Local Government Reform Program - Promoting Better Practice

good governance

innovation

improvement

challenges

REVIEW REPORT

BEGA VALLEY SHIRE COUNCIL

OCTOBER 2006

dlg

Department of Local Government

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1. ABOUT THE REVIEW

Review objectives

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

- to generate momentum for a culture of continuous improvement and greater compliance across local government

- to provide an 'early intervention' option for councils experiencing operating problems

- to promote good governance and ethical conduct principles

- to identify and share innovation and good practice in local government

- to enable the department to use review information to feed back into its work in identifying necessary legislative and policy work for the local government sector.

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

Review process

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

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

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

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

Bega Valley Shire Council Review

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

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

- How has council determined its ambitions and priorities?

- How do these ambitions and priorities drive the council's services and resources?

- How does council use its corporate capacity and systems to drive forward the organisation in an ambitious, challenging yet managed way?

- How does council measure the progress it is making with its agenda to ensure that its priorities are delivered and that service improvement is achieved?

Senior Investigations Officers from the Department of Local Government, Aleksandra Valda and Lyn Brown, conducted the on-site component of the review from 27 to 30 June 2006.

The on-site review involved meetings with council's Mayor and General Manager, briefings for relevant council staff, conducting interviews, attending a council meeting and a committee meeting and a review of a number of council's policies, documents and processes.

2. EXECUTIVE SUMMARY

Bega Valley Shire Council is a mature organisation oriented towards meeting the long-term needs of the shire's communities. To best meet the challenges over the next 20 plus years in a strategic manner, council has adopted a 'triple bottom line' approach to planning of its activities and to monitoring and improving its performance. Council's 20 year strategic plan is underpinned by environmental and social plans and by financial strategies. These long-term plans are put into effect through the management plan and more detailed annual operational plans. Achievements against the planned targets are assessed quarterly. Council's annual report shows achievement against its objectives and performance indicators.

The culture within the organisation is positive, with councillors and staff working together and with the community toward achieving council's vision, goals and targets. The conduct of its council meetings is exemplary. The meetings are chaired effectively and efficiently with relevant matters dealt with in a less formal manner in committee of the whole. Members of the public are able to address council at a public access forum.

Council has a solid governance framework. It has adopted a code of conduct, and has a very good policy framework. To further enhance council's systems and processes the review team has made recommendations aimed at strengthening council's internal controls.

In the regulatory and planning context, council has welcomed the State template for a shire-wide Local Environmental Plan and is demonstrating a strong focus on economic development for the betterment of the shire. Council is encouraged to develop an organisation-wide enforcement policy and to pursue the completion of the state of the environment report.

While council's finances are in a position to meet its current obligations, it is noted that the organisation's liquidity position has been deteriorating for the past four years. Council is aware that maintaining a balanced budget in the future will become

increasingly difficult within its current revenue raising capabilities and is considering alternative revenue raising options. To this end, council is looking seriously at the sustainability of its financial future and has recently commissioned an operational examination assessment to ascertain the gap between what it should deliver versus what it is delivering, focusing on efficiencies. The recommendations of this review were presented to council, council staff and the community in early August 2006. The review team strongly recommends that council develop a strategy for dealing with the recommendations of this examination where appropriate, including any transitional arrangements.

Council conducts regular condition audits of its assets, using a range of drivers to determine the frequency of maintenance of different assets – with asset condition and usage being the key drivers. While council assets are currently in a reasonable condition, the organisation should take steps to address the gap between estimated and programmed maintenance.

Council has an exemplary social plan, with strong elements of better practice and has a built-in process of continuous improvement. It applies a range of strategies for engaging with and determining the views of its communities. Council is encouraged to formulate an organisation-wide community consultation strategy and customer service standards.

Council's workforce appears to be dedicated and motivated. Council has well-developed human resource policies and a commendable arrangement involving a local Aboriginal Consultative Committee. Council's human resources plan should document the good practices that are being implemented in the organisation. It should also conduct and use the outcomes of an employee satisfaction survey.

In summary, councillors, council management and staff are engaged in positive processes to strategically address the future needs for the shire. Its efforts and outcomes in this process are commended.

The review team wishes to thank council for its assistance in conducting this review.

3. RECOMMENDATIONS

Strategic

1. Council should include the economic perspective to its triple bottom line framework.

2. Council should consider putting in place a continuous self-reflection and improvement process.

Governance

3. Council should ensure that records of councillor training are kept in a systematic way.

4. Council should continue the development of the business continuity plan as scheduled.

5. Council should examine the costs and benefits of establishing an internal audit function, and should undertake a comprehensive risk management identification and planning process, including fraud risks.

6. Council should ensure it has a system for managing councillors' records that relate to the conduct of council business.

7. Reporting of complaints to management and council should be done quarterly and include, where warranted, evidence of recommendations for changes to relevant council procedures or policies that are the subject of the complaint.

8. Council should continue to finalise the policy on the provision of information to the public that combines the provisions of the Local Government Act, Freedom of Information Act, council privacy management plan, copyright

management plan and procedures, health records and records help on the Companion Animals Register.

Planning and regulatory

9. Council should continue to develop and put in place an organisation-wide system for recording and tracking development applications.

10. Council should pursue the completion of the comprehensive state of the environment report as a priority.

11. The on-site sewerage management development control plan should be improved by:
    - o including a section on resources
    - o providing information for landowners about application and inspection fees or whether the systems are approved annually or for a fixed term
    - o linking this information to council's annual fees and charges document
    - o updating the references to Regulation.

12. Council should document its policy and procedures in relation to dealing with non-compliance issues.

13. Council should ensure that the residents of Bega Valley are properly informed as to how they may report alleged breaches and non-compliance.

Asset and financial management

14. The review team support the auditor's recommendation that council should aim to bring the outstanding rates and annual charges ratio to 6 percent or lower.

15. In it's reporting on the condition of public works, council needs to address the issue of the consistency of its estimates and its obligations to inform the public of the state of its infrastructure as accurately as possible.

16. Council should weigh the costs of investing in infrastructure renewal over the medium term against the potential costs of failing to do so over the long term.

17. Council should continue to finalise its asset register (including stormwater drainage assets).

18. Council should continue to integrate its various computer systems and create interfaces between some of its key applications so they all work in a standard operating environment.

Community and consultation

19. Council should formalise and articulate an organisation-wide community consultation policy and framework to guide its practice.

20. Council should develop customer service standards for all of the services it provides.

21. Once adopted, customer service standards should be monitored and reported on to ensure accountability to the community and to provide feedback to the council.

22. Council should continue with the development of an economic management strategy.

Workforce

23. Council should document its practices relating to human resource planning and should adopt a whole-of-organisation strategic approach.

24. Council's Equal Employment Opportunity plan should include a strategy to collect and record information relating to EEO practices.

25. Council should conduct regular employee surveys at least every four years to gauge employee satisfaction with the organisation and identify areas that may require improvement.

4. CONTEXT

This section of the report describes the context in which the council operates, including the make up of the council area, population characteristics and trends, councillors' experience, and council functional structure. The information in based on the Australian Bureau of Statistics 2001 census information, the Department of Local Government Comparative Information on NSW Local Government Councils 2003/2004, and other documents.

Bega Valley Shire Council is located on the far South Coast of New South Wales, covering an area of 6,279 square kilometres. It stretches from the southern boundary of Eurobodalla Shire Council in the north (Wallaga Lake), to the Victorian border (Cape Hope) in the south. It is bordered by the Pacific Ocean to the east and by Bombala and Cooma-Monaro Councils to the west. The shire comprises 18 towns and villages including Bega, Merimbula, Pambula, Eden, Bermagui and Tathra, to name a few. The shire is located approximately half way between Sydney and Melbourne and a few hours' drive from the national capital. Council's main administrative centre is in Bega, with branches in Eden, Merimbula and Bermagui.

Bega Valley Shire Council was formed in 1981 following the amalgamation of the then Bega Municipality and former Imlay and Mumbulla Shires.

For the purpose of comparative information, the Department of Local Government classifies the council as Group 4 (indicating the following characteristics: urban, regional, with small population).

In June 2003 council had an estimated population of 31,499 people[1]. The population density at this time was just over five people per square kilometre; the population growth for the previous five year period was 1.57 % (compared to 1.16% at the State level). 2.19% of the population identified themselves as being of Aboriginal or Torres Strait Islander origin, and 3.94% as being of culturally and linguistically diverse backgrounds.

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[1] Source of information: DLG Comparative Information for NSW Local Government Councils 2003/04.

In terms of the shire's age structure, the median age of people in the shire at the time of the 2001 Australian Bureau of Statistics census was 42 years (compared to 39 in 1996 and 36 in 1991). Jackson's NSW Local Government Population Ageing project[2] indicates that in 2004, with 18.3 % of population aged 65+ years, Bega Valley Shire was the State's 19th oldest LGA. The same study forecasts that by 2022 it will be the 22nd oldest.

The study suggests that by 2022 the shire's population should increase in size by 16.2%; at the same time, its youth population is projected to decline slightly, while its working age population will grow somewhat. Overall, the elderly population is projected to grow substantially (e.g. the 85+ population is estimated to increase by 117% by 2022). In 2004, the shire had an 'elderly to child' ratio of 0.9:1 (this means that there were 9 elderly people – over the age of 65 – for every 10 children); this ratio is expected to increase markedly by 2022 to 1.6 (16 elderly to every 10 children). The 'crossover' is expected to happen in 2006 (and in 2015 for NSW total; in 2019 for Greater Sydney; and 2009 for NSW balance).

According to the same study, the implications for the labour market are that the working age population (15-64) is projected to fall from its 61.4% in 2004, to 56.7% in 2022 (however, the workforce is expected to increase in size by 7.3%).

As at 30 June 2003 the median weekly individual income for the residents of the shire was $200-$299.

Council has nine elected councillors. The majority of councillors were elected for the first time at the 2002 extraordinary local government elections, following the dismissal of the elected council in 1999 and a period of administration (1999-2002). Councillors have a strategic role in the management of council.

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[2] Jackson, Dr. Natalie, 2004, *Population Ageing in New South Wales and its Local Government Areas*, University of Tasmania.

Council's General Manager, Mr David Jesson, has worked with the council for 14 years, the last 13 as general manager. The General Manager has announced his plan to retire in 2007.

Council's total staffing numbers are 287 equivalent full time staff, with a budget of $14 million in 2003/04. Council's organisational structure comprises three divisions:

- Corporate and Community Services (responsible for corporate management, corporate services, customer service and administration, community and cultural services, financial services, human resources and information services)

- Environment, Planning and Development Services (dealing with building and health services, economic development and tourism, environmental services and planning services)

- Engineering Services (in charge of Bega Valley sewerage program, engineering direction, design and development, roads and recreation asset management, urban projects and building unit, waste services, water and waste water services, works).

5.   COUNCIL'S AMBITIONS, PRIORITIES AND FUTURE FOCUS

This part of council's assessment focussed on: clear ambition; a focus on communities and services; ownership of problems and willingness to change; a shared and realistic vision; a sustained focus on what matters; improvement integrated into day-to-day management; flexibility and innovation; capacity and systems to continue to deliver performance improvement. The views expressed by the review team were arrived at by examining council documents and in discussions with the Mayor, General Manager and other senior staff.

What is working well

Bega Valley Shire Council has undertaken a process to formulate the vision for the shire and to identify priorities in putting this vision into action. The principle guiding the vision definition and delivery process is simple: vision to policy, policy to strategy, and strategy to action. Councillors, the community and staff have been involved in this process. Council's vision and priorities are identified in a range of strategic and operational documents, which drive council's operational objectives and performance targets.

Council has adopted a 'triple bottom line' approach to the formulation of its ambitions, definition of its delivery focus, prioritisation of its objectives and resources required for meeting these objectives, as well as to its performance management process. Council's efforts in this regard are guided by the 20 year strategic plan. The strategic plan is underpinned by the shire's social plan, which is of an exemplary quality (social plan is discussed in further detail under the 'Community and Consultation' heading below); by the environmental plan; and by the 10 year financial strategy.

The delivery of the longer-term plans is put into effect through the 4 year management plans and annual operational plans. The management and annual delivery plans are formulated over five strategic direction areas:
  ▪ governance
  ▪ community and culture

- economy
- environment and
- management of infrastructure and assets.

The direction areas are further developed into specific actions with directors', managers' and staff members' accountabilities clearly identified. Regulations relating to council operations and influences outside the scope of council responsibilities are also identified in relation to each direction area.

The medium and short-term plans are monitored through a quarterly review process, with achievements being reported to the council (quarterly) and the community (annually). Council monitors the meeting of set targets through quarterly management plan and financial reporting processes. The review of the management plan is used as a vehicle for checking the currency of longer-term plans. This system creates the opportunity for the organisation to be flexible and innovative and facilitates continuous performance improvement. There is a dedicated position within council's Corporate and Community Services division that facilitates and oversees this process.

During the on-site visit the review team observed a shared understanding and collaborative approach among councillors, council management and staff to implementing council's vision, objectives, strategies and goals. Council seems to take the community perspective and deal with issues in a frank and committed way at all levels.

To assess its operational readiness, effectiveness and efficiency council is currently undergoing the process of an operational examination that will assist it to determine the best cost saving measures for the organisation and realise cost and productivity efficiencies in various areas. The outcomes of the operational examination were presented to councillors, council staff and the community on 7 August 2006. This process is evidence that council actively seeks to achieve more efficient and effective service delivery. The review team strongly suggests that council should quickly develop strategies for dealing with the recommendations of

the operational examination, including any transitional arrangements that may be necessary, to enable a seamless transition to any new business focus or organisational structure it may adopt.

Various council plans include strategies for the provision of services to the ageing population. Council's structure and staffing arrangements reflect a strong focus on succession planning.

There seems to be a clear delineation between the service provision and regulatory functions within the organisational structure. In addition, council has put in place several appeal mechanisms for reviewing decisions.

Challenges to improve

With regard to council ambitions, priorities and future focus, the review team makes two suggestions aimed at further strengthening council's already sound strategic and delivery framework.

Firstly, the review team recommends that council should include the economic perspective to its triple bottom line framework (*Recommendation 1*). Council is in the process of developing an economic strategy for the shire, which will include significant sources of income from caravan parks, Merimbula airport and tourism activities. While this perspective is taken into consideration in the development of specific longer-term ambitions for the area, i.e. it is happening at the delivery level, reflecting this good practice at the highest, strategic level, would represent good practice and further strengthen council's strategic framework.

Secondly, the review team recommends that council should consider putting in place a continuous self-reflection and improvement process (*Recommendation 2*). While council currently has a sound process for evaluating the delivery of its targets, it does not sufficiently reflect on its organisational readiness for the delivery of its priorities. Having such a process in place would further strengthen council's organisational capacity.

6. DELIVERING AND ACHIEVING

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

Overview

Council has a commendably mature approach to decision making. The working relationship between staff, councillors and the community is respectful and cooperative for the long-term benefit of the shire.

Overall, the review team observed that at all levels of council there is awareness that council's decisions of today not only affect the community at the present time, but even more so, that cumulative effects of council decisions create a legacy for future generations. Some councillors have described this approach as commonsense wisdom from their own businesses: "you must look beyond the present and the immediate future – at where your community wants to be in 20 or 40 years time". Perhaps the most succinct and accurate way of describing the environment in which council decision-making happens is: a committed council with a community that wants the council to succeed.

6.1   Governance

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

Governance is one of the five strategic direction areas of the council's Management Plan, together with: community and culture; economy; environment and

management of infrastructure; and assets. Governance as a strategic direction for council is understood as the "implementation of programs of local government that the council has directed"[3] and comprises three direction statements: (1) organisation; (2) financial management; and (3) service delivery. Each direction statement is supported by a number of critical actions, which the councils plans to deliver in 2006/07.

The review team looked at a range of council governance practices including:

- *Organisational values*
- *Council's decision-making processes (roles of councillors and staff; council meetings)*
- *Committees of council*
- *Induction training for councillors*
- *Code of conduct*
- *Conflict of interest and pecuniary interest declarations in returns and in council meetings*
- *Councillor expenses*
- *Policy register*
- *Statement of business ethics*
- *Tendering, procurement, asset disposal and contract management*
- *Disaster recovery/business continuity*
- *Delegations*
- *Internal controls (risk management, fraud control, internal audit)*
- *Internal reporting*
- *Provision of information to the public.*

Organisational values

Organisational values define organisational integrity. They are an important way in which the leaders of an organisation can communicate to the rest of the organisation and the community at large what the organisation stands for.

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[3] Bega Valley Shire Council, Operational Plan 2006/07, page 18.

Bega Valley Shire Council has a statement of values contained in its corporate documents, guiding its long and short-term decision making. A range of values such as: openness and transparency, integrity, service, team focus, accountability, equity, inclusion and respect and learning underpin council's daily practices. Councillors and council staff are committed to the organisational values in their dealings with the community and other organisations.

Council decision making process – roles and responsibilities of councillors and staff

The unfortunate events of the late 1990s were marked by a lack of understanding of their roles by the then elected councillors. This led to the public inquiry into Bega Valley Shire Council under section 740 of the Local Government Act in 1999, the dismissal of council and a period of administration. Today's councillors and council staff demonstrate a very clear understanding of their respective roles and a healthy and mature respect for those roles. All councillors and council staff interviewed during the review demonstrated an understanding of the delineation between the roles of elected councillors in strategic management of the organisation, and the day-to-day management responsibilities of the general manager and council staff.

One of the commendable practices the review team encountered during the review are extensive workshops for councillors to assist them with the understanding and clarification of their roles and also to keep them informed of the current issues affecting the organisation.

The review team was impressed by the professional approach and the apparent willingness of both staff and the elected body to work together with the community for the benefit of the council area.

Council decision making process – council meetings

Council meetings are the primary means by which council makes its decisions. Council adopted a code of meeting practice in 2003. This code, in combination with the council's code of conduct, regulates the behaviour of councillors and staff.

Council meetings are held twice a month. Councillors resolve into committees of the whole of which all councillors are members – this enables less formal communication among participants.

Inspection of the minutes of council and committee meetings by the review team (from January to June 2006) and attendance at the council and committee meetings on 27 June 2006 revealed there is a mature and respectful attitude among councillors, and between councillors and council staff, and cooperation between the council and members of the public.

In the Planning and Development Committee meeting on 27 June 2006, a relatively controversial local development matter was discussed and the chamber was packed with interested residents. On this occasion all participants in the chamber behaved in a mature and cooperative manner, with respect for all other participants. The matter was well researched and presented, members of the public were afforded the opportunity to speak and, although strong feelings about the issue in question were evident, perfect order was maintained throughout the meeting by the chair and the public.

In addition to the already mentioned good practice of councillor workshops, council has a practice whereby decisions on any particular matter where it has received submissions at the meeting from the public are deferred until the following council meeting to enable sufficient time for the matter to be fully considered and opinions formed.

The review team would also like to compliment the detailed, simultaneous minute taking practice by council support staff. The records made of the meetings of 27 June were timely and accurate.

Committees of council

A council can establish committees to assist it in carrying out many of its functions. Bega Valley Shire Council has established a number of committees and has developed detailed guidelines for their operation. In addition, all committee members

are given council's code of conduct and workshops are organised for committee members at the beginning of their tenure.

Induction training for councillors

Newly elected councillors require induction training to equip them with the skills required to properly carry out their duties and allow them to be effective in the exercise of their duties. To assist councillors in achieving these goals, councillor induction training should familiarise councillors with the activities and functions of the council and the legislative framework in which they operate. This program is also intended to ensure that councillors are made aware of their general legal responsibilities as an elected member and their obligations of disclosure under the pecuniary interest provisions of the Local Government Act.

The current councillors were elected in 2002, following a period of administration and re-elected at the ordinary local government elections in 2004 (except for one councillor). For newly elected councillors, council conducts an internal induction process. It also provides opportunities for councillors to attend training through external providers such as the Local Government Association. And, as previously mentioned, council organised extensive workshops for its elected members.

Council staff could not produce the record of councillor training. The review team recommends that council ensure that such records are kept in a systematic way. (*Recommendation 3.)*

Code of conduct

Council adopted its current code of conduct in September 2005 incorporating the departmental guidelines and the disciplinary provisions of the *Local Government Act 1993*. The code was revisited in February 2006. The code is available on council's website through the "Policies" link.

All committees of council receive a copy of the code.

To date, there have been no complaints under the code.

Conflict of interest and pecuniary interest declarations in returns and in meetings

As part of the review the review team assessed in detail councillors' and designated persons' written returns of interests for the past two years. In addition, the minutes of council and committee meetings from January to June 2006 were reviewed for declarations of non-pecuniary and pecuniary conflicts of interest. No significant discrepancies were discovered in this audit. On the contrary, it has been noted that a number of written declarations contained voluntary declarations. In council meetings, councillors and designated persons seem to take particular care in considering and declaring all interests, including potential and perceived. Declarations in meetings address the nature of the interest, at times erring on the side of caution. The review team noted one minor oversight – a small number of written returns did not contain the details of the person's sources of income, including employment with council or being a councillor. It is important that persons required to complete written returns should ensure their declarations are accurate and complete. Council may consider means of supporting this process.

Councillor expenses and facilities

Council has a policy on councillor expenses and facilities. The review team has observed a relatively low expenditure in this regard, compared to the neighbouring councils. The General Manager, the Mayor and the Deputy Mayor explained to the review team that most of the time councillors tended to use their annual fees on council related business, including travel and some training without claiming additional expenses. This dedication to serving the community by councillors is commended. Council's comments on the development of the new expenses and facilities policy consistent with the guidelines recently issued by the department have been noted.

Policy register

Council is currently in the process of reviewing all its policies. The process has been going on for the past 12 months. At the beginning of the policy review process a workshop was held with councillors to clarify what policy is (and what is, for example, a procedure). The first step was the adoption of a policy on policy development, which sets out the standard policy format as well as policy creation and review processes. The new policy format clearly reflects the delineation of responsibility of the elected body for the strategic aspect of council policies and of the various sections of council for the operational aspect of policies.

The new way of organising and managing council policies represents a significant simplification of the existing policy register. The incorporation of a fast-find index and multiple search streams makes the policy/knowledge management system and council business more accessible to members of the public. Top level policies are supported by relevant procedures. There are appropriate links between policies and procedures.

The new standard policy format clearly identifies the position responsible for the policy, the date the policy was adopted, the date last reviewed and any related policies or other documents. Under the new system all policies also contain a review date, which is linked to the responsible section's and officer's work calendar, thus facilitating the process of regular assessment of the relevance and appropriateness of policies.

This is considered to be a good practice. Council is encouraged to continue and complete this process.

As part of its policy framework, council has adopted a simple, easy to follow style guide in an attempt to standardise the appearance and quality of its written material. This practice is also commended.

Statement of business ethics and management of contractors

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

Council's statement of business ethics is available on council's website in the policy section. It covers key issues around the values council stands by and what contractors need to be aware of in doing business with council. The review team was assured that this statement, together with a copy of the council's code of conduct, is provided to all persons conducting business on behalf of council.

Council has a policy for the management of contractors. The policy identifies acceptable standards of ethics, value for public money, council's image, conflict of interest, safety and other contract performance criteria.

Tendering, procurement, asset disposal and contract management

Councils' obligations in relation to formal tenders are regulated under section 55 of the Local Government Act and the relevant provisions of the Regulation. These provisions apply to contracts with a value of $150,000 or more.

Tendering, procurement, contract management and asset disposal activities should be governed by considerations of probity, transparency and accountability in the expenditure of public funds for public purposes.

Bega Valley Shire Council has a policy for the procurement of assets and services and procedures for: expenditure – source of funds; competition – best value; competitive provision of services; tendering; purchase and disposal of plant and vehicles; procurement and disposal of goods and services; and infrastructure in conjunction with sporting and social clubs.

The tendering procedure addresses areas such as the authorisation and evaluation process, legal requirements, ethical considerations, quality assurance, occupational health and safety matters and other issues relevant to council business.

The purchasing procedure recognises the need to achieve the most advantageous price and purchasing conditions for the council.

Assessment by the review team of three randomly selected tendering files revealed that council policies, practices and procedures meet the good practice standards and the highest level of public accountability. The files assessed highlight the ethical principles the council has followed for the selection and evaluation of and communication with tenders; as well as for the documentation of the process.

In the preparation of its tendering procedure council has taken into account the ICAC tendering guidelines.

Disaster recovery / business continuity

Council currently does not have an organisation-wide disaster recovery / business continuity plan. Separate areas have plans (e.g. the Information Management section). The development of the council wide plan is underway. The review team recommends that this process continues and that the plan be finished (*Recommendation 4*).

Delegations

Council must review its delegations during the first twelve months following an ordinary election. Bega Valley Shire Council has done so. In addition, delegations are regularly reviewed as staff duties change or new incumbents start. There is a comprehensive enquiry and reporting system on delegations, by delegation title, number, position, activity and category. This system is linked to the employee information system. The printout of particular delegations given to staff members identifies the source of authority, the description/limits of the delegation, the financial limit of the delegation and the day it was issued. There is a clearly identified process for granting and revoking delegations. This is considered to be a good practice.

Internal controls (internal audit, risk management processes, fraud control, legislative compliance)

Internal control processes, such as internal audit, fraud control, risk management plans and legislative compliance provide for systematic assessment of the adequacy and weaknesses of council processes and systems. This, in turn, enables the organisation to ensure, on the one hand, that statutory and service level requirements are met, and, on the other, to test organisational processes for risks or vulnerabilities and to strengthen its processes and systems.

Bega Valley Shire Council has put in place risk management practices in particular areas of operation, such as procurement of goods and services, management and disposal of assets, but does not have an overall risk management plan, or an internal audit program. Council has also not undertaken a systematic fraud risk assessment. It is important that fraud risks are identified and managed effectively and that processes are put in place to ensure that the existing and emerging risk areas are managed appropriately.

The review team recommends that council should examine the costs and benefits of establishing an internal audit function. Council should also undertake a comprehensive risk management identification and planning process, including fraud risks (*Recommendation 5*). In this regard, and pending the outcomes of the operational examination process council is undergoing, council may consider several options such as strengthening the role of the corporate management section with the risk management/fraud control function, contracting the function to an external body, or sharing the function with other regional councils.

Record keeping

Council has policies and systems for managing hard copy, oral and electronic records. However, the review team found some discrepancies in the way different sections of council manage records. Some records are kept in lever-arch folders. Some are combined electronic and hard copy records. Some records could not be

found during the review. As suggested elsewhere in the report, having an organisation-wide internal control process in place would ensure, among other things, that council not only has a policy in place regarding records management, but that it also consistently ensures that the records are managed in a standardised way throughout the organisation.

Council should also ensure it has a system for managing councillors' records that relate to the conduct of council business (*Recommendation 6*).

Internal reporting / complaints handling

Council has a well developed system of recording and actioning customer action requests and complaints. The two functions are recorded and handled separately.

All correspondence and requests for action are recorded on the records and data management system (council uses the Dataworks system) and generate a workflow (workflows are also recorded, thus creating an audit trail and so that at any given moment managers can know who is handling or has handled a matter).

Protected disclosures are recorded on both the HR and Dataworks systems – Dataworks has a confidential lock option. Staff receive training on protected disclosure on induction. The council also produced a flyer on 'blowing the whistle', which is available to all staff.

The summary of complaints is reported to council on request. By way of enhancing council's internal control and organisational development systems, the review team recommends that the reporting of complaints to management and council be done quarterly and include, where warranted, evidence of recommendations for changes to relevant council procedures or policies that are the subject of the complaint (*Recommendation 7*).

Provision of information to the public (Freedom of Information, Privacy, Section 12 information)

Councils are required to make their documents available for inspection free of charge under section 12 of the Local Government Act unless they are exempt under that section, or the council is satisfied that allowing access would, on balance, be contrary to the public interest. Councils are entitled to impose reasonable photocopying charges for reproducing documents under this section. Where the general manager or other person refuses access to a document, they must provide their reasons for doing so in writing to the council. Those reasons must be publicly available. Council must review the restriction within three months of access being refused.

Council has a commendable 'open access' policy for public access to council information. The policy has broad application and is supported by a procedure that assists council staff, especially front counter staff, to locate all documents that are to be publicly available pursuant to section 12(1) of the Local Government Act.

As a matter of principle, all requests for information under the Freedom of Information Act are first assessed for applicability of the provisions of section 12 of the Local Government Act.

Council charges no fees to inspect documents but imposes photocopying charges.

Council has a draft combined policy and procedures on the provision of information to the public. The policy addresses the issues of public access to information under section 12 of the Local Government Act, council's privacy management plan, freedom of information management plan, copyright management plan and procedures, health records and records kept on the Companion Animals Register. Council should proceed to finalise and adopt this policy. (*Recommendation 8*.)

In handling requests for documents and information under the *Freedom of Information Act 1989*, council uses the Guidelines prepared by the Premier's Department. Council prepares and publishes both the statement of affairs and the

summary of affairs pursuant to the requirements of the *Freedom of Information Act 1989*. The summary of affairs appropriately identifies relevant council documents.

6.2   Regulatory Functions

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

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

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

Overview

Similarly to its other areas of responsibility, council has taken a long-term, strategic approach to areas of strategic land use planning, development, environmental management and its various enforcement practices.

As discussed under the 'Council's ambitions, priorities and focus' heading above, council's 20 year strategic plan is underpinned by the Local Environmental Plan (LEP), the social plan and the long-term financial strategy. This has enabled the council to take a team approach to projects whereby land use and social planners work together with financial strategists. All new initiatives are considered against the management plan.

The key considerations in council's long-term planning process are population servicing needs, including the needs of coastal, rural or ageing populations. Strategies are being planned to meet future specific population needs, as well as the

business needs of the shire. In terms of business development, commercial strategy underpins council's land use strategy. These longer-term needs have been considered by council at the shire-wide level, through a single LEP that is being prepared, at the same time taking into consideration particular area characteristics.

Council's planning instruments and policies

Section 73 of the *Environmental Planning and Assessment Act 1979* (EPAA) places a requirement on councils to keep their planning instruments and policies, such as local environmental plans and development control plans under regular periodic review*.* In addition, under recent amendments to the EPAA*,* the Department of Planning has sought to standardise planning instruments throughout the State by issuing a new prescribed LEP template that councils are required to use. Bega Valley Shire Council has been given three years to consolidate its LEP into the State template; the Department of Planning has provided council with a grant of $150,000 towards the integration of its various plans with the LEP.

Council has welcomed the template as it enables all different strategies to come together. Council plans to have the new template completed approximately one year before the due date and place it on public exhibition.

Council also participates in the development of the draft South Coast Regional Strategy. The primary question for council throughout its participation in different State and regional strategic planning initiatives has been the role for the council. Similarly, the key question in the future consultancy project looking at a commercial centres strategy in 2006/07 will be determining the role for council in such an initiative (in comparison with the roles of other players in the system).

In the preparation of its planning strategies council consults extensively with the community through a network of area committees and a series of community planning workshops. In addition, planning staff are available at counters and by appointment.

Council's LEP is the principal document controlling development at the council level. The zoning provisions establish permissibility of uses and development standards

regulate the extent of development. Council's current LEP was gazetted in 2002. The LEP contains provisions for exempt and complying development. Council has a notification DCP.

Council is currently undertaking a number of strategic planning projects including various structure reports, a rural land review, a commercial centres study, a small holdings review, and an Aboriginal Land Council Property Zonings review, to name a few.

Council currently employs 8 specialists in planning positions, with no vacancies. In terms of structure and functional responsibilities, within council's Environment, Planning and Development Services, the strategic planning strategy and the development applications streams are clearly separated, with necessary information being shared between sections. Council's planning function was reviewed in the last two years.

The key challenge for the section are its limited resources. In this regard steps are being taken to improve the situation. Some of the strategies, as discussed later in the report under the Workforce heading, include: age profiling each section to identify 'hot spots'; profession profiling to identify skills required in various areas; increasing the number of traineeships and apprenticeships; offering more flexibility for older workers (such as part-time and casual appointments); identifying, reviewing and learning about other practices; and encouraging managers to delegate and get staff to take on responsibilities to improve skills for future promotion.

Development assessment

The NSW Department of Local Government's comparative information publication indicates that in 2003/04 the mean time taken by council to consider development applications was 48 days. The statutory benchmark is 40 days. The group average was 28 days and the State average was 30.5 days. Council is aware of the longer average time it is taking to assess development proposals. In staff's own assessment, around 50 percent of applications are processed quickly and without any problems. In relation to those applications that, in the view of the assessment

staff require additional work, council has taken a stance that outcomes should be negotiated with applicants so that legislative and policy requirements are met and the applicants satisfied, rather than resorting to court action.

Council is aware of its minor shortfall in relation to the average development application processing time and is considering strategies to improve its processes in order to shorten the assessment time of development applications. Currently, all planning staff are expected to spend one day per week working on strategic tasks. This is not always possible to achieve without compromising processing times. Section managers are mindful of the varied demands of its staff and are working on strategies to meet all priorities, which are kept under constant review. The outcomes of the operational examination may be of assistance in this regard.

In terms of the number of development applications processed, in 2003/04 Bega Valley Shire Council processed 1141 applications, compared to the group average of 971 and the State average of 765. The number of applications received for processing has increased by 20 percent over the past three years, but has levelled off more recently.

Applications are currently recorded and can be followed up through a series of spreadsheets held by assessment officers and the section manager. Council is aware that this is not the best possible way of tracking development applications and is looking at developing a system for this purpose, with a possibility of electronic lodgement/tracking of DAs. The review team recommends that council continue its efforts in developing and putting in place an organisation-wide system for recording and tracking development applications (*Recommendation 9*).

Section 94 plans

Section 94 contributions are managed by the council's Finance Management section. Contributions are identified separately for areas of towns and roads. The funds are spent as quickly as possible; the fund is balanced annually. Section 94A and other development contributions are treated in exactly the same manner.

Environmental management

Since 1999 councils have been required to report on the state of the environment in their areas through State of the Environment (SOE) Reports, reporting on the main environmental issues facing local government areas. The reports must address 8 environmental sectors and include major environmental impacts and related activities.

The Local Government Act requires councils to prepare a comprehensive report the year following each ordinary council election or otherwise to provide a supplementary report in each of the intervening years. These reports must identify any new environmental impacts since a council's last report and update the trends in environmental indicators that are important to each environmental sector.

Bega Valley Shire Council subscribes to a regional state of the environment report, prepared by the ACT Office for the Environment, on behalf of 17 local councils. An update of this report was due to be completed in 2004, but was delayed until December 2005. The final report was anticipated to be completed in June 2006.

Bega Valley Shire Council did not prepare a supplementary SOE report for the 2004-05 period and is awaiting the completion of the regional comprehensive report.

It is evident from council's key documents, such as the management plan and annual report, that council places high importance in the area of environmental management. This is also evident from the adoption of the 'triple bottom line' approach to its operations. Council received departmental approval for an environmental levy that has been in operation for the past 3 years. Council has reported on the expenditure of this levy in some detail in its annual reports.

Council should pursue the completion of the comprehensive state of the environment report as a priority (*Recommendation 10*).

On-site sewage management

Councils regulate the installation and operation of on-site sewage management systems under the Local Government Act. Regulations under this Act specify performance standards and require councils to supervise the operation of on-site sewage management systems.

Each council is required to develop an on-site sewage management strategy in consultation with the community. The strategy should set out the community's objectives for on-site sewage management and council arrangements for monitoring sewage pollution and the provision of assistance to landowners for the safe operation of their systems.

Bega Valley Shire Council developed and adopted an on-site sewage management strategy as a development control plan (DCP No. 5) in July 2001. This was updated in November 2002. The plan closely aligns to the department's guidelines. The plan provides incentives for landowners to upgrade their systems. This is considered to be a good approach to encouraging compliance. The plan also includes a design guideline.

The plan could be improved by including a section on resources. There is no information for landowners about application and inspection fees or whether the systems are approved annually or for a fixed term. This information could be covered in a section on resources and linked to council's annual fees and charges document. The references to Regulations also need to be updated in the plan (*Recommendation 11*).

Companion animals

The primary aim of the *Companion Animals Act 1998* is to provide for the effective and responsible care and management of companion animals. The adoption of a local companion animals management plan assists council in achieving a balanced

relationship between companion animals, humans and the environment. Such a plan also provides council with an opportunity to identify the future direction of these services and strategies to meet the challenges faced in the provision of these services.

Council has developed a companion animals management plan with extensive input from the community. Council works very closely with the animal welfare league that assists council with a re-homing program. Animals are de-sexed before they are re-homed. This program has reduced the euthanasia rate. In addition to this, council has a number of other good practices. This includes subsidised chipping and de-sexing programs, annual independent inspections of council's pound facility and routine training for staff in animal handling through a local veterinarian.

Council has produced a guide for animal owners that provides general information about their responsibilities as well as identifying leash free areas and areas where dogs are prohibited. The booklet is attractive and easy to read. It provides sufficient information to assist people with responsible companion animal ownership. Companion animals regulation is an area of good practice for Bega Valley Shire Council.

Enforcement

In the exercise of their functions under the Local Government Act and various other Acts, councils are required to ensure compliance and, where necessary, take enforcement action.

Councils must properly deal with allegations about unlawful or non-compliant activities, which include activities that are prohibited or unauthorised, or contrary to the terms of a consent, licence or approval, or other instrument of permission issued pursuant to lawful authority. Failure to properly deal with such allegations, quite apart from being poor administrative practice, could expose a council to liability for compensation and the expense of litigation. The way in which councils exercise their
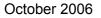
enforcement powers also plays an important part in the public's perception of councils. Alleged inconsistencies in responses to non-compliance issues are a major source of complaints about councils.

The enforcement practices of councils must be resolute and demonstrate both parity and transparency. They must signal the position taken by the particular council regarding such issues. It is good practice that councils and other agencies with such powers set out in a considered way a policy to be used to ensure rational and consistent decisions are taken. An enforcement policy should deal with the manner in which the council will carry out its functions, the procedural steps that may be involved, the circumstances in which council will institute court proceedings and the manner and circumstances in which discretions may be exercised.

Council does not have an organisation-wide enforcement policy. It is evident that council undertakes investigations into matters and proceeds to issuing penalty infringement notices. Council also undertakes routine inspections in a range of its areas of regulatory responsibility. The review team was advised that the steps council officers need to follow in enforcing regulatory requirements are communicated by managers and through team meetings. Council should document its policy and procedures in relation to dealing with non-compliance issues. The NSW Ombudsman's enforcement guidelines may be a useful resource in developing this policy (*Recommendation 12*).

Council also does not provide information to the public on how to report non-compliance and alleged breaches of consent approvals or instruments. Given its statutory obligation in areas of amenity, public health and safety, the council should ensure that the residents of Bega Valley are properly informed as to how they may report alleged breaches and non-compliance. This will enable council to more effectively monitor these key areas of responsibility and thus reduce the risk of non-compliance for residents (*Recommendation 13*).

Private swimming pool safety (pool fencing) is managed well for new constructions, but reactively for older pools. In this regard, council relies on information received by neighbours on suspected non-compliance with the Swimming Pools legislation. Council has advised that the number of recorded non-compliances in this area has been minimal. Council may wish to consider the benefits of establishing a planned swimming pool inspection program.

6.3 Asset and Financial Management

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

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

- *Financial management (overview of council's financial position)*
- *Asset management*
- *Water and sewerage management*
- *IT management*
- *Economic development strategies*

Overview of council's financial position

Operating Results and Trends

Bega Valley Council has had a deficit in operating results before capital items for at least 5 years. Surplus results after capital items were achieved over the past 5 years ranging from $711,000 in 2001/02 to $6.68M in 2004/05, due to grants and contributions for capital purposes of between $2.99M and $9.66M over this time.

Grants and contributions for operating purposes in 2004/05 were $9.28M with similar revenue realised in 2003/04.

Budgeted vs. Actual Results

	Before Capital		After Capital	
	Budget	Actual	Budget	Actual
2004/05	$250,000	($2.986M)	$6.365M	$6.679M
2003/04	($2.710M)	($3.640M)	$2.484M	$1.944M
2002/03	($2.492M)	($1.871M)	$1.713M	$1.177M
2001/02	($2.097M)	($4.072M)	$470,000	$711,000

The main reason for the variances before capital items seemed to be an overestimate on revenue and underestimate on expenses across the board.

Liquidity and Cash Position

Council's Unrestricted Current Ratio (UCR) measures the adequacy of working capital and the organisation's ability to satisfy obligations in the short term. It does not include externally restricted activities such as water, sewer or specific grants. A good UCR is considered to be greater than 2. In 2004/05 council's USR was 1.45, continuing the trend of a falling UCR each year since 2001/02 when it was 2.28.

Council's unrestricted cash at 30 June 2005 was $2.521M.

Outstanding rates and charges

Rates and Annual Charges Outstanding Percentage (RACO%) assesses the impact of uncollected rates and charges on liquidity and the efficiency of debt recovery.

Council's RACO % for 2004/05 was 7.29%. This is above the benchmark of 5% for coastal and city councils. The 2004/05 result represents an improvement in relation to 2001/02 when the outstanding rates and charges percentage was 9.27%.

Debt service ratio (DSR)

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. A DSR of less than 10% is considered to be good; from 10% to 15% - borderline; and more then 15% is a reason for concern.

Council's DSR for 2004/05 was good at 4.97%. Council's DSR has been increasing over the past 4 years (in 2000/01 it was 1.42%). Council's ability to meet its debts is considered adequate.

Loans

Total loans outstanding at 30 June 2005 were $11.621M. New loans raised in the 2004/05 financial period amounted to $1.920M.

Council applied for loans of $14.09M in 2005/06 made up of $12.8M for sewerage works, $80,000 for buildings, $730,000 for infrastructure works and $470,000 for other purposes.

Employee Leave Entitlements (ELE)

ELE is cash funded to 25% by internal restricted reserves. This is considered to be adequate.

Auditor's Comments

Council's auditor states that council has sufficient liquid resources to be able to meet its existing current obligations and that it is not expected that council will experience any immediate solvency issues, although it should be aware that its liquidity position has been deteriorating for the past four years.

On the matter of the debt service ratio, the auditor states that this ratio has been increasing over the last four years, with council's debt level continuing to be more than manageable.

With respect to outstanding rates and annual charges, the auditor states that there has been no significant improvement in this indicator this year. In the auditor's opinion, council management should make an effort in this area to target a ratio at or below 6%. The review team concurs with the auditor's statement (*Recommendation 14*). Council's comments in relation to this recommendation have been noted. Unabridged comments are reproduced in section 7 of this report.

Compliance with the Accounting Code

For 2004/05 Council was compliant with the accounting code.

Special Variations

Council has applied for and been granted special variations in the past for environmental initiatives (in 2002/03 – 4.96% approved for 3 years; in 2003/04 – 5.09% approved for 2 years). Council applied for and was granted a special variation for an infrastructure and environmental levy (6.93%) for 2005/06; and for infrastructure and Rural Fire Service (6.42%) in 2006/07. It is noted that the percentages above are the total percentage increase to the rate base, including the special variation, general variation and adjustments.

Council has processes in place for monitoring whether the purpose for which special variation was granted is being achieved. This is considered to be a good practice.

Business Activities

Council has declared 2 business activities:

- water supply, which had a deficit before capital amounts and a surplus after capital amounts; and

- sewerage service, which also had a deficit before capital amounts and a surplus after capital amounts.

Timeliness of Submission of Financial Statements

Council has submitted the financial statements on time for at least the last 4 years.

Asset management

Infrastructure Maintenance

The written down value (WDV) as a percentage of total value of council's assets for 2004/05 period are as follows:

- roads, bridges & footpaths 72%

- stormwater drainage 78%

- water supply network 54% and

- sewerage network infrastructure 52%.

Council's estimated costs to bring assets to satisfactory condition were $17.172M in 2004/05. In the previous year (2003/04) council estimated costs of $16.764M to bring assets to a satisfactory standard. However, the operational examination exercise undertaken by council in 2006 has estimated the maintenance backlog to be around $30M for the existing roads only. While both the figures provided in council's annual report and figures provided to the operational examination team are estimates only (i.e. none of the estimates has been subject to an independent audit), council needs to address the issue of the consistency of its estimates and its obligations to inform the public of the state of its infrastructure as accurately as possible (*Recommendation 15*). Council's comments in relation to this recommendation have been noted.

As indicated in the council's Annual Financial Report (special schedule 7 – the condition of public works), council's estimated annual maintenance for 2004/05 was $11.512M while the programmed maintenance was $10.582M, representing a shortfall of $930K. While council's infrastructure assets may currently be in reasonable condition, gaps between estimated and programmed maintenance have the potential to pose significant long-term challenges for council, particularly in circumstances where it has no restricted funds for infrastructure replacement. This is an issue council should address as part of its forward financial planning. In doing so, council needs to weigh the costs of investing in infrastructure renewal over the medium term against the potential costs of failing to do so over the long term

(*Recommendation 16*). Council's comments in relation to this recommendation have been noted.

Council uses a range of drivers for determining the maintenance frequency of its different asset types, with asset condition and usage being the key drivers guiding the type and frequency of maintenance. This is considered to be a good practice. The condition of council's assets is determined through a regular condition assessment program taking into account budget considerations.

Council has most of its assets itemised, with the exception of stormwater drainage assets; the itemisation of these is underway. The review team recommends that this program continue to plan (*Recommendation 17*).

Asset management system

Council's asset management is linked to the organisation's strategic direction through the management plan. The water, sewer and capital works also form part of council's strategic business plan.

Council has conducted some minor asset rationalisation. As part of this process four landfill sites have been reduced to one. Council is also not taking over any new roads by way of future rationalisation of its assets.

Council is currently undergoing the process of mapping all of its assets. This practice is commended.

Council is applying the apprenticeship scheme to address future skill shortage in the engineering area.

IT management

Council has an information technology strategy in place to support its corporate goals. In this sense council follows best practice as defined by the Premier's Department and in the AS 7799, which stresses the need for an IT security

framework that includes an information management system and supporting policies and procedures. Council is continuously reviewing the system to reflect the changing nature of technology.

At present council is looking to integrate its various systems and create interfaces between some of its key applications so they all work in a standard operating environment. The review team supports this effort and recommends that council achieves its planned outcomes in due course (*Recommendation 18*).

Council's IT equipment is leased, allowing for timely updates and savings. With branch offices in three locations (in addition to the Bega administration centre), council has developed its own area network system (for example, using the VOIP telephony thus cutting down on telephone costs).

In terms of security, council has an off-site storage and a fireproof storage on-site, with a draft business continuity plan being developed for the IT area. Council has adopted a safe usage policy – the message of appropriate usage is conveyed to staff at every log-on. This is considered to be a good practice.

6.4   Community & Consultation

A council's charter requires that a council:

- Provides services after due consultation

- Facilitates the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and coordination of local government

- Actively promotes the principles of multiculturalism

- Plans, promotes and provides for the needs of children, and

- Keeps the local community and State government informed about its activities.

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

- *Social and community functions of council (Social and community planning, Customer service standards)*

- *The methods council uses to involve and determine the views of its community (Community Participation and Community Feedback)*

- *Cultural planning*

- *Ethnic affairs obligations*

- *Reporting to the community and keeping the State government informed about its activities*

- *An ageing population*

- *Economic development strategies.*

Social and community planning

The Local Government (General) Regulation 2005 requires all councils to develop a social/community plan at least once every five years. A social/community plan examines the needs of the local community, including groups that may be disadvantaged in some way, and formulates access and equity activities that council and/or other agencies could implement to address identified needs. This plan must be prepared in accordance with guidelines issued by the department. Aspects of the
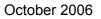
social/community plan must be reported in council's management plan and annual report.

The 2006-11 Bega Valley Shire Council Social Plan is a well-crafted document with strong elements of good practice. The webpage format is well presented and easy to use. The evaluation of the previous social plan is comprehensive and reflects the guideline requirements. The 2006-11 document shows elements of continuous improvement, in that improvements identified in the evaluation of the previous plan have been implemented. Some examples of improvement are: the expansion of community consultation; streamlining the document; and improved integration with other council processes.

Community engagement activities show good innovation and inclusion. Specifically, the "have your say" project, which catered for varying literacy skills and included consultation with pre-school children, is commendable for the level of commitment to engagement. The integrated social plan project shows a positive approach towards engagement of state government stakeholders and demonstrates a commitment towards integrated planning.

Recommended strategies are clearly defined and aligned with the target groups. The inclusion of a matrix showing responsibility, priority and timeframe helps to improve the community interface with the document. Council's operational plan includes details of social plan priorities for the coming year. Specific actions and timeframes relating to target groups are detailed in the action plan that supports the social plan.

The plan shows evidence of commitment to continuous improvement, specifically in consultation/engagement mechanisms and strengthening links between other strategic documents. Bega Valley's social planning framework has evolved to a significant level and the plan shows a commendable attempt to move beyond merely complying with statutory requirements.

Community participation

As previously indicated, council has a number of committees established under section 355 of the Local Government Act that regularly meet and include members from the community. These committees can have advisory and/or management functions. Council consults the community on a wide range of issues and projects. Council reports on its community engagement activities in its annual report.

It is clear that council has established mechanisms for engaging with a range of community members. For example, council operates a youth council. Council has a memorandum of understanding with the local Aboriginal Land Councils. Council has established peak advisory bodies that comprise representatives from key groups in each community. The advice from these committees is used to assist in council's decision-making processes.

Council is encouraged to formalise and articulate an organisation-wide community consultation policy and framework to guide its practice. This should be comprehensive and provide staff with clear guidance in relation to community consultation. For example, it should include information for staff about when consultation is appropriate, the level of consultation needed, the methods of consultation, managing and evaluating the consultation process (*Recommendation 19*).

Community feedback

Council uses a range of methods to obtain feedback from its community. This includes an initial community survey conducted in early 2006. The community survey report was given to council in May 2006. The review team was advised that council had only had the survey report for two weeks and was currently working on aspects of the report.

Council's operational examination report recommends that the results of this survey provide a benchmark for the future measurement of community satisfaction with council's activities and should occur on a regular basis. The review team supports

the approach of regularly surveying the community about its performance to obtain information on the community's satisfaction with council's services.

Customer service standards

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

The review team was unable to verify that council has customer service standards for all its services. Council has a 'customer service commitment and standards of service' policy and procedure. However, this only provides a standard for responding to correspondence. There was no documentation evident or available to customers that would tell them what they could expect from council services.

Each council division should identify the standards customers, both internal and external, can expect of their services and make these available to their customers (*Recommendation 20*). This includes setting internal service agreements between council divisions. It is important that once customer service standards are developed that they are monitored and reported on to ensure accountability to the community and to provide feedback to the council (*Recommendations 21*).

Bega Valley Shire Council's customer service department participated in a national Network Benchmarking project in 2004. The project gathered a range of operational data from participants and provided council with a report detailing its performance in relation to its peers and all participating local governments.

In this process, Bega Valley compared favourably overall to the published benchmarks and performed well. The report highlighted that the customer service department appeared to be running cost effectively relative to other councils within the project. The report also identified areas that would benefit from further investigation. Council is commended for participating in this project.

An ageing population

Responding to and planning for changes to service demands to respond to Australia's ageing population is a major challenge for all levels of government. As previously stated, Bega Valley Shire Council is among the top 20 councils in terms of the older population growth, well ahead of the State average.

Council is aware of the challenge it is facing; this awareness is evident in a number of council plans. For example, council's social plan contains the need assessment of older people (45+ for Aboriginal people and 55+ for non Aboriginal people). In addition, council conducts targeted consultation with older residents. Older people are recognised as a mandatory target group in council's plans. Council lobbies for an increased number of new aged care places for the shire and advocates for expansion of respite care options for frail older people. The issues affecting older people with disabilities are coordinated through the Bega Valley Shire Home and Community Care (HACC) and Disability Forum.

The future shire-wide LEP will also address the needs of older people. In addition, council recognises the need to improve affordability and accessibility of transport options for older people.

Council recognises that the implementation of strategies for older people is likely to be long-term and that some strategies rely on external sources. To this effect, council participates in the integrated human services program coordinated by the Premier's Department.

Council is encouraged to continue with the development of strategies to address the needs of its current and future older residents.

Economic development strategies

Council's thinking in recent times has been around putting some of its assets to better use in terms of income generation. Council's efforts in this regard have gone is several directions: tourism; the management of Merimbula airport; South Pambula residential estate; long-term council land development plans by the council; and the

Koori Lands program. All these areas will feed into council's economic strategy, which should be developed in 2006/07. The review team supports the development of council's economic strategy (*Recommendation 22*). As previously indicated, council should consider placing this strategy into its 'triple bottom line' management strategy. The strategic planning section of council manages the economic development function.

One example of council's entrepreneurial efforts in this regard is the transfer of the tourism promotion function, which was previously managed by council, to a community group in Merimbula and to the Bega Cheese Heritage Centre. These transfers have already realised considerable savings to council's budget.

Council currently manages three caravan parks - in Bermagui, Eden and Tathra. The management of the Bermagui caravan park has been contracted out for 12 months; Tathra will be leased out shortly; while Eden is managed directly by council staff. The income realised by the Bermagui and Eden caravan parks was $450,000 and $490,000 respectively.

With regard to further opportunities for economic development, council staff has expressed the view that council would benefit from a better database of local business in the development of its economic strategy. The review team supports any such endeavour by council.

In terms of future tourism development, council is considering moving towards an independent board involving local business and other interested parties.

Regarding the lease of the Merimbula airport, council is considering moving towards a longer-term lease to make it more viable for local businesses. There may also be a possibility of developing a tourist site in the area.

The redevelopment of South Pambula residential area has solved the previous sewerage and water problems in the old village centre.

As indicated in several other places in this report, council's economic development strategy for its assets has been considered in the light of the long-term strategic planning. The main aim of this integration, and council's enthusiasm about the State's planning template, has been to avoid as much as possible future spot rezoning.

In terms of the Aboriginal land development program, council is assisting local communities to better realise the economic potential of their heritage, with a minimal return to council.

Council's efforts with respect to economic development are strongly supported by the review team.

6.5   Workforce Relations

Councils have a number of legislative responsibilities in relation to their role as an employer. Council is required to conduct itself as a responsible employer.

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

- *The overview of the organisation*
- *Workforce planning issues*
- *Human resources polices and practices (including: Consultative committee processes; job descriptions and job evaluation; recruitment and selection processes; employee remuneration; staff development; grievance management; secondary employment)*
- *Equal employment opportunity*
- *Employee attitude survey*
- *Occupational health and safety.*

Overview of the organisation

All employees have legislative responsibilities in relation to their staff. The Local Government Act imposes additional requirements on councils. Importantly, a council's charter requires it to conduct itself as a responsible employer.

Council advised that it had last undertaken a review of its organisational structure in March 2004. Council's senior management team consists of the General Manager and three Director positions: Corporate and Community Services; Environment, Planning and Development Services; and Engineering Services.

Council is presently undergoing an operational examination. The examination is to provide an objective, systematic review of Bega Valley Shire Council activities, systems, operations, organisation and major goals and strategies by assessing

performance, identifying areas for improvement and developing detailed options for improvement, if required. [4]

Council has 287 equivalent full-time staff. In terms of some of the social justice target groups staff comprise:

- 32.6% women

- 2% Aboriginal and Torres Strait Islander.

Council has a memorandum of understanding with the Aboriginal community that makes a commitment for council's employment of Aboriginal people to, as a minimum, be equivalent with the percentage of Aboriginal people in the shire's population. Council has continually achieved this, and in some years, exceeded this target.

Workforce planning

All councils are, to varying degrees, required to respond to workforce issues such as:

- an ageing workforce

- changes in workload for certain sections as council's and government priorities change

- retention of experienced staff

- remuneration/market pressures for higher wages

- societal demands for a better work/life balance.

Bega Valley Shire has already reached the crossover point where there are more exits from the workforce than entrants and this position is due to decline further by the year 2022. As previously indicated, Bega Valley's total working age population is projected to fall from its current 61% of the population to around 56% by the year 2022.

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[4] Corporate Management Committee business paper, 28 February 2006

It is evident that council is aware of this issue and has programs in place to address this. Council has undertaken an age against position profile of its workforce, thereby identifying the positions likely to involve exits. For its engineering field it has a pro-active program for recruitment that addresses this. In the first year of this approach council recruited six trainees and following that three in each subsequent year. The trainees progress into the positions that council knows will become available. The more experienced staff provide a mentoring role for the trainees.

Council has developed a human resources strategic plan that identifies goals, service principles and programs. The review team examined the plan, but it was difficult to find the above practice identified in the plan. The plan was operational in nature, although it included one program titled 'workforce planning'. The goals are about providing human resource services primarily and should be more strategic in nature. Council is clearly monitoring workforce issues and devising programs in response to these and should document this approach to provide a whole of council strategic purpose and direction to human resource planning (*Recommendation 23*).

Human resource policies and practices

Council has well documented procedures in place to manage its human resource needs. It is evident that these policies and procedures guide council activities.

It is easy to see the links between human resource practices and council policies. For example, council's recruitment and selection policy includes a requirement that positions advertised externally by council will be notified to the three Local Aboriginal Land Councils. This complements the memorandum of understanding with the local Aboriginal community.

Council's human resource policies are also comprehensive. The training and development policy makes provision for staff exchanges for career development. Council's performance management policy includes guidelines for the performance

review of council's senior officers, and these guidelines ensure that managers are involved in the process.

Council has a range of good practices such as regular orientation training, staff development opportunities and individual training plans and ongoing staff performance assessment processes. Council acknowledged that there were still about six jobs within council that did not have current job descriptions, mainly in the area of works staff where individual staff were not previously given copies of their job descriptions. This is in the process of being rectified.

Council's corporate induction program is comprehensive. It includes, among other topics, an introduction to the code of conduct, cultural awareness, customer service and its equal employment plan. A checklist accompanies the induction program for managers to complete.

Council produces an annual human resources report that is also comprehensive. It provides details on the comparison with the previous year of a number of council's human resource activities. This includes staffing levels and costs, sick leave, staff turnover, occupational health and safety activities, training activities and recruitment processes. The report shows an analysis of council's human resource issues and provides an excellent basis for measuring performance in this area.

Equal employment opportunity (EEO)

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

Council has developed an EEO management plan that includes an EEO policy statement and a number of strategies with objectives, actions and performance indicators. The plan makes provisions in relation to personnel practices, communication of the policy and programs to council staff, revision of the plan and clearly identifies who is responsible for the actions identified. Council has established an EEO advisory committee. The review of the plan is coordinated with the development of council's management plan each year.

Council's plan could be improved by the inclusion of a strategy to collect and record information relating to EEO practices (*Recommendation 24*). This would also assist council to achieve its strategy of the evaluation of the implementation of its EEO policy and plan.

Generally, the plan is well set out, easy to read, comprehensive and provides a clear direction for council's activities.

Employee attitude survey

The council has not conducted an employee attitude survey. Council staff advised that the consultative committee provides a venue where any staff issues can be raised. Representatives on the consultative committee ensure that they consult with other staff so that they are continually aware of issues as they arise.

An employee attitude survey is a useful tool in identifying what is working well at council, areas of concern to employees or areas that require improvement. Council should conduct an employee survey at least every four years to gauge employee satisfaction with the organisation and identify areas that may require improvement (*Recommendation 25*).

Occupational health and safety (OH&S)

Although the review did not involve a comprehensive audit of council's occupational health and safety practices, the review team did examine a number of council documents in this area. Council provides extensive resources to its staff in the area of occupational health and safety. It has a comprehensive policy that is supported by a manual. Council has implemented an occupational health and safety risk management program that commenced at the end of May 2002. The program includes both reactive and proactive risk management approaches. Council has implemented the program in phases since May 2002 and has used a number of indicators to measure improvement to the health and safety system.

In 2005 council received its workers compensation and occupational health and safety performance report from StateCover. The report provided information on council's occupational health and safety self-evaluation and the cost of its workers compensation premium compared to other councils in its group. Council performed extremely well. Its occupational health and safety evaluation score was 88%. This compared favourably to the state average of 69% and the council group average of 76%.

Council prepared a report on its performance since 2002 in relation to StateCover indicators. This report shows that council has progressively improved its self-evaluation results from 14% to its current 88% compliance. Council has developed an action plan with the aim of improving its compliance with the self-evaluation criteria in future audits.

Council's claims costs, hours lost and workers compensation premiums have all been reduced. This has resulted in substantial savings to council. In addition, council is out-performing councils in its grouping and in the state. The average rate for Bega Valley Shire Council is 2.6% (that is, $2.60 out of every $100 of wages paid goes towards the workers compensation premium). This compares favourable to the state average of 4.42% and the council group average of 4.72%.

Occupational health and safety is clearly an area that council has taken a pro-active approach to improving. This improvement is evident in the results of its self-evaluation and workers compensation premium levels.

7. COUNCIL'S RESPONSE

Bega Valley Shire Council

Ref: DWPBP

Thursday 12 October 2006

RECEIVED

1 3 OCT 2006

LOCAL GOVERNMENT

Mr Garry Payne
Director General
Department of Local Government
Locked Bag 3015 NOWRA NSW 2541

Dear Mr Payne,

Response to draft Promoting Better Practice report

Thank you for providing the opportunity to review and respond to the Department's draft Promoting Better Practice report that we received on Tuesday 19 September.

Copies of the draft report were distributed to Councillors, Senior Management and Managers as a confidential draft for review and comment. All comments have been provided in the following table with a page reference, report issue and Council response provided.

The close timing and combination of the Department's review and the independent Operational Examination undertaken by HM Davison and Associates have provided unparalleled scrutiny of all aspects of Council's affairs. The reports of both exercises provide quite distinct insights into current practices and opportunities for improvement.

Our organisation is committed to continual improvement of our internal processes and community outcomes. Comprehensive external reviews and assessments, such as that provided by 'Promoting Better Practice' are useful tools, helping to develop and demonstrate a culture of always striving for improvement.

I would like to take this opportunity to acknowledge the work and approach of your Senior Investigators, Aleksandra Valda and Lyn Brown in undertaking the review. Both were a pleasure to work with and provided a professional and courteous atmosphere.

If you have any further questions regarding this submission please contact me on 6499 2104.

Yours sincerely

David Jesson
General Manager

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Bega Valley Shire Council – PBP review comments

Page #	DLG Report Comment/Issue	BVSC Response
23	Councillor expenses and facilities	This policy was recently reviewed and is currently on public exhibition. DLG very recently released updated guidelines which will require a rewriting of the policy with figures determined for various acceptable expenditures. Staff have been in contact with the Department and will commence work on the update immediately. It was unfortunate that Council was not provided with advice that the guidelines were imminent at the time of the review.
28	Internal reporting and complaints handling	In the fourth paragraph it notes that a summary of complaints is reported to council every month. This is not the case; staff get a report from the CARS system about the key areas of requests. A report to council could be developed but would recommend that this be quarterly not monthly most requests are in the planning and building area.
40/41	Outstanding rates and charges	Whilst staff acknowledge and have targets to reduce the RACO to 6% or below this matter also requires a policy interpretation from Councillors. There has been a committed approach to reducing the RACO however the impact on some sectors of the community is untenable. The intensive sewer project also required the development of a policy to assist those experiencing financial hardship connecting to the sewer. A workshop is planned for October to gain policy direction from Councillors prior to sending out 600 letters of demand. A philosophical argument can be mounted to say that unpaid rates are a 'secured debt' held against the eventual sale of a property. Furthermore that debt benefits from the application of interest, accruing at the rate of 9% per annum. Where cash-flows can sustain the debt in the short to medium term, the 'new' income stream will eventually commence as properties are sold. As a health check measure the Rates and Annual Charges Outstanding Percentage (RACO%) could be split into 'secured rates and charges debts' and the more problematic 'unsecured bad debts'. This shift would obviously require a change to the current approach.

43	Asset management	The draft DLG report comments on the disparity between the operational examination asset maintenance backlog amount and the amount in schedule 7 of the annual report to the DLG. In particular the report quotes the 2004/05 figure of $17.172M in schedule 7 and compares it with the amount of $30M for roads only noted in the table on page 13 of the Operational Examination report ($3M per year over a period of ten years for roads or $4M per year over ten years for all assets). Recommendation 15 of the DLG report also suggests that "Council needs to address the consistency of its estimates and its obligations to inform the public of the state of its affairs 'truly and accurately.' Past schedule 7 reports have lacked accuracy and were a reflection of the availability of resources in asset management. As funds available for infrastructure have decreased over the past decade there has been a reduction in asset management staff at a time when State government requirements and general practice have been moving towards an increased need for asset management. An effort was made to provide more accurate roads and bridges figures for the operational examination largely through unpaid effort after hours. The figures for roads and bridges in the operational examination report are reasonable but are only an approximation of the infrastructure gap. With the exception of water and sewer assets the base data available for assessment of the gap is not sufficiently accurate to give certainty. General fund assets, other than roads and bridges were not reported on accurately in the operational examination and some were not identified at all. Better estimates have been prepared for those other assets since the report was released and these also show an increase in the infrastructure gap over the figures in the 2004/05 schedule 7 report. The schedule 7 report for 2005/06 will be consistent with the operational examination report for roads and bridges and will be more accurate than previous schedule 7 reports for other assets. The total infrastructure gap will be of the order of $53M including $4.8M for water and sewer but excluding the airport.
43	Asset management (continued)	The general fund infrastructure gap has always been large and there has been little prospect of closing the gap with rate pegging in place and regular cost shifting to councils. This Council has clearly indicated its desire to rectify that situation and it is agreed that there is a need to ensure that the accuracy of the gap estimates is improved. The schedule 7 reporting for 2005/06 is a step in that direction.
55	Human resource policies and practices	Top paragraph comments on the performance management system. Whilst Directors process includes a 360 degree review with feedback from Councillors, the GM, other Directors and Managers the GM's performance review process does not, it is handled with Councillor feedback.
56	Human resource policies and practices	Second paragraph notes that Council notifies the local Aboriginal Consultative Committee, it is actually advice sent to the three separate Local Aboriginal Lands Councils.

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- Well defined vision, which is translated into policies and action, in consultation with community and staff.
- The 'triple bottom line' approach allows for prioritisation of resources and regular revisiting of plans aimed at achieving efficiencies in service delivery.
- Mature and collaborative approach among and between elected members and council staff.

Challenges to improve

- Include economic strategy into the 'triple bottom line approach'.
- Formalise a system for continuous self-reflection and improvement where required.

GOVERNANCE

What is working well

- Well defined set of values, which are clearly understood and applied by councillors and staff.
- Mature council meetings marked with cooperation.
- Extensive councillor workshops.
- Comprehensive and timely minute taking at council and committee meetings.
- Standardised and detailed guidelines for committee operation.
- Good overall quality of written section 449 returns and thorough declaration of interests at council and committee meetings.
- Comprehensive policy register with a sound policy on policy formulation.
- Simple and easy to follow style guide.
- Good policy for the management of contractors.
- Tendering and procurement practices.
- System of delegations.
- Document and workflows control system.
- Provision of information to the public.

Challenges to improve

- Keeping records of councillor training in a systemic way.
- Organisation-wide disaster recovery/business continuity plan.
- Organisation-wide risk management plan.
- Internal audit function.
- Standardised record keeping practices (a system for ensuring consistency in this regard).

REGULATORY

What is working well

- Economic development minded organisation.
- Transfer to various expert functions (e.g. airport management, tourism promotions) to external expertise (including community groups).
- Working well to the State template for a single LEP.
- Careful planning with the aim to minimise future spot-rezoning.
- Efforts to realise the potential of Aboriginal heritage.
- Planning for and use of development contribution funds.
- Participation in the regional initiative for a regional State of the Environment reporting.
- On-site sewerage management plan closely aligns with departmental guidelines.
- Companion animals practices.

Challenges to improve

- Organisation-wide system for tracking development applications.
- Completion of the SoE report.
- More comprehensive on-site sewerage management plan.
- Enforcement guidelines and information to members of the public how to report suspected non-compliance.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Sufficient liquid resources to meet its existing obligations.
- Increasing debt servicing ratio.
- System for monitoring the use of special variations.

- System for prioritisation of asset maintenance/renewal.
- Asset management linked to organisational strategic plan, land use planning, financial strategy and social plan.
- Mapping of all council assets.
- Apprenticeship scheme in place to address future skills shortage.
- Good IT management systems and practices.

Challenges to improve

- Continue to improve outstanding rates and annual charges ratio.
- Consistency in reporting on the review of asset standards.
- Gaps between estimated and programmed maintenance.

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Strong and accessible social/community plan.
- Good linkages between management and community plan.
- Engagement with community (including conducting community surveys).
- Cost-effective customer service department.

Challenges to improve

- Formalise community consultation approach.
- Customer service standards.

WORKPLACE RELATIONS

What is working well

- MOU with Aboriginal community; notification of all advertised positions to local Aboriginal Consultative Committee.
- Planning for ageing workforce (as a reflection of the ageing population).
- Documented and effective HR policies and procedures.
- Good EEO management plan and policies (with minor improvements recommended).
- Good OH&S and rehabilitation system reflecting proactive approach by council.

Challenges to improve

- Conduct and use results of an employee attitude survey.