

challenges improvement innovation good governance

Local Government Reform Program - Promoting Better Practice

REVIEW REPORT

ARMIDALE DUMARESQ COUNCIL

March 2006

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1. ABOUT THE REVIEW

Review objectives

The Local Government Reform Program - Promoting Better Practice is a review process that has a number of objectives:

- to generate momentum for a culture of continuous improvement and greater compliance across local government
- to provide an 'early intervention' option for councils experiencing operating problems
- to promote good governance and ethical conduct principles
- to identify and share innovation and good practice in local government
- to enable the department to use review information to feed back into its work in identifying necessary legislative and policy work for the local government sector.

Review process

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

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

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

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

A review involves a review team evaluating the effectiveness and efficiency of the council's operations and giving feedback. This involves checking compliance, examining appropriate practices and ensuring that council has frameworks in place to monitor its performance. The results of reviews are analysed and fed back to the elected council, the Director General of the Department of Local Government and the Minister for Local Government.

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

It is expected that a review will only "scratch the surface" of council operations. The analysis of the corporate self-assessment and the practice checklist, as well as the activities undertaken during the review visit, give reviewers a reasonable picture of the council's operations and future strategic direction.

Reviews act as a "health check", giving confidence about what is being done and helping to focus attention on key priorities. The recommendations are designed to assist council to constructively address identified deficiencies and perceived shortcomings as well as to improve on any identified strengths.

Armidale Dumaresq Council Review

Armidale Dumaresq Council was asked to complete a strategic management assessment and a checklist of key council practices. The completed self-assessment and checklist were analysed by the review team prior to commencing the on-site review process.

Senior Investigations Officers Caroline Egberts and Carole Medcalf comprised the review team, and conducted an on-site review of council from 26 September to 30 September 2005.

The review was based on council's response to the self-assessment of its corporate arrangements and capacity. This assessment asked council to respond to four critical questions of its capacity to improve:

- 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?

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

The on-site review consisted of:

- briefing and interviewing council's senior staff
- a briefing of Armidale Dumaresq councillors on the review process, pecuniary interest and code of conduct requirements
- attending a council meeting
- conducting interviews with staff holding various positions within council
- various site visits such as the Armidale depot and the New England Regional Arts Museum
- the review of a number of council's policies and other documents

- an interview with the Mayor of Walcha Council who is the chair of the New England Strategic Alliance, in which Armidale Dumaresq Council participates
- a briefing of Walcha councillors covering the review process, pecuniary interest and code of conduct requirements
- interviews with other community stakeholders about their relationships with council
- an exit interview with the Mayor and General Manager to discuss the review team's assessment to that point

It is important to note that two areas in particular were outside the scope of the review and were not examined by the review team.

First, a comprehensive evaluation or assessment of the Strategic Alliance was not part of the scope of this review. However, some observations or perceptions of the Alliance made by some council staff and some councillors have been included in this report. These observations or perceptions relate largely to the perceived impact that Armidale Dumaresq Council's involvement in the Alliance is currently having on council's operations.

Second, a number of pecuniary interest matters had been referred to the Department of Local Government prior to the review. Other officers within the Department have examined these matters according to standard procedures. Therefore, these matters were also outside the scope of this review and not covered in this report.

A draft report was forwarded to the General Manager in late December 2005. The review team has taken into account comments received from the General Manager and some councillors in preparing this final report.

2. EXECUTIVE SUMMARY

Armidale Dumaresq Council is a new and developing organisation. It celebrated its 5th anniversary on 21 February 2005 following the amalgamation of Armidale City and Dumaresq Shire in 2000.

In its first five years, Council has adopted a new organisational structure, appointed a new General Manager, merged the two Works Depots and made a major commitment to improving economic development and tourism.

These actions are part of Council's plan to move the area forward, providing a sound economic base for development and growth. Council has commenced a number of initiatives in the economic development and tourism areas.

Overall the indicators show that Council's financial standing is sound and has improved upon the previous year.

While council has some key elements of a good strategic focus, a collaborative approach between councillors and senior management to implement these strategies appears to be lacking.

The key strategic priority or focus for council at the moment appears to be the building of the Strategic Alliance and delivering a shared IT platform.

Senior management and councillors have played a major role in the establishment of the New England Strategic Alliance of Councils (the Alliance), which has now operated for over one full year. It was originally formed with the principal objective of developing a cooperative model as an alternative to the previously proposed amalgamation of Armidale Dumaresq, Guyra Shire, Uralla and Walcha Councils.

The major current initiative of the Alliance is the development of a comprehensive shared services model between the four neighbouring councils. This is to be achieved by an IT platform, with continuous improvement being the longer-term focus. At this stage, it is anticipated that the system will commence early in 2006. It

is also proposed that plant and equipment as well as some planning and human resource services will be shared through the Alliance.

While council is to be commended for undertaking a major change process aimed at more strategically addressing the future needs for Armidale Dumaresq and the New England Region, this needs to be balanced with the current needs of its ratepayers and its service delivery and operational capacity.

Council is encouraged to develop change management and communication processes/strategies to ensure that the pace and volume of change related to the development of the Alliance does not compromise its capacity to function as an efficient organisation now and in the future.

Based on the review team's examination of the corporate self-assessment, the practice checklist, analysis of council documents and policies, the review team has concluded that council currently lacks or, where present, needs to significantly improve a number of crucial systems, policies and procedures across several key functional areas.

These are in the areas of governance, regulatory activities, asset and financial management, community and consultation and workforce relations. This report provides a number of recommendations that should be addressed in a systematic and orderly manner address issues in these areas.

The election of a new Mayor in 2005, who has stated that he is willing to work cooperatively with other councillors, the General Manager and the senior management team, presents an opportunity to move forward in a positive manner.

It is strongly advised that the recommendations of this report are used to guide the work of the council, in particular, the General Manager and senior management, to improve the functioning of the Armidale Dumaresq Council. The review team encourages council to reallocate priorities and resources accordingly to allow this work to be completed in a timely fashion.

3. RECOMMENDATIONS

Council's strategic direction

1. The review and development of a clear set of long term strategic goals for the next 10 – 20 years, and the means by which they will be achieved, should be led by the General Manager in consultation with councillors, senior management, staff and the community as a matter of priority.
2. Council is also encouraged to continue with the Business Process Review but initially return its focus back to the operations of Armidale Dumaresq Council. The applicability of the Business Review Process to other councils in the Alliance can be considered at a later date.
3. Council should develop change management and communication processes/strategies to ensure that the pace and volume of change related to the development of the New England Strategic Alliance does not overly compromise its capacity to function as an efficient organisation now and in the future.

Governance

4. Council should, as a matter of priority, develop a policy or procedure that guides the interaction between councillors and staff.
5. Council should provide initial and ongoing training to councillors in the following areas:
 - the roles and responsibilities of councillors and staff
 - an overview of the organisation
 - decision making (including meeting procedures)
 - General Manager's performance contract
 - the key functional areas of council operations
 - the legal framework
 - customer service and complaints handling

- the legal and political context of local government (including the relationships between the three tiers of government)
 - the ethical responsibilities of an elected member
 - teamwork skills (including conflict resolution)
 - the relationship between financial processes and other planning processes
6. Council should also prepare a detailed induction or training manual for councillors' ongoing reference.
 7. Council should review its policy in relation to payment of expenses and provision of facilities to the mayor and other councillors in line with the soon to be released Department of Local Government guidelines on councillor expenses and facilities. In particular, council should review provisions on the reimbursement of expenses of councillors' spouses/partners and identifying realistic monetary limits on certain types of expenses such as mobile phone call costs.
 8. Council should prepare operating procedures to guide the work of its recently established Conduct Committee. Council should also promote the operations of the Conduct Committee within the broader community.
 9. Council should use the information provided in the department's circular 04/16 to prepare information for staff and councillors to assist them in completing their pecuniary interest returns.
 10. Council should prepare a statement of business ethics to guide its business relationships.
 11. As a matter of high priority, Council should develop an overall risk management plan, an internal audit program and fraud control policy and/or strategy. This work should also include a risk analysis of its procurement and disposal practices.

12. Council should immediately revise and implement its standard practice note outlining its procedures for tenders, expression of interest and quotations, which in the case of tenders should comply with section 55 of the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*. The practice note should also include other minimum tendering standards or procedures, which ensure accountability and probity.
13. Council should immediately develop and implement a procurement/purchasing policy and procedures for the procurement of goods, services and consultants under \$150,000, which is open to scrutiny, applied fairly and decreases the risk of possible pecuniary interest by councillors.
14. Council's procurement policies and procedures (including disposals) need to be reviewed to better reflect the key considerations outlined in section 6.1 of this report and Departmental circular 06-07.
15. Council's procurement/purchasing policy and procedures should clearly state delegations and associated expenditure levels for the categories of goods and services to be purchased.
16. As per council's practice note on procedures for tenders, expressions of interest and quotations, it is strongly recommended that Council should call for tenders in cases where a councillor, a council employee or a council business unit may be a potential supplier/contractor, in order to improve accountability, probity and restore community confidence in council's determining of providers for future works and services.
17. Council's Conduct Committee should review the processes and procedures involved in awarding works and service contracts to the Mayor as a matter of urgency. The Deputy Mayor or other councillor who has been designated by the council should take the place of the Mayor. The findings and the reasons for the findings must be reported in writing to the council and the Mayor.

18. Council should prepare a gifts and benefits policy and procedure to guide its staff and councillors.
19. Council should review its complaints management policy/system to ensure that it reflects the best practice in this area (and also address the issues canvassed in section 6 of the report). Council should consider utilising the NSW Ombudsman: Complaint Handlers' Toolkit (2004) in this review.

Regulatory activities

20. Council should consider establishing a companion animals advisory committee to oversee the implementation of its companion animals management plan and as a way of engaging interested members of the community in council activities.
21. Council needs to develop a policy and program for enforcement and prosecutions matters.
22. Council should develop and provide information about enforcement and prosecution matters for the community.
23. Council should ensure that it has a policy for compliance with environmental standards and legislation.
24. Council should also ensure that the residents of Armidale Dumaresq are properly informed as to how they may identify and report alleged breaches and non-compliance of environmental standards and legislation.
25. In order to co-ordinate council's obligations in the area of environmental standards and legislation, it should develop a regulatory monitoring program to ensure it is meeting its requirements under Chapter 7 Part 1 of the Local Government Act 1993.

26. Council should develop a procedural guide/manual to assist staff in assessing development applications that includes a checklist to ensure compliance with policy as well as statutory requirements.

27. Council should review its systems to explicitly reflect BASIX requirements, given BASIX requirements commenced to operate in the council area from July 2005.

Asset and financial management

28. Council should complete the development of its long-term financial plan in conjunction with its strategic planning processes in general and the outcomes of recommendation 1. The plan should take into account the following considerations and/or be linked to:

- a. alternative sources of revenue
- b. long term rates strategy (rating structure, special variations etc)
- c. long term borrowing needs and debt service ratio
- d. investment strategies
- e. the alignment of its long-term financial plan with its strategic directions, corporate plan, asset management and maintenance plans, social and community plans and other plans
- f. long-term plans for capital works, land acquisition and anticipated demand for community facilities
- g. reserves and section 94 contributions
- h. asset management and maintenance plan, social and community plan and other relevant plans.

29. Rather than waiting until the commencement of the Strategic Alliance IT platform, council should immediately consider and adopt the key elements and principles of its strategic approach to identifying future:

- capital works
- land acquisitions
- anticipated future demand for community facilities

- other areas requiring significant capital reserves

30. Council should consider reviewing:

- low staff numbers for the water supply and sewerage businesses.
- developer charges, which are extremely low and adversely impacting on revenue in the Water Fund, Sewer Fund, Economic Real Rate of Return and Return on Assets
- residential revenue from usage charges which is much lower than the target 75% in Best Practice Guidelines

Community, communication and consultation

31. Any review of the *2004 Social and Community Plan* that council undertakes should include a more thorough discussion of identified needs and gaps.

32. Council's 2004/2005 and future annual reports should provide clearer information about social /and or community planning activities achieved during the year.

33. Council's section 355(c) committees and other committees supported by council should be provided with a code of conduct, a written procedures/operation manual and relevant training for members.

34. Council should determine priority access and equity activities (including annual strategies to meet the needs of an ageing population) to be incorporated in council's management plan and budget, the business plans of each section and the work plans of each officer.

35. Progress on all aspects of the access and equity priorities should be reported to council on a quarterly basis as part of the management plan review as well as annually within council's Annual Report.

Workforce relations

36. Council's should consider its progress in responding to the findings of the *Employee Opinion Survey Evaluation 2004* and any outstanding issues should be incorporated in council's action plan addressing the review recommendations.
37. The General Manager should advise Council's Consultative Committee in writing that Armidale Dumaresq Council is committed to, among other things, retaining and enhancing a skilled local government workforce, and that the conditions of any staff member seconded to the Alliance or redeployed as a result of the Alliance will not circumvent the employment protection provisions under the *Local Government Act 1993*.
38. Council should conduct an immediate and detailed review of the impact of the Alliance on council's operation and its staff. Council should also develop and implement strategies to address any negative impacts. Areas to be reviewed should include:
- a. staffing levels
 - b. capacity to perform strategic and core functions or the efficient functioning of Armidale Dumaresq Council
 - c. morale
 - d. occupational health and safety implications particularly where staff perform dual roles, for example, council's former Finance Director
 - e. functional priorities (including gaps identified by this report) and current workforce resources so workloads are allocated in an orderly manner instead of through piecemeal arrangements.
 - f. exploring a way to communicate and resolve issues with staff on a regular basis
39. Manual Handling Procedures in affected areas should be reviewed, updated and monitored regularly and this should be done at the earliest possible opportunity.

40. Council should seek advice on whether the former Mayor's actions in relation to the employment of New England Regional Art Museum staff can be referred to the conduct committee of council while legal action is underway or if it should wait until any legal action is finalised.
41. The formal relationship and responsibilities of council to the New England Regional Art Museum should be determined and made clear to the councillors at the earliest possible opportunity as they will be exercising decision-making responsibility on council's behalf in the future.

4. CONTEXT

This report acknowledges the traditional owners of the land within the Armidale Dumaresq Local Government Area. The Anaiwan were the predominant Aboriginal people in the area around Armidale. People from the Gamilaroi, Gumbaingirr and Bundjalung groups also add to the Aboriginal diversity of the region.

Armidale Dumaresq is part of the New England plateau, which rises to 1,000 metres above sea level. Armidale (where council's Administration Centre is located) is located just off the New England Highway, 567 km from Sydney, 467 km from Brisbane, and 2.5 hours drive to the east coast and Coffs Harbour.

Armidale is the gateway to the spectacular scenery along the Waterfall Way and an ideal base for exploring several important National Parks including Oxley Wild Rivers, Dangars Gorge, Wollomombi Gorge, Cathedral Rock National Park and the New England National Park.

The main industries of the area are fine and superfine wool, merino sheep breeding, beef cattle, lamb production, fruit and educational services. The local government area is home to societies representing seventeen breeds of cattle, and other farmed livestock.

The Armidale Dumaresq Council local government area is 4,235 square kilometres. The total resident population is estimated to be 24,675 persons (as at 30 June 2003). Recent population trends for the area suggest that the area may be in transition from a decade of decline (-4.83% between 1991 and 2001) to a more stable, or even modest growth environment.

There is a high proportion of young people aged 10-24 years in Armidale Dumaresq, almost 30% of the total population compared to the state average of only 19.4%. On balance, the outlying, rural areas of Armidale Dumaresq reflect an older age demographic.¹

Armidale Dumaresq's Indigenous population (at 1,241 persons or over 5% of the total population) is more than twice the state average. Since 1991, the proportion of Indigenous people in this community has grown by 44% (378 persons).¹

Dumaresq Shire Council was founded in 1906. Armidale was made a municipality in 1863. The two councils were amalgamated in 2000.

Armidale Dumaresq Council is one of 6 councils in the New England Local Government Group. It is also one of 4 councils in the New England Strategic Alliance.

During the 2003-2004 financial year, Council determined 390 development applications. Council also approved building projects worth an estimated \$33,908,000, which represents a 38.2% increase in the value of approved building work in the equivalent period in 2002/03.

During the period 2002/03 Armidale Dumaresq (after capital items) had a budget surplus of \$571k. Council continues to implement long term financial strategies to further improve its financial position.

The council has a total of 10 councillors, each representing the whole of the local government area. The current councillors were elected on Saturday, 27 March 2004. A new Mayor was elected on 19 September 2005.

¹ 2001 Census Figures, ABS.

Source: *Armidale Dumaresq Council Annual Report 2003/2004* and *Armidale Dumaresq Council 2004 Social and Community Plan*.

5. COUNCIL'S AMBITIONS, PRIORITIES AND FUTURE FOCUS

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

What is working well

Community and Council Ambition

Armidale Dumaresq Council's *Statement of Community Ambition*, its values and Council's role is clearly set out in its Management Plan 2005/2008 and Annual Report 2003/2004 and was the outcome of a major community consultation exercise in 1997 – "Building the Future". In summary, the community vision is "*Securing Our Future*" which:

" aims to foster excellence in its social, economic and cultural development, while maintaining and, where possible, enhancing the area's outstanding environmental qualities."

The underlying vision for Armidale Dumaresq Council is summarised as:

"A thriving regional community, committed to lifelong learning, within a quality environment."

Working towards this future, Council's role or mission has been expressed as follows:

"To help our community and individuals meet their needs now and in the future, by providing outstanding Local Government services, including sustainable asset and environment management."

Amalgamation of Armidale Council and Dumaresq Shire

Armidale Dumaresq Council had its 5th anniversary on 21 February 2005. In its first five years, Council has adopted a new organisational structure, appointed a new General Manager, merged the two Works Depots and made a major commitment to improving economic development and tourism. These actions are part of Council's plan to move the area forward, providing a sound economic base for development and growth. Council has commenced a number of initiatives in the economic development and tourism area.

Corporate Plan

Council developed a Corporate Plan in 2003. The plan outlines visions and strategies for a period of 10 and more years. In addition, it aims to develop a series of key performance indicators aimed at measuring and improving the performance of the organisation resulting in higher standards of customer service provided to both residents and visitors to the area.

The plan acknowledges the need to use a "Whole of Council" management approach to ensure that the best value is obtained from its resources. Although the Corporate Plan includes a statement about integrated planning and specifically links the long-term strategic vision and plan with the management and other operational plans, the plan remains in a draft form and not implemented.

Business Process Review

During 2004-05 a decision was made to undertake a Business Process Review to search for more efficient ways of carrying out Council's functions, with the aim of freeing up resources to enable Council to better maintain its existing infrastructure. There has long been a gap between what Council was putting into asset management and what was really needed over the long term to maintain the existing asset base.

The Business Process Review has been expanded to take on the Strategic Alliance, a co-operative effort between Uralla, Guyra, Walcha and Armidale Dumaresq Councils.

Working with other councils

The New England Strategic Alliance of Councils (the Alliance) has now operated for over one full year. It was originally formed with the principal objective of developing an alternative, cooperative model to the previously proposed amalgamation of Armidale Dumaresq, Guyra Shire, Uralla and Walcha Councils.

One of the major initiatives of the Alliance is the development of a comprehensive shared services model between the four neighbouring councils to be achieved by an IT platform, with continuous improvement being the longer-term focus. At this stage, it is anticipated that the system will commence early in 2006. It is also proposed that plant and equipment and some planning and human resource services will be shared through the Alliance.

Council hopes to have established a justifiable and productive structure, which is benchmarked against best practice. It is also envisaged that Council will have gained efficiency savings to devote to the asset sustainability void and in turn create a case for both the community and higher levels of Government to properly fund the maintenance of Council's community assets. These assets have, over many years, been run down.

The alliance produced its draft Shared Services Charter for discussion in April 2005.

Challenges to improve

Strategic focus

While council has elements of a good strategic focus, it appears council lacks the commitment to implementing documents such as the Corporate Plan 2003. During on-site interviews, the then newly elected Mayor and senior council management were not able to easily nor clearly articulate their strategic focus.

The key focus appears to be the building of the Strategic Alliance and delivering the shared IT platform.

This was reflected throughout the organisation. For instance, other staff we talked to were also unable to tell us what they thought were council's key strategic priorities apart from the Strategic Alliance. When asked, "how will the alliance benefit you or assist in your work", in most cases staff answered that they were "unsure" or couldn't identify practical benefits.

In summary, the key strategic focus appears to be "outward to building the Alliance" rather than "inward as to how council is functioning". While there is a perceived leadership toward achieving the goals of the Alliance, there is little perceived leadership of the Armidale Dumaresq Council. The General Manager and senior management are seen as heavily involved in Alliance work rather than the business of running council.

Putting the pieces together - Integrated planning and delivery of services

The Department of Local Government's vision is to foster a strong and sustainable local government sector that meets changing community needs. We provide the policy and legislative framework to local government in NSW so that councils are able to deliver quality services to their communities.

To this end, a major corporate priority for 2005 and beyond is to work with councils to better integrate their planning, service delivery and reporting. A paper about this work has been sent to all councils.

The links between Armidale Dumaresq council's Corporate Plan 2003 and its Management Plan and other plans are not clearly evident. The General Manager and senior management do not appear to be providing leadership in this area. While the General Manager and senior management carried out a recent strategic Strengths, Weaknesses, Opportunities and Threats Analysis, the outcomes of these deliberations have not as yet been communicated.

Bringing councillors and the community along

The review and development of a clear set of long term strategic goals, and the means by which they will be achieved, should be led by the General Manager in

consultation with councillors, senior management, staff and the community as a matter of priority.

Council has not consulted with the community in any extensive manner related to its strategic direction since 1997. Last year's Mayoral election also presents the opportunity for the elected representatives to be involved in developing a new strategic vision and strategic direction to guide the council over the longer term. *(Recommendation 1)*

Council also needs to develop a long-term financial strategy and an asset management strategy to enable implementation of its long-term strategic goals and management strategies *(See Section 6.3 Asset and Financial Management and Recommendation 28)*.

Council is also encouraged to continue with the Business Process Review but returning the focus back on the operations of Armidale Dumaresq Council then looking at its applicability to other councils in the Alliance at a later date. *(Recommendation 2)*

Impact of the New England Strategic Alliance of Councils

While council is to be commended for undertaking a major change process aimed at more strategically addressing the future needs for Armidale Dumaresq and the New England Region, this needs to be balanced with the current needs of its ratepayers and its service delivery and operational capacity.

The staff of the Alliance, in the majority of cases, have been seconded from Armidale Dumaresq Council. A number of these staff held Manager or other senior specialist positions. While this means that council may be making some budget savings in the staff salaries area, the loss of these key staff from council's workforce is taking a visible toll on the remaining workforce.

The full extent of this impact on council's workplace is detailed in section 6.5 of this report entitled Workplace Relations

The review team met with a diverse range of council staff. On average, these staff perceived council's focus to be largely "outward to building the Alliance". Several staff held the view that the general manager and senior management appear to be heavily involved in Alliance work rather than ensuring that council is running smoothly.

Written comments received from two councillors in relation to the draft review report as well as recent press articles confirm a perception that the effort and resources council investing in the Alliance has had "a huge influence on council's operational capacity". This is viewed as impacting negatively on council's basic service delivery and attention to ratepayer concerns.

The review team's examination of the corporate self-assessment, the practice checklist, analysis of council documents and policies appear to a large extent to support the above perceptions. This report demonstrates that council currently lacks or needs to significantly improve a number of crucial systems, policies and procedures across several key functional areas such as governance, regulatory activities, asset and financial management, community and consultation and workforce relations.

This report provides a number of recommendations that should be addressed in a systematic and orderly manner address issues in these areas. In particular, council is encouraged to develop change management and communication processes/strategies to ensure that the pace and volume of change related to the development of the Alliance does not overly compromise its capacity to function as an efficient organisation now and in the future. (*Recommendation 3*)

6. DELIVERING AND ACHIEVING

This part of council's assessment focussed on: capacity and systems to deliver performance improvement; defined roles and responsibilities and accountabilities; delivery through partnership; modern structures and processes; strong financial management; resources follow priorities; performance information; risk managed appropriately; open to external challenge.

Overview

The working relationship between some staff and some councillors, at Armidale Dumaresq Council, just prior to the review was described as "strained". This had an impact on the ability of staff to perform at an optimum level. In fact, a number of staff interviewed observed that the former Mayor and general manager at times appeared to confuse their respective roles.

Prior to the last Mayoral election the general manager indicated he had approached councillors regarding the difficulties that he was experiencing as a result, he claimed, of the former Mayor's actions in micro-management. Further, he indicated to them an intention to resign. Regardless of the general manager's motives, some staff provided this as an example or perceived attempt to place pressure on councillors.

A conclusion that could be drawn from the interviews with some staff members was that the former Mayor had requested them to do work without the general manager's knowledge, which would fall into the category of micro-management or role confusion. The review team notes that the former Mayor strongly denies he directed any staff member, and the former Mayor insists that contact with staff was with the prior knowledge and approval of the General Manager.

The review team (in a presentation to the full council) alerted councillors to the kind of behaviour related to such requests of staff that are a breach of the Code of Conduct, which could result in penalties for any councillor behaving in this manner.

The 2005 Mayoral election resulted in a change of Mayor. The Mayor and General Manager had, at the time of the review, started to meet on a regular basis and expressed a commitment to developing a positive, constructive working relationship between staff and councillors.

Both the Mayor and the General Manager acknowledge the importance of defining clear roles and responsibilities for staff and for councillors to achieve such a relationship. However, to date, councillor education and training has been a low priority. Regular education and training is viewed as critical and will ensure councillors are kept up to date with their roles and responsibilities provided with the information to perform their functions well.

As outlined in the previous section, Council has developed a strong partnership with its neighbouring councils with whom they have formed the Strategic Alliance and they have worked hard to envisage and develop operational shared opportunities.

To date the Alliance, according to council, has realised \$1,141,184 in tangible benefits and invested \$677,000 in its reform program. The net realised benefits so far are \$464,184. These benefits have been realised in areas such as plant capital reduction, joint Local Environmental Plan, joint State of the Environment report and a GIS shared service.

As outlined in the previous section, it is also clear that council's commitment to the Strategic Alliance has been at a cost to council.

While council's financial position as part of the Alliance is favourable, the lack of financial and planning staff places council under strain in fulfilling its day to day operations and exposes council to real risk now and into the future, if this situation is allowed to continue.

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 industry in the organisation; ensures that an organisation is meeting its legal and ethical obligations; and assists in the prevention and detection of dishonest or unethical behaviour.

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*

What is working well

Council values

Council includes its values in its Community Ambition section of each Annual Report available to the community in the library, at the council and on the website. All councillors receive a copy of the Annual Report.

Planning and reporting

Each year council is required to prepare a draft management plan with respect to its activities for at least the next 3 years and its revenue policy for the next year.

Sections 403 and 404 of the Local Government Act 1993 and the Local Government (General) Regulation 2005 require certain particulars to be included in council's draft management plan. The draft management plan is to be exhibited in accordance with section 405 of the Act.

Section 428 (1) of the Act requires councils to prepare a report within five (5) months of end of each year as to its achievements with respect to the objectives and performance targets set out in its management plan for that year. Matters to be included are set in section 428 (1).

The review team examined council's Management Plan for 2005-2008. The plan is generally in accordance with the Local Government Act and Regulations.

Council's annual report 2003-2004 also meets the relevant legislative requirement. The annual report is well presented, comprehensive and easy to read. The Armidale Dumaresq Community Calendar covers Council's legislative obligation in reporting its performance during the last financial year. The calendar specifically includes a summarised annual report, information about Council's services and major projects planned for the coming year. It is usually delivered to each household in the local government area in January.

Challenges to improve

Roles and responsibilities of councillors and staff

As mentioned earlier, there was some confusion in the roles for councillors and council staff. Council does not have a policy or procedure governing the interaction between councillors and staff. In the absence of such a policy or procedure any matters of concern in this area will remain ambiguous and open to interpretation. *(Recommendation 4)*

Induction and ongoing training for councillors

Councillors require induction training to equip them with the skills required to properly carry out their duties and allow them to be effective members of council's elected body. To assist councillors in achieving these goals, councillor induction training should familiarise councillors with the activities and functions of their council and the legislative framework in which they operate.

Armidale Dumaresq Council does not have a structured induction program. Council needs to provide initial and ongoing training to councillors in the following areas:

- the roles and responsibilities of councillors and staff
- an overview of the organisation
- decision making (including meeting procedures)
- General Manager's performance contract
- the key functional areas of council operations

- the legal framework
- customer service and complaints handling
- the legal and political context of local government (including a familiarisation with the relationships between the three tiers of government)
- the ethical responsibilities of an elected member
- teamwork skills (including conflict resolution)
- the relationship between financial processes and other planning processes
(*Recommendation 5*)

Council also does not have a detailed induction manual. (*Recommendation 6*)

Councillor expenses and facilities policy

A policy on the payment of expenses and provision of facilities to the mayor, deputy mayor and councillors is a requirement under section 252 of the Local Government Act. Council's policy was adopted in August 2001 and in general complies with the relevant provisions of the Act.

Council's policy is clearly written and covers key topics including travel and accommodation, conference and seminar expenses, training, other reimbursements, legal fees, insurances and withholding or reduction of a councillor's fee.

The department recommends a review of the policy to identify realistic monetary limits on certain types of expenses such as mobile phone call costs. Further information will shortly be available in soon to be released *Guidelines for Payment of Expenses and the Provision of Facilities for Mayors and Councillors in NSW*. These guidelines will be provided to all councils following further consultation and their finalisation. (*Recommendation 7*)

Code of conduct

Section 440 of the Act requires that every council must adopt a code of conduct to be observed by councillors, members of staff and delegates of council. Section 440(3) requires a council to review its code of conduct within 12 months after each ordinary election.

Council adopted its code of conduct in February 2005. The code of conduct is in line with recent amendments to the Local Government Act, which provide for a mandatory Model Code of Conduct for Local Councils in NSW issued by the Department of Local Government in January 2005.

Consistent with the code, council has also established a conduct committee. Council has appointed its independent auditor to act as the independent person on its conduct committee. Council does not currently have operating procedures to guide the work of the committee and is encouraged to develop these to assist in the running of the committee. (*Recommendation 8*)

While on site in Armidale for the review, departmental staff gave a brief overview presentation about the code of conduct and conflict of interest to councillors.

Pecuniary Interest

The Local Government Act sets out the parameters that must be adhered to when councillors and staff have a conflict between their public duty and private interests that constitutes a pecuniary interest. The Act requires that councillors and designated staff complete and lodge disclosure of pecuniary interest returns. It is important that councillors and staff observe these requirements. To not do so has the potential to seriously undermine the community's confidence in the integrity of local government and the decision-making processes.

The department examined 25 completed pecuniary interest returns from 10 councillors and 15 designated staff who are required by the Act to complete these forms. The standard of the completed forms varies. However, only two of the 25 forms (completed by staff members) were fully completed to the standard required. Deficiencies in the remaining forms submitted include not using block letters (as directed on the form) and using strokes through sections, "N/A" or leaving blank spaces instead of writing "NIL" as directed on the form where a request for that information is made.

Some staff and councillors indicated that they did not receive any instruction on how to complete the return. It is important that councillors and staff who are identified as

designated persons complete the pecuniary interest returns accurately and in a timely way. Council should use the information provided in the department's circular 04/16 to prepare information for staff and councillors to assist them in completing their returns. (*Recommendation 9*)

Section 449(3) of the Act requires a councillor or designated person holding that position at 30 June to complete and lodge with the general manager, within three months, a return in the form prescribed by the regulations. Only one return lodged by a councillor did not comply with section 449(3) of the Act. That is, it was not lodged with the general manager within the required time limit. This will be a matter for further consideration by the department.

The Local Government Pecuniary Interest and Disciplinary Tribunal has pointed out the need for councillors (and designated staff) to give due care and attention to the accuracy, detail and content of the disclosures required in returns. While on site in Armidale for the review, departmental staff gave a brief overview presentation about pecuniary interests and conflict of interest to councillors.

Statement of business ethics

Council has business relationships with the private sector but does not have a statement of business ethics to guide these relationships. A statement is important because strong working relationships with the private sector are an essential part of building an efficient and cost-effective public sector. A statement of business ethics can be an excellent tool for raising private sector awareness of public sector values. *(Recommendation 10)*

Risk management and internal audit program

A risk management plan and internal audit program provides council with a framework to proactively identify and manage generic and specific risks so that council is able to better ensure it can realise its strategic and operational objectives.

Council does not have an overall plan to guide its risk management activities. It also does not have an internal audit program or a fraud control policy and/or strategy. Council also has not carried out a risk analysis of its procurement and disposal practices in the last two years.

The lack of these plans, programs and strategies leave council open and vulnerable to considerable risk now and on an ongoing basis. *(Recommendation 11)*

For example, 12 months ago a counter staff/cashier at council allegedly committed fraud or stole an amount of approximately \$56,000 from council. The police have yet to charge this person.

Purchasing and Tendering

Provisions relating to purchasing and tendering are set out in section 55 of the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*.

While Armidale Dumaresq has adopted a standard practice note, which outlines procedures for tenders, expression of interest and quotations, it is out of date and does not comply with the relevant provisions of the Act and Regulation. In particular, the Act and Regulation now provide for calling of tenders for any works estimated to be valued at \$150,000 or more rather than \$100,000 or more.

The practice note does not include other minimum tendering standards or procedures, which ensure accountability and probity such as:

- a record is kept on the relevant tender file, confirming that the tenders in question were opened in accordance with clause 16 of the Local Government (Tendering) Regulation (now see clause 175 of the General Regulation)
- the relevant tender file contains a copy of the tender requirements including the tender assessment criteria and matrix
- the advertisement relating to a particular tender is kept on the relevant tender file
- a record of all requests for documents is kept on the tender file
- a record of the tender assessment's panel members is kept on the tender file
- a record of the staff involved in preparing and issuing tender documents is kept on the tender file
- documents provided to tenderers include information relating to interaction with councillors (including a prohibition on contacting councillors).

(Recommendation 12)

Council does not have a procurement/purchasing policy and procedures for the procurement of goods, services and consultants under \$150,000 nor any policy and procedures on annual tenders. Council's procurement policies and procedures (including disposals) need to be reviewed to better reflect the following key considerations:

- *Legal obligations* - These include the provisions of *the Local Government Act 1993* and *Local Government (General) Regulation 2005*.
- *Policy frameworks and guideline documents* – These include the NSW Government Procurement Policy and Framework, the NSW Government Procurement Policy and Guidelines Paper, NSW Government Code of Practice for Procurement and the NSW Government Tendering Guidelines which are available from the NSW Department of Commerce website at <http://www.dpws.nsw.gov.au/Government+Procurement>.

Commonwealth Procurement Guidelines are available from the Department of

Finance and Administration website at the http://www.finance.gov.au/ctc/commonwealth_procurement_guide.html

Draft Tendering Guidelines for NSW Local Government will be issued to councils for comment shortly. Councils will be required to address such matters as:

- *Value for money* – Better value for public money to achieve positive outcomes for the community is the core principle underpinning procurement at all levels of government. It specifically involves a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle.
- *Probity* - Councils must conduct all tendering, procurement and business relationships with honesty, fairness and probity at all levels.
- *Accountability and transparency* - Councils must ensure that the process for awarding contracts is open, clear, fully documented and defensible.
- *Consistency* – For example, all conditions of tendering must be the same for each tenderer on any particular tender and the evaluation of tenders must be based on the conditions of tendering and selection criteria as defined in the tender documents.
- *No conflict of interests* - A council official with an actual or perceived conflict of interests must address that interest without delay in accordance with councils Code of Conduct and the Model Code of Conduct for NSW Councils.
- *No improper advantage* - Councils must not engage in any practices that aim to give a potential tenderer an advantage over others, nor engage in any form of collusive practice.
- *Risk management* – The identification and management of risks should be built into council's procurement processes. For further information see Taking the con out of contracting: guidelines for managing corruption risks in local government procurement and contract administration available from the Independent Commission Against Corruption website at www.icac.nsw.gov.au

- *Open to scrutiny* - Processes need to be based on clearly articulated and defensible evaluation criteria consistent with the legislative and policy framework. Actions must be robust and defensible to the public or community.

This is a matter requiring urgent attention. (*Recommendations 12, 13, 14 & 15*)

Council procurement processes need to be based on clearly articulated and defensible evaluation criteria consistent with the legislative and policy framework. Its actions must be robust and defensible to the public. This is particularly the case in rural areas where it is more likely that councillors or staff may be local service providers.

The current Mayor provides a significant amount of materials and services to council. The General Manager has advised that “...*over the years, council has called for annual quotations for supply of materials and plant hire where the current Mayor has been a supplier. Quotations were called as it was assessed that these separate supply items would not exceed the tendering level of \$100,000 now \$150,000.*”

Council has provided the review team with some written material to show that the total of these goods and services are under the \$150,000 threshold and that these types of goods and services are sought and purchased from a range of other local providers as well. However, evidence of a clear step-by-step documented process relating to the advertising, determination and implementation of these contracts was not provided.

Press articles and written submissions in response to the draft review report from two councillors indicate a clear community perception of concern in relation to the manner in which business dealings between the Mayor and council are being handled.

Particular concerns include whether the contracts are awarded transparently and accountably in accordance with the legislation and appropriate policies and

procedures and whether the Mayor has been placed in a position of perceived or actual conflict of interest. Perceived or real, these concerns must be addressed.

Council's practice note on procedures for tenders, expressions of interest and quotation under the section entitled Guidelines provides a range of considerations or cases in which a Tender might be called. For example, point (ii) states: "*Works or services where a Councillor or a council business unit may be a potential supplier/contractor.*"

Applying and implementing this option in future for determining providers for all works and services could go a long way in ensuring accountability, probity and restoring community confidence toward council in this area. (*Recommendation 16*)

Also, section 6.5 of the *Model Code of Conduct for Local Councils in NSW* states "*perceptions of conflict of interests are as important actual conflict of interests. The onus is on you to identify a conflict of interest, whether perceived or real, and take the appropriate action to resolve the conflict in favour of your public duty.*"

Therefore, this issue should be considered as a matter of urgency by council's Conduct Committee. As per section 10.8 of the Model Code, as the matter relates to the Mayor, the Deputy Mayor or other councilor who has been designated by the council to take the place of the Mayor. (*Recommendation 17*)

In accordance with the Model Code principles of accountability and openness and section 10.13 of the Code, the conduct committee will report its findings, and the reasons for the findings, in writing to the council and the Mayor.

Gifts and benefits

In addition, while council does maintain a gifts register, it does not have a gifts and benefits policy and procedure to guide its staff and councillors. (*Recommendation 18*)

Complaints handling

An effective complaint handling system is an essential part of the provision of quality council services. It is one method of measuring customer satisfaction to provide a useful source of information and feedback for improving the council's service. The council is complimented for having service standards by which the community can judge the council's customer service performance.

Council's complaints handling policy was developed in 1990 and is readily available to members of the public on council's website. However, the review team noted that although council's policy indicates a turnaround time of 14 days there does not appear to be any measurement of council's achievements in this regard. As such it is unclear whether council staff do deal efficiently and effectively with complaints about council activities.

A number of significant complaints i.e. complaints of some detail and substance, were received by the Department of Local Government prior to the review being undertaken. Those complaints have been dealt with by other processes of the department but contributed to the decision to review council's activities. (Not all of the complaints referred to were found to support the contention that council acted incorrectly.)

Council should review its complaints management policy/system to ensure that it reflects current best practice in this area. Council should consider utilising the following resource to achieve this goal and simplify its policy: *The NSW Ombudsman: Complaint Handlers' Toolkit (2004). (Recommendation 19)*

6.2 Regulatory Functions

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

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

- *Council's planning instruments and policies*
- *Development assessment*
- *Section 94 plans*
- *Environmental management*
- *Companion animals*
- *Enforcement practices*

What is working well

Planning staff

Council is responsible for determining development applications for the council area. In most instances, councillors have limited knowledge or expertise in planning matters. For this reason councils delegate authority for planning matters to appropriate planning staff.

As a result of its 2002 planning public/customer survey council reviewed its staff and have since employed a Strategic Planner who has developed a single draft Local Environmental Plan for the Armidale Dumaresq region, 5 years after the amalgamation of the Shire and City councils, a significant achievement.

Council's Director for Planning and Community Services stated that it is very difficult to attract planning staff to regional areas and to retain such staff due to the competitive market place caused by a uniform shortage of qualified planners across

NSW.

Having identified the problem of attracting and retaining planning staff, council has set about identifying solutions to this problem. Council currently offers two scholarships to students from the nearby University of New England (UNE). They also encourage students from UNE to undertake work placements with council.

The average turnaround time for development applications is reasonable and council also has a planning and development committee to independently assess the more complex or contentious development applications.

Companion animals

The adoption of a companion animals management plan is recognised as good practice. Council has such a plan, which provides council with an opportunity to identify the future direction of these services and to develop strategies to meet the challenges faced in providing these services. Many councils establish a companion animals advisory committee to oversee this plan. Council should consider such a committee as part of its structure and as a way of engaging interested members of the community in council activities. (*Recommendation 20*)

Challenges to improve

Enforcement

There is evidence that council has been issuing penalty infringement notices and orders under its relevant enforcement powers. However, council does not have a policy to guide staff in relation to enforcement and prosecutions. Council needs to develop a policy for enforcement and prosecutions matters, and should refer to the NSW Ombudsman's *Enforcement Guidelines For Councils* (2002) publication in developing this policy. (*Recommendation 21*)

Further, council does not provide information to the public on how to report non-compliance and alleged breaches. Council should develop information about enforcement and prosecution matters for their community. (*Recommendation 22*)

As council is obliged to ensure that environmental standards and legislation are complied with, council should ensure that it has a policy in this area of its operations. *(Recommendation 23)*

Given its statutory obligation in areas of public health and safety, council should also ensure that the residents of Armidale Dumaresq are properly informed as to how they may report alleged breaches and non-compliance. This will enable council to more effectively monitor these key areas of responsibility and thus reduce the risk of non-compliance for residents. *(Recommendation 24)*

Council should develop a compliance program, containing this suite of policies, to use for monitoring activities regulated under Chapter 7 Part 1 of the Local Government Act 1993. *(Recommendation 25)*

Determination of Development Applications

Council has not developed a clear and transparent process to guide staff in dealing with development applications. This could lead to inconsistency in the way that matters are dealt with by staff. Although council has developed a checklist to assist staff in assessing development applications it should consider developing a procedural guide/manual to ensure compliance with policy as well as statutory requirements. *(Recommendation 26)*

BASIX

BASIX is the Department of Infrastructure Planning and Natural Resources' building sustainability index, which requires all proposed single dwellings and dual occupancies to meet specified standards in relation to solar orientation, water collection, water re-use and water saving devices. Each development must have a BASIX certificate at the time a development application is lodged with council.

Council should review its systems to explicitly reflect BASIX requirements, given BASIX requirements commenced to operate in the council area from July 2005. *(Recommendation 27)*

Impact of Alliance

Although council has developed some strategies to attract qualified planning staff it has lost one staff member to the Strategic Alliance (the Alliance) and since the amalgamation between Armidale and Dumaresq councils in 2000 there appears to have been a loss of external focus for the Planning and Community branch. Council should at the earliest opportunity review and develop strategies to remedy the impact of the Alliance on staffing and its capacity to deliver core functions and services. (See also section 6.5 – Workplace Relations – Recommendation 37)

6.3 Asset & Financial Management

Under its charter, council has a responsibility to raise funds for the purposes of carrying out its functions. This can be achieved by the fair imposition of rates, charges and fees, borrowings and grants. The council is also the custodian and trustee of public assets and must effectively account for and manage these assets.

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

- *Financial management*
- *Asset management*
- *Water Supply and Sewerage businesses*

What is working well

Operating Results & Trends

Council has incurred deficits from operating activities before capital items in four of the last five years. Results after capital items have improved with council making a surplus after capital items in the last four of the last five years.

Budgeted vs. Actual Results

Actual results before and after capital items in 2004/05 were a surplus of \$338K and surplus of \$1.134M respectively, compared to budgeted deficit before and after capital items of \$5.151M and \$4.135M. The main reason for the favourable variance was an increase in operating grants of \$556K and an increase in Investment Revenues of \$785K and a decrease in materials and contracts of \$1.653M, among others. During the period 2003/04 and 2002/03 the actual results after capital items were a surplus of \$2.486M and \$571K compared to budgeted deficit of \$1.592M and \$2.079M respectively.

Liquidity and Cash Position

Council's unrestricted current ratio (UCR) for the 2004/05 period was 3.76. For the period 2003/04 and 2002/03 it was 2.75 and 2.56 respectively. The UCR measures the adequacy of working capital and the ability to satisfy obligations in the short term.

It does not include externally restricted activities such as water, sewer or specific grants. A good UCR is greater than 2. A ratio of 1.5 to 2 could be of concern if other indicators are not adequate. A ratio of 1.5 is considered unsatisfactory.

Council's unrestricted cash for the periods 2004/05, 2003/04 and 2002/03 were \$336K, \$1.243M and \$1.137M respectively. The Rates and Annual Charges Outstanding Percentage (RACO%) in 2004/05 was 6.89. The RACO% assesses the impact of uncollected rates and charges on liquidity and the efficiency of debt recovery. A benchmark for city and coastal councils is less than 5% while a benchmark for rural councils is less than 10%.

The Debt Service Ratio (DSR) in 2004/05 was 7.85%. This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. A DSR of less than 10% is manageable. A DSR ratio from 10% to 15% could be considered a problem and a DSR or more than 15% is considered to be of concern, if other indicators are not acceptable.

Auditor's Comments

"Council has a positive cash position to fund working capital needs given that \$10.5M has been set aside in internal reserves compared with \$7.5M in the previous year."

"Overall the financial indicators show that Council's financial standing is sound and has improved upon the previous year."

Compliance with the Accounting Code & Annual Report

For 2003/04 council was compliant with the accounting code and the annual report.

History of Special Variations and Loans Outstanding

Council has received a special variation increase of 5.78% (includes general variation of 3.5%) for a period of 7 years in 2005/2006. This is for capital works.

Total loans outstanding as at 30/6/05 were \$18.621M. New loans raised during the same period amounted to \$6.4M.

Timeliness of Submission of Financial Statements

Council has submitted the statements on time in the last four years.

Challenges to improve

Impact of Alliance

A number of council's financial staff including its Manager have been seconded to the New England Strategic Alliance to develop an IT platform that integrates the finance systems between the four councils and has the capacity to develop a long-term financial plan for each council.

This has left the finance section of Armidale Dumaresq Council very short staffed and with reduced supervision. Other perceived impacts include low staff morale and a reduced capacity to complete all functions to a satisfactory level. (See also section 6.5 – *Workplace Relations – Recommendation 37*)

Long term integrated financial planning

There is a significant need for council's long term financial planning to be effectively linked to asset management and maintenance plans as well as other relevant plans. (Recommendation 28)

Infrastructure Maintenance

The written down value (WDV) of Council's assets for 2003/04 period are as follows:

- Roads, Bridges & Footpaths 48%
- Stormwater Drainage 78%
- Water Supply 53%
- Sewerage 46%.

Council estimates the cost to bring assets to satisfactory condition was \$49.414M in 03/04. Estimated annual maintenance was \$4.884M whereas program maintenance was \$3.990M. Internally restricted funds set aside for infrastructure replacement for the same period amounted to \$133k.

Asset Management Planning

Council has an Asset Sustainability Policy that aims to guide council to effectively account for and manage assets for which it is the custodian and trustee. This ensures a move toward a more sustainable basis for funding and maintaining assets. The policy was adopted in 2001 and is considered in need of review.

Council does not have a comprehensive and integrated Asset Management Plan. It was stated that council is planning to develop such a plan under the new IT platform to be established under the Strategic Alliance.

While such an IT platform may provide the tools to prepare such a plan, the preparatory work which includes an audit of all existing assets and an appropriate maintenance program will need to commence and be completed well beforehand to enable data about the assets to be entered into the Alliance computer program to generate a plan. (*Recommendation 28*)

Rationalisation of assets, other policy directions and budget decisions in relation to assets will still be the responsibility of each elected council body in the Alliance.

Reserves and section 94 contributions

After interviewing several staff in finance, planning and asset management, there appeared little evidence of a long-term capital works program, long-term land acquisition fund or a strategic projects reserve. Section 94 contributions plans were not linked to councils capital works program.

Staff indicated that the new IT platform developed by the Alliance would provide the means for such integrated planning. However, council needs to consider and adopt the key elements and principles of its strategic approach to identifying future capital works, land acquisitions, anticipated future demand for community facilities and other areas requiring significant capital reserves now. These broad policy principles and parameters should be decided by council immediately and will assist in the development of council's long-term financial plan. (*Recommendation 29*)

Business Activities

Council has disclosed 2 business activities namely water and sewer. Current financial data indicates that neither appears to be performing well. The self-assessment checklist completed by council also indicates gaps in this area. A Water Supply Strategic Business Plan and a Sewerage Strategic Business Plan were published in October 2005.

The *Water Supply Strategic Business Plan 2005* states that this business has been generally satisfactory with very good results in the areas of drought restrictions, average annual residential consumption and water losses.

However, the plan states that:

- the staff numbers are probably too low for current work demands (this meant that a number of critical plans including the business plan all exceeded the target best practice guidelines)
- the Developer Charges are extremely low and adversely impacting on revenue in the Water Fund and Economic Real Rate of Return and Return on Assets
- Residential Revenue from Usage Charges is much lower than the target 75% in Best Practice Guidelines

The *Sewerage Strategic Business Plan 2005* states that analysis of performance monitoring statistics in the plan indicates that council performance in this business area has been satisfactory with excellent to very good results in most areas:

- As with the Water business, staff numbers are probably too low for current work demands
- the Developer Charges are extremely low and adversely impacting on revenue in the Sewer Fund and Economic Real Rate of Return, Return on Assets, and OMA and treatment costs are high due to EPA load-based licensing, proactive maintenance and establishment of effluent disposal farming.

(Recommendation 30)

At the time of the review a draft *Water Supply and Sewerage Development Servicing Plan 2005* had been prepared but not adopted by council.

6.4 Community & Consultation

A council's charter requires that the council:

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

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

- *The methods council uses to involve and determine the views of its community*
- *Access to information*
- *Interaction between councillors and staff*
- *Social and community functions of council*
- *Annual reporting*
- *Cultural planning*
- *Ethnic affairs obligations*
- *Reporting to the community and keeping the State government informed about its activities*

What is working well

Council's relationship with the Indigenous community

Council has over time developed a strong and positive relationship with the Indigenous community. Council has supported an Indigenous Community Consultative Committee or 'Gayinyaga' (Let's talk) Committee and the local Interagency group of Aboriginal Service providers. It also employs a full time Aboriginal Liaison Officer who is currently preparing an Aboriginal Action plan in partnership with the Consultative Committee.

The Aboriginal Liaison Officer is able to articulate clear directions agreed in consultation with Gayinyaga that will form the basis of the evolving Action Plan.

Community and social planning

The Armidale-Dumaresq 2004 Social and Community Plan has been well prepared and meets the minimum requirements set out in the department's *Social and Community Planning and Reporting Guidelines 2002*. It is based on clear consultation and demographic research. It identifies gaps in services and has corresponding actions with clear timeframes and responsibilities. It is well constructed and (apart from its large size) is readable. It is noteworthy that Appendix 3 lists an assessment of outcomes from the previous plan.

There is some evidence that council's social planning process is linked to its management planning process. For example, the Management Plan 2005-2008 includes an access and equity statement and other social planning activities. All relevant social and community actions and their status are clearly identified in the Management Plan and are reported on in the Annual Report.

Community information and communication

To keep council's customers advised on happenings, initiatives and projects, council maintains a weekly advertising page, titled Armidale Dumaresq News in local free papers.

Brochures and other printed information about a range of subjects in different formats are made available from council's administrative centre.

In general, council maintains an up to date, well presented and easy to navigate website.

Council's annual report is clear and easy to read. A complete version is available on its website.

The Armidale Dumaresq Community Calendar covers Council's legislative obligation in reporting its performance during the last financial year. It specifically includes a

summarised annual report, information about Council's services and major projects planned for the coming year.

The cost of each calendar including delivery by Australia Post is 67 cents. The calendar is delivered to each household in the local government area usually in January. Council welcomes any feedback on the report/calendar.

Council keeps an updated Community Directory which is available on its website. A New Residents Information Package is available from its Visitor Information Centre.

Residents are also encouraged to participate in "Have Your Say" segment of council meetings, where they can speak on special issues for five minutes.

Displays of important information are made available at outlying rural areas to ensure easy access to rural residents.

Access to information

Section 12 of the Local Government Act identifies the documents that are available for the public to inspect free of charge. A list of public documents is available upon request.

Wherever possible, council will make information freely available. If the request is deemed to be handled under Freedom of Information, an application form is required and an application fee. These fees are set out in council's management plan and annual report.

Community participation

Section 355(c) and other committees are another important way in which council communicates and consults with the community. Armidale Dumaresq has two Section 355(c) committees and 10 Local Area Committees. Local Area Committees are formed upon the request of residents from a given area. They are intended to enhance democratic representation and access to council at the grass roots level.

This committee system is also aimed at maintaining and promoting the identity of individual localities with the Armidale Dumaresq area. Local Area Committees are advisory only. The guidelines and terms of reference for these committees were last reviewed in April 2004.

Council is also represented on approximately 35 other local and regional committees. Council has also made some good links with the University of New England and the local TAFE that have been reflected in their training processes.

Challenges to improve

Community and social planning

The *2004 Social and Community Plan* would have benefited from a more thorough discussion of needs and gaps identified (sometimes these are simply listed). (*Recommendation 31*)

The size of the plan is unwieldy and could also have benefited from tabs or some other way of marking the start of each part and chapter or section. To improve community accessibility and access by other stakeholders, council is encouraged to consider the production of an annual summary (perhaps similar to the Annual Report summary 2001/2002).

The 2003/2004 Annual Report would have benefited from clearer reporting on outcomes of the earlier social and community plan. While these were covered thoroughly in Appendix 3 of 2004 Social and Community Plan, they were not as clearly reported in the annual report. This may have occurred as council had some difficulty implementing all actions, apparently due to lack of clear responsibility and timelines and amalgamation issues. (*Recommendation 32*)

Community relations and partnerships

While Armidale Dumaresq Council appears to have a community service focus, on site interviews held by the review team revealed two-way tensions between council officers and representatives of key community organisations.

A representative of a key organisation explained that there is a perception among community groups that council, at times, takes a “dominant role pushing its own agenda” rather than that of an equal player or facilitator.

Several council staff including the General Manager acknowledged some of these tensions particularly in relation to the Regional Coordination Program. Council claims to be excluded from key meetings. It is suggested that council contact other councils where the General Manager and other staff currently participate effectively in regional interagency forums to deliver joint outcomes for the community. Some examples are Campbelltown City Council, Marrickville City Council and Tumut Council. Discussions with these councils may provide some guidance to assist Armidale Dumaresq in taking a leadership and conflict resolving approach in the area.

Community participation

While council provides its section 355(c) committees and Local Area Committees with a constitution and terms of reference, they are not provided with a code of conduct, documented procedures/operation manual and relevant training. *(Recommendation 33)*

Responding to an ageing population and other social justice groups

Responding to and planning for the major changes and service demands that will be created by Australia’s ageing population is a major challenge for all levels of government. With 11.7 per cent currently aged 65+ years, Armidale Dumaresq is NSW’s 124th oldest population LGA. By 2022 it will be its 93rd oldest.

While there are a significantly higher proportion of young people aged 10 to 24 years living in Armidale Dumaresq, on balance, the remote, rural areas reflect an older age demographic. Responding to and balancing issues arising from the differing needs and locations of different age groups is something that council needs to be mindful of in its social planning.

Over time, the impact of the ageing population on the demand for services, facilities and infrastructure will be significant.

The Local Government and Shires Associations have produced *Planning the local government response to ageing and place*. This paper is intended to offer a framework to assist councils begin to plan for the population ageing unique to their area by:

- providing information on what is happening with general population trends and access to population projection information for each local government area
- providing information on the existing and likely diversity amongst older people
- providing evidence on what population ageing means for all roles that councils performs
- 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

The department encourages councils to use this paper in its planning process (see <http://www.lgsa.org.au/site/policy/1000074/1000056.html>).

Council's Management plan 2005-2008 includes strategies for older people. However, council's Annual Report 2003-2004 does not specifically include any mention of programs and activities carried out for older people during the last twelve (12) months. Also the report does not mention the demands of an ageing population in the sections of the report looking ahead to the next twelve (12) months and beyond.

It is critical that priority strategies to meet the needs of an ageing population are determined on an annual basis as part of the social planning process and incorporated in council's management plan and budget, the business plans of each section and the work plans of individual officers. (*Recommendations 34*)

Progress in relation to all access and equity priorities should be reported on a quarterly basis via the performance appraisal system and management plan reports as well as annually in council's Annual Report. (*Recommendations 35*)

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:

- *Consultative committee processes*
- *Job descriptions and job evaluation*
- *Recruitment and selection processes*
- *Employee remuneration*
- *Equal employment opportunity*
- *Staff development*
- *Grievance management*
- *Occupational health and safety*
- *Secondary employment*

Overview of the organisation

Armidale Council had a workforce of approximately 225 Full Time Equivalent people as at 30 June 2004 (Annual Report 2003-2004), the last available figures at the time of the review. In 2002 Armidale and Dumaresq workforces were amalgamated and some of the different work practices in the two councils have only recently finished being accommodated. Council has one large works depot located relatively close to the town centre as well as the administration building in the town centre.

Council's actual salary expenditure for the year 2003-2004 was \$10,263,081, a 7.5% increase from \$9,544,842 in 2002-2003.

What is working well

Council is to be congratulated on the work it has undertaken in the amalgamation of the shire and municipal councils. Accommodating two workforces with different work practices and cultures is a difficult task and it appears that the transition to the amalgamated Armidale Dumaresq Council has been bedded down with, at this point, few outstanding matters.

Council's recruitment and selection processes, viewed by the review team, were well documented and their staff development activities are of a high standard.

Council is to be applauded on its training processes for staff and on its commitment to traineeships. Council has undertaken a process of encouraging all staff to upgrade their formal skills qualifications, in some instances ensuring that staff attain formal qualifications for the first time in their lives.

There have also been 150 traineeships (including 7 Aboriginal traineeships) completed over approximately the last two years. This is a significant number and contributes to the overall increase in the level of skills development in the local community.

Council has only had two industrial disputes that have progressed to the external formal stage. The remainder of staff grievances have been resolved within council, which indicates a good level of negotiation and mediation skills and a general willingness to work through issues on the part of staff and management

Council's consultative committee meets regularly and keeps accurate records. Representatives indicated that issues raised through the committee are generally dealt with in a reasonable and timely manner, except for staff appraisals.

Challenges to improve

Employee Opinion Survey Evaluation 2004

In late 2003 the Innovative Delivery and Development Centre, TAFE NSW – New England Institute undertook the Armidale Dumaresq Council Climate Survey.

A volunteer sample of 40 employees was drawn from across the whole organisation. The method used to gather the necessary information was a combination of group interviews and a survey document.

The opinions gathered have provided a clear ‘whole of organisation’ scan of the existing workplace climate. Some of the positive trends are outlined below.

- At the team or group level, the employee climate level is mostly positive.
- Despite critical and negative outcomes in a number of areas, the majority of employees are concerned with their workplace, how it is managed and led.
- Team leaders are working well and held in reasonably high regard.
- Staff are reasonably satisfied that existing systems and methods are continuously improving.
- Staff support the push to try new things to reduce operating costs.
- Employees are happy with their operational jobs but this does not mean that they are happy with the overall council environment.

Trends requiring attention include:

- staff are impatient/dissatisfied with management higher up the organisation (i.e. beyond the team and/or group to the section and whole of organisation)
- employees perceive council as a whole as being less than satisfactory in a number of areas
- levels of involvement, cooperation and communication across the organisation are very poor. Interviewees consistently indicated that they feel isolated from council’s real agenda, planning and future directions
- staff are confused and at times don’t care about organisational goals
- lack of consultation is perceived as a major factor in people not being involved in decision-making processes outside their own team or group
- there is continued division across council which has come about through a perceived lack of any genuine effort from senior management to involve all employees of the organisation over many years
- staff also questioned the leadership qualities/capabilities of managers and senior managers
- divisions between sections have become entrenched and accepted resulting in poor operational interaction which is detrimental to the council’s performance as the primary service provider for the community
- in general, assigned tasks throughout council do not get finished on time
- council is perceived as doing little to track results and improvements

- staff surveyed expressed considerable concern with speaking what is on their minds

The Employee Opinion Survey Evaluation 2004 report contains two recommendations about how to respond to the findings. The extent of progress on either of these recommendations is not known. Council's progress needs to be reviewed in light of this review report and any outstanding issues should be considered in council's action plan addressing the review recommendations. *(Recommendation 36)*

Perceived impact of the Alliance on staffing and productivity

A number of staff issues covered in the Employee Opinion Survey Evaluation 2004 were echoed in comments from staff during the team's on site visit. In particular, staff raised a number of concerns related to council's involvement in the Alliance.

Council's Human Resources branch appears to be struggling to complete all of its duties because of a commitment of council personnel to the Strategic Alliance (Alliance). Across council, staff are being re-deployed to other parts of the organisation as personnel are recruited from council to the Alliance. Consequently, the management of staff shuffling and the impacts on the workforce are generating additional workloads for the Human Resources branch and across the workforce generally.

Finance Branch appears to have lost four senior staff members to the Alliance and the only qualified accountant is the Administration Manager. Planning and other staff are also committed full time to the Alliance. As mentioned earlier, this has had a negative impact of staff morale.

Staff morale in a number of functional areas is perceived to be low and staff spoke about feeling over worked, endeavouring to carry out not only their own duties, but also pick up work of either their supervisor or co-worker and in addition being expected to carry out tasks for the alliance. This leaves very little or no time to work

at a strategic or systems level, review processes and procedures and forward plan.

As described in previous sections of this report, Council has major gaps in terms of strategic planning, systems, policies and minimum requirements. Some staff expressed that often they feel frustrated and professionally compromised in relation to their work as they are not able to perform basic functions to avoid risk to the organisation let alone provide quality services to the community they serve.

Staff also stated that there was a lack of leadership in relation to the normal functions of council and limited or no supervisory support for staff to enable to do their jobs well and finish tasks in a timely manner.

There is evidence of high staff turnover (11.4% of FTEs in 04/05 – approximately 26 staff). This is of particular concern in a regional area such as this due to the existing skill shortages in a number of professions.

Occupational health and safety implications

Over worked staff and low morale have definite occupational health and safety implications. A council employee is currently employed full time in the Alliance but is also employed part time in another organisation. The council position remains as the substantive position.

Excessive hours worked is an occupational health and safety risk that requires attention. In addition, it is doubtful that anyone working in two such capacities is performing either job at an optimal level, not to mention the possible conflict of taking two salaries for the performance of duties during the same time period.

Employment or selection processes of the Alliance

The above reference to a council employee's employment circumstances is only one instance where the employment relationship is unclear. The Alliance charter and its operational processes do not have any clear employment or selection processes.

Council should ensure that staff who are working for the Alliance understand clearly the employment relationship between themselves, the Alliance and Armidale Dumaresq Council.

Employee protection and future redeployment

Some staff expressed concern and cynicism at how, despite assurances from management, staff redeployments would occur as part of the Alliance potentially shedding staff later down the track. A consultative committee representative advised the review team that management had been requested to apply the provisions of *the Local Government Amendment (Council and Employee Security) Act 2004* when dealing with staff entitlements in circumstances of redeployment. The provisions of this Act have now been incorporated into *Part 6 of the Local Government Act 1993*. Management has not responded to this request.

The lack of such formal commitment by the General Manager leaves Armidale Dumaresq employees exposed and without protection.

The information about the Alliance provided to the department and the Minister for Local Government indicates a commitment by the participating councils to, among other things, retain and enhance a skilled local government workforce.

All councils involved in the Alliance have been advised that the Minister for Local Government and the department will withdraw support immediately should it transpire that in pursuing the Alliance project the employment protection provisions under the *Local Government Act 1993* will be circumvented. (*Recommendation 37*)

Council should conduct an immediate and detailed review of the impact of the Alliance on council and its staff and implement strategies to address negative impacts. Areas reviewed should include:

- a. staffing levels
- b. capacity to perform strategic and core functions or the efficient functioning of Armidale Dumaresq Council
- c. morale

- d. occupational health and safety implications particularly where staff perform dual roles
- e. functional priorities (including gaps identified by this report) and current workforce resources so workloads are allocated in an orderly manner
- f. exploring a way to communicate and resolve issues with staff on a regular basis.

(Recommendation 38)

Increase in manual handling injuries

Although council's workers compensation premiums have increased only slightly in the 12 months prior to the review, the incidence of manual handling injuries has increased significantly in that period possibly due to a lack of procedures and internal checks. This may have an impact on future workers compensation premiums and council's financial obligations to workers. Procedures in affected areas should be reviewed, updated and monitored regularly and this should be done at the earliest possible opportunity. *(Recommendation 39)*

New England Regional Art Museum

Council has also been involved in a trust committee for the New England Regional Art Museum ("NERAM"). NERAM has experienced significant financial and employment issues in recent times. This has caused some level of concern in the community.

Although council was provided with reports and meeting minutes the legal and organisational relationship between council and the NERAM was clearly unknown at the time of the review as none of the key players could describe the relationship and the business manager NERAM had just recovered all documentation related to the structural relationship.

The former Mayor was council's representative on the trust committee. The termination of the former Director of New England Regional Art Museum is the subject of a current legal challenge, involving council.

Council should seek advice on whether it can refer concerns about the former Mayor's actions in his capacity as council's representative on the NERAM Trust to the conduct committee while legal action is underway or if it should wait until any legal action is finalised. (*Recommendation 40*)

The formal relationship and responsibilities between the two organisations is very unclear and should be clarified as a matter of priority. (*Recommendation 41*)

7. COUNCILS RESPONSE

The department received comments from council as well as individual submissions from three councillors. These have been considered and where appropriate incorporated into the body of the report.

Two councillors suggested that councillors should be included in the Promoting Better Practice Reviews as a matter of course, which has not been the case up until this point in time. The department's Investigation and Review Branch has taken note of the suggestion for discussion.

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- Council has a clear mission and vision set out in its corporate and management plans that are focussed on the community.
- The successful amalgamation of Armidale Council and Dumaresq since 2000
- Council works well with its neighbouring councils and is part of the New England Strategic Alliance of Councils (NESAC) which has operated for one year

Challenges to improve

- The review and/or development of long term plans, particularly for strategic directions, infrastructure/asset and finances
- The integration of all plans
- The impacts of NESAC on councils operations

GOVERNANCE

What is working well

- Council's management plan and annual report are well presented, comprehensive and easy to read
- Council's annual Community Calendar which contains a range of information about its achievements, services and coming projects is provided to every household

Challenges to improve

- Formalised induction and ongoing training for councillors
- Review of its Councillor expenses and facilities policy
- The development of operating procedures for council's Conduct Committee
- The development of a risk management plan and internal audit program
- Review of its tendering procedures and the development of a procurement/purchasing policy
- Review of its complaints handling system

REGULATORY

What is working well

- The development of a single draft Local Environmental Plan
- Council offers two planning scholarships to students from the University of New England

Challenges to improve

- The development of an enforcement and prosecutions policy and program
- The development of a procedural guide/manual to assist staff in assessing development applications
- Review of Council's systems to incorporate BASIX requirements

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Overall, council's financial indicators show that its financial standing is sound and has improved upon the previous year
- Council has received a special variation increase of 5.78% for a period of seven years in 2005/06

Challenges to improve

- Development of a long term financial plan linked to asset and maintenance plans and other relevant plans
- Development of an asset management plan
- Continue to build its water and sewerage businesses

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Council has a strong and positive relationship with the Indigenous community
- The Armidale Dumaresq Social and Community Plan is comprehensive and readable
- Council's information to and communication with the community is sound

Challenges to improve

- The development of terms of reference, code of conduct, a procedures manual and training to assist councils committees carry out their business.
- The review and implementation of priority strategies to meet the needs of an ageing population
- Improved integration of access and equity priorities with councils management plan, performance monitoring and annual report

WORKPLACE RELATIONS

What is working well

- Council's staff training processes including 150 traineeships completed over the last two years
- Council's recruitment and selection processes are well documented
- A comprehensive Employee Opinion Survey Evaluation

Challenges to improve

- A range of issues identified in the employee survey
- The resolution of the perceived impact of the New England Strategic Alliance of Councils
- Review of manual handling procedures
- Clarification of the formal relationship and responsibilities of councillor(s) on the New England Regional Art Museum