

challenges improvement innovation good governance

Promoting Better Practice Program

REVIEW REPORT

OBERON COUNCIL

MARCH 2008

Department of Local Government



TABLE OF CONTENTS

1. ABOUT THE REVIEW	3
2. EXECUTIVE SUMMARY	5
3. RECOMMENDATIONS.....	6
4. CONTEXT	9
5. COUNCIL’S AMBITIONS, PRIORITIES & FUTURE FOCUS.....	10
6. DELIVERING AND ACHIEVING	13
6.1 Governance	13
6.2 Planning and other regulatory functions.....	24
6.3 Asset and financial management.....	28
6.4 Community and consultation.....	31
6.5 Workforce relations	36
7. COUNCIL’S RESPONSE	41
8. SUMMARY - WHAT’S WORKING WELL & CHALLENGES	54

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 or reviewer 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 Council, the Director General of the Department of Local Government and the Minister for Local Government.

Oberon Council Review

Oberon Council was asked to complete a strategic management assessment and a comprehensive set of checklists about key Council practices. The reviewer examined these and a range of other source documents prior to visiting Council, in order to gain a preliminary understanding of the pressures on Council and how the Council has sought to respond to those pressures and meet the needs of its community.

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 from the Internal Audit Bureau, acting on behalf of the Department, conducted the on-site component of the review from 9 July to 13 July 2007.

The on-site review involved a meeting with Council's Mayor and General Manager, a briefing for Council's senior staff, conducting interviews, attending an ordinary council meeting on 10 July 2007 and the review of a number of Council's policies and other documents and visits to a number of Council facilities/worksites.

A draft report and recommendation was provided to Council for comment. This final version of the report has been revised after consideration of Council's response. Some recommendations were deleted, as they were no longer considered relevant and/or appropriate. Council's comments on the remaining recommendations have been referred to in the body of the report.

2. EXECUTIVE SUMMARY

Council has a strong management team with long-serving staff who have broad local government experience. Council appears well equipped to respond to the contemporary management challenges facing councils west of the Great Divide.

While there is evidence of an informal strategic direction provided by some senior staff, this has not been translated into a formal Strategic Plan containing specific directives that permeate through all areas of Council and is clearly linked to other key planning documents.

Council has commenced a process to identify deficiencies in its policy and operational areas and has requested this review to assist it in benchmarking performance and developing plans to deliver better practice.

One of these areas is asset management, where historically Council has not identified infrastructure or life cycle costing to plan for deterioration of its asset base. A recent initiative has been to purchase software to develop an asset management framework. This system is to be used to facilitate the identification and rigorous monitoring of assets and will be linked to the financial system, in order to more accurately identify budgetary needs for long-term financial planning. It is commendable that Council has recognised the importance of this.

Council's financial position is strong. However, consideration could be given to allocating additional funds to assist in programs to develop systems, including the Asset Management System and the preparation of the Strategic Plan.

The absence of a comprehensive risk assessment plan across Council requires urgent attention to ensure Council can identify risk exposures and prepare an internal audit program, which could be implemented by combining resources with neighbouring councils or the Strategic Alliance.

3. RECOMMENDATIONS

Ambitions, Priorities and Future Focus

1. Develop a ten (10) year strategic plan as an overarching document for all other plans with a strategic intent (such as the Management Plan, the Local Environmental Plan (LEP) and the State of the Environment Report).

Governance

2. Prepare a statement of business ethics to guide external parties when dealing with Council, to ensure that performance standards meet Council's requirements.
3. Revise the format and content of its Management Plan.
4. Develop a comprehensive risk management plan.
5. Develop a three (3) year internal audit program based on the identified priorities in the completed risk management plan.
6. Establish an Internal Audit Committee.
7. Reduce the number of extraordinary meetings and ensure adequate notice of such meetings is provided, where practical.
8. Ensure declarations of pecuniary and non-pecuniary interests are properly disclosed and recorded.
9. Develop an induction program for councillors prior to the next local government election.
10. Utilise the local Strategic Alliance or CENTROC to jointly prepare training programs to enable councillors to have the most appropriate training to competently undertake their duties.
11. Develop a fraud and corruption plan to ensure that systems are in place for Council to minimise the risk of fraudulent activity that would adversely impact on its operations and financial status.
12. Establish a system for internal reporting of legislative or regulatory non-compliance and fines/penalties/prosecutions against Council.
13. Develop formal policies for purchasing goods and services and disposal of assets.

14. Develop a formal policy for managing contracts, taking into account the need for due diligence checks to assess the financial capability of the recommended contractor to fulfil their contractual obligations.
15. Undertake a risk analysis of Council's procurement and disposal practices every two years to minimise potential financial losses.
16. Review the Privacy Management Plan and submit it for Council's formal adoption.
17. Prepare updated documented delegations to the Mayor, senior staff and council committee office holders and include in a delegation register.
18. Consider a performance review panel for an objective annual reassessment of the General Manager's contract, including a senior HR specialist from the LGSA or similar to assist in the review.

Planning and other Regulatory Functions

19. Ensure completion of the new LEP by the target date of March 2009.
20. Review and update its development control plans and other planning policies.
21. Ensure that the planning policies and plans are integrated and reflected in the development of the overarching Strategic Plan. Enhance the State of the Environment Report with additional documentation and data measurement.
22. Enhance the State of the Environment Report with additional documentation and data measurement.
23. Prepare a formal enforcement and prosecutions policy.
24. Finalise risk-based strategies for reporting non-compliance with environmental standards and unauthorised development.
25. Inform the community on the provision of assistance in identifying these areas of non-compliance of environmental standards and unauthorised development.

Asset and Financial Management

26. Develop an integrated ten year financial plan.
27. Prioritise staff resources and training in the AMS software system to accelerate the completion date of the Asset Management System.

28. Prepare an Information and Communication Technology Strategic Plan to outline strategic ICT initiatives for a five year period.

Community and Consultation

29. Expand reporting of issues in the Annual Report and link this more directly to the Social Plan.
30. Monitor future annual reports to ensure that implementation of the Social Plan is addressed as required.
31. Establish a clear set of service standards that the community can expect from Council and establish benchmarks against which its performance can be measured.
32. Ensure that the initiatives within the Strategic Tourism Marketing Plan continue to be monitored and that the Plan is reviewed on a regular basis.

Workplace relations

33. Address the impacts of its ageing workforce and staff availability within Council's long-term workforce plan.
34. Develop a formal human resources strategy to link all human resources policies and procedures into a strategic document that is designed to ensure Council's human resources needs are integrated into Council's strategic and operational priorities.
35. Make the reporting within the EEO report more proactive by including comment on the implementation of programs and activities and better inform the community on Council's initiatives.
36. Take action to minimise the potential impact of loss of corporate knowledge through retirements of key staff, including ensuring staff can be replaced in a timely manner.

4. CONTEXT

Oberon Council is located 42 kilometres south-east of Bathurst and 183 kilometres west of Sydney with the area varying in altitude between 900 to 1300 metres. Oberon was proclaimed as a village in 1863.

Prior to European settlement, the area was inhabited by the Wiradjuri people.

Oberon Council, which was first formed at a public meeting in March 1906, covers an area of 3,627 square kilometres and is bordered by Bathurst Regional, Lithgow City, Blue Mountains City, Wollondilly Shire and Upper Lachlan Shire Councils.

Oberon LGA's population was listed as 5,061 in the 2006 Census. Council estimates that half of these reside within the township of Oberon. Council advised it anticipates that the current population will double by 2032. Council's youth population is projected to decline; its working age population to grow slightly (but not in all age groups); while the elderly population is projected to grow substantially. Census figures for 2006 indicate that the median age in Oberon LGA is 38 years, while 12% are aged 65+. The median weekly income is \$436 (household \$904 and family \$1,101) and the median weekly rent is \$150.

Prime lambs and beef cattle are the main rural industries, however, other industries including large softwood timber processing facilities, vegetable production, tree nurseries, nut tree plantations and bulb farms also provide significant economic input into the local and wider economy.

There are nine (9) councillors on Oberon Council, including the Mayor who is elected annually by the councillors. Council employs seventy three (73) full-time equivalent staff and is represented by a total of eighty-two (82) staff. Of these, one is aged between 15 -19, one is aged between 20-24, fifteen are aged between 25-34, nineteen are aged between 35-44, thirty are aged between 45-54, fifteen are aged between 55-64 and one is over 65 years of age.

In 2005/2006, Council's expenses from ordinary activities were \$8,858,000 and revenues were \$12,939,000.

5. COUNCIL'S AMBITIONS, PRIORITIES & 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 being integrated into day-to-day management; flexibility and innovation; and having capacity and systems to continue to deliver performance improvement.

Background

In discussion with senior staff, it was clear that while they have an appreciation of strategic issues relevant to their individual areas of responsibility, there is no formal long-term strategic plan across Council that provides a strong direction for staff and the general community.

A strategic plan is the overarching document that links the corporate vision, Management Plan, Operational Plan, Financial Plan and other planning documents, such as the State of the Environment Report and the Local Environmental Plan. Council should give the development of a ten-year strategic plan a high priority in the context of the Integrated Planning and Reporting process being implemented by the Department. **(Recommendation 1)** Council has indicated that it agrees with this recommendation.

The process of developing an Economic Development Plan has assisted Council realise the importance of strategic planning. While action has been identified to prepare a Strategic Plan, Council should ensure that it does not focus disproportionately on economic strategies within the plan.

Council is now concentrating on establishing a solid base to identify areas where it is below better practice and to develop strategies for future growth. Staff have been reassessing performance and putting in place a new governance framework to enable Council to better manage reporting and compliance. This review has been requested by Council to assist in this ongoing process.

Council has developed an Economic Development Strategy for 2007-2010 that sets a framework for the future growth of the community and a shared vision for changing

economic and social platforms. Council needs to focus on the opportunities resulting from the implementation of these strategies and to benefit from its fringe position just outside the major population area of greater Sydney. It is also aware of the benefits through the NSW State Plan and should continue to monitor these opportunities.

Corporate Vision

Council has set its vision, mission statement and its values and principles to provide the framework for its operation and policy development. These are listed prominently in its annual Management Plan.

Council's vision is to be 'Simply Spectacular', which Council advises translates loosely as being distinctive as a corporate entity, while providing basic best value services to the community and other stakeholders.

Council has identified the following three (3) key values and principles to drive its activities:

- Community well being
- Ethics and social justice
- Best value and sustainability.

The values were adopted after consultation with councillors and staff and operate as a guide to the community for the corporate approach taken by Council. While the community was not consulted specifically in the development of these values, there has been wide negotiation through the preparation of the Social Plan and other community interaction during this period. These values may have received greater acceptance if they had been determined following a process of surveying organisational culture and the aspirations of other stakeholders within the broader community.

The Statement of Values and Principles would also benefit from promotion through inclusion in position descriptions within Council, to reinforce among staff the values that the organisation upholds.

Strategic Alliances

Council has joined with two adjoining councils to form a strategic alliance in order to benefit from economies of scale in its common business operations, as well as benefiting from information sharing. 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 other Mid Western councils has the potential to greatly assist Council in strengthening organisational performance.

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.

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 review was conducted of a range of aspects of Council's governance practices, 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. Oberon Council adopted the Department's Model Code of Conduct on 8 February 2005. Staff have been provided with copies of the code and it is included in the staff induction program. However, formal training needs to be included in the proposed committee training programs and future councillor inductions. Council advised that the General

Manager and Director, Corporate Services were to commence a series of training sessions for committees in September 2007.

Protected Disclosures

An effective process for dealing with protected disclosures is an important means by which councils can signal commitment to ethical practice. It can also act as an early warning system for management. Council has a comprehensive policy for the handling of complaints that incorporates clear procedures to assist staff to make disclosures concerning corrupt conduct, maladministration and/or serious and substantial waste. It also provides relevant information about this in its Employee Induction Handbook. A memo detailing the requirements of the *Protected Disclosures Act 1994* was issued to staff in February 2005.

Disclosure of pecuniary interests

The *Local Government Act 1993* establishes the parameters that must be addressed when a potential pecuniary conflict arises between the public duty of staff and councillors and their private interests. Councillors and staff need to be aware of the potential for such conflicts to adversely affect the public perception of the community and the process of local government management when these conflicts are not properly considered. The Department has issued Circular 04-16 to assist council officials in preparing written returns of pecuniary interest.

We inspected returns of interest submitted by all councillors for the period 1 July 2005 to 30 June 2006, as well as the six (6) staff who are identified as designated persons. All eight (8) returns from the designated persons on staff were reviewed and appeared to meet the requirements of the Act.

While the standard of returns was good, 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 of Council were reviewed to determine whether appropriate formal disclosures of pecuniary and/or non-pecuniary interests were being made. The minutes indicated disclosures were being made. 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.”

Statement of Business Ethics

When Council is dealing with third parties it is important that these parties be 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. These inclusions should be contained in standard documentation, such as tenders, to bind contractors to these prescribed operating standards, including procedures where breaches occur.

We recommend that Council prepare such a statement and ensure that it is reflected in other relevant 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 2)** Council has agreed to implement this recommendation.

Management Plan

This section of the report revised in response to Council's request for greater clarity as to the review's findings.

We examined Council's Management Plans for 2006-2007 and 2007-2008.

The Management Plan 2006-2007 was adopted on 13 June 2006, after a 28 day notification and exhibition period. Council records indicate that it gave full consideration to all submissions received during that period. This is in accordance with the statutory requirements.

Council could improve the presentation and readability of its Management Plan by reducing its size, while retaining the required legislative content. This could be achieved by not including as much detail on operational activities. For each principal activity, Council should only provide high-level objectives, performance targets/measures and a statement of means. The more detailed information currently

incorporated could be retained in a separate Operational Plan that is primarily used as an internal working document.

We suggest the Management Plan include a financial summary with planned surplus/deficit amounts, as well as a graphical representation of the source and application of funds. This would add more rigour to the Management Plan and assist ratepayers in reviewing Council's expenditure proposals. We note that Appendix 2 of the Management Plan does contain detailed financial statements but such appendices may not be widely distributed to community members.

The KPIs (Key Performance Indicators) in the Management Plan do not conform to the accepted 'SMART' principles and are therefore deficient as an effective management performance measure. This needs to be addressed. Council indicated in its response to the draft report that some form of KPI measurement is needed and this needs to be improved if it is to be meaningful and useful for decision making.

While we encourage Council to eliminate unnecessary detail from its Management Plan, it should be noted that there are some specific activities where more detail must be provided, pursuant to section 403 (2) of the Act. Our review of the Plans for 2005/2006 and 2006/2007 identified that insufficient information has been provided for the following activities: Human Resources, EEO, Stormwater, Sewerage and Waste Management. Further, the information on activities to properly manage the environment and promote the principles of ecologically sustainable development simply reference Council's State of the Environment Report, without any detailed narrative on these important activities. In contrast, activities from the Social Plan were reproduced in detail.

We recommend that Council revise the format and content of its Management Plan, to more effectively communicate Council's ambitions to the community, in a concise easily referenced document. In doing so, Council should review its KPIs and ensure detail on specific operational activities is included, where this is a statutory requirement. **(Recommendation 3)**

Risk management and internal control

Council does not have a risk assessment model and has not undertaken a comprehensive review of risk exposure across the organisation. Those assessments that have been undertaken have focussed on the narrow area of OH&S activities. A much broader 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. This risk assessment should be used to inform the development of a comprehensive risk management plan. **(Recommendation 4)** Council has indicated that it agrees with this recommendation.

The outcomes of the comprehensive risk assessment should also be used to develop a three year Internal Audit program focused on the areas of its operations with the highest identified risk levels. **(Recommendation 5)** Council indicated that it agrees with this recommendation.

Internal Audit

Council does not employ an internal auditor and has not yet established an Internal Audit Committee to oversee a program to monitor potential risk exposure within the organisation. Council advised that due to its size and the scope of its operations it has not been economical to employ a full-time internal auditor to conduct annual audits. Instead on a few occasions it has used the external auditor to undertake individual audits where necessary. Council has advised that it is working with other members of the Central Tablelands Strategic Alliance to appoint an internal auditor. Further, it indicated that it is seeking advice from a metropolitan council on developing an internal audit program.

We recommend that Council establish an Internal Audit Committee to include a group of councillors with the Mayor acting as chairperson. **(Recommendation 6)** The Audit Committee has the role to independently consider the outcomes of any reviews that may identify weaknesses in the organisation. Reports from internal audit investigations should be presented to this committee. Ideally, the committee should consist of one or more councillors and at least one external member, including an audit professional, to assist in considering the results of the audit findings. Council has indicated that it agrees with this recommendation.

Meeting procedures

The ordinary meeting of Council is held on the second Tuesday of the month. Council has made provision for members of the public to address Council at its meetings.

The review involved attending the meeting held on Tuesday 10 July 2007. The meeting was chaired professionally by the Mayor and there was good interaction between councillors. At that meeting there was also a high public presence in the gallery, in response to consideration by Council of proposed wind farms at Black Springs. Councillors were supportive of these community members and allowed them to freely express their concerns.

Extraordinary meetings

In the past year, Council held eleven (11) extraordinary meetings for various purposes in addition to the ordinary monthly Council meeting. Council advised that there are many circumstances where such meetings are necessary and that they serve a very useful purpose. These reasons include briefings with industry within the town and where additional information may be sought to assist councillors in determining a course of action. We established that on some occasions, however, the extraordinary meetings are held without adequate notice to enable interested parties to attend.

Council should review the need for such meetings and seek, where possible, to include these matters in the agendas of ordinary meetings. Council should also ensure that adequate notice of extraordinary meetings is provided, to provide an opportunity for all interested community members and other stakeholders to attend. **(Recommendation 7)** Council has indicated that it agrees with this recommendation. Further, it advised that all ordinary and special meetings are now notified both on the Council website and in the local newspaper where possible.

Closed meetings

From an examination of the Council minutes for the twelve month period prior to the date of our on site review, it was apparent that Council often moved into the

Committee of the Whole, to close meetings, in order to consider such matters as commercial proposals, tenders and matters of a personal nature that could impact on the privacy of individuals. While such matters may, in certain circumstances, be legitimately considered in closed meeting, this should be a separate process to that used to move into the Committee of the Whole. The need to close meetings should be kept to a minimum.

The Department's Circular No 07-08 dated 11 April 2007 outlines the need for councils to use the correct procedure when closing meetings to the public and media. It refers to Meetings Practice Note No 16, dated November 2005, as a further guide.

The minutes of Oberon Council meetings in the twelve months prior to the onsite review were examined and found to be deficient in the following areas:

- Council should formally resolve to close the meeting – as noted in Departmental Circular, Committee of the Whole is not appropriate language to describe this action.
- There was no formal resolution by Council to close the meeting and no formal detail of the reasons under section 10A (2) of the Act for this action.
- For each item considered, the individual subsection of section 10A (2) should be addressed in the minutes but were not.
- Resolutions arising from consideration in closed council should be listed in the minutes, but were not.

Since this was brought to Council's attention, it appears to have revised its processes to address the matters outlined the Department's Circular.

Declaration of interests

A review of the minutes also found that on occasions, the declaration of pecuniary interests by councillors was not sufficiently detailed to enable an understanding of the nature of any interest in the matter under consideration. Council should ensure that all declarations and the nature of pecuniary and non-pecuniary interests are properly disclosed and recorded. (**Recommendation 8**) Council has indicated that it

agrees with this recommendation. It advised that instructions have been issued to ensure this issue is addressed in its meeting procedures.

Councillor induction and training

Council does not currently provide 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 develop an induction program for councillors prior to the next local government election, to be implemented following that election. **(Recommendation 9)** Council agrees with this recommendation. It advised that it is working with members of the Central Tablelands Alliance to develop the program.

Council also has a responsibility to provide training to councillors to keep them up-to-date with changes to legislation, and to provide them with additional skills to assist them carry out the role. Councils should assist councillors to identify individual development needs and address those needs within a formal training program, as well as supporting attendance at conferences and seminars.

Council should use the Strategic Alliance or CENTROC to jointly prepare training programs to enable councillors to have the most appropriate training to competently undertake their duties. **(Recommendation 10)** Council agrees with this recommendation. It advised that it resolved at its meeting on 10 July 2007 to adopt a formal training plan for elected members and make annual provision in its budgets for the implementation of the adopted training plan.

Fraud and Corruption Prevention

Fraud is a specific risk that requires action by councils across all areas of its operations to give assurance as to the security of systems within its 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 11)** Council agrees with this recommendation.

Legislative compliance

Council has not fully developed an effective system to identify all of the statutory requirements that impact on Council activities. Failure to identify and address such requirements is a key risk that would be identified in the recommended comprehensive risk assessment. Council should act promptly to develop and implement such a system. This should be done when Council implements the recommendation to develop a comprehensive risk management plan.

Council should also ensure that staff are resourced and trained to react to legislative change, and should ensure that Council periodically reviews 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 12**) Council agrees with this recommendation.

Gifts and benefits policy and procedure

Council has prepared a policy regarding the procedures that apply when staff and councillors receive gifts or other benefits that are related to their position within the organisation. Council's gifts register records only one entry. Council advised that the applicable policy will be standardised and a review schedule included ensuring that the procedures are continually updated. It would be appropriate for Council to remind all staff and councillors of their obligation to declare gifts.

Tendering, procurement, contract management and asset disposal

Tendering, procurement, contract management and asset disposal are significant operational responsibilities for Council and are currently being poorly administered through the absence of formal policy and procedures. These key activities should be governed by strict considerations of probity, transparency and accountability in the expenditure of public funds for public use.

Council's obligations in relation to formal tenders are regulated under section 55 of the *Local Government Act 1993* and the relevant provisions of the Regulation. These provisions relate to contracts with a value of \$150,000 or more.

Council is yet to document policies on the purchasing of goods and services, managing contracts and disposal of assets and accordingly there is a high risk exposure and a lack of accountability for these activities. Currently Council is managing small contracts through local orders based on verbal quotations and is disposing of assets by seeking expressions of interest from staff members.

Council should develop formal policies for the purchasing of goods and services and the disposal of assets. **(Recommendation 13)** Council agrees with this recommendation.

In addition, Council should develop a formal policy for managing contracts, taking into account the need for due diligence checks to assess the financial capability of the recommended contractor to fulfil their contractual obligations. **(Recommendation 14)** Council agrees with this recommendation.

As a general risk assessment protocol, it is necessary for Council to regularly review and analyse potential risk exposure connected with Council's procurement and disposal practices to minimise potential financial loss through non-compliance. It is recommended that Council undertake a risk analysis every two years to minimise potential financial loss. **(Recommendation 15)** Council agrees with this recommendation.

Councillor expenses and facilities policy

Under section 252 of the *Local Government Act 1993*, councils are required to prepare a policy on the payment 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 updated its policy on 11 September 2007 following receipt of the guidelines.

Document Management

Council's privacy management plan has been adopted under delegation and requires a review and amendments prior to being formally adopted by Council. Staff and councillors have received training in the privacy legislation and the Privacy Contact Officer will continue this. Staff need to review the Privacy Management Plan

and submit it for Council's formal adoption. (**Recommendation 16**) Council has advised that the review has commenced.

Council has adopted a records management policy, records management procedures and guidelines based on a model from another local government organisation and to comply with the *State Records Act 1998*. It has implemented a Vital Records Protection Plan to ensure that key records are kept secure in the event of a major incident.

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 1993*.

Delegations should be reviewed as required under the Act, at least every two years or whenever there are changes in the responsibilities of a Council officer or committee member.

Council confirmed that there are currently no documented delegations to the Mayor. Council should prepare updated documented delegations to the Mayor, senior staff and council committee office holders and include them in a delegations register. (**Recommendation 17**) Council agrees with this recommendation.

Review of the General Manager's performance

In discussion with the Mayor and General Manager, both expressed some concern at the current method used to review the annual performance of the General Manager. The current process appears to be unstructured and rather than assess against the established performance criteria, it involves the review by all councillors, as to their own assessment of the General Manager's achievements.

There would be benefit in appointing an independent senior HR specialist from the LGSA or similar to assist the review process. Council should consider using a panel of selected councillors and the Mayor to objectively assess the criteria upon which the General Manager's contract performance is measured. Council should have regard to the Performance Management Guidelines recently issued by the

Department and developed by the Local Government and Shires Associations and Local Government Managers Australia. (**Recommendation 18**)

Council has advised that a special meeting of Council was held on 10 December 2007 to consider the matter and to hear from a representative of the LGSA. Council resolved to engage the LGSA to assist in the review to establish performance management guidelines for the General Manager and senior staff.

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 is currently preparing a new Land Use Strategy using the content of the following three draft strategies:

- Rural Areas of Oberon
- Township of Oberon
- Villages of Black Springs, Burruga and O'Connell.

Following the addition of part of the former Evans Shire Council area, Council administers the Oberon Local Environment Plan 1998, which was gazetted on

1 March 1998, and the Evans Interim Development Order (IDO). Council has signed a memorandum of understanding (MOU) with the Department of Planning for the Oberon Council Planning Reform Program supported by Plan First funding. Council has now received Round 4 funding and tenders have been called to engage a consultant to complete the draft LEP by December 2008 for gazettal in March 2009. The new LEP will include Mount David and Burruga Village. Council should take action to ensure the completion of the new Local Environmental Plan by the target date. **(Recommendation 19)**

Council advised that the LEP process has commenced, an issues paper is to be released and it hopes the Land Use Strategy will be completed by June 2008.

Council is required under section 73 of the *Environment Planning and Assessment Act 1979* to keep its planning instruments and policies, such as Development Control Plans (DCPs), ‘under regular and periodic review’. A planning consultant will be employed in August 2007 to consolidate the three land use strategies into one and this project is expected to be completed by February 2008. Council does not have an approved program for the review and updating of development control plans and other planning policies and would benefit from a more structured approach to this process. **(Recommendation 20)** Council advised that a review of all parts of the DCP 2001 will be undertaken this year.

Council also needs to ensure that the planning policies and plans are integrated and reflected in the development of the overarching Strategic Plan. **(Recommendation 21)** Council agrees with this recommendation.

Development assessment

Council figures indicate ninety three per cent (93%) of development applications are dealt with by staff within the development unit. Criteria have been developed to identify those DA files that need to be referred to Council for approval.

The draft report contained a recommendation that Council consider the feasibility of implementing an appropriate electronic tracking system to record the status of DA processing rather than rely on paper based records. Council has indicated that it

disagrees with this recommendation. It advised that the number of DA's and the office layout makes it easy to locate a DA file anywhere in the system.

State of the Environment Report and Annual Report

The most recent comprehensive State of the Environment Report appears to be well integrated with the Oberon LEP and comprehensively covers the period 1 July 2004 to 30 June 2005. It is updated from an earlier document. The report is available on Council's website, along with the current Annual Report.

The information contained in the report is generally thorough and well laid out. It provides an excellent snapshot of the environmental factors affecting Oberon LGA and covers the majority of areas in detail. The Department's guideline has clearly been consulted in preparing the report and a good understanding of the way in which this report relates to Council's other legislative responsibilities is evident. The report uses the pressure-state-response model very well.

However, while the Aboriginal heritage section is reported in the Executive Summary, it is not covered comprehensively in a separate section and this should be remedied in future reports.

There is also little documented evidence of community consultation. The report makes reference to a Local Environmental Study conducted but no details are provided as to who was consulted as part of this process.

At numerous times in the report there is discussion of Council's inability or unwillingness to address certain issues usually due to financial resource problems (for example a smoke reduction program for heaters). This should be investigated further.

This report only identifies baseline data and not trends in data over time. The fact that the report has been updated comprehensively since that time would have provided Council with a good comparison point to draw some conclusions about changes in the data.

A series of draft environmental strategies are included in section 6 of the report and these strategies clearly state the goals and objectives of Council and the way that these may be achieved. This section represents a significant improvement on the 2000/2001 report and provides a clear benchmark to which data can be compared in future reports. It will be useful to monitor Council's future SoE and Annual Reports to identify whether the identified goals have been achieved following the published strategies.

The Annual Report ties in well with the Management Plan. Individual objectives are laid out clearly and their progress is charted in a column titled 'Actual performance'. It also contains a supplementary SoE report that, although brief, identifies a number of new environmental impacts that have become evident since the publication of the comprehensive report. In this time, Council has established a Heritage Committee, which commences the addressing of the shortcomings of the comprehensive report.

We recommend the following improvements (**Recommendation 22**) for future SoE reports:

- More focus on Aboriginal heritage issues in the LGA
- Better documentation of community consultation
- Charting of how data has changed between the publication of each report
- Better use of the comprehensive base line data provided in the current report
- Reporting on progress on its achievements in meeting the comprehensive goals and objectives within the Draft Strategies section
- Formal adoption of these strategies to be pursued and documented.

Council agrees with this recommendation. However, it indicated that it will require additional financial resources. It further advised that an agreement has been entered into with Central West CMA and a number of other councils to facilitate the preparation of a comprehensive report for the 2008/2009 year.

Enforcement practices and prosecution policy

To assist in the successful handling of complaints, councils should have a formal enforcement and prosecutions policy. The NSW Ombudsman's Enforcement Guidelines for Councils is a useful resource that contains a model enforcement

policy. Oberon Council has not finalised this policy and should do so as a matter of priority. (**Recommendation 23**) Council agrees with this recommendation. It advised that a draft policy was to be presented to Council's meeting in January 2008.

Council currently does not have a separate system for the reporting and investigation of suspected non-compliance and unauthorised development within the LGA. Council should adopt risk-based strategies to facilitate the reporting non-compliance with environmental standards and unauthorised development. (**Recommendation 24**) Council indicated that it intends addressing this in the development of the recommended comprehensive risk management plan.

Council does not provide information to the community on methods to report non-compliance and unauthorised development, which can have serious implications on the regulatory regime for Council. (**Recommendation 25**) Council agrees with this recommendation. It indicated that it considers this to be a part of implementing a comprehensive risk management plan. We agree with its comments that such information can be provided through regular press releases and/or a quarterly newsletter to all ratepayers.

Companion Animals Management

At the time of the review Council had not prepared a Companion Animals Management Plan to provide for the effective and responsible planning of its activities to support care and management of companion animals. Council has advised that the Management plan has since been prepared and was adopted by Council on 13 September 2007.

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.

Overview of financial position

Council's income statement for 2005/06 shows a surplus result from continuing operations after capital grants and contributions of \$4,081,000 compared to a surplus of \$2,478,000 in 2004/05. The result before capital items was a surplus of \$1,677,000 compared to a surplus of \$746,000 in 2004/05.

The original budget of Oberon Council estimated a surplus from ordinary activities after capital amounts of \$27,116. The actual result of an operating surplus of \$4,081,000 was a result of a significant increase in income. This increase was mainly from \$1,363,966 in increased user charges and fees, \$743,500 in capital grants and contributions, \$192,000 from gain in the sale of assets and \$103,390 in rates and annual charges.

Council has \$8,790,000 in cash assets and investment securities. Of this \$3,680,000 is internally restricted. Council's internal restrictions include \$743,000 for Employee Leave Entitlements, \$594,000 for road construction, and \$565,000 for replacement of plant and vehicles.

Council's performance ratios are set out below and are considered to be satisfactory. Most show an improvement over the previous year.

Council's rates and annual charges outstanding reflect the percentage of rates and charges owing but that has not yet been collected for rates and annual charges as a percentage of the total owing. The amount outstanding decreased from 2004/05, and the percentage owing is considered to be satisfactory for a council of this type.

Overall Council's financial position is considered to be satisfactory, as shown in Table 1 below. However, some consideration could be given to more effectively utilising unrestricted cash funds totalling \$1,364,000 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

Ratio	2005/06	2004/05
Current Ratio	2.8:1	7.1:1
Unrestricted Current Ratio	5.08:1	6.89:1
Debt Service Ratio	1.16%	3.18%
Rates & Annual Charges Coverage Ratio	23.41%	26.29%
Rates & Annual Charges Outstanding Percentage	5.87%	8.79%

Financial planning

Councils are encouraged to develop longer term financial plans that are integrated with the overall strategic plan. These longer term plans allow a council to forecast the revenue and expenses that are associated with the 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 does not have any financial plans beyond that included in the current Management Plan. We recommend that Council develop an integrated long-term financial plan in association with the development of the new Strategic Plan. **(Recommendation 26)** Council agrees with this recommendation.

Asset management

Council has recently purchased asset management software to record its asset base. During the assessment of the product, the supplier reviewed the current status of Council's asset management. The review reported that while there is a reasonable amount of information, it was 'disaggregated within various pockets in Council'. The water and sewerage register has been set up by Corporate Services to comply with the fair value financial reporting required in annual reporting. It also reported a reasonable building assessment process for proactive maintenance by Council. Otherwise there is a varied collection of Excel spreadsheets, Word documents, financial valuation registers, GIS layers and 'walking databases' of longer term staff with a 'wealth of local knowledge'.

Council is commended for initiating such a review and taking initiatives to commence the process of building a comprehensive and rigorous Asset Management System. There is a substantial amount of information to be collected and entered into the new software. This is being undertaken on a part-time basis by a member of the engineering staff, who was previously assisting Corporate Services staff to meet fair value reporting requirements. Council should provide increased staff resources and training in the software system to accelerate the completion date to ensure this data is available for future strategic assessment. **(Recommendation 27)** Council has advised that this project is at an advanced stage of implementation.

Information and Communication Technology Strategic Plan

Council has not yet prepared an Information Management Strategic Plan 2007-2012 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. This 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. Council should work to prepare its draft Information and Communication Technology Strategic Plan. **(Recommendation 28)** Council indicated that the plan is being developed.

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 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*
- *Principles of multiculturalism*
- *Reporting to the community and keeping the State government informed about its activities.*

Social and Community Plan

The Social Plan covers the period 1 July 2006 to 20 June 2010 and displays an excellent strategic focus that ties in well with the 2007/2008 Draft Management Plan. Overall this Plan is highly commendable and the amount of planning and the level of detail that has gone into the document is evident and the social issues affecting Council have been addressed comprehensively. The Plan is available on Council's website.

The previous plan is thoroughly examined and discussed in detail and while there is some discussion of whether or not the strategies in it were achieved, this information is only addressed briefly.

The needs assessment section of the current plan is very thorough with each target group comprehensively defined and priorities identified. This section highlights the fact that Council is not always the body responsible for implementing the initiatives set out in the plan. This suggests that interagency cooperation will be undertaken but it is unclear whether this actually happened.

The community consultation process during the development of the plan is set out very clearly. A comprehensive list of issues is identified and thorough recommendations have arisen that are also well documented in Section 6 of the plan. Council has clearly undertaken a lot of very well planned and focussed consultation in all areas with the exception of Aboriginal issues. The lack of consultation with the Aboriginal community occurred through the cancellation of the

consultation session, and as a result a community member was interviewed instead. There has also been a very good use of participant surveys and the local service providers were involved in these sessions.

The community consultation/needs assessment process is thoroughly documented in the appendices of the plan. The amount of work that has gone into the community consultation should be commended. The Older Persons section identifies an important point - that many of the residents consulted were unaware of the services available to them. Council acknowledges that it needs to address this.

The Plan contains a good discussion regarding the methodology of how Council has prioritised its recommendations.

A summary in section 6 identifies the comprehensive list of needs and the related strategies that Council will use to address these in the next twelve months and provides a list of strategies for Council to pursue over the next four years. This is indicative of the strong strategic focus of the plan.

The 2005/2006 Annual Report covers three areas related to the Social Plan and includes Activities for Children, Programs for People from Culturally and Linguistically Diverse Backgrounds and Access and Equity. These are covered briefly in the report and in future reports should aim to better tie this information in with the social plan. **(Recommendation 29)** Council agrees with this recommendation.

It is difficult to chart the performance of Council in implementing the recommendations of its plan given that the current 2005/2006 Annual Report does not correlate with the period covered in the Social Plan. Future annual reports should also be monitored to ensure that implementation of the Social Plan is addressed as required. **(Recommendation 30)** Council agrees with this recommendation.

Annual Report

Council's 2005/2006 Annual Report appears to meet 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 (such as that on provision of councillor facilities and expenses) 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 relation to the Management Plan, there is also scope to improve the presentation of the Annual Report to make it a more interesting publication and highlighting the achievements of Council for the reporting period.

Cultural planning

Council adopted a Cultural Plan, at the 9 November 1999 ordinary meeting ‘as a starting point for cultural development in Oberon’. The Cultural Plan included the following Council functions:

- Support for entertainment
- Arts and cultural activities
- Library services
- Civic, cultural and community facilities
- Building, urban and landscape design.

While it was intended to regularly review the plan, Council has commented that the social planning process described earlier in this report aimed to include these aspects in the Social Plan. It has suggested that rather than update the Cultural Plan, that it would be more practical at this time to devote resources to integrated strategic planning and develop separate plans, such as a cultural plan, if and when they arise out of that process.

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 Oberon community members aged 65+ is already 12.8%, and the resultant

demands on and implications for Council services warrants serious consideration by Council as part of its ongoing social and community planning effort. The impact on the demand for services, facilities and infrastructure will be significant and will impact across all areas of Council's operations.

The Local Government and Shires Associations has produced *Planning the Local Government Response to Ageing and Place* and it 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.

Guarantee of service

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 31)** Council agrees with this recommendation and advised that work has commenced on implementation.

Tourism

In January 2003, Council prepared an Oberon Tourism Strategic Marketing Plan to determine the most effective marketing approach using the resources of Council, staff, community and the tourism industry. The Plan identifies strategies and action plans to drive tourism initiatives within Oberon LGA. There have been excellent initiatives in expanding and relocating the Oberon Visitors Centre to the former Forestry NSW office and working with the Oberon Plateau Tourism Association to

highlight tourism through production of high quality brochures and development of websites.

Control measures have been identified for undertaking regular reviews on a monthly and quarterly basis of the objectives and goals within the Marketing Plan, as well as budgetary monitoring. Council continues to be involved through its representation on the Oberon Events committee and involvement in local festivals such as the Oberon Daffodil Festival and Australia Day celebrations. To ensure that momentum continues in promoting tourism within the area, Council should ensure the initiatives within the Strategic Tourism Marketing Plan continue to be monitored and the Plan reviewed on a regular basis. **(Recommendation 32)** While Council has indicated that it agrees with this recommendation, it considers that integrated reporting and monitoring would be more effective.

Economic Development

Council has developed a draft Economic Development Strategy 2007-2010 as a three (3) year framework for all stakeholders within Oberon to focus on the future growth of the area. It will continue to be reviewed and updated with changing economic and social changes that impact on the local community. It is a key planning resource and will need to be linked with the Strategic Plan recommended for development in this review.

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 workplace relations practices including:

- *Human resources strategy*
- *Consultative committee processes*
- *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

Oberon Council has a total workforce of 85 (72.6 full-time equivalent staff). Of these employees, 63.5% are male with the majority of employees (76.4%) over 35 years. In addition there are 18.8% of employees over 55 years, 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 33)** Council agrees with this recommendation. A report on this issue was to be provided to the 15 January 2008 meeting of Council.

The total salary and wages expenditure for 2005/2006 was \$3,262,000, which was a 9.4% increase of \$283,000 from the previous financial year. This amount would represent the actions by Council to recruit additional staff and develop new strategies in its policy and operational responsibilities.

Human resources strategy and workforce plan

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
- a change in workload for certain work units
- changing priorities from both internal and external factors
- other employers competing for staff
- above award payments from private sector employers.

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 meeting 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 demands, and to develop long-term strategies to respond to these demands.

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 therefore develop a long-term workforce strategy and plan that is designed to ensure that Council's human resources needs are integrated into Council's strategic and operational priorities. **(Recommendation 34)** Council agrees with this recommendation.

This should be integrated into Council's overall corporate strategy outlined within the new Strategic Plan. Council needs to address key workforce issues such as:

- Recruitment and retention of staff
- Equity and diversity
- OH & S issues
- Training needs
- Industrial relations impacts and workplace planning.

Council should also give priority in its strategy and plan to development of human resources policies that cover the areas of

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

Consultative committee

Council has established a consultative committee under Clause 25a of the Local Government (State) Award to provide a forum for consultation between Council and its employees. The consultative committee addresses day-to-day management issues such as award implementation, training, job redesign and performance management systems. The Consultative Committee constitution was last reviewed in May 2005.

Equal employment opportunity

Council has an equal employment opportunity plan and reports on EEO strategies and outcomes in its Annual Report. The reporting could be more proactive and there is no evidence of implementation of programs and activities to better inform the community on Council's initiatives. **(Recommendation 35)** Council agrees with the recommendation.

The plan has not been regularly reviewed and Council has advised that it is currently assessing the plan to ensure that it meets the requirements of the Local Government Act.

Secondary employment

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

Knowledge management

As reported in the Asset Management section of the report, there is a large knowledge base within the workforce that is yet to be documented within systems and procedural documents. Depot staff, overseers and long term engineering professional staff currently provide information based on their long experience in their roles and this could be lost to the organisation on the departure of these staff.

Council should recognise the associated organisational risk in not documenting the knowledge base of staff and the costs and time delay of replacing these experienced

staff at significant levels of financial investment. At the level of senior management where key staff are nearing retirement date, strategies should also be put in place to fill these future vacancies and reduce the potential impact of loss of corporate knowledge through these retirements. (**Recommendation 36**)

7. COUNCIL'S RESPONSE

Council provided comments on each recommendation included in the draft report. Some recommendations have been deleted from this final version after consideration of the comments. Where the comments remain relevant, they are referred to in the body of this report.

OBERON COUNCIL

137-139 Oberon Street
PO Box 84
OBERON NSW 2787
ABN 13 632 416 736

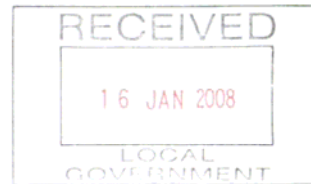


Telephone: (02) 6336 1100
Fax: (02) 6336 2061
email: council@oberon.nsw.gov.au

Contact: Lee Dickson
Your Ref:
Our Ref: A1.1.2 LD:LD

14 January 2008

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



Dear Mr Payne,

Promoting Better Practice review

Thank you for your letter received on 10 December 2007 enclosing a copy of the draft report prepared for the Promoting Better Practice review conducted on Council in July 2007.

The overall report is a comprehensive and useful document which will be a valuable resource for guiding Council's future direction in striving for best practice in governance.

All senior staff and councillors were provided with a copy of the report and asked to provide their comments. A copy of the consolidated response is attached.

Should you have any questions or require further information, please contact me on the number shown above.

Yours sincerely,

Bruce Fitzpatrick
General Manager

PROMOTING BETTER PRACTICE REVIEW REPORT – OBERON COUNCIL RESPONSE

RECOMMENDATION 1

Develop a ten (10 year strategic plan as an overarching document for all other plans with a strategic intent (such as the Management Plan, the Local Environmental Plan (LEP) and the State of the Environment Report).

Comment:

Agreed. Council will put this on its agenda for the coming year.

RECOMMENDATION 2

Modify the Model Code of Conduct for its specific local needs by developing a localised code, which should be reviewed every two years to ensure its currency.

Comment:

The Model Code of Conduct was carefully reviewed before it was adopted and Council resolved to adopt it in the recommended form. It's unclear what a 'local interpretation' of the Model Code of Conduct procedures might be. Some examples of what is intended here would be helpful.

RECOMMENDATION 3

Prepare a policy on Protected Disclosures to ensure that staff and councillors understand the procedure for meeting with these legislative requirements.

Comment:

The report states that the process for dealing with protected disclosures is 'referenced' in its internal reporting policy. Council's Policy for Handling Complaints includes detailed procedures and policy for protected disclosures incorporating both the Department of Local Government and ICAC guidelines. There is nothing in Council's policy to indicate that protected disclosures are not serious or that it does not apply across all areas of the organisation – quite the contrary. The placement of the policy in the Policy for Handling Complaints was carefully considered. It was thought that it was much more likely people would look in a Complaints Handling Policy for information on protected disclosures. It therefore made more sense to integrate the policy on protected disclosures into the Complaints Handling Policy rather than having a separate Protected Disclosures Policy. It is difficult to see what advantage is to be gained from separating out protected disclosures from Council's Policy for Handling Complaints.

RECOMMENDATION 4

Review the procedures contained within the policy on internal reporting.

Comment:

Assuming this is referring to internal reporting of complaints, this is agreed. A regular, systematic review of all policies and procedures is already being carried out.

RECOMMENDATION 5

Prepare a statement of business ethics to guide external parties when dealing with Council to ensure that performance standards meet Council's requirements.

Comment:
Agreed.

RECOMMENDATION 6

Review its preparation of the 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 concise easily referenced document.

Comment:

1) The explanation on page 18 states the Management Plan could be made more 'reader friendly' by 'a better summary of the operational component and by listing principal activities without expanding to specific KPI measurement in the Management Plan.'

It then goes on to say 'The measurement of KPI reporting should be addressed to ensure that quarterly reports to Council can more properly reflect the goals prescribed within the Management Plan.'

- These two statements appear to contradict each other, on the one hand suggesting no need to expand to specific KPI measurement and then in the next paragraph stating that the measurement of KPI reporting should be addressed.
 - Section 402 of the Local Government Act specifically requires:
 - a statement of each of the principal activities' **objectives** and **performance targets**;
 - a statement of the **means** by which the council **proposes to achieve these targets**; and
 - a statement of the **manner** in which the council **proposes to assess** its performance in respect of each of its principal activities.
 - Council agrees that some form of KPI measurement is needed and that this needs to be vastly improved if it is to be meaningful and useful for decision making.
- 2) This recommendation also states that 'A more detailed estimate of income and expenditure as well as general estimates for the subsequent two years would add more rigor to the Management Plan and assist ratepayers in reviewing Council's proposals.'
- Estimates of income and expenditure for the next and subsequent 4 years were detailed down to job level this year. It is difficult to see how much more detail could be provided. Any guidance on this would be welcome.
- 3) The report suggests 'Council should review its preparation of the Management Plan template to ensure that all legislative requirements are included'.
- The Management Plan Checklist produced by LG Solutions was used to verify all legislative requirements had been met. The only incident raised in the report that suggested all legislative requirements weren't met was 'there was no mention of the application of the principles of ecologically sustainable development or consultation with and involvement of the local environmental groups.' This was mentioned on page 70 of the Management Plan.
-

RECOMMENDATION 7

Develop a comprehensive risk management plan across all functions of Council to proactively identify and manage risk exposures.

Comment:

Agreed.

RECOMMENDATION 8

Develop a three (3) year internal audit program based on the identified priorities in the completed risk management plan.

Comment:

Agreed. Council is working with the other members of the Central Tablelands Strategic Alliance to appoint an internal auditor to cover all three councils. Council is also taking advice from Auburn Council on developing a comprehensive internal audit program.

RECOMMENDATION 9

In order to administer the internal audit program, establish an Internal Audit Committee with a panel of one or more councillors and at least one external member with auditing qualifications.

Comment:

Agreed. Council is already working with the other members of the Central Tablelands Strategic Alliance to develop an internal audit resource.

RECOMMENDATION 10

Ensure that adequate notice of extraordinary meetings is provided so that all interested community members and other stakeholders can attend.

Comment:

Agreed. All Ordinary and Special Meetings are now notified both on the Council website and in the local newspaper where possible.

RECOMMENDATION 11

Ensure that it follows proper procedure for considering business within a closed meeting as outlined in the Department's Meetings Practice Note No. 16, dated November 2005.

Comment:

Agreed. It is unclear, however, which minutes prompted the comments on page 21. Resolutions arising from consideration in closed council are listed in the minutes. A review of minutes going back six months has confirmed this. Similarly, each item considered during the session has the individual subsection of section 10A(2) included and there is a formal resolution by Council to close the meeting. Nevertheless, Council has reviewed its procedures in line with the Department's Meetings Practice Note no. 16 dated November 2005 and will continue to monitor its compliance with these requirements.

RECOMMENDATION 12

Ensure that all declarations of pecuniary and non-pecuniary interests include proper disclosure of the nature of the interest when made at council or committee meetings.

Comment:

Agreed. Instructions have been issued to ensure this is now incorporated into meeting procedures.

RECOMMENDATION 13

Develop an induction program for councillors prior to the next local government election.

Comment:

Agreed. Council is working with the other members of the Central Tablelands Alliance to develop this program.

RECOMMENDATION 14

Utilise the local Strategic Alliance or CENTROC to jointly prepare training programs to enable councillors to have the most appropriate training to competently undertake their duties.

Comment:

Agreed. Council resolved at its meeting on 10 July 2007 to adopt a formal training plan for elected members and made annual provision in future budgets for the implementation of the adopted training plan.

RECOMMENDATION 15

Develop a fraud and corruption plan to ensure that systems are in place for Council to minimise the risk of fraudulent activity that would adversely impact on its operations and financial status.

Comment:

Agreed.

RECOMMENDATION 16

Establish a system for internal reporting of legislative or regulatory non-compliance and fines/penalties/prosecutions against Council.

Comment:

Agreed.

RECOMMENDATION 17

Develop formal policies for purchasing goods and services and disposal of assets.

Comment:

Agreed.

RECOMMENDATION 18

Develop a formal policy for managing contracts, taking into account the need for due diligence checks to assess the financial capability of the recommended contractor to fulfil their contractual obligations.

Comment:

Agreed.

RECOMMENDATION 19

Undertake a risk analysis of Council's procurement and disposal practices every two years to minimise potential financial losses.

Comment:

Agreed. This would be part of the work done in response to Recommendation 17.

RECOMMENDATION 20

Update the policy on councillor expenses and facilities to be consistent with the guidelines issued by the Department.

Comment:

An updated policy on councillor expenses and facilities was adopted at the Ordinary Council Meeting on 11 September 2007.

RECOMMENDATION 21

Review the Privacy Management Plan and submit it for council's formal adoption.

Comment:

Agreed. This is underway.

RECOMMENDATION 22

Prepare updated documented delegations to the Mayor, senior staff and council committee office holders and include in a delegation register.

Comment:

Agreed.

RECOMMENDATION 23

Consider a performance review panel for an objective annual reassessment of the General Manager's contract, including a senior HR specialist from the LGSA or similar to assist in the review.

Comment:

This is already underway. A special meeting of Council was held on 10 December 2007 to consider the matter and to hear from a representative from the LGSA. Council resolved to engage the LGSA to assist in the review to establish performance management guidelines for the General Manager and for senior staff.

RECOMMENDATION 24

Ensure completion of a new LEP to cover the whole Council area by the target date of May 2008 (sic) (March 2009)

Comment:

Agreed. The LEP process has commenced with an Issues Paper to be released shortly. The Issues Paper will lead into the formulation of the Land Use Strategy, which will inform the new LEP. It is hoped the Land Use Strategy will be completed by May or June 2008.

RECOMMENDATION 25

Develop an approved program for the review and updating of Development Control Plans and other planning policies.

Comment:

Agreed. A review of all parts of the Development Control Plan 2001 will be undertaken in 2008. Any existing planning policies in the Policy Register will be discussed prior to formal adoption by Council.

RECOMMENDATION 26

Ensure that the planning policies and plans are integrated and reflected in the development of the overarching Strategic Plan.

Comment:

Agreed. The overall Strategic Plan should reflect the requirements of the new LEP and any Council planning policies. The Director of Development and Social and Community Planner will work together on this.

RECOMMENDATION 27

Confirm that the Director of Development has a record on file of delegations for local approval of Development Applications that are processed within Council.

Comment:

This has been done.

RECOMMENDATION 28

Establish a formal monitoring of Development Applications during the processing of the documentation and record and report on turnaround times.

Comment:

All incoming DA's are recorded in an electronic register to monitor progress and turnaround times. Once a DA is approved, the DA is then transferred to another electronic register which records all details relating to the application including objections, requests, etc. This register is then used to report to the Department of Planning for their yearly performance monitoring of Council DA's.

RECOMMENDATION 29

Consider the feasibility of an appropriate electronic tracking system to record the status of DA processing rather than rely on a paper based record.

Comment:

Disagree. The number of DA's and office layout for this Council makes it easy to locate a DA file anywhere in the system.

RECOMMENDATION 30

Enhance the SOE report with additional documentation and data measurement.

Comment:

Agreed. However, this will require additional financial resources. The Director of Development has also entered into an agreement with the Central West CMA, and together with the 16 Councils of the Central West Catchment and other Councils of CENTROC and OROC will be undertaking a regional SOE Report for the next comprehensive report for the 2008/2009 year.

RECOMMENDATION 31

Prepare a formal enforcement and prosecutions policy.

Comment:

Agreed. A draft policy on 'unauthorised development works and other activities' is being presented to Council's 15 January 2008 Ordinary Meeting. Once adopted, a copy will be forwarded to the Department of Local Government.

RECOMMENDATION 32

Finalise risk based strategies for reporting non-compliance with environmental standards and unauthorised development.

Comment:

Agreed. This should be covered by developing a comprehensive risk management plan and should therefore be a part of recommendation 7 of the Report.

RECOMMENDATION 33

Inform the community on the provision of assistance in identifying these areas of non-compliance of environmental standards and unauthorised development.

Comment:

Agreed. However, this recommendation should be included in recommendation 32, which, in turn, should be part of recommendation 7. Informing the community can be undertaken by better public education, such as regular press releases or perhaps a quarterly newsletter to all ratepayers.

RECOMMENDATION 34

Prepare a Companion Animals Management plan to provide for the effective and responsible care and management of companion animals.

Comment:

The Oberon Local Companion Animals Management Plan was adopted by Council at its Ordinary Meeting held on 13 September 2007.

RECOMMENDATION 35

Develop an integrated ten year financial plan.

Comment:

Agreed. This would be part of the work carried out in response to Recommendation 1.

RECOMMENDATION 36

Prioritise staff resources and training in the AMS software system to accelerate the completion date of the Asset Management System.

Comment:

This is already at an advanced stage of implementation.

RECOMMENDATION 37

Prepare an Information and Communication Technology Strategic Plan to outline strategic ICT initiatives for a five year period.

Comment:

This is in the process of being developed by Oberon's IT Manager.

RECOMMENDATION 38

Expand reporting of issues in the Annual Report and link this more directly to the Social Plan.

Comment:

Agreed.

RECOMMENDATION 39

Monitor future annual reports to ensure that implementation of the Social Plan is addressed as required.

Comment:

Agreed.

RECOMMENDATION 40

Consider a more regional approach to development of social and community objectives, including liaison with other councils.

Comment:

Council already liaises with the other Councils in the Strategic Alliance on these issues, however, a balance needs to be found. The social and community objectives of those in the local government area do not always coincide with those of the region or of bigger centres. Many needs are specific to the local community. Council also regularly liaises with neighbouring councils who are not part of the formal alliance, for example, Upper Lachlan, Blayney, Goulburn and Bathurst.

RECOMMENDATION 41

Regularly update the draft cultural plan to identify opportunities for cultural development that reflect demand within the Oberon community.

Comment:

Page 35 recommends that 'Council should pursue this key initiative and update the draft cultural plan to identify opportunities for cultural development that reflect demand within the Oberon community.'

As the Cultural Plan is not a mandatory plan, the social planning process aimed to include these aspects in the Social Plan. In light of the Integrated Reporting proposals, a separate plan at this stage would only seem to exacerbate the problem of too many dispersed, stand-alone plans. It would seem more practical for the moment to devote resources to integrated strategic planning and develop separate plans e.g. cultural, crime prevention, youth, etc, if and when they arise out of this process.

RECOMMENDATION 42

Establish a clear set of service standards that the community can expect from Council and establish benchmarks against which its performance can best be measured.

Comment:

Agreed. Work has already commenced on this in association with the AMS implementation.

RECOMMENDATION 43

Ensure that the initiatives within the Strategic Tourism Marketing Plan continue to be monitored and that the Plan is reviewed on a regular basis.

Comment:

Agreed, however, as pointed out in response to Recommendation 41, it is considered that integrated reporting and monitoring would be more effective.

RECOMMENDATION 44

Address the impacts of its ageing workforce and staff availability within Council's long-term workforce plan.

Comment:

Agreed. As a first step, a report on this issue is being presented to the 15 January 2008 Ordinary Council Meeting.

RECOMMENDATION 45

Develop a formal human resources strategy to link all human resources policies and procedures into a strategic document that is designed to ensure Council's human resources needs are integrated into Council's strategic and operational priorities.

Comment:

Agreed.

RECOMMENDATION 46

Monitor the constitution of the Consultative Committee to ensure that external factors affecting the organisation are continually reviewed.

Comment:

The intent of this recommendation is unclear. The constitution currently allows union and non-union membership across the organisation and defines the roles of the committee. Is this recommendation suggesting that the committee contain members external to Council? If so, whom? Or is the suggestion that meetings should be monitored to ensure meetings are held as regularly as the constitution dictates? Some guidance on this would be appreciated.

RECOMMENDATION 47

Make the reporting within the EEO report more proactive by including comment on the implementation of programs and activities and better inform the community on Council's initiatives.

Comment:

Agreed.

RECOMMENDATION 48

Consider conducting an employee attitude survey to help determine the key workforce issues that impact on the organisation and to prioritise and carry out actions to address these issues.

Comment:

Disagree. Oberon is a small Council. Regular staff meetings inviting feedback - which is then fed into regular Management Meetings - are already held and the Consultative Committee is working well.

RECOMMENDATION 49

Prepare suitable strategies to fill these future vacancies and reduce the potential impact of loss of corporate knowledge through retirements of key staff.

Comment:

Agreed.

8. SUMMARY - WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- Development of values and a corporate vision
- A new proactive approach 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 planning and administration through the preparation of formal documentation and financial modelling.

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 ensure to minimise fraudulent activity
- Develop policies and procedures for procurement and disposal practices.

REGULATORY

What is working well

- Developing a new LEP to include areas of the former Evans Shire Council
- Fast response to changes in legislative and planning requirements
- Finalising risk-based strategies for reporting non-compliance with environmental standards and unauthorised development.

Challenges to improve

- Prepare a formal enforcement and prosecutions policy.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Council has taken long-term actions to create a sound financial position
- Finalising an Asset Management System to identify long-term infrastructure funding.

Challenges to improve

- Develop a long-term (10 year) financial plan
- Utilise the available unrestricted cash resources in strategic projects to further develop Council's organisational performance.

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Identification of 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

- Build on and improve Council's commendable social and community plan
- Develop a guarantee of service.

WORKPLACE 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 and workforce plan to provide a coordinated approach to human resources