

## Comments on 'Integrated Planning and Reporting for NSW Local Councils'

This is a valuable paper that correctly highlights the central challenge facing NSW local government over coming decades – namely to anticipate and respond effectively to changes in the physical, economic and social environment in a way that will provide responsible local governance and maintain and enhance community wellbeing. It also correctly asserts that changes to the current planning and reporting framework are essential if this challenge is to be met, and that a more strategic approach is essential. However, whilst the paper identifies the range of variables that need to be taken into account in devising a better system, and goes a long way towards framing such a system, both the options for change (2 and 3) fall short of what is required for a fully effective response to the issues raised.

Eight areas in particular need further consideration:

- How best to promote effective strategic planning
- The future of State of Environment reporting
- Community consultation
- The place of strategic planning in the State-local relationship and the need for improvements to that relationship in general
- The resources available to local government
- The respective roles and responsibilities of elected members and management
- Accountability and auditing
- Skills shortages and training needs.

### Promoting effective strategic planning

A more effective framework can be achieved under either Option 2 or Option 3. The **first step** is that there be an explicit and clearly defined requirement for each council to have in place a long term strategic plan (or plans), appropriate to its local circumstances, that adopts a 'quadruple bottom line' framework and includes long term plans for financial and asset management. This could be a single over-arching document (which seems to be preferred under Option 3), or a cluster of inter-related documents (which could be a modified version of Option 2).

The **second step** is to ensure that strategic plans are soundly based and that implementation is monitored effectively and adjustments made as required. The danger is that councils will adopt the 'weekend workshop' approach to strategic planning, on the assumption that between them councillors and management know what is required. Even if this is accompanied by community consultation, plans prepared this way will usually not be based on adequate, impartial

background research and it is likely that key issues and trends will be missed. Option 3 clearly envisages something much more thorough and this will need to be underpinned by regulation. Retaining a modified form of State of Environment report as both an information resource and monitoring tool is also considered essential (see below).

Similarly, strategic plans must be more than just wish-lists or motherhood statements. As the paper points out (p12) they need to be linked to long term financial plans and be framed in such a way that they flow directly into Management Plans/Delivery Programs. It may also be necessary to mandate rigorous guidelines on process and content that can be used to give the proposed mentoring arrangements some teeth. Experience at all levels of government shows there is a real risk that substantial resources could be wasted producing largely meaningless strategies. The paper does not indicate what is expected to happen after a mentoring team has reviewed a council's plan (see p15). Presumably it would report back to the council and the local community, but there may be a need for some form of intervention if reasonable recommendations are rejected, and a report to the Minister on financial aspects (see below under Resourcing).

The **third step** is to upgrade the Management Plan. This can also be achieved under either Option 2 or Option 3. Essential elements here are:

- Deriving the Management Plan/Delivery Program from the strategic plan or plans, and positioning it as the central, coordinating management document from which cascade budgets and operational plans, as proposed under Option 3
- Linking the Management Plan/Delivery Program to the term of each council – and making it an explicit set of commitments by that council
- Thorough community consultation in the preparation of the 4-year Management Plan/Delivery Program (see below)
- Effective political leadership in the preparation *and implementation* of the Management Plan/Delivery Program – especially by the Mayor (see below)
- A strengthened accountability/audit framework to review implementation, again involving political leadership (see below).

Very clear and firm guidelines will be required to position and use the Management Plan/Delivery program in this way. Experience since 1993 suggests that relatively few councils – and indeed relatively few General Managers – have recognized the role that Management Plans can and should play, and that most have lacked the understanding, skills, capacity and will to use this mechanism effectively. The current advisory guidelines have been widely ignored and future guidelines need regulatory status, as in the case of those for Social Plans.

### **State of Environment reporting**

The paper suggests that SoE reporting can be subsumed into a more generalized reporting regime, linked in part to the work of CMAs. It is appreciated that this approach has been suggested in a genuine attempt to streamline reporting requirements. However, it is unfortunate that SoE reports, which are potentially one of the most rigorous and valuable forms of monitoring and reporting, have been targeted for removal.

As the paper indicates, it is important to build on the work of leading practice councils. Several have adopted a modified form of SoE reporting to prepare a regular triple or quadruple bottom line 'State of the LGA' report that monitors progress in implementing broad-based strategic plans and provides essential data to support revision of such plans. This is surely best practice that complements the strategic planning model proposed by the Department. It also maintains the valuable community profiling element of the current requirements for Social Plans.

Without an explicit requirement for 'State of the LGA' reporting it is unlikely that many councils will continue to collect on a regular basis the broad range of data required to monitor progress in implementing strategic plans and, importantly, to inform preparation of new or revised plans. This need for information goes well beyond improved asset management systems and community consultation (as suggested on p6) – although both are critical. It is also much wider than the kind of information required by CMAs.

There will also be a loss of accountability to the community and other stakeholders. As the paper itself infers, monitoring and reporting that is limited to key indicators based on an existing plan is inadequate: changes in the operating environment beyond the scope of those indicators will be missed unless a broader monitoring process is in place. (Hence the requirement for demographic profiling in the current social planning guidelines.)

To ensure an effective framework, but at the same time streamline reporting, the current SoE requirement should be replaced by a 4-yearly 'State of the LGA' report to be prepared at the end of each council's term and published together with the previous year's annual report (or as an extension of that report) in the November after the election. It would thus play no part in the election campaign, but would be available to the incoming council *and the community* as background information for any necessary revisions to the strategic plan and preparation of the next Management Plan/Delivery Program.

## **Community consultation**

The paper highlights the importance of effective community consultation in preparation of the strategic plan, but is less clear with respect to the Management Plan/Delivery Program and the Operational Plan.

The 4-yearly update of the strategic plan and preparation of the Management Plan/Delivery Program need to be accompanied by substantial community consultation. Irrespective of whether or not there are to be significant adjustments to the strategic plan, preparation of the Management Plan/Delivery Program will involve interpreting the longer term strategies and will also be the first opportunity for the new Mayor and councillors to obtain considered community input on key issues and priorities. Also, as the paper indicates, the Management Plan/Delivery Program will contain 4-year budget, and hence rating, estimates.

A 'State of the LGA' report would be an invaluable starting point for consultation.

With respect to annual operational plans, it would not be unreasonable in the interests of streamlined administration to remove the consultation/exhibition requirements altogether, *unless* it is proposed to make a significant variation to the targets, budget or rating schedule adopted in the Management Plan/Delivery Program. This would be an incentive to avoid unwarranted departures from the 4-year program, and would also reduce the political pressure to make unrealistic budget changes and keep rates artificially low – or, conversely, to agree to ill-considered and unaffordable new commitments.

Community consultation skills need to improve, particularly amongst elected members so that they can play a greater leadership role (see below). However, it is doubtful whether the guidelines proposed on p12 are required: there is a vast amount of material already available and what is really needed is targeted training for key personnel and councillors in the selection and use of techniques appropriate to their circumstances.

### **State-local relationship**

Requirements for expanded and upgraded strategic planning in local government will inevitably highlight issues in the State-local relationship. Experience with social plans indicates that lack of recognition and responsiveness to those plans by State agencies is a major source of concern to local government. This does not bode well for the paper's proposal that council strategic plans deliberately canvass issues beyond the scope of local government and be used as a basis for influencing and working with others. As the paper points out, current arrangements for regional cooperation between State and local government are limited in their effectiveness. Whilst the State Plan makes some reference to local government, it does not propose stronger mechanisms for effective liaison and a coordinated effort.

Strategic planning must be a two-way street. This was made clear in the South Australian planning review conducted in the early 1990s, which saw local strategies as a basis for discussion and negotiation between local and State government on issues such as development and infrastructure. Similar lessons have emerged from regional planning for South East Queensland and Tasmania's partnership agreements.

Unless local government strategies are going to be taken seriously by State agencies, it may be better that they be confined to councils' own areas of competence.

### **Resourcing local government**

There is now no doubt that local government across most of NSW is seriously under-resourced relative to the role it is expected to play. Either that role has to be dramatically reduced or revenue must increase well above the rate of inflation for probably a decade or more. The latter is already occurring in other States.

Better strategic and corporate planning will highlight this issue, including the precarious underlying financial position of many smaller councils. It may also identify opportunities for efficiencies and resource-sharing, but in most cases it is unlikely that these will go far enough.

A clear framework needs to be put in place for an effective linkage between council strategies and rating. It may well be necessary for long term financial strategies to be specifically approved by the Minister with a matching long term commitment to the level of rating required. Financial strategies should include an examination of the scope for efficiencies as well as the potential benefits of resource-sharing and amalgamation – other things being equal, the latter will probably generate larger savings than resource-sharing/strategic alliances. Mentoring teams could report to the Minister on this aspect.

**Unless an agreed approach to the resourcing issue is established up-front, the proposed strategic and corporate planning process could become largely meaningless.**

### **Roles of elected members and management**

To address the challenges it faces, local government needs much better strategic leadership. A problem with the current legislation is that it is too managerialist and fails to make elected members – and particularly Mayors – *responsible* for effective leadership and consistent application of the policies they have adopted. The result has been tension between elected members and senior management, some General Managers exceeding their brief, often weak Mayors who avoid the responsibility of leadership altogether, General Managers failing to provide councillors with a full range of clearly articulated policy options, and unthinking adoption of policies on the unspoken assumption they can be changed at any time.

Experience shows that strategic planning cannot succeed in this sort of environment. There must be mutual respect and confidence between elected members and senior management, based on a clear understanding of respective roles. It also needs to be understood that strategic planning is an essentially *political* task – it is about making choices for the future of the community, and ultimately the community looks to its elected representatives to make those decisions and holds them accountable.

The role of elected members in strategic planning needs to be expanded significantly – and taken well beyond discussing and fine-tuning (or simply rubber-stamping) draft plans prepared by management. The following approach needs to be considered:

- Increased involvement of elected members (and especially the Mayor) in community consultation: research being conducted by the Centre indicates that many councillors believe community consultation is used by management to bypass them.
- An explicit role for the Mayor (and senior councillors in larger councils) to work with management in preparing draft strategic plans and Management plans/Delivery Programs, and to accept responsibility for their contents and present them to council and the community.
- A similarly explicit role in the reporting, monitoring and evaluation process, including Mayoral responsibility for the Annual Report.

In addition, the Act should be amended along the lines adopted in Tasmania, making the Mayor and councillors responsible for upholding the adopted policies of council.

To match their additional responsibilities, Mayors (and perhaps in some cases one or two senior councillors) should receive substantially increased remuneration, even to the point of being paid full-time, as in Queensland. However, this would be contingent on appropriate training (see below).

## **Accountability and auditing**

To promote improved outcomes, strategic planning must be matched by enhanced accountability for performance to local communities and other key stakeholders. As the paper indicates, this requires a more rigorous - albeit streamlined – reporting framework. However, the paper does not explore the issue of auditing.

The current arrangements in NSW have two major deficiencies:

- The approach to auditing is fragmented, with each council contracting its own and to some extent at least determining the extent of the annual audit
- There is no requirement for performance auditing, meaning that assertions about progress made in achieving the objectives of plans go unchallenged.

Some States already require that all councils be audited by (or under the aegis of) the Auditor General. This is also widespread practice internationally. Adopting this approach would ensure common standards and also facilitate a composite report to Parliament each year on the state of local government and issues needing to be addressed. It would also contribute to improved comparative data and, if required, the identification of benchmarks.

Extending the audit to measuring performance against objectives and targets is essential for rigorous strategic and corporate planning. This is the approach taken in Victoria and it should be part of the new framework in NSW. An independent assessment of progress would enable councillors to better fulfill their responsibilities as the ‘board of directors’, and also ensure that the community is adequately informed on the successes and failures of councils.

More rigorous auditing would also make annual reports far more valuable documents: currently many are far too generalized and vague on the central issue of performance. Annual reports should focus specifically on the detailed targets set out in the Management Plan/Delivery Program, whereas (contrary to the proposal on p16) progress achieving the necessarily broader and less specific objectives in the strategic plan should be a matter for the ‘State of the LGA’ report. As a general rule, significant longer term outcomes or changes in the operating environment are unlikely to be measurable year-to-year.

## **Skills shortages and training needs**

In the Centre's experience, skills for effective strategic and corporate planning are in short supply across nearly all councils. The problem varies from an absolute shortage of trained personnel to limited awareness and understanding of what is really required. Understanding and skills need to be upgraded amongst both staff (and especially senior management including General Managers) and elected members (especially Mayors).

It will be important that the new strategic and corporate planning framework is implemented primarily in-house and tailored to local circumstances and needs. There is a danger that some or many councils will seek to make use of standardized consultancy packages that may point to more-or-less preconceived approaches.

Extensive training programs are likely to be required for elected members and managers. To a large extent these can be part of established professional development programs such as those run for councillors by LGSA and by professional institutes. Graduate programs such as the Centre's Graduate Diploma in Local Government management can also be amended and upgraded as required.

However, at the core of effective strategic and corporate planning is the issue of strategic leadership, and in particular cooperation between the Mayor and General Manager in delivering such leadership. The Centre believes that a specialist program is needed to upgrade skills in this area, and that it should be a program of some weight, offered at arms length from LGSA and professional institutes. We are developing a proposal to that end.