

challenges improvement innovation good governance

Local Government Reform Program - Promoting Better Practice

REVIEW REPORT

MOSMAN MUNICIPAL COUNCIL

NOVEMBER 2005



dlg Department of Local Government

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1. ABOUT THE REVIEW

Review objectives

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

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

Review process

The review process was developed after extensive research into council performance measurements in Australia and overseas. The review process is based upon a range of models including:

- the UK Audit Commission council inspection model
- the ICAC corruption resistance reviews
- LGMA/ICAC governance health check
- LGMA financial health check
- previous programs conducted by the Department of Local Government.

Promoting Better Practice is designed to encourage improvement in the way councils conduct their activities and to ensure good governance. Promoting Better Practice is also about monitoring performance of councils.

Reviews also have a wider role in the development of local government services across the state and identifying the need for future action or legislative change by the department.

A review involves a 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.

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.

A review will necessarily constitute a limited review of council operations. The analysis of the corporate self-assessment and the practice checklist and the activities undertaken during the review visit, give reviewers a reasonable picture of the council's operations and future strategic direction.

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

Mosman Municipal Council Review

Mosman Municipal Council was asked to complete a strategic management assessment and a checklist of key council practices. The review team analysed the completed self-assessment and checklist prior to commencing the on-site review process.

Senior Investigations Officer Richard Murphy and Manager, Investigations and Review, Dominic Riordan, comprised the review team. They conducted an on-site review of council on 6 June 2005 and 7 June 2005.

The review was based on council's response to the self-assessment of its corporate arrangements and capacity. This assessment asked council to respond to four critical questions of its capacity to improve:

- 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?

In order to review council it is necessary to examine its performance across a range of functions. A number of modules of a practice checklist have been developed to assist council in assessing its functions and checking its compliance. Council's response to the checklist is used as a guide for the on-site review and tests how council has set about delivering its priorities and measuring its achievements.

The on-site review consisted of a briefing for council's Mayor and General Manager, discussions with senior staff, conducting interviews, attending a council meeting and reviewing a number of council's policies and other documents.

Council's General Manager received and considered a confidential draft report issued by letter dated 22 September 2005. The General Manager's response to the draft report is set out in section 7 of this report.

2. EXECUTIVE SUMMARY

Mosman Municipal Council is a mature organisation with a well-developed organisational framework. It services the needs of a population characterised by higher than average incomes, high property values and above average education. This is a demanding community. It also has a significant challenge to maintain and enhance some extremely valuable natural environmental assets bordering Sydney Harbour.

Council has recently adopted a new long-term strategy, Future Mosman, in order to give it a strategic focus for the coming 15 years. This is a valuable process, although the review team notes that there may have been insufficient attention paid in developing the strategy to external factors with which council will need to deal.

Driving council's management is a long standing, sophisticated and highly integrated management plan, Mosplan. This is a powerful unifying and clarifying instrument at Mosman Council. But the review team considers that it is time for council to review Mosplan to bring to it some lost coherence and consistency. Mosplan has come to be different for different people at council – in some areas virtually an operational plan but in others playing the role of providing high level strategies.

Council's elected group sought to examine council's operations and strategy following the 2004 election, and this was critical to the Future Mosman strategy. However, the review group notes persistent evidence that a number of councillors are not participating in the key business of the elected group – to direct the overall policy direction of the council. Further, there is evidence some councillors are overly concerned with operational matters. Council needs to rectify this.

Council has a well-developed governance framework and a strong commitment to high standards of governance. While there are some recommendations to improve council's governance framework, this is overall in strong shape.

Council's regulatory activities are of considerable concern to the elected council and the community. We note the important task of reviewing council's local environmental plan is underway, and have made some recommendations to assist council to get the best possible outcome from this process.

The task of development assessment at Mosman is not an easy one. The review team has made recommendations to try to address some issues in this area, most notably by recommending council proceed to form an Independent Hearing and Assessment Panel. Its enforcement activities are well organised and pleasingly proactive in many instances.

Council is in a satisfactory financial state. There are issues facing council at present in trying to reconcile community concerns about some recent revenue raising proposals with the desire to increase revenue.

Council has a range of community services of a high standard. Its use of volunteers is particularly praiseworthy. It has a range of effective methods to engage the community on issues. Again, the review team has made some recommendations to enhance these existing efforts.

Council appears to have a dedicated and motivated workforce. It has a well-developed set of human resource policies, but there are recommendations to make these more accessible. More importantly, council needs to develop a long-term workforce plan to meet the current and future needs of the organisation.

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

3. RECOMMENDATIONS

Strategic

1. Council should have additional specific regard to external factors impacting on Mosman Council and should incorporate these factors when it next reviews its Future Mosman strategy.
2. Council should review Mosplan in order to fully align Mosplan with the Future Mosman strategy recently adopted by council. This review should also consider the issues identified later in this report with regard to the format and content of Mosplan.
3. Council should arrange a workshop for ALL councillors on their roles and functions under the 1993 Act. Council should also develop and deliver an ongoing councillor training and development program, and publish in its annual report, details of all councillor training and development, including the names of all councillors who attend training and development sessions.
4. Building upon strategies in its social and community plan and using the Ageing and Place Framework developed by the Local Government and Shires Associations, council should prepare long term strategies to meet current and future needs for older people as part of its Future Mosman strategy.

Governance

5. Council should provide further training to those councillors not yet trained in the provisions of its code of conduct. Council should also make clear to these councillors that failure to attend training in the new code may aggravate their culpability in the event of any future finding that they have breached the provisions of the code. Council should also develop procedures to assist the operations of its conduct committee.

6. Council should provide additional information in its annual report on the twelve program areas beyond the statements of means in order to provide additional context on the program areas reported on.
7. Council should provide all councillors with a copy of departmental circular 04/16 on pecuniary interest returns, and should consider providing councillors with a further councillor briefing on this area.
8. Council should include, as part of its complaints procedures, regular reporting of complaints to senior management. Council should also review complaints procedures to ensure all complaints are so classified and should provide all relevant staff (including customer service officers) with refresher training on the operation of the system and the process for classification of complaints.
9. To complement its complaints policy and demonstrate its commitment to customer service, council should develop and adopt service standards for its key customer service activities including responding to telephone calls, emails and correspondence. Council should include an appropriate means of reporting on its performance in these areas in its annual report.
10. Council should review its internal reporting policy, to institute easier reporting arrangements, particularly for more junior staff. Council should also examine whether it would be more appropriate to provide for councillors to make disclosures to the general manager (except where they concern the General Manager himself).
11. Council should establish an internal audit function.
12. Council should develop a comprehensive risk management plan to enable it to identify and manage all significant risk issues facing the council in the pursuit of its objectives.
13. Council should include in its procurement policy guidance to staff on when it is appropriate to use the methods of disposal outlined in the policy.

14. Council should ensure that the matters detailed in the procurement and disposal section of this report are included as part of council's tendering and major procurement files.

15. Council should ensure members of its community advisory groups receive induction training. The program should cover their roles and responsibilities and ensure that community members are aware of and abide by council's ethical standards.

Regulatory

16. Council should ensure that community services staff contributes to the development of the new LEP, and that senior staff from the community services area are involved in the oversight of the process of developing the plan.

17. As part of its review of the LEP, council should examine opportunities for the provision of affordable housing in the council area.

18. Council should critically examine how and when development assessment staff update the "Authority" system, and if necessary, take action to modify work practices to ensure Authority files reflect the current status of applications.

19. Council should evaluate the costs and benefits of establishing an Independent Hearing and Assessment Panel to assist it in the determination of more significant and contentious development applications.

20. Council should amend the guide on making submissions that it sends with development application notification letters. It should include information on council's role in development assessment and clarify the information provided on rights of review under the Environmental Planning and Assessment Act 1979.

21. Council should put its enforcement policy on its website. Council should also evaluate whether this policy is in active use in the compliance activities of the Development Services or Environmental Management areas of council, and if not, should act to ensure the policy is utilised in all council compliance activities.

Asset and financial management

22. Council should develop and implement a standard procedure for issuing overdue letters and taking recovery action in respect of outstanding rates and charges. If council does have a procedure, it should be brought to the relevant staff members' attention and be subject to management review to ensure that it is being implemented.

23. Council should develop a system to ensure that it has an empirical basis for determining what funding will be required to maintain, replace and enhance assets when needed.

24. Council should proceed to complete a comprehensive Asset Management Plan to ensure that it is in a position to consult its community regarding any additional funding required to maintain its infrastructure assets.

Social and community

25. Council should review and update its website to provide, among other things, for on-line rates payments, a customer requests and complaints facility, and information to members of the public on how to respond to suspected regulatory non-compliance.

26. Council should ensure it carries out a further community attitudes survey within the next 18 months, and develops a strategy and action plan to respond to issues arising from the survey.

27. Council should consider the benefit of a summary version of its social and community plan to assist members of the community to better understand what is being proposed.

28. Council should examine the development and implementation of a more detailed statement of responsibilities for all of its volunteers that includes key elements of council's code of conduct.

Workforce relations

29. Council should document its various workforce strategies in a long-term workforce plan.

30. Council should consider the adequacy of its current human resources information system (HRIS) and investigate the cost and benefit of using Authority or another system/s to capture data and report on its human resources strategies.

31. Council's reporting processes should be revised to ensure that non-compliance with council's performance appraisal system is brought to senior management's attention in timely manner.

32. Council should review and standardise reporting arrangements to ensure that line managers are required to document and regularly report on the application of council's OH&S system in their work area.

33. Council should take steps to implement a system whereby senior management, including the general manager, regularly receive or access a report on OH&S performance. In turn, senior management should take action where key elements of the system are not being acted upon and acknowledge those managers who are achieving good outcomes.

34. Council should update its Staff Orientation Manual to remove references to previous Awards that are no longer applicable. Consideration should be given to updating other references.
35. Council should consider seeking advice from a remuneration specialist when it is considering paying over award salaries. Alternatively, as a minimum, the reasons for any salary determination should be documented and supported by relevant evidence to justify the decision to offer the salary in question.
36. Council should review and update its consultative committee's constitution.
37. Council should conduct an internal review to determine whether its salary system complies with current Award requirements.
38. Council should select a cross section of its positions and have them evaluated. The results of these evaluations should then be compared to actual grades of incumbents.
39. Council should act to grade all presently ungraded positions below senior staff level promptly.
40. Council's EEO management plan and related reporting should incorporate more explicit goals and targets that specifically relate to the objects outlined in section 344 of the Local Government Act.

4. CONTEXT

Mosman Municipal Council comprises an area of 853 hectares. It is located on the northern side of Sydney Harbour and is bound by Sydney Harbour and Middle Harbour to the south, east and north and by North Sydney Council to the west.

The population of the Mosman Council local government area, as at 30 June 2004, was 28,420. The area is characterised by high disposable income and a relatively aged population. Indeed, the median income for residents of Mosman Council was \$700 - \$799 per week compared to an average for Sydney of \$400 - \$499. The area is characterised by virtually no industrial land. Land zoning is predominantly residential and commercial (over 50%) while 21% of the area is zoned for community, bushland, national park and open space uses. The area's population density is, at 2,980 people per square kilometre, much higher than Sydney's average of 330 people per square kilometre.

The local government area is characterised by significant tracts of undeveloped land that form a bushland setting for Sydney Harbour in an area that, by world standards, is extremely close to a major city centre. There is also a large area occupied by Taronga Zoo and the adjacent military reserve. The preservation of both these natural areas and items of heritage significance is a major priority for the council.

Nevertheless, so close to the centre of Sydney, council also faces a number of pressures, particularly from traffic. Council is traversed by a major arterial route (Military Road/Spit Road) for areas east and north of Middle Harbour. Road users keen to avoid this route spill into minor roads in the council area. Council also has higher rates of vehicle usage compared to the rest of Sydney, despite lower rates of vehicle ownership. Nearly 20% of the land area in the council is road.

Council also faces pressure from development given its lack of greenfield development sites, its close proximity to the city and the broader Government policy to support infill development.

The council has 12 elected councillors. No councillors have any declared affiliation to any political party. A number of councillors have been on council for several terms.

The council's general manager, Mr Viv May, has been council's general manager (and previously its town clerk) for 19 years. Council's total staffing numbers are 164 equivalent full time staff. Council's organisational structure comprises three divisions, Environment and Planning, Corporate Services and Community Development. Council's salary budget for 2003 – 2004 was \$7,970,000.00

5. COUNCIL'S AMBITIONS, PRIORITIES AND FUTURE FOCUS

This part of council's assessment focussed on: the clarity of council's 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.

Future Mosman 2088 in 2020

Mosman Council is currently embarking on a major strategic planning process to develop an appropriate strategy for the council for the period to 2020. The "Future Mosman 2088 in 2020" strategy is still being developed. But it is already apparent that the council has undertaken a thorough process to involve the councillors, council staff and the community in the development of this strategy. Council has undertaken a number of workshops with councillors and staff and a number of community consultations on the Future Mosman strategy. The document was placed on public exhibition with the council's draft management plan.

What is perhaps the most impressive aspect of council's strategic plan is the extent to which it appears to be a high level of integration between the emerging council strategy and other key plans, including:

- The Management Plan
- The Social and Community Plan
- The Cultural Plan
- The Local Environmental Plan
- The Governance Plan
- The Forward Finance Plan and
- The Environmental Plan

Council also indicates its intention to integrate Future Mosman with an as yet undeveloped Asset Management Plan.

Despite the process and the integration, the review team notes there is a rather static quality to council's Future Mosman strategy. What the review team notes is the sense in which the strategy can be seen to be more about holding on to the present than embracing the future. For example, the emphasis in areas of financial performance and natural environment appear to be on preserving rather than changing. While the strategy must have sufficient regard to what the community wants, questions arise as to whether the council has also had sufficient regard to the issues impacting on it over which it has limited or no control. Council should have regard to external factors when it next reviews Future Mosman. (Recommendation 1)

Mosplan

Mosman Council is a mature organisation with a highly integrated and well developed management planning process lying at the centre of its operations. Mosplan is a highly developed management plan. It is integrated into council's operations in a number of respects. For example, all council reports include a reference to the relevant sub-program in Mosplan. Mosplan itself includes cross references to other relevant council planning documents such as Future Mosman, the council's social and community plan, the Environmental Plan and the State of the Environment Report.

The review team considers that Mosplan is a valuable ongoing tool for directing the council's activities. Given its size and detail, it is perhaps not surprising that there have emerged quite different approaches to the articulation of program and sub-program details across the plan. But the council faces the risk that Mosplan will become increasingly unbalanced if council does not take the opportunity to review the nature and content of the plan as it now stands.

Such a review is necessary in any case in order to fully align Mosplan with the Future Mosman strategy recently adopted by council. There are a number of issues that council should consider as part of a fuller review of Mosplan:

- How should Mosplan change to fully integrate with Future Mosplan
- Has Mosplan become overly operationally focussed (the review team considers that in some areas, it has – for example there are eighty activities

listed in Program 10, but twenty in Program 4), and if so, what should be done to correct this?

- If so, whether operating plans exist or need to be developed to integrate with and add operational detail to the strategies outlined in Mosplan?
- What is the council's agreed corporate approach to the nature and scope of key performance indicators and other activity indicators (noting that in some cases KPIs are measuring activity not outputs or outcomes, and in some cases measure activity over which council has little if any control – see for example KPIs for Program 4 measuring the number of applications received)
- Whether the language of “visionary” and “attainable” objectives is appropriate – in that it appears to cast the former as unattainable and therefore of less value to council operations. (Recommendation 2)

Councillor roles and responsibilities

Under section 222 of the Act the elected councillors comprise the governing body of Council. Section 223 sets out their role, which is to “direct and control the affairs of the council in accordance with this Act”. Section 232 expands on this, indicating that the role of a councillor is, as a member of the governing body, to do four key things, one of which is “*to play a **key** role in the creation and review of the council’s policies and objectives and criteria relating to the exercise of the council’s regulatory functions*”. So, policy making and review is a key function of the elected councillors.

The development of Future Mosman is a positive sign of elected council engagement in the strategic direction of the council. But, like other important aspects of the council's operations, there is a disconcertingly low level of involvement by councillors in the processes leading to the development of the Future Mosman strategy. Five of council's twelve councillors did not attend the February 2005 workshop.

This trend appears to be repeated at events such as councillor induction training on the code of conduct, where a number of councillors were not present. Only five of twelve councillors attended the budget briefing. This is not good enough. These matters, rather than the minutiae of council operations, are what councillors are

elected to concern themselves with. Council needs to take some action to address this.

The review team recommends that council arrange a workshop for ALL councillors on their roles and functions under the 1993 Act. Council should also develop an ongoing councillor training and development program to meet the ongoing needs of all councillors. Council should also, henceforth, publish in its annual report details of all councillor training and development sessions, and include the names of all councillors who attend. (Recommendation 3)

Working in the region

There is evidence that Mosman Council is working actively with other councils in the SHOROC organisation to achieve more effective and efficient service delivery. Of note is the Shorelink library network, whereby councils have consolidated catalogues and borrowing rights, the Kimbriki waste facility (owned by Warringah but accepting waste from all member councils on a cooperative basis) and joint purchasing arrangements. Council also works with other SHOROC councils on relevant policy issues.

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.

Between 2004 and 2022 the population of Mosman Council is projected to increase in size, from its current 28,272 to around 30,010 (6.1%).

With 14.2% currently aged 65+ years, this is projected to grow to 19.6% by 2022. At an average increase of 0.30 percentage points per year, this 'force of ageing' is slightly lower than that projected for both NSW as a whole (0.33) and NSW excluding Greater Sydney (NSW Balance) (0.43) but slightly higher than that for Greater Sydney (0.28). The council's population aged 85 and over is projected to increase from 768 to 1,113, representing an increase of 44.9%. Council's elderly to child ratio will go from 0.9 to 1.4 by 2022 (meaning it will have 14 elderly residents for every 10 children. Council's entry/exit ratio will deteriorate from an already negative 0.9 to 0.8

by 2022, meaning there will only be 8 people at labour market entry age for every 10 at retirement age (*Population Ageing in New South Wales and its Local Government Areas*, Dr. Natalie Jackson, Director, Demographic Analytical Services Unit, University of Tasmania).

The impact on the demand on services, facilities and infrastructure will be significant and will impact on many aspects of council's operations. The Local Government and Shires Associations have produced *Planning the Local Government Response to Ageing and Place*. This paper is intended to offer a framework to assist councils to begin to plan for the population ageing unique to their area by:

- providing information on what is happening with general population trends and access to population projection information for each local government area,
- providing information on the existing and likely diversity amongst older people,
- providing evidence on what population ageing means for all roles that councils performs, and
- encouraging councils to examine their numbers and proportion of older people and their rate of population ageing, in conjunction with the evidence on impacts, to identify what roles they may need to change and when.

The department encourages councils to use this paper in its planning processes.

Council's social plan includes some strategies for older people. It demonstrates an awareness of the implications of having increasing numbers of residents aged over 85 and related issues of healthy ageing. But council must ensure it has integrated strategies across its various functional areas to address this challenge.

Council needs to consider ways to raise the awareness of this issue across all sections of council. Building upon strategies in its social and community plan and using the Ageing and Place Framework developed by the Associations, council should prepare long term strategies to meet current and future needs for older people as part of its Future Mosman strategy.

Priority strategies should be determined on an annual basis and incorporated in Mosplan. The review of council's local environmental plan allows council to explore the impact of ageing on the current and future council housing stock. Progress in relation to these priorities should be reported on a quarterly basis via the performance appraisal system and Mosplan reports as well as annually in council's annual report. (Recommendation 4)

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 partnerships; modern structures and processes; strong financial management; resources allocated to follow priorities; performance information; risks managed appropriately; openness to external challenge.

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*

Governance framework

It is evident to the review team that council places a significant emphasis on the strength of its governance framework. Ethical behaviour at council appears to be important – something reflected in the Ethical Culture Survey council undertook in 2002. The survey showed that staff have high recognition of council's values and its key governance policies supporting ethical behaviour. Council includes the practice of good governance in the so-called Mosman Bottom Line. This is evidence of a serious commitment to governance at council.

What is also pleasing from the department's standpoint as a watchdog agency keen to promote good governance is the evidence that council has a strong commitment to monitoring and acting upon the advice and guidance provided by the Ombudsman, the Independent Commission Against Corruption and the department. This is evident in a broad range of policies across the governance field.

Values and statement of business ethics

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

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.

Mosman Council has a strong statement of values that is contained in its key documents such as its management plan. It includes a range of values directed to various groups including the community, volunteers, councillors, staff and suppliers. Commitments to ethical behaviour are reflected strongly in the statement of values.

Complementing this is council's statement of business ethics. This short document covers key issues around the values council stands by and what contractors need to be aware of in doing business with council. It covers some key issues in terms of acting appropriately during tendering processes, and specifically covers the key issue of gifts and benefits.

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.

Mosman Council has acted quickly to adopt a new code of conduct that appears to be consistent with the Model Code. It has supplemented its own code with a range of specific provisions that are specific to council's own circumstances. The code also contains valuable cross-references to other relevant council policies.

The code has a foreword from the General Manager, although the review team encourages council to consider making the Mayor a co-signatory of the foreword. This would be a strong statement from the leader of the elected group regarding the importance of the code.

Council advised that not all councillors had attended code of conduct training. Councillors need to be trained in the provisions of the new code. This is especially so given two experienced councillors have recently been found by the NSW Ombudsman to have breached the code.

Council should take steps to provide further training to those councillors not yet trained. Council should also make clear to these councillors that failure to attend training in the new code may aggravate their culpability in the event of any future finding that they have breached the provisions of the code. Finally, the review team encourages council to develop procedures to assist the operations of its conduct committee. (Recommendation 5)

Councillor induction

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

Council conducted a detailed induction process through April to June 2004, which covered key issues such as roles and responsibilities, council's management planning cycle, the activities of the three key council directorates and a workshop on

pecuniary interest, the new code of conduct and other key governance issues. The program appears to be thorough and well balanced.

Councillor expenses and facilities

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. Mosman Council's policy is modest in terms of the nature and scope of expenses and facilities offered. It complies with recent departmental advice contained in circular 04/60.

Management plan and annual report

Each year council is required to prepare a draft management plan with respect to its activities for at least the next 3 years and its revenue policy for the next year. Sections 403 and 404 of the Local Government Act require certain particulars to be included in council's draft management plan. The draft management plan is to be exhibited in accordance with section 405 of the Act. Similarly, council must issue an annual report. The review team examined the management plan, Mosplan, and the annual report. Both appear to be broadly in compliance with council's statutory responsibilities. The review team did, however, find the council's annual report quite difficult to follow, particularly because there is only limited information on the program areas beyond the statements of means. While the review team notes this will make an already quite long annual report longer, it is valuable context that is presently lacking. (Recommendation 6)

Pecuniary interest returns

The Local Government Act sets out the parameters which 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 pecuniary 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.

The review team noted that council makes a register of pecuniary interest declarations on its website. This is a positive form of disclosure whereby, in one place, members of the public can examine all disclosures of both pecuniary and conflicts of interests made by councillors. Council also has a significant number of designated persons, that is, council staff required to lodge pecuniary interest returns. This again highlights a commitment on council's part to openness.

We also examined pecuniary interest returns lodged by all councillors, as well as those of selected council staff. As to the councillor returns, we identified a number of deficiencies:

- Two returns were lodged late – one by one day and another by 11 days.
- The full details of companies, including addresses, were omitted from a number of returns.
- Some returns did not disclose details of trusts.
- Some returns raise questions about completeness in that they disclose shareholdings but fail to disclose dividend income from such shareholdings (and, possibly, directors' fees)

Councillors appear to need more support in this area. A good starting point would be to provide all councillors with a copy of departmental circular 04/16, which provides extensive advice on how to correctly complete a return. Noting this was part of councillor induction, council should nevertheless also consider a further councillor briefing on the correct completion of pecuniary interest returns. (Recommendation 7)

Complaints policy

An effective complaint handling system is an essential part of the provision of quality council services. It is one method of measuring customer satisfaction to provide a useful source of information and feedback for improving the council's service.

There are a number of attractive elements to council's complaints policy. Unlike many councils, Mosman Council defines complaints in a simple and straightforward

way, and distinguishes them from requests for service. The policy provides for a three-tiered process that involves initial assessment and one level of internal review. Council's policy includes time turnarounds. Currently, council reports on complaints of proven maladministration. This is useful. Council advertises its policy through brochures and its website.

Despite many attractive elements to its complaints policy, there are some clear areas of improvement for council to make. The most important is that council is making limited use of complaints handling information. Currently, council does not include as part of its complaints procedures regular reporting of complaints to senior management. An important part of a good complaints system is for council to use complaints to identify areas of deficiency in its performance.

Further, the review team was given a demonstration of how the complaints system works in practice. This demonstration suggested that there is clearly potential under current procedures for some complaints to not be classified as complaints on the system. This is an issue council should address by providing staff with refresher training on the operation of the system and reviewing how complaints are classified on the Dataworks system. (Recommendation 8)

Council service standards

To complement its complaints policy, the review team encourages council to revisit its recent decision not to adopt service standards. Service standards are a valuable means of reinforcing council's commitment to customer service, and of holding council staff accountable for their performance. Council has a strong level of accountability through the breadth of its reporting on its performance through the annual report and the management plan. The review team believes this would be enhanced by articulating service standards for core services such as:

- responding to correspondence by letter and email,
- answering telephone calls and
- processing of requests not subject to statutory deadlines.

(Recommendation 9)

Internal reporting policy

Under the Protected Disclosures Act 1994, councils and other public agencies are able to establish their own internal reporting arrangements under an internal reporting policy. There are several advantages in doing so. It enables councils to establish attractive reporting arrangements to encourage staff to make disclosures, and it can assist councils to deal with issues raised promptly and effectively without the need for outside intervention.

Mosman Council has an internal reporting policy. It has recently been reviewed. The reviewed policy has been updated, but could be further enhanced by making it easier for council staff to report concerns. Authorised disclosure takers are limited to the general manager and the three directors. Council should review this given there are a large number of junior staff who may find reporting to that level daunting. Further, the policy provides for councillors to make disclosures to the Mayor. Council should also review this area, as the review team considers the general manager is a more appropriate recipient for councillor disclosures (with the exception of disclosures concerning the General Manager himself). (Recommendation 10)

Internal audit

Council is currently considering establishing an internal audit function – Mosplan notes the matter is under consideration. While the council has a strong governance framework, the review team suggests that an internal audit function would further strengthen the council's arrangements further. Internal audit is an important element of a strong system of internal control. Internal audit can provide management and councillors with additional assurance as to the effectiveness and efficiency of council operations.

Given council's size, council has a number of options open to it. The review team suggests that, at the very least, council examine the establishment of an internal audit or risk committee. This body should be made up of representatives of the elected council along with independent representatives. The committee would guide and oversee the council's internal audit effort. This should include conducting an overall risk assessment of council's operations and using the results to develop a program to review and improve council's systems and processes.

Council may wish to consider the options of employing a full time internal auditor, establishing the position as a part time position or contracting the function on an as needed basis. (Recommendation 11)

Risk management

Risk management is about the systematic identification, analysis, evaluation, control and monitoring of risks. While risk cannot be entirely eliminated, councils should aim to establish a risk aware culture and to continually work towards establishing structures, processes and controls that cost effectively reduce the council's risk profile and thereby protect the interests of council, the public and other key stakeholders. There should be a balance between the cost of managing risk and the benefits expected from engaging in an activity that has inherent risks.

Councils are exposed to a wide range of risks as a consequence of their diverse functions. The significance of specific risks will vary from council to council. For example, Mosman, by contracting out much of its maintenance/engineering works may have effectively reduced its risk exposure as an employer of labour engaged in what is potentially hazardous work (relative to office-based employees). However, in doing so, it may have become exposed to additional risks inherent in the procurement and management of external contractors. Although council has contracted out the work, it may retain a significant OH&S risk exposure (as council may still have control of the relevant workplace).

A risk management plan should provide a council with a framework to proactively identify, communicate and manage generic and specific risks. It is important that council consider the development and implementation of a risk management plan to minimise the likelihood of negative events which could have otherwise foreseen and thereby managed or avoided. Such a plan should extend beyond those risks that are insurable. Council may wish to refer to AS/NZS 4360:2004 for more information on risk management.

In conjunction with a move to internal audit, the review team recommends that council develop a comprehensive risk management plan to enable it to identify and

respond to all significant risk issues facing the council in the pursuit of its objectives.
(Recommendation 12)

Procurement and disposal

Council has a procurement policy that provides guidance on procurement and disposal. This policy is a useful guide, but would be enhanced were it to include guidance to staff on when it is appropriate to use the methods of disposal outlined in the policy. (Recommendation 13)

The review team also reviewed council's recent tender process for legal services by examining the relevant record on Dataworks. Generally, the council's process was well documented. Some matters, however, should be addressed in future:

- Council did not provide any record of why the selective invitation to bid was limited to the firms chosen. That the process was selective is not at issue, but it is helpful for council to give an account of how the firms selected were identified.
- Tender assessment matrixes from all members of the assessment panel could not be located. In future, all members of the panel should complete them and they should be retained on file.
- Council did a preliminary cull of tenders, but the reasons for the selection of some firms to the second cull round was not made clear in the papers.
- Council had the process reviewed by a probity auditor, but the probity auditor's report or comments were not on the relevant file.

(Recommendation 14)

Induction of council advisory group members

As discussed below, council operates a series of advisory groups, made up of councillors, staff and a range of community members. Given the advisory remit of the groups, council should provide some level of induction for community members, and develop appropriate materials to ensure that community members are aware of

and abide by the ethical standards by which the council as an organisation abides.
(Recommendation 15)

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*

Review of environmental 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*".

Mosman Council's LEP was gazetted in 1998 and there is evidence of it having been kept under regular review since that time. Council is currently embarking on a major review of its local environmental plan. Council has purchased a sophisticated demographic planning software program to assist it as it moves towards review of its LEP.

The review team discussed the process of developing a new LEP with both planning and community services staff. The review team considers that there is insufficient evidence that these two areas are working together sufficiently closely on strategic

planning. With an up to date social and community plan, it is vital that community services staff are key contributors to the development of the new LEP. (Recommendation 16)

The review team also recommends that, as part of the preparatory work for the upcoming review of the LEP, council examine opportunities for the provision of affordable housing in the council area. This is an issue of importance for both elderly people wishing to remain in the council area and for younger people needed., particularly in trades and service positions in the local area. (Recommendation 17)

Development assessment process

Mosman Council deal with its development assessment responsibilities in an environment of high levels of community concern about development pressures. Council has recently achieved a significant reduction in its mean DA determination time from 127 days to 98 days, and the median determination time from 111 days to 87 days. Both figures, while trending down, remain high.

Council had, at the time of the review, two planning vacancies. It has experienced a relatively high turnover in planning staff. That said, there is evidence that council has adopted employment policies and practices to encourage the retention of staff.

Concern on the part of the elected council following the 2004 election with the performance of council's development assessment processes led to a loss of delegations to planning staff. This rather regrettable move has recently been reversed, and delegations are being reinstated to a level higher than that prevailing before the election. If council is unhappy with development decisions, it needs to focus on what it can do with its strategic planning framework rather than seek to remove delegations.

Council has an on-line tracking service for its development assessments. This system draws data from the Authority system used by council staff to manage applications. Council also has a pre-application advice service. In order to maintain the benefits of the online tracking system, it is vital that council planning promptly update the Authority system. Council should examine current practices in this area,

and if necessary take action to ensure that information is updated in a timely way. (Recommendation 18)

Independent Hearing and Assessment Panel

Clearly, the elected council has had concerns about the development assessment function, This is reflected in its decision to withdraw delegations after the 2004 election. A way forward for council, which has previously been considered by council, is to form an Independent Hearing and Assessment Panel. This would allow council to refer more significant or contentious applications for review by an independent panel. The IHAP could serve as both as a source of independent advice for the elected council and as a quality assurance mechanism for staff.

The review team notes that there is an increasing body of experience and opinion on the issue that council would benefit from considering as part of moving forward. Accordingly, the review team recommends that council consult with other Metropolitan councils that have established panels and with the Department of Planning in order to complete an analysis of the costs and benefits of establishing such a panel to assist in the determination of development applications. Council should be presented with the results of this analysis and a recommendation on the matter. (Recommendation 19)

Legal costs

In 2003 – 2004, council's legal expenses as a percentage of development assessment costs jumped from 22.28% to 28.34%. Council has a mediation service to deal with disputes between applicants and objectors, but the service has never been utilised. The last year has seen a big reduction, which council staff mainly attribute to changes to Land and Environment Court procedures, and council's resulting actions in use of court appointed experts where council has difficulties finding a consultant to support its decision on an application. The trends are positive.

Notification

Council has a broad notification policy to notify all applications for local development to immediate neighbours and in the local newspaper unless they are assessed as

having minimal environmental impact. Council also makes specific provision for broad notification of section 96 applications for modification. Samples of notification letters provided to the review team appear clear and comprehensive, with advice on how to get more information and how to track the progress of applications.

Council provides a useful guide on making a submission. The review team suggests that this could be enhanced by two simple changes:

- Council should include in its pro forma guide to making submissions brief information on what the council's role is in the development assessment process. This is helpful to give some context to what council can and cannot consider in determining applications.
- Council should modify the current wording where it states "*you do not have a statutory right to prevent the approval of an application...*" Given that any person has standing to remedy or restrain a breach of the planning legislation, this statement is at best misleading. It should be revised.

(Recommendation 20)

State of the Environment Report and Community Environmental Contract

Council's State of the Environment Report was examined against the relevant legislative requirements and found to be generally in compliance with these requirements. More generally, the report is clearly and logically presented and informative. In particular, council's proposed responses are well articulated. The report also benefits from the useful introductory material on the social environment in the council area.

Council includes in its State of the Environment Report an annual update on its special rate variation program known as the Community Environmental Contract (CEC). The CEC is a program of environmental works focussing on stormwater, bushland, seawalls and local creeks. As noted below, this is funded by a 5% rate increase over 12 years, supplemented with grant moneys (which as at June 2004 had amounted to 47% of funds used on the program). The update includes an audit of funds. Council has a community environmental contract page on its website with

up to date links to relevant information on the program. The level and quality of the reporting is high.

Council has used some of this funding to develop a range of quality community information on issues such as stormwater quality, biodiversity and other environmental issues.

Enforcement

Council has an enforcement and prosecution policy to guide its enforcement activities. While this policy is in council's policy register, it is not on council's website. It is also unclear to the review team whether it is actively in use in the compliance activities of the Development Services or Environmental Management areas of council. The policy should be utilised in all compliance activities and council should examine the matter to ensure this is so. (Recommendation 21)

Council operates proactive programs to ensure compliance in relation to its public health responsibilities – conducting two inspections of food premises and one of other licensed premises per year. This is supported with a brochure "Mosman's Food Business" to outline environmental responsibilities in food production.

Council's rangers also operate proactively by working to monitor active building sites on routine patrols once a week. This represents a good standard of enforcement.

Companion animals

Council has a companion animals management plan. Its rangers are active in patrolling high profile sites such as Balmoral. Council has a 100% return rate for microchipped animals. It actively uses its powers under the legislation to deal with dangerous dogs. Attacks are reported to the department.

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.

Overview of financial position

Council has reported operating deficits before capital items for the past 5 financial years. However, after taking into account capital items, it achieved a surplus for 3 out of the last 5 years, including 2003/04.

Council needs to be mindful that the operating deficits may be an indicator that the council is not be generating sufficient revenue to provide for on-going asset maintenance and replacement. It could also be an indicator that council needs to closely review the current scope and level of its activities, to ensure that they can be funded without eroding council's asset base. The need for council to identify alternative funding sources is documented in the council's *Future Mosman* document.

Council is proactive in seeking community input on how council's activities should be financed. For example, council's website has a facility for members of the public to tell council about their vision for Mosman in the specific areas of the built environment, transport, the natural environment and the Mosman community. Significantly, it also seeks the public's views on how they would finance their vision. It ask them to rank the options of increasing income via the use of higher rates, levies, fees, public/private partnerships, debt or, alternatively, financing the vision by changes in financial priorities.

Comparisons with similar councils

The department publishes comparative information annually. For comparison purposes councils are grouped with similar councils. Mosman Municipal Council is a Group 2 council. The following table compares Mosman's performance to other Group 2 councils.

Table 1 - Comparative Information 2003/2004¹

| Indicator | Mosman | Group 2 Average |
|--|--------|-----------------|
| Average rate per residential | \$845 | \$640 |
| Outstanding rates, charges and fees | 5.06 | 4.30 |
| Current ratio (unrestricted) | 1.63 | 2.28 |
| Debt Service Ratio | 4.18 | 2.91 |
| Average charge for domestic waste | \$259 | \$243 |

Budgeted v. actual results

Council has reported a deficit before capital items in 2003/04 of \$2.35M, compared to budgeted deficit of \$590k. The result after capital items was a surplus of \$4.27M, compared to a budgeted surplus of \$39k. Council should consider whether the differences between budgeted and actual results could have been predicted and thereby taken into account when setting the original budget.

The council advised that the surplus after capital items was unusually high because of the impact of a “one-off” item; ownership of the new swimming centre passed to council and this new asset was required to be brought into the accounts.

The operating deficit was adversely impacted upon by a failure to budget for an additional fortnight of wages payable in 2003/2004 (there were 27 fortnightly paydays in 2003/2004). There also appears to be scope to enhance the accuracy of amount council budgets for salary progression, i.e. salary increases above the known award increases. Council does not appear to have any empirical basis for setting this amount other than what it has allowed previously. Given that progression would normally be contingent on performance and skills acquisition and given that this is likely to vary from year to year, it is suggested that council consider whether a more accurate estimate could be derived from an analysis of council's grading/wages profile.

¹ Further comparative information and an explanation of the indicators are available in the DLG publication “Comparative Information on NSW Local Government Councils 2003/2004”.

During the periods 2001/02 and 2002/03, the actual results after capital items were \$154k (deficit) and \$51k (surplus) respectively compared to budgeted deficit of \$60k and \$496k respectively.

Liquidity and cash position

The department uses a council's unrestricted cash ratio (UCR) as one indicator of the adequacy of a council's financial position. The UCR measures the adequacy of working capital and the ability to satisfy obligations in the short term. A UCR of 1.5 to 2 could be of concern if other indicators are not adequate. Council's UCR for the 2003/04 period was 1.63. For the period 2002/03 and 2001/02 it was 1.76 & 1.81 respectively.

Council is clearly aware of the importance of monitoring and improving its financial position. For example, the council's quarterly financial report for the period 1 January 2005 to 31 March 2005 states "It is important that key comparative indications such as Council's Working Capital and Unrestricted Current Ratio improve and it is recommended that the level of any requested revotes of funds unspent at 30 June 2005 be reviewed at year end with a possible return to General Fund."

Collection of rates and annual charges

Council's *Rates & Annual Charges Outstanding Percentage* (RACO%) in 2003/04 was 2.05. It would be a concern if council's RACO% was over 5%. The RACO% is used to assess a council's efficiency of debt recovery and the potential impact of uncollected rates and charges on liquidity.

While noting that council's percentage of outstanding rates is low, its approach to recovering unpaid/overdue charges appears ad hoc. The review team recommends that council develop and implement a standard procedure for issuing overdue letters and taking recovery action. If council does have a procedure, it should be brought to the relevant staff members' attention and be subject to management review to ensure that it is being implemented. This is not to suggest that the review identified specific instances of unpaid/overdue charges not being pursued. (Recommendation 22)

Percentage of revenue from rates and charges

In 2003/2004 the percentage of revenue from rates and charges fell from 59.2% to 48.14%. The reduction was due to the aforementioned impact of the swimming centre being brought into council's accounts. The council expects the result for 2004/2005 to be similar to the result for 2002/2003.

Debt

Council's Debt Service Ratio (DSR) in 2003/04 was 4.18%. 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.

Auditor's comments

The review examined the comments made by council's auditors. They wrote to council stating "we are of the opinion that Available Working Capital as at 30 June 2004 was satisfactory." They also stated "*Council's overall financial position, when taking into account the above financial indicators, is, in our opinion, satisfactory.*"

Compliance with the accounting code and annual report

Council's financial statements, which accompanied its Annual Report for 2003/04, are fully compliant with the Accounting Code and the Local Government Act.

Special variations

In 2000/01, council was granted approval for "special variation", to increase its rates income by 5% above the general variation of 2.7% allowed to councils. This increase was approved for 12 years, with the additional income to be used for environment and infrastructure. Council has gone to significant lengths to ensure the income generated has been appropriately targeted. The expenditure has been subject to independent audit and verified as being spent for the purpose it is being collected. Comprehensive information about the program, referred to as the Community Environmental Contract, is readily available to the community. The council is to be commended for the quality of its reporting in this area.

Business activities

Council has identified 3 business activities namely Commercial Property Management, Development Approvals & Core Group (Private Works) Activities. The latter two are making losses regularly.

Timeliness of submission of financial statements

Council has always submitted its financial statements to the DLG in a timely manner.

Councillor involvement in budgetary/financial planning

It is vital that councillors understand the process by which council's activities are funded. It follows that all councillors should be involved in the development of council's budget. A lack of a comprehensive understanding of the funding/budgetary process is likely to manifest itself in a number of ways. Councillors without a comprehensive understanding may propose/advocate activities during the year that cannot be responsibly funded. A lack of knowledge and background information will impede a councillor's ability to accurately inform and consult with their constituency. Importantly, a good understanding will make it easier for the elected council to critically review information provided to it by council officers. .

Council evidently held budget workshops to brief and involve councillors prior to the 2004-2005 draft budget coming before council. The review team was advised that only 5 of the 12 councillors attended. The issue of councillors not attending key briefings and workshops is something on which we have already commented.

Assets Management and Infrastructure Maintenance

Based on the information provided with council's 2003/2004 financial statements, council's infrastructure assets are in good condition. The written down value (WDV) of council's assets for 2003/04 period are as follows:

| | |
|----------------------------|-----|
| Roads, Bridges & Footpaths | 74% |
| Stormwater Drainage | 55% |

The department considers that a WDV below 50% may be cause for concern. Council's estimated costs to bring assets to satisfactory condition were \$18.9M in 2003/04. Estimated annual maintenance was \$2.75M, whereas program maintenance was \$1.91M (shortfall \$840k). Internally restricted funds set aside for infrastructure replacement in 2003/04 was nil.

It is open for individual councils to determine what they consider is a "satisfactory" standard for their assets. There is also potential for councils to make changes to what they consider "satisfactory" from year to year. It was beyond the scope of the review to comment on the accuracy of council's condition assessments and the associated costings. Nor has the review assessed the consistency of council's approach from year to year. Notwithstanding this, it is clearly important for council and the community to be mindful of accuracy and consistency, when preparing and considering the reports on the condition of assets.

It should be noted that council has stated it is aware of the need to improve the quality of the data it has about the condition of its infrastructure, especially the condition of its drainage assets. Council appears to be well advance in purchasing a total asset management system (TAMS), which should assist it in this key area. Council needs a system to ensure that it has an empirical basis for determining what funding will be required to maintain, replace and enhance assets when needed. (Recommendation 23)

Council advised that it is working closely with North Sydney Council in deciding which TAMS to purchase. This indicates a forward thinking approach and is indicative of the positive working relationship between the two councils at officer level.

Although council has commenced working towards a long-term strategy (gathering data and outsourcing maintenance/service provision) it has not completed a comprehensive Asset Management Plan.

Council needs to forward plan all of its asset requirements in a consistent way. Once it does this work, it may need to seek additional funds to address any asset/maintenance shortfall. Council should prepare such a plan to ensure that it is in a position to consult its community regarding any additional funding required. Such

a plan would also enhance any application to the Minister to increase rates and charges, if this proves necessary. (Recommendation 24)

Council is unsure of the condition of its drainage assets but as indicated earlier, is mindful of the need to find out the state of its network. The community should be aware that such an exercise may take a period of time to complete and may well identify the need for significant investment in maintenance/replacement infrastructure.

The review noted that responsibility for the management of council's assets is shared by different departments/staff. However, there appears to be a culture of information sharing and teamwork amongst those involved. This should position council well for a successful implementation of the TAMS and thereby allow it to maximise the potential benefits.

It is noted that council recently altered the way in which it allocates funds for open space capital improvements by aggregating the available funds under a single program, thereby allowing funds to be more effectively prioritised and utilized.

Contract management

Council outsources most of its infrastructure maintenance work, as well as a range of other services. It has done so for a number of years. It was apparent during the on-site visit that council has developed a degree of expertise in the structuring and management of relevant contracts.

Staff described the evolution to the current approach, which focuses on achievement and maintenance of outcomes. This was a development from the original approach that focused on paying for inputs/the quantum of work performed. There has also reportedly been a transition to programmed maintenance and a reduction in the number of contractors working on a particular facility.

It is critical that council captures and maintains the knowledge it has developed in this area. It should take steps to codify its approach to contract management to help ensure that it has a consistent approach to across the organisation.

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*
- *Access to information*
- *Social and community functions of council*
- *Annual reporting*
- *Cultural planning*
- *Reporting to the community*

Access to information

Mosman council has a broad file access policy. The evidence is that council is serious in its commitment to open access. Council processes very few freedom of information applications, a tribute to its practice of clarifying with applicants whether the information they intend to seek under FOI is in fact freely available. While many other councils charge forms of retrieval fee to recover archived material, Mosman does not. This accords with the department's views on the issue.

Website

Council maintains a quite attractive and informative website. The website contains up to date information on council policies and activities, and includes recent council business papers and minutes.

There are, however, a number of aspects of the website that the review team considers that council should examine to enhance customer service:

- Council does not currently provide for on-line rates payments
- Council did not have a basic contact council email address on its website (a deficiency the review team pointed out and that council rectified during our on site visit)
- Council should develop a customer requests and complaints facility on its website to better facilitate customer feedback, building on its recent introduction of a “contact council” email form
- Council should examine providing information to members of the public on how to respond to suspected regulatory non-compliance, including details on what to do where non-compliance relates to sites under the control of a private accredited certifier (with links to relevant information available through the Department of Infrastructure, Planning and Natural Resources website).

Finally, the review team noted that council did not put its schedule of proposed rates, charges and fees, a key part of its draft annual management plan, on its website during the exhibition period for the draft management plan. This is something council should address in future years. (Recommendation 25)

Community conversations and advisory groups

Council uses a community consultation method known as community conversations in order to involve its community on significant local issues. Currently, council is conducting a community conversation on alternative sources of non-rating revenue. Its usual process is to invite members of the community who have registered an interest in participating, plus the occupants of homes of a randomly selected house

number in the council area. Community views identified through a facilitated process and (once reviewed and verified by participants). These views are then fed into a range of council processes and issues, including the recently developed Future Mosman strategy and the recent Social and Community Plan.

Council also has a series of advisory groups in the areas of Art Library and Cultural Development, Business and Marketing, Community Development, Environment, Heritage and Architecture and Recreation. Made up of a councillor as chair, council managers and community representatives, the groups meet quarterly. Minutes indicate groups are generally quite well supported. Records on council's website on group deliberations are up to date and that each group has a defined remit.

Community survey

Council carries out community surveys to gauge community opinions on its performance. The last such survey was carried out in 2003, and it would be desirable for council to carry out a further such survey within the next 18 months. Council should also ensure that it has an action plan to respond to issues identified in the survey. (Recommendation 26)

Social and Community Plan

Departmental staff have reviewed council's social and community plan and found it to be satisfactory in terms of the requirements set out in the department's social and community planning guidelines. The plan is comprehensive and well integrated into Mosplan. Council should consider the benefit of a summary version to assist members of the community to better understand what is being proposed. (Recommendation 27)

Community services

Council is proud of the range and quality of the community services it provides, including an extensive meals on wheels service, a senior citizens centre, a youth centre, child care, community transport, its library and its art gallery. Its level of expenditure on community services as reported in the Comparatives publication is well above the average for council's group.

There is also evidence of council regularly evaluating and monitoring the level of satisfaction of users of its services through feedback surveys.

Volunteers

Council has a major commitment to developing and maintaining volunteers as a vital means of involving the community in service delivery. Council has around 650 volunteers working in areas from community transport, meals on wheels, caring for carers, bushland and servicing council facilities like the art gallery and senior citizens centre. Council has a volunteer coordinator position and has developed an information booklet to assist volunteers to select a role and to provide guidance on volunteer work.

Volunteering is the subject of its own sub-program in Mosplan. This facilitates council's ongoing commitment to maintaining current numbers and enhancing the scope of the volunteer program into the future.

There is only one aspect of the volunteer program where the review program considers more work is required. It is appropriate for council to examine the development of a more detailed statement of responsibilities for volunteers consistent with key elements of council's code of conduct. Volunteers are representatives of council and it is important that their conduct is consistent with council's values. (Recommendation 28)

6.5 Workforce Relations

All employers have legislative responsibilities in relation to their staff. The *Local Government Act* and the *Local Government (State) Award* impose additional requirements on councils. Importantly, a council's charter requires it to conduct itself as a responsible employer.

The review focused on a number of council's human resources systems and looked at the relevant strategies, policies, procedures and reporting. Sufficient evidence was obtained to allow us to provide a commentary on the following matters:

- *Workforce planning*
- *Human Resources Information System (HRIS)*
- *Recruitment and selection processes*
- *Employee remuneration*
- *Consultation processes*
- *Equal employment opportunity*
- *Performance Management*
- *Training*
- *Occupational health and safety*

Overview of the organisation

Mosman Municipal Council adopted its current organisational structure in 1999. As required by section 333 of the Act council reviewed and redetermined the structure within 12 months of its last ordinary election. The executive management team is made up of the General Manager, three Directors and an Executive Officer, Corporate and Human Development.

Council's draft management plan indicates that council has 132 full-time positions, 49 part-time positions and 102 casual positions. Council has outsourced the bulk of

its construction and maintenance work and therefore it has relatively few “outdoor” staff other than those involved in contract supervision or the exercise of council’s regulatory powers. Notably, the council employs 4 staff who are over 70 years of age.

Workforce planning

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

- Shortage of workers, especially those with specialised skills, such as town planners
- 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

It was apparent that council’s senior managers are aware of a range of issues impacting on their workforce. There is evidence that Mosman Council has been very strategic in its approach to workforce relations. For example, it has two enterprise agreements in place. Some time ago, it made a decision to outsource a wide range of services. While some may argue the merit of such approaches, decisions on such matters are ones that are open to the council make. What is commendable is that the council has given the consideration to the issues and followed through with the strategies to the degree that it has.

However, council needs to be mindful of the need to regularly revisit its workforce relations strategies, to ensure that it identifies and can respond to, new and ongoing issues in an effective way. For example, council’s current working hour arrangements for the civic centre appear to lack flexibility. This may emerge as an issue over time if staff are able to access more attractive arrangements elsewhere.

Council should document its strategies in a long-term workforce plan. (Recommendation 29)

The plan should address the staffing needs of each section of council and/or each occupational grouping. A risk assessment should be undertaken, to ensure that council is able to respond effectively to the planned and unplanned loss of key personnel i.e. those whose work could not be performed by another employee and whose absence would have a significant impact on council's ability to implement its management plan and/or statutory functions.

The importance of having clear human resources strategies is underlined by the requirement for human resource activities to be included council's management plan on council's section 403(2)).

Council employs a significant number of casual and part-time employees. This suggests an awareness on council's part to the contribution such arrangements can make to improving efficiency and a responsiveness to a labour market which is seeking the flexibility such arrangements can offer.

Human Resources Information Systems (HRIS)

Council does not appear to have an integrated human resources information system (HRIS). Council needs to be able to access to accurate and relevant data about its workforce and human resources activities. This data is necessary to identify issues that need to be addressed and to provide the means for assessing whether council's human resources strategies are working in the way intended. For such systems to be efficient and sustainable, data capture should be an inherent part of the way work is performed.

The council has made line management primarily responsible for most workforce relations activities. The activities in question should have key performance indicators and targets set. Line managers should have ready access to reports on those KPIs. Such an approach will facilitate accountability.

The review team noted that the draft management plan indicates an intention to develop electronic systems to improve access to human resources information.

Council should consider the adequacy of its current HRIS and investigate the cost and benefit of using Authority or another system/s to capture data and report on its human resources strategies. (Recommendation 30)

Recruitment and selection processes

Council's recruitment and selection policy, procedures and forms were examined. The recruitment and selection policy is comprehensive. It shows that council has carefully considered its statutory obligations in this area and that it understands the importance of the process to the organisation. Two recruitment files were checked. Both files indicated that the selections in question had been undertaken in a manner consistent with council's policy and procedure.

Training

The Local Government Award (clause 23) requires each council to develop a training plan and budget. The Award prescribes what is required to be taken into account when preparing the plan. The Award requires that the plan be designed in conjunction with the consultative committee. Council's training plan does not appear to comply with the requirements of the Award.

Performance management

Council has a system of annual performance reviews. It would appear that reviews are not being done on some staff and that reviews are not always done in the specified time frames.

The Local Government Award requires that all employees shall have on-going feedback about performance. The Award states that the " *performance development process can be simplified to three stages:*

- (1) joint development on objectives and performance standards;*
- (2) progress reviews; and*
- (3) a formal performance review which is followed by decisions and outcomes."*

Council's system for tracking and following up on reviews appears to rely on a single employee maintaining an Excel worksheet and initiating follow up action when required. Clearly council needs an efficient system for identifying when staff are due for a review and for recording that a review has been completed. Any training needs identified should be collated and taken into account when developing the training plan.

Council's reporting processes should be revised to ensure that non-compliance with council's performance appraisal system is brought to senior management's attention in timely manner. (Recommendation 31)

Occupational health and safety (OH&S)

The review did not involve a comprehensive audit of council's occupational health and safety practices. However, the review team did consider a range of OH&S matters to gain an understanding of council's OH&S system. These included the operation of council's OH&S Committee, the system/s for recording and following up on identified hazards/accidents and implications of council's high level of dependency on line managers to ensure OH&S compliance.

Key elements of council's OHS system include:

- Line management responsibility
- Consultation with staff
- Risk assessments
- Development of risk management strategies, policies, procedures
- Use of "OHS Risk Management Cover Sheets"
- Checklists for Staff
- Training
- Ongoing Monitoring and Review

Council has made line management largely responsible for OH&S matters. While there is significant merit in this approach (line managers are generally best placed, in consultation with their teams, to identify and respond to hazards) it gives rise to risks that need to be managed, especially given the critical nature of the function. For example, OH&S matters have to compete for the time with a whole range of other pressing matters line managers have to deal with. There is a real risk of one or more line managers not having or allocating sufficient time to deal with OH&S issues.

One way in which council manages risk is to provide managers with a monthly “OHS Focus” flyer. The flyer raises an OH&S issue, shows managers how to find the resources to help advise and coach their staff and reinforces organisation wide policies and procedures. It appears to be an efficient and effective way of maintaining a focus on OH&S, achieving consistency across the organisation and involving staff.

Council is aware of the need to have Material Safety Data Sheets (MSDS). However, there appears to be a relatively low number of sheets (nine) recorded in Dataworks. Council should review its procedures and records, to ensure that it has and maintains a MSDS for all hazardous materials used/stored by council.

Council must ensure it has a range of systems that which facilitate the accountability and which support line managers and OH&S committee members in carrying out their responsibilities and of line managers. The aforementioned list of elements and the example of the monthly flyer indicates that council has identified a sound foundation upon which build a safe workplace. However there appears to be scope to enhance accountability mechanisms.

Council should review and standardise reporting arrangements to ensure that line managers are required to document and regularly report on the application of council’s OH&S system in their work area. It is not enough to have a system; there must be an efficient and effective means of ensuring that it is being used and that it is working. (Recommendation 32)

A senior manager or managers should review the OH&S committee’s minutes and ensure that all issues raised are reviewed and actioned where necessary by the

relevant line manager. The referral of the minutes and the managers' signoff should be recorded.

Senior management, including the general manager should regularly receive or access a report on OH&S performance. In turn, they should take action where key elements of the system are not being acted upon and acknowledge those managers who are achieving good outcomes. Particular attention should be given to ensuring that managers are being pro-active in their approach to risk assessment, that staff are being consulted on OH&S matters and that prompt action is being taken when risks are identified or incidents occur. (Recommendation 33)

The review noted that the council completes a StateCover OHS Survey each year and will be reviewing its entire safety program. (MosMatters June 2005). The OHS Audit process should provide the ideal opportunity to consider the OHS matters raised in this report.

Employee Communication

It is important that organisations have effective means of communication with staff. Effective communication systems will typically use a range of channels to disseminate information.

The majority of council has ready access to council's email/Dataworks system, which can therefore be used to disseminate information in a quick and efficient matter.

MosMatters is a monthly newsletter that council issues to all staff; the June edition was easy to read and included information on IT training, complaint handling, social activities, the review process, staff movements and OH&S. As such, it appears to be a very worthwhile use of resources.

Council's consultative committee appears to be meet on a regular basis and the council has an annual report back day that gives staff the opportunity to detail their achievements for the previous year.

Council conducts an EEO Survey and Ethical Practices survey to obtain the views of staff. The use of surveys to gather information from staff on sensitive issues can be an effective approach and is to be commended.

Council provides new staff with a Staff Orientation Manual. The manual covers a wide range of topics that are likely to be of relevance to new employees. Although the manual appears to have been reviewed in 2004, it requires updating to remove references to previous Awards that are no longer applicable. Consideration should be given to updating other references. For example, the section on Staff Development and Training refers to 1995/96 training statistics. (Recommendation 34)

Consultative Committee

The Local Government State Award requires councils to establish, and properly maintain, a consultative committee, which meets regularly. As indicated previously council does have a consultative committee that appears to be meet on a regular basis.

The Award also prescribes that the size and composition of the consultative committee shall be representative of council's workforce and agreed to by council and the local representatives from the following unions. The review team noted that Mosman's committee's constitution provides for a councillor to be a member of the committee. This is not appropriate given the delineation between the role of the elected council and the general manager in relation to staffing matters.

The Award requires consultative committees to adopt a constitution which shall include, but not be limited to, the election of a chairperson and secretary, meeting frequency, support services, access to information and communication with constituents. The current constitution appears to have been adopted sometime ago and clearly requires updating so that it reflects current Award requirements. For example, the current constitution is generally silent on communication with constituents. Council should review and update the consultative committee constitution. (Recommendation 35)

Employee remuneration

It is apparent that council has to compete for staff with the private sector, other councils and other government agencies. The impact of this competition is likely to be more significant where skills are in short supply. Given this, there will be occasions where council has to offer an above award salary to attract and/or retain employees.

Currently council appears to deal with such situations in an ad hoc fashion. Council should consider seeking advice from a remuneration specialist if the situation is one that arises frequently, either in relation to a particular occupation or more generally. Such a specialist should be in a position to provide council with relevant market data on which to base its decision. Alternatively, as a minimum, the reasons for any salary determination should be documented and supported by relevant evidence to justify the salary offered. (Recommendation 36)

It has been sometime since council implemented its current system to grade its positions. Council's *Staff Manual* still refers to a draft salary system that was "presented in April 1996". The Local Government (State) Award 2004 requires that council have a salary system that determines how employees are paid and requires that an "employee shall be paid the salary system rate of pay that recognises the skills the employee is required to apply on the job".

The review did not assess whether the council's salary system complies with the Award requirements. It is recommended that council conduct an internal review to determine whether its salary system complies with current Award requirements. (Recommendation 37)

The review did not establish whether the salary system has sufficient internal controls to ensure that current grading of positions is accurate. It is likely that the grading of some positions may no longer be accurate if they were graded several years ago. This is so because roles and incumbents invariably change over time. Inconsistencies can also arise over time due to evaluations being undertaken by various individuals.

It is recommended that council select a cross section of its positions and have them evaluated (ideally by the same person/team). The results of these evaluations should then be compared to actual grades of incumbents. It is important that council undertake this exercise to demonstrate the integrity of its system to its staff and also to ensure that it does not face unexpected claims for arrears from staff whose roles have been ungraded. (Recommendation 38)

Council has some manager positions below senior staff that have not been graded. Although the salary payable for these positions is likely to be heavily influenced by market, it is important that they be graded fast a matter of due process and to provide a starting point for determining the appropriate salary level. (Recommendation 39)

Council's *Staff Orientation Manual* (Section 3) states that standard hours of work are 144 hours per four weeks, for Civic Centre staff. The relevant *Enterprise Agreement* states that from 1997, the ordinary hours of work shall be 148 hours per 4-week period. The manual also refers to the Local Government (State) Award May 1995. This Award has been replaced. All references to the Award should refer to the Local Government (State) Award 2004.

Equal employment opportunity

The Act requires councils to prepare and implement an EEO management plan. Mosman has a plan in place. The draft plan for 2005/2008 was on exhibition during the review period. The draft shows evidence the previous plan has been reviewed.

As noted earlier, council conducts an EEO Survey in order to inform its planning process. This is commendable.

The is scope for council to improve its plan and related reporting, by the setting of goals and targets that specifically relate to the objects outlined in section 344 of the Act. Relevant data could be obtained from a range of sources including the survey, grievances, the aforementioned HRIS and the recruitment process. (Recommendation 40)

7. COUNCIL'S RESPONSE

By letter dated 11 October 2005, the General Manager advised the Director General of council's response to the draft report. He advised as follows:

Dear Mr Payne

Receipt is acknowledged of your letter of 22 September enclosing for review a confidential draft of your Local Government Reform Program – Promoting Better Practice report on Mosman.

I apologise for the slow response to your request but two employees who participated in the on site interview process have been absent on annual leave and I considered it important to allow comment/input from them as we have treated the review at Mosman as a team effort.

In our view the draft review report is a fair representation of what we consider to be a most refreshing exercise. While many of the recommendations are of an operational nature there is no doubt that 'fresh professional eyes' will add value to the way Mosman is managed.

Messrs Murphy and Riordan came to Mosman having had made available to them considerable checklist material and they were obviously well briefed and targeted in the time spent here.

Following formal issue of the report it will be presented to Council and a strategy developed to address all recommendations. As I will be on extended leave the Director Community Development, Kay Clarke, will have carriage of the matter.

Yours faithfully,



(V H R May)
GENERAL MANAGER

8. SUMMARY- WHAT'S WORKING WELL & CHALLENGES

COUNCIL'S PRIORITIES AND FOCUS

What is working well

- Council has recently developed a long term strategic plan to guide its efforts over the next 15 years
- Council has a sophisticated and highly integrated management plan, Mosplan, to direct its efforts at an operational level.
- Council appears to work effectively with other councils in the region.

Challenges to improve

- Council should ensure that Future Mosman, its strategic plan, has greater regard to external factors impacting on council's future.
- Council should review and modify Mosplan, both to ensure it is fully integrated with Future Mosman and to ensure that there is a common approach to the structure, intent and content of the plan.
- Councillors need to demonstrate a greater understanding of their role, and should be provided with further guidance on their statutory roles and responsibilities.
- While council has some understanding of the issues of ageing and their impact on council's operations, there is a need for council to develop specific long term strategies to deal with the impact of ageing on Mosman.

GOVERNANCE

What is working well

- Council has a highly developed governance framework, and a clear and strong commitment to ethical practice. Council acts on guidance from relevant oversight agencies.
- Council has a statement of business ethics.
- Council has an up to date code of conduct, and has provided training for councillors and staff.
- Council has a detailed and well structured induction program for councillors.

Challenges to improve

- Some councillors have not attended code of conduct training, and council should take steps to ensure that all such councillors are trained in the provisions of the code.
- Council should provide further guidance to councillors on the pecuniary interest provisions.
- Council should develop service standards to assist it to meet customer expectations and monitor its customer service performance.
- Council should provide more attractive and appropriate reporting arrangements in its internal reporting policy for protected disclosures.
- Council should establish an internal audit function, and develop a comprehensive risk management plan to assist it to manage all relevant risks to council performing its functions.

REGULATORY

What is working well

- Council is acting to review its local environmental plan.
- Council is improving its turnaround time for development applications, and has made good progress in reducing its planning related legal costs.
- Council has a clear and well presented state of the environment report, and provides a high standard of information to the community on its work under the Community Environment Contract.
- Council has some positive proactive strategies for enforcement of planning controls and other environmental requirements in the council area.
- Council adopts good practice in the management of its responsibilities under the Companion Animals Act.

Challenges to improve

- Council should ensure that community services staff are actively involved in the oversight and the actual development of its new local environmental plan.
- Council should establish an independent hearing and assessment panel to assist it to deal with large and more contentious development applications.
- Council should put its enforcement policy on the council website, and should verify that this policy is being used by all relevant staff at council involved in regulatory enforcement.

ASSET AND FINANCIAL MANAGEMENT

What is working well

- Compliance with statutory reporting requirements
- Reporting on the Community Environmental Contract is of a high standard
- Gathering of data on the condition of assets is reportedly well advanced
- Need for a total asset management system identified and purchase of software imminent
- Aggregation and targeting of resources for capital purchases
- Current approach to contract management appears to be reflective of experience gained from earlier contracts

Challenges to improve

- Accuracy of budget projections
- Ensure total asset management system is implemented in a timely manner
- Use of TAMS to guide the allocation of resources.
- Increase councillor involvement in budget/planning process
- Adopt standard contract conditions
- Monitor unrestricted cash ratio to ensure that council maintains its capacity to meet its short-term obligations

COMMUNITY, COMMUNICATION AND CONSULTATION

What is working well

- Access to information is generous under the council's access to information policy.
- Council's community consultation methodologies are mature and widely used to ensure community input into key council issues is maximised.
- Community services provision is well resourced and varied. Council offers a range of highly valued community service programs.
- Council makes excellent use of volunteers to support the provision of both community services and environmental programs.
- Council has a good social and community plan.

Challenges to improve

- The council website should be enhanced with additional information and facilities, including on line rates payments and better complaints and request for service facilities.
- Council needs to conduct a further community attitudes survey in the next 18 months.
- A summary booklet on the social and community plan would assist in promoting the plan.
- Volunteers should be required to sign up to a broader statement of rights and responsibilities that includes relevant provisions based on council's code of conduct.

WORKPLACE RELATIONS

What is working well

- Composition of workforce is less complex than other councils due to the outsourcing the majority of council's outdoor workforce, with resulting reductions in workers compensation costs and freeing up of management from the task of managing a larger and more diverse workforce.
- Approach to recruitment and selection is well documented and focuses on achievement of appointment on merit.

Challenges to improve

- Council human resource information system lacks sophistication.
- Council must ensure that any OH&S hazards/incidents are investigated and addressed in a timely fashion. Council's system for recording follow up action indicates that some matters have not been resolved within a reasonable period.
- Council should improve the accessibility and awareness of human resources policies and procedures.
- Council should prepare a long-term workforce plan.
- Council should ensure all salary decisions based on performance or market factors are fully documented
- Council should review its current salary arrangements including its salary system to determine whether they comply with the requirements of the Local Government (State) Award 2004.
- The reliability of council's grading system should be verified. All positions other than senior staff should be graded.
- Council's EEO management plan and related reporting should incorporate explicit goals and targets having regard to the objects outlined in section 344 of the LG Act.