

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

challenges improvement innovation good governance

REVIEW REPORT

**EUROBODALLA SHIRE
COUNCIL**

OCTOBER 2006



Department of Local Government

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1. ABOUT THE REVIEW

Review objectives

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

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

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

Review process

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

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

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

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

Eurobodalla Shire Council Review

Eurobodalla 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 on the pressures on council and how the council has sought to manage that environment.

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

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

Senior Investigations Officers Aleks Valda and Lyn Brown conducted the on-site component of the review from 22 June 2006 to 27 June 2006.

The on-site review involved a meeting with council's mayor and general manager, a briefing for council's senior staff, conducting interviews, attending a councillor briefing session and council meeting and the review of a number of council's policies and other documents.

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

2. EXECUTIVE SUMMARY

Eurobodalla Shire Council is complying with its statutory obligations and is performing well in meeting its responsibilities under the council's charter required under section 8 of the *Local Government Act 1993*.

Council has adopted a 'triple bottom line' approach to the planning and monitoring of the delivery of its services. Council's performance in achieving its objectives is monitored through a system of performance indicators comprised of top-level strategic indicators, and indicators for each results area and division of council. While council has a number of well integrated plans and a sound monitoring system, it would benefit from articulating its strategic objectives in a single, overarching document that would articulate where the organisation and the community would like the shire to be in the longer-term.

Councillors, council managers and staff work with each other and in partnership with the community, community groups, non-government organisations, and State and Commonwealth Government agencies for the betterment of the Shire's communities and the natural environment.

The review team noticed that structural and functional alignment is happening at all levels of council. It is evident that as functions are re-assessed and changed, a change in council's structure follows. Council has an organisational structure that creates a professional development and succession framework.

Overall, council has sound operating systems to ensure it meets its statutory obligations. Different divisions of council work together to achieve organisational objectives. Council has adopted a risk assessment and management approach to its areas of operations but needs to document this approach. Council also needs to better define its approach to internal controls.

Council's land use planning is closely linked to the financial, social and commercial activities planning processes. Council has adopted strategies to efficiently deal with development applications through extensive use of delegated authority. Council has

proactive enforcement practices that focus on education and management of risk areas. However, council should develop a single enforcement and compliance policy for all of its enforcement practices.

Financially, council is in a satisfactory position. Council's auditors report that all financial indicators are within the acceptable range. With respect to the management of approved special rates variations, council has adopted the approach that separates the funds approved for specific purposes. Council also appears to be planning well the management of its current and future infrastructure requirements. In this regard council both follows and participates in setting the State and regional trends. Asset management is supported by the long-term financial strategy.

Council has a range of methods for including the community in its processes. Council is encouraged to formulate an organisation-wide community consultation strategy to support its good efforts in this regard. Council is a large provider of human services to the Eurobodalla community. These services are well organised and well received by their clients. This is an area of excellence for Eurobodalla Shire Council. The customer service request system is used to review and improve council's performance. It should extend its customer service standards (also known as the guarantee of service) and make these available to members of the public.

In terms of its legislative responsibilities to staff, council is a responsible employer. The organisational review was implemented earlier in 2006 resulting in a new, better-aligned structure to meet organisational objectives. Council would benefit from an articulated workforce planning process to document the approach it has obviously taken in this regard. Council has well documented human resources policies and practices. The gauging of staff satisfaction would assist council identify and articulate areas within the organisation that may require improvement.

In summary, this report recommends the continuance of council's good practices and systems and makes some suggestions to improve its effectiveness.

3. RECOMMENDATIONS

1. As council completes its plans for the area, it should formulate its strategic objectives in a single, overarching document that would bring together all existing elements of its plans that contribute to the strategic vision for the Shire.
2. Council should articulate and formalise its continuous self-reflection and improvement process.

Governance

3. Council should ensure that, once adopted, it advises its contractors about the statement of business ethics that sets the ethical standards that council abides by and expects others to abide by in doing business with it.
4. Council should continue to formulate an organisation-wide risk management plan as scheduled.
5. Council should review its policy on protected disclosures and the internal reporting system to ensure it is up-to-date and comprehensive.
6. Council should review its tendering processes to ensure that the location of all documentation related to these processes is identified on the tendering file. Council could consider amending its tendering policy to provide a checklist for staff to assist with the tendering process.
7. Council should review its records management policy and procedures to reflect its processes to capture oral records and to include provisions relating to keeping councillor records.
8. Council should continue with the formulation of the organisation-wide disaster recovery/business continuity plan as scheduled.

9. Council should review its policy on the payment of expenses and provision of facilities to the Mayor, Deputy Mayor and Councillors to ensure that it complies with the requirements of the Act and Regulation.
10. Council should implement an audit program to ensure that delegations are being exercised appropriately.

Planning and other regulatory

11. Council should review the requirement to refer all dual occupancy development applications for the Long Beach area to the elected council for determination, to ensure that its approach to dealing with these is based on sound planning reasons and is equitable.
12. Council should develop an organisation-wide enforcement and prosecutions policy, which would guide its enforcement activities and create a more consistent approach to compliance activities across different areas of council.
13. Council should ensure that residents are informed as to how they may report alleged breaches and suspected cases of non-compliance.
14. Council should pursue the completion of the comprehensive state of the environment report as a priority.

Asset and financial management

15. Council should consider strategies to increase council's unrestricted current ratio to bring it in line with the industry benchmark.

16. As part of its asset management and financial planning processes, council needs to address the question of whether it is investing adequate funds in infrastructure maintenance over the medium term.

Community and consultation

17. Council should review its social plan and its management plan to ensure that they are integrated and consistent.
18. Council should develop a comprehensive, organisation-wide community consultation policy and framework that provides a range of opportunities for community input into council's planning and decision making processes.
19. Council should consider making written information on its customer service requests system more readily available to members of the public at its offices (eg pamphlets, signs).
20. Council should develop customer service standards for all of the services it provides.
21. Once developed, council should monitor and report on its customer service standards to ensure accountability to the community and to provide feedback to the community.
22. Council should consider the savings and benefits of integrating the tourism and economic development boards into a single advisory body.
23. Council should consider translating some of the already achieved capability in the area of tourism development into economic development and developing achievable economic development goals in the near future.

Workforce relations

24. Council should document its approach to a sustainable workforce by developing a workforce strategy to address its future employment needs.
25. Council should not appoint councillors as members of its consultative committee.
26. Council should consider including the following information in its Equal Employment Opportunity Management Plan:
 - specific targets and performance criteria
 - information on how the effectiveness of the policy and programs will be evaluated
 - a description of the method used to develop the plan and
 - the results of any staff surveys or consultation.
27. Council should consider conducting a more extensive employee survey on a 4-yearly basis to gauge employee satisfaction with the organisation and identify areas that may require improvement.

4. CONTEXT

The Eurobodalla Shire is located on the south coast of NSW. The shire has an area of 3,402 square kms and stretches around 110km north/south between Durras and Wallaga Lake and 40kms east/west. It is promoted as “The Nature Coast” with its population in the main found along the coastal fringe or living beside the many lakes and rivers. Most of the inland area is forests and national parks, which constitutes around 80% of the Shire’s area.

The population of the Eurobodalla Shire was 33,005 people in 2001. However, the Shire is the primary holiday area for the Australian Capital Territory and in peak holiday periods the population swells to an estimated 100,000 people. The Shire is unusual in that 35% of ratepayers are non-residents – with just over 11% of ratepayers being residents of the ACT.

The main population centres are the towns of Batemans Bay with 16,186 residents located in its catchment area, Moruya with 9,242 residents and Narooma with 6,840 residents. In 2006 there are 22,307 properties classed as residential, 1,128 business properties and 270 farmland properties.

Population growth in the Eurobodalla Shire remains well ahead of the State average. The 2001 census showed that for the 1996-2001 period the population grew by 8.8% compared to the State average of 5.3%. The population’s median age has increased from 39 years in 1991 to 44 years in 2001. The number of people aged 60 years or over is much higher than the State average by approximately 11%. The Eurobodalla Shire is NSW’s second oldest local government area (based on persons aged 65 years and over). However, by 2022 it will be the State’s seventh oldest.

The indigenous population makes up 3.85% of the Shire’s population. At the 2001 census, the number of persons born overseas was 4.88%.

The tourism industry is a major employer in the Eurobodalla Shire. The top five industries by employment size are: retail; health and community services;

accommodation, cafes and restaurants; construction; and education. Both the tourism and retail industries inject significant funds into the local economy.

Council has 9 elected representatives, including the Mayor. The Mayor is elected by the councillors on an annual basis. Council has a full council meeting once a month and has three standing committees that each meet monthly. All councillors are members of these committees.

As at 30 March 2006, Eurobodalla Shire Council employed 415 full-time equivalent staff. Council explains that its staffing levels may appear higher than other councils as it is a large provider of community services and directly employs the people working in these services.

Council has recently undergone a restructure, which has resulted in a reduction of senior staff positions from three to two: the General Manager and Deputy General Manager. The restructure took effect from March 2006 and has identified, as one of the key elements, the building of a management team with diverse interests, ages and backgrounds that creates a professional development succession framework. The new structure includes four executive manager positions (finance, corporate and community relations, commercial services, and strategic planning and design) as well as four group manager positions (roads and recreation, water and waste, development and natural resources, and community services).

In 2004/05, council had an expenditure budget from ordinary activities of approximately \$57 million. Council made an operating surplus before capital items in 2003/04 and 2004/05, and has made a surplus after capital items in the past 5 years. Council had a surplus for 2004/05 of \$15.5 million (after capital items).

Council determined 1,378 development applications in 2003/04 (latest comparatives) with a mean time for determining development applications of 35 days.

5. COUNCIL'S AMBITIONS, PRIORITIES AND FUTURE FOCUS

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

Overview

Council's vision for the future is contained in its management plan 2006-2011. Its formulation is simple and effective: Good Government, Better Living. The vision further translates into aspirational strategic objectives for the council.

"The views of our diverse community are sought and valued in developing plans and projects for the future.

The needs of the community have been met by the provision of services and infrastructure.

The ecological health and natural beauty of the environment is protected.

The local economy, including Tourism, is characterised by steady, sustainable growth that builds on our strengths.

People have a wide range of community services available because the council provided the leadership to access state and federal government programs."

(Eurobodalla Shire Council, Draft Management Plan 2006-2011, page 5.)

What is working well

Council has adopted an approach that entails a comprehensive provision of services to its communities and recognises council's role, as well as the roles of other agencies, in the provision of those services. This approach is primarily aimed at responding to community aspirations and concerns regarding issues such as unemployment, youth employment and support for local businesses.

In each council term, council commissions an independent community survey to test community satisfaction with services. The survey, which was revised in 2004, focuses on:

- community visioning
- community wellbeing and
- service satisfaction.

The outcomes of the survey and workshops with councillors and council staff have informed the formulation of the draft Urban Settlement Strategy (USS) and Rural Lands Strategy (RLS) in terms of the community aspirations for the Shire. Council's land use planning aspirations are also informed by the draft South Coast Regional Strategy.

Council has adopted a 'triple bottom line' approach to the delivery of services. Council's draft land use planning strategies are supported by its 20-year financial modelling strategy and social and cultural plans.

Council makes its position on local and regional issues known to the community through its management plan. The plan includes council's role in achieving community aspirations in areas such as environmental management, transport, education, health, etc. The management plan clearly identifies aspects of all other plans.

Council's performance in achieving its objectives is monitored through an elaborate system of performance indicators, which range from top-level strategic key performance indicators to performance indicators for each action area and each division. Organisational performance is directly linked to the General Manager's performance; at the next level down, council managers' performance is directly linked to the General Manager's performance. Council's current General Manager has been with the council for 20 years, the last 10 years as General Manager.

The reshaping of the organisational structure and management practices and the introduction of service benchmarking earned council the 2000 National Office of Local Government Management Practice Award.

There is evidence that council is actively working in the region to achieve more efficient and effective service delivery.

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

Challenges for improvement

Strategic plan

Council operations are guided by the strategic objectives published in the management plan. These objectives were last reviewed in the previous term of council. Council strategic objectives broadly address the social, economic, infrastructure and environmental imperatives for the Shire. As council completes its plans for the area, it needs to formulate its strategic objectives into a single, overarching document that would bring together all existing elements that contribute to the strategic vision for the Shire (Recommendation 1).

This document should:

- articulate where the Shire and the organisation envisage they would like to be in the foreseeable future
- how all contributing elements fit together and
- clearly reflect the community's vision for the future of the shire.

Continuous improvement

The review team noticed that structural and functional alignment is happening at all levels of council. It is evident that as functions are re-assessed and changed, a change in council's structure follows.

In addition, council has a sound process for evaluating the delivery of its objectives. However, it does not appear to have a defined process in place that would enable it to reflect on itself as an organisation in a structured way. Such process would enable the council to continually assess its organisational readiness for the delivery of its priorities. Having such a process in place would further improve council's already high organisational capacity. The review team would therefore recommend that council articulate and document this continuous self-reflection and improvement process (Recommendation 2).

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

Overall, council has developed good operating systems to ensure that it meets its legislative obligations. There is evidence that council has a culture where its different divisions work together to attain council's goals. For example, council has established 'matrix' groups that each consist of a number of representatives from across the organisation. These groups focus on areas of interest for council. There is also a good relationship between councillors and staff.

Council has systems in place that aim at achieving efficiency and consistency. These systems allow council to monitor and measure its performance and this is regularly reported on. Council uses the 'triple bottom line' approach to managing and reporting, ie, financial, environmental, and social. This approach is evident in council's annual report and management plan. While there is a risk management approach to council activities, council needs to document and plan this approach as well as developing a more defined approach to internal control.

6.1 Governance

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

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

- *Ethics and values*
- *Risk management and internal control*
- *Council's decision-making processes*
- *Monitoring and review*
- *Access to information*
- *Interaction between councillors and staff.*

Organisation structure

It is the councillors' role collectively as the governing body to determine the organisation structure, the positions within that structure that are senior staff positions and allocate resources towards the employment of staff. The council may re-determine the organisation structure from time to time but must re-determine it within 12 months after any ordinary election of the council.

Council reviewed its organisation structure in December 2005 following a councillor workshop held in November. The new organisation structure was implemented in March 2006. The purpose of the new structure is to create a professional development and succession framework that enables greater development and accountability of managers. The new structure also provides for better senior management coordination that improves the contribution of managers to the direction of the organisation.

An exciting element of the organisation restructure was the formation of 'matrix groups'. Matrix groups are formed from among the staff of council to pursue a particular outcome. The idea is that the groups will capture issues from across the organisation. The groups will operate under a terms of reference with goals, timeframes and a budget, where appropriate. Some of the groups that have been identified include a corporate planning group, community consultation, risk management, education and assets.

Code of conduct

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

Eurobodalla Shire Council adopted the Model Code of Conduct on 1 March 2005. It was supplemented with a section on 'letters to the editor' in November 2005. A council representative attended the Department of Local Government facilitator training on the code of conduct and council staff have received training on the code. Council has included information on the code of conduct in its councillor induction program and has provided all councillors with a copy of the code of conduct.

Statement of business ethics

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

Council does not have a statement of business ethics. Council should consider developing a statement of business ethics that incorporates the relevant provisions of council's code of conduct. A statement of business ethics can be an excellent tool for raising private sector awareness of public sector values. *Suggestion: Refer to the ICAC publication: Developing a statement of business ethics.*

In council's response to the draft review report it advised that council had adopted a statement of business ethics as part of its procurement policy. However due to an oversight the statement was not adopted at that time. Council provided a draft copy of the statement to the review team. The draft statement is consistent with the ICAC guidelines. Council is proposing to consider the statement of business ethics at its

October meeting. Council should ensure that, once adopted, it advises its contractors about the statement of business ethics (Recommendation 3).

Policy review

Council is in the process of placing all its policies onto the intranet (all policies) and the web site (those policies that are accessible to the general public). At the time of the review council policies were being populated onto the council system.

All policies have a review date linked to an Outlook reminder that a policy is due for review. Each policy has a metadata file that indicates the policy sponsor (who is responsible for policy development and maintenance), the date the policy was adopted and the date for review. Policies are cross-linked by a hyperlink to procedures and other relevant information. This is considered to be a good practice.

Disclosure of interest returns

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

Eurobodalla Shire Council has a large number of designated persons (other than senior staff): 62 in all. The review team conducted a random sample of designated persons returns as well as reviewing all senior staff and councillor returns. It was pleasing to see that returns were lodged on time and contained the detail required. The only comment the review team would make is that some councillors omitted to record their occupation as a councillor in the sources of income. It is evident that staff have received effective support to assist them in completing their returns.

Internal controls (risk management, internal audit, fraud control, internal reporting)

Eurobodalla Shire Council has put in place the new management structure in March 2006. The new structure brought about the new concept of ‘internal customers’ in the areas of corporate governance. This new structure also represents a new way of thinking about council’s external and internal roles and is a driver of cultural change within the organisation.

The rationale for the cultural change has been the shift towards considering how services to external customers can be delivered in a more efficient way that is consistent with the organisation’s corporate direction. Through this process council is also assessing whether the organisation is able to better support its own internal processes such as risk management, fraud control and ensuring legislative compliance.

To this end, council is in the process of finalising the organisation-wide risk management plan, which should be completed by the end of 2006. The review team encourages council to continue with the formulation of the risk management plan as scheduled (Recommendation 4).

Council currently has a risk management committee comprised of the General Manager, Deputy General Manager, Director Corporate Services, OH&S Officer, council’s Risk Officer, Assets Officer and other staff as required. The committee has been in existence since 2001. The committee structure was under review at the time of the organisation review. The committee meets quarterly and considers all issues of prominence in the industry taking into account the exposures for council in areas such as public liability, assets and infrastructure, financial management, environmental management, human resources management, etc.

Council’s new fraud control policy was adopted on 27 June 2006, at the time of the review team’s visit to council. Council’s Finance & Audit Committee was formed in May 2005 with well-defined terms of reference. The committee comprises three councillors, with the General Manager, Manager Finance and, as the need arises, an

external auditor being required to attend committee meetings. The aim of the committee is to provide assurance to council regarding the risks it is exposed to, its compliance framework and external accountability requirements.

Council's practice in the area of fraud control occurs in three areas: prevention, reporting, and the investigation of whether fraud risks extend beyond the area of financial management. This systemic approach to fraud control is commended as it is important that all fraud risks are identified and managed effectively and processes put in place to ensure that the existing and emerging risk areas are managed appropriately.

In July 2005 council extended the role of its finance committee to incorporate an internal audit role. In August 2005 council resolved to extend an existing contract with its external auditor to incorporate additional audit assurance through a process of risk evaluation and internal audit. The scope of the internal audit function includes the development of long-term and annual audit plans, the monitoring of management controls and compliance, the assessment of risk as well as the investigation of lapses of control.

In the first year, the internal auditor will provide council with an initial risk assessment plan and a long-term internal audit plan. Council advised the review team that the audit program has been developed and it is in the process of implementing elements of this. Council should continue with the development of its internal audit program.

Council has an internal reporting policy and system that was adopted in March 1996. The policy includes a flowchart that identifies the process used by the organisation for dealing with disclosures made under the internal reporting system. The Director Corporate Services is council's protected disclosures officer.

The policy does not contain a clear statement of support from the executive for people who wish to make protected disclosures. Additionally, the policy does not advise staff that protected disclosures may be made to the Director General of the Department of Local Government. Council provides information to staff on its

protected disclosures and internal reporting system at induction. There is no on-going training provided. Council should review its policy on protected disclosures and the internal reporting system to ensure it is up-to-date and comprehensive (Recommendation 5). *Suggestion: council may refer to the Protected Disclosure Guidelines issued by the NSW Ombudsman.*

Council advised that it has no system for reporting of legislative or regulatory non-compliance. However, council does have a system for reporting of fines, penalties or prosecutions against it. In terms of the awareness of legislative changes, council's public officer (the Deputy General Manager) receives all information about relevant legislative changes affecting council operations and disseminates this information to relevant council sections. Council should ensure that it continues to monitor compliance with its legislative obligations as part of its risk management and internal audit program.

Procurement, disposal and tendering

Eurobodalla Shire Council has a purchasing policy, a tendering policy and a purchasing code of practice. All these documents are current, having been adopted in 2006.

The purchasing policy places emphasis on a planned approach to the purchase of materials and services that ensures value for money by:

- the effective, efficient and ethical use of resources
- accountability and transparency of the processes
- appropriate controls such as operating in accordance with the code of practice and suitable delegations
- competitive practices that are non-discriminatory and
- ensuring that practices are sustainable.

To meet these requirements the policy sets the ethical standards that are required to be applied in relation to purchasing. The policy requires that purchasers consider sustainable practices such as environmental issues, life cycle costs and the return on the investment. The policy promotes council as an “equal opportunity purchaser”

that prefers to use local suppliers subject to quality and price. However, there is still an expectation that purchasing decisions will be made on a competitive basis that requires value for money. Council is currently preparing a local preference policy.

Council's tendering policy was adopted in February 2006. It complements the purchasing policy and code of practice. In addition it provides guidance on the evaluation of tenders.

The purchasing code of practice provides specific guidelines for staff when making purchasing decisions. The code provides that quotations be obtained for purchases between \$1,000 and \$150,000 unless there is an approved preferred supplier, an industry benchmark or the purchase is available through government stores.

Council has a purchasing section that is available to assist staff. The code of practice encourages staff to engage the purchasing section's expertise and follow formal tendering or expression of interest procedures for individual purchases while recognising that this is mandatory for purchases worth \$150,000 or more. The appendix attached to the code of practice allocates responsibility for a range of purchasing and tendering practices to the purchasing section. The review team was advised that council is considering identifying one officer to be responsible for managing council's tendering processes.

The review team sampled files on two tendering processes and one procurement process. This review, while acknowledging that it is only a very small sample, identified the following issues:

- copies of documents provided to tenderers were not on the files
- there was no record of requests for tender documents
- in one case the tender assessment criteria and analysis were not on file
- neither a copy of the tender list nor the notice that had been displayed in accordance with clause 179 of the General Regulation was available on file
- in one case there was no evidence that all tenderers had been advised of the outcome other than a letter from an unsuccessful tenderer expressing disappointment.

However, the review team acknowledges that council is in the process of moving to an electronic file management system and letters to tenderers may have been filed electronically.

Council should review its processes to ensure that all documentation related to the tendering process is kept and filed. If documentation is not filed in the one place then a document tracking system should be in place to ensure that relevant documents can be located. Council could consider amending its tendering policy to provide a checklist for staff to assist with the tendering process (Recommendation 6).

Privacy

The *Privacy and Personal Information Protection Act 1998* (“PPIPA”) provides for the protection of personal information and for the protection of the privacy of individuals. Section 33 of the PPIPA requires all councils to prepare a Privacy Management Plan to deal with:

- the devising of policies and practices to ensure compliance by the council with the requirements of the PPIPA
- the dissemination of those policies and practices to persons within the council
- the procedures that the council proposes for internal review of privacy complaints
- such other matters as are considered relevant by the council in relation to privacy and the protection of personal information held by it.

Council’s plan should be read in conjunction with the Privacy Code of Practice for Local Government. Council collects, stores and uses a broad range of information. A significant part of that information is personal information. Council’s plan applies to that part of the council’s information that is personal information.

Council’s plan is comprehensive and current. It was reviewed in 2005. The plan also covers health information. This is very relevant for this council as it is the provider of a range of community services and collects, uses and stores health information on its clients. Council includes training on privacy as part of its staff and councillor

induction processes. Additionally council's information management systems provide for security of information and audit trails in relation to access to information.

Record keeping

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

Council has adopted a records management policy, records user guide, records disaster recovery plan and records disposal procedures. These documents effectively meet the operational business needs, accountability requirements and community needs applicable to the organisation. Additionally, council uses a bar coding system for its records to assist in the location and retrieval of documents.

While council officers advise that the policy applies to electronic, written and oral records, it is not clear that oral records are included in the policy. However, the review team was provided with documentation used by council staff to make records of verbal correspondence. It is evident that council has processes in place to capture oral records and this should be reflected in council's policy. (Recommendation 7)

State Records NSW has recently issued a recordkeeping publication for local government councillors, 'Sample records management policy, procedures, leaflets and templates for local government councillors', that provides guidance about the keeping of records that relate to the councillors' role. Council should review its records management policy and procedures to ensure that councillor records are included (Recommendation 9).

Business continuity/disaster recovery

As an aspect of an overhaul of its risk management processes, council is also reviewing its disaster recovery/business continuity plan. The plan has been prepared and requires final touches to make it operational. It is expected that the plan, which will define the particular responsibilities and operational readiness of each council

section, should be completed by the end of 2006. The review team encourages council to have this process completed as scheduled (Recommendation 8).

Councillor expenses and facilities policy

A policy on the payment of expenses and provision of facilities to the Mayor, Deputy Mayor and Councillors is a requirement under section 252 of the Local Government Act. Council informs councillors of this policy at an induction session. Council also includes the policy in the 'Councillors' Handbook'.

While council's policy is comprehensive and current, it does not provide for an allowance to be paid to councillors while travelling on council business outside of the Shire. This is at odds with the General Regulation that requires that councils must not include any provision that enables council to pay any councillor an allowance in the nature of a general expense allowance. Section 252 only authorises payment or reimbursement of actual expenses incurred by councillors in carrying out their civic duties. Council should review its policy to ensure that it meets the requirements of the Act and Regulation (Recommendation 9).

Delegations

The power of delegation is an important tool that assists council officers to carry out the functions of council in an effective and timely manner. Delegations need to be made in accordance with sections 377-381 of the Local Government Act and continually reviewed to ensure they remain current.

The standard of council's delegations register is high. The delegations are comprehensive and clear. The delegations are assigned to the position. The index of delegations enables a user to identify delegations by person, position and subject area. Delegations are included in job descriptions. Terms of reference for council committees identify delegations that have been given to the committees.

Council's process could be improved by recording when delegations have been reviewed to provide an audit trail. Council should implement an audit program to ensure that delegations are being exercised appropriately (Recommendation 10).

6.2 Regulatory Functions

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

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

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

Strategic planning instruments

Council is required by section 73 of the *Environmental Planning and Assessment Act 1979* to keep its planning instruments and policies, such as local environmental plans and DCPs, "under regular and periodic review".

Eurobodalla Shire Council is in the process of preparing a single Local Environmental Plan (LEP) using the State template. Council staff informed the review team that council is well ahead of schedule in the preparation of the single LEP for the shire. The single LEP will be informed by a number of the already existing documents such as the Draft South Coast Regional Strategy, the Urban Settlement Strategy, the Rural Settlement Strategy, as well as the different place reports.

Strategic land use planning instruments are linked to strategic planning through the 'triple bottom line' approach, integrating the financial strategy, the social plan and also the plans of management for major projects. The starting point for council's

strategic planning is the community's wishes for the Shire. These wishes are further aligned with the realistic assessment of what can be achieved through the budgetary and land use planning processes.

Working closely with communities entails engaging with and, if required, empowering various progress associations, sponsoring grants provided to small community organisations and resourcing the community. In problem areas, it may also entail street and roadside meetings to deal with community concerns first hand and inform the community of issues such as black spots or the cost of infrastructure.

Council strategic land use plans establish potential growth areas. These are further analysed for strengths, weaknesses, opportunities and threats. Land use planning is closely linked to infrastructure planning.

Council has adopted a policy on an integrated approach to sustainable living. The policy title is: Shaping Tomorrow Today – Sustainable Living: An Integrated Approach. The policy aims to guide future development in the Shire to improve the quality of life now and into the future, while maintaining the ecological process on which it depends and promoting the development of an ecologically, economically and socially healthy environment. Council prioritises its work and assesses its business risks in the context of this policy.

A large number of actions and specific plans are integrated through this approach. Some of these include: Energy and Water Efficiency Development Control Plan; Fire Risk Management Plan; Coastal Capacity Plan; Integrated Waste Strategy; Public Transport Strategy and Community Transport; Companion Animals Management Plan; Stormwater Management Plan; and various land care, creek care and dune care programs.

Council efforts in the area of strategic land use planning are supported by the review team. Council is encouraged to continue to work with its communities on the integrated approach to its sustainable present and future.

Development assessment

Council indicates that 97% of its development applications (DAs) are dealt with under delegated authority. The criteria for referring DA decisions to council are comprehensive. Some of the criteria include: developments of a value greater than \$4 million or deemed significant; where variations to council policy are sought; designated development; applications called up by three councillors; where there is significant objection; and developments proposed by staff or councillors. This provides staff with clear guidance.

Additionally, council policy requires that all duplex/dual occupancy applications for the Long Beach area must go to the elected council for approval. There does not appear to be a logical rationale for this situation. It begs the questions, why not all duplex applications and why the Long Beach area only? Council should review this requirement to ensure that its approach to dealing with development applications is based on sound planning reasons and is equitable (Recommendation 11).

Council has a computerised system for managing and tracking development applications. Council currently has on-line tracking of DAs and is working on a system to permit the electronic lodgement of DAs. The on-line tracking system is very comprehensive and useful for applicants to be able to see the status of their application at any time.

Council lists DAs it has received on its website every Monday after they are registered. Determinations are also advertised in the press and reported on council's website.

Enforcement

In relation to the areas of its operation that may lead to enforcement, council has taken the approach that provides extensive upfront information to the community about compliance with different legislative requirements. To this end, council publishes guides on council development and building approvals (its inspection process), the building certification process and various companion animals issues.

It also believes that enforcement officers' presence in the most affected areas (such as beach patrols or weekend inspections of temporary food premises) serves as a deterrent and enhances public perception of council's efforts in the area of compliance.

Council enforcement officers have a preventative and pro-active approach to their job. For example, where they are unable to identify the responsible individual for removal of trees, they erect screens and signs for a period of 3 months to raise awareness of the issue and seek information from residents. They also use letterbox drops of information to target areas where there may be issues and regularly monitor 'hot spots'.

While council has a comprehensive environmental prosecution policy, it does not have a single enforcement and prosecutions policy to guide its enforcement activities and create a more consistent approach to compliance activities across different areas of council. The creation of such a policy is recommended (Recommendation 12). *Suggestion: council may refer to the Enforcement Guidelines for Councils issued by NSW Ombudsman as a starting point.*

With respect to the provision of information to the community as to how to report suspected non-compliance, council relies on general feedback from the public. Given its statutory obligation in areas of public health and safety, the council should also ensure that residents are informed as to how they may report alleged breaches and non-compliance (Recommendation 13). This may enable council to more effectively monitor some of the key areas of responsibility and reduce the risk of non-compliance for residents.

Council has good rapport with private certifiers in its area.

With respect to food safety, council has adopted a risk management approach to its compliance inspections. Council participates on a regional group to compare trends in food safety compliance.

Council is informed of where the organisation stands in different areas, where the gaps and emerging areas (such as solar heaters) are and which areas require improvement through quarterly benchmarking performance reports.

Council's building approvals process includes fire safety considerations. During the review, council staff suggested that council may consider the need for establishing a register of businesses (for example, tourist premises) and residential premises for compliance with the fire safety regime. If council chooses to do so, it may wish to consider the resources required to complete such a register on the one hand, and its exposure to risks and the benefits of establishing the register, on the other.

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 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.

Eurobodalla 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.

Council did prepare a supplementary SOE report for the 2004-05 period. The document departs substantially from the department's guidelines. There is some reference to management plans in the supplementary report, but all sectors are not addressed and the links between the various documents are not clearly established.

There is no specific reference to the consultative process, particularly for members of the general community. However, it would appear from the content of the report that working relationships have been established with key environmental groups. This was borne out through discussions with staff. There is some evidence that environmental groups have had a limited involvement in monitoring changes. This advice was also provided to the review team on site.

It is evident from council's key documents, such as the management plan and annual report, that council places high importance on the area of environmental management. This is also evident from the adoption of the 'triple bottom line' approach to its operations.

Council should pursue the completion of the comprehensive state of the environment report as a priority (Recommendation 14).

Companion animals management

Council has a companion animals management plan for the Shire, which is currently under review.

All cats and dogs are micro-chipped before they leave the pound. Council rangers have a scanner in the truck and exercise discretion in returning seized animals to their owners (for a pre-delivery fee) rather than taking them to the pound.

Council provides holding facilities for cats as well as for dogs and works closely with various animal welfare organisations on the re-homing of seized unowned animals. It also places advertisements in the papers with the aim of increasing re-homing.

6.3 Asset & Financial Management

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

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

- *Financial management*
- *Asset management*
- *Insurance.*

Overview of financial position

Operating Results & Trends

Over the past five years Eurobodalla Shire Council had varying operating results before capital items with no firm trend. In 2004/05, council realised a surplus of \$786K, compared to a surplus of \$3.526M in 2003/04. Results in previous years were a deficit of (\$1.257M) in 2002/03 (despite a gain from asset disposal of \$3.26M); a surplus of \$2.042M in 2001/02; and, a deficit of (\$2.777M) in 2000/01.

Results after capital items were all surpluses, ranging from \$3.787M in 2000/01 to \$16.765M in 2003/04. The result after capital items in 2004/05 was \$15.511M.

Grants and contributions for operating purposes increased over the 5 years to \$13.124M in 2004/05. Grants and contributions for capital purposes were \$14.725M in 2004/05, which represents an increase of \$1.1M in comparison with 2003/04.

Budgeted vs. Actual Results

	Before Capital		After Capital	
	Budget	Actual	Budget	Actual
2004/05	\$229K	\$786K	\$8.115M	\$15.511M
2003/04	(\$3.294M)	\$3.526M	\$1.185M	\$16.765M
2002/03	(\$3.579M)	(\$1.258M)	\$842K	\$14.209M
2001/02	(\$1.377M)	\$2.042M	\$1.741M	\$12.042M

Council has consistently underestimated actual results. The main reason for a variance in 2004/05 was a \$6.8M underestimate of grants and contributions for capital purposes. In 2003/04 the main reason for a variance (before capital items) was an underestimation of revenue from user charges and fees, investments, grants and contributions, as well as a profit from asset disposal that was not anticipated. Nevertheless, council should work towards more accurate budget estimates as part of its budget process.

Liquidity and Cash Position

Council's unrestricted current ratio (UCR) was 1.27. This is a reduction in comparison to the UCR of 1.89 in 2003/04. The UCR measures the adequacy of working capital and the ability to satisfy council's financial 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. Council should consider strategies to increase the UCR to bring it in line with the industry benchmark of 2 or greater (Recommendation 15).

Council's unrestricted cash was \$2.72M (down from \$6.5M the previous year).

Rates and annual charges outstanding percentage (RACO%)

This percentage was very good at 3.25%; in previous years council's RACO% was less than 3%. RACO% assesses the impact of uncollected rates and charges on liquidity and the efficiency of debt recovery. A benchmark for coastal and city councils such as Eurobodalla is less than 5%.

Debt Service Ratio (DSR)

In 2004/05 council's DSR was good at 8.44% (down from 13.07% in 2003/04). Council's DSR has continued to improve since 2000/01 when it was a high 15.84%. 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 good. A DSR ratio from 10% to 15% is considered borderline and a DSR or more than 15% is considered to be of concern.

Loans

Council has total loans outstanding of \$28.61M at 30 June 2005. New loans raised in the 2004/05 financial year amounted to \$10.146M

Council's approved loan allocation for 2005/06 was \$8.5M, made up of:

\$1M	Water Supply
\$3.5M	Sewerage works
\$55K	Water Management
\$762K	Buildings
\$2M	Infrastructure
\$1.1M	Other purposes

Council actually borrowed \$6,378,346 in 2005/06.

Employee Leave Entitlements (ELE)

Council's ELE is cash funded to 13% by internal restricted reserves. The department uses a benchmark of 20% as a guide. The review team raised this with the council. The council considers that as at 30 June 2006 (based on its unaudited accounts) it has more than sufficient ability and liquidity to meet all of its leave liabilities.

Auditor's Comments

Increases in restrictions relating to council's current assets have caused the UCR to decline in previous years. The ratio of 1.27:1 is within an acceptable range, but lower than industry guidelines for this ratio. Refer to recommendation 15 above.

Compliance with the Accounting Code

For 2004/05, council was compliant with the accounting code.

Business Activities

Council has declared 2 business activities: Water Supply Business and Sewerage Business. Water Supply had a surplus result before and after capital amounts while the Sewerage Business had a deficit result before capital amounts but a surplus result after capital amounts.

Timeliness of Submission of Financial Statements

Council has submitted the financial statements on time for at least the last 5 years.

Special Variations

Council has applied for special variations in most years since 1994/95, of which 5 have been ongoing, and two for periods of 2 years. Since 1999/2000, the following special variations (including rate peg amount) have been approved:

Year granted	Percentage	Period	Purpose
1999/2000	3.99%	ongoing	Companion animals management, environmental levy
2000/01	3.62%	2 years	Tourism
2002/03	5.18%	2 years	Tourism, public liability, infrastructure maintenance
2003/04	13.42%	ongoing	Infrastructure
2004/05	6.13%	ongoing	Economic development and OHS management
2005/06	8.28%	ongoing	Infrastructure renewal and rehabilitation (roads, bridges, community buildings, sports facilities)

For 2006/07, council applied for an ongoing special variation of 8.37% (including the rate peg of 3.6%) for infrastructure renewal and rehabilitation. This application was approved.

Asset management

Council's asset management program distinguishes between the capital works, infrastructure renewal and maintenance programs. Council introduced the concept of 'ringfenced' funding for the renewal program linked to approved special variations for particular purposes.

This means that special variations for infrastructure maintenance and renewal are calculated and the revenue transferred to an internally restricted fund named "The Infrastructure Fund". They are utilised from the fund against qualifying projects in accordance with the management plan original budgets and any subsequent council approved variations. The utilisation is re-calculated and updated quarterly. In this manner, council can establish every quarter how the funds have been utilised. The correct use can be audited if necessary as there is a clear trail. This is considered to be a good practice.

Council's condition of assets assessment focuses on critical assets. Council has planned a comprehensive asset valuation program for 2006/07. Council is attempting to liaise with neighbouring councils and build regional expertise in this regard. At the moment, this is happening by way of an informal agreement.

The maintenance and renewal programs are based on the risk assessment and ranking principle following the best practice guide produced by the Institute of Public Works Engineering Australia. Maintenance, repair or replacement of assets are informed by this risk assessment, taking into consideration the available budget.

Council has established a hierarchy of assets: from assets of regional use and importance to district, local and neighbourhood ones. Within this hierarchy, council has established a sub-set of public infrastructure, facilities and services. This hierarchy informs the process of determining the scope and timing of asset treatments. Preferred works are endorsed by council's works committee. This is considered to be good practice.

Asset management is supported by the council's longer-term financial strategy and shorter-term management plans.

Council's asset rationalisation approach looks into the future, making a careful assessment of the need for future assets in terms of acquisition and maintenance.

Council has itemised all of its assets with the exception of the stormwater infrastructure. The itemisation of drainage assets is underway.

Infrastructure Maintenance

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

- Roads, Bridges and Footpaths 59%
- Stormwater Drainage 72%
- Water Supply Network 67% and
- Sewerage Network Infrastructure 70%.

Council estimated annual maintenance for 2004/05 was \$9.2M, while programmed maintenance was \$6.4M, a shortfall of \$2.8M.

Council's estimated cost to bring assets to a satisfactory condition was \$160.8M in 2004/05. 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).

Integrated water cycle management

The 1994 Council of Australian Governments (CoAG) agreement on a strategic framework for the efficient and sustainable management of the Australian water industry encourages councils to adopt best practice water and sewerage pricing. A number of mechanisms have been employed to encourage council compliance with best practice pricing principles.

According to the 2003/04 NSW water supply and sewerage performance monitoring report from the Department of Energy, Utilities and Sustainability, council has met its obligations in implementing best practice management and has in place:

- Strategic business plans for its water and sewer operations
- Full cost-recovery pricing
- Sound demand management strategy and plan
- Sound drought management plan
- Integrated water cycle management strategy
- Appropriate charges, approvals and policies
- Completed performance report by 31 October in each year.

Eurobodalla Shire Council was the first council in NSW to develop and implement its integrated water cycle management strategy and won an award for this.

Eurobodalla business development

Closely linked to council's strategic planning (as well as financial and asset management) are its strategies for land and other commercial ventures, economic, tourism and Aboriginal liaison development. To facilitate this integration and give prominence to the business development thinking, council has established the business development group headed by the group manager.

An example of land/commercial ventures development activities are the Batemans Bay Beach Resort (BBBR), which is expected to yield \$1M income, and the Surf Beach development. Both strategies follow the Public Private Partnerships guidelines. Both activities are supported by governance and probity plans. The development of all business and governance/probity plans is endorsed by the council.

The key issue for the Aboriginal liaison business development is the consideration of local cultural heritage and the creation of jobs. To this end council is in the process of establishing a consultative committee that will develop a program of activities. Some of the projects discussed with the five Land Councils in the Shire is the writing

up of the oral histories and possible development of some tourism activities based on Aboriginal heritage. The review team supports council's efforts in this regard.

6.4 Community & Consultation

A council's charter requires that a council:

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

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

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

Social and community planning

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

Eurobodalla Shire Council's Social Plan 2005-2009 includes information on the "state of the community", outlining the demographics of the area and information on identified target groups. Information is included on the method used to develop the plan and consultation that has been undertaken. The effectiveness of the previous plan has been assessed and formed part of the recommended actions for this plan.

There has been some work undertaken on aligning the plan with council's management plan, however, this is difficult to follow. For example, council's draft management plan 2006-2011, under community wellbeing, has a direction to:

“Provide a healthy living environment to encourage more active and healthy lifestyles.”

This direction identifies three responses from council. Council's social plan only identifies two responses and one of these is not reflected in the management plan. Council should achieve a greater level of integration and consistency between the social plan and management plan. However, despite this, it is easy to identify council's social plan under the section 'community wellbeing' as part of council's 'triple bottom line' approach to decision making (Recommendation 17).

Council as a community service provider

Council is a large provider of human services to the Eurobodalla community. It currently manages a range of services such as community transport, childcare, youth programs, libraries, help for families, carers and people with disabilities and support for older people. These services are provided under the business banner of "EuroCare".

The EuroCare services are managed by council and the staff are directly employed by council. In addition, the services use a large volunteer 'workforce' of around 120 to 200 active volunteers. EuroCare also manages the Volunteering Eurobodalla service that enables community groups to register their need for volunteers. Council is currently looking at developing an overall model for managing volunteers and has established a matrix group on volunteering.

It is obvious that EuroCare services are well organised and well received by their clients. Client satisfaction surveys that have been conducted rate the services very highly. For example, 64% of the clients who participated in the 2006 EuroCare Client

Satisfaction Survey rated the service as excellent; 93% rated the service as satisfactory or better.

The EuroCare services have developed a range of publications and documentation to inform staff, volunteers, clients and the community. This includes handbooks for volunteers and clients as well as pamphlets on how to make a suggestion or complaint. The service provides regular newsletters to staff and to volunteers. EuroCare services is an area of excellence for Eurobodalla Shire Council.

An ageing population

Responding to and planning for the major changes and service demands that will be created by Australia's ageing population is a major challenge for all levels of government.

As previously described in this report, Eurobodalla's population growth remains well ahead of the State average and is currently the second oldest local government area in NSW. The number of people aged 60 years or over is much higher than the State average.

It is evident that council has recognised this "force of ageing" and the impact on demand on services, facilities and infrastructure as well as the impact on council's operations. Awareness of this issue is evident in a range of council's plans.

Council's social plan includes a range of strategies aimed at meeting the needs of older people now and into the future. Council's management plan also identifies the need to plan for an "*in-migration of baby boomers*" and identifies a number of strategies.

Council provides a range of community services to assist eligible community members to maintain independence and quality of life. Many of these programs are aimed at providing support to older people. Council has produced a publication '*Growing Older in the Eurobodalla*'. This publication provides information about

services that are available in the Eurobodalla area and how to access these. This includes outlining the accommodation options available to older residents.

Council is aware of the impact of an ageing population on the organisation, as discussed later in this report. It has implemented an organisation restructure based on the recognition of the net loss of the workforce and the age structure of the management team.

Community participation

Council has a number of committees established under section 355 of the Local Government Act that regularly meet and include members from the community. Council consults the community on a wide range of issues and projects and reports on this consultation 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 that consists of representatives from each of the high schools in the area. Council seeks advice from the youth council and provides information to it. Council also supports an Aboriginal consultative committee with representatives from the six land councils in the area. Council has established a scientific advisory committee that provides peer review for council projects and works.

However, council has recognised the need to be more strategic about its consultation and to this end has established a matrix group to look at this issue. This is commended. Council is encouraged to develop 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 18).

Community feedback and complaints

Council conducts a resident satisfaction survey every 4 years. In addition council conducts random customer satisfaction surveys by telephone on a regular basis. Council reports on its complaints and customer satisfaction each year in its annual report.

Council implemented a new software system for logging and tracking customer service requests in 2004. This has enabled council to distinguish between complaints, customer service requests and customer feedback.

There is evidence that the results from these surveys and the customer service requests system are important indicators for council in reviewing and improving its performance. Council's 2004 resident satisfaction survey rated consultation with the community by council as below average satisfaction. This is one of the reasons that council has established its matrix group to look at council's consultation processes.

A specific example of council's response to complaints is the monitoring of complaints about a range of environmental issues. Where problems are identified, council undertakes blitzes and pro-active approaches such as letterbox drops in 'hot spot' areas. Council has also responded by employing additional staff in response to seasonal complaints particularly in the area of water and sewer.

Council also uses the customer service request system to monitor response timeframes. The response priorities are set in the program. Council is encouraged to continue its approach to community feedback and monitoring of community complaints, service requests and feedback. The review team would suggest that council gives consideration to making access to this system more prominent for members of the community such as by pamphlets or signs (Recommendation 19).

Annual report

Council is required to prepare an annual report of its activities within 5 months of the end of each financial year. Section 428 of the Local Government Act requires that council furnish a copy of its annual report to the Minister.

Eurobodalla Shire Council's annual report is excellent. It provides the information required by legislation and is extremely well presented and informative. The report is easy to read and well indexed. Council has submitted its reports to the Minister on time in the last 3 years.

Council previously distributed abridged copies of its annual report by letterbox drop and non-resident mail out. This has not been undertaken in the last 2 years due to time constraints and lack of demand. In its response to the draft report, council advised the review team that it ceased the practice of sending an abridged annual report to ratepayers based on feedback that newsletters to the community were more widely read. Council has added a third newsletter to its community information package that will allow for an abridged version of the annual report to be presented.

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 locate customer service standards for all of council's services. The review team was advised that council was undertaking work in this area, including developing internal service level agreements between council divisions. It is acknowledged that council does telephone customers on a monthly basis to gauge its performance. The customer service standards should be publicly articulated in order for council and the community to measure council's performance against these standards.

Each council division should identify the standards customers can expect of their services and make those available to their customers. It is important that once these are developed they are monitored and reported on to ensure accountability to the community and to provide feedback to the council (Recommendations 20 & 21).

Economic and tourism development

Council's economic and tourism development is managed by two separate boards comprising community and industry representatives and councillors. Both boards are serviced by council staff. Council is about to start reviewing the structure and the terms of reference of the two boards. Considering the common goals of the two boards, the review team recommends that council consider the savings and benefits of integrating the two boards into a single advisory body (Recommendation 22).

In addition, the review team has observed that there are no real targets for the two activities, except for some tourism goals. Council may want to consider translating some of the already achieved capability in the area of tourism development into both areas and developing achievable economic development goals in the near future (Recommendation 23).

6.5 Workforce Relations

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

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

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

Overview of the organisation

All employers 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.

Eurobodalla Shire Council reviewed its organisation structure and adopted its current structure on 28 February 2006. The new structure consists of two senior executive staff, 4 executive managers and 4 group managers. These positions form the executive management team.

As at 30 March 2006 council has 415 equivalent full time staff. Staff comprise:

- 49% women
- 2% Aboriginal and Torres Strait Islander.

Council indicated that its workforce number is high in relation to other councils in its group (in the department's comparative publication) due to the large number of people it employs in the community services that it manages.

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.

The Eurobodalla 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. Eurobodalla's total working age population is projected to fall from its current 60% of the population to around 56% by the year 2022. (Jackson, Dr Natalie, 2004, *Population Ageing in New South Wales and its Local Government Areas*, University of Tasmania.)

It is evident that council is aware of this as it has identified the age structure of the management team and net loss of the workforce as two of the key drivers for its organisation restructure. The restructure of the management team has provided the organisation with a succession plan to ensure that managerial skills are developed within the organisation.

However, council should document its approach to managing the strategic issues facing the organisation's workforce. Council should develop a human resources strategy that provides a whole of council strategic purpose and direction to human resources planning and action that reflects council's policies and priorities. The long-term plan should aim to achieve a sustainable workforce. It is evident that council has moved in this direction, but needs to document this approach (Recommendation 24).

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. Eurobodalla Shire Council was named the Australian Employer of the Year in 2005.

Council prides itself on being a responsible employer that maintains practices that are fair, non discriminatory, free from bias or harassment and is professional and competitive. Council practices equal employment opportunity, which is reflected in its approach to the recruitment and selection of staff. Additionally, council places emphasis on employment in the areas of youth, Aboriginality and disability.

Council has a range of good practices such as regular orientation training and staff development opportunities, ongoing staff performance assessment, exit interviews and a salary system that recognises competency and performance. Council regularly monitors a range of workplace indicators such as sick leave, staff turnover and lost time for injuries.

Council's salary system is based on the Award bands and levels but also includes a rewards system that recognises the top 10% performers in each division. Performance indicators have been developed to determine whether a performance reward applies. Council calls this its "stretch" goals approach and makes individual staff more responsible and accountable for their performance. While this approach to managing performance has only been in place for one year, both managers and staff feel it is working well.

Consultative committee

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

The membership of council's committee includes 2 councillors. Council should be represented on this committee by its general manager or his/her nominee/s. Due to the day-to-day operational issues considered by this committee, it is inappropriate for councillors to be members of consultative committees (Recommendation 25).

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 code of practice. Council's 2006 EEO plan identifies a number of objectives as well as procedures to achieve these objectives. It is easy to see EEO principles reflected in other council policies and procedures. For example, council's recruitment and selection policies and procedures include references to EEO principles.

Council's plan could be improved by providing specific targets and performance criteria, information on how the effectiveness of the policy and programs will be evaluated, a description of the method used to develop the plan and the results of any staff surveys or consultation. Council should also ensure that its report on EEO activities in the annual report relates to the objectives set in the EEO management plan (Recommendation 26).

Employee attitude survey

The council has not conducted an employee attitude survey. Council did advise that council staff are surveyed as a separate reference group in the 4-yearly community survey.

While it is acknowledged that council appears to have a low level of disputation within its workforce, and only 2 formal grievances since 2000, 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 consider conducting a more extensive employee survey on at least a 4-yearly basis to gauge employee satisfaction with the organisation and identify areas that may require improvement (Recommendation 27).

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 has implemented an occupational health, safety and rehabilitation system that incorporates a policy and 13 elements that are fundamental to the system's success.

The reach of council's approach to occupational health and safety is evident. For example, council has established the Eurobodalla Landcare Management Committee under section 355 of the Local Government Act. This committee has been provided with a set of guidelines to assist in its operation. In addition, the committee is provided with extensive information about its occupational health and safety responsibilities.

7. COUNCIL'S RESPONSE

Council responded to the draft report on 4 October 2006. Council responded by making comment on the recommendations in the report. Some of the comments on the recommendations provided information on what action council intends to take. This information is not reproduced in this report and should be incorporated in the action plan that council is required to complete after it has tabled the review report. Council's response or concerns to sections of the report are reproduced and addressed hereunder.

Chapter 5. Council's ambitions, priorities and future focus:

2.	Council should articulate and formalise its continuous self-reflection and improvement process	<p>The department should acknowledge the Competitive Provision of Services Policy and the benchmarking practice that has won a National Management Award.</p> <p>The department should also recognise that Council is in the process of reviewing all of its operations with such review to be completed by the end of 2007.</p> <p>The Independent Community Satisfaction Surveys conducted in each council term. Telephone survey where we contact 1 in 10 customers from CSR's are also an important element of self reflection and improvement.</p> <p>Nevertheless, Council will prepare a statement that recognises the existence of these policies, practices and relationships. The current process of self-reflection and improvement process will be formalised and articulated in a single statement of "Continuous Improvement". The statement will appear on Council's website.</p>
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The review team acknowledges the competitive provision of services policy and the awards that have been won by Eurobodalla Shire Council. The review team is aware of the community satisfaction work undertaken by council and has provided comment on this in the community and consultation section of the report. The review team has noted that council is preparing a statement that will articulate its approach and actions to continuous improvement.

Chapter 6. Delivering and Achieving

Governance

3.	Council should develop a statement of business ethics to communicate both internally and externally the ethical standards that council abides by and expects others to abide by in doing business with council.	<p>A Statement of Business Ethics has been prepared and is referenced in the Procurement Policy that was adopted by Council in July.</p> <p><u>Note from General Manager</u> – The recommendation might be amended to reflect the above.</p>
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The review team sought a copy of the adopted policy but was advised that due to an oversight the statement of business ethics was not adopted with the procurement

policy at council's July meeting. A draft was sent to the team for information. The report text has been modified accordingly and the recommendation revised.

4.	Council should continue to formulate an organisation-wide risk management plan as scheduled	The final draft of the Risk Management Plan will be presented to Risk Management Committee for endorsement and adoption at the November meeting. <u>Note from General Manager</u> – The Report and recommendation might be adjusted accordingly.
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Noted. The report indicates that the organisation-wide risk management plan will be completed by end of 2006 and the recommendation is consistent with this.

5.	Council should examine the costs and benefits of establishing an internal audit function	Council appointed Millington SBS (now Pitcher Partners) as the internal auditor on 30 September 2005.
		The internal auditor has now prepared an audit program elements of which have already been the subject of internal audit. Council is committed to the benefits of an internal audit function. <u>Note from General Manager</u> – The report should be adjusted to indicate that an internal auditor has been appointed and an audit program prepared. This recommendation might be reworded to indicate "Council should continue to develop its internal audit program."

Acknowledged. The report has been changed to reflect the current status of internal audit at Eurobodalla Shire Council. The recommendation has been removed.

6.	Council should review its policy on protected disclosures and the internal reporting system to ensure it is up-to-date and comprehensive.	Council's Protected Disclosures policy will be amended to contain a clear statement of support from the Executive for people who wish to make protected disclosures. Additionally the amendments will indicate that protected disclosures may be made to the Director General of the Department of Local Government as well as making provision for on-going education of staff. <u>Note from General Manager</u> – The report might indicate the commitment from the General Manager.
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Noted.

7.	Council should formulate a policy and system to cover internal reporting of legislative or regulatory non-compliance.	<p>The Executive Information Report that is presented to Council in public clearly addresses legislative and regulatory compliance or otherwise.</p> <p>The Department of Local Government's statutory check list is used for that purpose.</p> <p><u>Note from General Manager</u> – The report indicates "no system ---- this is not so. The recommendation is thus queried.</p>
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Acknowledged. The report has been changed to reflect council's approach to internal reporting of legislative or regulatory non-compliance and the recommendation has been removed.

8.	Council should review its tendering processes to ensure that all documentation related to these processes is kept and filed. Council could consider amending its tendering policy to provide a checklist for staff to assist with the tendering process	<p>Documents referred to in the report tend to be held "off file" but available as required for reference purposes.</p> <p>A check list for staff to assist with the tendering process will be added.</p> <p><u>Note from General Manager</u> – The Report should reflect paragraph 1 above as it suggests the documents are non-existent.</p>
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Acknowledged. The report text and recommendation have been modified.

Asset and financial management

17.	Council should consider strategies to increase council's unrestricted current ratio to bring it in line with the industry benchmark.	<p>The Department of Local Government's KPI for unrestricted current ratio states "A ratio of 1.5:1 indicates that unrestricted current assets are available on hand to meet unrestricted current liabilities. A ratio of between 1.5:1 and 2:1 is satisfactory and shows that a council has sufficient liquid assets on hand to meet its short term liabilities. A ratio of 2:1 or better is generally viewed by the industry as good.</p> <p>Nevertheless, Council is pursuing an unrestricted ratio of 1.5:1. Strategies are in place to achieve such outcome and such is recognised in Council's 20 year financial strategy. The general industry average is irrelevant.</p> <p><u>Note from General Manager</u> - This recommendation is considered inappropriate given this Council's strategy and policy. Further it is considered poor financial management to have \$2 or more in the bank for every \$1 of debt.</p>
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Council's comments are noted. However, council's auditor has commented that a ratio of 1.27:1 was within an acceptable range but lower than industry guidelines. The review team was concerned that council's unrestricted current ratio was 0.95:1 at 30 June 2001 which increased to 1.89:1 at 30 June 2004 but has decreased to 1.27:1 at 30 June 2005. The review team acknowledges that council is working towards increasing this ratio and supports this continuing.

18.	As part of its asset management and financial planning processes, council needs to address the question of whether it is investing adequate funds in infrastructure maintenance over the medium term.	<p>Council has adopted a financial strategy designed to invest in new infrastructure and provide funds to maintain and renew existing infrastructure over 20 years.</p> <p>Since 2003 Council established an "infrastructure fund" where rate variations of 20% have been directly assigned to maintenance and renewal of infrastructure. This approach has been applauded by the industry.</p> <p>Asset management strategies have been prepared for all major classes of infrastructure and renewal and maintenance programs are scheduled into new asset management plans for next year.</p> <p>This should be referenced in this section of the report.</p> <p>The Department has received presentations from Council over several years on the infrastructure, maintenance and renewal gaps and the process taken by Council to maintain assets resulting in the abovementioned rate pegging variations.</p> <p><u>Note from General Manager</u> - The need for this recommendation given the Council's persistent pursuit of special variations for infrastructure maintenance arising from the identification of the "gap" is questioned.</p> <p>The recommendation if one needs to be made might indicate :</p> <p><i>"Council should continue to monitor its investment in infrastructure maintenance"</i></p> <p>or</p>
		<p><i>"Council should continue to apply for special rate variations so that its average rates are in line with category (or State) average so that further funds may be directed towards the asset maintenance gap."</i></p>

Noted.

Community and consultation

19.	Council should review its social plan and its management plan to ensure that they are integrated and consistent	<p>The pathway for integration of the Social Plan into the Management Plan was explored in detail during preparation of the Draft Management Plan 2006-2011.</p> <p>Delays in adoption of these planning as well as the deferral of adoption of a new vision statement and strategic objectives meant that the smooth integration of the new information could not be completed in 2007-2012 plan. Therefore it was decided to defer amendments to the plans for both the Social Plan and the RLS/USS until 2007-2012 Management Plan.</p> <p>This situation has not prevented the Social Plan from commencing implementation as the existing Management Plan already authorises the implementation of the Social Plan. Indeed the 20 year Financial Strategy considered projects from the new Social and Cultural Plans and funding has been identified for implementation of these plans in the Management Plan and Financial Strategy.</p> <p><u>Note from General Manager</u> – The above notes might be included in the Report.</p>
20.	Council should develop a comprehensive, organisation-wide community consultation policy and framework that provides a range of opportunities for community input into council's planning and decision making processes.	<p>While acknowledging the community raised concerns about aspects of Council's consultation in the 2004 survey, the efforts to engage the community with the social and cultural plans and the settlement strategies were applauded.</p> <p>One of the initial objectives of the matrix group, mentioned in the report, is to review and enhance council's consultation policy considering industry best practice</p> <p>Community input will be sought in the finalisation of the comprehensive community consultation policy and framework.</p> <p><u>Note from General Manager</u> – The report might recognise the above comments.</p>

Both these comments have been noted and should be read in conjunction with the report.

22.	Council could consider including an abridged annual report with its rate notice	Following the introduction of community newsletters, Council ceased the practice of sending an abridged annual report to ratepayers with rate notices.
	mail out as a way of making this information more readily available.	<p>From the feedback obtained there is far greater viewing of these newsletters than pamphlets included with rates notices.</p> <p>In 2006-07 we have added a third newsletter to our community information package and this will allow for an abridged version of the annual report to be presented to the public.</p> <p><u>Note from General Manager</u> – The General Manager suggests that the recommendation is inferior to the current and proposed practice.</p>

Noted. The report text has been modified and the recommendation has been removed.

23.	Council should develop customer service standards for all of the services it provides.	<p>Standards already exist and appear in our Executive Information Report for a number of services. These exist in respect of water, sewer, DA's and some regulatory areas. Effort will be concentrated on ensuring public awareness of these standards as well as introducing standards where they are considered to be of sufficient priority and interest to the community at large.</p> <p>Performance standard guarantees are also being developed that will encapsulate existing as well as enhanced service statements.</p> <p>The Executive Information Report will be revised to reflect the key measures identified in the service level agreements and performance guarantees. These will be used to improve service and will be addressed in conjunction with the annual report.</p> <p><u>Note from General Manager</u> - Service standards are monitored through the public reporting of the Executive Information Report twice yearly; the suggestion to have customer service standards for all services is beyond good practice and good governance. The recommendation should be amended accordingly. See note below.</p>
24.	Once developed, council should monitor and report on its customer service standards to ensure accountability to the community and to provide feedback to the community.	<p><u>Note from General Manager</u> – It is recommended that 23 and 24 should be combined in one recommendation as they deal with the same matter – the recommendation might read :</p> <p><i>"Council should consider enhancing the range of customer service standards and increase the level of feedback to the community."</i></p>

Noted.

26.	Council should consider translating some of the already achieved capability in the area of tourism development into	Arising from the restructuring of the organisation in March 2006 the Executive Manager – Commercial has been tasked with the requirement to produce an economic development strategy that will integrate tourism, and all business opportunities for the shire.
	economic development and developing achievable economic development goals in the near future.	<u>Note from General Manager</u> – The above comments should be reflected in the Report and the recommendation adjusted accordingly, eg Council should continue to pursue the development of an economic development strategy with achievable goals in the near future.

Noted and comments should be read in conjunction with the report.

Workforce relations

27.	Council should document its approach to a sustainable workforce by developing a workforce strategy to address its future employment needs.	Council won the Employer of the Year at both the State and Australian Training Awards Ceremonies in 2005. This achievement was based on the strategies that exist at Eurobodalla. The Report might reflect this achievement. Nevertheless, and based on the above, a workforce strategy has been formulated and endorsed by the Management team and staff consultative committee in September.
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Council's achievement in obtaining Employer of the Year has been acknowledged in the report under the *'Human resource policies and practices'* section and is identified as an area that is working well at council.

28.	Council should not appoint councillors as members of its consultative committee	Council will consider this matter at the October Workshop on committees. <u>Note from General Manager</u> - The practice of appointing councillors to the staff consultative committee has worked well for this organisation for the past decade. There are benefits gained from this working relationship where the council representatives can speak on behalf of staff when matters such as salary systems are presented to the council for its deliberation. Councillors recognise and accept the different roles of the GM and councillors. This should be reflected in the Report.
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Noted and this comment should be read in conjunction with the report.

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- Planning strategies integrated and support each other.
- Strong focus on succession planning.
- Its regional role is reflected in its strategic focus.

Challenges to improve

- Formulate its strategic objectives into a single, overarching document.

GOVERNANCE

What is working well

- An organisational structure that creates a professional development and succession framework.
- Disclosure of interest returns completed accurately.
- Generally, council's policies are clear and comprehensive.
- An effective approach to managing privacy issues.
- Standard of its delegations register is high.
- An effective records management system.

Challenges to improve

- A checklist to assist staff with the tendering process.

REGULATORY

What is working well

- Strategic land use planning linked to council's strategic planning.
- There are clear criteria for dealing with DAs under delegated authority.
- Council enforcement officers have a pro-active and preventative approach to their role.
- Strong emphasis is placed on environmental management.

Challenges to improve

- Pursue the completion of the State of the Environment Report.
- Development of a single enforcement and compliance policy.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Council uses a hierarchy of assets based on criteria of importance and usage to guide asset maintenance or renewal decisions.
- Council monitors how its special variation funds are utilised against approvals.
- Asset management is supported by long-term financial strategy and management plans.
- Fully implemented best practice pricing and integrated water cycle management.

Challenges to improve

- Strategies to increase the UCR.
- Council should address the shortfall between estimated annual asset maintenance and programmed maintenance.

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Excellent community service provider.
- Council's response to the ageing of the community is identifiable in its planning.
- Informative and well presented annual report that meets legislative requirements.
- Responsive to complaints.

Challenges to improve

- Development of an organisation-wide community consultation policy and framework.
- The enhancement of the range of customer service standards and increase the level of feedback to the community.

WORKPLACE RELATIONS

What is working well

- Council has well documented human resource policies and procedures.
- Approach to effective OH&S practices evident.

Challenges to improve

- Document its long-term workforce planning.
- Conduct of regular employee surveys.