

PROMOTING BETTER PRACTICE PROGRAM

KOGARAH CITY COUNCIL

JANUARY 2015



Office of
Local Government

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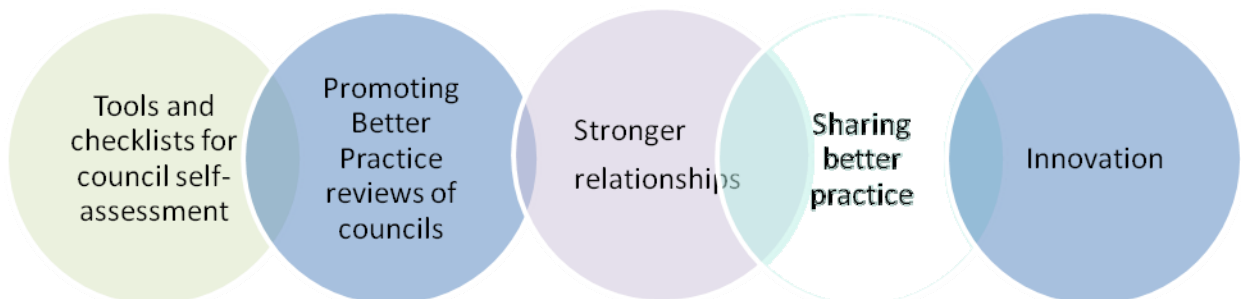
1. PROMOTING BETTER PRACTICE

The Program

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

The Program includes:

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



Promoting Better Practice reviews

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

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

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

Key strategic areas considered



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

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

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

Delivering services to the community relates primarily to the extent to which the council translates the strategies and initiatives within its Community Strategic Plan, Delivery Program and Operations Plan into action. This includes how the council informs the community of its

performance in delivering services and facilities according to plan, and how it measures customer satisfaction or receives community feedback to inform ongoing planning.

The review process



appropriate.

The Promoting Better Practice Review of Kogarah City Council was undertaken in June 2014. The Council completed a self-assessment checklist prior to an on-site visit by Office of Local Government staff on 2 and 3 June 2014. The response to the checklist and supporting material provided by the Council was taken into account as part of the review.

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

The review team would like to thank Kogarah City Council's Mayor, Cllr Stephen Agius, General Manager, Mr Paul Woods, the Executive Team and other staff members who participated in the review and provided valuable assistance.

About this report

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

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

2. ABOUT KOGARAH CITY COUNCIL

The Kogarah local government area is located 15 kilometres south of the Sydney Central Business District, covers approximately 15.6 square kilometres, and has an estimated residential population of approximately 60,000. The 2011 Census found that a significant proportion of Kogarah residents (41%) were born overseas and come from non-English speaking backgrounds. 13 per cent of these residents were born in China.

The original inhabitants of the land were the Gadigal people of the Eora nation.

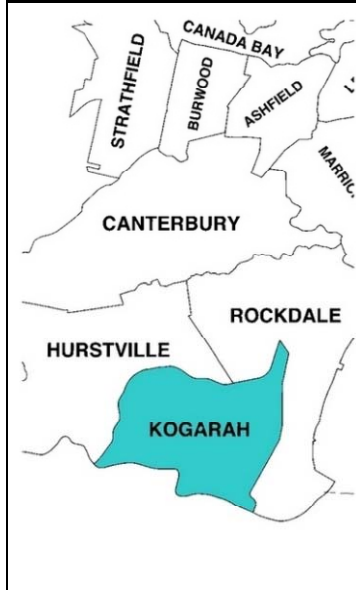
Kogarah is considered a hub for health, finance and education facilities. St George Public and Private Hospitals, the head office of St George Bank and TAFE NSW are all located within the Kogarah CBD. It is estimated that an additional 2,500 jobs will be created in the city centre through the expansion of this hub over the next 25 years.

Kogarah City Council manages infrastructure assets with a total value of \$443 million. This includes 169km of sealed roads, 219km of footpaths, 56 children's playgrounds, 189 hectares of open space and bushland, and a water reclamation facility.

The Council employs 340 staff (including full time, part time and casual positions) in a range of professions.

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

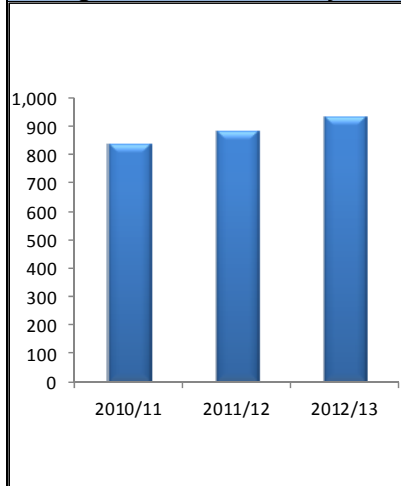
Kogarah City Council



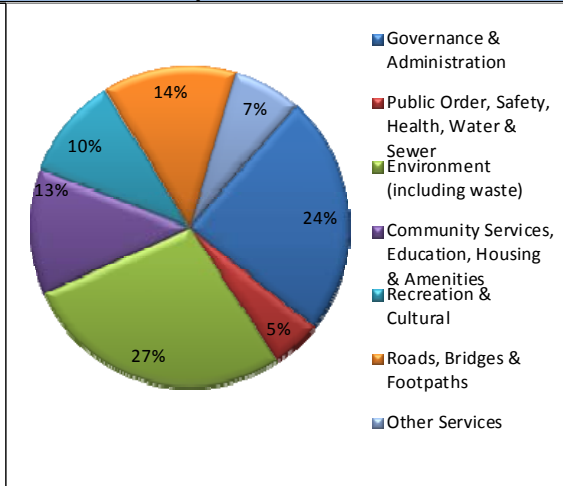
Kogarah City has an area of approximately 15.6 km² with a population of 59,782. Located in the St George region of southern Sydney. It has a culturally and linguistically diverse population. The City is predominantly residential, with some commercial and industrial areas. The area has waterways, open spaces, and the Moore Reserve & Wetlands and the Carss Bush Park.

Your Local Population	LGA	Group Avg	Your Council	LGA	Group Avg
Five year population change (%)	8.0	7.2	Councillors (No.)	12	10
Population aged 19 or less (%)	23.2	21.8	Population per Councillor (No.)	4,982	4,722
Population aged between 20 & 59 (%)	57.3	58.7	Equivalent Full Time Staff (EFT) (No.)	258	282
Population aged above 60 (%)	19.5	19.5	2012/13 Revenue (\$'000)	49,599	60,845
Aboriginal & Torres Strait Islanders (%)	0.4	0.5	2012/13 Expenses (\$'000)	47,987	54,366
Language Spoken Other than English (%)	36.5	25.8	Residential Pensioner Rebates (%)	15	10
Socio-Economic Index Rank (1 low, 152 high)	131	n/a	Population Density (residents per km ²)	3,832.18	3,954.36
Your Local Economy	LGA	Group Avg	Your Public Facilities	LGA	Group Avg
SALM Unemployment Rate (%)	3.5	3.1	Public Swimming Pools (No.)	2	1
Avg Taxable Income (\$)	47,745	74,020	Public Halls (No.)	5	7
Avg Household Family Size (No.)	3.1	2.9	Public Libraries (No.)	3	2
Largest Industry Employer	Health care/social assistance		Open Public Space (ha)	149	151
Value of DAs determined (\$'000)	TBA	TBA	Total Road Length (km)	164.8	124.4
Active Businesses in LGA (No.)	5,634	6,215	Access to Internet at Home (%)	78.4	79.1

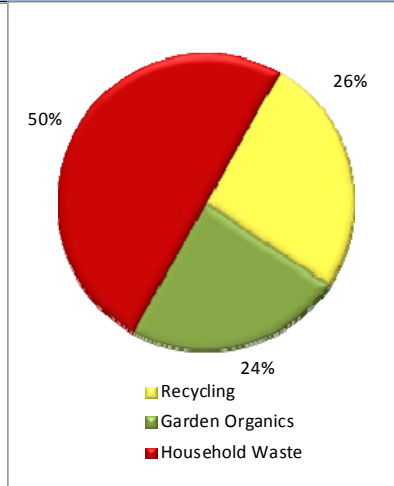
Average Residential Ordinary Rates



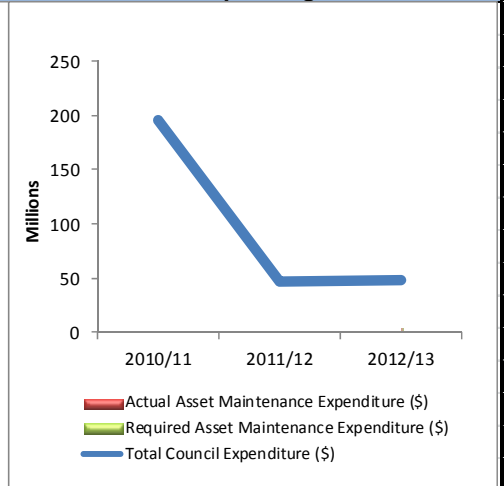
Expenditure on Services



Council's Waste Services



Council's Spending on Assets



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

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

Contacting Council	Your Council's Finances	LGA	Group Avg	Your Council's Services	LGA	Group Avg	
2 Belgrave Street Kogarah NSW 2217 Postal Address: Locked Bag 8, Kogarah NSW 2217 Phone: 02 9330 9400 Fax: 02 9330 9560 Email: mail@kogarah.nsw.gov.au Web: www.kogarah.nsw.gov.au	Avg Ordinary Residential Rate (\$)	946.30	1,002.96	Governance & Administration Expenditure per capita (\$)	188.95	273.85	
	Avg Ordinary Business Rate (\$)	1,476.80	4,019.33	Environmental Expenditure (including waste) per capita	215.05	231.13	
	Avg Ordinary Farmland Rate (\$)	n/a	2,461.54	Water & Sewer Services Expenditure per capita (\$)	n/a	n/a	
	Avg Ordinary Mining Rate (\$)	n/a	n/a	Community Services, Education, Housing, Amenities Expenditure per capita (\$)	104.53	144.59	
	Total Rate Revenue /Total Land Value (\$)	441.17	467.44	Recreational & Culture Expenditure per capita (\$) *	83.85	203.70	
	Typical Residential Water and Sewer Bill (including usage) (\$)	n/a	n/a	Public Order, Safety & Health Expenditure per capita (\$)	40.81	69.56	
	Avg Domestic Waste Charge (\$)	299.04	339.27	Other Services Expenditure per capita (\$)	56.62	103.67	
	Own Source Revenue (%) (TCorp Benchmark 60%)	74	73	Library Services Expenditure per capita (\$)	46.12	51.89	
	Grants Revenue (%)	14	15	Library Circulation per capita (Items)	8	87	
	Operating Performance Ratio (%) (TCorp Benchmark >-4.0%)	-1.3	-1.70	Domestic waste not going to land fill (%)	50	52	
	Unrestricted Current Ratio	2.8	3.14	Development Applications (mean gross days)	TBA	TBA	
	Outstanding Rates & Annual Charges (%)	3.3	3.76	Development Applications determined (No.)	TBA	TBA	
	Debt Service Cover Ratio (TCorp Benchmark >2.0)	2125.0	155.17	Companion Animals microchipped (No.)	8,787	9,080	
	Cash Expense Cover Ratio (Mths) (TCorp Benchmark > 3 mths)	2.1	3.60	Companion Animals microchipped and registered (%)	66	60	
Demographics of Population of LGA				Your Council's Community Leadership		Your Council's Assets	
		Development Applications determined by Councillors (%) 5 11 Audited Financial Reports submitted by due date (Y/N) Y n/a Code of Conduct Complaints (No.) 0 4 Complaints investigated with penalties imposed (No.) 0 1 Cost of dealing with Code of Conduct Complaints (\$) 0 11,269 Population per EFT Staff (No.) 232 183		Roads, Bridges and Footpath expenditure per capita (\$) 112.88 117.29 Building & Infrastructure Renewal Ratio (%) 75.1 81.8 Infrastructure Backlog Ratio (%) (TCorp Benchmark <2.0) 0.4 8.7 Road Length per '000 capita (metre) 2.8 2.8 Asset Maintenance Ratio (%) (TCorp Benchmark >1.0) 1.1 1.4		Comparative Information on NSW Local Government Measuring Local Government Performance 2012-13 	
		<i>See Appendix 1 for definitions, calculations & benchmarks See Appendix 3 for Council Group</i>					

Challenges facing the Council

NSW Planning and Environment forecasts that the population of Kogarah will grow to 76,350 by 2031 (from approximately 60,000 currently). Responding to an increased population will be a key challenge for the Council, particularly in relation to greater demand for services and maintaining the village atmosphere of the area through appropriate planning decisions. As there is almost no scope for greenfield development in the area, the appropriate management of increased housing density will be a key challenge for the Council.

The expansion of Kogarah town centre as a service hub is also expected to continue. Council anticipates a significant increase in the number of people working in the town centre, which will impact on the already congested traffic flow and high-demand for parking in the area. Other State Government transport and planning policies may also significantly impact on the Kogarah City Centre and will need to be considered by Council in future planning.

Financial sustainability challenges

Kogarah City Council has strong own-source income (primarily from rates, user charges and fees), which is expected to be maintained with steady forecast population growth. The Council has recorded operating deficits in recent years, and this is forecast to continue for the ten years of its Long-Term Financial Plan. However, the Council highlighted that the significant increase in accounting depreciation charges over the past decade does not correlate with its asset condition data which reflects significantly less deterioration of its assets.

The Council's ability to budget an operating surplus has been impacted by significant increases in accounting depreciation charges flowing from infrastructure revaluation requirements. The Council advised that it is working towards developing a methodology that will provide more accurate depreciation charges. Further, the Council will face pressure in funding infrastructure renewal in light of the forecast increased resident and business populations, and increased costs for employer and material expenses to meet service level demand.

Kogarah City Council has benefited from a number of detailed reviews of its strategic capacity in recent years, which have provided it with a clear picture of the financial sustainability challenges it faces.

In 2013, the NSW Treasury Corporation (TCorp) undertook an assessment of the Council's financial capacity and its future sustainability. Based on the review of the information provided by the Council, TCorp assessed Kogarah City Council to be in a moderate financial sustainability position, and forecast a neutral sustainability position if current service levels are maintained.

The Council was also recently subject to an audit of its asset management systems by consultants Morrison Low. This concluded that the Council had a 'Core' level (top 25% of councils in NSW) of competence in asset management, finding the Council particularly strong in the area of asset accounting and valuation, whilst also identifying some key areas for improvement.

These documents, which are discussed in detail later in this report, and the Community Strategic Planning process, have provided the Council with a solid foundation to inform its strategic development over the coming decades. It is evident that the Council has embraced the findings of these reviews and is well-progressed in addressing many of the issues they raised.

3. KEY FINDINGS

STRATEGIC CAPACITY, DIRECTION AND SERVICE DELIVERY

Better practice

The Council has a mature Integrated Planning and Reporting framework and there is an entrenched culture of integrated planning across the organisation

The Council implemented the Integrated Planning and Reporting framework in 2010 and the first suite of Integrated Planning and Reporting documents were assessed by the Office of Local Government as being very strong. The following factors contributed to the effective implementation of the framework at the Council:

- Integrated Planning and Reporting formalised many longstanding practices undertaken by the Council. For example, Kogarah City Council's first Long-Term Financial Plan was developed in 2001, and a strong focus on asset management planning existed prior to the introduction of the framework.
- A high level of Executive Team support and understanding of the framework. In addition, a dedicated, highly-skilled staff member was appointed to oversee implementation and a multidisciplinary team was also established to support roll out.
- An Advanced Diploma in Management TAFE course was arranged for all Council managers in 2009 to build their understanding of the IP&R process. Council worked with TAFE to structure the course around the framework and used Delivery Program and Operational Plans as an assessment component.

The Council strengthened the use of Integrated Planning and Reporting as a planning and reporting tool in 2013. It is pleasing to note that all managers are required to write their own Delivery Program and Operational Plan actions to reinforce a sense of ownership in the Integrated Planning and Reporting process and ensure high quality monitoring and reporting. The Council's ongoing performance management framework also requires all staff to provide a monthly report on progress towards delivering the Operational Plan actions for which they are responsible.

Community Engagement

Better practice

The Council has an entrenched culture of community engagement which is used to develop key Council strategic planning documents, but is also applied at an operational level.

Underpinning the successful implementation of the Integrated Planning and Reporting framework at Kogarah City Council has been the strong commitment to involving the community in the strategic planning process. The main feature of the Council's community engagement activity has been the innovative use of a Community Reference Group to assist in developing Council plans and initiatives. The Community Reference Group was originally established to inform the first Community Strategic Plan process but has since been used by the Council for a variety of other strategic and land-use planning purposes.

The Community Reference Group is made up of 24 residents who were appointed from an initial expression of interest process. The composition of the group reflects the diverse demographics of the local government area and appointment is for a two year period.

The review team noted a genuine commitment from the Council to build the knowledge and capacity of the Community Reference Group to provide advice on behalf of the community. This includes providing the group with clear information on income sources, expenditure and asset conditions. At the same time, the Council has taken steps to ensure that the expectations of the Community Reference Group are well managed, particularly by emphasising the role of the group to provide advice rather than make decisions.

The Council has proactively used the Special Rate Variation process to engage the community in discussions about infrastructure conditions and service levels. The Community Reference Group was used to provide feedback on desired asset condition levels, and the income necessary to maintain assets to these levels.

The information provided by the Council to the Community Reference Group to inform their discussions was extremely clear and effective. Council staff provided the Group with an overview of what the Council does, what its income sources and levels are, and what its expenditure is. A variety of photographs were also used to illustrate current and possible

asset condition levels, depending on the level of funding obtained through the Special Rate Variation process.

The involvement of all functional areas of the Council in community engagement activities is another feature of the Council's commitment to working with its community. For example, individual teams are asked to put forward community engagement suggestions based on their community consultation experiences, which have resulted in a wide range of methods being adopted. In another initiative aimed at strengthening the focus on engagement, Council staff were asked to participate in a review of the community engagement strategies of other councils to identify better practice options.

The Executive Team believes that the Council's focus on community engagement has greatly assisted in engendering community trust in planning processes and service delivery by the Council.

Performance measurement and reporting

The review team found that the Council has identified useful indicators and targets to help track progress against the Delivery Program and Community Strategic Plan. Despite this assessment, the Executive Team advised that refining the performance indicators will be a focus for the Council in the short-term. This is positive and highlights the Council's advanced approach to strategic planning and reporting.

The Office of Local Government is currently working with the sector to develop a Performance Measurement Framework which will support councils with performance reporting. To assist Kogarah City Council with their work in this area, it is recommended that the Council review the forthcoming Performance Measurement Framework indicators against the Council's existing indicators, and identify the linkages and usability in relation to the Integrated Planning and Reporting framework.

Action item #1

The Council should review the forthcoming Office of Local Government Performance Measurement Framework indicators against its current performance indicators to identify linkages and usability in relation to the Integrated Planning and Reporting framework.

Long-term financial planning and asset management planning

The Council's Long-Term Financial Plan meets legislative requirements and integrates well with the Delivery Program and Operational Plan. In separate reviews, the NSW Treasury Corporation (TCorp) and the Independent Pricing and Regulatory Tribunal (IPART) have assessed the financial assumptions contained in the Long-Term Financial Plan as realistic.

The Council's Asset Management Strategy and plans address the need for the Council to undertake work on certain categories of assets. This work is also clearly funded in the Long-Term Financial Plan. However, the forecast ongoing deficit net financial results before and after capital mean that the Council may not be able to fully fund required asset maintenance or renewal in the medium- to long-term. The Council's strong internal asset management practices have, however, provided a basis for determining the level of asset maintenance and renewal, and have demonstrated that the Council is proactive in addressing shortfalls.

The Council's approach to asset management planning is also discussed in the Financial Sustainability section of this report.

Workforce planning

The Council's existing Workforce Plan complies with legislative requirements and clearly outlines how it intends to address its workforce challenges over the course of the Delivery Program. The implementation of the Workforce Plan is monitored through monthly reports to the Executive on human resources issues, which are reported at ordinary Council meetings.

However, the Council has signalled that it intends to further develop its Workforce Plan in the next cycle of Integrated Planning and Reporting (following the 2016 local government election), particularly in relation to developing clearer indicators to measure the implementation of actions, and to improve linkages with Delivery Program reporting, which will also improve linkages to the Community Strategic Plan.

The Council faces a number of workforce related challenges over the coming decades, particularly in relation managing its ageing workforce. In the next version of the Workforce

Plan, the Council intends to introduce more definitive strategies regarding transition to retirement for staff in physical jobs, which will reflect a number of existing practices.

Action item #2

The Council should review and update its Workforce Plan to include clear indicators, measures and outcomes for specific actions and ensure that these are clearly reflected in actions of the Delivery Program. The Council should also ensure that the Workforce Plan includes specific activities in relation to transition to retirement arrangements for staff in physical jobs.

Strategic Land Use Planning

Better practice

The Council has a strong culture of sustainable land-use planning and has developed a suite of innovative tools to promote sustainability within the local community.

Kogarah City Council has been at the forefront in the development and implementation of environmental sustainability principles in land-use planning.

The Kogarah Town Square, which the Council developed in a public private-partnership in the early 2000s is an example of large-scale sustainable design in urban housing. The development sits opposite the Council's civic centre and includes approximately 200 apartments, almost 5,000 square metres of retail and commercial space, a community square and a community building which houses Kogarah Library.

Kogarah Town Square has been internationally recognised for its successful integration of greenhouse gas reduction strategies and water cycle management. The development includes innovative design measures such as integrated photovoltaic cells covering the entire roof of the main buildings, and a rainwater collection system which is used for toilet flushing, car washing and in the community square water feature.

Many of the key design principles of the development are reflected in the Building Sustainability Index (BASIX) system which was introduced into NSW legislation in 2004 as an approval requirement for certain types of development. A former Kogarah City Council officer was instrumental in the development of BASIX, which provides an online sustainability planning tool for developers and architects.

The Council has continued to be proactive in the area of urban design. In 2011, it produced an Environmental Sustainability Delivery Plan to embed sustainability policies and practices in relation to the natural and built environment. Along with the Council's Community Strategic Plan, the Environmental Sustainability Delivery Plan was recognised as a key component leading to the Council winning the *Keep Australia Beautiful National Sustainable Cities Award* in 2011.

The development of the Environmental Sustainability Delivery Plan was funded by the NSW Environmental Trust through its Urban Sustainability Program. The Plan was developed in consultation with the community through the Community Strategic Plan process and displays clear linkages to goals of the Community Strategic Plan and the sustainability principles of the *Local Government Act 1993*.

The Council has also developed an interactive online *Sustainable Living Guide* to provide tips on energy reduction and water reuse. It provides a variety of tools to allow community members and businesses to assess their sustainability. The guide clearly links to and supports the environmental goals in the Council's Community Strategic Plan.

In recent years, the Council has established the St George Design Review Panel with neighbouring Rockdale and Hurstville Councils. The Panel's purpose is to review residential flat development proposals and any retail/commercial development of three or more storeys. However, member Councils can also refer any other type of significant development that it deems appropriate for comment by the panel.

The three councils also operate a Development Advisory Service to provide feedback to prospective developers on their proposals. This is mandatory for larger applications such as villa, townhouse and residential unit developments.

Like the Design Review Panel, the Advisory Service is jointly funded by the Councils, but also charges on a fee-for-service basis. Kogarah City Council also operates a pre-Development Application consultation service, to allow potential developers to seek input into the viability of their proposals from Council planning staff.

The Council's response – Strategic Capacity, Direction and Service Delivery

The Council appreciates the acknowledgement of its mature Integrated Planning and Reporting framework and the entrenched culture of Integrated Planning and Community Engagement that exists throughout the organisation.

The Council will continue to develop its performance indicators and looks forward to incorporating the forthcoming Office of Local Government Performance Measurement Framework indicators into this program.

While it is satisfactory, the Council will continue to develop its Workforce Plan so as to provide indicators to measure the implementation of actions, assess outcomes and improve linkages to the Delivery Program and Community Strategic Plan.

The Council is proud of its achievements in the area of land use and environmental sustainability and is again grateful for this recognition.

FINANCIAL SUSTAINABILITY

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

The NSW Treasury Corporation (TCorp) has noted that local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

Kogarah Council's overall financial performance and outlook

TCorp rating – Moderate

TCorp assessment outlook – Neutral

OLG Infrastructure Audit/TCorp Infrastructure Management Assessment – Strong

Key observations

- 73% of the Council's revenue base is derived from own-source revenue (annual charges and user charges/fees) and it can rely on these revenue streams on an ongoing basis.
- The Council's Long-Term Financial Plan predicts deficit positions for the entire forecast period. However, the Council's operating result is forecast to improve over time, although remaining in deficit.
- In the long term, the Council is marginally underspending on asset renewal, and this may lead to a reduction in asset quality and ultimately adversely impact on service levels.
- The Council's financial forecasts indicate that it has the capacity to undertake a level of borrowing in the long term to fund its capital projects. Current borrowing levels are extremely low (less than 1% of net asset value).
- Council's long term sustainability is dependent on achieving or improving on, forecast levels of employee expenses, and materials and contracts expenses.

The 2013 TCorp review of Kogarah City Council indicates that the Council currently has adequate capacity to meet its financial obligations and should be able to manage business risks and unforeseen financial events into the future. However, the TCorp report also concluded that the Council is marginally underspending on the amount required to maintain its assets at an acceptable level.

The Council has strong own-source income, derived mainly from rates and user charges and fees. The Council's very limited debt also means that it has the capacity to borrow to

fund infrastructure issues, if required. It also has a strong and growing pool of investment income from which to draw for the same purpose, should the need arise.

The Council has proactively used the Special Rate Variation process to supplement its income for specific purposes. In 2013/14, the Council was successful in applying for a Special Rate Variation of 21.78% over a four-year period from 2013/14 to 2016/17. This amounts to an approximately 8% variation in general income above the forecast rate-pegging limit over the same period, meaning a total increase in general income for the Council of approximately \$9.6 million (\$4.9million above the rate peg) over the period. The increase will be permanently retained in the Council's general income base.

The Council will use the additional income to fund the programs and services outlined in its Delivery Program, while allowing it to improve its financial sustainability outlook and address some of its asset backlog issues.

There appears to be a strong culture of financial management and planning at Kogarah City Council. The cross-section of staff who met with the review team displayed an understanding of how initiatives they are responsible for fit with the Council's overall vision, Community Strategic Plan and Long-Term Financial Plan. This is supported by the strong financial reporting practices of the Council, as evidenced in the clear Quarterly Budget Review Statements provided to the elected Council.

Asset management systems and practices

Better practice

The Council has mature asset management plans, policies and practices.

Kogarah City Council has comparatively small numbers of roads and bridges to maintain. However, the high population density in the area means that its assets will continue to experience heavy usage into the future and their useful life may be reduced as a result.

The Council has a very small infrastructure backlog, particularly in comparison with neighbouring councils. Its asset base does not include water and sewerage, as this is managed by Sydney Water.

The 2013 review by Morrison Low rated the Council's asset management systems at Core Level, meaning its plans are in the top 25% when compared with other NSW councils. It found the Council to be particularly strong in the areas of asset accounting and valuation.

The Council employs a full-time staff member who is responsible for ongoing asset condition assessment. The Executive Team also noted the important contribution that the Depot Manager had made to instilling a strong understanding of the asset management planning framework and policies among Depot staff.

The Office of Local Government review team found that the Council has established an appropriate framework to respond flexibly to future infrastructure pressures. The key aspects of this framework for the Council are the:

- historically and comparatively small infrastructure backlog.
- long-standing use of an internally restricted fund to address infrastructure backlog.
- well-established and effective community consultations on service levels.
- strong borrowing capacity.

The Council also advises that it is working with the Southern Sydney Regional Organisation of Councils on a project to develop consistency in the calculation of depreciation across member councils.

However, the Council could strengthen its Asset Management Plan by including more details of how it calculates its infrastructure backlog amount, as the methodology it uses to do so is not adequately explained. The veracity of the backlog amount needs to be verified through the provision of that information, particularly as the schedule in which asset conditions are reported in annual financial statements (special schedule 7) is currently unaudited.

It is also noted that this recommendation aligns with those made in the abovementioned Morrison Low report: that the Council more clearly document its asset management planning and valuation methodologies for each asset class.

Action item #3

The Council should provide a clearer explanation in its Asset Management Plans about how it calculates its infrastructure backlog amount.

The Council's response – Financial Sustainability

The Council believes that it is in a sound financial position and, with the financial discipline imbedded in the Council's strategic planning, budgeting and operations, will remain financially sustainable over the long-term.

The Council's Long Term Financial Plan has budgeted operating deficits before capital items over the life of the Plan. However, a conservative budgeting approach by the Council is customarily outperformed in actuality. In the 2013/14 financial year the original budget estimate for operations before capital items was a deficit of \$4.2 million, with an actual deficit result of \$1.1 million.

As highlighted in the report, a significant factor in the operating result is the impact of accounting depreciation. The result of recent revaluation processes has seen the amount of depreciation expense shown in the Council's operating statement jump from \$5.2 million in 2005/06 to \$9.3 million in 2013/14. Over the same period, the Council's asset management systems have indicated that the backlog has not grown substantially and the overall condition rating of the Council's infrastructure has remained stable. It is the Council's strong view that the current depreciation expense does not effectively represent the true consumption of the Council's infrastructure over time, and is overstating the operating deficits and required level of expenditure on infrastructure.

The Council is working with the Southern Sydney Regional Organisation of Councils in seeking to develop a consistent approach to asset accounting, including uniform useful lives and determining a more meaningful depreciation amount to expense. It is expected that this will provide some level of comparability for councils in regards to asset management practices, service levels and depreciation expenses.

The need to provide additional information in regard to how the Council calculates the amount of backlog it currently reports in Special Schedule 7 (SS7) of the annual financial statements is noted. The Council has already commenced this process and will provide further details within SS7 of the 2013/14 annual statements. The current code of accounting practice has expanded the requirements of SS7 for the 2013/14 annual financial report. Users of the statement will be provided with information on what condition level the Council deems each asset class as being satisfactory after consultation with the community. Further, a detailed breakup is also provided on the percentage of each asset class within its respective condition level.

The additional detail provided in SS7 will be replicated and expanded upon in the Council's asset management plans to provide a clearer explanation of how the Council calculates its backlog amount. Whilst SS7 is not currently audited, it is understood that the schedule will be audited from 2014/15 onwards. The Council currently prepares this schedule as if it was being audited and has all the required documentation and calculations to support the backlog figures presented.

The Council has a very low level of backlog on its infrastructure. After identifying a renewal shortfall on infrastructure some 15 years ago, the Council has been proactive in rectifying this situation in order to maintain its financial sustainability. The Council has sought to maximise all forms of income, utilised the SRV process, employed strong asset management processes, implemented a budgeted annual efficiency target, increased productivity through technology, education and process changes, budgeted for the establishment of necessary internal reserves and created an investment fund. The Council now has the necessary resources to maintain and renew its assets and provide the increased service levels determined in consultation with our community.

Dedicated reserves and extremely low debt mean that the Council has the capacity to deal with any unplanned financial challenges it may face in the future. The Council's financial policy framework has ensured the financial discipline to implement actions to deliver the strategic outcomes specified within its integrated planning documents. The Council is currently in a sound financial position and is confident of remaining so over the long term. The Council has a proved record of tackling the tough financial and asset management challenges councils face and will continue to be proactive in dealing with them in the future. Financial sustainability, asset management and service delivery will continue to be integral to the Council implementing its Delivery Program and meeting community needs and expectations.

GOVERNANCE

This section examines the key structures, systems and processes involved in administering the strategic operations of the Council.

The Council's policies, procedures and systems are robust and of the required standard for it to successfully meet its statutory obligations and guide its operations.

Organisational values

The Council has gone through a comprehensive process to develop organisational values in consultation with staff, which are reinforced through a performance management system. This has resulted in the VISTA values statement, which reflects the Council's commitment to: "Valuing people; Integrity; Serving our customers; Team work and collaboration; and Achieving excellence".

A recurring theme in the discussions held with the Council's Executive Team during the onsite visit was the importance of relationship-building and trust as a crucial element to sound management. The Executive Team appears to display a genuine commitment to building trust in relationships internally with managers and staff, and with the elected Council. The review team observed a strong rapport within the Executive Team, between the Executive Team and management, and between the Executive Team and the Mayor.

It also appears that Council staff endeavour to build trust through their dealings with external stakeholders. This is evident in the ongoing engagement and development of the Council's Community Reference Group, to ensure that its members feel adequately supported and informed to provide the feedback they are required to.

Another key example of strong investment in external relationships is the sister city relationship that the Council has formed with Cowra Shire Council. This has grown from an initial tree-planting/carbon offset exchange program to a wide-ranging mentoring and support relationship which has included secondment opportunities for staff (eg: Manager Health and Regulatory Services).

The Executive Team attributes the success of this relationship to the strong investment that staff from both of the councils have made in building ongoing relationships.

Organisational Review and Improvement

Better practice

The Council has a comprehensive organisational improvement program, including a longstanding use of the Promoting Better Practice checklist and Internal Audit functions to undertake organisational review.

The Council has well established systems of organisational review and improvement. This includes the longstanding use of the Promoting Better Practice Program checklist to evaluate the Council's compliance with statutory requirements and best practice. The review team acknowledges the extensive work undertaken by the Council's Manager Governance in completing the checklist on an annual basis, in consultation with relevant team managers.

The results of the internal use of the Promoting Better Practice checklist are monitored by the Manager Governance and reported annually to Executive as a "percentage of items complied with" measure (eg: 90% of items complied with as compared with 85% in the previous year). Four-yearly results are also reported in this manner in the Council's End-of-Term report.

The Council is commended for using the Promoting Better Practice checklist in this manner. However, the Council is encouraged to consider moving beyond basic compliance reporting, by undertaking a detailed analysis of the areas where compliance has improved or requires improvement.

The Council also has an Internal Audit program which has been in place for approximately five years. Having an Internal Audit function is considered vital as it supports good internal governance, improves the effectiveness of risk management and control processes, and helps instil public confidence in a council's ability to operate effectively.

The Council operates an Internal Audit Committee which includes staff, councillor and independent representatives. Uniquely, the Committee is chaired by a member of the Executive Team from Canada Bay City Council, under a reciprocal arrangement which sees Kogarah City Council's Director of Governance act as Chair for that council's Internal Audit Committee.

The Committee develops annual audit plans which highlight key focus areas for review across the Council's functions and responsibilities. These are prioritised based on cyclical statutory requirements, risk assessment and also in consideration of other topical external factors. The reviews themselves are either conducted internally or by contracted staff, depending on the nature of the review. The Internal Audit Committee meets on a quarterly basis to assess progress of reviews.

Other key aspects of the Council's strong organisational improvement framework include:

- Use of a performance management system to reinforce organisational values and highlight linkages for all staff members to the Integrated Planning and Reporting framework on a monthly basis.
- A longstanding leadership development program, aimed primarily at management level staff but open to expressions of interest from all staff. The focus of the program has been participation in the annual Local Government Professionals Australia Management Challenge, as well as informal mentoring programs with Executive Team members.
- Use of other incentives to attract and retain staff outside of the confines of the Local Government Award. This includes measures such as offering a wide range of fleet cars to relevant staff outside of those typically offered by other councils, and a system of reward and recognition including small prizes awarded at an annual reward and recognition evening, which is highly valued by staff.

Action item #4

The Council should build on its ongoing internal Promoting Better Practice program by undertaking a more detailed analysis of the findings of its review, including by developing an annual report on progress and key findings.

Councillor support and development

Better practice

The Council has procedures in place which reflect a strong commitment to support and develop councillors to undertake their roles.

The knowledge and skills of councillors has a significant impact on the organisation's capacity to make sound and transparent decisions. Similarly, consistent and proper meeting practices contribute to good public decision-making and increase a council's accountability to the community.

Kogarah City Council appears to have made the support and development of councillors a major priority. The Council's meeting practices appear to be sound, supporting councillors to be appropriately focussed on strategic decision-making. This includes a high level of quality and consistency in meeting business papers, the production of which is coordinated through the Council's Governance Team.

As part of this role, the Governance Team has worked with Council staff to improve the quality of meeting papers and ensure that consistent, accurate language is used in all documents provided to the elected Council. However, the review team notes that papers for ordinary Council meetings could be improved further by demonstrating how each item links to the relevant Delivery Program strategy or outcome of the Community Strategic Plan.

The Council also appears to have strong practices in place in relation to the ongoing development of councillors. There is a long-standing practice within the Council's Executive Team to provide a high level of support to councillors on a day-to-day basis, providing quick turn-around times to councillor requests for both information and assistance, within reasonable limitations. The Executive Team reports that this has increased the harmony in councillor/Executive relationships, and has improved the sense that the two groups work together as a team.

However, the Executive Team has stressed that, in order for this to be successful, it has been crucial that the officer responsible for dealing with councillors is vested with an appropriate level of delegated authority to be able to make decisions and action requests.

The Council also provides more formalised support to councillors, primarily through targeted internal training on key issues. It has developed a councillor induction kit for new councillors, and ongoing development occurs through periodic workshops on strategic and topical issues which allow councillors to receive presentations by relevant council staff. The Executive Team reports that they are well received and attended by councillors due to their limited duration (typically of less than two hours) and their relevance to upcoming business paper items.

The Council's response - Governance

The Council appreciates the acknowledgement of the strength of its Governance frameworks and the benefits that are derived for the community through the exceptional trust that exists in the relationship between the elected Council and Executive. This positive leadership is underpinned by a genuine and organisation-wide commitment to the Council's published values, which were developed in concert by the councillors and staff.

Recognition of the Council's systematic and rigorous utilisation of the Promoting Better Practice checklist to ensure compliance is reflective of the Council's approach to governance obligations. Similarly, the Council will pursue the more detailed analysis of the findings of its reviews, including development of an annual report on progress and key findings.

4. BETTER PRACTICE EXAMPLES

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

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

BETTER PRACTICE EXAMPLES	DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?	IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?
<p>1. The Council has a mature Integrated Planning and Reporting framework and there is an entrenched culture of integrated planning across the organisation.</p>	<ul style="list-style-type: none"> - Integrated Planning and Reporting formalised many longstanding long-term financial and asset management planning practices at the Council. - The Council's Integrated Planning and Reporting framework encourages very strong 'buy in' from staff: <ul style="list-style-type: none"> o at inception (eg: TAFE management course used to build understanding in all council managers) o on an ongoing basis (eg: managers provide quarterly updates to Executive on implementation through reporting software and all staff are required to report monthly progress on the delivery of Operational Plan actions). - Includes clear performance measures, developed in the first round and monitored and updated in second round of Integrated Planning and Reporting implementation. 	<p>Yes</p>

BETTER PRACTICE EXAMPLES	DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?	IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?
<p>2. The Council has an entrenched culture of community engagement which is used to develop key strategic planning documents and is also applied at an operational level.</p>	<ul style="list-style-type: none"> - Innovative use of a Community Reference Group to provide feedback on key Council plans and initiatives. - The level of information provided by the Council to the Community Reference Group to inform their discussions is extremely clear and effective. - Council staff participated in a review of other councils' community engagement strategies to identify better practice options. - Clear community engagement is evident in other Council practices (eg: <i>Kogarah Life</i> distributed on a quarterly basis, <i>Your Pocket Parking Guide to Kogarah</i>). 	<p>Yes</p>

BETTER PRACTICE EXAMPLES	DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?	IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?
<p>3. The Council has a strong culture of sustainable land-use planning, and has developed a suite of innovative tools to promote sustainability within the local community.</p>	<ul style="list-style-type: none"> - Key elements include: <ul style="list-style-type: none"> o Kogarah Town Square - internationally recognised for greenhouse gas reduction and water management strategies. o Environmental Sustainability Delivery Plan – to embed sustainability policies and practices, developed in consultation with the community through the Community Strategic Planning process. o Development of an interactive online Sustainable Living Guide website. o Establishment of a Development Advisory Service and Design Review Panel (with Rockdale and Hurstville councils). 	<p>Yes</p>

BETTER PRACTICE EXAMPLES	DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?	IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?
<p>4. The Council has mature asset management plans, policies and practices.</p>	<ul style="list-style-type: none"> - The Office of Local Government's assessment of the Council's Integrated Planning and Reporting suite of documents in 2010 acknowledged the advanced nature of its Asset Management Plan, and a recent review by Morrison Low found the Council to be particularly strong in the areas of asset accounting and valuation. - Additionally, the Council: <ul style="list-style-type: none"> o employs a full-time staff member responsible for ongoing asset condition assessment. o is working with the Southern Sydney Regional Organisation of Councils on a project to develop consistency in the calculation of depreciation. o has a framework to respond flexibly to future infrastructure pressures. 	<p>Yes</p>
<p>5. The Council has a comprehensive organisational improvement program, including a longstanding use of the Promoting Better Practice checklist and Internal Audit functions to undertake organisational review.</p>	<ul style="list-style-type: none"> - Longstanding use of the Office of Local Government's Promoting Better Practice Program checklist to evaluate the Council's compliance with statutory requirements and best practice. - Use of Internal Audit program to monitor performance. - Use of performance management system which reinforces clear linkages to Integrated Planning and Reporting framework. - Commitment to leadership development. - Strong culture of reward and recognition. 	<p>Yes</p>

BETTER PRACTICE EXAMPLES	DESCRIBE THE INITIATIVE AND WHY IS IT CONSIDERED BETTER PRACTICE?	IS COUNCIL WILLING TO SHARE INFORMATION ABOUT THE INITIATIVE WITH OTHER COUNCILS?
<p>6. The Council has procedures in place which reflect a strong commitment to support and develop councillors to undertake their roles.</p>	<ul style="list-style-type: none"> - Sound meeting and reporting practices allow councillors to focus on strategic decision-making. - Strong support of councillors on a day-to-day basis at an Executive level. - Targeted internal training on key issues through workshops. 	<p>Yes</p>

5. ACTION PLAN

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

<i>ACTION ITEM</i>	<i>PRIORITY</i>	<i>ACTION PROPOSED</i>	<i>TIME FRAME</i>	<i>RESPONSIBILITY</i>	<i>PROGRESS REPORT</i>
<p>1. The Council should review the forthcoming Office of Local Government Performance Measurement Framework indicators against its current performance indicators to identify linkages and usability in relation to the IP&R framework.</p>	<p><i>High</i></p>	<p>Current Performance indicators to be reviewed against Local Government Performance Measurement Framework indicators to identify linkages and usability in relation to the Integrated Planning and Reporting framework.</p>	<p>Within six months of release of indicators by the Office of Local Government.</p>	<p>Executive Manager Community Services</p>	

ACTION ITEM	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p>2. The Council should review and update its Workforce Plan to include clear indicators, measures and outcomes for specific actions and ensure that these are clearly reflected in Delivery Program actions. The Council should also ensure that the Workforce Plan includes specific activities in relation to transition to retirement arrangements for staff in physically demanding roles.</p>	<p><i>Medium</i></p>	<p>Workforce Plan to be reviewed and updated to include clear indicators, measures and outcomes for specific actions and also reflected in Delivery Program actions.</p>	<p>To be completed in next cycle of Integrated Planning and Reporting, following 2016 Local Government elections.</p>	<p>Manager Human Resources</p>	
<p>3. The Council should provide a clearer explanation in its Asset Management Plan about how it calculates its infrastructure backlog amounts.</p>	<p><i>Medium</i></p>	<p>Formulation of information has commenced and will be compiled for inclusion in the revised Integrated Planning documents.</p>	<p>To be completed by 30 June 2015 for consideration and adoption by the Council.</p>	<p>Manager Finance</p>	

<i>ACTION ITEM</i>	<i>PRIORITY</i>	<i>ACTION PROPOSED</i>	<i>TIME FRAME</i>	<i>RESPONSIBILITY</i>	<i>PROGRESS REPORT</i>
<p>4. The Council should build on its ongoing internal Promoting Better Practice program by undertaking a more detailed analysis of the findings of its review, including by developing an annual report on progress and key findings.</p>	<p><i>High</i></p>	<p>Detailed analysis of annual Promoting Better Practice program undertaken and annual report on progress and key findings prepared.</p>	<p>30 September 2015</p>	<p>Manager Governance</p>	