

## **PROMOTING BETTER PRACTICE PROGRAM**

## **COOMA-MONARO SHIRE COUNCIL**

**JANUARY 2015**



**Office of  
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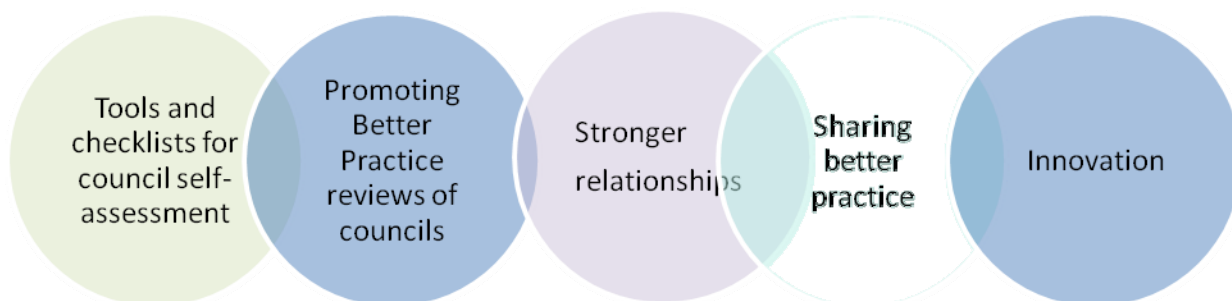
# 1. PROMOTING BETTER PRACTICE

## The Program

By promoting better practice, the Office of Local Government aims to assist in strengthening the local government sector by assessing performance and promoting continuous improvement.

The Program includes:

- working with councils to identify, share and promote better practice in key areas.
- working cooperatively with councils to promote strong relationships within the sector.
- providing councils with feedback on areas requiring improvement or further development, and assisting them in developing solutions.
- identifying trends and issues arising from council reviews to support policy and legislative changes for the local government sector.
- encouraging and facilitating innovation within the NSW local government sector.



## Promoting Better Practice reviews

Reviews of individual councils are designed to act as a 'health check' to examine the extent to which there are appropriate strategies, policies, systems and procedures in place at the strategic and operational levels.

The reviews are conducted by a team from the Office of Local Government in collaboration with councils. During a visit to council key strategic areas are examined together. A key outcome is a report which reflects the findings of the review but most importantly contains a

Review Action Plan with strategies to facilitate better practice and increase council's overall capacity to deliver appropriate services to its community.

### Key strategic areas considered



Civic leadership and organisational governance examines how the elected body and the council organisation provide leadership within the local community, and considers all the means by which a council is directed and controlled to ensure effective decision making and ensure the organisation is meeting its legal and ethical obligations. The council's regulatory and enforcement framework is also considered.

Strategic community planning focusses on the council's role in planning for the future in collaboration with its community. It considers how well the council engages its community in planning, and how well the Community Strategic Plan; Delivery Program, and Operational Plan capture the community's aspirations and goals. It also examines how strategic land-use planning matters are integrated into the council's implementation of the Integrated Planning and Reporting framework.

Resourcing the plans to achieve financial sustainability considers the current and future financial capacity of a council to maintain its operations and deliver appropriate services to the community. The council's financial and asset management position and practices are considered. The quality and utility of the council's long-term financial planning, asset management, and workforce planning is a key part of this assessment.

Delivering services to the community relates primarily to the extent to which the council translates the strategies and initiatives within its Community Strategic Plan, Delivery Program and Operations Plan into action. This includes how the council informs the community of its performance in delivering services and facilities according to plan, and how it measures customer satisfaction or receives community feedback to inform ongoing planning.

## The review process

### PROMOTING BETTER PRACTICE REVIEW PROCESS

#### PREPARING

This involves the completion of a comprehensive self-assessment checklist by the council and the consideration of a range of documents by the review team.

#### ASSESSING

The review team considers local circumstances in order to understand the pressures on the council and how the council has sought to manage within that environment.

#### DISCUSSING (VISIT TO THE COUNCIL)

A visit to council allows the team to 'reality check' what it has found in the material received from the council, and to discuss any issues that arise. The visit is focused on conversations with councillors and key council staff on those strategic areas that contribute to the council's overall health and sustainability. Councillors are provided with the opportunity to complete a survey and/or meet with the review team.

#### ANALYSING AND REPORTING

After the visit, the review team prepares a report in collaboration with the council. All [review reports](#) are published once the report is tabled by the council.

#### IMPLEMENTING AND MONITORING

The review report contains an action plan to guide the council in addressing areas identified for further development by the review. The council and the Office monitor progress as agreed.

Better practice identified during the review is shared elsewhere in the local government sector as appropriate.

The Promoting Better Practice Review of Cooma-Monaro Shire Council was undertaken in May 2014. The Council completed a self-assessment checklist prior to an on-site visit by Office of Local Government staff on 7 and 8 May 2014. The response to the checklist and supporting material provided by the Council was taken into account as part of the review.

Following the visit, the review team examined a range of information and assessed this material in line with applicable legislation, policy and guidelines where possible. The review team also called on the resources of a number of other agencies while drafting this report.

The review team would like to thank Cooma-Monaro Shire Council's Mayor Clr Dean Lynch and General Manager John Vucic, as well as the Directors and staff who participated in the review and provided valuable assistance.

### **About this report**

The Promoting Better Practice Review report is structured in the following way:

- Section 2 provides an overview of Cooma-Monaro Shire Council and the local area, including a snap-shot of the key strategic challenges faced by the Council.
- Section 3 sets out the key findings of the Review, including an analysis of examples of better practice and areas of potential development, focussing on:
  - Strategic capacity, direction and service delivery
  - Financial sustainability
  - Governance.
- Section 4 summarises what is considered to be better practice by the Council.
- Section 5 summarises the areas of potential development. This is set out in an Action Plan containing recommendations to assist the Council to move towards better practice and increase the Council's overall strategic capacity, and its ability to deliver appropriate services to its community in the longer-term.

## **2. ABOUT COOMA-MONARO SHIRE COUNCIL**

Cooma-Monaro Shire is situated in the South East Region of NSW and has a population of approximately 10,160. The town of Cooma is the commercial hub of the Monaro and Snowy Mountains region.

The Shire has a total land area of approximately 5,200km<sup>2</sup> which includes national parks, nature reserves, agricultural land, forests, villages, and the town of Cooma.

NSW Planning has projected a population increase of 750 (7.6%) by 2031 with a significant proportion (61%) of the community to be aged over 65 years old.

The Council employs 162 full time equivalent staff, including the General Manager and three Directors.

A summary of the Council is provided on the following pages:



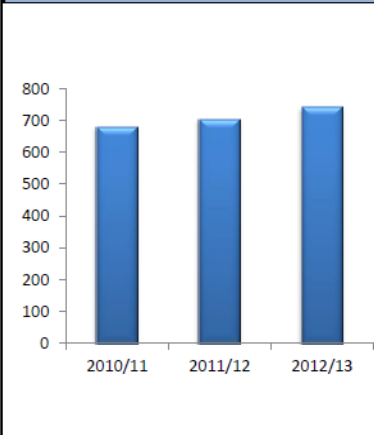
## Cooma-Monaro Shire Council



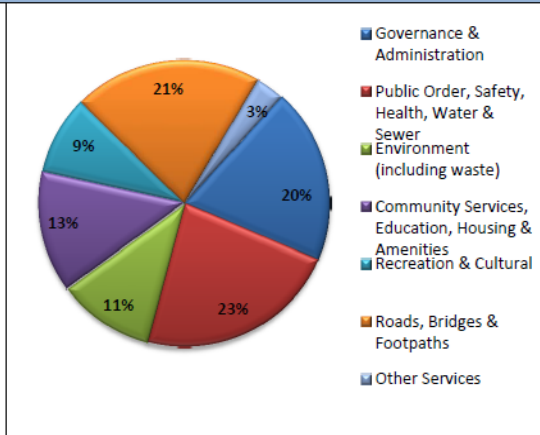
Cooma-Monaro Shire has an area of approximately 5,183.8 km<sup>2</sup> with a population of 10,164. Located in southern NSW the area has national parks, agricultural land and villages. Cooma-Monaro is the major population centre and the hub of the Snowy Mountains region with agriculture, tourism, retail services and light industries.

Your Local Population			Your Council		
	LGA	Group Avg	LGA	Group Avg	
Five year population change (%)	1.7	4.2	Councillors (No.)	9	9
Population aged 19 or less (%)	25.6	27.7	Population per Councillor (No.)	1,129	1,487
Population aged between 20 & 59 (%)	49.4	48.4	Equivalent Full Time Staff (EFT) (No.)	160	152
Population aged above 60 (%)	24.9	24.0	2012/13 Revenue (\$'000)	26,673	38,947
Aboriginal & Torres Strait Islanders (%)	2.7	5.8	2012/13 Expenses (\$'000)	29,286	34,240
Language Spoken Other than English (%)	7.9	3.3	Residential Pensioner Rebates (%)	20	22
Socio-Economic Index Rank (1 low, 152 high)	95	n/a	Population Density (residents per km <sup>2</sup> )	1.96	3.99
Your Local Economy			Your Public Facilities		
	LGA	Group Avg	LGA	Group Avg	
SALM Unemployment Rate (%)	3.8	5.2	Public Swimming Pool Complexes (incl rock pools) (No.)	1	3
Avg Taxable Income (\$)	40,103	38,908	Public Halls (No.)	9	8
Avg Household Family Size (No.)	2.9	3.0	Public Libraries (No.)	1	2
Largest Industry Employer	Retail Trade		Open Public Space (ha)	401	235
Value of DAs determined (\$'000)	14,560	27,592	Total Road Length (km)	1,005.7	1453.3
Active Businesses in LGA (No.)	1,166	1,398	Access to Internet at Home (%)	69.3	65.3

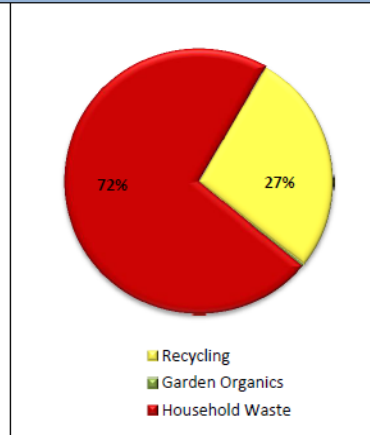
### Average Residential Ordinary Rates



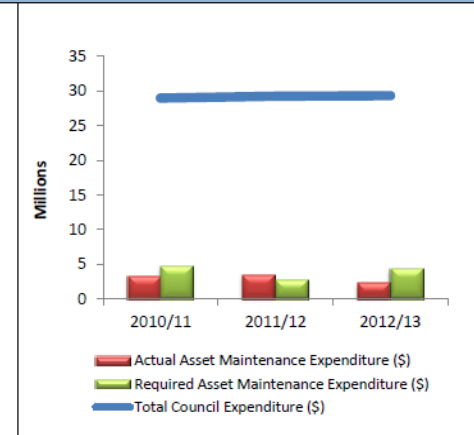
### Expenditure on Services



### Council's Waste Services



### Council's Spending on Assets



In 2013 TCorp assessed your Council's current Financial Sustainability Rating as Weak with a Neutral outlook.

In 2013 the Infrastructure Audit assessed Council's infrastructure management to be Weak.

Contacting Council	Your Council's Finances	LGA	Group Avg	Your Council's Services	LGA	Group Avg	
<b>81 Commissioner Street</b> <b>Cooma NSW 2630</b> <b>Postal Address:</b> <b>PO Box 714, Cooma NSW 2630</b> <b>Phone: 02 6455 1777</b> <b>Fax: 02 6455 1799</b> <b>Email:</b> <b>council@cooma.nsw.gov.au</b> <b>Web:</b> <b>www.cooma.nsw.gov.au</b>	Avg Ordinary Residential Rate (\$)	742.73	652.52	Governance & Administration Expenditure per capita (\$)	553.33	335.85	
	Avg Ordinary Business Rate (\$)	4,089.86	1,890.97	Environmental Expenditure (including waste) per capita	299.09	227.56	
	Avg Ordinary Farmland Rate (\$)	1,100.84	2,432.74	Water & Sewer Services Expenditure per capita (\$)	534.34	428.71	
	Avg Ordinary Mining Rate (\$)	n/a	105,661.24	Community Services, Education, Housing, Amenities Expenditure per capita (\$)	397.78	187.17	
	Total Land Value / Total Rate Revenue (\$)	130.71	177.84	Recreational & Culture Expenditure per capita (\$) *	261.02	232.13	
	Typical Residential Water and Sewer Bill (including usage) (\$)	1,431	1,169	Public Order, Safety & Health Expenditure per capita (\$)	128.69	95.37	
	Avg Domestic Waste Charge (\$)	244.61	263.67	Other Services Expenditure per capita (\$)	92.88	394.89	
	Own Source Revenue (%) (TCorp Benchmark 60%)	57	55	Library Services Expenditure per capita (\$)	31.68	36.75	
	Grants & Contributions Revenue (%)	35	37	Library Circulation per capita (Items)	9	5	
	Operating Performance Ratio (%) (TCorp Benchmark >-4.0%)	-10.5	-3.2	Domestic waste not going to land fill (%)	37	35	
	Unrestricted Current Ratio	3.4	4.8	Development Applications (mean gross days)	88	55	
	Outstanding Rates & Annual Charges (%)	8.6	7.4	Development Applications determined (No.)	111	165	
	Debt Service Cover Ratio (TCorp Benchmark >2.0)	34.6	13.8	Companion Animals microchipped (No.)	5,089	5,861	
	Cash Expense Cover Ratio (Mths) (TCorp Benchmark > 3 mths)	5.2	6.0	Companion Animals microchipped and registered (%)	58	49	
<b>Demographics of Population of LGA</b>							
<b>Your Council's Community Leadership</b>			<b>Your Council's Assets</b>				
Development Applications determined by Councillors (%)			4	8	Roads, Bridges and Footpath expenditure per capita (\$)	614.23	642.67
Audited Financial Reports submitted by due date (Y/N)			Y	n/a	Building & Infrastructure Renewal Ratio (%)	38.2	87.4
Code of Conduct Complaints (No.)			0	1	Infrastructure Backlog Ratio (%) (TCorp Benchmark <20%)	12.4	13.1
Complaints investigated requiring action (No.)			0	0	Road Length per '000 capita (metre)	98.9	108.9
Cost of dealing with Code of Conduct Complaints (\$)			0	1,792	Asset Maintenance Ratio (TCorp Benchmark >1.0)	0.5	0.9
Population per EFT Staff (No.)			64	93	<b>Comparative Information on NSW Local Government</b>		
See Appendix 1 for definitions, calculations & benchmarks See Appendix 3 for Council Groups			Measuring Local Government Performance 2012-13  Office of Local Government				

## Challenges facing the council

Like many rural councils in NSW, achieving long-term financial sustainability is a major challenge for Cooma-Monaro Shire Council. In 2013, the NSW Treasury Corporation (TCorp) undertook an independent assessment of the Council's financial capacity, and its future sustainability. Based on the review of the information provided by the Council, TCorp assessed the Council to be in a weak financial sustainability position and forecast that this position would deteriorate if current service levels continued.

It is noted that senior Council staff question the methodology and findings of the TCorp review. This issue is addressed in the Financial Sustainability section below.

The following factors will potentially impact on the Council's financial sustainability into the future:

- Maintaining an extensive road network within the local government area.
- Maintaining existing water and sewer infrastructure and planned infrastructure such as the recently announced Lake Wallace dam.
- Demographic pressures including:
  - the ageing of the population and a reduction of working-age people in the community, including managing a potential decline in economic activity which may result.
  - population expansion within the local government area arising from the limited capacity of the Australian Capital Territory to absorb population growth within its borders.
- Vulnerability to external shocks which could dwindle the Council's healthy cash reserves, including natural disasters and changes to grant funding arrangements
- Community expectations about levels of service in relation to community infrastructure and council services.

These challenges are not unique to the Cooma-Monaro local government area, with similar long-term pressures facing the other councils in the High Plains region (ie: Bombala and Snowy River Shire). The Council has made efforts to progress collaboration with these councils, and has historically administered such arrangements through Memorandums of Understanding or contractual agreements.

A recent example is the joint procurement of a service provider for the Council's updated webpage, undertaken in collaboration with Snowy River Shire Council. The Council advises that discussions have also commenced with Snowy River and Bombala Councils about the joint employment of a shared Internal Audit position.

The Council is also a member of the South East Regional Organisation of Councils (SERO), and has been involved in collaborative arrangements with various other member councils.

### 3. KEY FINDINGS

#### STRATEGIC CAPACITY, DIRECTION AND SERVICE DELIVERY

The Integrated Planning and Reporting (IP&R) framework is designed to guide how a council, in conjunction with its community, undertakes long-term strategic planning.

Cooma-Monaro Shire Council has been operating under the IP&R framework since 2012. It is apparent that the Council aspires to use the framework as an effective strategic planning tool. A desktop review of the Council's IP&R documents found that while the legislative requirements of the framework are generally being met, there are aspects of the framework's planning and reporting activities which can be improved.

The review team believes that the Council will derive further benefit from the IP&R framework by more effectively engaging the community in the IP&R process, enhancing Asset Management Plans for all asset classes, better integrating its asset management data within the Long-Term Financial Plan, and ensuring that reporting is meaningful and informs the Council's forward planning.

#### Community Engagement

The *Local Government Act 1993* requires all councils to prepare and implement a community engagement strategy, based on social justice principles, for engagement with the local community in developing the Community Strategic Plan.

Implementing effective community engagement is a key challenge for many councils. It is unrealistic to expect all councils will have developed a sophisticated approach to engagement in the early implementation of the IP&R framework.

Cooma-Monaro Shire Council adopted a Community Engagement Strategy in May 2010. The Strategy provides general information on the purpose of community engagement and the principles which guide the Council's engagement activities. It is pleasing to note that this Strategy acknowledges the spectrum of community participation activities that a council may utilise depending on the purpose of the engagement. This spectrum moves from *Inform to Consult to Involve to Collaborate to Empower*.

The review team was unable, however, to see how this document guided the development of the Community Strategic Plan published in 2012. It is recommended that the Council review its Community Engagement Strategy to link more closely with the strategic planning objectives of the IP&R framework.

Cooma-Monaro Shire Council appears to be committed to increasing the community's understanding of the strategic issues it faces, as evidenced by the issues covered in the General Manager's weekly columns in local newspapers. However, the Council's previous communication and engagement activities seem to have lacked coordination and this may have contributed to anecdotal evidence that the community feels "over consulted".

The review team believes that the Council could better formalise its approach to engaging its community on strategic issues. To ensure consistency across functional teams, the Council should consider appointing a current senior staff member with the necessary skills to drive this process.

It is noted that the Council is currently redeveloping its website. This is an excellent opportunity for the Council to reflect on how it communicates with the community, particularly in relation to its long-term strategic planning.

#### **Action item #1**

*The Council should amend its Community Engagement Strategy to link more closely with the strategic planning objectives of the IP&R framework by:*

- a. clearly outlining the principles which guide its community engagement.*
- b. clearly setting out how the Council will involve the community throughout the process – from planning to reporting.*
- c. articulating the community and organisational outcomes which community engagement aims to achieve (in relation to IP&R),*
- d. identifying the level of information needed to improve community understanding of local strategic issues, in particular asset management concerns.*

#### **Action item #2**

*The Council should review its community engagement practices to ensure:*

- a. Engagement methods are consistently applied across the organisation (eg: by appointing a senior staff member to coordinate engagement practices across functional areas. This position should also regularly evaluate the quality and outcomes of engagement).*

*(Action item #2 continued)*

*b. Engagement mechanisms are more effectively targeted (eg: better use of website and social media to reflect growing use of such mediums; use of a community panel comprising a cross-section of interested citizens to provide feedback on proposed Council plans and policies).*

*c. Clear information is provided to the community about the nature of Council services, the cost of providing them and the expected cost of increased levels of service.*

### Planning and reporting

The review team considered the integration of the Council's suite of IP&R documents and found that the actions contained in Cooma-Monaro's four-year Delivery Program clearly link to the goals of the Community Strategic Plan. However, the connection between the Council's Resourcing Strategy and other plans in the IP&R framework are not as clear. As discussed later in this report, it is anticipated that integration of these documents will improve in future implementation of the IP&R framework.

The Council has recently increased the frequency of Delivery Program reporting to the elected council from six-monthly to three-monthly. The aim of this change is to strengthen the focus – of councillors and staff - on this document. The Council is encouraged to build on this initiative by reviewing the measures it uses to track progress against the Delivery Program. Consideration should also be given to amending the reporting format to better capture the resources implications and risk for each of the actions listed in the combined Delivery Program – Operational Plan.

The review team recommends that, as part of a revised community engagement strategy, the Council also looks at how it can improve its reporting to the community on Delivery Program issues. Currently the Delivery Program report is attached to Council meeting papers and placed in the meeting section of the Council website. An alternative approach, which may be of more value to the community, could be to prepare a summary document outlining key issues relating to the Delivery Program and including this prominently on the Council's website, and updated each quarter.

### **Action item #3**

*The Council should review its IP&R reporting activities to improve the quality of information provided to the Council and the community, including by:*

- a. Linking monthly council business paper items to relevant Delivery Program activities.*
- b. Better explaining the implications of business paper recommendations on the Long-Term Financial Plan.*
- c. More clearly defining Delivery Program activity targets and reporting on them in a more tangible manner in periodic reviews and in End-of-Term reports*

### **Asset Management Planning**

The Council advised that it has prepared individual Asset Management Plans for Roads, Wastewater Drainage Infrastructure, Water Supply Infrastructure, and Recreation and Property. While copies of these plans were provided on request, the Review team was unable to locate these plans on the IP&R section of the Council website.

As a key aspect of a council's strategic planning, this information should, at best practice, be well integrated with all plans under the IP&R framework. At a minimum, it is recommended that the individual plans be easily available for the public to access on the Council website.

### **Action item #4**

*The Council should make its individual asset management plans publicly available on its website.*

### **The Council's response – Strategic Capacity, Planning and Service Delivery**

*Integrated Planning and Reporting is still a relatively new process for Council and something that is constantly being refined and changed. The implementation in 2012 marked a significant change from the previous Management Planning process and will continue to evolve into the future.*

*Council acknowledges the actions raised by the reviewers and will take them on board as we move forward. As we move to the end of the first full term of Council under the*



*Integrated Planning and Reporting framework, we will refine our processes and methodologies ready to take on the next big round of consultation with a new Council.*

*Action items 3 and 4 will be reviewed and implemented in the shorter term, while items 1 and 2 will be reviewed and implemented over a longer period, but in plenty of time for 2016.*

## FINANCIAL SUSTAINABILITY

This section examines the Council's overall financial position and how it is managing its finances and assets in order to deliver the outcomes of its Community Strategic Plan.

TCorp has noted that local governments will be financially sustainable over the long term when they are able to generate sufficient funds to provide the levels of service and infrastructure agreed with their community.

### Overall financial performance and outlook

**TCorp rating for Cooma Monaro Shire Council – Weak**

**TCorp assessment outlook – Neutral**

**OLG Infrastructure Audit/TCorp Infrastructure Management Assessment – Weak**

#### ***Key observations***

- The Council has recorded deficits before capital grants and contributions in the last four financial years.
- The Council's Delivery Program shows deficits before capital grants for the General Fund in all four years.
- The Council's Long-Term Financial Plan (LTFP) is predicting deficits for all ten years.
- The Council has adequate liquidity, above benchmark ratings, which is forecast to continue. However, the Council's capacity to manage unforeseen adverse financial events will be reduced due to ongoing operating deficits.
- The Council has little in the way of current borrowings but has limited capacity to borrow more than that accounted for in its LTFP.
- The Council's infrastructure backlog is set to increase significantly. It has consistently been unable to fund asset maintenance, renewal or upgrades to benchmark levels, and forecasts this to continue in all years of the LTFP.

The Council faces significant financial sustainability pressures in the medium- to long-term, primarily due to the maintenance requirements of its large and ageing asset base, and costs associated with the depreciation of those assets.

Like most NSW councils, Cooma-Monaro Shire Council also faces revenue restrictions, particularly from limited rating income. The Council has demonstrated a historical reluctance to address income restrictions by way of a Special Rate Variation (SRV). However, the Council has advised that in the previous round of Community Strategic Plan consultations, the community expressed a willingness to consider the idea of supporting a SRV application to address the backlog in relation to roads infrastructure.

The Council has forecast significant operating deficits (excluding capital grants and contributions) in each year of its ten-year LTFP. A significant portion of the projected deficits relates to the cost of funding depreciation on infrastructure, particularly in the areas of roads, sewer and water.

The review team has noted the Council's concern that its depreciation expense overstates the financial sustainability pressures it faces. However, the funding of depreciation in council balance sheets is required under accounting standards and reflects a significant and tangible liability which a council must meet if it is to remain financially sustainable.

The Council is also of the opinion that the TCorp review understates the positive impact of its sufficient cash reserves, liquidity and low levels of debt. The Council argues that its current financial position has been negatively impacted by the high incidence of natural disasters which have occurred in the region in the past five years, which have required it to fund unplanned, significant infrastructure works beyond the Federal Government financial assistance it received.

The Council has also expressed a concern that the TCorp review did not consider the positive impact of the Council's Water and Wastewater funds on its overall operating position. However, this methodology reflects the restricted nature of such funds under the *Local Government Act 1993*, meaning that the revenue each fund generates can only be expended in relation to the specific area of business to which it relates. The TCorp report also notes that the Council was unable to provide a ten year financial forecast broken down by individual funds, meaning it was only able to consider the consolidated forecast.

The review team also notes that both of these Council businesses have been operating at a loss and are not recouping their full costs through user fees and charges, as is permissible under relevant regulations. The Council advises that it intends to move to a full cost recovery operating basis for both businesses in the medium term.

Despite the conjecture in relation to the accuracy of its findings, the TCorp report appears to have been a good prompt for Council staff to engage the elected council about long-term financial sustainability issues. However, the Council's understanding of the severity of long-term financial pressures will be greatly assisted by the finalisation of work it has commenced in the area of asset management planning, as discussed in the section below.

Importantly, due to the potential impact on future service delivery levels, the Council needs to frankly address the long-term financial sustainability pressures it faces, in consultation with the community, as a matter of priority. This process should include conversations about the manner in which the Council provides its wide range of existing services to the community within income constraints, and how it will continue to do so into the future.

#### **Action item #5**

*The Council should prioritise the review of its pricing policies for both its water and wastewater businesses with a view to moving these to a break-even status as soon as possible.*

#### **Action item #6**

*Due to the capacity and resourcing constraints it faces, the Council should use a staged approach to engagement with the community on the issue of asset service levels. Given the community's willingness to consider income generation options in relation to the maintenance of roads assets, this class of asset should form the first area of review for the Council to prioritise.*

*Council should do so by:*

- a. Finalising the detailed condition assessment of all of its roads assets, as foreshadowed in the existing Asset Management Strategy.*
- b. Undertaking a detailed analysis of this data and developing at least two scenarios to present to the community as part of a discussion about desired service levels for roads assets.*
- c. Using the outcomes of this process to:*
  - i. assess whether additional income sources (eg: SRV application) are required to fund road infrastructure in the short- to medium-term.*
  - ii. inform its data collection and assessment, and community engagement in relation to all other asset classes.*
  - iii. better integrate asset management information into the LTFP ahead of the next review of the Community Strategic Plan and associated Delivery Program, including in the ongoing reporting of information on the implementation of the program to the elected council and the community in the next council term.*

## Financial and asset management systems and capacity

The Council has made progress towards increasing its capacity to undertake financial analysis beyond year-to-year budgeting, which is crucial to developing a complete understanding of the financial pressures it faces. To support this, the Council has reviewed its financial reporting/management systems and has implemented new software platforms in response.

The Council's recently adopted budgeting software platform promotes rigour and understanding of the budgeting process by placing responsibility for the management of budgets on individual functional area managers. Annual budgeting was previously centralised through the Council's Finance Management Team, with allocation of funding across functional areas based on historical practices (ie: previous year budget carried over, plus inflation).

The Council has also recently implemented asset management software across all of its asset classes. This will provide a basis for the Council to develop a clearer picture of asset liabilities to inform its long-term financial planning. At present, the Council's LTFP does not reflect the full asset maintenance and asset replacement costs, meaning it is difficult to obtain an accurate picture of the financial position of the Council.

The asset management software platform will also allow the Council to begin to transition away from its existing practice of calculating straight-line depreciation on its assets. This will allow it to more accurately reflect depreciation costs of individual assets across all classes.

The Council has developed a suite of detailed Asset Management Plans for its individual asset classes (Roads, Wastewater Drainage Infrastructure, Water Supply Infrastructure, and Recreation and Property). While the Council's overarching Asset Management Strategy does not presently account for individual asset classes in detail, it has been updated to reflect clear timeframes for implementing key actions associated with achieving this.

It is also important for the Council to consider liquidating those assets that are deemed to be surplus. This should be done in consultation with the community. This brings in much-needed income that can be directed to addressing the Council's and the community's priorities. The Council currently does not have an asset rationalisation policy to support its decision-making in this regard, which should be rectified as a matter of priority.

#### **Action item #7**

*The Council should develop an asset rationalisation policy to guide discussions with the community about the sale of surplus assets and ensure that an asset rationalisation process is undertaken as a matter of priority.*

#### **The Council's response – Financial Sustainability**

*Pricing for our water and wastewater business is reviewed by Council on an annual basis. For the period ended 30 June 2013, Water recorded a surplus of \$149,000 from Continuing Operations before capital amounts (SPFS). It should be noted that revenues can be subject to large variances due to annual climatic conditions, which can adversely impact on the operating result despite pricing changes. It is expected that Water will be in a surplus position as at 30 June 2014, although this is still to be finalised. The wastewater business achieved a surplus of \$277,000 from Continuing Operations before capital amounts (SPFS to 30 June 2013; the 2014 result is still to be finalised).*

*Council recently set up an Infrastructure working party to progress priorities and plans in relation to Council infrastructure. The working party has commenced a review of land assets, with a view to rationalisation where possible. Council does not believe there are significant amounts of surplus assets within the Shire.*

*Implementation of the new asset management system has been completed, which will provide better information regarding Council's assets, and which in turn will be reflected in our long term plans.*

*Management will be commencing discussions with councillors later in the year in respect of our community engagement and a possible special rate variation. As suggested, the focus initially will be to look at road assets and expected service levels.*

## GOVERNANCE

This section examines the effectiveness of Cooma-Monaro Shire Council's decision-making processes, as well as the key structures, systems and processes involved in administering the strategic operations of the Council.

Most of the Council's policies, procedures and systems are considered to be of the required standard for it to successfully meet its statutory obligations and guide its operations. However, examples of where the Council could improve its practices in key areas are set out below:

### Internal audit and risk management

Having an Internal Audit function is considered vital as it supports good internal governance, improves the effectiveness of risk management and control processes, and helps instil public confidence in a council's ability to operate effectively.

While Cooma-Monaro Shire Council has no such arrangement in place it has identified that this is a priority issue to address. In doing so, the Council should consider the following characteristics of a successful internal audit function:

- a. ***Appointing a position responsible for the coordination of internal auditing activities at the Council.*** The Review team acknowledges that the Council has initiated discussions with other councils in the South East Regional Organisation of Councils (SERO) to investigate the feasibility of appointing a shared Internal Audit position across a number of councils.
  
- b. ***Establishing an Internal Audit Committee.*** This should be an independent advisory committee to the Council. Membership should include at least one councillor (excluding the Mayor), and at least two independent members (at least one with financial expertise and one of whom should be the Chair). Independent and councillor members must be free from any management, business or other relationships that could be perceived to interfere with their ability to act in the best interests of the Council. The Internal Auditor should report directly to the committee, with an appropriate level of administrative support from council staff.

***c. Adopting an audit plan which establishes a rolling process of review across all functional areas of the Council, prioritised by risk.*** Examples of priority areas where the Council's internal governance controls should be reviewed include: fraud control, council-wide business continuity planning, recording of legislative compliance, and mechanisms to monitor unsatisfactory performance by contactors.

It is also acknowledged that the Council is intending to recruit a specific risk manager position in the coming months. This position should prioritise a comprehensive review of risk exposure across the organisation. This process should be supported by the development of a consolidated Council-wide risk management strategy to provide a framework to proactively identify, communicate and manage generic and specific risks.

#### **Action item #8**

*The Council should prioritise the establishment of an internal audit function which includes:*

- a. appointment of an Audit Coordinator*
- b. an Internal Audit Committee*
- c. an Audit Plan which establishes a rolling process of review across all functional areas of the Council*

#### **Action item #9**

*The Council should establish a Council-wide risk management strategy to provide a framework to proactively identify, communicate and manage generic and specific risks.*

### Council meetings and business papers

#### **Better practice**

*The Council has introduced measures to improve councillor decision making through revised meeting practices.*

Consistent and proper meeting practices contribute to good public decision-making and increase a council's accountability to the community.



It is noted that the length of Council meetings appears to have increased dramatically since the September 2012 election. Evidence suggests that this is as a result of councillors seeking clarification about detailed operational matters, and about the structure of the meeting agenda which has historically included a lot of “information” items at the beginning of the meeting.

As well as holding up the Council business, this also raises concerns about the appropriate level of detail requested by councillors to inform decision-making. It is also noted that lengthy meetings can be a disincentive for members of the community to attend, and may also negatively impact on public perceptions of the role of councillors.

The Council has recently taken steps to address this issue by reviewing the structure of Council meeting procedures to:

- establish pre-meeting information sessions with senior staff.
- move all key decision-making items to early in the agenda.
- limit the amount of public speakers on any one topic to two, with a maximum speaking time of ten minutes per person.

These changes are considered good practice as they will allow councillors to concentrate on higher priority and strategic issues, as well as reducing overall meeting length and avoiding unnecessary discussion over minor details in reports.

The review team also notes that the Council’s revised meeting practices are being supported by a review of the structure and content of the Council’s business papers. This should include the linking of individual items to the relevant action items contained in the Delivery Program as a means to improving councillor understanding of the relationship of the Delivery Program to their decision-making processes.

### Council committees

Council staff expressed a concern about the number of committees in use at the Council, many of which have been established under section 355 of the *Local Government Act 1993*, despite having no delegated decision-making powers.

As a means to improving the ability of councillors to focus on key strategic issues, the Council should prioritise revising the nature and scope of its committees, with a view to delegating more decision-making functions to them, as appropriate. The understanding of committee members of their roles could also be improved through the development of comprehensive and publicly available charters, constitutions, policies, procedures and templates (agendas etc) for the committees.

#### **Action item #10**

*The Council should review its committee policies and procedures to ensure that such committees have the relevant delegation to exercise their decision-making functions in an effective manner.*

#### Councillor training

##### **Better practice**

*The Council uses workshops to provide councillors with background information about matters before the Council and develop councillor knowledge and expertise.*

The knowledge and skills of councillors has a significant impact on the organisation's capacity to make sound and transparent decisions. Councillors require both induction and ongoing development to equip them with knowledge and skills required to properly carry out their duties and allow them to be effective members of a council's elected body.

For long-serving councillors there is the ongoing challenge of keeping up- to-date with changes in the areas where they are making decisions for the communities.

It is therefore appropriate that councils allocate appropriate resources to councillor training and development. Further, it is important for each individual councillor to critically review their skills and knowledge and commit to on-going development over their term as a councillor.

Cooma-Monaro Shire Council holds regular councillor workshops to inform councillors of key issues. This is considered to be better practice, as workshops are an effective way of providing councillors with background information about matters before the Council and developing councillor knowledge and expertise.

It was observed that these workshops appear to be well received, but attendance by councillors has been inconsistent. While it is acknowledged that councillors must prioritise competing demands, including their non-Council obligations, they are strongly encouraged to make the most of learning opportunities available to them. However, the review team also noted that the workshop schedule appears to be intensive, which may act to discourage regular attendance by some councillors.

The workshops could also be enhanced by focussing on strategic capacity building, and by addressing operational issues in less detail. In particular, the Council should focus on building councillor understanding of the IP&R process, including their role in relation to effective community engagement and the ongoing monitoring of the Delivery Program over the term.

The Council should also consider the use of other methods to interact with councillors, such as the development of a councillor handbook and the increased use of the online distribution of information.

#### **Action item #11**

*The Council should review the timing and nature of its councillor training workshops to encourage strategic decision-making, and ensure maximum participation (eg: through less frequent and lengthy workshops focussing on less operational detail about specific Council functional areas).*

#### **Action item #12**

*The Council should consider the use of additional methods to interact with councillors in relation to their roles and responsibilities, including the development of a councillor handbook and more targeted online distribution of material.*

### **The Council's response – Governance**

*Council notes the comments raised in relation to the establishment of an internal audit function and will investigate the setting up of such a role. As noted, this issue has been discussed through South East Regional Organisation of Councils in terms of shared resources across organisations. Council sees this as the most likely and cost-effective way forward for Cooma Monaro Shire.*

*The new Council meeting structure commenced at the June 2014 meeting and has been running since. Councillors have raised some concerns about the changes, especially in relation to the timing of the public forum section of the meeting. Councillors are currently discussing the meeting format with a view to making some further changes.*

*Council notes the comments regarding committee structures. It is anticipated that a review could be undertaken coinciding with the 2016 elections and a new Council. Committees are appointed for the four year term of Council.*

*Councillor workshop intensity is limited to certain times of the year, namely the lead up to adoption of the annual budget and associated plans. Councillors have been recently asked to provide feedback on the Integrated Planning and Reporting review program so that adjustments can be made if necessary to the timing and content of workshops. A short monthly informal meeting has commenced to improve communication and learning between councillors and the management team.*

*Council utilises 'The Hub' (an iPad application) to distribute information to councillors electronically. While take-up of the technology has been mixed, it is intended to continue with it and further train and develop councillors and staff in its use.*

## 4. BETTER PRACTICE EXAMPLES

The Office of Local Government defines Better Practice as that which:

- Is beyond or above minimum compliance requirements, published guidelines or in some way better than standard industry practice.
- Is innovative and/or very effective.
- Contributes to continuous improvement within the local government sector.

<b>BETTER PRACTICE EXAMPLES</b>	<b>DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?</b>	<b>IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?</b>
<p><b>1</b>      Strengthening      council decision-making through improved meeting procedures</p>	<p>The Council reviewed the structure of its meeting procedures to ensure better outcomes were achieved from the meetings. This has resulted in:</p> <ul style="list-style-type: none"> <li>- conducting pre-meeting sessions between councillors and senior staff.</li> <li>- moving all key decision-making agenda items to early in the agenda.</li> <li>- limiting the amount of public speakers on any one topic to two, with a maximum speaking time of ten minutes per person.</li> </ul> <p>These changes are considered good practice as they will allow councillors to concentrate on higher priority issues, as well as reducing overall meeting length, and avoiding unnecessary discussion over minor details in reports.</p>	<p>Yes</p>

<i>BETTER PRACTICE EXAMPLES</i>	<i>DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?</i>	<i>IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?</i>
2 The use of councillor workshops to inform councillors of key issues.	Workshops are an effective way of providing councillors with background information about matters before the Council and developing councillor knowledge and expertise.	Yes

## 5. ACTION PLAN

The following Action Plan to guide the implementation and monitoring of the recommendations of the Review was prepared by the Office of Local Government in cooperation with the Council.

ACTION ITEM	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p>1. The Council should amend its Community Engagement Strategy to link more closely with the strategic planning objectives of the IP&amp;R framework to:</p> <ul style="list-style-type: none"> <li>a. clearly outline the principles which guide its community engagement.</li> <li>b. clearly set out how the Council will involve the community throughout the process – from planning to reporting.</li> <li>c. articulate the community and organisational outcomes which community engagement aims to achieve (in relation to IP&amp;R),</li> <li>d. identify the level of information needed to improve community understanding of local strategic issues, in particular asset management concerns.</li> </ul>	1	Undertake a complete review of our community engagement strategy and policy ensuring it is implemented across all aspects of Council operations and consultations. The key objective will be to ensure greater participation in Council run consultations.	February 2015 to 30 June 2015	Corporate Services	30 June 2015

<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p><b>2.</b> The Council should review its community engagement practices to ensure:</p> <p>a. Engagement methods are consistently applied across the organisation (eg: by appointing a senior staff member to coordinate engagement practices across functional areas. This position should also regularly evaluate the quality and outcomes of engagement).</p> <p>b. Engagement mechanisms are more effectively targeted (eg: better use of website and social media to reflect growing use of such mediums; use of a community panel comprising a cross-section of interested citizens to provide feedback on proposed Council plans and policies).</p> <p>c. Clear information is provided to the community about the nature of Council services, the cost of providing them and the expected cost of increased levels of service.</p>	2	<p>Undertake a complete review of our community engagement strategy and policy, ensuring it is implemented across all aspects of Council operations and consultations. The key objective will be to ensure greater participation in Council-run consultations.</p> <p>Review Council communication strategy with the view to moving away from traditional media and embracing new forms of social media.</p>	1 July 2015 to 30 September 2015	Corporate Services	October 2015



<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p><b>3.</b> The Council should review its IP&amp;R reporting activities to improve the quality of information provided to the Council and the community, including by:</p> <ul style="list-style-type: none"> <li>a. Linking monthly council business paper items to relevant Delivery Program activities.</li> <li>b. Better explaining the implications of business paper recommendations on the Long-Term Financial Plan.</li> <li>c. More clearly defining Delivery Program activity targets and reporting on them in a more tangible manner in periodic reviews and in End-of-Term reports</li> </ul>	3	<p>Update business paper format to include link.</p> <p>Update business paper process in relation to financial implications and amend format.</p> <p>Review content of the Delivery Program and amend as necessary.</p> <p>Review reporting on Delivery Program.</p>	<p>February 2015 Council meeting</p> <p>February 2015 Council meeting</p> <p>June 2015</p> <p>June 2015</p>	Corporate Services	Quarterly reporting
<p><b>4.</b> The Council should make its individual asset management plans publicly available on its website.</p>	4	<p>Review web site content and update as necessary</p>	October 2014	Engineering and Corporate Services	Half-yearly reporting

<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p>5. The Council should prioritise the review of its pricing policies for both its water and wastewater businesses with a view to moving these to a break-even status as soon as possible</p>	<p>5</p>	<p>Pricing policies are already reviewed through the annual fees and charges review. This will continue.</p>	<p>June 2015</p>	<p>Engineering Services</p>	<p>Half-yearly reporting</p>

<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p>6. The Council should use a staged approach to community engagement on asset service levels. Given the community's willingness to consider income generation options in relation to the maintenance of roads assets, this should form the first area of review. It should do so by:</p> <ul style="list-style-type: none"> <li>a. Finalising the detailed condition assessment of all of its roads assets.</li> <li>b. Undertaking a detailed analysis of this data and developing at least two scenarios to present to the community as part of a discussion about desired service levels for roads assets.</li> <li>c. Using the outcomes of this process to: <ul style="list-style-type: none"> <li>i. assess whether additional income sources are required to fund road infrastructure in the short- to medium-term.</li> <li>ii. inform its data collection and assessment, and community engagement in relation to all other asset classes.</li> <li>iii. better integrate asset management information into the LTFP ahead of the next review of the Community Strategic Plan and associated Delivery Program.</li> </ul> </li> </ul>	6	Commence discussions with councillors and the community regarding the possibility of a Special Rate Variation targeting levels of spending on Council's infrastructure.	December 2014	Engineering	Half-yearly

<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p><b>7.</b> The Council should develop an asset rationalisation policy to guide discussions with the community about the sale of surplus assets and ensure that an asset rationalisation process is undertaken as a matter of priority.</p>	7	Council will continue to undertake a review of current assets with a view to identifying surplus assets for possible disposal.	December 2014	Engineering	Half-yearly
<p><b>8.</b> The Council should prioritise the establishment of an internal audit function which includes:</p> <ul style="list-style-type: none"> <li>a. appointment of an Audit Coordinator</li> <li>b. an Internal Audit Committee</li> <li>c. an Audit Plan which establishes a rolling process of review across all functional areas of the Council.</li> </ul>	8	Continue to work with SEROC and neighbouring councils to determine an appropriate cost-effective model for implementation.	July 2015	Corporate Services	Half-yearly reporting
<p><b>9.</b> The Council should establish a Council-wide risk management strategy to provide a framework to proactively identify, communicate and manage generic and specific risks.</p>	9	Upon recruitment of a Risk Manager, undertake review.	July 2015	Corporate Services	Yearly

<b>ACTION ITEM</b>	<b>PRIORITY</b>	<b>ACTION PROPOSED</b>	<b>TIME FRAME</b>	<b>RESPONSIBILITY</b>	<b>PROGRESS REPORT</b>
<p><b>10.</b>The Council should review its committee policies and procedures to ensure that such committees have the relevant delegation to exercise their decision-making functions in an effective manner.</p>	<p>10</p>	<p>Undertake a comprehensive review of Council committees with a view to implementation with the next term of Council.</p>	<p>September 2016</p>	<p>Corporate Services</p>	<p>Annual</p>
<p><b>11.</b>The Council should review the timing and nature of its councillor training workshops to encourage strategic decision-making, and ensure maximum participation (eg: through less frequent and lengthy workshops focussing on less operational detail about specific Council functional areas).</p>	<p>11</p>	<p>Senior Management to undertake ongoing consultation with councillors regarding content and structure of meetings.</p>	<p>Ongoing</p>	<p>Corporate Services</p>	<p>Annual</p>
<p><b>12.</b>The Council should consider the use of additional methods to interact with councillors in relation to their roles and responsibilities, including the development of a councillor handbook and more targeted online distribution of material.</p>	<p>12</p>	<p>Further training be provided to councillors in the use of 'The Hub' distribution application with a view to increasing its use.</p>	<p>Ongoing</p>	<p>Corporate Services</p>	<p>Annual</p>