



**CENTRAL DARLING SHIRE COUNCIL**

# **RECOVERY PLAN**

## **2014**

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**Interim Administrator**  
**23 December 2013 – 22 June 2014**

**7 June 2014**

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# Introduction

The purpose of this Recovery Plan is to set out the key issues of concern in relation to the sustainability of the Central Darling Shire Council; to identify measures already undertaken or set in train to deal with those issues; and to provide continuing guidance to the Council organisation in building capacity and sustainability for the future.

I have also taken the liberty of framing this document to comply with section 438N of the Local Government Act, 1993 in so far as:

- (1) *An interim administrator is to give the Minister a written report about his or her administration of the council.*
- (2) *The report is to include any recommendations of the interim administrator in relation to improving or restoring the proper and effective functioning of the council.*
- (3) *The interim administrator is to provide the report to the Minister no less than 14 days before the end of the initial suspension period of the council.*
- (4) *The initial suspension period of the council is the suspension period as initially specified in the suspension order, before any extension of the period by further order.*
- (5) *If the Minister amends a suspension order to extend the suspension period of a council, the interim administrator is to prepare a further report under this section in respect of that extended period and give that report to the Minister no less than 14 days before the end of the extended suspension period.*

In large part this Plan references the work undertaken by RSM Bird Cameron in the report ***Recommendations and Options to Improve Central Darling Shire Council's Financial Performance and Position***(the RSM report). However, there are also a number of non-financial issues to be resolved and improved upon.

I have collected the measures and issues into four major groupings and provide a description of the issues themselves and their implications for the Council, work undertaken to date, matters requiring further attention as a high priority and further recommendations for the Council to consider that may make a contribution to the future security of the Council.

It is my considered view that those matters identified as *High Priority Requirements* are elements that should be undertaken. *Further Recommendations*, on the other hand, are matters that may be assessed with some discretion by the Council into the medium term future.

## Background

Following several years of monitoring and oversight, the (then) Minister for Local Government suspended the Central Darling Shire Council on 23 December 2013 for a period of three months pursuant to section 438I of the Local Government Act, 1993.

The factual circumstances giving rise to the suspension were:

- a) The Council's financial position had deteriorated significantly and was forecast to have a deficit in operating funds of \$3.1 million by May 2014.
- b) The Council's financial position was expected to worsen further over the medium to long term.
- c) The Councillors did not appear to have the capacity or willingness to sustain strict financial controls.

The reasons for the suspension order were:

- a) The Council had failed to comply with its legislative responsibilities in relation to financial management.
- b) There were significant financial risks facing the Council that were not being addressed.
- c) Previous intervention attempts had failed to rectify the financial circumstances.
- d) The appointment of an interim administrator was necessary to secure the Council's finances and restore the proper or effective functioning of the Council.

Pursuant to section 438M, the Minister appointed me as Interim Administrator of the Council for the period of the suspension.

I commenced on site in the Shire, as Interim Administrator, on Monday 6 January 2014 and from then operated from the Council's head office in Wilcannia for between five and eight days each month, undertaking a further four to eight days a month from a Sydney base.

During February and March 2014 a forensic accounting investigation was commissioned by the Office of Local Government and conducted by accounting firm RSM Bird Cameron. That report was officially provided to me on 11 April 2014 and it contained a number of recommendations to address the financial sustainability of the Council.

In addition to weekly reporting to the Office of Local Government and as required by section 438N, I provided a report to the Minister on 7 March 2014 (two weeks prior to the conclusion of the suspension period). That report recommended the extension of the suspension for a further three month period to permit:

- a) the implementation of the recommendations of the Forensic Accounting Report
- b) the implementation, by the Interim General Manager, of the new organisational structure.
- c) the development and adoption of a financially responsible budget and operating plan for 2014/2015
- d) the continuation of negotiations for the outsourcing of the financial management functions of the Council.
- e) the further review of other resource sharing and outsourcing options.
- f) the development of a detailed post-suspension implementation plan.
- g) the recruitment of a permanent General Manager.

On 13 March 2014 the suspension period was extended by the Minister for Local Government for a further three months to permit these actions to be undertaken.

Without attempting to provide a finely detailed chronology of activity undertaken during the administration period, the following significant issues are worth noting:

- a) An experienced Interim General Manager was appointed for a minimum, three month period on a temporary contract to assist in building capacity
- b) Following the departure of the two long term finance contractors, one replacement contract Finance Manager with experience and knowledge of CDSC's finances was engaged
- c) A new organisational structure was adopted and implemented to the Division level
- d) Recruitment of a permanent General Manager is nearing completion
- e) Expenditure and program cuts were imposed
- f) The 2012/2013 Annual Report was published
- g) The first quarterly financial review in two years was reported to Council in May 2014
- h) The overdraft was reined in from an estimated \$3.1m in May 2014 to an actual average of \$250,000 in May 2014 and even ventured into positive territory during that month
- i) A balanced 2014/2015 Operational Plan and Budget was exhibited by Council and is expected to be adopted on 20 June 2014
- j) Substantial progress was made in building financial and governance systems that had previously been lacking
- k) The staff establishment has been reduced from 67 to 60 through natural attrition.

## Principal Issues Identified

The circumstances giving rise to, and the reasons for, the suspension of the Council are described largely in financial terms. Certainly the gravest concerns for the Council are financially based, with the organisation holding no cash for working capital, no cash funded reserves, third party cash payments diverted to projects other than those they were funded to provide, and the Council operating in bank overdraft conditions regularly of the order of \$1 million to \$2 million on a day to day basis.

However, the financial travails of the Council are merely symptoms of two other principal failings – a lack of a compliance culture and a lack of day to day leadership.

I do not propose to set out in this plan, in great detail, the causes, symptoms and manifestations of these failings. Rather, it is important to identify potential solutions and develop a timeline for their rectification.

For the purpose of this Recovery Plan I have grouped the solutions into four main areas:

### **Financial Sustainability**

This is the fundamental and structural capacity of the Council to continue providing effective services and facilities to its population without the intervention of other levels of government beyond the normal support and funding accessible and available to any local government authority. Matching expenditures to revenues; setting appropriate levels of service; and determining which activities are undertaken and how will dictate if the Council organisation can survive as a (relatively) independent organisation. This is about the Council's ability to exist and deliver on its charter unsupported.

While there is no doubt that significant improvements have been made during the Administration period, there remain substantial financial difficulties to be overcome. Merely adopting a balanced budget will not return the Council to a sustainable financial position as it needs to recover from its overdraft position, re-establish its essential cash reserves and rebuild sufficient working capital to fund its operations. These are daunting challenges in an environment where essential services must also be maintained. Operating surpluses of around \$500,000 annually for at least four consecutive years will be necessary to achieve this.

### **Financial Systems and Financial Management**

As distinct from the question of **if** sufficient funding is available to deliver on its charter (above), this group considers the question of **how** financial decisions are made and how meaningful information is maintained, presented and utilised in decision making. The RSM report addresses a raft of recommendations in this respect and forms the basis for the actions proposed in this Plan. Given the detail contained within that report, it is not proposed to further articulate the broader issues here.

### **Compliance and Governance**

There have been many instances of the Council failing to comply with legislative requirements and there has also been an absence of rigorous governance practice in the past. A culture of good governance – which leads to a culture of compliance – needs to be developed, reinforced and monitored. Governance is a very broad ranging field and there needs to be a full and thorough review of the policies, practices and processes of the Council organisation. Some of those matters have been identified here as priorities.

### **Leadership**

As a remote, rural Council of small size it has always been difficult to attract and retain senior staff and specialized professionals. Notwithstanding the Council's best intentions in continuing with an Acting General Manager for nearly two years (a failure of compliance in itself) and notwithstanding the appointee's best intentions in the job; the lack of a permanent General Manager has been a mistake. The lack of focused leadership brought about by this action has been, in my opinion, the most critical factor in the position in which the Council finds itself. Leadership is not the sole preserve of the General Manager however, and broader topics will also be addressed in this section.

The following four sections of this Plan deal with each of the principal issues outlined above. They contain a more detailed explanation of the issues involved, the actions undertaken during the period of administration, high priority actions still required and further recommendations for the Council's consideration.

Of primary importance are those matters identified as High Priority Requirements. These are presented in tabular form with timeframes and performance measures. There is also a notation as to the responsibility for undertaking each action. Please note that even where an action is designated as the responsibility of the General Manager, the Council still has an important support, endorsement and oversight role to play.

## What Will Recovery Look Like?

It is relatively easy to identify processes and practical revisions that will improve an entity such as Central Darling Shire Council and its sustainability. However it is also vitally important to have a strategic vision of the future to guide decision making and by which to measure success. Clear strategy and vision are also valuable tools in sharing the optimism and building co-operation and collaboration among the many stakeholders necessary to ensure success.

Set out below are my views of how a resurgent Shire Council might appear to its residents, stakeholders and regulators as the recovery unfolds. Firstly, as a strategic objective and then as measures of success.

### **What Will The Council Look Like Into The Future If We Are Successful?**

*The Council will be a successful local government authority delivering core services and facilities for its citizens utilising its untied revenue sources (such as rates, untied grants, fees and charges) and any profits from its other activities. Because of its remote location and understanding of its community, it will also be a facilitator of other services on behalf of other agencies, however those services will be completely self-funding and will return a responsible profit to the Council in order to improve its own core services. The Council's annual Operational Plan will deliver a balanced financial outcome in providing services and building appropriate reserves for the future. The Council will be respected by its community and other stakeholders as responsible, representative and collaborative. The community will understand the relationship between effective services and financial sustainability.*

## How Will We Measure If We Have Been Successful?

1. Core services will be adequately funded and encompass a range that is responsible in a remote, rural location and can be funded from recurrent, untied revenues.
2. Core services will be clearly defined and understood, as are those other services that are considered discretionary or are provided on behalf of third parties.
3. The Council will have sufficient cash reserves to cover its needs for adequate working capital and restricted assets. Its cash flow will be reliable and adequate for its operational needs.
4. A core of permanent staff will be supplemented by outsourced and shared services and resources. The Council will be regarded as an excellent example of a mixed services model delivering services through in-house resources and outsourced solutions.
5. The Council will be compliant with all of its regulatory and statutory obligations and good governance will be considered the default position by councillors, management and staff.
6. The Council, as an organization, will exhibit contemporary good practice in contract and project management, both as a purchaser of services and in the delivery of services for others.
7. The Council's financial management and financial systems will deliver accurate and reliable information for decision making purposes and that information will be used effectively.
8. Decisions will be made with due regard to financial sustainability and long term implications, among other factors.
9. The Council will engage with its community and the community will understand the Council's role, its opportunities and its constraints.

# 1. Financial Sustainability

## Overview and Major Issues

Notwithstanding the current limitations of the financial management systems in place at Central Darling Shire Council (discussed in the next section), there are significant shortcomings in the approach to long term sustainability of the organisation itself.

There is no doubt that the temptation – indeed, the necessity in some instances – to provide a burgeoning range of services and facilities to its remote, rural communities is strong within the councillors and staff of the Council. This is not a failure. However, the failure arises when there is insufficient rigour and pragmatism around the decision making process that leads to this expansion of activity.

Since the 1993 Local Government Act was introduced there has not been a mandatory list of Council services and this has allowed individual Councils and individual communities to tailor the suite of programs, facilities and services to their particular needs and capacities. However, there are some core services that are expected of a Council and that can (generally) be provided via the standard funding model employed by NSW Councils. I refer to these as the core municipal services.

In the past, the Shire Council has undertaken a range of other activities that are generally outside of the definition of core services and, on some occasions, these have been a drain on the funding available for core services and therefore reduced the Council's capacity to deliver those core services. In a nutshell, however, the Council has chosen to run down financial reserves as a result of loss making activities rather than reducing or constraining those activities.

There is a great need to clearly understand and articulate the status of each service or program provided by the Council. Is it a core service funded by the untied funding of rates, fees and untied grants? Or, is it funded by someone else and separately from the Council?

Each activity (whether core or non-core) needs to be clearly understood in terms of its costs, revenues, benefits and usage. The Council needs to spend only that funding that is untied on its core business and non-core business activities need to be self-sustaining.

Separately funded activities such as water supply, sewerage and domestic waste management need to be self-sustaining to the point where revenue charges are set at levels to ensure that they can support the expenditure required both in an operational sense and in providing for future capital requirements such as major plant replacement. Services provided as an agency of a third party (the Rural Transaction Centres, Post Office, RMS contracts etc) need to be self funding without any subsidy being provided by the core budget of the Council.

### **Actions Taken and Achievements to Date**

- High level communication work undertaken with the Council's bankers and other funding bodies and agencies with a view to building more effective and transparent relationships.
- Work has commenced on restructuring the chart of accounts/general ledger to provide better information on costs and revenues for activity based accounting and to better align with the reporting relationships within the new organisational structure.
- Substantial review and analysis of outstanding rates and charges to maximize revenue receipt.
- In conjunction with the reconstruction of the financial system, an assessment of water, sewer and waste charges is underway to ensure that revenue covers operating costs.
- Services and facilities have been identified and designated as either "core" or "non-core".
- Two of the three community transport contracts have been "returned" to TransportNSW.
- A pricing formula for all non-core or discretionary activities is under development to ensure that full cost recovery is achieved, risk is minimized and, where possible, a return to General Fund is achieved.

## High Priority Requirements

No.	Action	Responsibility	Timetable	Measure
1.1	The returning Council resolve at its meeting of 15 July 2014 a policy position that it will not seek, accept or participate in any new service, program or facility unless a thorough viability assessment/business case has been carried out indicating that the new activity will not have an adverse impact on Council's cash flow, expenses or long term viability.	Council	15 July 2014	Policy adopted and adhered to rigorously.
1.2	Finalise, adopt and implement a pricing model for discretionary or third party works and contracts that ensures such activities are self-sustaining and return an agreed margin to the Council's core business.	General Manager	By 30 September 2014.	Model adopted and in use.
1.3	Negotiate revised arrangements on any third party contract as the opportunity arises in accordance with the pricing model.	General Manager	As appropriate.	No discretionary or third party activity requires any subsidy from general operations.
1.4	Continue refining the costing system so that reliable 'activity based' budgeting can be accomplished so that all core and non-core activities may be accurately described in terms of revenues, expenses and outcomes.	General Manager	31 December 2014	Accurate budgeting and measurement of results is standard.
1.5	Future budgets should target a cash surplus of a minimum of \$500,000 per year to return, over four years, sufficient working capital to operate the core Council business, provide for cash backing (at appropriate levels) of all restricted funds and reserves and avoid the regular utilisation of overdraft facilities.	Council	Annually beginning from 2015/2016 Plan	Annual Operational Plans provide for realistic surpluses.

<b>No.</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timetable</b>	<b>Measure</b>
1.6	Future budgets should deliver core services utilizing only untied funds such as rates, untied grants, fees and charges and any grant funding tied specifically to core service delivery, without cross subsidization from other sources other than the profit margin generated in line with the pricing model set out in 1.2 above.	General Manager	31 March 2015 and each successive budget	Balanced budget around core council services.
1.7	Actively seek and investigate opportunities to collaborate with other councils, agencies or commercial providers for the outsourcing or resource sharing of corporate support and technical functions where cost, recruitment and retention of specialist staff, or access to equipment and systems are impediments to successful delivery.	General Manager	Ongoing (but existing investigations into financial management functions by 31 December 2014)	Appropriate Council functions are managed by others with CDSC oversight.
1.8	Fully review the operations of the Rural Transactions Centres including staffing levels, accommodation, service levels, fees and charges with a view to maximizing revenue and minimizing cost.	General Manager	31 December 2014	Decisions made in time for incorporation in 2015/2016 Operational Plan.
1.9	Fully review the operations of the Westpac Bank agency/franchise including staffing levels, accommodation, service levels (including possible closure), fees and charges with a view to maximizing revenue and minimizing cost.	General Manager	31 December 2014	Decisions made in time for incorporation in 2015/2016 Operational Plan.
1.10	Fully review the operations of the Wilcannia Post Office franchise including staffing levels, accommodation, service levels, fees and charges with a view to maximizing revenue and minimizing cost.	General Manager	31 December 2014	Decisions made in time for incorporation in 2015/2016 Operational Plan.
1.11	Conduct a full assessment of the options and viability of co-locating the Westpac agency, transaction service and post office agency in Wilcannia.	General Manager	Dependent upon the outcomes of 1.7, 1.8 & 1.9.	Single, efficient site occupancy for third party services in Wilcannia.

<b>No.</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timetable</b>	<b>Measure</b>
1.12	Fully review the operations of the Ivanhoe Community Bus service including staffing levels, accommodation, service levels, fees and charges with a view to maximizing revenue and minimizing cost.	General Manager	31 December 2014	Decisions made in time for incorporation in 2015/2016 Operational Plan.
1.13	Fully review the operation of the swimming pools in order to stay within the budget provided within the 2014/2015 Operational Plan.	General Manager	Prior to the season opening.	Swimming pools program is operating within budget.
1.14	Consider longer term options for the pool operations including options for third party operation and alternate funding models.	General Manager	30 June 2015	Swimming pools program is projected to achieve self sustainability.
1.15	Work constructively with LGNSW, the Grants Commission and other appropriate stakeholders to have the Financial Assistance Grants formula revised to better meet the needs of rural and remote Councils.	Council	As appropriate	Not applicable.
1.16	Conduct a detailed assessment of water, sewer and waste charges to ensure that these are being levied at a rate sufficient to cover all costs.	General Manager	Annually in conjunction with Operational Plan development	Self sufficient water, sewer and domestic waste management funds.
1.17	Review tip operations to reduce expenditure and include all tip expenditure within the domestic waste charge.	General Manager	2015/2016 Operational Plan	All waste expenditure is offset by the domestic waste charge.
1.18	Ensure that all tender, contract and service agreement decisions (including RMS funded works) are made only after a comprehensive viability review/business case has been undertaken and that such decisions are made by the General Manager/Council depending upon the circumstances.	General Manager / Council	Immediately	Only fully funded or profitable proposals are approved.

No.	Action	Responsibility	Timetable	Measure
1.19	Tied grant funding for specific works or projects is to be treated as restricted funds and held as cash for the delivery of the works or projects and is not utilized for other operational purposes.	General Manager	Immediately	Restricted funds are cash backed as required.

## Further Recommendations

Item	Introduction of Developer Contributions
<p><b>Recommendation:</b></p> <p>That Council give consideration to the introduction of a Section 94A contributions levy on all development above a particular value in order to fund, over time, additional community infrastructure to cater for any increase in demand on existing Council facilities as a result of further development.</p>	<p><b>Commentary:</b></p> <p>Councils have the ability pursuant to Section 94 of the Environmental Planning and Assessment Act, 1979 (the Act) to levy developers for contributions to construct and maintain certain infrastructure that benefits the community.</p> <p>Previously contributions were only capable of being collected where there was a demonstrated direct link between a development and the increased need for new, additional and/or improved infrastructure, known as a nexus. The amendments introduced a new Section in 94, known as 94A.</p> <p>Section 94A permits Councils to collect contributions from a variety of developments without needing to demonstrate a direct nexus. There are however limitations on what can be funded and the amount of money that can be collected from each development. The maximum amount of money that can be collected from a single development pursuant to this section of the Act is up to 0.5% of the cost of developments between \$100,000 and \$200,000 and up to 1% of the cost of developments over \$200,000, therefore minor developments under this amount pay nothing.</p> <p>It would, however, be my recommendation that a levy of 1% be considered on all non-residential development above \$200,000 in value and all residential development above \$350,000 in value. In this way, the levy should not act as an impediment to normal development but would capture significant development only.</p> <p>It is recognized that there is little development in the Shire that would generate the levy at this time however it does represent any opportunity to fund improvement works.</p>

## 2. Financial Systems and Financial Management

### Overview and Major Issues

The lack of stable financial expertise within the Council organisation over recent years has been problematic. The lack of a permanent General Manager, an Acting General Manager with limited technical expertise in the financial area, the use of contract staff in the senior finance roles, and limited oversight and questioning by elected Councillors are all elements that have contributed to poor financial management over time. Coupled with financial systems that are poorly designed, undocumented and not well understood these issues have provided an environment where financial data cannot be extracted and monitored effectively leading to poor decision making.

The key elements of effective financial management, in the context of the current position of the Central Darling Shire Council, are:

1. A financial system that is well understood and has the technical capacity to provide information that is correct, appropriate and useful.
2. Personnel with sufficient expertise to understand and utilise the financial system, have appropriate knowledge of the activities and operations of the organisation and the strategic intent of the organisation; so as to provide useful information for decision making.
3. Decision makers with sufficient knowledge, insight and judgment to make effective decisions cognizant of all of the financial and non-financial implications involved.

These, then, are the three fundamental issues to be addressed – an effective system; appropriate personnel; and appropriate decision making.

### Actions Taken and Achievements to Date

- A preliminary review of an alternative software system is underway, as is an exercise to assess the suitability of the current system if implemented and maintained correctly.
- Much higher levels of cash flow monitoring by the Interim General Manager are in place.
- Revised general ledger / chart of accounts structure under development to improve costing and revenue matching.

- Month end processing has improved and a quarterly review has been submitted to Council for the period ended 31 March 2014.
- A rigorous budget has been prepared for the 2014/2015 year as part of the Operational Plan process.
- Processes for the review of estimates and monthly expenditures within Engineering projects, by Finance staff, are in place.
- A competent finance professional has been engaged, albeit on a temporary basis pending the outcome of an outsourcing review.
- Preliminary investigations of the outsourcing of financial management activities are underway.
- Labour and contract hire rates have been updated.
- Essential maintenance only is being conducted at aerodromes and in town maintenance operations pending the adoption of the 2014/2015 budget.

## High Priority Requirements

No.	Action	Responsibility	Timetable	Measure
2.1	Continue the investigation into the outsourcing of the Council's financial management functions.	General Manager	31 March 2015	Decision made in time for new financial year (if best option)
2.2	Implement a formal month end processing and reporting format.	General Manager	30 June 2014	Regular reporting in place
2.3	Comply with the provisions of the Local Government Act by providing a quarterly review and comparison of budget –v- actual financial results, including cash flow forecasts.	General Manager	By statutory deadlines	Quarterly reviews meet statutory requirements
2.4	Continue the review of the contracts register to ensure that all relevant contracts are in place and that all obligations are being met.	General Manager	30 September 2014	Register is current and all obligations are being met
2.5	Maintain the contracts register on a current basis and review the register each six months.	General Manager	Six monthly	Register is current

## 3. Compliance and Governance

### Overview and Major Issues

Local Government is a highly regulated industry and has statutory requirements imposed by both its own specific legislation and by a myriad of other Acts, regulations, agencies and overseers. Regardless of one's personal view of the "burden" that regulation may impose, compliance with these requirements is simply a necessity in the life of a public entity.

At the Central Darling Shire Council there have been several instances of non-compliance with regulatory obligations over recent years of both major and minor significance. Many of these requirements are not just about third party oversight however. As an example, the requirement for the Council to receive a quarterly review of its financial and operational performance is aimed at providing some rigour to the internal processes and decision making capacity of the Council rather than an opportunity for a third party regulator to oversee the Council's activities.

Compliance, however, ought to be only one element of a broader governance framework. A governance framework is the structure that brings together the legal, administrative, compliance and planning functions of an organisation. This structure is lacking in the Central Darling Shire Council and, as a result, the organisation suffers from issues of non-compliance, lack of optimal performance and lack of cohesive management direction.

The difficulty of small, remote Councils funding, recruiting and retaining a full range of specialist and technical staff is self evident however there are opportunities to improve the governance structures of the Council a great deal.

### Actions Taken and Achievements to Date

- The 2013/2014 Annual Report was published in March 2015.
- Monthly reporting against the OLG's Compliance Calendar has been implemented.
- Formal staff performance reviews are being consistently undertaken across the entire organisation for the first time in some years.
- Exploration has commenced of opportunities to share resources with other Councils or outsource functions where internal resources or recruitment opportunities are limited.

## High Priority Requirements

No.	Action	Responsibility	Timetable	Measure
3.1	Council report on progress on this Recovery Plan on a quarterly basis to the Office of Local Government and by publicly tabling an information report in its Council business paper in the months of September, December, March and June until such time as the OLG no longer requires such reporting.	Council	September December March June	Satisfaction of the OLG.
3.2	That a quarterly report be submitted to public Council meetings outlining the Council's adherence to those items contained within the OLG's monthly compliance calendar.	General Manager	October January April July	No significant failures or delays in compliance with statutory requirements.
3.3	Continue the development of the organisational structure to deliver the key objectives of responsibility and focus; ensuring that necessary skills and capacities are available (either in-house or outsourced) to meet contemporary standards of governance.	General Manager	Ongoing	The Council's staff establishment reflects operational and strategic objectives and remains affordable.
3.4	Development of a Governance Plan that addresses actions necessary to meet all relevant health & safety, EEO, workplace, GIPA and other compliance obligations.	General Manager	31 December 2014	No examples of non-compliance by 30 June 2015
3.5	Review all of the items contained in the Interim General Manager's operational notes and suggestions list for action and improvements.	General Manager	31 December 2014	Operational improvements are evident.

## 4. Leadership

### Overview and Major Issues

Leadership is an ill-defined and much debated concept in the broader world. For the purposes of this Plan I am going to focus on the roles of two groups: the executive management team and the elected Councillors. It has been my contention, both within this document and elsewhere, that the lack of a permanent General Manager, and the focus that comes with a dedicated incumbent, has been a major influence on the travails of the Council over recent years. This view, though largely anecdotal in nature, is reinforced by many years of management experience in a range of organisations.

Both the General Manager and the elected Council have clearly defined roles articulated within the NSW Local Government Act. Those formal roles notwithstanding, the real issue in a Council organisation of some 60 staff positions is about expertise and leadership. In such small organisations there cannot be the depth of skills, qualifications and experience that is found in larger organisations. It therefore becomes critical that the General Manager has the capacity, the judgment and the authority to lead the staff organisation by example. It is also important for the General Manager to be supported by capable and focused senior management. The recruitment of the full senior management team of General Manager and two Directors will be imperative to the future success of the Council organisation. The capacity and willingness of the elected councillors to oversee the Council at the appropriate strategic and policy level will also be crucial.

### Actions Taken and Achievements to Date

- Interim General Manager (Brian Wilkinson) appointed commencing on 10 March 2014 on a 15 week contract.
- A number of operational reports removed from the Council agenda template to reduce Councillor focus on operational matters.
- A new, two division organisation structure adopted to give greater definition to core business and corporate support/governance.
- Recruitment of a permanent General Manager commenced. Interviews conducted on 20 May 2014 and preferred candidate currently undergoing checks and testing.

- Arrangement put in place with LGNSW to independently facilitate the performance assessment of the new General Manager six monthly for the next two years.

## High Priority Requirements

No.	Action	Responsibility	Timetable	Measure
4.1	Prepare and execute a compliant and appropriate Performance Agreement with the new General Manager.	Council	Within three months of GM's commencement.	Agreement executed on time.
4.2	Utilise the services of LGNSW to independently facilitate the review of the performance of the General Manager every six months.	Council	Every six months.	Clear understanding, by all parties, of the expectations and standards of performance required as well as delivery against agreed objectives.
4.3	The Mayor to provide regular updates to the Office of Local Government on the performance of the General Manager and the relationship between the GM and the Council.	Council	Every three months.	Reporting to the satisfaction of the Chief Executive Officer of the Office of Local Government.
4.4	The Mayor to consult with the Office of Local Government before any significant action is taken in relation to the employment arrangements of the General Manager.	Council	As required.	No significant action is undertaken without consultation with the OLG.
4.5	Council and senior management undertake a workshop to establish the levels and types of operational and strategic information required to be reported in Council business papers.	General Manager	By 31 July 2014.	Agreement on content of Council reports.
4.6	Councillors to secure and participate in accredited professional development activities related to the respective roles of councillors and staff, the effective conduct of their duties and financial management skills.	Council	31 December 2014	Training undertaken and measurable compliance with the Act is occurring.

## Further Recommendations

Item	Reduce the Number of Councillors
<b>Recommendation:</b>	<b>Commentary:</b>
<p>a) That the Council undertake a constitutional referendum pursuant to section 210 with a view to abolishing the wards within the Shire; as a precursor to:</p> <p>b) That the Council utilise the provisions of either of sections 224 or 224A of the Local Government Act to reduce the number of councillors to five (5).</p>	<p>The cost of maintaining the current nine (9) councillors during 2014/2015 will be in the order of \$200,000 which represents around 4% of the recurrent annual budget of the core Council business. Another way of looking at this expense is to point out that it costs every man, woman and child of the Shire's 1,800 residents more than \$110 per year to maintain the nine councillors.</p> <p>At the 2012 general election only 807 votes were cast across the Shire and the quota (the number of votes necessary for election) ranged from 62 to 74 across the three wards. In other words, a candidate could ensure election by securing the support of just 65 residents.</p> <p>A reduction from nine councillors to five councillors would generate a financial saving of in the order of \$100,000 annually. This outcome would not only render an improved financial outcome but would deliver more a realistic resident/councillor ratio.</p> <p>This is not a reflection on the effectiveness or the intentions of the current nine councillors. It is merely a commentary on the relative cost and representation rates in the Shire.</p>

## Conclusion

The issues facing the Central Darling Shire Council are serious and complex and they will take some considerable time to resolve. Indeed, I am not certain that the resolution of all the issues and the attainment of long term sustainability for the Council will – ultimately – be something that the community will be prepared to accept. The long term solutions involve substantially pared back services and, in all probability, fewer jobs at the Council. The alternative, however, would be more unpalatable still.

It would have been desirable to have achieved much more during the six month period of Administration. However, the lack of reliable reporting and availability of data on financial matters, the absence of consistent specialist expertise in many fields and the leadership difficulties over a long period have conspired to delay my ability to begin the rehabilitation of the organisation in a meaningful manner. It has only been since March 2014 that I have been able to demonstrate any personal confidence that the data being provided is generating reliable information that is useful for decision making. This is largely due to the temporary appointments of an interim General Manager and Finance Manager, both with substantial experience and acumen. The RSM Bird Cameron report has also provided much clarity and direction. The recruitment, too, of a permanent General Manager has only just been possible. At the time of writing, the process of recruitment and selection is proceeding. Settling in a new leader of the organisation will be a priority and will also require substantial support and commitment from the returning Councillors.

In reality, the Council has, for some considerable time, been spending more than it receives. There are only two ways to remedy that situation – earn more and/or spend less. Opportunities to increase the revenue base of the Council are very limited. Equity in the Financial Assistance Grants system would be beneficial but it is not the panacea to the Council's ills. The real and pragmatic answer is to cut costs.

The matters included in this Recovery Plan total some thirty priority actions and several further recommendations. However those totals belie the amount of work and commitment that remains to be delivered. Many of the actions, particularly in the Financial Sustainability area, still require major investigation, critical analysis and creative solutions. A number of those solutions will involve very difficult decisions; decisions that will directly affect the jobs of local residents and the services which local residents receive from their Council. Dealing with this substantial body of work effectively will require a great deal of discipline and commitment from the returning Council. In my view, this will require a period of intense activity over perhaps 18 months to two years before the sustainability of the Council can be confidently assessed.

It is not necessary for me to reiterate the statistical realities of the Central Darling Shire, however I will touch briefly on the issue for the sake of illustration. For all intents and purposes, Central Darling Shire is the smallest local government authority in New South Wales by almost any measure other than land area. It has, of course, the largest land area of any NSW Council and therein lays the crux of the problem. With a diminishing population the range of statistical “firsts” or “worsts” (depending upon your perspective) for the Council is extensive. As an example, the highest staff member per capita ratio - at 1 staff member for every 30 residents – if taken at face value appears to be excessive. This, however, fails to take into account the vast distances involved in municipal servicing and the core staffing required to operate a Council of any size or scale. I believe that, at the very least, the outsourcing of some technical and financial management functions is imperative.

Rebuilding the confidence of essential partners and stakeholders will be a critical success factor for the Council. Sustained lack of confidence in the Council by its bankers, external auditors, State agencies, contractors or suppliers could be fatal to the aspirations of a continuing local government presence in the Shire.

Despite these concerns, I do remain convinced that the Central Darling Shire Council can provide basic municipal services to its residents and facilitate broader services and facilities from time to time if it exercises discipline and adheres to some fundamental principles in its decision making. Further, that decision making needs to be supported by reliable data and information, good administrative practices and sound governance systems. Above all, committed leadership will be the key to delivering these outcomes.

There are significant risks involved in not pursuing the measures outlined in this Recovery Report, however. These include:

- The potential withdrawal of support by bankers, agencies, contractors and suppliers as a result of returning to unfunded/overdraft operations and the subsequent concerns about continuing viability
- The closure or withdrawal of more services and facilities from the Shire funded by third party agencies
- The loss of capacity to service its community as the Council loses resources, expertise, reputation and support
- Increasing levels of physical, financial and reputational risk as capacity diminishes

There will be many difficult decisions ahead for the returning councilors. These decisions will impact communities, individuals and the broader reputation and stature of the Council organisation and the Shire as a community. I urge the Minister and the Office of Local Government to offer as much practical support as possible to the Council as they grapple with the many dilemmas and challenges that they will face in this process.

## Acknowledgements

My period as Interim Administrator of the Central Darling Shire has been both challenging and rewarding. The challenges faced by remote rural communities generally are poorly appreciated by our more urban population and the difficulties and costs of running a local government authority in these locations cannot be overstated.

Nevertheless, I found during my time in the Shire a cohort of citizens who have a genuine concern for their communities and a stoic approach and attitude to life in the Outback which is educative for a Sydney-sider like me. I thank the many Central Darling citizens with whom I crossed paths for their interest, concern and pragmatic nature.

The staff of the Council made me feel very welcome and supported me to their best abilities, particularly given how few of them there are. Similarly, those of the suspended councillors with whom I had dealings treated me respectfully and with a keen interest in seeing the Shire continue and prosper.

Brian Wilkinson accepted my invitation to spend three or four months in Wilcannia as Interim General Manager and to work with me through the myriad of issues requiring attention. I am very grateful for his willingness to accept the challenge and bring his wise counsel and long experience in rural NSW to the project.

Finally, a good many members of the team at the Office of Local Government have lent their expertise, resources and interest to this exercise. I thank the Chief Executive Officer and his team for their support and commitment.

Many thanks to all involved.

**Greg Wright**  
**Interim Administrator**  
**Central Darling Shire Council**  
7 June 2014