expenditure variations included \$736,000 loss on disposal of assets, \$645,000 increase in extra materials and contracts and \$154,000 in depreciation and amortisation.

Council has applied and been granted five special rate variation increases over the past seven (7) years and this was applied to address infrastructure and maintenance shortfalls. As indicated later, there is still a significant backlog of works and the cost to bring assets to an acceptable level remains very high.

Liquidity and cash position

Council had \$25,827,000 in cash assets and investment securities as at 30 June 2007. Of this \$3,581,000 was internally restricted. Internal restrictions arose through resolutions of Council to set aside cash amounts for either prior liability of Council or

for specific future expenditure outlined in the schedule. Council's internal restrictions for 2006/07 included \$1,182,000 for employee leave entitlements, \$722,000 for land development, \$466,000 for waste management, \$308,000 for environmental rate unallocated and \$214,000 for plant and vehicle replacement.

Council's performance ratios are set out below and are considered to be satisfactory within the Department's guidelines. The majority show an improvement over the previous year's operations.

Council's rates and annual charges outstanding reflect the percentage of the amounts owing but not yet collected as a percentage of the total amount owing. The amount outstanding decreased slightly from 2005/06. The base level represents a significant outstanding amount that could be more effectively utilised by Council to meet its ongoing development opportunities.

Overall, Council's financial position is considered satisfactory, as shown in Table 1 below. However, some consideration could be given to more effectively utilising unrestricted cash funds totalling \$3,790,000 for high priority needs such as renewal of infrastructure, finalisation of the asset management system through increased staffing resources and/or outsourcing the development of the new Strategic Plan.

TABLE 1 FINANCIAL RATIOS

	2006/07	2005/06
Current Ratio	5.11:1	4.31:1
Unrestricted Current Ratio	2.44:1	2.18:1
Debt Service Ratio	0.06:1	0.07:1
Rates & Annual Charges Coverage Ratio	0.51:1	0.43:1
Rates & Annual Charges Outstanding Percentage	5.18%	5.72%
Asset renewals ratio	0.54:1	N/A*

* The Assets renewal ratio was introduced during 2006/07 and measures the amount expended on renewing assets as a ratio to the total depreciation, amortisation and impairment liabilities needed to return assets to their full value. No comparative values are therefore available.

Special variations

Council has applied for and received approval for the application of rate variations for the following years.

TABLE 2 APPROVED GENERAL INCOME PERCENTAGE INCREASE

YEAR	2007/08	2006/07	2005/06
% VARIATION	5.30%	6.11%	3.5%

The Department placed conditions on the approval relating to the revenue being applied for infrastructure expenditure on roads and bridges.

Financial planning

Councils are encouraged to develop longer term financial plans that are integrated with the overall strategic plan. These longer term plans allow Council to forecast the revenue and expenses that are associated with Council's strategic direction. It also allows for the measurement of the sustainability of its proposed activities and to assess whether it is able to fund additional activities and services.

Council has produced a ten-year financial plan, which is an initiative towards improved forward planning for capital works and major expenditure across all areas of Council's administration. Council needs to recognise that without accurate data directly related to an asset management database these initial costs need to be continually monitored for accuracy and relevance in the long-term financial plan. Council should continually review its long-term financial plan with more accurate infrastructure life cycle costs on completion of the Asset Management Plan and link it with the development of the new Strategic Plan. (**Recommendation 36**)

Infrastructure maintenance

The written down values (WDV) of Council's assets are listed in Table 2 below. The figures are as follows:

TABLE 3 WRITTEN DOWN VALUES / TOTAL VALUATION (%)

WDV/YEAR	2006/07	2005/06	2004/5
Roads, Bridges & Footpaths	59%	60%	61%
Stormwater & Drainage	70%	72%	72%
Water supply network	58%	67%	67%
Sewerage network	72%	54%	55%

Council's estimate to bring assets to a satisfactory standard was \$41.988M in 2006/07, which was a small reduction from the \$43.590M from the previous year's estimate. This is a significant liability.

Council's estimated annual maintenance of \$7.621M was not met, with a shortfall of \$4.242M resulting from actual expenditure of \$3.621M. This continual expenditure is of concern and supports Council's continuing requests for special rates variations to apply to upgrade its infrastructure through capital injections. The eventual data collection for assets and the implementation of an asset management system will provide Council with more accurate costs and a more sophisticated approach to life cycle costing.

Asset management

Council is currently assessing asset management software to record its asset base with a preference for modules that can be contained within its financial system. The implementation of the asset management system has been included in the responsibility of the Works Engineer who has been instituting data collection over previous years and is continuing training in this area of expertise.

Council has lagged in not implementing an asset management system at an earlier date with the consequence that without proper quantitative identification and measurement, its asset details are not as reliable. The last revaluation of assets was reported on 19 June 2005 and there is potential for rationalisation of assets for halls and road bridges.

Although data for roads, bridges and culverts has been collected, under the requirements of Fair Value financial reporting, it should be included in annual

reporting of assets by June 2008. Council is required to collect asset information on the remaining:

- land & buildings
- plant & equipment (almost completed)
- parks & reserves and
- other reserves.

Council should prioritise action to purchase asset management system software. It should also provide increased staff resources and training in the software system to accelerate the data collection completion and implementation of this system.

(Recommendation 37)

Land assets

Council maintains a property register of all Council land that it owns.

Council reported that it does not have plans of management for all of its community land that it owns or is under its care and control. Council should prepare plans of management for its community land. **(Recommendation 38)**

Council advised in its response to the draft report that it does maintain a legal documents register that contains all leases and licences for land that it owns or is under its care and control.

Council does not deposit income from its Crown reserves under its care and control into a trust fund and should monitor these incomes to a greater extent.

(Recommendation 39)

Debt recovery

Council adopted its debt recovery policy on 4 April 1996. The policy was last reviewed on 14 September 2007 by the General Manager. Its objective is 'to ensure the prompt recovery of all amounts due to Council'. It has a target of 90% of recovery for the total amounts due in the year for rates, water usage charges, as well as other outstanding amounts including sundry debtors. This is working well and Council needs to monitor this policy.

Resource sharing

Council has been proactive in its commitment to the establishment of the Mid North Coast Strategic Alliance. Financial benefits have been reported through economies of scale utilising the buying power of all eight (8) councils.

In addition, Council has an arrangement with its neighbouring councils at Bellingen and Kempsey and currently shares a section 94 officer with other similar sharing of resources being considered.

Council businesses

Council has a number of category 2 businesses including water, sewerage, land development, saleyards and pool. Council confirmed that it currently does not have formal business plans for these undertakings. **(Recommendation 40)**

Insurance

Council self-insures for workers compensation, public liability and a limited number of building assets. They are currently managed by the risk management and safety officer and an insurance broker.

6.4 Community and consultation

A council's charter requires that a council:

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

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

- *The methods council uses to involve and determine the views of its community*
- *Social and community functions of council*
- *Annual reporting*
- *Cultural planning*
- *Reporting to the community and keeping the State government informed about its activities*

Social and Community Plan

Overall, the Social and Community Plan provides good information about the community and the services that are available. It lists actions that need to be implemented to meet these community needs and is available on Council's web site. It is linked to the Cultural Plan and the Disability Action Plan. Council proposes to monitor and report on the Social and Community Plan through the Community Services Committee.

The Management Plan and Annual Report include sections on access and equity and include information about the Social and Community Plan. The Access and Equity Statement could be linked to the social planning program items. Consolidation of the Plans, which will be required under the Department's proposed Integrated

Planning and Reporting model, could be improved to make specific connections between the actions identified in the Social and Community Plan and what Council plans to do each year in the Management Plan. Council could then report in the Annual Report on the specific actions that are listed in the Social and Community Plan.

Annual Report

Council's 2005/2006 Annual Report meets the legislative requirements and effectively reports on the level of information needed in this document. While the report generally reads well, there are sections that are very prescriptive and list detailed content of policies rather than providing a brief overview and supporting quantitative data. The principal activities report is considered to be too detailed and currently includes the extensive number of objectives from the current Management Plan rather than restricting these to key principal activities within each operational or policy area.

As recommended earlier in the report in terms of the Management Plan, there is also scope to improve the presentation of the Annual Report to make it a more interesting publication, while meeting statutory requirements, highlighting the achievements of Council for the reporting period.

Cultural planning

Nambucca Shire's community services staff, in conjunction with a working party and Council's Community Services Committee, produced the Cultural Plan that was adopted by Council on 19 April 2001. It links closely with the Social and Community Plan and indicates the current status of its arts and cultural resources. It projects future needs based on likely demographic trends and changes in community needs. It also assists in prioritising funding requests for community uses.

The Plan will assist Council, government agencies, arts councils and the community to work towards the desirable level and range of cultural services, programs and facilities in the Nambucca Shire.

Ageing strategy

There is a clear recognition by all levels of government that the ageing of the Australian workforce and the needs of older persons requires specific strategies to address this demand. Census figures for 2006 indicates that the population figures for Nambucca Shire community members aged 65+ is already 22.6% (38.2% aged 55+) and this warrants serious consideration by Council with 'sea change' demand.

The increasing demand for services, facilities and infrastructure will be significant and impact across all areas of Council's operations.

The Local Government and Shires Association has produced *Planning the Local Government Response to Ageing and Place* that is intended to offer a framework for councils to begin to plan for the population ageing unique to each area by:

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

Council should develop strategies to deal with the impact of the ageing population on its services and infrastructure needs. (**Recommendation 41**)

Customer Service standards

Council should consider the preparation of specific customer service standards to inform staff of the expectations of service delivery to the community. This would include response times, minimum standards of service performance for clients and measurement of achievement against the prescribed standards.

Council does not currently have a guarantee of service to assist in meeting its obligations to the community. A guarantee of service should establish a clear set of

service standards that the community can expect from Council and establish benchmarks against which its performance can be measured. (**Recommendation 42**)

Tourism

The Nambucca Valley Strategic Review Report was completed in November 2007 by a consultancy. Tourism NSW estimates that the tourism industry across the Mid North Coast during 2006/2007 was in the order of \$2.1 billion. The Report recommends formalisation of a relationship between Nambucca Shire Council and the Nambucca Valley Tourism Association to contribute funding and develop the industry.

It lists the following three key objectives:

1. Industry consolidation: to work towards a cohesive, productive industry.
2. Industry development: to build a body of research to assist development of a marketing mix which reflects the capacity of the industry in the present and into the future.
3. Community capacity building: to build the capacity of the community to grow the tourism industry.

Economic Development

The Nambucca Economic Development Plan 2005 was prepared as a partnership between industry, local and state government through the Regional Economic Transition Scheme. It built upon the strategies of the 2001 Nambucca Economic Revival Plan, which followed the closure of major industry with the resulting loss of many local jobs.

The 2005 Plan identified strategies to attract investment into the Shire, business and industry development, as well as the provision of infrastructure. It developed a clear Vision and Mission to outline its approach to attracting sustainable economic growth within the Shire.

In the period 2000-2005, Council reported a total of twenty-six (26) business investment projects valued at \$11.9 million, which translate to 324 potential new jobs either created or retained. Niche manufacturing is the economic driver with the emergence of the Vehicle Body Manufacturing Cluster, which at the time reported employing 126 people. The Cluster objective is to be the centre of excellence for vehicle body manufacturing within Australia.

It is proposed to implement the Plan based on thirteen (13) strategic initiatives within four broad categories. Council advised that it intends to review both the Cluster and Economic Development Plan during 2008.

The review of the Nambucca Economic Development Plan would be further strengthened by indicating the period for which it is developed and to better define future outcomes, as well as specific measurable outcomes, for achievement of its defined strategies. **(Recommendation 43)**

6.5 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 workforce relations practices including:

- *Human resources strategy*
- *Job descriptions and job evaluation*
- *Recruitment and selection processes*
- *Employee remuneration*
- *Staff development*
- *Grievance management*
- *Occupational health and safety*
- *Secondary employment*

Overview of the organisation

Nambucca Shire Council has a total workforce of 130 (118 full-time equivalent staff). Of these employees, 73% are male with the majority of employees (78.5%) over 35 years of age. In addition, there are 13.1% of employees over 55 years of age, which signals to Council the need to assess its workforce and determine strategies to deal with an ageing population both within its staff and the broader community.

(Recommendation 44)

The total salary and wages expenditure for 2006/2007 was \$5.393M, which was a 2.4% increase of \$128,000 from the previous financial year's figure of \$5.265M.

Workforce planning

Along with other local government bodies, Council is exposed to a number of current workforce issues, such as:

- The shortage of specialised skills in areas of high demand (planning, engineering, IT)

- An ageing workforce
- Difficulty of attracting specialist staff
- Changing priorities from both internal and external factors
- Other employers and local councils competing for staff within the region
- Above-award payments from private sector employers.

Workforce planning involves the determination of the current workforce skill mix and numbers to respond to the current demand for services needed to meet Council's Strategic Plan. As well, workforce planning projects future community demands into a related workforce profile that aligns to the vision identified in its long-term planning studies.

Developing the plan will necessitate identifying shortfalls in current skill mix and utilising Council's human resources strategy to train or recruit externally to attract qualified and experienced specialist staff to deliver these new services to the community. This further illustrates the urgency for Council to complete a Strategic Plan to guide its future workforce plan in alignment with its long-term vision for the Shire.

It is imperative that with changing technology and work practices that Council's workforce is structured to deliver the services that are required by the community, as well as external demands from legislative and environmental pressures.

Management advised that Council has not undertaken a recent review of its workforce and assessment of changing demand for its services. These demands are a result of legislative and regulatory changes, new responsibilities, environmental impacts and local community demands. It is therefore necessary for Council to regularly determine and reassess how its workforce meets these changing needs, and to develop long-term strategies to respond to these.

Council currently has no objective measurement of the skill mix and employment component that is required to most effectively respond to the current community demand on its services and importantly has not yet developed longer term employment strategies for this purpose.

Council should develop a long-term workforce plan that is designed to ensure that Council's human resources needs are integrated into Council's strategic and operational priorities. (**Recommendation 45**)

Human resources strategy, plans and policies

Council does not have a formal human resources strategy to act as a framework across its human resources area. However, there are individual documents such as the newly released Access and Equity Plan that could form the basis for a more rigorous strategy. The strategy should not stand alone but should integrate into Council's overall workforce planning strategy, outlined within the new Strategic Plan. The human resource strategy should also include timeframes and performance outcomes.

Council advised that it is a priority to complete this strategy by June 2008 and this intention should be confirmed to give direction to the human resources function. (**Recommendation 46**) Council could use the resources of the strategic alliance and other partnerships to develop this strategy.

Council needs to address additional key workforce issues in the strategy such as:

- Recruitment and retention of staff
- Equity and diversity (already completed)
- OH & S issues
- Training needs
- Industrial relations impacts.

In addition, Council requires a range of human resources policies in the areas of

- Recruitment and selection
- Salary system and performance management
- Disciplinary matters
- Attendance, leave and absences.

Council has thirty-five (35) human resources policies that have been developed since 1985 that seek to advise staff on the relevant Council procedures. There is

concern that over the past ten years there has been little progress made in reviewing and/or updating these policies to ensure that they remain current and relevant.

Some policies, such as harassment and protected disclosures, are important issues that need to be continually reviewed. Others, such as travel allowances and removal costs, contain rates that are no longer current. It was noted that sixty-six (66) percent have never been reviewed and eighty-three (83) percent have not been reviewed in the past five (5) years. All human resources policies and procedures should be reviewed at least every three years or when legislative or other changes demand.

(Recommendation 47)

Training and Staff Development

Council has a comprehensive training plan for outdoor staff, which involves consideration of the individual needs of staff in developing their skills within local government. This now needs to be extended across the whole organisation to provide a comprehensive blueprint to ensure that all employee training needs are adequately addressed. ***(Recommendation 48)***

Grievance management

The grievance handling policy, which outlines a four (4) step procedure for resolution of disputes, was adopted by Council on 7 May 1998 and last reviewed on 16 August 2001. The final stage in the resolution involves assessment by an external independent mediator. However, it was confirmed that currently there is no monitoring of or reporting on the number of employee grievances received and the resolution rate. Council should develop a more proactive monitoring of grievance notifications and the current policy should be reviewed to include all recent related legislation. ***(Recommendation 49)***

In its response to the draft report Council sought clarification as to the benefit of proactively monitoring grievance notifications. The recommendation has been reworded to ensure that Council has a process in place to monitor grievance notifications for the purpose of identifying areas of Council's operations that may need to be reviewed and improved.

Employee attitude survey

Following the recent successful community survey that identified the most important issues from community members, Council is considering an employee attitude survey to help determine the key workforce issues that impact the organisation. These outcomes can flow into other workforce planning strategies and ensure that Council is fully aware of needs and expectations within the workplace. **(Recommendation 50)**

It would also assist in determining the values of the organisation for input into the revised Values Statement that has been recommended earlier in this report.

Secondary employment

A secondary employment policy is in place and was last reviewed in April 2005. There are currently six (6) employees who have received approval from the General Manager to undertake outside employment.

It was noted that the application form to engage in paid outside work does not address the potential conflict of interest of secondary employment. It would be strengthened by more detailed information of the proposed work to be undertaken and whether clients would directly or indirectly be connected to Council.

In addition, the applicant should sign a declaration to warrant that he/she is unaware of any current or potential conflict of interest in the proposed activities. The reasons for the approval or non-approval of the application should also be recorded on the form. Council should review its secondary employment application form to request more detail from applicants of potential conflicts of interest and include comments from the General Manager for reasons for his decision. **(Recommendation 51)**

7. COUNCIL'S RESPONSE

Nambucca Shire Council



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Our Ref: SF1090
Your Ref: Doc ID A136295

6 June 2008

Mr Garry Payne AM
Director General
Department of Local Government
Locked Bag 3015
NOWRA NSW 2541

Dear Mr Payne

Council's Response to the Draft Promoting Better Practice Program Review Report.

Thank you for providing Council with the opportunity to comment on the Draft Report.

In terms of an overview, given the available time and resources Council was pleased with the process undertaken by Mr Ian Melville, Senior Business Consultant from the Internal Audit Bureau.

He met with Councillors, Council management, a number of community members and witnessed both a Works Committee meeting and Council meeting. He conducted himself in a professional manner both listening and providing advice in an open and practical way. For the sake of transparency it would be desirable for all the persons he formally met with to be listed in the report.

The context he provides in Chapter 4 is a concise overview of the local government area and Council. Census figures for 2006 are quoted including median weekly income and median age. However there are some important socio-economic differences between the Nambucca LGA, the Mid North Coast and NSW generally which are not highlighted but which have a discernible effect on the Council's values and programs and its management approach.

Firstly the ABS produce an Index of Relative Socio-Economic Advantage and Disadvantage for NSW. In 2006 the Nambucca LGA was ranked the seventh most disadvantaged area. Secondly an important and related statistic is the LGA's unemployment rate which for the September 2007 quarter was 10.4%, significantly higher than regional centres on the Mid North Coast and significantly higher than for NSW. Thirdly the 2006 census recorded 5.7% of the population as being Aboriginal compared to 2.3% nationally.

In terms of the content of the review, there are only a small number of matters where clarification is sought or where Council believes there are errors of fact.

Recommendation no. 5

Council has 40 community based Section 355 Committees managing halls, parks and events. It will not be feasible to provide Code of Conduct training to all of these Committees whose membership changes at frequent intervals.

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Recommendation no. 16

This recommendation appears to go beyond a corporate level training program for Councillors, instead seeking to address the "individual" development needs of each Councillor. It does not indicate who should be responsible for identifying "individual" development needs.

Recommendation no. 27

The existing process to review the annual performance of the General Manager is structured, being based on reported performance criteria. The General Manager's contract provides for the engagement of an independent HR specialist to mediate in the review process but to date the expenditure has not been warranted by either Council or the General Manager.

Recommendation no. 38

Contrary to what is reported, Council does have a legal documents register which contains all leases and licences for land that Council owns or which is under its care and control (SF1048).

Recommendation no. 40

It is unclear what the reference to internal controls for financial transactions refers to.

Recommendation no. 49

Formal grievances are rare at Nambucca Shire Council so it is unclear what benefit will be derived from "proactive monitoring". However it is agreed that the current policy be reviewed.

On page 33, the first paragraph refers to Council having completed a Rural Residential Strategy. The correct status is that a draft Rural Residential Strategy has been endorsed by Council for exhibition.

Also on page 33 Mr Melville states that there is no record of our State of Environment Report having been received by the Department. Council's records indicate that the Annual Report and State of Environment Report were forwarded to the Department on 28 November 2007.

Council extends its thanks to the Department for conducting the program at no cost to Council and looks forward to the final report and the implementation of the recommendations.

Yours faithfully



**MICHAEL COULTER
GENERAL MANAGER**

MAC

Council's response to the draft report was reviewed and relevant changes were made in the body of the report. It should be noted that recommendations 27, 38, 40 and 49 were changed as a result of Council's feedback. In addition, some information in the report has been corrected.

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well?

- A proactive approach by management to identify and implement organisational improvements.
- Wide community involvement of councillors and senior staff.

Challenges to improve

- Adopting a more strategic long-term approach to administration and corporate planning through the preparation of a ten year Strategic Plan.
- Review of the values and a corporate vision and alignment to the new Strategic Plan.

GOVERNANCE

What is working well

- Action by senior management to identify, implement and monitor new systems.

Challenges to improve

- Develop a comprehensive risk assessment plan to identify and manage risk exposures.
- Develop a fraud and corruption plan to minimise the risk of fraudulent activity.
- Undertake a risk assessment of procurement and disposal practices.

PLANNING & REGULATORY

What is working well

- Developing a new shire wide LEP.

Challenges to improve

- Prepare a Companion Animals Management Plan.
- Prepare a formal enforcement and prosecutions policy.
- Resolve the section 94 contributions financial status and apply ongoing compliance.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Council has acted to create a sound financial position in the short term.
- Finalising an asset management system to identify long-term infrastructure funding.

Challenges to improve

- Refine the long-term (10 year) financial model with accurate asset values.
- Utilise the available unrestricted cash resources in strategic projects to further develop Council's organisational performance.
- Prepare an Information and Communication Technology Plan.

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Identification of the key social issues through the Social and Community Plan.
- Development of a draft Economic Development Strategy 2007-2010.
- Council meetings encourage public representation to ensure issues are brought to councillors' attention.

Challenges to improve

- Develop an ageing strategy to plan for the specific needs of the community.
- Consider the implications to Council of Integrated Planning and Reporting.

WORKFORCE RELATIONS

What is working well

- Multi skilling and use of flexible working hours to attract experienced staff.
- Retention of long-term staff and development of knowledge within the organisation.

Challenges to improve

- Develop a human resources strategy to provide a coordinated approach to staffing.
- Undertake an employee attitude survey to determine key workforce issues impacting on staff.
- Develop a long-term workforce plan and integrate into Council's strategic priorities.