

**Local Government Reform Program -
Promoting Better Practice**

challenges improvement innovation good governance

REVIEW REPORT

**PORT MACQUARIE –
HASTINGS COUNCIL**

MARCH 2006



Department of Local Government

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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.

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

Review process

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

The process involves a Department of Local Government (DLG) review team evaluating the effectiveness and efficiency of the council's operations and giving

feedback. This involves checking compliance, examining appropriate practices and ensuring that council has frameworks in place to monitor its performance.

The results of reviews are analysed and fed back to the elected council, the Director General of the Department of Local Government and the Minister for Local Government.

Port Macquarie-Hastings Council Review

Port Macquarie-Hastings Council was asked to complete a strategic management assessment and a comprehensive set of checklists about key council practices. The review team examined these and a range of other source documents prior to visiting council, in order to gain a preliminary understanding on the pressures on council and how the council has sought to manage that environment.

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

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

Angus Broad and Lyn Brown conducted the on-site component of the review from 2 November to 4 November 2005.

The on-site review involved a meeting with council's mayor and general manager, a briefing for councillors, meeting with community stakeholders, conducting interviews, and the review of a number of council's policies and other documents.

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

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

The council is committed to providing a cultural centre for its local community. The review team is aware that the community has voiced concerns regarding the centre.

In the course of the review some issues associated with the cultural centre came to the attention of the review team and are commented upon in this report.

It is important to emphasise that the comments made regarding the cultural centre are ancillary to the overall review of council's functions and that the review team neither singled out the centre as a focus of their attention nor did they separately review or investigate the council's processes regarding the centre.

Accordingly, comments made regarding the centre should be read in the light of the intent of the review, to provide an overview of council's processes.

2. EXECUTIVE SUMMARY

Port Macquarie-Hastings Council has developed a clearly articulated vision, mission, set of values and focus areas to guide the organisation. Council conducts a strategic planning workshop at the commencement of each council term. The community surveys that are conducted every 4 years and the community profile underpin the development of the strategic plan. The results from the 2003 survey indicate that the community places a high importance on long term planning and vision.

Council's long term vision for the area and the broad strategies to achieve this should be articulated in its strategic plan. The strategic plan should answer the question "*Where do we want to be in 20 – 25 years time and how are we going to get there?*" Currently councils strategic plan only reaches for 3 to 5 years. However it was clear that council has some individual strategic plans in areas such as finance, infrastructure, asset maintenance and land use planning that look 10 to 20 years ahead. Council needs to undertake some work on integrating its long term plans and strategies into its strategic plan.

Council has a business planning process in place that provides detailed information on the services provided by council. Reports are regularly reviewed on key performance indicators, which include financial indicators as well as service delivery and customer service indicators. They provide a valuable guide for directors about how their areas are performing. Council is currently developing a process to ensure that it monitors the alignment of its directions with its activities and finances.

Port Macquarie-Hastings Council is a member of the Mid North Coast Strategic Alliance. Despite its involvement in the Alliance, it is difficult to see that council has a regional focus. It is important that council reflects its role in the region, that is the Alliance region, in its strategic focus.

Given council's ageing population is increasing at a significant rate, council needs to consider ways to raise the awareness of this issue across all sections of council. Building upon strategies in its Social Plan and using the Ageing and Place

Framework developed by the Associations, council should prepare long term strategies to meet current and future needs for older people.

Council has a reasonable governance framework in place. Particularly, council has a strong and accessible policy framework. There are some critical areas that council needs to address to improve its governance standards. Council needs to pay particular attention to its risk management and internal control activities, council meeting practices and complaint handling.

Council has a rigorous program in place to review its local environmental plans and development control plans. It has developed long term planning for infrastructure needs and directly linked contributions plans to infrastructure planning.

Council is in a satisfactory financial state and has developed a long term financial model. Council has reviewed its asset management process and is currently developing an asset management plan. It is actively pursuing weaknesses highlighted by the asset review report.

Council is currently undertaking a large capital project that will result in the provision of a cultural centre at a cost exceeding \$30 million. Recent community surveys appear to place a low importance on arts, entertainment and cultural facilities. This makes an analysis of the paying customer usage of the facility imperative.

Council has a good understanding of the profile of its community. It has been particularly active in the area of disability awareness, cultural activities and Aboriginal reconciliation. Council uses a range of methods to obtain feedback from its community. Some individual council departments have developed customer service standards and these need to be developed more broadly across all council services, monitored and reported on.

It is clear that Port Macquarie-Hastings Council is an organisation where people like to work. The low staff turnover and the outcome of employee surveys indicate a high level of satisfaction with the workplace. The council faces a future challenge with an

ageing workforce. Council needs to develop a long term workforce plan to meet the current and future needs of the organisation.

3. RECOMMENDATIONS

Strategic

1. Council should integrate its long term plans and strategies into the strategic plan.
2. Council's strategic plan should identify the timeframe to which it applies.
3. Council should provide a list of its key plans at the beginning of each focus area section of its corporate plan.
4. Council should reflect its role in the region, that is the region comprised in the Mid North Coast Strategic Alliance, in its strategic focus.
5. Building upon strategies in its social plan, council should prepare long term strategies to meet current and future needs for older people.
6. Priority strategies to meet current and future needs for older people should be determined on an annual basis and incorporated in council's management plan and budget, the business plans of each section and the work plans of individual officers. Progress in relation to these 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.

Governance

7. Council should review its statement of business ethics to ensure that the statement conveys the view that the provisions that apply to staff also apply to councillors in their decision-making role.
8. Council should review its code of conduct to ensure that it complies with the Model Code of Conduct for Local Councils in NSW.

9. Council should incorporate information about community access to records under section 12 of the Local Government Act into its records management policy.
10. Council should develop a business continuity plan that applies to council's physical and electronic records.
11. Council should review its administrative processes for the completion of pecuniary interest returns to ensure that they accurately reflect signing and lodgement dates.
12. Council should develop and adopt a policy supporting legislative compliance.
13. Council should continue to develop a comprehensive risk management plan to enable it to identify and manage all significant risk issues facing council in the pursuit of its objectives.
14. Council should continue the development of its internal audit function.
15. Council should conduct routine fraud risk assessments as part of its risk management responsibilities.
16. Council should consider:
 - providing training to staff on tendering processes, assessment and reporting
 - undertaking a legal audit of its tendering processes
 - undertaking an internal audit review of its tendering practices
17. The council should ensure that all reports on procurement provide detail on the assessment criteria used to make a determination on the tender, including any weightings, report against these criteria and the processes underlying any decision.

18. Council should include, as part of its complaints procedures, regular reporting of complaints to senior management. This should include the progress and outcome of complaints. Council should provide training on complaint handling to all staff and the opportunity to refresh complaint handling skills.
19. Council should review its decisions for conducting matters in closed session to ensure that matters are discussed in open meeting as far as possible.
20. Council should ensure that when it records the reasons for closing its meetings to the public in the minutes of the meeting, it does so in full compliance with section 10D of the Local Government Act. This includes the explanation in relation to the public interest.
21. Council should ensure that resolutions and recommendations that are made in closed council and committee meetings are framed to comply with the requirements of the Act and Regulation.

Regulatory

22. Council should review the role of the Development Assessment Panel and if it retains its operational focus in addition to its determinative role, should not include councillors on the panel.
23. Council should adopt processes that ensure that outstanding development applications are dealt with by mandating responses to outstanding requests for information and by refusal, where appropriate.
24. In the preparation of future State of the Environment Reports, council should take into account the provision of:
 - a. environmental advice from other councils and information on the regional setting

- b. more comprehensive information about the heritage environment and Aboriginal heritage issues
- c. more comprehensive actions to be taken by council
- d. evidence of community consultation or involvement of the community in monitoring changes in the environment.

Asset and financial management

- 25. Council should develop a comprehensive asset management plan that incorporates council's asset maintenance program.
- 26. Council should monitor the drop in expenditure on asset maintenance to ensure that assets receive the required amount of expenditure to keep them in a satisfactory condition.

Community, communication and consultation

- 27. Council should continue the review of its consultation processes as a priority and ensure that these are continually evaluated.
- 28. Council should continue to develop, monitor and report on its customer service standards to ensure accountability to the community and to provide feedback to the council.

Workforce relations

- 29. Council should review its Equal Employment Opportunity Management Plan to ensure that future plans include:
 - a. the date it is adopted and reviewed
 - b. specific targets and performance criteria
 - c. a description of the method used to develop the plan
 - d. definitions of key words or a glossary
 - e. a statement about corporate ownership of the policy.
- 30. Council should not appoint councillors as members of its consultative committee.

31. Council should develop a workforce strategy to address its future employment needs, particularly in relation to the age of its workforce and staff availability.

4. CONTEXT

The Port Macquarie-Hastings local government area covers an area of 3,693 sq kms and is located on the north coast of NSW, 420 kms north of Sydney. The town of Port Macquarie is the council's major population centre, with 37,405 residents. The Council area is characterised by having three regional centres. Wauchope, with a population of 4,772 persons serves as a centre for the inland area. Camden Haven, with a population of 7,355 persons, located on the southern coast acts as a regional centre for the villages in the south, while Port Macquarie is the major regional centre. The population of Port Macquarie Hastings local government area is approximately 69,473.

The population of the Port Macquarie Hastings local government area is the fastest growing in NSW. About 90% of the increase is due to net migration into the area. The growth is primarily occurring in Port Macquarie, followed by other coastal areas. Based on census statistics, the population is ageing. The population's median age has increased from 40 years in 1991 to 43 years in 2001. According to the department's figures (source ABS, Population by Age and Sex – 30 June 2001) the number of people aged 60 years or over is 10% higher than the state average. Over a quarter of the council's population is aged over 60 years. In addition, 40% of the council's population under the age of 60 years are pension and benefit recipients. This is 10% higher than the state average.

People are mainly employed in the services industry including wholesale and retail trade, education, health and community services, personal and recreation services and finance, insurance and business services. The construction industry is also a major employer for the area. Tourism is one of the most important contributors to the economy in the region. Emerging industries include communication services, library/museum/arts and the wine and spirits industry.

Council has 9 elected representatives. Council has a full council meeting once every three weeks.

Port Macquarie-Hastings Council employs approximately 469 full time equivalent staff. Council has structured itself into five service areas, with five director positions. These are Finance and Corporate Services, Community Development, Development and Environmental Services, Infrastructure Services and Water and Natural Resources. In addition, the general manager is responsible for communications, human resources, governance and customer service.

In 2003/04 council had expenditure from ordinary activities of approximately \$68.9 million. Council made an operating surplus before capital items in 2003/04 of \$6.2 million and has made a surplus before and after capital items in the past 3 years. For the 2005/06 period council has budgeted for a surplus of \$3.7 million before capital items.

Port Macquarie-Hastings Council determined 786 development applications in 2003/04 (latest comparatives) with a mean time for determining development applications of 46.3 days.

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.

Port Macquarie-Hastings Council has developed a clearly articulated vision, mission, set of values and focus areas to guide the organisation. Council conducts a strategic planning workshop at the commencement of each council term. The community surveys that are conducted every 4 years and the community profile underpin the development of the strategic plan.

The strategic plan is simple – it only contains the vision, mission, set of values and focus area goals. The management plan – Hastings Council Corporate Plan – is the operational document that identifies council's key strategies and performance indicators to meet the focus area goals. Council's corporate plan only covers 3 years of operation, although the plan includes references to other planning documents that reach further into the future, for example, council's long term financial plan and social and community plan.

Council's long term vision for the area and the broad strategies to achieve this should be articulated in its strategic plan. It is not evident that these long term strategies are incorporated into the council's current strategic plan. The long term strategies that council has already developed in individual plans need to be integrated into the strategic planning document. The strategic plan should answer the question "*Where do we want to be in 20 – 25 years time and how are we going to get there?*" (Recommendations 1 and 2)

Council conducts a community attitudes survey every 4 years. The results from the 2003 survey indicate that the community places a high importance on long term planning and vision. The 2003 Importance – Satisfaction Matrix for Hastings Council Services shows that urgent attention is required for council's long term planning and

vision. Council has had this information for some time and has considered it as part of the 2004 strategic planning workshop with councillors. Council may need to consider how it communicates its strategic direction with the community.

Table 6 2003 Importance - Satisfaction Matrix for Hastings Council Services

↑ I M P O R T A N C E	HIGHER IMPORTANCE LOW SATISFACTION <i>URGENT ATTENTION REQUIRED</i>	HIGHER IMPORTANCE HIGH SATISFACTION <i>MAINTAIN PRESENT PRACTICE</i>
	Long term planning and vision Value for rate payers' dollar Maintaining sealed roads Regulating traffic flow Managing residential development Local employment opportunities Car parking Community involvement in Council's decision making	Quality of water supply Reliability of water supply Sewerage service Waste collection and disposal Council's performance OVERALL Maintaining beaches and beach facilities Recycling and waste reduction The way employees deal with the public Stormwater drainage Responding to community needs Parks and recreation areas Street lighting Managing the main shopping areas Environmental monitoring and protection Encouraging industry and business Informing residents about Council activities Flood plain and estuary planning
	LOWER IMPORTANCE LOW SATISFACTION <i>MEDIUM TO LONG TERM ACTION</i>	LOWER IMPORTANCE HIGH SATISFACTION <i>ASSESS PRESENT PRACTICE</i>
	Footpaths Facilities and services for young people Maintaining unsealed gravel roads Cycleways	Greening and tree preservation Library services Coastal walking paths Swimming facilities Street and gutter cleaning Kerb and guttering Heritage conservation Dog and cat control Sporting fields and buildings Control of vehicle access to beaches Arts, entertainment and cultural facilities
SATISFACTION →		

Source: Community Attitudes to Services Provided in the Hastings Area, April 2004

There is evidence of other council planning processes within council's corporate plan. It may be a practical consideration to provide a list of these key plans at the beginning of each focus area section. (Recommendation 3)

Council has a business planning process in place that provides detailed information on the services provided by council. These plans are developed from the corporate plan and performance measures are reported to management on a monthly basis. Council has a consistent approach to the development of their business plans by providing a model business plan template. This model ensures that services review standard information in preparing their annual business plans. This includes an analysis of the services they are currently providing, an analysis of the market and competition, looking at the opportunities for the future and developing an implementation plan, business strategy and financial plan.

The key performance indicators that are reported on monthly are extensive. They include financial indicators as well as service delivery and customer service indicators. They provide a valuable guide for directors about how their areas are performing. Council is developing a corporate performance management system process that will integrate the corporate plan reporting (quarterly to council) with budgeting, strategy development and financial modelling. This project will create a set of outcome and output performance measures that are aligned to strategic outcomes. In this way, council is developing a process to ensure that it monitors the alignment of its directions with its activities and finances.

Working in the region

Port Macquarie-Hastings Council is a member of the Mid North Coast Strategic Alliance. The Alliance has the objective of achieving cost savings in service delivery and improving the quality and range of services provided to the 8 council areas involved. There is a memorandum of understanding between the councils involved in the Alliance. There are currently 5 network groups focussing on specific areas of the councils' operations.

However, despite its involvement in the Alliance, it is difficult to see that council has adopted a regional focus. Council's strategic direction and corporate planning strategies focus on the Hastings area only. In fact, the general manager's introductions to the Corporate Plan 2005-2008 and the 2003/04 Annual Report both appear to express the view that Hastings is a regional government. Given that the council is involved in a regional strategic alliance, there is a lack of focus on what council can learn from its regional partners and share with other councils in its region. It is clear from discussions with staff that they are valuing the involvement in the Alliance network groups. It is important that council reflects its role in the region, that is the Alliance region, in its strategic focus. (Recommendation 4)

An ageing population

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.

Between 2004 and 2022 the population of Port Macquarie-Hastings Council is projected to increase in size, from its current 69,473 to around 97,800 (25%).

In terms of the mean population age, Port Macquarie-Hastings is NSW's 3rd oldest local government area. By 2022 it will still be its 4th oldest. Approximately 22.3% of the council population is currently aged 65+ years, and this is projected to grow to 29.9% by 2022. At an average increase of .42 percentage points per year, this 'force of ageing' is somewhat faster than that projected for NSW as a whole (0.33) but essentially the same as for NSW excluding Greater Sydney (NSW Balance) (0.43). The council's population aged 85 and over is projected to increase in proportion from 2.6% to 4.4% of the population (*Population Ageing in New South Wales and its Local Government Areas*, Dr. Natalie Jackson, Director, Demographic Analytical Services Unit, University of Tasmania).

The impact on the demand on services, facilities and infrastructure will be significant and will impact on virtually all aspects of council's operations.

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 to 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, and
- encouraging councils to examine their numbers and proportion of older people and their rate of population ageing, in conjunction with the evidence on impacts, to identify what roles they may need to change and when.

The department encourages councils to use this paper in its planning process.

Council's social plan includes some strategies for older people. However, it was not evident to the review team that council has integrated strategies across its various function areas to address this challenge.

Given council's ageing population is increasing at a significant rate, council needs to consider ways to raise the awareness of this issue across all sections of council. Building upon strategies in its Social Plan and using the Ageing and Place Framework developed by the Associations, council should prepare long term strategies to meet current and future needs for older people.

Priority strategies should be determined on an annual basis and incorporated in council's management plan and budget, the business plans of each section and the work plans of individual officers. Progress in relation to these 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 5 and 6)

6. DELIVERING AND ACHIEVING

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

6.1 Governance

“Corporate governance refers to all the means by which entities are directed and controlled.” (Standards Australia, HB401-2004:12) Corporate governance is important because it enhances organisational performance; manages and minimises risks; increases the confidence of the community and the industry in the organisation; ensures that an organisation is meeting its legal and ethical obligations; and assists in 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*
- *Procurement and tendering*

What is working well

Strategic Alliance

The council has entered into a strategic alliance with 7 other councils comprising Gloucester, Great Lakes, Greater Taree, Kempsey, Nambucca, Bellingen and Coffs Harbour councils under a Memorandum of Understanding (MOU). The MOU records that, combined, the councils employ over 2000 staff, contains an area exceeding

21,000 square kilometres, a regional population of over 265,000 and a combined council budget of over \$480 million. Clearly these are significant figures.

Each council contributes \$10,000 annually towards the external costs of the Alliance. Additionally, the councils provide other resources through the provision of staff to support the Alliances projects. The Alliance retains Mr Iain Stewart, a former council general manager, as its project coordinator.

While retaining the identity and autonomy of the individual councils, the MOU indicates the intended outcomes of the Alliance as including:

- Exchange of skills
- Shared service delivery
- Sharing of resources
- Improving standards of services
- Compliance with structural reform principles.

The aims of the Alliance are currently being concentrated through human resources, planning, joint procurement, health and safety, and information and technology network groups.

While it was acknowledged that some of the groups were not as advanced as others, council indicated that 3 or 4 of the groups were operating very successfully. Within these wider aims was the recognition that the Alliance's project setting be reflected in each council's management plan. It must be recognised that in part, the Alliance is dependent on long term project planning within the group, reflected in each council's own long term planning. This reinforces the earlier recommendation that council needs to pursue a regional focus in its strategic planning.

Mr Stewart met with the review team and emphasised that the Alliance already had obtained significant outcomes, including the joint tendering of some 500 computers and the provision of joint staff training. The use of joint tendering provides the potential of substantial benefits to the smaller councils, particularly in buying power. It also has potential benefits in providing common equipment and potentially better

backup facilities. Other projects being pursued include the provision of expert teams, such as bridge repair teams, to provide joint services to the councils

Mr Stewart emphasised that networking among council staff was another direct benefit, particularly where smaller councils did not have the resources to employ full time staff in particular fields.

Importantly, Mr Stewart emphasised that the Alliance has strong political support within the group of councils, who recognise its long-term benefits.

Statement of business ethics

A statement of business ethics is a particular form of values statement directed to raising private sector awareness of public sector values. This is important because strong working relationships with the private sector are an essential part of building an effective and cost-effective public sector.

The document covers key issues that external parties need to be aware of in doing business with council. As councillors are involved in the decision-making in relation to tenders, council should consider reviewing this statement to ensure that the provisions under 1.3.2.2 that apply to staff also apply to councillors in their decision-making role. This section outlines the expectation to avoid conflicts of interest, treat all potential providers of goods and services equally and so on. It may also be important to reiterate that it is inappropriate for councillors to contact or issue instructions to council's contractors or tenderers. (Recommendation 7)

Code of conduct

The council's code of conduct adopted under the Local Government Act is important because it assists councillors and council staff to understand the standards of conduct that are expected of them. The law relating to codes of conduct has recently been amended. From 1 January 2005, all councillors, staff and council delegates are required to observe provisions consistent with the new Model Code of Conduct for Local Councils in NSW.

Port Macquarie-Hastings Council adopted its code of conduct on 30 May 2005. It has supplemented its code with a range of provisions that are specific to council's own circumstances. The code also contains valuable cross-references to other relevant council policies.

It is broadly consistent with the Model Code. However, councils must exercise caution where the council's code deviates from the Model Code. For example, council's code has removed a number of provisions that are included in the Model Code such as the reporting requirements of council's conduct committee and the option for the general manager and the conduct committee to determine not to make enquiries into allegations of a breach of the code. Council should understand that the Model Code is the mandatory minimum that must be adopted. These provisions will still apply even though they are not in council's code. It is suggested that council review its code of conduct with this in mind. (Recommendation 8)

Council advised that all staff and councillors had received training in the code of conduct. Additionally, training is planned for members of council's section 355 committees in the future. Council is moving towards having staff sign a copy of the code of conduct on induction.

Record keeping

Council is required to keep full and accurate records of its activities in accordance with section 12 of the State Records Act 1998. Council must establish and maintain a records management program that conforms to best practice standards and codes.

Council has a records management policy that effectively meets the operational business needs and accountability requirements applicable to the organisation. The policy applies to all council business including electronic documents.

The policy could be improved by incorporating information about, and procedures for, community access to records under section 12 of the Local Government Act. Additionally, council should develop a business continuity plan that applies to council's physical and electronic records. (Recommendations 9 and 10)

Policy register

Council has adopted a standard and clear format for policies that identifies who is responsible for the policy, the date it was adopted, the date it was amended and the responsible council division. In many cases related policies or documents are identified.

In its response to the draft report, council responded to comments as to the need to review policies by advising that its policy and procedure register is reviewed annually. The process begins with a memo to all directors in October each year that identifies policies/procedures that have been initiated from their division and requesting staff to review each policy and report on any amendments that may be required.

Council's policy register is provided on its website and is easy to access, interactive and comprehensive. There is an introduction that provides instruction on how to use the register and enables any user to navigate the document lists and search for relevant documents. The policy register includes documents relating to council codes, committees, delegated authorities, human resources, policy, procedures, information technology and occupational health and safety. It is an excellent example of good practice.

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 has recently been reviewed. It is a clearly written policy and covers key topics including the issue of legal assistance for councillors. Council should update its references to the Department of Local Government and the Pecuniary Interest and Disciplinary Tribunal.

Challenges to improve

Pecuniary interest returns

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 pecuniary interests. The Act requires that councillors and designated staff complete and lodge disclosure of pecuniary interest returns. It is important that councillor and staff returns observe these requirements, as to not do so has the potential to seriously undermine the community's confidence in the integrity of local government and the decision-making processes.

We conducted a review of pecuniary interest returns for councillors, as well as a number of returns for designated persons. According to council's disclosure of interest staff returns register, there are 53 current staff members who are designated persons and required to complete a pecuniary interest return in accordance with the Act. In addition, there are 10 community members of council committees who are identified as designated persons.

This review identified that some of council's processes in relation to the completion and recording of returns are deficient. While the returns themselves appeared to be generally of a good standard, there are some administrative areas that council should be mindful of:

- Some of the returns contained the "as at" return date as well as the "in respect of the period from" and did not contain a date as to when the return was signed.
- The address of employers (councillors' returns) were not included in some instances.
- The date the return was signed was often at odds with the date recorded in the disclosure of interest register.
- A number of the staff returns, excluding primary returns, were signed and registered in the disclosure of interest register before the end of the period to which they applied.

Council should review its administrative processes for the completion of pecuniary interest returns to ensure that they accurately reflect signing and lodgement dates. (Recommendation 11)

Legislative compliance

A fundamental principle of good public administration is that public officials comply with both the letter and the spirit of the law. No public official has an unfettered power or discretion.

To facilitate compliance with legal requirements, councils and their senior staff should ensure that:

- management commitment to compliance is clear and unequivocal,
- the legal requirements which apply to each activity for which they are responsible are:
 - identified (including updates reflecting changes to the law), and
 - documented (preferably in detail, but as a minimum by reference to relevant provisions),
- all staff are kept fully informed, briefed and/or trained about the key legal requirements relevant to their work,
- staff are made aware of the potential repercussions of non-compliance with legal requirements that apply to them, and
- record-keeping systems and practices that capture evidence of compliance and non-compliance are in place.

Essentially there are two areas that a policy on legislative compliance could cover. The first is in regard to implementation. When legislation changes, council should have a system in place to ensure that, where necessary, steps are taken to ensure that action complies with the amended legislation. The second area is in regard to a review process. Council should review its current processes to ensure that it is complying with legislative requirements. This aspect could be incorporated with an internal audit function, where periodic examinations are conducted into key operational areas.

Council should develop and adopt a policy supporting legislative compliance.
(Recommendation 12)

Risk management and internal control

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

Councils are exposed to a wide range of risks as a consequence of their diverse functions. A risk management plan provides council with a framework to proactively identify and manage generic and specific risks so that ethical behaviour and practice can be promoted. Council management has recently considered and supported a proposal to establish a risk committee and the development of a risk management plan that will incorporate a policy and procedures based on the Australian Standard AS/NZS 4360:2004 – Risk Management. Council has also purchased RiskWizard software to assist in this process. Council is encouraged to continue this development. (Recommendation 13)

Internal audit and control provides for systematic scrutiny of an organisation's operations, systems and performance. It assists in ensuring that service standards are met, data records are accurate and complete, and established procedures are being followed.

Council has an internal audit committee that is developing an internal audit plan for 2005/06. Council has also undertaken a risk identification survey with councillors, directors and managers. The Chairman of the internal audit committee has met with councillors and senior staff to discuss the results of this survey. While the committee has recommended items for inclusion in the internal audit annual plan, the specific

detail of this is not yet prepared. It is important that the risk management plan and the internal audit plan are consistent and integrated. Council is encouraged to continue this development. (Recommendation 14)

The development of internal audit processes is also important as council does not appear to have undertaken any fraud risk assessment, nor does it have a fraud control policy or strategy. It is important that fraud risks are identified and managed effectively and that staff are kept up to date on emerging risk areas and on proven strategies for properly managing them. Council should address this issue as a priority in developing its risk management and internal audit priorities. (Recommendation 15)

Procurement and Tendering

Port Macquarie-Hastings Council has adopted policies for purchasing, tendering and most recently, for the retention of consultants. The earlier policies have each been revised in the last year, suggesting continuing review.

The purchasing policy recognises the need to obtain best value for both the council and the community, that practices and procedures be open and transparent and that functions be exercised within the delegated authority of those responsible. The policy contains a local preference provision regarding purchases of less than \$5,000, providing the costs are comparable to costs outside the area.

This policy sets criteria for purchase of goods and services of less than \$250.00, \$2,000, \$10,000, \$50,000, \$100,000; and above \$150,000. The policy mandates the calling of tenders for those exceeding \$100,000 but less than \$150,000 and makes it an optional process for goods and services between \$50,000 and \$100,000. It otherwise provides for 3 quotations \$50,000 and \$100,000 or 2 quotations for those contracts between \$2,001 and \$10,000. This is a higher standard than required by the Act and Regulations.

The purchasing policy prohibits contract splitting. It also deals with aspects such as preferred supplier agreements, payment procedures, conflicts of interest, risk management, value for money, ethical standards and environmental principles.

Similarly, the tendering policy sets out various matters including the ethical principles to be adopted, negotiations, contract splitting, tendering methods, documentation, evaluation, carrying out a formal risk assessment for tenders over \$1million and refers to various considerations, such as environmental and re-cycled products. Importantly, it adopts the ICAC tendering guidelines.

The policy for engagement of consultants was only recently adopted on 31 October 2005. Like council's other policies, it sets criteria according to the estimated cost of the consultancy and emphasises the practices to be observed.

While these policies provide the platform for best practice, a review of council's tender processes suggests that council staff are not always acting in accordance with council's tendering policies.

As part of the review process, a sample of three tender processes were reviewed. These included a tender for purchase of plant, the appointment of a project manager for the cultural centre and the appointment of the acoustic consultant for the cultural centre. This review revealed evidence that:

- council has inappropriately dealt with tenders in closed session
- evaluation processes have been inadequate
- council misunderstands the "exceptional circumstances" power in the Act.

The minutes record that, in a significant number of instances, the council has dealt with tenders in closed session where it was unlikely that the commercial position of a tenderer would be prejudiced, particularly where the contract price was disclosed in the minutes. Council, in its response to the draft report, pointed out that pricing alone is not necessarily the most sensitive information in a tender. The review team acknowledges this. Council's response goes on to agree that there are occasions when tenders can be reported in open council meetings. The fundamental principles

of openness and transparency that are embodied in the Act should be considered when determining whether a matter should be dealt with in closed session.

While the EOI process for the project manager for the cultural centre contained a number of criteria (which did not include price), no scoring for the criteria or commentary on any individual criteria are contained in the assessment. Comments on each tender are minimal and give little indication of the processes underlying a decision to short list 4 tenderers for interview. Further, the criteria that were adopted suggest a contract of employment rather than contract for services undertaken by a corporate entity.

The requirements of section 55 of the Act and the circumstances where a council may not proceed by way of tender appear to have been misunderstood in the report regarding the appointment of an acoustic engineer for the cultural centre project.

The report to council's meeting on 14 February 2005 states:

There are, however, a number of conditions when this process does not need to be followed. These include the use of a selective tendering process, the utilisation of consultants/contractors taken from a list prepared by another public authority in line with the requirements of the Act, or under extenuating circumstances.

The suggestion that section 55(3) of the Act permits utilisation of contractors from a list prepared by another public authority is incorrect. The Act requires that the contract be specified by the State Contracts Control Board or the Department of Administrative Services of the Commonwealth, made with a person so specified, during a period so specified and at a rate not exceeding the rate so specified. The report to council only refers to the consultant as having been among "a number of possible consultants, including Arup were provided by the Ministry".

The report states that:

Given the nature of the building, the specialist requirements of the acoustics, the fact that Arup have a long and detailed history and knowledge of the project it is highly unlikely that other consultants would commit the resources to develop a submission to Council should it go out to open tender with the knowledge that both of these companies would also be submitting a tender. This would see Council meeting Section 55.3 of the Local Government Act where extenuating circumstances exist and "Council decides by resolution that a satisfactory result would not be achieved by inviting tenders."

In the review team's opinion, the reasons provided in this report do not support a determination under section 55(3). The Act requires that a council may forego tendering if it can demonstrate "*extenuating circumstances, remoteness of locality or the unavailability of competitive or reliable tenderers ... that a satisfactory result would not be achieved by inviting tenders*". There is nothing in the report supporting such a determination.

Similarly, the report fails to provide an adequate explanation of the contractual arrangements that the council was contemplating.

The report contains the following recommendations:

That Council appoint Arup Acoustics as Acoustic Consultants for the sum of \$187,500.

That should the project not proceed beyond any particular stage, the engagement ceases at that point.

That should the construction cost vary, the fee will be amended to suit the actual cost of construction on the basis of the relevant percentage of the construction cost.

These recommendations are in conflict. The first would suggest an all up cost; the second suggests that the contract has severable components; and the third suggests that the costs are tied to the construction costs.

Council should consider:

- providing training to staff on tendering processes, assessment and reporting
- undertaking a legal audit of its tendering processes
- undertaking an internal audit review of its tendering practices
(Recommendation 16)

The council should ensure that all reports on procurement provide detail on the assessment criteria used to make a determination on the tender, including any weightings, report against these criteria and the processes underlying any decision.
(Recommendation 17)

Complaints handling

An effective complaints handling system is an essential part of the provision of quality council services. It is one method of measuring customer satisfaction and provides a useful source of information and feedback for improving the council's service.

There are a number of attractive elements to council's complaints policy. Port Macquarie-Hastings defines complaints in a simple and straightforward way, and distinguishes them from requests for service. The policy provides for a three-tiered approach that involves resolution of complaints at the front line where possible with one level of internal review. Council's procedures on complaint handling include time turnarounds including the reporting on these times. There is limited reporting on complaints handling to senior management. Council's procedures also include random customer evaluation surveys as a way of seeking feedback from customers who have complained to council. Council's policy and procedure is available on its website.

There are some areas of improvement for council to make. The most important is that council is making limited use of complaint handling information. Council should include, as part of its complaints procedures, regular reports on complaint handling. This should not only include the number of complaints, but the progress and outcome of these. Council should update the information included in its policy on the Department of Local Government. Council indicated that all staff have not received training in complaint handling. It is important that there is training provided to all staff and the opportunity to refresh complaint handling skills. (Recommendation 18)

Council meetings

Council provides information on its vision, mission and values at the beginning of its meeting business papers. Additionally, each business paper contains information on how members of the public can have their say at council meetings. This information is clear and useful to assist members of the public to participate at council meetings.

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

Based on our review of council's minutes, council considers a large number of matters in the absence of the public. While council only closes that part of the meeting relating to the confidential item, it appears to conduct a large number of confidential sessions. Council held 15 meetings between January and November 2005, including one extraordinary meeting. Council closed its meeting to the public at least once each meeting during this time to consider confidential items. The number of items considered at these sessions ranged from 2 individual matters to 12 matters – the average was 6 matters.

On 9 May 2005 council closed its meeting for questions without notice from councillors. There were 5 questions without notice discussed. As there was only a resolution from one of the matters discussed, the public are no wiser as to the questions that were asked or the replies given. Additionally, no reason was given to

close the meeting in accordance with section 10A of the Act. The motion to close the meeting simply stating: *'to take the Questions Without Notice'*. It is difficult to see how at least 3 of the matters could fall within the categories listed in section 10A(2).

The review team is very concerned about the amount of business conducted by council in closed session. Further, council considered late items of business in its open and closed sessions on a number of occasions. Late items do not afford the community notice, or information on the content, of the business to be conducted. Conducting council business in this way gives council an air of secrecy. Council should review its decisions for conducting matters in closed session to ensure that matters are discussed in the appropriate forum. (Recommendation 19)

In deciding whether or not a matter should be discussed in closed session, council should apply the public interest test as required by section 10D of the Act. The reasons why the part of the meeting is being closed, including an explanation of the way in which discussion of the matter in an open meeting would be, on balance, contrary to the public interest should also be stated in the decision to close that part of the meeting and must be recorded in the minutes of the meeting (excluding personnel matters concerning particular individuals, personal hardship of a resident or ratepayer or a trade secret). (Recommendation 20)

It should also be noted that section 10A(2)(a), personnel matters concerning particular individuals (other than councillors), refer to matters relating to individual staff. This reason should not be used to close meetings to deal with matters that may involve the business of individual community members.

Clause 253 of the Local Government (General) Regulation requires that the chairperson must make public any resolution passed during a meeting or a part of a meeting that is closed to the public as soon as practicable after the meeting or that part of the meeting has ended. If council is considering confidential items in a closed committee of the whole, then the general manager is responsible for reporting to the council the proceedings in the committee and must report any recommendations of the committee. These recommendations are not taken to have been adopted until a motion to adopt the report has been moved and passed.

While discussions in the closed part of a meeting remain confidential, the separate nature of a resolution or recommendation allows it to be made public immediately after the closed part of the meeting has ended.

The resolution or recommendation could be phrased in such a way as to protect a person's identity or other confidential details (for example, stating an assessment number instead of the person's name or giving the general locality of land to be purchased instead of the precise address). This allows the public to know what the council or committee has decided at the closed part of the meeting without revealing confidential information.

In the case of a closed council meeting, the meaning of 'as soon as practicable' will depend on the circumstances. In some cases, commercial or legal issues might affect how quickly a council makes public the details of a resolution. As a general rule, the public should be kept informed of closed session resolutions in an adequate and prompt manner.

The latest time for informing the public of resolutions or recommendations made in the closed part of a meeting would be when the minutes containing the resolutions or recommendations are made available for public inspection in accordance with section 12 of the Act. Any person is entitled to inspect minutes containing resolutions or recommendations from the closed parts of meetings. While a council cannot keep its decisions or recommendations confidential, it should be possible to discuss matters in the minutes in such a way as not to reveal confidential details.

A review of council's minutes reveals that council does not make public some of the recommendations made at the closed committee of the whole meeting. Council resolves that '*the recommendation from the Committee of the Whole (Meeting Closed to the Public) be adopted*'. This is not in the spirit of the legislation and does not provide the public with any information on the outcome of council's discussion. This practice should be reviewed and council's resolutions framed to comply with the requirements of the Act and Regulation. (Recommendation 21)

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*
- *Enforcement practices*

What is working well

In 2001 the council rationalised and consolidated its planning schemes. The local environmental plan (Hastings LEP2001) that was then adopted was not underpinned by an environmental study. Council has a targeted rolling program for reviewing its planning, through, for example, the Hastings Growth Strategy. Similarly, there has been a targeted review of council's development control plans on a precinct basis. This review has enlisted the assistance of the Urban Design Advisory Service, a former business unit of PlanningNSW.

The overall program continues to review council's development control plans, some of which staff described as being insufficient. The program is intended to guide the council for the next 20 years.

The council is looking at long-term growth with urban expansion of some 3500 lots in the Thrumster precinct and with other potential development in other areas such as Bonny Hills. The long-term commitment is evident from the Thrumster proposal,

which started in 1999. The council anticipates first residential occupation in 2010 and completion of development beyond 2021, with the local environment study currently on exhibition.

Allied to this is long term planning for infrastructure needs and the direct linking of contributions plans to infrastructure planning and, interestingly, the alignment of this business unit to council's finance unit rather than its planning unit.

Council's main contributions plans, relating to open space and roads, were reviewed and adopted last year. Additionally, council's contributions plan for the cultural centre was recently amended in light of the significant increase in the anticipated cost of the facility. The council has adopted a number of other contributions plans and has other plans on exhibition.

Council uses long-term strategic infrastructure planning to underpin its contributions plans, providing the ability to relate contributions to long-term works programs. Council staff emphasised that this long-term planning makes processes easier and reinforces their ability to review and amend contributions plans. The council aims to review each plan on a 2 yearly basis, thereby reducing risks that the contributions levied do not reflect current planning or current costs.

The ability to reflect actual costs in levies will be enhanced by software that is being installed to measure actual costs against planned costs and to provide modelling.

Additionally, the council has introduced spreadsheet facilities to calculate contributions payable, credits and the like on development applications.

The department's comparative information indicates that in the period 2001/02 to 2003/04 the council dealt with an average of about 800 development applications per annum. However this figure may not represent the true position as it may not record the number of complying development applications that were received. Figure provided by the council suggests that in the first 9 months of this year the council received an average 69 complying development applications and an average 73 development applications per month. These figures recognise the intent that more

minor applications be dealt with as complying development, through the adoption of a wide ranging Exempt and Complying Development DCP.

Enforcement

Council's enforcement policy, adopted in September 2004, is based on the Ombudsman's recommendations. It is primarily directed towards the regulation of development activity, but is both applicable to and applied to other issues including pollution control, parking, animal control and the like. It does not cover council's water supply business.

Its objectives are to provide assistance to staff for the exercise of discretions dealing with allegations of unlawful activities. It deals with investigation of complaints, options for dealing with confirmed cases of unlawful activity, the way that staff respond and issues associated with enforcement actions.

The policy is clear, precise and provides guidance on various aspects relating to enforcement.

Challenges to improve

Development Assessment Panel

The council has a Development Assessment Panel that exercises a number of roles including the determination of certain development applications and the review of staff reports for council meetings. Additionally, the council retains an independent review panel to deal with applications affected by State Environmental Planning Policy 65. This panel comprises 2 independent experts with architectural/urban design expertise as well as an independent landscape architect.

The review team was advised that the Deputy Mayor sits on the Development Assessment Panel. Council staff were unable to indicate whether this panel operates as a section 355 committee.

Council responded to the draft report defending the role of the councillor as a member of the Development Assessment Panel. The review team is of the view that it is inappropriate for a councillor to be a member of the Development Assessment Panel for the following reasons:

- The Development Assessment Panel holds authority to determine development applications. It also has authority to review the reports being presented to council. It may change the recommendations made by staff. The review team was advised that where the panel makes changes to the recommendations, they are noted on the report.
- The Act separates the roles of the councillors and the staff. Councillors exercise a determinative role. Staff exercise an operational role.
- Councils employ a range of qualified staff, including town planners, engineers, environmental and other specialists, whose task is to assess and report on development applications. Importantly each group brings its own discrete professional skills and experience to bear on issues thrown up by development applications.
- Ultimately, their opinions are combined into a report that forms the basis of consideration in the determination process. The sum of their consideration is contained in recommendations as to how the application should be dealt with. At its simplest, the recommendation may be as to how the matters should be dealt with. More commonly the recommendation also provides for the conditions upon which consent is to be given.
- The roles being undertaken by the Development Assessment Panel are both an operational role and a determinative role. While councillors may delegate their determinative role, it is inappropriate for a councillor to have an operational role preparing reports for consideration by the councillors. It does not matter whether their changes are directly recognisable or not.

Given its power to amend reports going before council, the involvement of a councillor on the panel is regarded as inappropriate. Further, it may involve a breach of section 352 of the Act, which provides:

A member of staff of a council is not subject to direction by the council or by a councillor as to the content of any advice or recommendation made by the member.

Council should review the role of the Development Assessment Panel and if it retains its operational focus in addition to its determinative role, should not include councillors on the panel. (Recommendation 22)

While the Development Assessment Panel monitors development applications, they are not reported to the council. A review of the reports of the outstanding applications suggests that there are a significant number of applications dating back to the beginning of 2003 and possibly to June 1995 that remain outstanding. The report indicates that in many instances information sought by the council has not been provided and that in the absence of this information, the matters have not been dealt with. It was conceded that the council has no program to clean up such outstanding applications.

The council needs to adopt processes that ensure that outstanding applications are dealt with by mandating responses to outstanding requests for information and by refusal where appropriate. (Recommendation 23)

State of the Environment reporting

State of the Environment Reports are prepared by councils to report on the main environmental issues facing local government areas. The reports must address 8 environmental sectors and include major environmental impacts and related activities. The Local Government Act requires councils to prepare a comprehensive report the year ending after each council election and a supplementary report in the intervening years. These reports must identify any new environmental impacts since

a council's last report and update the trends in environmental indicators that are important to each environmental sector.

Council's State of the Environment Report was examined against the relevant legislative requirements and found to be generally in compliance with these. The report is generally an adequate, well written and well presented report that addresses all the necessary environmental sectors. The report effectively utilises the pressure/state/response model.

However, the report does not draw on environmental advice from other councils and fails to provide any regional setting or acknowledge issues in surrounding local government areas. The report tends to deal with the Port Macquarie-Hastings area as a "self-contained island".

There is little detail provided for the heritage environment sector, particularly for Aboriginal heritage issues, although it is acknowledged that council is developing an Aboriginal Heritage Strategy. This should be reflected in the next State of the Environment Report. Council advised in its response to the draft report that it is currently undertaking a separate heritage (European) report.

While the plan provides a summary of issues to be addressed in council's management plan, this only deals with 5 of the 8 environmental sectors. Council stated in its response to the draft report that the report itself does deal with all environmental sectors, however only 5 of those sectors required further actions. The review team acknowledges that the report does deal with all environmental sectors. However, it is evident that council has taken further action on some issues, for example, Aboriginal heritage, that are not contained in the summary of issues. A complete summary of future actions would provide a reference point for strategies in the management plan and the monitoring of performance.

The future directions discussion after each sector is good but it needs to be expanded to include a list of future actions and issues to be addressed by the council. There is no evidence in the report of community consultation or involvement of the community in monitoring changes in the environment. (Recommendation 24)

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*
- *Council businesses*

Overview of financial position

Council has made an operating surplus before and after capital items over the past four years.

Council budgeted for a surplus before capital items of \$1.7 million in 2003/04 and the actual surplus was \$6.2 million. For the 2005/06 period council has budgeted for a surplus of \$3.7 million before capital items.

Council's unrestricted current ratio for the 2003/04 period was 2.04, an improvement over the 2002/03 and 2001/02 years. The ratio 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 unrestricted current ratio is greater than 2.

Council's unrestricted cash for the periods 2003/04, 2002/03 & 2001/02 were \$446k, \$2.5M and \$323k respectively. The Rates & Annual Charges Outstanding Percentage in 2003/04 was 4.85. The percentage 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%.

The Debt Service Ratio in 2003/04 was 7.91%. This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. A ratio of less than 10% is good.

The written down value of Council's assets for the 2003/04 period were as follows: Roads, Bridges & Footpaths 88%, Stormwater Drainage 88%, Water 73% and Sewer 68%. The department considers that anything below 50% may be cause for concern. Council's estimated costs to bring assets to satisfactory condition were \$41.417M in 2003/04. Estimated annual maintenance was \$13.847M whereas program maintenance was \$6.714M. Internally restricted funds set aside for infrastructure replacement in 03/04 was nil.

Council was granted a special variation of 7.54% in 2005/06 on an ongoing basis for general income increase. Council was also granted a special variation of 22.71% in 2004/05 on an ongoing basis for roads, community facilities and open space. The council had been previously granted a similar variation in 2000/01 of 7.44% on an ongoing basis for infrastructure maintenance and main street programs.

Total external loans outstanding as at 30/6/04 were \$23.11M of which \$2.15M was raised in the 2003/04 financial period. Council also had internal loans outstanding of \$4.3M from sewer to general fund for the same period.

Council has declared 3 business activities namely water, sewer and waste management. All three are performing well.

Council has always submitted its financial statements to the department in a timely manner.

The latest comparative information issued by the department, affecting the 2003/2004 year, indicates that residential rates levied by the council were about 15% below the group average, with business and farmland rates about 10% below the group average.

What is working well

Financial Modelling

The Mayor and General Manager saw ability to finance the high growth rate, particularly in Port Macquarie, and the income generated by rates as major challenges faced by the council. The council has developed financial modelling over the next 10 years and is linking its borrowing practices to its contributions plans.

The council has brought its developer contributions function within its financial arm, rather than its strategic land use and planning arm, emphasising the role of developer contributions in the overall financial strategies of the council.

For the last 2 years the council has developed and adopted business plans for all of its 52 units and is in the throes of developing the plans for the forthcoming year.

The Council Businesses

The council operates water supply, sewerage and waste services as separate businesses. They are treated as category 1 businesses for National Competition Policy purposes. The council has adopted the strategies anticipated by the policy, including full costs recovery and has paid a dividend from the operations of the businesses.

The council regards its water supply as the best in the state. The council has won a significant number of awards associated with the engineering, technical and environmental aspects of this business. Additionally, council's efforts both to conserve and reuse water warrant recognition. The council has adopted a permanent water conservation strategy. The council reuses water in local industry and through rural ventures including a hardwood plantation. It is in the throes of extending the reuse of water through dairying and intensive horticultural uses. Additionally, the bio-solids are mixed with green waste to produce compost.

Technology

The council is actively pursuing the rollout of a dedicated fibre optic cable network to service its facilities. It is both directly achieving this layout and indirectly providing for it by providing ductwork and draw wire whenever earth is dug up for the installation of council assets. This will then serve the basis for laying the cabling.

Council's telemetry system allows for the operation of the whole of the water supply network from a laptop, facilitating off-site emergency response through a roster system.

It is clear that the council has adopted both immediate and long-term strategies aimed at ensuring its ability to provide and meet its current and anticipated technological needs.

Challenges to improve

Asset Management

A consultant's review of council's asset management processes has raised significant concerns, pointing out that the council had not adopted an Asset Management Plan. It also pointed to significant failures in asset management. The council appears to be responding to the concerns and actively pursuing the weaknesses highlighted in the report.

Council advised in its response to the draft report that it had commissioned this review of asset management programs in 2004. The review identified areas for improvement using a gap analysis. As a result of this review council is integrating the disparate asset management systems under the Civica Authority Asset and Infrastructure Management System (AIMS). Further work will be undertaken to develop a policy framework to guide the asset management plans across the asset categories.

While the council does not currently have an Asset Management Plan in place, it is being drafted. The council has undertaken a condition survey of all its buildings and

prepared a draft Building Management Plan. This plan anticipates the adoption of a planned maintenance program in accordance with a program of works for each building and is based on a sinking fund approach. (Recommendation 25)

The council is currently preparing a similar plan for its roads and has commenced the preparation of a plan for its parks and gardens.

The council emphasised that it possesses a strong capacity to provide for major works based on long term infrastructure planning and financial modelling and through tying the works program to its developer contributions plans. Council's asset management and replacement program has been developed to 2010. It is noted that council did not spend as much on the annual maintenance of its assets in 2003/04 as was required to maintain them at a satisfactory standard. The amount required to maintain the assets was \$13.847 million but council actually spent \$6.714 million. In the previous financial year, 2002/03, the amount was \$13 million and council spent \$11 million. Council should monitor this drop in expenditure to ensure that assets receive the required amount of expenditure to keep them in a satisfactory condition. (Recommendation 26)

Cultural centre

The council is currently involved in the provision of a cultural centre at a cost exceeding \$30 million. As is indicated earlier in this report, some issues associated with the centre came to the attention of the review team as part its overall review of council's functions. As the centre will represent a significant public and community asset, it warrants separate consideration and comment.

The centre appears to have evolved from a long held desire to provide cultural facilities. The original estimation of the cost of the centre was \$15 - \$20 million. The cost has considerably escalated to now be in the vicinity of \$33 million. This cost does not include the relocation of the visitor information centre that was located on the selected site.

In council's 1999 and 2004 community attitudes survey, the respondents rated 'Arts, entertainment and cultural facilities' as the lowest in importance of the 40 council services and facilities listed. This makes an analysis of the paying customer usage of the facility an imperative. The 2003 Importance – Satisfaction Matrix (as reproduced on page 18 of this report) identifies 'Arts, entertainment and cultural facilities' as an area of lower importance that requires council to assess its present practice.

The decision to commit nearly \$30 million of loan funds to a project for an area on which the community places low importance raises concerns. Additionally, concerns have been raised by some members of the community in relation to the substantial increase in costs of the centre, the processes around the selection of the site and the general management of the project. This is a matter that the department will separately review in greater detail.

6.4 Community & Consultation

A council's charter requires that a council:

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

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

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

What is working well

Social and community planning

The Local Government (General) Regulation 2005 requires all councils to develop a social and community plan at least once every 5 years to meet the needs of the residents of their area. This plan must be prepared in accordance with guidelines issued by the department. Aspects of the social and community plan must be reported in council's management plan and annual report.

Port Macquarie-Hastings Council had just publicly exhibited its social plan prior to the review. Council provided the department with a copy of the draft plan. The plan is well developed and well structured. The characteristics of the local government area section is comprehensive and includes a geographic overview, a solid demographic

profile with detailed analysis and state/regional comparison of trends. There is strong evidence of the integration of strategies across council functions and divisions.

Needs assessment outcomes are represented by key social themes. There are subsequent action plans for target groups and a generic priority plan (for issues common across target groups) that identify strategies according to these themes. This appears to be a strong approach to the integration of needs assessments into strategies.

The method of developing the plan is clearly outlined, including details of consultations, stakeholder involvement and the evaluation and review of strategies. Council has established a social plan steering committee that includes representatives from the Department of Community Services, Mid-North Coast Health, TAFE, local service provider Centacare and a community member.

The plan would benefit from the inclusion of an executive summary. Council should also ensure that the strategies in the social and community plan are included in, or linked to, council's management plan. This feedback was provided to council staff while the review team was on-site.

Disability access

Council has developed a disability access policy and action plan that was adopted in July 2002. Council's access committee has been in operation for 12 years and is the driving force behind this plan. It is chaired by the Deputy Mayor and involves various people with a disability.

It is clear that this committee has developed good relationships with the various council departments. Development plans are forwarded to the committee for their comment. There is a link between the engineering department's work plan and budget with the committee's pedestrian access mobility plan. The disability action plan not only identifies actions for the council organisation itself, but includes strategies related to council's service responsibilities within the community. Additionally, council has undertaken disability awareness training with its staff.

Cultural activities

Port Macquarie-Hastings Council was the 4th City of the Arts from 2001 to 2003. Council is currently developing a draft cultural plan. In 2003, council was awarded \$15,000 by the Community Cultural Development Board of the Australia Council for the 2003 Aquasculpture outdoor sculpture exhibition. This exhibition was conducted again in 2005.

The important element of this activity is that it is a collaborative project between the Port Macquarie-Hastings Council StormWater Environment Education Program (SWEEP) and WaterWise NSW. The primary focus of these organisations is water conservation and environmental management. The project is a successful example of the integration of arts and cultural development principles and practices into educational and community awareness programs.

Challenges to improve

Community feedback

Council uses a range of methods to obtain feedback from its community. This includes a community survey every 4 years. In addition to this council conducts spot customer satisfaction surveys and has undertaken some “mystery” shopping of council services. Council has a program of consultation processes and is currently reviewing its consultation policy.

Council should be mindful that its 1999 and 2004 community attitudes surveys placed a high importance on community involvement in council’s decision making but had a low level of satisfaction with this. This is an area that requires urgent attention and council’s current review should be a priority. It is important that council continually evaluates its community involvement processes. (Recommendation 27)

Customer service standards

Customer service standards (also known as guarantees of service) set out some key performance standards for the most frequently used services. The highlighting of customer service standards sets a level of expectation within the community, as well as providing guidelines for staff performance.

Some individual council departments have developed customer service standards. For example, the Development and Environment Division has a customer service charter that provides information on the division's role and what its customers can expect from it. This includes some specific performance criteria linked to the various activities of the division. The monthly performance report includes the reporting on at least one of these service standards. The review team was advised that call centre customer service standards were monitored and reported on up until 12 months ago.

Council is current developing a program for the measurement of customer service standards so these can be included in the monthly performance reports. It is important that once these are developed they are monitored and reported on to ensure accountability to the community and to provide feedback to the council.
(Recommendation 28)

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:

- *Workforce planning*
- *Consultative committee processes*
- *Recruitment and selection processes*
- *Employee remuneration*
- *Equal employment opportunity*
- *Staff development*
- *Grievance management*
- *Secondary employment*

Overview of the organisation

Port Macquarie-Hastings Council reviewed its organisational structure and adopted its current structure on 14 February 2005. The executive management team is made up of the general manager and 5 directors.

Council is participating in the Mid North Coast Strategic Alliance and is currently benchmarking with the other councils in this group in relation to sick leave, carers leave and injury lost time. Council monitors its performance in these areas as well as staff turnover, competency assessments and training. Council's staff turnover is very low, currently approximately 3.5%. Council appears to have a culture as a training organisation and conducts a lot of in-house training.

Council has a structured return to work program with an increase in hours of this program of 43% in the last year. While council's workers compensation costs have gone up, it was felt that this related to an increase in costs to the sector rather than council's claims.

What is working well

Employee survey

Council conducts an employee survey every 18 months. The survey measures key performance indicators such as leadership, management effectiveness, supervisory effectiveness, people management, organisational commitment, customer service, cost consciousness and information technology. The survey results are compared to the previous survey. Council's results are also benchmarked against other municipal governments.

Council's 2003 results indicate that it has improved in its immediate manager/supervisor effectiveness and ethics, job satisfaction and customer service commitment. The job satisfaction indicator increased by 8 percentage points, a significant increase. Areas that have been identified for improvement include corporate leadership, organisational image, information technology and pay satisfaction.

There is evidence that council takes action on the results of the employee surveys. For example, council has reviewed its pay structures and it is expected that the pay satisfaction rating will improve in future surveys.

Equal employment opportunity (EEO)

Section 334 of the Local Government Act states that councils are "to promote equal employment opportunity for women, members of racial minorities and physically handicapped persons in councils". In accordance with section 345 of this Act, council is also obliged to "prepare and implement an equal employment opportunity management plan".

Port Macquarie-Hastings Council has developed an EEO Management Plan that includes an EEO policy statement, information about the legislative framework including the benefits of an effective EEO framework, results of an EEO survey conducted in 2002 and strategies. The integration between this plan and other council plans, policies and procedures is obvious. For example, council's recruitment

and selection procedures include many references to council's EEO policy and practices; the EEO strategies include an objective in relation to people with a disability that is actioned by council's Disability Action Plan.

It was unclear when council's EEO Management Plan was adopted or reviewed and this information needs to be included in the plan. Council's plan could be improved by providing specific targets and performance criteria, a description of the method used to develop the plan, definitions of key words or a glossary and a statement about corporate ownership of the policy. (Recommendation 29)

Challenges to improve

Consultative committee

Council has established a consultative committee in accordance with the Local Government (State) Award 2004. The aim of the consultative committee is to provide a forum for consultation between council and its employees. The functions of the consultative committee are about day to day management issues such as award implementation, training, job redesign, performance management systems and hours of work.

The membership of council's committee includes 3 councillors. Council should be represented on this committee by its general manager or his/her nominee/s. Due to the day to day operational issues considered by this committee it is inappropriate for councillors to be members of consultative committees. (Recommendation 30)

Workforce planning

While Port Macquarie-Hastings Council has a low staff turnover and has been able to attract experienced, quality staff, it is exposed to a number of workforce issues such as:

- the shortage of specialised skills in certain areas, such as in the area of planning
- an ageing workforce

- a change in workload for certain sections as council's and government priorities change
- increases in career opportunities outside the Port Macquarie-Hastings area.

Council advised in its response to the draft report that it has re-introduced initiatives such as traineeships over the last 2 years. It has also undertaken a comprehensive salary review to address retention and recruitment problems. In addition, council is an active supporter of the LGMA Management Challenge as a mechanism to develop staff.

Council needs to consider a long term workforce plan that looks at the staffing need of each section of council and allocates staff according to workload and priorities. The long term plan should also address the issue of council's ageing workforce. (Recommendation 31)

7. COUNCIL'S RESPONSE

Council responded to the draft report on 3 February 2006. Council responded to a number of areas of the report as well as making comment on all the recommendations in the report. Some of the comment on the recommendations provided information on what action council intends to take. This information is not reproduced in this report and should be incorporated in the action plan that council is required to complete after it has tabled the review report. Council's response or concerns to sections of the report are reproduced and addressed hereunder.

Chapter 2 Executive Summary

Council's Financial Position

On page 7 of the report, the following statement is provided "Council is in a satisfactory financial state". Council believes that this understates the current financial position of the organisation.

On pages 42 & 43 of the same document analysis has been undertaken by the Department on Council's unrestricted current ratio, annual rates and charges outstanding percentage, debt service ratio and the written down value of its off Council assets. The document states in each of these items that Council's performance is better than what the Department would consider to be a good ratio.

Council has for the last 6 years embarked upon a strategy to reduce its reliance on debt funding. This has been underpinned by longer term financial modelling encompassing Council's strategic Infrastructure and Community Development requirements. This strategy has seen Council's debt service ratio decline by in excess of 4% over the same period.

Along with this strategy Council has also strengthened its financial management practice right across the organisation via monthly reporting processes and ongoing reviews of Council's financial position. These practices have seen Council's performance measurement ratios steadily increase over this period of time. Council has also extensively reviewed its Section 94 plans.

Council's longer term financial modelling has underpinned its submissions to the State Government for recent rate increases and has been viewed by the Minister and the Department as being a sound basis from which to embark upon a major infrastructure provision program.

With these issues in mind, Council believes its position to be extremely sound and responsible.

The financial assessment is based on three ratings: sound, satisfactory and unsatisfactory. For a council to be in a sound financial position it needs to perform well on all the financial indicators. Asset maintenance and management is an area that requires improvement for Port Macquarie-Hastings Council. It is therefore considered to be in a satisfactory financial position.

Chapter 5 Council's Ambitions, Priorities and Future Focus:

Council's Long Term Planning and Vision

Council's current corporate planning process hinges off Council's longer term strategic plans on Infrastructure and Community Development with these plans feeding into Council's longer term financial plan. These plans reference Council's long term vision and annually projects are re-measured against this vision.

It is however fair to say that Council's planning processes in the major areas of Infrastructure and Community Development have been sound and do in fact provide for that 20-25 year time horizon.

The Department's views that Council does not hold one integrated strategic planning document which states where we are going to be in 20-25 years time is a fair assessment, however, based on the abovementioned framework this is an integration process, not one that will require a blank canvas approach.

It was not the intention that council should start with a blank canvas, rather council should bring together its existing long term strategies from its other plans to form a strategic direction for council and its community. It is not evident that these long term strategies are incorporated into the council's current strategic plan. The recommendation has been slightly modified to be clearer about that this is an action of integration.

Mid Coast Strategic Alliance

The commentary within the report correctly states that the objective of the alliance is achieving cost savings as well as improving the quality and range of services and facilitating network and the sharing of information. It is most definitely operationally based.

The report comments that it is difficult to see that Council has adopted a regional focus. It depends on what you define as a region. The Port Macquarie-Hastings local government area covers in all 3,500 kilometres and 75,000 residents. In its submission to the Minister regarding boundary reform, the Council noted that it very logically formed a local government area in terms of geography and communities of interest. It covers the major regional centres and significant towns in the number of villages as well as rural areas and the 'Hastings' is well recognised as a region in its own right.

The report states that the alliance has the objective of achieving cost savings and improving the quality and range of services and also goes on to say that it is clear from discussions with staff that they are valuing the involvement in the alliance network groups, yet the report also says that there is a lack of focus on what Council can learn from its regional partners. The focus of Council's involvement, which is being demonstrated, is very much efficiency, information sharing and networking which is being readily acknowledged by the staff involved. The strategic alliance has now matured, benefits are starting to be demonstrated and there is certainly merit in Council formally reflecting its role in its strategic focus.

The wording of the recommendation has been modified to reflect that it is the council's role in the region comprised in the Mid North Coast Strategic Alliance that should be included in its strategic focus.

Chapter 6 Delivering and Achieving:

Policy Register

The first paragraph on page 25 mentions that Council could improve its policy process by regular reviews. The Policy and Procedures register is reviewed annually. This process begins with a memo to all Directors in October each year cross referencing all policies/procedures that have initiated from their division. Any changes/amendments are then reported to Council for approval.

The date on which the Council amended the policy is recorded in the updated policy or procedure.

Acknowledged. The report text has been updated and the recommendation to regularly review policies has been removed.

Rec. 9

Council should develop a business continuity plan that applies to council's physical and electronic records.

Council Comment:

The majority of incoming documents and all outgoing correspondence are electronically scanned into Council's Electronic Document Management System (Dom Doc) and backup copies stored off-site. By year end Council will have a duplicate records system stored on off site servers with generator and UPS backup, together with a high-speed radio link back to council's in-house computer system.

Council will still have some physical records that require storage and council should develop a business continuity plan that applies to all its records.

Procurement and Tendering

Page 30 - The report spends one page detailing the positives about Council's purchasing, tendering and engagement of consultants policies, but then goes onto say that while they provide a platform for best practice, it appears that they may not have been implemented in a satisfactory manner in the past.

It appears that the review team has included purchasing and tendering together in this comment. The information reviewed at Council, was tendering related - and staff were not asked for any purchasing examples at all. Council's procurement staff are very vigilant in ensuring that correct numbers of quotes are obtained and that people with the appropriate delegated authority sign off on requisitions etc. In regard to purchasing, the comment is unjustified.

In regard to tendering, the comment about closed sessions is a very general comment not specifically relating to the three tenders that the team reviewed. That matter is referred to later in this response. The last two comments made in the dot points on page 30 are unfortunately possibly valid in relation to the appointment of the Acoustic consultant tender. However, we had nearly 70 formal tenders last year for all manner of goods and services, so to make a generalisation on one only tender is not really a fair assessment of Council's position....noting that the comments appear to be specifically referring to the appointment of the acoustic consultant in this report.

The report mentions the EOI for the appointment of Root Projects on page 30 - it seems to be criticising the fact that the EOI criteria did not include price. This is not uncommon in an EOI - when you are searching for consultants with the capacity and capability of performing the work....nor is it stated in any regulations or guidelines that price needs to be a consideration of an EOI. The review team also criticise the other criteria in the EOI - this is very subjective - these criteria were determined as being those that would elicit the most appropriate responses required from the tenderers - in an effort to find the most capable consultant to do the work.

The review team state that many tenders go to closed sessions where there is little chance that the commercial

position of a tenderer would be prejudiced. Pricing alone is not necessarily the most sensitive information in a tender - there could be alternative methods of doing the work, intellectual property issues as well as the make up of some of the pricing. Notwithstanding this, it is agreed that there are occasions when tenders can be reported to open council.

I note that the report and the recently released tendering guidelines do not expand on this point.

The comments about the EOI process for the acoustic consultant are valid, including Council's use of Section 55 (3) on this occasion.

The review team have raised the recommendations to Council for the acoustic consultant (page 32) - these recommendations are not in conflict at all and are not uncommon - they are simply giving Council options to ensure that we do not get tied to expending these funds unnecessarily. While the team make a recommendation (#16) about the tendering requirements, they have been very non-specific in highlighting what are the exact areas of the regulations that Council is not currently addressing - other than the incorrect use of Section 55 (3).

The team make recommendation 17 that somewhat contradicts the earlier issue of the closed sessions versus prejudicing a tenderer - it is stated that Council should report all aspects of the contract that Council is considering - in open session - yet surely this gets back to some of the confidentiality issues - what is commercial in confidence and what is not.

The comments are noted. The recommendations have been modified to provide positive actions that council can take to improve its tendering processes. The text has been modified to clarify that comments made by the review team relate to the tendering policy and to clarify that a sample of three tenders were reviewed. While the review team acknowledges that it has reviewed a small sample of council's tender processes, each showed problems. The review team is of the opinion that reporting on the assessment of criteria is an important aspect of the tendering process and provides an audit trail and in turn transparency in the process. This has been reflected in the modified recommendations.

Complaints Handling

The review team has mentioned that council should include regular reporting as part of its Complaints Handling Policy, Council has a policy and a procedure and the procedure provides for regular reports to Council and monthly reports to the Executive Group. A copy of the policy and procedure were previously provided to the review team.

Rec. 18

Council should include, as part of its complaints procedures, regular reporting of complaints to senior management. This should include the progress and outcome of complaints. Council should provide training on complaint handling to all staff and the opportunity to refresh complaint-handling skills.

Council Comment:

Agreed. Complaints will be reported to Council's Executive Group on a monthly basis, including time taken to respond and whether the complainant is satisfied with the response. Comprehensive quarterly reports will also be made to the Council. Our Document Management System has been modified so that all complaints will be tracked through the system and will be managed by the Customer Service Manager. All staff will be trained in the operation of the Complaints Management System in the first half of 2006.

While council's policy and procedure provide for regular reporting, the review team was unable to confirm that regular reporting took place.

Regulatory Functions

Challenges to Improve-Development Assessment Panel

The review team has commented on the membership of the Development and Assessment Panel. The team has made the recommendation that Council should not appoint elected members to the DAP.

Prior to the last local government election Council operated a Development Control Unit chaired by The Director of Development and Environment together with other senior staff and did not have any Councillor representation. The DCU determined development applications under delegated authority. At the last local government election in March 2004 there was concern raised by a number of candidates and considerable media publicity to the effect that non-elected public servants should not be solely responsible for the determination of development applications.

Following the election of the new Council, Council gave thought to the structure of the DCU and ultimately recommended to Council the formation of the current Development Assessment Panel with 2 Councillors and 4 senior staff including the Director. Following the immediate resignation of one Councillor, DAP has operated since its inception with the Deputy Mayor as Chair and with 4 senior staff including the Director. Whilst we have not undertaken any customer surveys of its performance (and perhaps we should), it is Council's belief, from speaking with applicants, objectors, Councillors, the media and Council staff that it has been a considerable improvement on the previous process and has been well received by all participants.

The major reasons for its success are the following:-

1. The appointment of a Councillor recognises that the planning process is not an absolute science and that there are a proportion of applications where the merit issues require a judgement to be made which can benefit from the contribution of an elected, lay person. This recognition is no different from the processes which occur in application assessment at the State Government level where the Minister is involved in development applications of State significance.
2. The apparent concern with the "politicisation" of the Development Assessment Panel (DAP) has in fact had the reverse effect, whereby the participation of an elected representative has provided DAP with the confidence to determine nearly all development applications subject to objections, under delegated authority. Conversely without elected representation, there would be far more development applications being referred to Council via call up provisions with the outcome being a far slower, more costly and more "politicised" process. It is suggested that the Review Team consider and benchmark Council's overall performance in development assessment whereby in 2005 only 24 development applications were referred to Council for determination compared to the 739 total of development applications determined in that year. This does not include the 828 complying development approvals issued within 7 days of receipt of the application. This does not seem to present any evidence of an overly "politicised" planning process. It is noted however that if Council was factionalised, then the system may not operate as well as what it is currently.
3. The Deputy Mayor with his extensive experience in the building industry has proven to be a very effective Chair of the Panel.
4. Accountability for report preparation and amendment is clearly documented and made public.

Council reviewed the performance of DAP following 6 months of operation at its meeting on 14 February 2005. The review endorsed the above comments.

Noted. The review team is of the opinion that the Development Assessment Panel has two roles, being both operational and determinative. It is inappropriate for a councillor to be involved in an operational role. Additional comment has been provided in the report to further explain the review team's position on this matter.

State of Environment Reporting

The review team has raised a number of issues relating to Council's State of the Environment (SOE) Report on pages 40 and 41. In response the following comments are offered:

The DLG review included an examination of Council's 2003/2004 State of the Environment Report. This SoE report was a comprehensive report as required by the Local Government Act 1993. The review acknowledges that the 2003/2004 SoE Report was generally in compliance with legislative requirements but raises a number of issues.

The review considers that the SoE should draw on information from other councils and provide contextual information about the regional setting and issues in surrounding LGAs. With the exception of some basic regional setting information in past reports, this has not generally been the approach taken by Port Macquarie-Hastings Council. The PMH local government area is a large catchment based LGA. This spatial characteristic forms an ideal natural boundary for the purposes of natural resource management and reporting. In addition, there is little influence on environmental conditions from the region and therefore the PMH area lends itself to independent reporting. Notwithstanding the above, if Council was aware of any issue in nearby areas that was affecting the environment in the PMH local government area, these issues would be appropriately addressed in the PMH SoE. Where Council has not had information specific to the LGA, generic information from regional sources has been used eg the Aquatic Ecosystem and Species Diversity section of the 2003/2004 SoE Report.

The review concludes that the 2003/2004 SoE Report provides insufficient information on heritage issues. This is acknowledged and has since been addressed by better quality detail in the latest (2004/2005) report. The completion of Council's Aboriginal Heritage Study will provide significant new sources of information that will be reported upon in subsequent SoE reports. It should also be noted that Council's Community Services Section is producing a separate heritage (European) report which could be incorporated into the SoE.

Contrary to the comments in the DLG review, the 2003/2004 SoE Report does fulfil the requirements of the Act and Regulations in relation to an assessment of the 8 environmental sectors. The review document claims that Table 1.1 in Chapter 1 of the 2003/2004 SoE only deals with 5 of the 8 sectors and considers this a failing of the report. The report itself does address the 8 sectors, Table 1.1 merely highlights those areas that require further management and/or a re-prioritisation of action. In this case, only 5 sectors warrant inclusion in this Table.

The review document suggests that the 'Future Directions' part of each section be expanded to include a list of future actions and issues to be addressed by Council. The 2003/2004 SoE does in fact do this, not under each 'Future Directions' part, but in a centralised manner in Table 1.1 Chapter 1. Changes to this format are not considered necessary.

The comments in the DLG review in relation to community consultation are valid. Past experience with community consultation associated with SoE reports were not productive and poorly embraced by the community. A review of community consultation on the SoE may be necessary.

There is no specific information in the 2003/2004 SoE relating to the involvement of the community in monitoring changes in the environment. However, the report does make reference to the programs being implemented in the local government area by community groups such as Landcare, Dunecare, Friends of Kooloonbung Creek etc. Council does not have resources sufficient to manage community environmental monitoring programs. The practicality of this requirement (which comes from cl 220 of the Local Government (General Regulation 2005) is questioned.

These comments are acknowledged and the text and recommendation have been modified where appropriate.

Asset and Financial Management

Challenges to Improve - Asset Management

The report on pages 45 and 46 raises some issues with regard to Asset replacement which requires a response to more accurately reflect Council's position.

Council has a rolling works programme which includes projects for asset replacement. This programme covers 10 years for all general fund assets and 30 years for water and sewerage assets. Included in this plan are projects included in Councils S94 and S64 plans which cover the following timeframes.

Water – 30 years
Sewerage – 30 years
Roads – 20 years
Open Space – 20 years

There is currently a S94 plan for Community, Cultural and Emergency Services on exhibition which covers a 22 year period.

Within these plans are asset upgrades as well as new asset purchases/construction.

In 2004 Council commissioned a "Review of Hastings Council Asset Management" which was undertaken by Sinclair Knight Merz.

Council is currently working through the implementation of the reports findings starting with the implementation of an integrated Asset Management System.

The integrated system when fully operational will provide widespread benefits both from an operational efficiency perspective and a strategic decision making perspective.

With regard to the Department's comments stating that "*Council did not spend as much on the annual maintenance of its assets as the budgeted amount in 2003/04. Council budgeted an expenditure of \$13.847 million but actually spent \$6.714 million*". The figure of \$13.847 is not a budgeted amount, in accordance with the Local Government Code of Accounting Practice this column is what should be spent to maintain assets to a satisfactory standard. These figures have been taken from the Engineering assets systems and are subjective. As stated above Council is moving to a new integrated assets system at the moment and more accurate asset maintenance figures should be available once the system is on line.

In addition, in the 2003/04 annual statements the figure for roads maintenance actually spent is incorrect as no reseals were included in the actual amount expended. This was an error and was corrected in the 2004/05 statements.

The variance between the actual amount spent and what is required is primarily due to transport and stormwater assets. Council has put processes in place to address this variance such as the resolution below.

In 1999/2000 Council resolved the following:

"That Council review its procedures for the allocation of Operational Budgets for transport and stormwater drainage assets with the view of increasing these budgets in four (4) increments between 2000/01 and 2003/04 to a value not less than 1% of the Current Replacement Cost of these assets".

This 1% target was actually achieved in the 2004/05 financial year. In 2005/06 the budgeted maintenance % stood at 1.116% of the Current Replacement Cost. The additional amount applied to transport and stormwater assets between 1999/2000 and 2005/2006 is \$2,164,900, this equates to a 66.3% increase.

Noted. The text in the report has been expanded upon based on this feedback provided by council. Council's budgeted expenditure has been modified to reflect that it is the amount required to maintain assets to a satisfactory standard.

Cultural Centre

A number of the observations about the Cultural Centre are not supported by the history of the project and some of the facts quoted are out of context and inaccurate. It is not proposed to go into detail here as it has been covered as part of other exercises.

Noted.

Rec. 30

Council should develop a workforce strategy to address its future employment needs, particularly in relation to the age of its workforce and staff availability.

Council Comment:

Acknowledged noting that Council has re-introduced initiatives such as traineeships over the last 2 years to start to address the issue. A comprehensive salary review was undertaken 2 years ago to address retention and recruitment problems and Council has been an active support of the LGMA Management Challenge as a mechanism to develop staff. Notwithstanding this further proactive planning is required.

Noted and this information has been provided in the report.

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- A clearly articulated vision, mission, set of values and focus areas to guide the organisation.
- A consistent approach to the development of its business plans.
- Regular reporting on key performance indicators.

Challenges to improve

- The integration of its long term plans into the strategic plan.
- The reflection of its regional role in its strategic focus.
- Preparation of long term strategies to meet current and future needs for older people.

GOVERNANCE

What is working well

- All staff and councillors have received training in the newly adopted code of conduct.
- An effective records management system.
- Generally, council's policies are clear and comprehensive.
- Council's policy register on its website is an example of good practice.

Challenges to improve

- The development of a risk management plan and conducting of regular risk assessments.
- Review of its meeting procedures to maximise public accountability.
- The monitoring and review of council's complaints and complaint handling procedures.
- The development and adoption of a policy supporting legislative compliance.
- Ensure it addresses the requirements of the tendering provisions of the Act.

REGULATORY

What is working well

- A program to regularly review council's land use policies and plans.
- A clear and precise enforcement policy.
- Linking of long term strategic infrastructure planning with contributions plans.

Challenges to improve

- Review of its State of the Environment reporting.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- A pro-active approach to financial modelling.
- Council's businesses are performing well.
- Recognition of good practices in water supply and water conservation.

Challenges to improve

- Preparation of a comprehensive asset management plan.
- Urgently address the need for a business model for the Hastings Cultural Centre.

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- An effective approach to disability awareness and access.
- Integration of arts and cultural activities with council services.

Challenges to improve

- Review and on-going evaluation of community consultation processes.

WORKPLACE RELATIONS

What is working well

- Evidence of high employee job satisfaction.
- Staff turnover is low
- Conducts regular employee surveys.

Challenges to improve

- The development of a long term workforce plan.