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# Promoting Better Practice Program

## REVIEW REPORT

### UPPER HUNTER SHIRE COUNCIL

FEBRUARY 2012



**Division of Local Government**  
Department of Premier and Cabinet

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>3</b>
<b>PART I. BACKGROUND.....</b>	<b>4</b>
1 ABOUT THE REVIEW.....	4
2 ABOUT THE COUNCIL AND THE AREA.....	7
3 SUMMARY OF KEY FINDINGS.....	9
<b>PART II. PLANNING A SUSTAINABLE FUTURE.....</b>	<b>11</b>
4 STRATEGIC PLANNING AND REPORTING.....	11
<b>PART III. DELIVERING AND ACHIEVING.....</b>	<b>15</b>
5 GOVERNANCE .....	15
6 PLANNING AND OTHER REGULATORY FUNCTIONS .....	21
7 ASSET AND FINANCIAL MANAGEMENT .....	24
8 COMMUNITY AND CONSULTATION.....	27
9 WORKFORCE RELATIONS.....	30
<b>PART IV. RISK RATING OF RECOMMENDATIONS.....</b>	<b>34</b>
<b>PART V. ACTION PLAN.....</b>	<b>35</b>

## **EXECUTIVE SUMMARY**

Upper Hunter Shire Council is performing well, with the majority of its practices being of a satisfactory standard. At the time this review was undertaken, Council was already examining and refining many of its systems, policies and practices and aligning these with the requirements under Integrated Planning and Reporting. The reviewer found many practices worthy of note, including procurement and tendering.

The reviewer identified a number of improvement opportunities that Council needs to consider as a priority. The report provides details of these so that the Council can give due consideration to these issues.

The reviewer noted that a number of significant policies were adopted in 2011 prior to this review being conducted. Many of these policies are key policies for good governance and will require Council to provide training to staff.

Some challenges facing the Council in the coming year include accurately forecasting and managing its financial position, building and maintaining infrastructure in an effective manner, and responding to demographic change.

Council is in a satisfactory financial position with all financial indicators showing performance as satisfactory. Council needs to determine the extent of its asset portfolio in order to better manage its maintenance commitments and increase awareness of its asset cost base. Council also needs to further enhance its Long-Term Financial Plan to underpin the long term strategic plan that is critical to building sustainability for Council's finances.

Council also has increasing pressures arising from development in the coal mining sector and needs to develop its workforce strategies in conjunction with the Integrated Planning and Reporting framework.

## **PART I. BACKGROUND**

### **1 ABOUT THE REVIEW**

#### **Review objectives**

Promoting Better Practice Reviews have a number of objectives, including generating momentum for a culture of continuous improvement and the promotion of good governance and ethical conduct. The reviews are designed to act as a "health check", giving confidence about what is being done well and helping to focus attention on key priorities.

#### **Review process**

This process involved a contract reviewer from IAB Services, on behalf of the Department of Premier and Cabinet's Division of Local Government (the Division), evaluating the effectiveness and efficiency of the council's operations and giving feedback.

There are essentially five steps in a typical review - preparing, assessing, checking, analysing and reporting. The completion of a comprehensive self assessment checklist by the council is a key element in all PBP reviews.

The reviewer takes a risk based approach targeting resources to areas identified as core matters to be examined as part of a PBP review and those matters considered to be important having regard to the circumstances of an individual council. The reviewer does not examine every aspect of a council's operations.

All reviews involve checking compliance with a range of statutory requirements, examining appropriate practices and ensuring that the council has frameworks in place to monitor its performance. All reviews seek to identify better and noteworthy practices and areas requiring improvement or further development.

The reviewer examines local circumstances in order to understand the pressures on council and how the council has sought to manage that environment.

The scope of the review report is limited to documenting those areas the reviewer identified as:

- exceeding good practice (referred to as better practice)
- in need of improvement or further development
- otherwise noteworthy for the reasons detailed in the body of the report.

SIGNIFICANT OBSERVATIONS	DESCRIPTION
<b>Better practice</b>	<ul style="list-style-type: none"> <li>• Beyond or above minimum compliance requirements and good practice indicators.</li> <li>• Innovative and/or very effective.</li> <li>• Contributes to continuous improvement within the sector.</li> </ul>
<b>In need of improvement or further development</b>	<ul style="list-style-type: none"> <li>• Does not satisfactorily meet minimum compliance and good practice indicators and may impact negatively on council operations.</li> <li>• Significant improvement initiatives that are in progress and which need to be continued.</li> </ul>
<b>Otherwise noteworthy</b>	<ul style="list-style-type: none"> <li>• May include successful initiatives which respond effectively to local circumstances or practice that is in other ways significant for the council/community.</li> <li>• Practice which in general exceeds good practice but may have some aspects that require fine tuning.</li> </ul>

### Upper Hunter Shire Council Review

Upper Hunter Shire Council was asked to complete a comprehensive checklist/questionnaire about key Council practices. The review was conducted by a contractor from IAB Services, who examined these and a range of other source documents prior to visiting Council in order to gain a preliminary understanding of the circumstances of Council and how the Council is responding.

The on-site component of the review took place in June 2011. It involved initial interviews with the Mayor and the General Manager, interviews with a cross-section of staff, general discussions with councillors, observation of a Council meeting, a review of Council policies and other documents.

### **Implementation and monitoring of recommendations of final report**

The Division does not propose to monitor the implementation of the recommendations of this report. This responsibility will rest with the elected body and senior management of Council.

## **2 ABOUT THE COUNCIL AND THE AREA**

### Location and demographics

The Upper Hunter Shire is a Local Government Area in the Hunter Region of NSW. The Local Government Area was formed in May 2004 from the Scone Shire and parts of the Murrurundi and Merriwa Shires. The Council's vision is 'A Quality Rural lifestyle-in a caring and thriving community'. Together with the Muswellbrook Shire and Singleton Councils, the Upper Hunter Shire Council forms a sub-region of the Hunter Valley. The Council area covers an area of 8,071sq kms and has a population of approximately 14,500.

The towns of the Shire are Scone, Aberdeen, Murrurundi and Merriwa, as well as several villages including Bunnan, Gundy, Moonan Flat, Ellerston, Wingen, Blandford and Cassilis. Of the towns in the area, only Aberdeen on the Shire's south-eastern border is situated on the Hunter River.

The Hunter Valley is one of the largest river valleys on the NSW coast and is most commonly known for its wineries and coal industry.

The Burning Mountain Nature Reserve, near Wingen, is the site of a subterranean coal seam that has been burning for several thousand years.

The Upper Hunter area around Scone is one of the largest horse breeding areas in the world. The Hunter Valley is a major tourist destination in NSW and there are regular events and festivals held for visitors throughout the year, including Scone Horse Week and the Highland Festival.

### Local issues

Coal mining is the most important economic activity in the Hunter Valley. There is increasing tension between the local mining industry and other industries in the area because of the perceived environmental impacts of coal mining, including dust, water usage, water contamination and the destruction of agricultural land, as well as the impact of coal trucks on local and regional roads.

### Current Council

The current Council consists of nine (9) councillors. The councillors are made up of a mix of experienced and new councillors. There are five (5) female and four (4) male councillors. Four (4) of the councillors are in their first term, three (3) being elected at the 2008 Local Government Ordinary Election and one (1) at a by-election in 2009.

The Mayor and Deputy Mayor are elected by the councillors. At the time of the review, the Mayor was in her first term.

### Council staffing

There are 184 full-time equivalent staff employed by Upper Hunter Shire Council, making it one of the significant employers in the region. Council's General Manager was appointed by proclamation in 2004 following the formation of Upper Hunter Shire Council and reappointed in 2005 and 2010. He is currently supervising three (3) Group Directors: Director of Corporate Services; Director of Technical Services; and the Director of Environmental Services. The Council's structure was reviewed and adopted by the current Council in June 2010.



### 3 SUMMARY OF KEY FINDINGS

Better practices/Other noteworthy practices		Areas for improvement	
<b>STRATEGIC POSITION</b>			
	Strong community engagement		Training and Development for councillors
			Integration of Workforce Management Strategy, Asset Management Plan, Long-Term Financial Plan
			Clear distinction between Community Strategic Plan, Delivery Program and Operational Plan
			Steering Committee to assist in move towards IP&R
<b>GOVERNANCE</b>			
	Clear and concise policy and procedures on tendering and procurement		Develop a councillor training program that includes material on IP&R requirements and obligations
	Good framework for the operation of its 355 committees		Develop a 'whole of organisation' risk management assessment and plan
<b>PLANNING AND REGULATORY</b>			
	Development reports are of a high standard		Audit of development assessment and contributions processes
			Procedures to inform councillors and the community about determinations under delegated authority

Better practices/Other noteworthy practices		Areas for improvement	
<b>ASSET AND FINANCIAL MANAGEMENT</b>			
			Outstanding rates and charges need to be monitored
			Long-Term Financial Plan assumptions need to be stated
<b>COMMUNITY, COMMUNICATION AND CONSULTATION</b>			
			Strengthen Council's approach to recreation activities by including strategies in its Social and Community Plan
<b>WORKFORCE RELATIONS</b>			
	OH&S Management Plan (now Work Health and Safety)		Succession plan needs to be developed
	Employee attitude survey used		
	Well structured induction program		
	Exit interviews used as a informative management tool		

## **PART II. PLANNING A SUSTAINABLE FUTURE**

This part of the review focussed on Council’s strategic intent and how it has involved its communities and other stakeholders in developing long term strategic plans. The review assessed the clarity of Council’s strategic direction, whether its plans reflect a shared and realistic vision and its overall approach to corporate planning. Monitoring and reporting progress to promote continuous improvement was also an integral consideration in regard to Council’s performance in this area.

### **4 STRATEGIC PLANNING AND REPORTING**

A new planning and reporting framework for NSW local government has been introduced to improve local councils’ long term community planning and asset management, as well as streamline reporting to the community.

The new framework aims to improve the sustainability of local communities by encouraging councils, residents and State agencies to work together on long term plans and appropriate delivery programs. The community strategic plan is supported by a resourcing strategy that includes long term financial planning, asset management planning and workforce management planning. The framework is set out in the following diagram.



### ***Upper Hunter Shire Council's Strategic Planning position***

The Division's review of the Council's Integrated Planning and Reporting suite of documents found that Council meets most of the legislative requirements of the Integrated Planning and Reporting framework.

#### **Community Strategic Plan**

The results of Council's strategic planning processes are documented in its Community Strategic Plan. The Plan identifies the community's main aspirations and priorities and set high level goals that reflect the quadruple bottom line.

The Strategic Plan could be further improved with more reference being made to social justice principles; and with the specific identification of partnerships that the Council has developed and which appear to contribute to the achievement of the objectives of the Strategic Plan.

Additionally, the level of detail provided in the Community Strategic Plan is more like that provided in the Delivery Program. The Plan did not make reference to how the State Plan (*NSW 2021*) or other relevant regional plans were considered. Council needs to give consideration as to how the strategic goals/milestones are going to be measured. It is not apparent that they are measurable.

#### **Community Engagement**

The Council has developed and published a Community Engagement Strategy to encourage the community, councillors and staff to be involved in guiding the development of its Strategic Plan. As with the Strategic Plan, it is not made clear within the Community Engagement Strategy how social justice principles have been considered. Engagement on the Community Strategic Plan appears to be limited to a community survey, workshops and public exhibition of the plans. In contrast, Council's on-going community consultation and engagement practices appear to be better, utilising a range of engagement methods.

## **Delivery Program and Operational Plan**

The Council's Delivery Program and Operational Plan have been combined into one single document. The 'vision' stated in this Plan appears to be different from the 'Community and Council's vision' stated in the Community Strategic Plan.

This single document does not show that there have been any principal activities developed over the four year period and has an operational emphasis instead. It is difficult to interpret the allocation of responsibilities for each of Council's major activities. While it is acknowledged that Council provides a statement of functions and indicators on pages 19 and 20 of the Delivery Program & Operational Plan document, it is difficult to cross reference this with the relevant activities in the Plan.

### *Overall integration of plans*

The linkages between the component plan, particularly the Workforce Management Strategy, the Asset Management Plan and the Long-Term Financial Plan, need to be further enhanced and made clearer.

### **Recommendation 1**

*Council needs to clearly distinguish the purposes of each of the Community Strategic Plan, Delivery Program and Operational Plan and reflect these purposes in each of the documents.*

### **Recommendation 2**

*The Council's Delivery Program should clearly state the principal activities that will be undertaken in the four year life of the Program.*

### **Council response**

Council will consider how it can enhance the linkages and purposes of each of its Plans and provide clearer principal activities in future documents.

Council's Community Strategic Plan contains four (4) Key Focus Areas, eight (8) Aspirations for the Future and twenty five (25) Community Strategic Objectives. Each Function/Activity of Council's Community Strategic Plan links directly to each relevant Community Strategic Objective, with strategic goals/milestones to be achieved over shorter (1 – 5 years), medium (6 -10 years) and longer term (greater than 10 years).

The Delivery Program and Operational Plan identifies from the same Function/Activities the same Community Strategic Objectives, with the specific objectives for each function/activity, major activities towards the specific objectives and performance measures by the way of workload, effectiveness, efficiency and level of service indicators. The shorter term (1 – 5 years) goals/milestones within the Community Strategic Plan for each function/activity are directly linked to the activities and projects within the Delivery and Operational Plan.

## **PART III. DELIVERING AND ACHIEVING**

This part of the review focussed on examining key structures, systems and processes involved in delivering the stated outcomes of Upper Hunter Shire Council's management plan. This included considering the means by which Council:

- governs its day to day operations;
- undertakes its planning and regulatory obligations;
- manages its assets and finances;
- involves the community; and
- recruits and retains its workforce.

## **5 GOVERNANCE**

### **5.1 OVERVIEW**

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

#### **5.1.1 Scope of review**

- *Procurement, disposal & tendering*
- *Code of conduct*
- *Risk management, legislative compliance and internal control*
- *Council committees*
- *Internal audit*
- *Fraud control*
- *Councillor training and development*
- *Policy and procedures*

### **5.1.2 Overview of Upper Hunter Shire Council's governance practices**

Overall, Upper Hunter Shire Council has many effective governance systems and processes in place. Many of these are not reported on as they meet the minimum compliance and good practice requirements.

### **5.1.3 Significant Observations**

#### ***Noteworthy practices***

##### *Tendering and Procurement*

Council appears to have a robust system for managing its procurement and tendering responsibilities. Council has dedicated time and effort into ensuring compliance with relevant legislation and published guidelines. Council has developed clear and concise policy and procedures to assist staff and minimise risks to the Council.

##### *Council Committees*

Council appears to have a robust system for managing its committees. Committees are provided with the following documents:

- a constitution or a charter that sets out their membership and functions,
- a code of conduct,
- code of meeting practice for Council committees.

Council advised that the charters are reviewed at least annually. Each new member of committees receives a copy of the code of conduct. It is evident that Council has used its Code of Meeting Practice as the basis for the meeting procedures for its committees established under section 355 of the Act.

#### ***Areas for improvement***

##### *Councillor Training and Development*

Councillors' knowledge and skills have a significant impact on the organisation's capacity to make sound and transparent decisions. New councillors require induction and ongoing development to equip them with the knowledge and skills required to



properly carry out their duties and allow them to be effective members of the council's elected body. For long serving councillors, there is the ongoing challenge to keep up-to-date with changes in the areas where they are making decisions for their communities. It is therefore appropriate that councils allocate appropriate resources to councillor training and development.

The Division encourages councils to provide opportunities for their councillors to keep abreast of developments in those areas that are most likely to be beneficial for carrying out their strategic role within the organisation. It is also important for each individual councillor to critically review his or her skills and knowledge and commit to ongoing development over their term as a councillor. As Council adopts the Integrated Planning and Reporting framework, it will be imperative for councillors to be fully aware of their strategic role in this planning process. It is noted that regular councillor information sessions are one way to continually develop knowledge and understanding across a broad range of subject areas.

Council does not have a comprehensive councillor development program. The Division of Local Government provides resources on its website to assist councils to create and implement a tailored councillor development program.

### ***Recommendation 3***

*Council should create and implement a councillor development program that includes material on the Integrated Planning and Reporting requirements.*

### **Risk Management Strategy/Plan**

Council does not have a risk management plan that addresses all key business risks facing the Council. The reviewer was informed that Council has commenced developing a Risk Management Plan by undertaking an Annual Statewide Public Liability risk audit and has implemented actions recommended as a result.

Risk management is the identification, assessment and prioritisation of risks followed by a co-ordinated application of resources and internal controls that assist in monitoring and minimising risk exposure and the likelihood and impact of identified risks.

An invaluable management tool for the implementation of any risk management strategy is the undertaking of an organisational-wide risk assessment with a business continuity focus. Business continuity activities consider the needs of people, assets and systems to provide effective prevention and recovery for Council. Through the adoption of this approach, it is ensured that Council could continue to operate with minimal impact of adverse or extraordinary circumstances. Council has a Business Continuity Plan which was adopted in September 2009. Council staff advised that it is planned to update this Plan in 2012.

It is good practice to undertake an organisational risk assessment at least every three years. Such a risk assessment can be used to identify areas of high risk that the Council needs to focus on, as well as being incorporated into its internal audit plan. Risk assessment processes ensure that Council looks beyond insurable risks and OH&S matters and works to identify and effectively manage all risks that it is exposed to.

#### ***Recommendation 4***

*Council needs to conduct a whole of organisation risk management assessment and develop a plan that identifies all organisational risks including business, insurance and fraud, analyse these risks, evaluate existing controls that are in place and then outline strategies to manage the risks identified.*

#### **Internal audit**

Pursuant to section 23A of the *Local Government Act 1993*, the Division released *Internal Audit Guidelines* in 2008 advising all councils to develop an internal audit function so that there is independent oversight of council systems and processes. Internal audit is an essential element of good governance within any organisation.

It is a tool of management that provides internal control in order to manage organisational risks. An internal audit program will also provide councillors and the public with assurance the Council is effectively managing its operational risks.

Council has an Audit Advisory Committee (Audit Committee) and an internal audit plan. The Audit Committee was established in September 2009. Council employed an Internal Auditor until his recent retirement. Council is looking at replacing this role with an external provider.

Council's external auditors have provided Council with a proposal that they act as internal auditors. The function of the internal audit is currently being advertised for tender with the closing date being in early December 2011.

When auditors engaged to perform internal audit functions are also the organisation's external auditors, the audit firm risks compromising its independence because the outsourcing arrangements places the firm in a position of appearing to audit, or to actually be auditing, its own work.

While it is acknowledged that Council's external auditor is bound by the 'Code of Ethics for Professional Accountants' and has outlined strategies that aim to separate the respective roles, the mere perception of a conflict of interest can create an appearance of impropriety and can undermine confidence in the internal auditor, the internal audit activity and the profession.

Further to this, Chapter 13, Division 3 of the *Local Government Act 1993* provides statutory provisions regulating a council's appointment of an auditor. Section 423 of the Act provides a definition of various entities that may not be appointed as a council auditor, otherwise known as a 'disqualified person'. In this case, Council's engagement of the external audit provider as the internal auditor would invoke section 423(2) of the Act, which states that a person (which includes a corporation) is disqualified 'who has a contractual arrangement with the council that (if the person were the council's auditor) might reasonably be seen to give rise to a conflict between the person's duties as an auditor and the person's interests under the arrangement'.

### ***Recommendation 5***

*Council should give consideration to the comments in this report when deciding on the appointment of an Internal Auditor.*

### ***Council response***

#### Council will:-

- 1) Create and implement a Councillor development program and have it available for the newly elected body in September 2012.
- 2) Create a Risk Management Plan that addresses the whole of business risk for Council in conjunction with its review of its Business Continuity Plan.
- 3) Consider the Division's comments on Internal Audit prior to finalising an appointment, although Council does not believe any conflicts of interest will arise.

## **6 PLANNING AND OTHER REGULATORY FUNCTIONS**

### **6.1 OVERVIEW**

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.

#### **6.1.1 Scope of review**

A review was conducted of a range of aspects of Council's planning and regulatory practices, including:

- *DA processing times and reporting*
- *Development assessment and contributions processes*
- *Environmental management*

#### **6.1.2 Overview of land use planning, development assessment and regulatory practices**

Overall, Council's planning and regulatory system appears to be functioning well.

Planning decisions are clearly documented and developments of any significance are referred to Council for determination. Councillors dealt with approximately 10% of all the development applications in 2009/2010.

#### **Local Environmental Plan**

Upper Hunter Shire Council has developed a Land Use Strategy to inform the development of a Local Environmental Plan that will cover the whole Upper Hunter Shire. Council currently does not have a single Local Environmental Plan. The Land Use Strategy was adopted in 2008 by Council and referred to the Department of Planning for endorsement. On 21 January 2010 the (then) Department of Planning endorsed the Land Use Strategy subject to a number of conditions and amendments. Council resolved at its meeting in February 2010 to note those requirements and to amend the Strategy to comply with the conditions of endorsement.

The Department of Planning and Infrastructure committed funding of \$95,000 towards the preparation of the new Local Environmental Plan.

Despite Council considering that its LEP is not a priority for approval by the Department of Planning and Infrastructure, it is currently working towards finalising this plan.

### **6.1.3 Significant Observations**

#### ***Noteworthy practices***

##### *Development reports*

The reviewer inspected a number of reports to Council and noted that the reports were of a high standard, concise and well documented.

#### ***Areas for improvement***

##### *Development assessment and contributions processes*

Council has never undertaken an audit of its development assessment and contributions processes using the ICAC development assessment internal audit tool.

#### ***Recommendation 6***

*Once the internal audit function is finalised, the audit of Council's development assessment and contributions processes using the ICAC development assessment tool should be undertaken.*

##### *DA processing times*

Council does not have a pre-lodgement advice service but offers an informal service by way of counter enquiries. Guidelines are also available on the Council's website.

Council monitors the turnaround times for DAs on a monthly basis reporting to the finance committee, senior management and weekly departmental meetings.

Council provides written information to DA applicants on what information must be provided to enable assessment, however, the process needs to be reviewed and improved.

90% of DAs are dealt with under delegated authority. Applications for significant development, those where submissions of valid concern have been received, and those that require special conditions are referred to Council.

In 2009/2010, Council determined 247 development applications (DAs) and on average (mean gross) these had a determination time of 71 days. This average is slightly higher than the Group 2 council average of 67 days.

Council has no procedures in place to ensure the elected Council is kept adequately informed of all determinations made under delegated authority and does not place public notices listing determinations.

***Recommendation 7***

*Council needs to consider the introduction of a pre-lodgement advice service to the community.*

***Recommendation 8***

*Council needs to develop procedures to ensure Council is kept adequately informed of all determinations made under delegated authority.*

***Recommendation 9***

*Council needs to make available public notices listing DA determinations on its website.*

***Council response***

Council will arrange for an audit of the Development Application and contribution process to be carried once the internal audit function is resolved. It will also develop procedures to ensure Council is adequately informed on all determinations done under delegation. All determinations will be listed on its website.

Council will consider if a pre-lodgement advice service for Development Applications is required and whether it would be a benefit to the community.

## 7 ASSET AND FINANCIAL MANAGEMENT

### 7.1 OVERVIEW

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.

#### 7.1.1 *Scope of review*

A review was conducted of a range of aspects of Council's asset and financial management practices, including:

- *Financial management*
- *Asset management, including land assets, plant replacement and capital works*
- *Rates structure*
- *Infrastructure maintenance*

#### 7.1.2 Overview of asset and financial management practices

Council has recorded an operating deficit before capital items for the past four years. The deficit for the year ending 30 June 2011 was \$3.3 M, and this is an increase over the previous year's result, being a deficit of \$2.6M.

The Council uses the LGMA Financial Health Check to assess the Council's financial health.

The increase in the deficit from the previous year is mainly due to an increase in depreciation of \$3M.

#### Liquidity and cash position

Financial indicators show that the Council's financial standing is satisfactory in the short to medium term. The Council's Unrestricted Current Ratio for 2010/11 was 4.44 (4.34 in 2009/10) and Debt Service Ratio was 1.80 (1.78 in 2009/10).



### Infrastructure maintenance

For 2010/2011, the Council's Infrastructure Renewal ratio was 89.21%. Council's average Infrastructure Renewal ratio for the last five years is 97.63%.

Council's percentage of written down values of assets compared to total valuation meets the industry benchmark. In 2010/11, Roads/Bridges/Footpaths was 72%, Storm Water and Drainage 72%, Water Supply Network 63%, and Sewage Network 49%.

### Council Businesses- Operating Results after Capital

Council reported operating surpluses for both its water supply (\$1.247M) and sewerage services (\$259,000) in 2010/2011.

## **7.1.3 Significant Observations**

### **Areas for improvement**

#### Long-Term Financial Plan

Council has prepared a Long-Term Financial Plan. A page in the plan is dedicated to 'assumptions'. However, these are not the assumptions expected in a Long-Term Financial Plan. The Long-Term Financial Plan outlines three scenarios. The ratio charts provide key performance indicators tied to each scenario, but this is not accompanied by commentary to indicate if the results are within Council's targets or whether they should be improved. The Plan contains pages of spreadsheets and some graphs that are not accompanied by explanatory commentary.

The links between the Long-Term Financial Plan and other Integrated Planning and Reporting documents are not clear.

### **Recommendation 10**

*The Long-Term Financial Plan assumptions should include assumed percentage increases of fees and charges, assumed rate pegging, and special rate variation assumptions.*

### **Recommendation 11**

*The Long-Term Financial Plan ratio charts would be enhanced by commentary describing industry benchmarks and Council's intended targets.*

### Rates Structure

The Council's Outstanding Rates and Annual Charges percentage for 2010/11 was 6.87%. Council should endeavour to reduce this amount. Council advised that it has been working on its outstanding rates collection. In 2005 the percentage was 9.86%; 2006, 7.23%; 2007, 5.19%; 2008, 4.97%; 2009, 5.32%; 2010, 7.88%; and 2011, 6.87%. It is noted that Council had been reducing its Outstanding Rates and Annual Charges percentage until 2010. Council advised that during that year it had installed a new computer system which led to it not being able to actively pursue its outstanding rates as actively as normal. This is confirmed in the Council's audit report dated 18 October 2010. While this is noted, Council should continue to monitor the percentage to continue to reduce this further.

It is noted that Council failed to claim lost income due to valuation objections (\$852 in 2010/11 and \$7,129 in 2009/10) while in 'catch-up' mode. This indicates that Council does not understand how to claim valuation objections. The Division of Local Government has notified Council of these issues.

### **Recommendation 12**

*Council should continue to monitor its outstanding rates and charges and implement appropriate strategies to further reduce the outstanding amount.*

### **Recommendation 13**

*Council needs to ensure that it is aware of the correct means to apply for claims relating to valuation objections that are compliant with the legislation.*

### **Council response**

Council's initial Long-term Financial Plan will be enhanced with additional assumptions and commentary on the ratios listed as suggested. Outstanding Rates and charges will be continually monitored to reduce the outstanding balances to less than 5% outstanding. Council's rating staff will ensure that future income from valuation objections is not lost.

## **8 COMMUNITY AND CONSULTATION**

### **8.1 OVERVIEW**

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.

#### **8.1.1 Scope of review**

A review was conducted of a range of aspects of Council's community and consultation practices, including:

- *The methods council uses to involve and determine the views of its community*
- *Ageing Population*
- *Cultural planning*
- *Social and community planning*
- *Tourism*
- *Community participation*

#### **8.1.2 Significant Observations**

##### ***Noteworthy practices***

###### **Tourism**

The Upper Hunter Shire is a very active area for tourism. Council has a Tourism Plan for the Shire that is integrated with other planning documents such as its Delivery Program, Operational Plan and Economic Development Plan. The Tourism Plan is available on Council's website. The Tourism Plan was last reviewed in January 2011.

Council runs Visitor Information Centres throughout the Shire. The key tourist programs that the Council has in place include Horse Week, King of Rangers, and the Aberdeen Highland Games. In the last financial year, Council spent \$320,000 on tourism programs in the LGA.

### Community participation

Council has a policy/strategy for community engagement. Council uses a variety of community consultation mechanisms. These include committee attitude surveys, focus groups, reviews of customer feedback and complaints, community committees, and informal assessment through networking within the Shire. Committee attitude surveys are conducted every two years.

Council also uses the following methods to keep the community informed of its activities. These include weekly newspaper items, radio and TV items, direct mailouts, community meetings and forums.

### **Areas for improvement**

#### Social and community planning

Council has a Social and Community Plan that includes access and equity activities, activities to develop and promote services and programs that provide for the needs of children, and programs which promote services and access for people from diverse cultural and linguistic backgrounds. However, the plan doesn't contain information on recreational facilities and programs.

The Social and Community Plan is linked to the Strategic Plan, the Future Works Program and the Delivery and Operational Plan. Council's Social and Community Plan is available on Council's website.

Council monitors and reports on the progress of its Social and Community Plan through reports to the Community Services Committee and its annual report. Council receives the minutes from the Community Service Committee and Committee reports are adopted by Council.

Council has developed plans and strategies to deal with the potential impact of an ageing population in the Shire.

Council has a Disability Action Plan that was last reviewed in May 2011. The Council Administrative Building, Council Chambers and the Council Library are all accessible to people with a disability.

Cultural planning activities are undertaken as part of the Council's social and community planning process. These activities are presented in the Strategic Plan in the Recreation and Cultural section and represent support for the Arts and recreational activities and facilities throughout the Shire such as parks.

***Recommendation 14***

*Council's Social and Community Plan should include information on recreational activities and programs held in the Shire, consistent with Council's Community Strategic Plan.*

***Council response***

Council's Social and Community Plan will be enhanced to include information on recreational activities and programs.

## **9 WORKFORCE RELATIONS**

### **9.1 OVERVIEW**

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.

#### **9.1.1 Scope of review**

A review was conducted of a range of aspects of Council's workforce relations practices, including:

- *Human resources strategy and workforce planning*
- *Employee attitude surveys*
- *Induction program*
- *Occupational health and safety*
- *Succession Planning*
- *Exit interviews*

#### **9.1.2 Overview of the organisation**

Upper Hunter Shire Council currently employs 184 (full-time equivalent) staff, consisting of 50% men and 50% women. Approximately, one third of the workforce is in the age bracket of 45-54 years and 80% of the workforce is aged under 55 years. Council's workforce is generally reflective of its community. Considering the percentage of the workforce aged over 55, the demographics of the Council's workforce does not suggest any significant exposure to an ageing workforce.

#### **9.1.3 Significant Observations**

##### ***Noteworthy practices***

Occupational Health and Safety (OH&S) - (Work Health and Safety from 1 January 2012)

Council has an OH&S Management Plan, which was adopted in April 2008. This plan is reviewed and updated on a continual basis. Staff are initially made aware of the plan as part of the induction process and then have access to the plan through the

Council intranet. Staff are also reminded of OH&S issues through Council OH&S committee meetings, the Council newsletter and in worksite meetings.

Council's OH&S committee meets six times per year and matters relating to incident reports, training programs, workplace facilities, and mines management are discussed. Council conducts systematic OH&S risk assessments at the commencement of jobs and contracted work or when job or contracted work conditions change.

OH&S responsibilities and physical demands are identified in job descriptions.

Monthly reports on OH&S issues and workplace injury and lost time are presented to Council's senior management group and operational reports are also presented to the Council's finance committee and to the Council. Over the last twelve months, 56 workplace incidents have occurred and there has been lost time as a result of these injuries of 4,500 hours. In comparison to last financial year, there has been a reduction in the occurrence of issues and time lost – 79 incidents and 4,620 hours, respectively. There were 22 workers' compensation claims lodged in the last financial year compared to 34 in the previous year. Council has been audited by WorkCover in the last twelve months.

Council also monitors and reports on employee sick leave through the generation of fortnightly payroll reports and monthly operational reports are made to the Finance Committee and Council.

Council will need to review its practices with the introduction of the Work Health and Safety Act 2011 which commenced on 1 January 2012.

#### Employee attitudes survey

Council conducts periodic employee surveys with the last survey being undertaken in May 2011. As a result of this survey, Council has improved and addressed issues including communications, middle management, coaching staff, improved coordination of works, and increased regular department and supervisor meetings.

### Exit interviews

Staff leaving the Council are offered an exit interview. In addition staff are provided with a comprehensive exit questionnaire to assist in improving and addressing any organisation issues.

### **Areas for improvement**

#### Workforce Management Strategy

Council has developed a four year Workforce Management Strategy. The Strategy outlines Council's current workforce profile, some emerging issues and strategies to address these. The Strategy also identifies a future special rates variation proposal and acknowledges that workforce planning may need to be adjusted if an infrastructure program is funded through this variation. A link between the Strategy and the Delivery Program is evident. However, the Strategy would be strengthened with further integration with the Delivery Program. The addition of performance measures for the workforce strategies would enhance the Workforce Management Strategy.

#### **Recommendation 15**

*Council should strengthen its Workforce Management Strategy with further integration with its Delivery Program as part of implementing the Integrated Planning and Reporting framework.*

#### **Recommendation 16**

*Council should consider the addition of performance measures for its workforce strategies in its Workforce Management Strategy.*

#### Succession Plan

Council does not currently have an implemented Succession Plan for key positions and personnel. A Succession Plan was developed two years ago and the workforce plan indicates that it is intended for implementation in January 2012.



**Recommendation 17**

*Council needs to ensure that its Succession Plan is fully developed and updated for implementation in early 2012.*

**Council response**

Council concurs with the recommendations and will carryout further integration of the Workforce Strategy with the Delivery Program. The Succession Plan will be updated and implemented as a matter of priority.

Council will include some performance measures in its workforce strategy.

## PART IV. RISK RATING OF RECOMMENDATIONS

The recommendations made in this report have been assessed for a priority ranking based on the following risk analysis.

		CONSEQUENCE		
		Significant <i>Significant risk to the operations of council and if not addressed could cause public outrage, non-compliance with council's statutory responsibilities, severe disruption to council's operations and council's ability to meet its goals.</i>	Moderate <i>Moderate risk to the operations of council and if not addressed could cause adverse publicity, some disruption to council's operations and council's ability to meet its goals.</i>	Minor <i>Minimal risk to the operations of council, little disruption to council's operations and will not limit council's ability to meet its goals.</i>
LIKELIHOOD	Almost certain	High	High	Medium
	Possible	Medium	Medium	Low
	Rare	Medium	Low	Low

Priorities for recommendations: <i>(based on application of risk analysis)</i>	Risk categories could include:
<ul style="list-style-type: none"> <li>High</li> <li>Medium</li> <li>Low</li> </ul>	<ul style="list-style-type: none"> <li>Reputation</li> <li>Compliance with statutory requirements</li> <li>Fraud/corruption</li> <li>Financial</li> <li>Legal liability</li> <li>OH&amp;S</li> </ul>

**PART V. ACTION PLAN**

The Action Plan is to be completed and adopted by Council to guide the implementation and monitoring of the recommendations in this report. The reviewers have allocated notional priority rankings using the risk rating analysis in the previous section. Council is encouraged to review and revise these, if necessary.

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
1 Council needs to clearly distinguish the purposes of each of the Community Strategic Plan, Delivery Program and Operational Plan and reflect these purposes in each of the documents.	<i>High</i>	Additional information to be included in the Plans	30 June 2012	Director Corporate Services	
2 The Council's Delivery Program should clearly state the principal activities that will be undertaken in the four-year life of the Program.	<i>High</i>	Additional information to be included in the Plans	30 June 2012	General Manager	
3 Council should create and implement a councillor development program that includes material on the Integrated Planning and Reporting requirements.	<i>High</i>	Training Program for Councillor to be developed	September 2012	General Manager	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p><b>4</b> Council needs to conduct a whole of organisation risk management assessment and develop a plan that identifies all organisational risks including business, insurance and fraud, analyse these risks, evaluate existing controls that are in place and then outline strategies to manage risks identified.</p>	<p><i>High</i></p>	<p>Create a Risk Management Plan that addresses the whole of organisational risk for Council in conjunction with the review of the Business Continuity plan.</p>	<p>31 December 2012</p>	<p>Director Corporate Services</p>	
<p><b>5</b> Council should give consideration to the comments in this report when deciding on the appointment of an Internal Auditor.</p>	<p><i>High</i></p>	<p>Comments to be given consideration.</p>	<p>31 March 2012</p>	<p>Director Corporate Services</p>	
<p><b>6</b> Once the internal audit function is finalised, the audit of Council's development assessment and contributions processes using the ICAC development assessment tool should be undertaken.</p>	<p><i>Medium</i></p>	<p>Audit of Development Applications to be arranged</p>	<p>30 June 2012</p>	<p>Director Corporate Services</p>	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
7 Council needs to consider the implementation of a pre-lodgement advice service to the community.	<i>Low</i>	Obtain feedback from Community on whether a pre-lodgement service for Development Applications is required.	30 June 2012	Director Environmental Services	
8 Council needs to develop procedures to ensure council is kept adequately informed of all determinations made under delegated authority.	<i>Medium</i>	Develop a procedure for informing Council of determinations made under delegation.	30 June 2012	Director Environmental Services	
9 Council needs to make available public notice listings DA determinations on its website.	<i>Medium</i>	Website to be updated to include a listing of Development Application determination that have been made.	31 March 2012	Director Environmental Services	
10 The Long Term Financial Plan assumptions should include assumed percentage increases of fees and charges, assumed rate pegging and special rate variation assumptions.	<i>Medium</i>	Long Term Financial Plan to be upgraded to include additional assumptions.	30 June 2012	Executive Manager Finance & Administration	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
11 The Long Term Financial Plan ratio charts would be enhanced by commentary describing industry benchmarks and Council's intended targets.	<i>Medium</i>	Long Term Financial Plan to be upgraded to include commentary.	30 June 2012	Executive Manager Finance & Administration	
12 Council should continue to monitor its outstanding rates and charges and implement appropriate strategies to further reduce the outstanding amount.	<i>Medium</i>	Continue to improve collections by monitoring and implementing new strategies.	Ongoing	Senior Revenue Officer	
13 Council needs to ensure that it is aware of the correct means to apply for claims relating to valuation objections that are compliant with the legislation.	<i>Medium</i>	Action to be taken to ensure income from valuation objections is not lost.	February 2012	Senior Revenue Officer	
14 Council's Social and Community Plan should include information on recreational activities and programs held in the Shire, consistent with Council's Community Strategic Plan.	<i>Low</i>	Additional information included in the Social and Community Plan.	30 September 2012	Community Services Manager	
15 Council should strengthen its Workforce Management Plan with further integration with its Delivery Program as part of implementing the Integrated Planning and Reporting Framework.	<i>High</i>	Further integration of the Workforce Plan and delivery Program	30 June 2012	Human Resources Manager	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p><b>16</b> Council should consider the addition of performance measures for its workforce strategies in its Workforce Management Plan.</p>	<p><i>Medium</i></p>	<p>Additional performance measures included.</p>	<p>30 June 2012</p>	<p>Human Resources Manager</p>	
<p><b>17</b> Council needs to ensure that its Succession Plan is fully developed and updated for implementation in early 2012.</p>	<p><i>Medium</i></p>	<p>Succession Plan to be developed</p>	<p>31 March 2012</p>	<p>Human Resources Manager</p>	