MORNINGTON SHIRE COUNCIL

MORNINGTON SHIRE COUNCIL
Customer Service Standards 2017-2022
RESOLUTION NO. VERSION V1

CUSTOMER SERVICE
STANDARDS 2017 - 2022

1. PURPOSE

To deliver quality and reliable water, wastewater and waste services that meet the needs of our community

2. DATE OF STANDARDS

These standards will commence from 1st July 2019- 30 June 2022. It replaces all other MSC Customer Service Standards (whether written or not).

3. APPLICATION OF THE STANDARDS

This policy applies to all residents, businesses and individuals living within the township of Gununa.

4. VARIATIONS

MSC reserves the right to vary, replace or terminate this standard from time to time.

5. OVERVIEW

Water and Waste: Mornington Shire Council

Overview

- Supplying safe, reliable drinking water to consumers
- Collection and treatment of domestic wastewater
- Planning for and delivering water, wastewater and waste infrastructure
- Maintenance of the community's water, wastewater and waste infrastructure
- Environmental management of water, wastewater and waste infrastructure and facilities

6. OUR VISION

To be the lead water and waste service provider in a tropical environment.

Our Objectives

Industry Leader, Community Leader

Recognised as the leader in waste and water services.

Building Relationships, Building Capability We value sharing knowledge and ideas

Right People, Right Culture

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Our people are our greatest asset

Efficient Processes, Effective Results

We deliver value to the community

Our Mission

To deliver quality and reliable water, wastewater and waste services that meet the needs of our community.

In all undertakings Water and Waste strives to achieve service provision to the community in a manner which maximises both Mornington Shire Council and community ideals; This is achieved through economic, social and environmental objectives being assessed in all stages of Water and Waste' operations from long term planning through to operational delivery.

Purpose of Customer Service Standards (CSS)

The Customer Service Standards are intended to protect customers of a service provider who do not have contracts with that provider, by ensuring they are adequately informed as to the service they are receiving, the level of service they can expect to experience, and how they interact with the provider.

These Customer Service Standards are effective once approval from the Department of Energy and Water Supply is received and can only be varied upon submission to the Regulator.

Council's Obligations

The Water Supply (Safety and Reliability) Act 2008 requires Mornington Shire Council to implement measures to ensure the continuity of services. Mornington Shire Council is required to quantify these measures and supply a copy to its customers.

The Customer Service Standards aim to provide details on the following:

- The level of service expected for delivery of water, wastewater and waste services

- The expectations we have for our customers

- Processes for establishing new services, customer consultation, lodging complaints and dispute resolutions

These Customer Service Standards also take into account provisions outline in the Local Government Act 2009, the information Privacy Act 2009, AS 3500, Sustainable Planning Act 2009, Plumbing and Drainage Act 2002, AS 3565 and the Water Supply (Safety & Reliability) Act 2008.

This Customer Service Standard does not apply during periods of declared natural disasters, including cyclones until as soon as practicable after the affected normal services have been restored.

Expectations and responsibilities of Our Customers

Mornington Shire Council's Water and waste Department experts our customers to assist us in providing services by

- Applying to Water and Waste, and receiving approval before connecting to Mornington Shire Council Water and Waste System

- Using water in a water wise manner, adhering to permanent water conservation measures, water times.

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- Engaging a licensed plumber to do work internally within the property
- Not building structures over water or sewer mains and selecting garden vegetation that won't damage water supply and sewerage infrastructure;
- Manholes should not be covered or obstructed by soil, mulch, retaining walls, vehicles or anything else that would inhibit access by Mornington Shire Council;
- If a manhole is obstructed and Water and Waste need to gain access, any obstructions will be removed and the owner notified (where possible consultation with the owner will occur to plan the works);

- Notifying us of any faults that they have encountered so that Mornington Shire Council can rectify problems as soon as possible;
- Preventing the discharge of stormwater into the wastewater network;
- Taking care not to discharge prohibited substances into sewers
- Notifying us of any faults that they have encountered so that Mornington Shire Council can rectify problems as soon as possible;
- Preventing the discharge of stormwater into the wastewater network;

- Notifying Mornington Shire Council's Customer Service Centre of any missed waste/recycling collection services to be collected within 24 hours;
- Positioning bins at kerbside for collection according to advice provided by Water and Waste;
- Placing waste bins on the kerbside of the road on correct collection day
- Placing waste bins on the kerbside of the road on correct collection day;

7. **NEW SERVICES**

If customers wish to apply for a water or sewage connection or kerbside waste collection within the serviced area, they will need to submit application forms together with appropriate fees to Water and Waste. State Government legislation provides time frames for processing these applications. The application forms are available from the Mornington Shire Council Office.

7.1. New Water Supply and Wastewater Connections

7.1.1 Minimum water pressure

Minimum water pressure supplied to the customer shall be 220kPa at the water meter/property boundary

7.2 Wastewater Connections

Please note that, under current Mornington Shire Council policy, if a reticulate sewerage system is available for the property, the property owner is required to connect to the system.

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8.   **EXISTING SERVICES**

8.1. Service Alterations

Service alterations can be requested in writing by the customer. Operations staff will inspect the site and proposed alterations, and if changes are possible, will provide a quote for alteration works to the customer.

8.2. Disconnection of Water Services

If a customer no longer requires a water supply they may apply in writing to Mornington Shire Council for disconnection.

8.3   Disconnection of Wastewater Services

If a customer no longer requires a water supply they may apply in writing to Mornington Shire Council for disconnection, together with appropriate fees .

8.4   Reconnection of Water or Wastewater Services

If customers wish to reconnect water or sewerage services, customers will be required to apply for such and be required to pay a fee to cover the reconnection service. Customer's services can be reconnected by a licensed plumber/drainer with the design and inspection of the works undertaken by a Water and Waste Plumbing Inspector. (Please note that an additional fee is levied for this service).

8.5   Repair to Service

If customers have waste bins that are in need of repair this can be arranged free of charge by calling the Mornington Shire Council .

8.6. Damage to Infrastructure and Works and Repairs

Section 192 of the Water Supply Safety and Reliability Act 2008 lists what is defined as interfering with service provider's infrastructure and details the following associated penalties.

 A person must not, without the written consent of a service provider, interfere with a service provider's infrastructure.

Maximum penalty—1000 penalty units.

(2) A person must not, without the written consent of a service provider, build over, interfere with access to, increase or reduce the cover over, or change the surface of land in a way causing ponding of water over an access chamber for a service provider's infrastructure.

Maximum penalty—500 penalty units.

(3) However, despite subsections (1) and (2), a person does not require the written consent of the service provider if the person carries out building work for a building or structure on a lot that contains, or is adjacent to a lot that contains, a sewer or water main of the service provider.

Maximum penalty—1000 penalty units.

(4) A person must not, without the written consent of a service provider, build over, interfere with access to, increase or reduce the cover over, or change the surface of land in a way causing ponding of water over an access chamber for a service provider's infrastructure.

Maximum penalty—500 penalty units.

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9.   **ODOUR COMPLAINTS**

. Water and Waste will attend the site of the odour complaint, investigate possible causes and notify the customer of any findings of the investigation.

9.1   . Sewer main infrastructure within a body corporate

Where a sewer main passes through a gated community to service properties beyond the boundary of the community, Water and Waste will maintain the trunk infrastructure within the area.

9.2   Private sewer pump stations

Within a gated community, the private pump station and associated maintenance is the responsibility of the body corporate.

In instances of overflow that are not being addressed, Water and Waste will notify Environmental Health Protection as a duty of care. If Water and Waste are called to site by a customer within the Body Corporate and they attend site, they will assist the customer to ensure the site is safe and notify them of the issues found during the investigation to notify the Body Corporate for repair and action. Recovery of cost is at the discretion of Water and Waste.

9.3 Water main break causing property inundation

Any damage caused by a water main break is to be documented by the owner/occupier .

Water and Waste will assist with clean-up to a point where the area is no longer a safety risk.

If the premises are uninhabitable and residents do not have alternative accommodation, Water and Waste may assist with accommodation for 24hrs.

9.4   Water quality Complaint

Water and Waste log water quality complaints in the Corporate Request Management system (CRM). These complaints are provided to the appropriate operational staff member for actioning. This may include flushing of water mains or assistance with a more detailed investigation of the customer's internal plumbing.

9.5   . Repair broken water meter

Where the water meter is accidently damaged, the customer is advised to contact Mornington Shire Council to notify Water and Waste. The water meter may be repaired at Mornington Shire Council's cost. However, if repeat incidents occur, Water and Waste shall pursue charging the property owner to recover the costs for the works conducted.

9.6   Illegal standpipe use

When a private standpipe/illegal connection is identified by Water and Waste staff, the illegal connection in question will be confiscated and destroyed. Details will be provided by Mornington Shire Council employees to the person in question regarding application to council for a metered standpipe or applying for a connection.

9.7   Access road maintenance to infrastructure

Where specific access road maintenance requirements are included in easement documents, Water and Waste will honour these specifications. Where there are no specifics, Water and Waste will maintain access roads to infrastructure to a 4wd standard and will maintain drainage to ensure adequate flows during a rain event.

9.8   Customer pavement reinstatement

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Where works conducted by Water and Waste damage a private driveway or pavement over Mornington Shire Council's verge, repair and replacement of the driveway will be undertaken by Water and Waste where possible. Often due to supplier/product changes, direct matches to existing driveways may not be able to be provided and a suitable alternative will be negotiated.

9.9   Reinstatement after works

Where works conducted by Water and Waste damage an area, Mornington Shire Council will reinstate the area to a safe standard. This will be a like for like reinstatement and where turf is required council shall provide a council selected turf. Where the reinstated area is on a Council verge a maximum of two watering events within the first week to assist turf growth shall be undertaken by Council. Any further turf care shall be the discretion and cost of the owner. Where there is an erosion or environmental risk, turf may have to be used. Water and Waste will return to site after some time to ensure any natural settling is backfilled also.

9.10 .   Customer Consultation

Water and Waste will inform customers on matters relating to water supply, sewerage and waste services and complaints handling. Customer communication may include distribution of published brochures, local media bulletins to advise customers of any system change that may have a significant effect on local service levels (e.g. water restrictions) or other options as appropriate.

Water and Waste places a high level of importance on engaging with the community. One of Mornington Shire Council's commitments is to "Keep the community well informed about decisions made in Council" and to engage and consult following the International Association for Public Participation Standard - IAP2 Spectrum of Public Participation.

9.11   Entry to Private Property

In certain circumstances, representatives of Water and Waste may need to enter a customer's property to carry out investigations and/or work on the water supply and sewerage transportation systems. To limit any inconvenience, Water and Waste will attempt to carry out this work during business hours or at other times convenient to commercial customers, except in emergencies.

For planned work within a property, Water and Waste will provide customers with a minimum of 48 hours advance notice. In an emergency, Water and Waste will inform the occupier, if present, of the repairs to be undertaken and the anticipated duration of the work. Water and Waste will also Endeavor to inform customers when the work is complete.

Entry to private property will be in accordance with delegations against:

- Local Government Act 2009
- Water Supply [Safety and Reliability] Act 2008

All representatives of Water and Wastewater will be readily identifiable from their staff identification badge and or documentation.

9.12   Guiding Principles for Engaging the Community

The Mornington Shire Council encourages individuals, groups and communities to be involved in the business of Local Government. It recognises that residents across the region have diverse opinions, innovative ideas and a wealth of life experience and this information allows Mornington Shire Council to better understand issues and provide services that are tailored to community needs.

Mornington Shire Council will have regard to the following engagement principles, drawn from the State Government of Queensland's approach to community engagement:

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1. Mornington Shire Council will be inclusive and connect with those in the community who are hardest to reach;

2. Mornington Shire Council will Endeavor to find new ways to improve the ways in which the Council and the community work together, focusing on positive solutions and making a difference;

3. Mornington Shire Council will Endeavor to find new ways to improve the ways in which the Council and the community work together, focusing on positive solutions and making a difference;

4. Mornington Shire Council will listen, understand and act on experiences that may be diverse and different from the Council's reference points;

5. Mornington Shire Council will follow ethical principles of conduct, making engagement processes open and accountable, identifying together the rules of engagement and reporting on the outcomes; and

6. Mornington Shire Council processes will recognise the diverse range of values and interests present in the community.

9.13   Emergency Assistance

Mornington Shire Council maintains a 24-hour emergency contact service (0447 664 914) for emergency events related to service systems such as a burst water main or sewage overflows

10. OTHER SERVICES

10.1   Special Needs

10.1.1   Dialysis

If you are registered with Water and Waste as having a life-support machine requiring water, Water and Waste will Endeavor to advise of planned interruptions and emergency situations. l

10.1.2 . Infirm Services

Assistance is provided to residents who are physically incapable of placing their wheelie bins out for collection and have no able-bodied person living with them. A letter from a medical professional [Doctor] is required for this service.

11. PERFORMANCE TARGETS

The water supply and wastewater systems in the Gununa Region have been designed to provide you with water and wastewater services 24 hours a day, 7 days a week. However, under certain circumstances, such as those described below, we may need to interrupt or limit these services:

*   If we need to inspect, maintain, repair or replace any part of the system;

*   When new mains are being connected to the system;

*   When there are periods of declared water supply restrictions

*   If there is a possibility of a significant health risk arising from the continuance of the service.

     Water and Wastewater will provide 48 hours notice of interruption to your service by delivery of

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A written notice to each affected property. However, Water and Wastewater reserve the right to immediately stop the supply without notice if there is a serious risk to public health, a likelihood of serious injury to persons or damage to infrastructure or another emergence as detailed in the Water Supply (Safety and Reliability) Act 2008.

Water and Waste will make every reasonable effort to limit disruption to services caused by operations and maintenance activities. However, it is not possible to provide notice of service disruption caused by unplanned events. Where Water and Waste is unable to provide prior notice, completion of all work will be carried out as quickly and efficiently as possible to minimise disruption to the daily activities of the community.

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ACKNOWLEDGEMENT

I acknowledge:

- Receiving the MSC Policy;

- That I should comply with the policy; and

- That there may be disciplinary consequences if I fail to comply, which may result in the termination of my employment.

Your
Name:
_____

Signed:
_____

Date:
_____

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13   CORPORATE GOVERNANCE AND COMMUNICATIONS REPORTS

12.13 MORNINGTON SHIRE COUNCIL- ETHICAL RESEACH POLICY

Author: **Executive Manager of Corporate Governance and Communications**

Attachments: **1   Ethical Reseach Policy.docx**

PURPOSE (EXECUTIVE SUMMARY)

The purpose of this report is to table the Mornington Shire Council- Ethical Research Policy for Council review.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

At the informal December Council meeting, it was discussed during general business that Council wanted to ensure that any one or entity coming onto the island to conduct research, or that is researching any part of the Wellesley Islands group, consult and conduct research in a culturally and ethically appropriate manner.

In January of 2018, Council approved the Ethical Research Policy and is tabled today for councils review.

FINANCIAL & RESOURCE IMPLICATIONS

Nil

RECOMMENDATION

That Council note and receive this report.

Ethical Research Policy

Policy Name	Ethical Research Policy		
Type	Administrative Policy		
Owner	Chief Executive Officer		
Responsible Officer	Executive Manager Governance and Communication		
Decision Number	2018/12	Approval Date	17/01/2018

1 Purpose and Scope

The purpose of this policy is to provide a clear set of guidelines to be followed by individuals groups or organisations contemplating conducting research projects into any field associated with Australian indigenous peoples within Mornington Shire Council.

The policy is based on the belief that indigenous peoples have inherent rights, including self-determination. The principles in this policy are founded on respect for these rights, including rights to full and fair participation in any processes, projects and activities that impact on them, and the right to control and maintain culture and heritage.

2 Commencement of the Policy

This Policy will commence from 17.01.2018. It replaces all other Mornington Shire Council Ethical Research policies (whether written or not).

3 Application of the Policy

This policy applies to individuals, groups and/or organisations contemplating seeking permission from Mornington Shire Council to conduct academic or other research projects within the Council area.

4 Variations to the Policy

Mornington Shire Council reserves the right to vary, replace or terminate this policy from time to time.

5 Policy Guidelines

Prior to individuals groups or organisations who are contemplating conducting research projects into any field associated with Australian indigenous peoples within Mornington Shire gaining consent for such research projects, an application in writing addressing the following Ethical Research guidelines must be tabled with Council for consideration.

In preparation of this submission it must be acknowledged that it is essential that Indigenous people are full participants in research projects that concern them, share an understanding of the aims and methods of the research, and share the results of this work. At every stage, research with and about Indigenous peoples must be founded on a process of meaningful engagement and reciprocity between the researcher and Indigenous people. It should also be recognised that there is no sharp distinction between researchers and Indigenous people. Indigenous people are also researchers, and all participants must be regarded as equal partners in a research engagement.

These guidelines are based on the importance of trust, recognition and values. The guidelines move away from a sole reliance on the quasi-legal consideration of compliance with rules. They promote a more flexible approach that encourages research to reposition itself to incorporate alternative perspectives, and exercise nuanced judgement as to its ethical implications.

Ethical research requires not only the limiting of inappropriate behaviour, but also that researchers develop an awareness of the settings that may lead unintentionally to imprudent or untrustworthy behaviours.

These guidelines include recent changes to intellectual property laws, and rights in traditional knowledge and traditional cultural expressions, and the establishment of agreements and protocols between Indigenous people and researchers. These guidelines also take into account emerging developments in digitisation, and data and information management, and the very significant impacts this has on research and other aspects of Indigenous studies.

It is mandatory that these guidelines are followed for all research carried out within the area of Mornington Shire Council.

The Guidelines comprise 14 principles grouped under the broad categories of:

- rights, respect and recognition;
- negotiation, consultation, agreement and mutual understanding;
- participation, collaboration and partnership;
- benefits, outcomes and giving back;
- managing research: use, storage and access; and
- reporting and compliance.

6	**Rights, respect and recognition**

Principle 1 Recognition of the diversity and uniqueness of peoples, as well as of individuals, is essential.

Research in Indigenous studies must recognise the diversity of Indigenous peoples, including their different languages, cultures, histories and perspectives.

It is also important to recognise the diversity of individuals and groups within communities.

Applying the principle

Recognise the diversity of individual Indigenous groups and communities and the implications in planning, carrying out and reporting their research.

Recognise that Indigenous individuals or communities may have more pressing priorities, that may impinge on the research time frames.

When extrapolating from research, do not generalise from understandings of one Indigenous community to others or to all Indigenous peoples.

Do not apply stereotypes to communities and individuals.

Identify diversity within a community; for example, on the basis of gender, age, religion, family grouping and community interest.

Do not presume that the view of one group represents the collective view of the community.

Differentiate between individual, group and / or collective rights, responsibilities and ownership.

Undertake research only if it does not conflict with individuals' rights, wishes or freedom.

Respect individuals' rights to participate in research and in the disposal of research material.

Principle 2 The rights of Indigenous peoples to self-determination must be recognised.

Research projects must be conducted in accordance with the United Nations Declaration on the Rights of Indigenous Peoples, including principles of Indigenous peoples' rights to self-determination and to full participation (appropriate to their skills and experience) in developments that impact on their lives.

Applying the principle

Understand the meaning of self-determination in relation to Indigenous peoples and their rights to maintain, control, protect and develop their cultural heritage, including their traditional knowledge, traditional cultural expressions and intellectual property.

Article 3 of the Declaration on the Rights of Indigenous Peoples states, 'Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development' (UN 2007).

Principle 3 The rights of Indigenous peoples to their intangible heritage must be recognised.

Research projects should be conducted in accordance with the principle of Indigenous peoples' rights to maintain, control, protect and develop their intangible heritage, including their cultural heritage, traditional knowledge, traditional cultural expressions and intellectual property.

Applying the principle

Understand intangible heritage in terms of Indigenous peoples' definitions and perspectives.

Article 31 of the Declaration on the Rights of Indigenous Peoples states:

Indigenous peoples have the right to maintain, control, protect and develop their cultural heritage, traditional knowledge and traditional cultural expressions, as well as the manifestations of their sciences, technologies and cultures, including human and genetic resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, sports and traditional games and visual and performing arts (UN 2007).

Understand the relevant laws and policies for the protection and maintenance of Indigenous intangible heritage, and international standards such as *The Protection of Traditional Cultural Expressions/Expressions of Folklore: Revised objectives and principles* (WIPO 2006a) and The Protection of Traditional Knowledge: Revised objectives and principles (WIPO 2006b), as well as the UNESCO (2003) *Convention for the Safeguarding of the Intangible Cultural Heritage.*

Principle 4 Rights in the traditional knowledge and traditional cultural expressions of Indigenous peoples must be respected, protected and maintained.

Indigenous traditional knowledge and traditional cultural expressions are part of the heritage that exists in the cultural practices, resources and knowledge systems of Indigenous peoples and that are passed on by them in expressing their cultural identity.

To respect, protect and maintain these rights, researchers must have a good understanding of the nature of Indigenous traditional knowledge systems, traditional cultural expressions and intellectual property.

Applying the principle

Rights in Indigenous traditional knowledge and cultural expressions are imperfectly reflected in Australian law, but must be respected. Ensure that all participants in research projects are aware of the inclusive nature of Indigenous traditional knowledge and cultural expressions as well as intellectual property.

It is a fundamental principle of research to acknowledge the sources of information and those who have contributed to the research. If Indigenous knowledge contributes to intellectual property, recognise the contribution, where appropriate, by transferring or sharing intellectual property and any benefits that result from the research.

Ensure familiarity with laws, administrative arrangements and other developments relevant to Indigenous traditional knowledge and cultural expressions as well as intellectual property rights. Include attention to actual and/or potential implications of digitisation on research processes and outputs.

Discuss co-ownership of intellectual property, including co-authorship of published and recorded works and performances, shared copyright, future management of the resources collected, and proper attribution and notices.

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Give Indigenous contributors the opportunity to share in any intellectual property rights that vest in the researcher: it is the researcher's responsibility to negotiate with any institution (for example, a university) that has contractually transferred their intellectual property rights.

Agree in writing on the sharing of intellectual property rights and moral rights between the researcher and individual contributors, and a community representative organisation, if applicable.

In the design of a research project, recognise and acknowledge continuing Indigenous ownership of the traditional knowledge, traditional cultural expressions and intellectual property rights in the materials on which the research is based, and protect the privacy, integrity and wellbeing of participants.

Include all possible measures in research projects to ensure protection of Indigenous peoples' communal rights in cultural expressions, designs, and knowledge and performances, as these (or aspects of these) may be produced or included in such projects.

In any publication, acknowledge information obtained from Indigenous peoples.

Indigenous traditional knowledge and cultural expressions are not static and extend to things that may be created based on that heritage. Be aware of copyright laws regarding moral rights and attribution and the various forms of protection for different research products, including performances and other elements of Indigenous cultural expressions. Where necessary seek appropriate expert advice on intellectual property issues.

Be aware of current laws and standards, both internationally and in Australia, that relate to specific areas of research (for example, biology, genetics, ethnobotany).

Base research projects on an understanding, in equal terms, of Indigenous peoples' perspectives and definitions of Indigenous traditional knowledge, cultural expressions and intellectual property, and on current non-Indigenous approaches to understanding them.

Principle 5 Indigenous knowledge, practices and innovations must be respected, protected and maintained.

Acknowledging and respecting Indigenous knowledge, practices and innovations is not only a matter of courtesy but also recognition that such knowledge can make a significant contribution to the research process.

Once Indigenous knowledge is recorded, it becomes 'property' as defined under Western laws and concepts. It is therefore essential that the rights and interests of Indigenous people, whose knowledge it is, are recognised and protected throughout the project, and in regard to research products and outcomes after the life of the project.

Applying the principle

Recognise and protect Indigenous knowledge in accordance with Indigenous peoples' perspectives, protocols and cultural values.

Take steps to ensure awareness of the scope of the subject matter of Indigenous knowledge in relevant standards such as The Protection of Traditional Knowledge: Revised objectives and principles.

Respect the rights of Indigenous peoples in relation to their knowledge, ideas, cultural expressions and materials, and their rights to maintain secrecy of Indigenous knowledge and practices.

Show or distribute restricted material only with express permission from those who provided or are responsible for it. Consider the impact of disclosure on the wider cultural source group, and whether wider consultation is required prior to disclosure. This is particularly relevant where first disclosures and publications are likely.

Aboriginal and Torres Strait Islander peoples have distinctive languages, customs, spirituality, perspectives and understandings that derive from their cultures and histories. Research that has Indigenous experience as its subject matter must reflect those perspectives and understandings.

Incorporate relevant Indigenous knowledge, learning and research processes into all stages of research, including project design and methodology.

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7   **Negotiation, consultation, agreement and mutual understanding**

Principle 6 Consultation, negotiation and free, prior and informed consent are the foundations for research with or about Indigenous peoples.

Researchers should understand the meanings of free, prior and informed consent (FPIC), and the steps that must be taken to ensure that the process is followed properly.

Free, prior and informed consent means that agreement must be obtained free of duress or pressure, and ensuring that Indigenous people are fully cognisant of the details and risks of the proposed research. Informed consent of people as a group, as well as individuals within that group, is important.

Applying the principle

Conduct all research on the basis of free, prior and informed consent.

Ensure that Indigenous people are equal participants in the research process.

Ensure appropriate negotiation and consultation about the aims and objectives, and to ensure meaningful negotiation of processes, outcomes and involvement.

Ensure the research project has FPIC informed consent and plain English statement signed by participants.

Identify appropriate individuals and communities to consult - there is almost always someone to speak for a particular place or area.

For more general research, identify and consult individuals or communities who have made an important contribution in relation to the research topic.

Allow appropriate individuals for the area/topic to be identified from within the community.

Involve the Traditional Owners who speak for the Country.

Identify Indigenous regional, local and community and/or other organisations.

Identify any written research protocols or other protocols that need to be followed.

Observe appropriate community values, norms and protocols.

Identify potential political issues that may be affected by the research or the outcomes of the research.

Communicate with relevant individuals and organisations by appropriate means (face-to-face meetings are always desirable), and consider the budgetary and funding implications of such visits for the individuals and organisations.

In introductions to individuals and communities, clearly identify the researchers and any other participants, any institutional affiliations and key stakeholders, and sources of financial support.

Clarify objectives from the outset, but maintain flexibility and a willingness to modify goals and ways of working.

Agree about the involvement of individuals in the interpretation of the results and the preparation of any publications (including whether they should be co-authors).

Agree about identification or otherwise of individuals involved in the research, and whether those who take part in research should be acknowledged in any publication.

Principle 7 Responsibility for consultation and negotiation is ongoing.

Consultation and negotiation is a continuous two-way process. Ongoing consultation is necessary to ensure free, prior and informed consent for the proposed research, and to maintain that consent.

Community representatives, individual participants including Traditional Owners, and the wider Indigenous community may need time to consider a proposed research project and to discuss its implications, both before it begins and at various stages of the project. Research projects should be staged to allow continuing opportunities for consideration of the research by the community.

Applying the principle

Phase research according to community as well as research needs.

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Ethical Research Policy

Hold preliminary meetings to discuss the proposed research and reach agreements.

If necessary, reformulate the outline of the research proposal and provide new materials generated from the discussions to the community for review.

Ensure that all potentially interested individuals are present at preliminary meetings and/or are informed of the scope of the proposed research.

Explain research methods and processes to individuals, and at community meetings where appropriate, and reach agreement on their cultural appropriateness.

Rights to record and/or film require clearance from participating interviewees/subjects. Negotiate agreement in relation to the rights and responsibilities in ownership of, and access to, recordings of Indigenous performances and activities, especially where those recordings are likely to be distributed and shared in ways such as digital audio and visual methods, DVD and the Internet.

Report during the project in accordance with any agreement.

If necessary, consult further about unforeseen matters that might affect the research process.

Be willing to renegotiate objectives in light of new factors and considerations and to modify the scope, aims and methods of the proposed research.

Allow time in the research project for continual review, feedback and discussion.

Ensure that Indigenous people have the right to decline or withdraw their involvement in a research project at any stage. Agree what will happen to material provided to the researchers, where the person who provided that material withdraws from the project.

Make provision for a final meeting to consider the results of the research. Further consultation may also be required about details of reports and any publications.

Obtain (do not assume) invitations to visit the community for the time necessary to conduct the research and to report upon results.

Principle 8 Consultation and negotiation should achieve mutual understanding about the proposed research.

Consultation involves an honest exchange of information about aims, methods and potential outcomes (for all parties). Consultation is not merely an opportunity for researchers to tell the community what they, the researchers, may want.

Being properly and fully informed about the aims and methods of a research project, and its implications and potential outcomes, allows Indigenous people to decide for themselves whether to oppose or embrace the project.

Applying the principle

Identify appropriate Indigenous communities and individuals to consult before discussing research aims, methods and outcomes.

Clearly define and explain the purpose and nature of the study, who is carrying it out and funding it, the objectives of the research, and the likely impacts and consequences of the study, including production of research outputs, publication and commercialisation.

Explain methods of collecting information clearly and comprehensively, including how and where the information is to be kept.

Reach agreement on how the research should proceed, including processes and timing for informing representatives of the community of the progress of the research and reporting any interim results.

To conduct research appropriately and sensitively, discuss relevant cultural and political circumstances.

Be clear about the community or individual participation sought and what it may entail.

Provide an honest assessment of the risks or potential adverse impacts of the research.

Develop strategies to handle disputes that may arise. These may include mediation and other approaches where, for example, participants withdraw from a project, or the nature of the project changes after commencement.

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Provide any environmental and social/cultural impact assessment studies and their outcomes as they impact on the research.

Provide examples of other research done by the people/groups seeking access, and discuss how the projects went and any problems that were encountered and how they were addressed.

Explain, but do not overstate, the potential benefits of the study.

Explain the potential usefulness of the research to Indigenous peoples in general.

Provide sufficient time for discussion and consideration of proposals.

Where a research project will result in joint authorship of a publication (where the contribution is significant), negotiate for shared copyright if appropriate.

Principle 9 Negotiation should result in a formal agreement for the conduct of a research project.

The aim of the negotiation process is to come to a clear understanding that results in a formal, negotiated agreement (preferably written) about research intentions, methods and potential results.

Good faith negotiations involve a full and frank disclosure of all available information and are entered into with an honest view to reaching an agreement. In designing and commencing a research project, all participants should negotiate and reach agreement on a process for managing the Indigenous traditional knowledge and intellectual property that exists prior to commencement, how this relates to all those components of Indigenous traditional knowledge, cultural expression and intellectual property that result from the research and throughout the project, and the potential implications for all these components in research products and outcomes.

To protect the community and the researcher, and to clarify the understandings that have been reached, a written agreement (a protocol, memorandum of understanding or contract), where practical, should be the end result of the consultation and negotiation. Such agreements may have legal implications.

Applying the principle

Get a letter of support for the research project.

Identify who should enter into the agreement, and on whose behalf the agreement is made.

Base the agreement on good faith negotiations and free, prior and informed consent.

Consider whether independent legal advice is required.

Consider any permits or permissions that may be required from Indigenous organisations and from state, territory or local authorities.

Determine the information to be included in the agreement, based on discussions and negotiations; the agreement should reflect the mutually agreed aims, processes and outcomes, community participation and collaboration.

In the agreement:

- provide a detailed and clear description of the ownership and licensing of intellectual property rights;
- include the joint ownership or allocation of the results of the project;
- where possible, take into account the research needs of the local Indigenous people and the appropriate Traditional Owners;
- recognise that an individual or a community has the right to withdraw from a research project;
- include processes for resolving conflict, such as mediation by an outside party;
- refer to specific Indigenous community protocols and ensure that these are respected and upheld; and
- include negotiated arrangements for benefits to be made to Indigenous people.

| 8 | **Participation, collaboration and partnership** |

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Principle 10 Indigenous people have the right to full participation appropriate to their skills and experiences in research projects and processes.

Research projects should be based on an awareness of the rights of Indigenous peoples to full participation in decision making in matters that affect their rights.

Research on Indigenous issues should incorporate Indigenous perspectives. This is often most effectively achieved by facilitating direct involvement in the research from the start of a project.

If a participant withdraws, then he or she should agree what should be done with the contributions made to the research project up to the date of the withdrawal.

Applying the principle

Indigenous communities and individuals have a right to be involved in any research project focused upon them and their culture. Apply the relevant provisions in the *United Nations Declaration on the Rights of Indigenous Peoples (see Article 2).*

At the beginning of a project identify the appropriate people - Traditional Owners, custodians, Elders, and others with rights and interests - who are responsible for the Indigenous knowledge and/or practices that may be involved, and facilitate direct involvement as appropriate.

Recognise the specialist knowledge of particular community members and their potential contributions to the research endeavour, and involve such persons wherever possible and appropriate. Encourage and support community members, Traditional Owners and others as appropriate to be involved in the research as collaborators, advisers or assistants.

Continue Indigenous involvement, where possible, beyond the period in which the research is conducted (to later stages such as compiling the research and presenting it).

9   Benefits, outcomes and giving back

Principle 11 Indigenous people involved in research, or who may be affected by research, should benefit from, and not be disadvantaged by, the research project.

Research in Indigenous studies should benefit Indigenous peoples at a local level, and more generally. Indigenous people who contribute traditional knowledge, practices and innovations, cultural expressions and intellectual property, skills, know-how, cultural products and expressions, and biological and genetic resources should receive fair and equal benefits.

A reciprocal benefit should accrue for allowing researchers access (often intimate) to personal and community knowledge.

Applying the principle

Discuss openly and negotiate with the community any potential benefits. Benefits may include financial payments such as royalties, as well as other benefits such as training, employment and community development.

Aim to make the benefits to the community or individual participants proportionate to the demands of their participation.

Where the benefits are not general (for example, employment opportunity or financial compensation), allocate benefits in cooperation with the group. Be prepared to pay those contributing to the research in recognition of the value of their contributions, particularly where significant time is given outside normal personal or community commitments.

Recognise that certain cultural information is owned and may need to be paid for.

Ensure that payments or financial benefits accruing to the participants are considered by an ethical review panel.

Provide all relevant information to Indigenous participants and communities to weigh potential benefits against possible risks or disadvantages.

Do not create or contribute to circumstances where exploitation of an economic, cultural or sexual nature can occur.

Consider benefits to Indigenous communities such as support for the archiving of materials relating to intangible cultural heritage, including (but not limited to) field notes and recordings that document language, cultural practices and ethnobotanical knowledge. Ensure that, if such benefits are provided, appropriate measures are in place to protect secrecy and confidentiality of materials.

Principle 12 Research outcomes should include specific results that respond to the needs and interests of Indigenous people.

Research outcomes should respond to the needs and interests of Indigenous people, including those who participate in the project and others in the community who may be affected by the research. Among the tangible benefits that a community should be able to expect from a research project is the provision of research results in a form that is useful and accessible.

Researchers should be aware that research outcomes of interest to Indigenous peoples, including any community and individuals directly involved, may differ from those envisaged by researchers.

Applying the principle

Ascertain, during early consultations, the research needs of the community, if any, and opportunities for collaboration in research.

Be sure to build in the specific viewpoints of Indigenous people.

Incorporate research outcomes specific to the needs of Indigenous participants, the local community, Traditional Owners and other individuals as appropriate.

Recognise the broad range of educational backgrounds and experiences of Indigenous peoples and produce materials in accessible forms.

Provide an opportunity to discuss the significance of the results for the community with representatives and participants.

Be prepared to assist in the formulation of proposals for further research or related action by Indigenous participants, the local Indigenous community, other Indigenous individuals and local Indigenous organisations.

10	**Managing research: use, storage and access**

Principle 13 Plans should be agreed for managing use of, and access to, research results.

Indigenous peoples make significant contributions to research by providing knowledge, resources and access to data. These contributions should be acknowledged by providing ongoing access for Indigenous people to research results, and negotiating rights in the research at an early stage.

The community's expectations, the planned outcomes and access to research results should be agreed. Written agreements are encouraged.

Applying the principle

Identify at the start of a research project all Indigenous people, organisations and communities who will need to be involved in determining strategies for access to research results.

Agree on the rights to research results, their forms and presentation, and individual or community use of them. This may involve ongoing access to data or representations of the results of research through digital media.

Agree at the outset on the ownership of research results, including institutional ownership of data, individual rights of researchers and Indigenous participants, and collective rights of Indigenous community groups.

Agree when and how results of research will be fed back to and discussed with relevant individual community members and/or appropriate community organisations.

Make clear the level of community control over access to, and use of, any research results, including print, pictorial, audio and video, and digital materials. Discuss making these available online and/or depositing in libraries and archives.

Report research results to the community before publication and before discussion with the media.

Negotiate with the community any discussion with the media of the research project and its results.

Agree on the disposition and storage of results of research, including primary data.

Try to anticipate the evolving use of technology and the impact it could have on research results and their storage.

Discuss thoroughly matters of confidentiality and agreed restrictions on use of information.

Explain fully any limits on confidentiality (for example, where field notes or research data might be subpoenaed for legal proceedings).

Be willing to make results known to appropriate local, state or territory, and national authorities if requested.

11 Reporting and compliance

Principle 14 Research projects should include appropriate mechanisms and procedures for reporting on ethical aspects of the research and complying with these guidelines.

Researchers and research funding bodies should ensure that there are appropriate, ongoing processes in place for reporting research progress, especially with regard to any actual or potential changes in the ethical conditions/contexts.

Applying the principle

Take appropriate measures in the design, implementation and monitoring of a research project to ensure it complies with these guidelines and the principles they contain at all stages of a project.

Be aware of the risks (including any penalties) that may result from breaches of these guidelines (for instance, where they are part of a funding contract).

12 References

UN (United Nations) 2007 United Nations Declaration on the Rights of Indigenous Peoples, <www.un.org/esa/socdev/unpfii/en/drip.html> accessed 12 August 2010.

UNESCO 2003 Convention for the Safeguarding of the Intangible Cultural Heritage, UNESCO, Paris <http://unesdoc.unesco.org/images/0013/001325/132540e.pdf> accessed 12 August 2010.

WIPO (World Intellectual Property Organization) 2006a The Protection of Traditional CulturalExpressions/Expressions of Folklore: Revised objectives and principles (Document Code WIPO/GRTKF/IC/9/4), WIPO, Geneva <www.wipo.int/edocs/mdocs/tk/en/wipo_grtkf_ic_9/wipo_grtkf_ic_9_4.pdf> accessed 17 August 2010.

WIPO 2006b The Protection of Traditional Knowledge: Revised objectives and principles (DocumentCode WIPO/GRTKF/IC/9/5), WIPO, Geneva.

13 Review

This policy remains in forces until otherwise determined by Council.

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12.14   CORPORATE GOVERNANCE AND COMMUNICATIONS MONTHLY REPORT

Author: **Executive Manager of Corporate Governance and Communications**

Attachments: **Nil**

PURPOSE (EXECUTIVE SUMMARY)

To provide council with an update of the Corporate Governance and Communications Department.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

The Corporate Governance and Communications directorate, consist of the following departments

- Governance
- Communications
- Human Resources
- Service Delivery
- Special Project (temporarily)

Corporate Governance:

The corporate governance team continue to support the Councillors with the preparation of Council meeting agendas and minutes as well as miscellaneous meetings that occur. The team have also been working on the updated Local Disaster Management Plan and Recovery Plan for the Shire.

Council's Governance Officer recently resigned in December to commence her university studies, after taking a 1 year gap-year.

The executive manager is currently reviewing the position descriptions ahead of advertising this vacancy.

Communications:

Mornington Shire Council Facebook page continues to grow. Content is actively being shared online by residents and various media platforms. The page continues to attract a large fan base from elsewhere in Australia including large council's Brisbane City and Sunshine Coast Councils.

Council ensure that our social media and communications to the community are constantly up to date and are keeping up with the latest new stories and media trends.

All stories that are posted to our social media sites, automatically upload to our website to ensure consistency of stories and news, regardless of the platform being accessed.

Top News Stories

Human Resources:

Following Council approving the Mornington Shire Council Organisational Structure at the Ordinary November Council Meeting, the Human Resources Department identified a number of vacant positions. In November, the HR team commenced a recruitment drive and advertised vacant positions on numerous platforms including:

- Community Notice Boards
- Social Media
- Council Website
- Seek website
- Agency portals

The vacant positions advertised are as followed:

- Service Delivery and AMP Reform Coordinator
- Service Delivery Officer
- HR Generalist
- HR Admin Officer
- HR Training Coordinator
- Facilities Manager
- Cleaners
- Infrastructure Admin
- Infrastructure Coordinator
- Mechanic
- Diesel Fitter
- Workshop Admin

- Housing Admin

- Housing Supervisor

- Estimator

- Tradesman- Carpenter

- Trade Assistants

- Tradesman- Plumber

- Civil Works Supervisor

- Civil Operator

- Technical Services Admin

- Landfill Officer

Human Resources team and program managers are working hard to ensure that all applicants are assessed and candiants are appointed to positions.

Apprentice Update:

Council currently have 8 apprentices employed, with 4 additional traineeships/apprentices available for 2020 funded by the *Work First Start Program*. The statuses of our current apprentices are as followed:

Apprentices				
Status	Job Title	COURSE	VENUE	Training date
Active	Apprentices	Certificate III in Carpentry	Cairns	TBC
Active	Apprentices	Certificate III in Plumbing	Townsville	27/02/2020
Active	Apprentices	Certificate III in Electro Technology	Cairns	27/01/2020
Active	Apprentices	Certificate III Plumbing	Cairns	Tentative March
Active	Apprentices	Certificate III Plumbing	Cairns	Tentative March
Active	Apprentices	Certificate III in Carpentry	Cairns	TBC
Active	Apprentices	Certificate III in Carpentry	Cairns	TBC
Active	Apprentice	Certificate III in Light Vehicle Mechanical Technology	Cairns	TBC

All apprentices are doing well with their studies and have had 100% attendance record at the last block of TAFE. We are very proud of our apprentices and hope that once council appoint a Training Coordinator, we will be able to provide addition support and identify candidates for the 2020 Work First Start Program.

Service Delivery:

Councils Service Delivery and AMP Reform process continues to progress with the community, stakeholder and government information meeting to be held on Mornington Island on the 23rd of January 2020. This is a welcomed meeting to ensure that all parties involved in service delivery on Mornington Island are included in the reform process and that Council maintain transparency throughout. This meeting follows a pre-meeting held in Cairns on the 14th of January 2020, attended by Mayor Wilson, CEO Frank Mills, representatives from DATSIP, representatives from the National Indigenous Australian Agency and representatives from the Department of Child Safety, Youth and Women.

Council have also completed the recruitment process for the Service Delivery and AMP Reform Coordinator position, which will be filled by Melanie Ah Kit, commencing on the 28th of January 2020.

Special Projects:

Airport Works (RAAP)

Overview

The project is complete and in 12-month defects period. The following updates are provided:

The majority of the original works are complete with the final works on the generator to be completed Saturday 18/1/19. Photos and certificates confirming compliance for final certification are being compiled. Defects have also been addressed as they have been identified. The external concrete slab defect rectification works are underway with the grinding complete and sealing works to follow. The new works of the installation of the horse and dog proof fence has been delayed due to uncertainty of the remaining budget. Budget information was supplied on 21/12/19, further investigation is required to confirm all current and expected costs are included prior to ordering the new fence.

Dog Pound (W4Q)

Overview

The project is complete and in 12-month defects period. The following updates are provided:

The works have been completed, photos and certificates confirming compliance for final certification are being compiled.

Storage Shed Refurb (W4Q) 'Red Shed'

Overview

The project is complete with the exception of external fencing works, all materials are on island for this work, awaiting fencing crew to finalise. The project is in 12-month defects period. Defects such as the removal of swarf from the roof are underway.

Concrete Batching Plant (BOR)

Overview

The project is complete with the exception of the new amenities block. Alternate quotes and changes to scope will be required as works far exceed the current remaining budget.

Lelka Murrin Tavern Upgrade (BOR)

Overview

The project is progressing along with investigations, designs and consultancy advice. Priority has been given to works which will impact the cyclonic tie-down works being undertaken on the tavern as part of the Places of Refuge project. The project is awaiting approval of scope.

Places of Refuge – Training Centre (W4Q)

Overview

The project is progressing and has been delayed as priority has been given to cyclone tie-down works. This project has been progressed as a fill-in project to the cyclone tie-down projects. Access ramps and final painting is now underway.

Places of Refuge – Tavern (W4Q)

Overview

The project is well underway with the majority of tie-down works complete, cyclone shutters have been delivered and works are underway to install.

Places of Refuge – 188 Cemetery Rd (W4Q)

Overview

This project is complete with one minor defect outstanding, being the realignment of the internet satellite dish. This will be undertaken as soon as the technician returns to the island

Places of Refuge – VAC (W4Q)

Overview

Tie-down earth anchors have been delivered and tested, additional installation equipment is required to drill through rock encountered during testing. Materials are arriving for the replacement of the containers roof.

Civic Centre – Administration Building (LGGSP)

Overview

The letter requesting changes to scope and funding percentages is with Executive Managers

FINANCIAL & RESOURCE IMPLICATIONS

Capital Budget Summary- Special Projects

Mornington Shire Council

20/12/2019

	Left to Expend	Budget	Adjusted Total
Project			
4100 Airport Terminal Building (RAAP)	19,415.45	1,790,000	1,770,585
4100 Civic Centre (LGGSP)	8,839,945.00	8,862,820	22,875
4100 Dog Pound (W4Q)	7,249.57	472,000	479,250
'	1,160,021.31		

4100 Lelka Murrin Tavern Upgrade (BOR)		1,202,500	42,479
4100 Places of Refuge (W4Q)	959,029.37	1,430,000	470,971
4100 Staff Housing Install (W4Q)	5,506.64	358,000	363,507
4100 Storage Shed Refurb (W4Q)	52,387.62	340,000	287,612
4100 Warehouse Shelving (W4Q)	4,896.78	210,000	214,897
4450 Airport Safety (RAAP)	34,530.63	1,210,000	1,175,469
4450 Concrete Batch Plant (BOR)	11,585.93	496,556	484,970
4450 Fuel Facility Upgrade (BOR)	121,316.73	800,000	921,317
4450 Service Station Upgrade (BOR)	34,374.31	400,000	434,374

RECOMMENDATION

That Council note and receive this report

13   STAFF REPORTS - FINANCIAL SERVICES

13.1   MANAGING THE SUSTAINABILITY OF LOCAL GOVERNMENT SERVICES

Author: **Executive Manager of Finance and Human Services**

Attachments: **1   GT Sustainability Report 1**
2   GT Sustainability Report 2
3   QAO - Managing Sustainability in LG

PURPOSE (EXECUTIVE SUMMARY)

This report provides Council with an excerpt of a report from the Queensland Audit Office and provides Mornington Shire Council with a perspective of the sustainability challenges that currently exist in the organisation and some recommendations to improve. Also included are the first two draft sustainability program reviews from Grant Thornton (GT) which present another external professional opinion on Mornington Shire Council and the challenges it faces with sustainability.

BACKGROUND & PREVIOUS COUNCIL CONSIDERATION

This report will not address all the recommendations from both the QAO and GT reports, however will acknowledge a number of them in the context of financial sustainability and the measures required to address some of the concerns expressed.

Council would be aware from the current budget presentation and previous year's financial statements that Mornington Shire Council has a considerable financial challenge to be sustainable. In actual dollar terms this can be shown as follows;

	2012	2013	2014	2015	2016	2017	2018	2019	Budget 2020
operating revenue	11634420	11136322	12383740	10166833	13708792	13884018	14323866	19968992	21664950
operating expenditure	12621488	10158797	9624725	15224826	18723464	16048525	20372321	29191624	25055050
operating result	-987068	977525	2759015	-5057993	-5014672	-2164507	-6048455	-9222632	-3390100
operating surplus ratio	-8.48%	8.78%	22.28%	-49.75%	-36.58%	-15.59%	-42.23%	-46.18%	-15.65%

The above results indicate a continuation of operating losses for many years. To be financially sustainable this must stop.

Whilst a dramatic attempt has been made to this years budget to improve the situation, even if this years result is achieved it is still over $3 million from an operating surplus.

In terms of strategies to become sustainable the following areas need further development;

- Revenue generation and control

- Labour Management (including contractors) – (45% of expenditure budget)

- Materials and Services – (28% of expenditure budget)

- Capital Expenditure and Asset Management (23% of expenditure budget reflected as depn)

- Service Delivery Expectations

Revenue generation and control

It is a challenge to increase traditional Council revenue streams of rates and grants on a remote island without true ratepayers. This situation is not likely to change soon and so Council's traditional services of roads, rates and rubbish will be an ongoing challenge. Notwithstanding this, the introduction of the general services charge has had a 3 – 4% increase on operational revenue for 2019/20.

However Council also has many opportunities that are not traditional services to increase revenue generation that are currently not being pursued. One of the main reasons for this is programs are not treated as "businesses". There is a distinct lack of a business mindset within the organisation. A business mindset is about growth, making a profit, improving services, retaining customers and above all else having a plan. The GT reports on Housing, Barge and the accompanying SWOT analysis across all directorates suggest an acute lack of planning across the entire organisation. The quotation from Benjamin Franklin is quite relevant;

"If you fail to plan, you are planning to fail".

Council has programs that should be making sound commercial returns without too much anxiety. As an example, it has an accommodation program with a Motel and Visitors Accommodation Complex that in 2018/19 had a return on investment (ROI) of 27%. Whilst this return is pleasing, research suggests the ROI should be between 30 – 40% in regional areas, let alone on Mornington Island where it would be classified as remote and as such its ROI could be determined at higher levels. For example, a nightly room increase of around 20% would achieve a ROI of 40%.

These pricing regimes and ROI may differ for each service program. However each service program should be setting its pricing of services on a definitive plan of service, known service costs / budget, with appropriate profits where appropriate. Not all programs maybe able to achieve the desired rates of return or profit and this could then be an area Council has to be prepared to continue funding, decrease or cease the service provided or diversify into areas that may realise greater returns. Council's bakery is one example of this challenge. Last financial year the bakery made a loss of $118K. Council maybe comfortable with this level of investment as a "community service obligation" (CSO) to ensure the community has fresh bread and pastries on the island.

The QAO report raises concerns on local government sustainability due a lack of understanding on corporate overhead costs. These are akin to the costs of running the business and arguably must be funded before any other service programs. The better understood these services are the further refinement that can be undertaken to decrease these costs as generally speaking these overheads do not provide services "on the ground" to the community. If Council can reduce its footprint in this area, it will free up money for external service provision or alternatively investments into reserves for the provision of assets. A detailed analysis of corporate overhead is required and this must be benchmarked to appropriate external indicators.

The GT Report which undertook a strengths, weaknesses, opportunities and threats (SWOT) analysis across all directorates identified a common desire from directorates and that was for a dedicated grants officer role that can identify funding opportunities that meet Council's goals and objectives and assist in raising funding levels to provide council services.

To ensure transparency of decision making with appropriate return on investments, Council should set some firm pricing parameters for each program. If these are set before the budget process commences, program managers can then provide a budget that attains the desired returns. In line with this requirement this report suggests the following actions to remedy poor pricing decisions;

1. **Each service program is to recommend a desired rate of return for pricing of services for approval by Council.**

2. **Where a desired rate of return is not achievable, each program will recommend a maximum level of "community service obligation".**

3. **That the rate of return and CSO recommendations be reported to the March 2020 Council meeting.**

4. That Council undertake a detailed analysis of corporate overheads by our internal audit contractor and also request advice on appropriate overhead benchmarks.

5. Council include within the organisation structure a grants officer role that can work with each service program to identify and secure extra funding for programs.

Labour Management (including contractors)

The biggest area for improvement is in labour management. As mentioned in the GT report suspected fraud and a poor work ethic is accounting for losses in the housing program. When coupled with a consistent absence rate of between 23-35% across the entire organisation, efficiency and productivity is not conducive. Whilst labour management is but one of the issues, it is by far considered to be the biggest challenge and opportunity for improvement as labour management makes up 45% of Council's total expenditure budget.

Given the average labour percentage for Qld Council's is 31% of total expenditure (2017/18 comparative data from DLGRMA), this would represent a $3.4M saving if Council could cut costs to 31%. This is quite an achievable outcome given the levels of vacancy / absence incurred currently by the Council. In many instances the vacancy / absences need to be made permanent and largely would have very little effect on operational outcomes as Council has proven in many areas it can continue services with out the extra / missing staff, currently around 28 full-time equivalents (FTE). Whilst this is a generalisation, it is certainly true across many Council programs.

Thus this report suggests the following actions to remedy poor labour management issues;

6. Educate all staff on time theft and appropriate work ethic requirements regarding breaks, personal time, start times, finish times and disappearances.

7. Investigate time theft solutions, such as vehicle monitoring, clocking in / out procedures, continual monitoring and supervision.

8. Council will commit to a 31% reduction in labour (36/37 FTE) during the next 6-12 months. This will be by natural attrition, turnover and decreasing unproductive work teams and individuals. Redundancies may be negotiated should staff and Council have a mutual desire.

9. That each Council directorate prepare a plan of action to achieve the reduction of FTE staff and that this is presented to Council at the March 2020 meeting for adoption.

Materials and Services

When contractors that are included within Council's organisation structure are excluded from materials and services (as for these comparative purposes they are better reflected as employee costs as we have a number of roles that are contract and occupy organisation positions approved), Council expends 28% of its total expenditure budget on material and services. This compares favourably with the industry average of 42% (2017/18 comparative data from DLGRMA). Council has undertaken a number of recent reforms in this space which include the following;

- Comensura procurement for trades staff under an approved labour hire model

- Vendor Panel installation to enable easier decentralisation of procurement function

- Airfare and Accommodation arrangements now through Corporate Traveller

- ITC servicing reviewed and costs cut by over $100K

- Internal Audit reviewed and supplier changed to a top 5 audit / accounting supplier in Australia

- Work Health & Safety reviewed and now outsourced to a qualified WHS professional

- Tendered for Barge Freight arrangements

- Tendered for Security arrangements

- Current EOI in the marketplace for Payroll Services

However the following services could be investigated / reviewed to ensure a value for money proposition;

- Insurance and / or Brokerage services (being planned for early 2020)

- Legal services

- Banking

Capital Expenditure and Asset Management

Whilst Council has done some great work in the Asset Management space with the assistance of CT Management, Council still does not have a comprehensive Asset Management Plan. It is noted this is an outcome in Council's Corporate and Operational Plan with a due date of June 2021. With the current work being undertaken in this space, this date looks quite achievable.

However, Council does require some policy guidance in this area, particularly in regards to capital expenditure being undertaken. There is generally a lack of controls surrounding capital expenditure. The Council funded capital expenditure budget has been well controlled this year with only one non grant funded project being allowed due to the business case requirements insisted upon. Unfortunately grant funded programs continue to spend more than what has been funded. A recent capital expenditure report suggests near $200K has been overspent on grant funded capital projects in recent times and this overspend ultimately gets funded from available cash.

This control and a few others need to be documented into a policy for Council to maintain effective controls, so "adhoc" capital purchases are not undertaken or overspends become a risk. The overspent from last year and this year to date on capital expenditure that has not been funded will be pursued to find funding from savings in operational expenditure areas to ensure the budget maintains in balance during 2019/20.

Whilst it is difficult to estimate capital expenditure projects, Council has to decide how it will administer "over-runs" in projects from a financial perspective.

Council also needs systems to assist with the project management. There have been numerous instances in the past couple of years where a major lack of project management has hindered Council, both financially and project wise. This is in part due to a lack of corporate knowledge and system to capture essential parts of the management. In essence Council has been managing projects "by the seat of their pants" and this is highlighted in the number of projects that over-run in terms of time and money. It is recommended that Council implement control measures in this space to alleviate the corporate knowledge drain as resources leave the organisation and new staff arrive and unfortunately often have to deal with legacy issues and try their best to pick up the pieces with a limited amount of information. This is both unprofessional and very costly.

To further improve the arrangements surrounding capital expenditure and asset management the following actions are recommended;

10. **That an Asset Management Policy be developed by 30th June 2020.**

11. **That a Capital Expenditure Policy be developed by 31st March 2020.**

12. **That Council implement a project management and control system that will assist with the corporate knowledge requirements of project management by 30th June 2020.**

Service Delivery Expectations

The QAO report raises an acute lack of planning and direction on services / programs throughout local government. The GT report confirms this is very apparent within Mornington Shire Council.

This is a common problem in Councils as they are traditionally funded from rates and grants and thus little consideration is given to the allocation of scarce resources "money" as would normally occur in a business or commercial setting. For Council to make an informed decision about where to spend money and allocate resources it firstly has to have an understanding of the service. This can be undertaken using the service plan template developed by QAO. Once this is compiled, Council is then able to place some priorities upon service delivery and this may highlight the need for a service review. One distinct change will be made to the QAO service plan template for Mornington Shire Council. The QAO template does not include enough clarity on assets employed in the service / program and this is a fundamental role of local councils to be the steward of essential community infrastructure. In commercial programs, all businesses will be aiming to get a return on any assets employed to ensure the viability of the enterprise.

Council's often feel they undertake this process in the budget and corporate planning processes each year and that maybe the case in some cases, but often Councils cannot demonstrate how they came to their allocation of scarce resource decisions. The models suggested by QAO, not only would address the planning clarity required across Mornington Shire Council internally, but also assist in the overall resource allocation and financial sustainability journey that will need to be articulated externally across the community.

Accordingly this report suggests the following actions to be commenced during the 2020/2021 budget and corporate planning arrangements;

13. That a service plan will be completed for each Council program / service.

14. These plans will be presented by each program manager to Council during the May 2020 meeting.

15. That Council undertake a prioritisation of Council services in July 2020 using the cost value tool developed by QAO.

16. From this prioritisation process Council review all low value, high cost services by 31st October 2020.

17. That Council review the high value, high cost services by 31st January 2021.

18. That Council review the low value, low cost services by 30th April, 2021.

FINANCIAL & RESOURCE IMPLICATIONS

As presented in the report

RECOMMENDATION

That Council approve the 18 actions raised in this report.

Grant Thornton
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Mornington Shire Council

Internal Audit Report

Project 1-20

Department workshops

November 2019

Contents

Authors: Graham Coonan – Partner

Renae Garbuio – Senior Associate

Ieva Petruskeviciute – Associate

Review Date: October 2019

To: Kerry Whiting – Executive Manager Finance & Human Services

Cc: Frank Mills – Chief Executive Officer

Audit Committee

Introduction and summary

This internal audit project involved holding a number of workshops with Council's four departments:

- Corporate Governance, Communications and Human Resources

- Finance and Human Services

- Technical Services

- Infrastructure Services

The aim of the workshops was to facilitate discussion amongst heads of these departments to develop an understanding of the structure and operations of each department as well as their strengths, weaknesses, opportunities and threats (SWOT).

The SWOT analysis identifies the strengths, weaknesses, opportunities and threats within the department. These can be used to develop an action plan for the Council and will also offer an insight into the areas that the department can improve on, the risks to be aware of and the positive themes to reinforce.

The following sections also include a summary of the senior team members in each department as well as identifying who attended the workshops, some key points coming out of the discussions held and, as indicated, a summary of those discussions in the form of a SWOT analysis.

In addition, "focus" categories were considered in order to drive a deeper discussion over the department's operations rather than just discussing the perceived strengths, weaknesses, opportunities and threats. These categories aim to link the department's objectives (documented, informal or implied) to the procedures and processes performed to identify areas of improvement that will ensure the future success of the department. The below comments provide a high level summary of discussions held under each category, or of key findings/comments arising from discussions held.

At the end of the document we have summarised some of the key or recurring findings coming out of the department discussions.

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Corporate governance, communications and human resources

Background

The Corporate Governance, Communications and Human Resources department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- Funding bodies
- External contractors

Within the Corporate Governance, Communications and Human Resources department there are formal objectives in the Corporate Operational Plan that the department uses to provide a clear view of the direction each department line. The objectives are clearly communicated amongst the management team.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Governance and Communication	Tatiana Ah Mat - Executive Manager Corporate Governance and Communication	Yes	All departments within Council
Human Resources	Alona Gilhang - Human Resources Manager	Yes	All departments within Council
Service Delivery	Service Deliver Manager (currently vacant) Note: Cherise Saltmere (Governance and Service Delivery Officer) attended SWOT workshop	N/A	All departments within Council
Training & Development	Training Coordinator (currently vacant)	N/A	All departments within Council

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Focus categories

Realising strategic ambitions

The Corporate Governance, Communications and Human Resources Department provides services including recruitment, existing employee file maintenance, compliance with human resource regulations and ensuring that Council meets requirements to be compliant with the Local Government Act, Regulations and other government departments' requirements.

Council has identified sustainable local employment as a priority in the Corporate Plan 2018 – 2023 and the current target is to have a diverse mix of the workforce, employing at least 80% of local indigenous Mornington Shire residents. At the time of the review, Council has hired around 52% (62 Indigenous staff members out of 120 Council employees) of local Indigenous people across all departments. In this regard, it is believed that the Department is working towards achieving its goal. However, no real milestones are set to measure its progress.

Finance growth

Council's main income stream is grant revenue. The Corporate Governance, Communications and Human Resources Department does not have direct involvement in future funding functions and searches for additional revenue streams, however since Council is so reliant on government funding, it is important that good relationships are maintained with the relevant government departments through corporate governance and communication functions.

Manage risk and regulations

At the time of the review, there were three team members in the department, Executive Manager Corporate Governance and Communication, Human Resources Manager, and Governance and Service Delivery Officer. One of the department's main functions is to ensure that Council is compliant with relevant laws and regulations, which can be a challenging task while the department is facing a human resource scarcity and the key person reliance is placed on existing personnel.

Optimise operations

Given the resourcing issues previously identified optimising operations for the department has been an ongoing challenge. An important opportunity for Council is the development of a KPI / benchmark process to monitor staff performance. This will help to identify where new opportunities for employees can be realised, for example training for those that are underperforming or advancement opportunities for high achievers.

Engage leadership and talent

The Council is continuously improving its internal operations, and its organisational chart is reviewed frequently. In the last year, there have been a number of changes in the department's organisational structure mainly due to the inability to retain or attract a skilled workforce for certain roles.

The Human Resource Business Partner position has been deemed no longer necessary because Council has been unable to find the right candidate. This position has been removed from the organisational chart and where needed service is outsourced from a consultancy agency

Maximise stakeholder value

There are a number of stakeholders who have an interest in the Corporate Governance, Communication and Human Resources department success or otherwise.

The direct interest stakeholders include management, Councilors, and the government funders. Value can mean different things to different stakeholders. The management and Councilors are looking for prompt assistance when needed and smooth operations within the department. The funding government bodies are wanting to ensure the appropriate use of those funds in delivering the promised services.

Increasing compliance requirements are taking up more time within the department, however this is accepted as a "fact of life".

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Council has a Corporate Governance and HR department. There is a segregation of duties between payroll and HR function. • HR Manager offers an exit interview for departing personnel. This is an effective tool to receive feedback from leaving personnel, who are more willing to open up in this situation. • Council is currently in the midst of a review of employment contracts. They have contracted Preston Law for further assistance. • The department has a sound understanding of the funding arrangements, cost issues and objectives of the department.	• Key personnel reliance placed on senior management. • Council's roles and position descriptions are not clear and should be in line with the department's needs. • There is a lack of benchmarks, KPI's, metrics and other performance measures to identify whether jobs performed internally are in-line with the organisation's expectations. • At the time of the audit, the risk management framework was in draft and overdue for an annual review. • Department managers have sound knowledge over their field of expertise but knowledge of funding/budget monitoring and maintenance for current and potential programs has scope for improvement. • Inconsistent forms used within the Corporate Governance and Human Resources Department cause delays in processing new staff members' induction procedures and applications for leave. • Council has hired 52% of local indigenous people at the time of the review, while their target is to have a diverse workforce and employ at least 80% of local indigenous people.	• The development of a trainee program for local students in year 10. This would increase the retention of skills within the workforce, economic development and workforce sustainability. • Succession planning would help to retain a skilled workforce. • Retention strategy – develop appropriate procedures and processes to aid in retaining skills and knowledge to strengthen the stability of the Council. • Performance appraisals are performed annually, however, during our review it was identified that some officers had not received a performance appraisal in a while Council should review the occurrence of performance appraisals within business units.	• With current changes in Local Government Regulations there is a threat that Council will be unable to comply with mandatory requirements due to human resource scarcity and reliance placed on contractors.

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Finance and human services

Background

The Finance and Human Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- Police Citizens Youth Club (PCYC)
- External contractors

Within the Finance and Human Services department there are no formal or informal objectives that provide a clear view of the intended direction each department line is to be heading. The objectives are not documented nor did they appear to be clearly communicated amongst the management team. This has been reflected in the SWOT analysis below.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Finance & Human Services	Kerry Whiting - Executive Manager Finance & Human Services	Yes	
Finance (including Payroll)	Owen Jensen - Acting Chief Financial Officer	Yes	All departments within Council
Information Technology	Dmitri Bezuglov - IT Manager	Yes	All departments within Council
Warehouse & Barge	Shannon Wells - Warehouse Manager	No	Some departments within Council as well as the Community
Facilities Management	Chantel Harley - Facilities Manager	Yes	Some departments within Council as well as the Community
Workplace, Health & Safety	Tony Walters - ABW compliance consultant	No	All departments within Council
Sport, Recreation & Events	Shane Wylie - Sports Recreation & Events Manager	No	Local community

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Focus categories

Realising strategic ambitions

Resourcing issues have had a negative impact on a number of categories including the department's ability to deliver on objectives and values, strategies to increase demand and manage the growth of services provided to stakeholders, and implementing an effective retention strategy. Resourcing issues include staff attendance / motivation, inability to improve local staff skills and knowledge and retention of skilled and knowledgeable staff.

Key to the success of the department is the internal procedures and processes needed to run the department. From the workshop we identified that procedures and policies have not been updated to reflect recent changes in the IT environment, procedures to successfully handle the high staff turnover. Also communication between departments can be lacking at times.

Finance growth

There is an opportunity for financial growth in the department in terms of extending funding streams through various government funding programs to establish a local training facility. This will help to rectify the gap in skills and knowledge or local and non-local staff which will in turn stimulate retention stability.

Manage risk and regulations

There is currently no formal risk register in place. A draft version is in progress but this is yet to be finalised. Further, there isn't a practical risk management system in place that can easily be used by all employees within the Council to identify risks. Management are currently looking into a long term solution for this by way of a database that can be integrated into the current IT system.

The department is confident it is compliant with all applicable laws and regulations with compliance activities are estimated to take up to 30% of management's time.

Optimise operations

Given the resourcing issues previously identified, optimising operations for the department has been an ongoing challenge. Management have identified a number of opportunities to improve staff retention such as improving the housing to employee ratio, building up the ratio of local to non-local staff members and recognising that changes may need to be made in the relationships developed with employees to improve attendance and staff motivation.

An important opportunity for Council is the development of a KPI / benchmark process to monitor staff performance. This will help to identify where new opportunities for employees can be realised, for example training for those that are underperforming or advancement opportunities for high achievers.

Engage leadership and talent

The corporate culture within the Council is essential in enabling the success of the department and Council as a whole. Within the department there is a willingness to develop the skills and knowledge of new and existing staff members. This has been recognised through the implementation of the new IT system, the recognition that there is more development required in terms of training and understanding cost issues, and the development of systems and processes needed for succession planning.

Maximise stakeholder value

Assessing the maximisation of stakeholder value is difficult without defined department objectives to assess against. In addition to defined objectives, it is important they implement measurable KPIs to obtain a clear view of how they are performing in relation to their major stakeholder groups. As an example the monthly / quarterly reports for the department need to be more focused on what the Councillors need rather than what the department may think is needed.

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SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Management team is willing to develop the skills and knowledge of employees. • All policies and procedures are stored in a central location which can be accessed by all business units. • An integrated IT system within the Council has been implemented. • Finance department is compliant with applicable laws and regulations. • As per Council Corporate Plan the Council will nurture business opportunities that create sustainable local employment and stimulate economic development and investment i.e. supporting local tradespeople by guaranteeing a consistent supply of work.	• The department experiences high staff turnover which necessitates senior management having to take on day to day operations at times. This has resulted in more important tasks being neglected. • The department does not have a key register, documented procedures for day-to-day operations or appropriate filing places for important documents such as leases. • There is a lack of benchmarks, KPIs, metrics and other performance measures to identify whether jobs performed internally are in-line with the department's expectations. • There is no system to track project / job completion. • Some department policies and procedures are out of date and overdue to be updated and implemented/enforced. • Communication between departments isn't at the desired level to allow Council to operate effectively as a whole. Deficiencies in communication are affecting the department's abilities to meet goals and objectives. • While the department remains compliant with applicable laws and regulations, this consumes up to 30% of management time.	• With the implementation of the new IT system, there is an opportunity to develop appropriate processes and reporting tools to aid management in effectively fulfilling their role. • There is an opportunity to develop staff training programs to both fill a need for perceived skills shortages in the department and provide incentive for staff to remain Council employees. This could assist Council to be seen as an employer of choice on the island and in the wider region. • The department could source extended funding streams or new programs through government bodies to fund its staff training program. Further, this could be extended to the establishment of a local training facility with aims of upskilling local staff to take on positions historically filled by non-local staff. • Retention strategy – develop appropriate procedures and processes to aid in retaining skills and knowledge to strengthen the stability of the Council. • Development of a grants officer role or incorporation into an existing role would help to secure additional funding. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives.	• The remote location of the Council has a negative impact on staff retention and therefore for the ability to retain vital skills and knowledge within the community. • Lack of formal department goals or objectives could have a negative impact on department performance.

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Technical services

Background

The Technical Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

The department has a range of key stakeholders that are a mixture of internal and external to Council. These include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- External contractors

Within the Technical Services department there are some formal objectives that are in line with the Corporate Operational Plan and Council policies. This provides a somewhat clear view of the direction that the department as a whole is to be heading. There are various plans that are in place to put the department objectives into motion, for example a Drinking Water Management Plan.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Technical Services	David Torr - Executive Manager Technical Services	Yes	
Water & Sewerage	David Torr - Water & Sewerage Team Leader Note: Jarrod Martin (Plumber) attended SWOT workshop	Yes	Community as a whole
Airport	Allan Secington - Airport Reporting Officer	No	Community as a whole
Civil Works	Works Manager (currently vacant)	N/A	Community as a whole
Animal Management	Graham Edwards - Animal Management Officer / EHO	No	Community as a whole
Waste Management	Harold Cameron - Waste Management Manager	No	Community as a whole
Technical Services	Kati Tuatini - Technical Services Administration	Yes	Technical Services department
Parks & Gardens	Christopher Loogatha - Parks & Gardens Manager	No	Community as a whole

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Focus categories

Realising strategic ambitions

As per Council's Operational Budget 2019-20 the Technical Services department has received $2.4m for the areas of water supply, sewerage, waste collection and parks and gardens to ensure that essential services are maintained to a standard equal to any other town in Queensland. With a growing population on Mornington Island, community needs for services provided by the Technical Services department are increasing accordingly.

During an internal audit discussion, it came to our attention that there is an opportunity for an additional water treatment plant. In recent years, the Department of Environment and Energy has released the National Water Security Plan for Cities and Towns, including Indigenous Communities. The plan includes a focus on water production, storage and long term capacity buildings for Indigenous Councils. There is an opportunity for the Council to obtain additional funding from the Federal and State Government and install an additional water treatment facility.

Finance growth

The department is willing to grow and accepts challenges which come along with a changing business environment. In most cases these challenges are associated with insufficient grant funding. Council does not have a grants officer role within the organisation and accordingly the search for additional funding is left to finance and technical teams. There is a lack of clarity over who is responsible for the search for any additional funding. This creates a potential risk that available funding opportunities might be missed.

Manage risk and regulations

The Department of Natural Resources, Mines and Energy monitors and regulates drinking water in Queensland and the Water Supply (Safety and Reliability) Act 2008 applies to drinking water service providers, including councils involved in treating, transmitting or reticulating water for drinking purposes. Under the Act it is required for Mornington Shire Council to have a drinking water quality management plan (DWQMP) in place, and comply with the details of the plan.

The Technical Services department has a DWQMP and the last time it was updated was on 16 October 2017. While the Act does not identify how often the plan should be reviewed, it is recommended to update the plan annually. This can help the department to comply with relevant changes in the Act and other applicable regulations released by government departments.

Optimise operations

The department anticipates implementing lean principles and a philosophy of efficient practices, which would help to create a measurable increase in employee productivity and streamline operations. At the time of the review, the organisation implemented a new Corporate Information System – Sharepoint. The Sharepoint system is a cloud-based technology allowing the department to simplify administrative procedures and replace manually stored paper forms by electronic workflows stored in the cloud.

Engage leadership and talent

The Technical Services department uses various software package for daily operations, including Office 365, Xero, ApprovalMax. During the workshop, it was highlighted that some department members do not feel confident to operate some software packages on day-to-day basis. This has a direct impact on operations optimisation, ability to streamline current process and procedures, and key personnel reliance.

Internal or external software training would benefit the department's team's technical skills and would help to increase productivity per employee within the business unit.

Maximise stakeholder value

The business unit's managers present department performance reports, including operational and strategic matters, to Councillors quarterly during Ordinary Council meetings. This type of communication between internal stakeholders, Councillors and management, appears to work fine.

During the workshop, it was identified there are communication gaps between Council's departments. The effective and clear communication within the organisation is key to efficient operations and one of the ways to maximise internal stakeholder's value.

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SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• Personnel have a sound understanding of the objectives and values of the department. • Senior team members are aware of Water and Sewerage compliance requirements and have a transparent system in place how to keep up with the Federal and State Government requirements. • At the time of the review, there were 40 team members in the Technical department, 36 (90%) out of 40 were local indigenous people. One of the Council's values is to promote local people employment within Council and achieve a goal of 80% of Council personnel being indigenous Mornington Shire residents.	• There are no written process or documented practices within the department to guide the day to day water treatment process. • At the moment Council does not have a Grants Officer role. This can cause a risk that available funding from Federal or State Government can be missed. • The internal charge rates are not reviewed by senior management regularly. Senior management does not have a sound understanding around whether the internal charge rates are to be set at cost or whether they are to be set to make a profit for the department.	• While Council has a water treatment plant in place there is an opportunity to expand dam capacity and build an additional water treatment. • There is an opportunity to schedule more department meetings and establish a better communication within the organisation. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives. • An opportunity to review Drinking Water Quality Management Plan annually exists.	• Ergon is a primary and only supplier of power in Mornington Island. There are reoccurring power outages. In the last year, the community experienced six instances of power outage causing difficulties in performing daily tasks, such as water treatment operations. These services were run using generators for a whole weekend due to Ergon unavailability to provide service over the weekend.

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Infrastructure services

Background

The Infrastructure Services department is comprised of a number of sub departments. These are detailed in the adjacent table along with details of the department head and to whom the department provides services.

Key stakeholders of this department include but are not limited to:

Internal
- Councilors
- Other council departments

External
- Community members
- Government departments (State and Commonwealth)
- External contractors

Within the Infrastructure Services department there are no formal or informal objectives that provide a clear view of the direction the department and subsequently each department line is to be heading. The objectives are not documented nor did they appear to be clearly communicated amongst the management team. This has been reflected in the SWOT analysis below.

Department / Department line	Name and position	Attended SWOT workshop	Who are services provided to?
Infrastructure	Brad Dickson - Executive Manager Infrastructure	Yes	
Housing – BAS Operations Housing - New Builds	Dale Harvey - Housing Manager	Yes	The local community and Council
Workshop	Geoffrey Size - Workshop Manager	No	The local community and Council
Special Projects	Lana Maki - Special Project Manager	No	The local community and Council
Fencing	Vacant - Infrastructure Coordinator Shannon Reid - Fencing Manager	No	The local community and Council
Asset Management	Lea Marshall – Project Accountant	No	All departments within Council
Project & Contract Risk Management	CT Management - Project & Contract Risk Manager	No	The local community and Council
Batching Plant	Ross Ah Fat - Batching Plant Manager	No	The local community and Council
Concreting	Mark Shaw - Concreting Manager	No	The local community and Council

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Focus categories

Realising strategic ambitions

The department has experienced high staff turnover in recent times which has resulted in a lack of understanding of strategic direction, the funding environment and future workforce requirements.

Finance growth

There is a significant amount of funding available from both State and Commonwealth Governments for infrastructure projects which can be undertaken by Council. Applications for, and subsequent management of, funding is currently handled by department managers however they are time poor and this role could be better serviced by a dedicated grants officer.

Manage risk and regulations

There is currently no formal risk register in place. A draft version is in progress but this is yet to be finalised. Further, there isn't a practical risk management system in place that can easily be used by all employees within the Council to identify risks. Management are currently looking into a long term solution for this by way of a database that can be integrated into the current IT system.

Security of inventory (particularly products from the batching plant) is considered a high risk for the department.

Optimise operations

Within the department staff below manager level typically have a specific skill set. This has some positive aspects however it also limits the ability for staff to move between roles/tasks as demand requires.

Performance incentives have been introduced to encourage outstanding performance. An example of this exists with local employees who successfully attended a whole week of training. These staff members were awarded with funds to buy tools for their trades.

Engage leadership and talent

The high turnover in leadership positions in recent years has had a negative impact on department performance and understanding of areas including department funding and workforce requirements. The remoteness of the Council is considered a major factor in leadership/staff turnover and putting measures in place to counter this is considered a key focus.

Maximise stakeholder value

Assessing the maximisation of stakeholder value is difficult without defined department objectives to assess against. In addition to defined objectives, it is important they implement measurable KPIs to obtain a clear view of how they are performing in relation to their major stakeholder groups, these being the Councillors, Government departments and the community. As an example the monthly / quarterly reports for the department need to be more focused on what the Councillors need rather than what the department may think it needs.

SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
• All policies and procedures are stored in a central location which can be accessed by all business units. • Performance incentives have been introduced to encourage outstanding performance, e.g. local staff sent to training have attended the whole week which is not a common occurrence within the community. The staff members will be rewarded with a monetary incentive that they can use to buy tools for their trades. • There is an abundance of funding available from the State and Commonwealth governments for infrastructure projects that can be undertaken by the community that lines up with the Corporate and Operational plan.	• There is no system to track project / job completion. • There are no effective processes in place to understand the user experience of stakeholders. • There is no clear understanding of the future workforce requirements of the department. • There is a lack of understanding of the department's funding environment from project managers. • No inventory system is in place to track inventory other than that in the warehouse. • There is no grant officer role in the department or wider Council team. There is a risk funding opportunities could be missed or existing funding could be mismanaged. • Within the department staff below manager level typically have a specific skill set. This limits the ability for staff to move between roles/tasks as demand requires. At times this also necessitates the recruitment of contractors at an increased cost to fill skill shortages. • The department experiences high staff turnover which necessitates senior management having to take on day to day operations at times. This has resulted in more important tasks being neglected. • There is a lack of benchmarks, KPIs, metrics and other performance measures to identify whether jobs performed internally are in-line with the department's expectations.	• Develop a clear costing system/project management tools within the department. • Develop a local security resource to assist with keeping infrastructure and inventory sites secure. • Encourage local staff/contractors to broaden their skill base by undertaking additional training so they are qualified to perform a wider range of tasks. The broader skill set on the island will assist in managing current and future operations of the department. • Review recruiting agency contracts to ensure that appropriate staff are being sought to improve staff retention in leadership positions. • Increasing the number of meetings and cross collaboration between departments will establish better communication within Council and better outcomes for Council and the department's objectives. • With the implementation of the new IT system, there is an opportunity to develop appropriate processes and reporting tools to aid management in effectively fulfilling their role.	• Theft of inventory that is not secured, for example concrete from the batching plant. • Weather events such as cyclones and the wet season slow down / push back projects / jobs. • Ergon is a primary and only supplier of power in Mornington Island. There are re-occurring power outages. In the last year, the community experienced six instances of power outage causing difficulties in performing daily tasks. • The remote location of the Council has a negative impact on staff retention and therefore for the ability to retain vital skills and knowledge within the community. • Lack of formal department goals or objectives could have a negative impact on department performance.

Overall findings

Key findings

From discussions held with various staff in various departments we noted a number of recurring topics that appear to be Council wide issues. We have summarised key focus areas below for elevated consideration by Council management and combined them with high level recommendations.

Finding	Action plan
1. Department goals	
Lack of documented department goals and objectives for staff to work towards.	Key management for each department (with the involvement of the CEO and executive managers) should conduct a strategic direction workshop to discuss and document the goals and objectives for each department as a whole and the various sub departments within. Once completed these should be communicated to all staff in the department and copies should be made readily accessible for staff to access and refer to.
2. Grants officer	
Lack of a dedicated grants officer position was identified by a number of departments. This currently falls to managers within the departments to complete but they are often time poor and sometimes have to prioritise day to day operations over strategic matters like sourcing future funding streams or managing compliance with current funding streams.	Council should investigate creating a standalone grants officer position to source funding that is available for projects as well as assisting department managers with compliance matters and reporting requirements for current funding streams.
3. Staff position descriptions	
Staff position descriptions are incomplete or not aligned to their current tasks	Management of each department should undertake a review of all roles within their department and ensure an accurate position description exists for each required roll. As part of this review management should assess whether its current mix of staffing and experience/competencies meets the needs of the department or whether recruitment or training is necessary to ensure the department has staff with the required experience/competencies necessary for the department to be successful.

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Finding	Action plan
4. Staff training	
Staff have insufficient skills or training necessary to be successful in the roles they are in.	As part of the above recommendations management should ensure training opportunities are made available for staff where shortcomings are identified. This could involve the development of a dedicated training centre to help upskill local staff and differentiate Council as an employer of choice on the island to assist in staff retention and recruitment.
5. Staff retention	
Staff retention and turnover was a recurring issue noted in department discussions and is likely the single largest issue affecting Council's future success.	Key management of each department in conjunction with the CEO and executive managers should hold a series of workshops with staff from across the organisation to assess what factors impact their decision to remain as Council employees compared to seeking alternate employment. This should include what the wider staff would like Council to implement that would have a positive impact on their employment and subsequent retention. The feedback from these sessions should be crosschecked against feedback provided in exit interviews held with staff who have departed.
6. Role descriptions and process manuals	
Across the organisation there appears to be an absence of documented role descriptions and process manuals. When there is staff turnover the incoming staff member often has to figure out on their own how the role is performed instead of having a documented manual to refer to. This impacts efficiency and job satisfaction.	Management should work with more experienced staff in each department to develop and document process manuals to assist with a seamless transition where there is staff turnover. This will reduce the supervision time impacts on management as well.
7. Cross department meetings/collaboration	
From discussions held there appears to be a lack of cross department contact and a general lack of understanding of happenings from other departments. Not having a strong understanding of what other departments can do or are doing risks tasks being doubled up, opportunities being missed and an inability to leverage off other departments' skills and expertise.	Management should look at holding regular meetings between heads of different departments to share progress updates and educate other departments on the skills/abilities they possess and where they can assist other departments.

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Inherent limitations & Restriction of use

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides assurance regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities. Management should therefore not rely solely on our report to identify all weaknesses that may exist.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Mornington Shire Council in their full commercial impact before they are implemented.

This report has been prepared solely for the use of Mornington Shire Council and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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Contents

Authors: Graham Coonan – Partner

    Edan Clark – Senior Manager

    Melissa McDonald – Assistant Manager

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To: Kerry Whiting – Executive Manager Finance & Human Services

Cc: Frank Mills – Chief Executive Officer

    Audit Committee

Internal audit project 2-20
Sustainability of Council programs

About the project

As with many Queensland Indigenous and remote councils, Mornington Shire Council is experiencing significant sustainability issues. Key programs are not being undertaken in accordance with budgets and are incurring losses. Accordingly, Council has nominated this issue as a project(s) for Internal Audit for FY2020.

The project(s) will cover Council's key programs:

- Community housing programs

- Barge operations

- Workshop and plant operations

- Store and warehousing facilities

- Airport operations

- Waste management services

The objectives and scope of work for the above are set out in Appendix 1.

In October 2019, Internal Audit conducted workshops with Council management covering the first two programs. This report covers the findings and recommendations coming out of those workshops.

Findings

The findings for the two programs considered in this report are set out in the following pages. However, we have attempted to understand the over-arching root-causes of many of the issues and have summarised these below. It is apparent that these root-causes are not new. It is also apparent that there are unlikely to be any easy or short-term solutions. However, we believe that if Council is able to go some way forward addressing these root-causes, many of the more detailed findings would be able to be more easily addressed.

Attracting suitable staff

It is always difficult to attract and retain suitably skilled staff to remote areas since they don't enjoy the facilities and standard of accommodation found in larger less remote centres.

Developing a stronger work ethic within the workforce

During the workshops, a regular theme was the poor work ethic of some staff, including falsified time sheets, non-attendances, etc.

Accordingly, we believe if Council is able to make some in-roads into addressing the above, many of the other findings would be more easily dealt with.

Other reference material

The Queensland Audit Office recently undertook a performance audit on this same topic. It based its observations on a small number of councils, although these councils were in more populated areas and so were not Indigenous or remote councils. However, many of the findings and recommendations in the report may be useful for Council. The report is titled *Managing the Sustainability of Local Government Services (Report 2 2019-20)* and can be sourced from the QAO website.

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Community housing program

Executive summary

This report details the findings and recommendations arising from our Sustainability of Council's Programs review at Mornington Shire Council ("MSC"). The review was performed in October 2019.

Refer to **Appendix 1** for details of the objective, scope and approach for conducting the review.

Background

The housing program's purpose is to complete maintenance and construction work for staff housing and Queensland Government community housing within the Mornington Shire region.

Council initially commenced completing maintenance and construction work for community housing with the objective of making surpluses which could be used to improve Council's overall sustainability.

However, the housing program has consistently performed under budget. In 2018 and 2019 program revenues were $1.5million and $1.7million under budget respectively.

In 2018 and 2019 the program's results amounted to losses of $875k and $141k respectively despite both years being budgeted to make surpluses.

We have reviewed the housing program and have determined that there are improvement areas Council can focus on in order to improve the program's financial outcomes.

Roles and responsibilities

Housing team

The housing department falls within the Executive Manager Infrastructure Services responsibility. The department is headed by the Housing Manager and two Housing Supervisors whose roles are split into BAS Operations and Purchase Orders.

Council's housing department is responsible for completing works for Building and Asset Services (BAS) including construction and maintenance of government owned housing and infrastructure as well as maintaining Council owned houses and accommodation.

Facilities management team

The facilities management team falls within the Executive Manager Finance & Human Services responsibility. The department is headed by the Facilities Manager.

Council's facility management department is responsible for managing Council staff housing including collecting the associated revenues as well as being the initial contact for staff in relation to maintenance requests.

The processes undertaken by the facilities management team are outside the scope of our review.

Key stakeholders

Internal

Council's employees and contractors are provided with accommodation either in Council housing or VAC accommodation. The maintenance work performed by the housing team is performed for the facilities management team internally.

External

Council is engaged by BAS to undertake the construction and maintenance of government owned housing and infrastructure on the island. BAS is a commercialised business unit of the Department of Housing and Public Works which is primarily responsible for construction, maintenance and operation of Queensland Government buildings and assets. BAS engages Council to perform purchase order works for a fixed price based on quoted amounts from Council to BAS. As a result the risk associated with completing these works in a profitable manner is offloaded from BAS to Council.

The other key external stakeholder is the wider community. The quality and timing of the work performed by the Council in relation to maintenance and construction, including refurbishments, impacts the community members who reside in the community and these houses.

Key information

Council performs maintenance and refurbishment for the following properties:

1,638 Do & Charge maintenance jobs in 2019

35 Council houses (owned/maintained)

57 visitor accommodation (owned/maintained)

230 Community houses (maintained)

2 Guest houses (owned/maintained)

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Ownership of houses

Mornington Shire Council is located on land assigned to it under Deed of Grant in Trust (DOGIT) under Section 341 of the Land Act 1994. As such there is no ownership of the land however houses within Mornington Shire Council's boundaries are owned by either Council (for its internal use) or by the Queensland Government.

Queensland Government

Council has leased 230 dwellings as lessor to the Queensland Government under 40 year lease arrangements. Whilst these houses are leased to the Queensland Government, these houses are not considered to be assets of Council. Responsibility for maintenance on these Queensland Government houses is with BAS who outsource to the Council.

Council receives lease income for the 40 year leases as part of the commercial sub-lease program.

Council

Council owns 35 houses and dongas for the purpose of providing housing to staff members. These houses are maintained by Council at its own cost.

Maintenance

Community housing and infrastructure

Queensland Government houses are maintained by BAS. BAS contracts the maintenance work to Council either through a do and charge form or via a purchase order depending on the urgency of the work.

Tenants use the "blue phone" to contact BAS directly regarding maintenance requests. If the matter is urgent, Council is engaged under a do and charge arrangement whereby Council does the work and on-charges BAS for the costs incurred to complete the repairs. If the matter is not urgent, Council may be engaged under either a do and charge arrangement or through a purchase order. In relation to projects which are completed under purchase orders, Council is required to provide a quote to BAS for the services requested based on a scope of works and offer schedule. The quote will be for a set amount based on quotes obtained by Council for materials plus an estimation of labour costs plus a mark-up. If Council encounters over-runs compared with the amount quoted, these costs are worn by Council.

Staff housing

Houses owned by Council were constructed internally and are maintained internally and at the cost of Council. Initial requests for maintenance on Council staff housing are directed to the facilities management team who then provide the housing team with a work order to complete the work.

Strategic direction

There are no documented objectives or goals for the housing program for either financial, strategic or community based objectives. Whilst the team does have a financial budget set for each financial year and from discussions, it appears that the overarching objective identified was to employ locals to benefit the local residents and community. However these objectives are not communicated throughout the hierarchy of employees within the program.

The Executive Manager is relatively new to Council and brings a fresh approach to the program. As time goes on, the Executive Manager will likely be the driver for change within this program.

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Financial performance

We were unable to perform a full analysis of historical results as we identified that due to inaccurate job coding of both revenues and expenses, the financial results for the housing program job code (3335) did not accurately reflect the actual activities undertaken and revenues collected.

The work performed by the housing team can be broken down into a number of smaller sub-programs being: purchase orders, do and charge works, new construction and staff housing. Currently the job coding within the accounting system does not track the split between these revenues and expenditure accurately therefore we have not been able to perform financial analysis to determine which types or works carry the most financial risk/reward.

Historical results

From a high level review of the financial results, we have noted:

- In 2017 and 2018, funding in relation to the bulk material storage shed, of $170,000 and $136,000 respectively, has been allocated to the housing program although the costs to construct this shed have not.

- Revenues have been increasing each year as BAS sub-contracts increased levels of work to Council. Over the years there have been significant increases in the amount of revenue received from new construction. In the past two years there have been a number of 'plug-ins' constructed (plug-ins being stand alone accommodation on blocks with an existing house like a granny flat).

- Although there has been significant increases in revenues, the increases in expenditure have been larger resulting in continued losses. Refer to the financial results graph below.
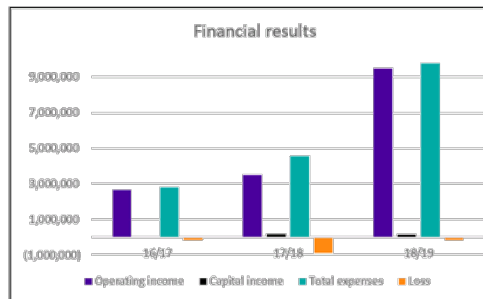
Budget vs actual results
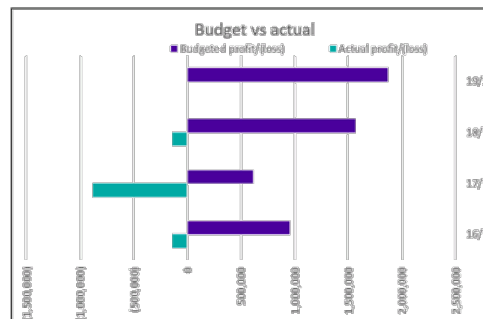
We note that in the past three years the actual results have been losses compared with budgeted surpluses.

Future focused

Included in the 2020 budget is an estimated $2.35million for the Social Housing Indigenous Program. This is an estimate by BAS as to the purchase order work that will be provided to Council during the 2020 year.

The budget also includes: construction of new residences, undertaking upgrades to existing houses and responsive maintenance to Queensland Government housing. The budget does not break down the estimated revenues and expenditure for these separate works.

Total budgeted revenues for the 2020 year is $8.8million.

Financial position

Recoverability of debtors

The housing program collects revenues from BAS for purchase order and do and charge works. No bad debts have been raised in relation to BAS debtors. BAS generally pays within 30 days, occasionally receipt of funds extends to 45 days. After 30 days Council commences following up on payment given that late payment from BAS can cause cash flow difficulties. Council can request urgent payment from BAS in these circumstances and receive owed monies promptly.

Staff housing

Staff housing work is received via a work order from the facilities management department. Work is performed by the housing team. Work performed on Council housing is either capital or expense in nature. All capital works on staff houses are capitalised to the corresponding house on the fixed asset register. Work that relates to repairs and maintenance is recognised as expenses within the Council Housing program code. As a result, there is no impact on the housing program's financial results for work performed on staff housing.

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Overall result

A number of key findings were echoed by all stakeholders who were consulted for this project. We have split the results into two sections, firstly being findings to improve the housing program internally and secondly being options identified to potentially outsource this function.

Internally the improvement areas can generally be split into six broad areas:

Strategic direction – there appears to be a lack of direction for this program including overarching objectives and goals as well as clarity in employee roles. There need to be improvements in the training and communication surrounding these areas.

Staff retention – there has been a large amount of staff turnover which has had significant impacts on the efficiency of completing the program works. It has also been identified that the recruitment process is focused on reducing the amount of vacant positions rather than recruiting the right staff for the position. This has a large impact on the overall retention of staff.

Succession planning – following on from staff retention, there are no documented policies and procedures in place to facilitate effective and efficient handover of the role to new employees.

Revenues – there have been delays in completing the job cards and providing them to the supervisor once a job is complete resulting in a delay in invoicing for the work performed and consequently delays in receiving the revenues. It may also be the case that the quotations provided to complete the work are not adequate resulting in less revenues being realised than expected.

Managing costs – it was identified that a large factor in the cost of work performed is a lack of supervision of the trade staff performing the construction and maintenance works. As a result there are inefficiencies within the labour force as well as with the timesheet process for both labour and plant.

Monitoring of costs – there is currently no reporting produced or provided to the managers of this program in order to monitor individual job costs or costs against budget for the program as well as 'sub-programs'. There is also no debrief process in place to reflect on the overall outcome of individual jobs or reporting periods to identify overrun and improvement opportunities.

Options to outsource this function have been subject to speculation by Council. There are a number of considerations to be taken into account to determine whether this could be a viable option for Council if the sustainability of this project cannot be improved on internally.

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Ratings have been allocated to each finding as well as individual findings per the definitions in Appendix 3.

#	Finding	Summary	Rating
Strategic direction			**Needs improvement**
1	No documented strategic direction	Council does not currently have a documented vision or objectives.	High
2	Training	From discussions it seems like Council is investing in training locals a lot less than they have previously. Council should consider increasing their training investment in locals in the hope that it will foster a culture of belonging and encourage locals to be productive and be accountable for their work.	Moderate
3	Clarity of roles	The staff (including management) do not always understand what their roles and responsibilities at Council are. i.e. Housing Supervisor unaware of what his job entails.	Critical
Staff retention			**Needs improvement**
4	Turnover	A majority of the trade staff as well as the Housing Manager BAS Operations are not direct employees of Council, rather they are hired through employment agencies. As a result, staff can leave at any time which results in ongoing turnover.	Critical
5	Recruitment strategy	The EMIS indicated that when there is a vacant position it is filled in a prompt manner regardless of whether the person is the best fit with culture/performance that Council wants to create or whether they are compatible with the remote island life. This also results in a large turnover.	Low

#	Finding	Summary	Rating
Documentation of processes and procedures			**Needs improvement**
6	Documentation of processes and procedures	There are no documented procedures in place regarding processes and procedures performed in any roles, including Housing Supervisor, Housing Manager and other executive roles. As a result when staff leave, there is a large cost (both time and money) associated with new staff learning how to perform the role and other staff adapting to the new manager's methodologies.	Moderate
Revenues			**Needs improvement**
7	Estimation of costs for quotations	It appears as though the estimated costs to complete purchase order works are being significantly understated resulting in financial losses to Council as actual costs are exceeding the quoted amount which is the revenue received by Council from BAS.	Critical
8	Accountability for job cards	BAS cannot be billed for the works completed until the job cards have been completed. The job cards are provided to the employee(s) allocated to the job at the start. It has been the employees responsibility to return this job card to management once the work has been completed. It has been found that some employees have been hoarding these job cards (employees have been known to have in excess of 20 cards).	Critical

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#	Finding	Summary	Rating
Managing costs			
9	Supervisors for trade staff	Trade staff are currently not being as productive as desired as they are assigned tasks at the start of the day but often do not complete a full day's work despite completing timesheets for a full day's work. There is no supervisor on site to ensure that employees are at work and that the time recorded on their timesheet/invoice is accurate.	Critical
10	Timesheets	Inaccurate timesheets are being submitted by employees and inaccurate invoices are submitted by contractors for works performed. Hours are often excessive in relation to the actual work performed. It is known to management that staff are falsifying timesheets stating that they are working when they are known not to be. Timesheets should be reviewed by a supervisor who is present on-site and who can verify whether or not the timesheets are accurate.	Critical
11	Labour costs for downtime	There are a number of staff employed by Council on a full time basis who are paid for full time hours regardless of whether there is work available for their trade or not. Solutions include multi-skilling employees so that they can perform other tasks when their trade is not required or changing the employment arrangements so that employees are only paid for work performed.	High
12	Plant on-costs	Since the transition to Xero accounting software, plant on-costs have not been recognised. As such costs such as vehicles and plant are not being included within the housing program and subsequently the financial results of the program are not a true reflection of the costs incurred.	Moderate
13	Internal purchases	Concrete prices obtained from the concrete batching facility during the quotation phase for BAS projects are often not reliable and change significantly in the final costings. Consideration should be provided as to whether it would be beneficial to implement an internal quotation system to hold all parties accountable to the initially agreed prices.	Performance improvement

#	Finding	Summary	Rating
Monitoring costs			Needs improvement
14	Monitoring of job costs for overruns	Reporting specific to the housing program should be developed and made easily accessible to the team.	High
15	Debrief process	Council should consider implementing a 'debrief' process after the completion of large projects or projects with large overruns.	Performance improvement
16	Budgeting process	Consideration should be given to improving the budget process.	Moderate
Options for divestment of program			Needs improvement
17	Divesting housing program	A business case analysis should be prepared and presented to the Council documenting the viability of any options to divest the housing program	Moderate

It is our opinion that the sustainability challenge in regards to operating the housing program internally can be reduced by implementing appropriate processes and procedures. It would be beneficial for Council to implement recommendations and essentially revitalise this program internally given that it has the potential to provide Council with a source of own funds income which can be used to fund other areas of Council activities which are for the betterment of the community.

Detailed findings and recommendations are included in the following section of the report which have been discussed with management.

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Detailed findings

1	Strategic direction	
Finding		**Recommendation**

Background

It is important to have documented vision, objectives and goals to ensure that the overall tone for each program is aligned to Council's overall strategic direction. Mornington Shire Council as a whole has the below vision statement. Council has also set a goal increasing the indigenous workforce to at least 80% of Council's workforce.

"Mornington Shire Council's vision for community is moving forward, together. Our vision is for a healthy and sustainable community, where people can influence decisions that affect their own lives, enjoy their rights, and assume their responsibilities. A community in which everyone is valued and treated equally. Our future is in our hands – we will get out of it what we put into it."

Finding

There appears to be a lack of direction for this program as Council's overarching objectives and goals do not seem to be applied nor are there specific financial, strategic or community based objectives set for the program. The strategic direction is neither documented nor communicated.

Employees working with this program are not aware of their role and responsibilities with the team or within the Council as a whole. Employee roles have not been developed and aligned to achieve the goals of the program including financial goals and as a result the work being performed by this department has not been directed towards achieving a common goal.

It was indicated that there has been less employment of local Indigenous people compared with the past. The willingness to invest time and training into local people is essential in meeting Council's vision as well as reducing labour costs.

Potential impact

Without having a strategic direction, the program may fail to meet the needs of the stakeholders.

1.1 Determine the strategic objectives of this program. When determining these objectives consider:

- Impact on the culture within the team

- Documentation and communication with the team

- How the objective for this program ties into Council's vision and goals

- Impact on the sustainability of the program

1.2 Document the descriptions for roles within this department and ensure that each employee knows what is expected of them.

1.3 Consider implementing a training program incorporating:

- Teaching employees the skills necessary to perform their roles (per role descriptions)

- Increased training for local staff to increase staff retention and improve on the percentage of local employees (per Council's objectives)

- Multi-skilling employees so that they can perform different roles when there are ebbs and flows in the workload for their position

- Documenting the training undertaken by each employee and what their qualifications and licences are.

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2	Staff retention
Finding	**Recommendation**

Background

Staff can either be employed directly by Council or can be a contractor through a hire company or through their own business. Contractors do not have a set contract and can therefore leave at any time.

Hiring processes in the cases when contractors leave is to hire another contractor to quickly fill the vacant position.

Finding

A large portion of the trade staff as well as the Housing Manager BAS Operations are contractors. As a result, staff can leave at any time which results in ongoing turnover.

It has been indicated that when there is a vacant position it is filled in a prompt manner regardless of whether the person is the best fit with the culture that Council wants to create or that they are compatible with the remote island life. The impact of this is that staff who are not appropriate to fill the position generally leave within a short period of time resulting in further turnover and increased recruitment costs.

Potential impact

Council has significant turnover in staff resulting in a lot of lost knowledge and experience. This results in a large cost to replace these staff as well as labour costs relating to the new staff to learn the new position and training costs.

2.1 Employment arrangements should be reviewed to ensure that they tie in with the staffing needs of the program. Factors to take into consideration are:

- Multi skilling of employees so that they can fill another role when there is not enough work in their own position to fill the required hours

- Adjusting remuneration packages to encourage staff to perform the work that is required of them, e.g. either to encourage or discourage overtime

- Method of employment (e.g. direct employee of Council or contractor)

2.2 To attract and maintain more appropriate personnel, Council should consider creating an environment which is attractive to staff such as improved living arrangements and potentially changing the remuneration package from wages (with limited ability for overtime) to a salary arrangement.

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3	Documentation of processes and procedures
Finding	**Recommendation**

Background

Documented policies and procedures assist organisations to mitigate the risk of corporate knowledge being lost should individuals leave the organisation. Furthermore, policies and procedures ensure expectations of systems, processes and controls are known by team members.

Finding

Members of the housing program team currently perform their duties based on their experience of being in the role, historically with no written processes or procedures.

It was verified that the program has not documented the following:

- procedures that define key processes, such as daily, weekly or quarterly job activities, and

- processes that should define in detail how key business functions are performed (either on repeating or as-need basis). For example, process for completing job cards.

Potential impact

Without documented procedures and processes, Council cannot be assured in the knowledge that the day-to-day running of Council operations will go smoothly in the absence of the staff tasked to those functions.

Having a clear and concise manual for each role will mean training new staff will be a lot quicker and key staff can be absent without it heavily impacting on the day-to-day operations.

3.1 Consider key areas that need to be documented for all roles and functions within the housing program and implement a plan to document these areas:

- use flowcharts to document processes that clearly show responsibilities, and

- document procedures, keeping it short, tight explanations, bullet points.

3.2 Implement checklists to support procedures to ensure every required step or piece of information is completed at various stages of the process.

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4	Revenues
Finding	**Recommendation**

Background
For purchase order works performed for BAS, the Housing Manager will prepare a quote for the works including quoted material costs, estimated labour costs, overheads and a 20% mark-up.

Once the works are awarded, the works performed for BAS are allocated to trade staff by providing them with a job card which includes information such as the scope of the works, the house that the works relate to and job costing information. Once the works are completed an invoice cannot be raised until the job card has been filled out and provided back to the Housing Supervisor.

Finding
Amounts being quoted to BAS have been understated in many instances resulting in the revenue being received not being sufficient when compared to the actual costs incurred to fulfil the purchase order.

It has been found that some employees do not return their job cards in a timely manner and can sometimes have numerous job cards on the go. An example was given where one employee has 23 job cards on the dashboard in his car, some for completed jobs, some in-progress and some not started.

Potential impact
The deficit between the quoted amount and the actual expenditure results in costs that are being funded by Council out of grant monies allocated to other projects or out of Council's reserves.

The implication of not submitting job cards in a timely manner upon completion is that costs, both material and labour, have been incurred on these projects. This can result in cash flow dilemmas as Council has to fund this expenditure until the job card is finalised, submitted and invoiced plus an additional 25 – 40 days for the monies to be received. Delays in invoicing can be costly to Council and reduce the cash flows and therefore sustainability of not only the housing department but Council as a whole.

4.1 Consider implementing and strengthening processes surrounding the project management of on-going jobs. Perhaps trade staff should check-in with their supervisor on a daily basis to hand in completed job cards and collect new job cards.

4.2 Informal training could be implemented as part of a regular check-in with trade staff and can include topics such as: how to appropriately complete a job card and newly implemented processes.

4.3 Quotations for BAS purchase order works should be based on more accurate estimations of time and material costs. The following can be considered in improving the quotation accuracy:

- Requiring large quotations to be reviewed and approved prior to being submitted to BAS. An appropriate threshold should be set to determine what are large items.

- Benchmarking the total hours taken to complete similar projects using this data to forecast an appropriate number of hours for the quoted project.

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5	Managing costs

Finding	Recommendations

Background

It has been identified that cost overruns are generally associated with the labour component of the works as materials can generally be quoted in advance and have a set price. As part of the whole of Council budgeting process for 2020, it has been identified that labour costs will need to be decreased by $1million each year for the next three years to make an improvement to Council's sustainability.

Currently trade staff are being allocated their job cards and predominantly being left to work unsupervised. The lack of supervision and review has resulted in inefficiencies and low productivity levels resulting in large amounts of overtime to complete the works within BAS's required timeframes.

Finding

We have identified that there are no controls in place in regards to managing the labour costs to complete these projects:

- Trade staff are currently not being productive as they are assigned tasks at the start of the day but lack work ethic and are known not to work a full day.
- There are currently no supervisors on-site to ensure that employees are at work performing the task at hand effectively and efficiently.
- Unnecessary overtime is being worked which is paid at time and a half up to double time and a half. This results in a large cost to the program which is not considered to be appropriate given the level of staffing available should be sufficient to manage the workload.
- Inaccurate timesheets and invoices are being submitted by employees and contractors respectively. Hours are often excessive in relation to the actual work performed. It is known to management that staff are submitting inaccurate timesheets stating that they were at work for a full day when they were not.
- Trade staff on full-time contracts are being paid to do nothing when there is no work available within their trade.

5.1 Consider implementing supervisor positions which are purely responsible for being on-site with the trade staff ensuring that they are being productive and performing work to the required standard. These positions could be created by adjusting the role descriptions of existing staff or by employing new staff.

5.2 Supervisors who are on-site with trade staff should take on the role of reviewing timesheets to ensure that the time being recorded reflects actual hours worked by staff. Supervisors should also be able to check that the correct job costing and plant hire codes are documented on the time sheets as they will be familiar with the work being performed.

5.3 Plant on-costs should be recognised. In the long term it would be ideal to recognise actual plant on-costs by recording based on hours identified on employee timesheets. This may be possible if the above improvements to timesheets are implemented and operating effectively.

In the short-term, estimated plant on-costs can be recognised to ensure that the actual costs to complete the job are complete.

5.4 Consider multi-skilling employees so that they can perform other tasks when their trade is not required or by changing the employment arrangements so that employees are only paid for work performed.

5	Managing costs (continued)
Finding	**Recommendations**
Finding (continued) Plant on-costs have not been accounted for at all since the transition to the Xero accounting system on 1 July 2019. Previously plant on-costs were recognised when employees included the plant code and hours on their timesheets, although plant on-costs were often incomplete and inaccurate. It was identified that the concrete prices obtained internally during the quotation phase for BAS jobs are often less than the final costings. As a result, the amounts included in the quote for the materials is understated. **Potential impact** The overall impact is that the housing program consistently makes a deficit. Labour costs greater than the budget and what is necessary are incurred due to poor processes and work practices. The culture within the team indicates that staff believe that it is acceptable to submit inaccurate timesheets and expect that there will be no consequences. This mentality correlates to additional costs to the housing program. Costs such as vehicles and plant are not being included within the costs for the housing program and as a consequence the financial results of the program are not a true reflection of the costs incurred to earn the revenues.	**5.5** Consideration should be provided as to whether it would be beneficial to implement an internal quotation system to hold all internal parties accountable to the initially agreed prices for internal purchases (e.g. concrete). **5.6** Processes should be implemented to require pre-approval for overtime to ensure that overtime is only worked where absolutely necessary.

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6	Monitoring of costs
Finding	**Recommendations**

Background

It is important to monitor financial results and progress against budget on a regular basis. This ensures that cost overruns can be managed in a timely manner and job costing errors can be identified.

Finding

Previously the Housing Supervisors were able to monitor the costs incurred on each job on a weekly basis in comparison with the amounts quoted with BAS. Since a change in systems (Practical to Xero) there is currently no reporting available on a job by job basis or on an aggregate program basis. The supervisors do not currently have access or knowledge of how to operate the Xero system to access the information required to monitor their financial results.

The quarterly budget review process is performed by the Finance Manager. As a result, the housing program manager is not actively participating or required to take ownership of the budget overruns.

The results recognised within the housing program are not accurate due to job costing inconsistencies.

Potential impact

If the Housing Supervisor is not monitoring the costs incurred against the quoted amounts for large jobs. There could be large overruns that are not identified resulting in large financial losses.

6.1 Reporting specific to the housing program should be developed and be made easily accessible to the team. This may include:
- dashboard reporting within Power BI
- budget vs actual reports on an individual job basis at regular intervals (e.g. weekly)
- budget vs actual reports from Xero for the housing program.

6.2 Consideration should be given to improving the budgeting process to include:
- More detailed budgets so that budget vs actual analysis can be used to determine risk areas
- Involvement of program staff
- Regular reporting against budget by the program team including on individual job level for large jobs.

6.3 Consideration should be given to implementing a 'debrief' process after the completion of large projects or projects with large overruns to ensure that Council identifies the problem areas so that these can be addressed prior to future projects through additional training, performance remedial actions or implementation of new processes. This process can create a continuous improvement culture.

6.4 A review should be performed to determine whether the current job costing structure is adequate. Consideration should be given to the structure of the programs, matching the associated revenues and expenditures within the program and making each type of project separately identifiable.

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7	Options for divestment of program

Finding	Recommendation

Background

The housing department has been budgeted to make profits in the realm of $1.5 - $1.8 million in the previous years. The actual performance of the program has been less than intended resulting in consecutive losses. Council is currently considering options in order to limit the sustainability risk to Council which includes operating this department in a commercialised manner rather than based on Council's community focused objectives.

Finding

Management has considered the possibility of restructuring the way that the housing program is conducted. Options already considered by Council:

- Council has created a private company, Mundalbe Enterprises, which is owned by Council which may be able to take over operating the housing program as a separate commercial building company outside of the constraints of the Local Government procurement requirements.
- Expressions of interest for local Indigenous community members to run this program as a separate business with the assistance from Council including financial support and use of equipment and facilities.
- Expressions of interest for a provider from off the island to take on this program as a contractor to Council.
- Continue to perform this program in house but make improvements to the processes and controls in place regarding reducing costs with an overall objective of creating a sustainable program.

Additional options Council should consider:

- Operating the housing program as a commercialised business unit under Division 4 of the Local Government Regulation 2012. This could include operating the business unit under a separate brand however still as part of Council as a whole.

Potential impact

If appropriate consideration is not given to the risks associated with the above options, Council could be opening itself up to financial, regulatory and reputation risks.

Before any of the options identified are actioned, a business case analysis should be prepared and presented to the Council documenting the viability of the arrangement, including:

- What are the actual costs of operating the housing department (including plant on-costs and actual labour costs incurred in performing the work)
- How the Council would manage subcontracting to the external provider and how this relationship will be managed
- What margin will be added to the sub-contractor's invoice before quoting to BAS
- How much is Council willing to contribute to a private operator to make this a viable option for the operator until they can establish the enterprise
- Community expectations
- Risk analysis to ensure that the option selected addresses the risks to Council
- Detailed program in place regarding communication of the changes to the community
- Training program for Council staff involved
- Consider the governance risks associated with using Mundalbe Enterprises given that the directors are those charged with governance for the Council and is therefore a related party.

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Barge operations

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Executive summary

This report details the findings and recommendations arising from our Sustainability of Council's Programs review at Mornington Shire Council ("MSC"). The review was performed in October 2019.

Refer to **Appendix 1** for details of the objective, scope and approach for conducting the review.

Background

The freight services are provided by Carpentaria Freight on a five year contract, due to end on 13 November 2023. Carpentaria Freight considers their responsibility to only include the point up until the barge is docked at Council's barge landing.

After this point the Council's warehouse team, with the assistance from staff from the technical services team, are responsible for unloading, storing and delivering the freight to the end customer. The same Council personnel are also responsible for collecting the back freight and loading this onto the barge.

The barge operations program has consistently performed under budget. In 2018 and 2019 the program was budgeted to make losses however actual losses exceeded budget by $109k and $62k respectively.

Total losses for 2018 and 2019 were $397k and $414k respectively. These large losses are not sustainable for Council.

We have reviewed the barge operations program and have determined that there are improvement areas that Council can focus on in order to improve the program's results.

Roles and responsibilities

Warehouse team

The warehouse department falls within the Executive Manager Finance & Human Service's responsibility however they report directly to the Chief Financial Officer. The department is headed by the Warehouse Manager.

Council's warehouse team is responsible for the barge operations program which includes unloading the barge every Wednesday and delivering goods to local businesses and community members.

Technical services team

The technical services department falls within the Executive Manager Technical Service's responsibility.

Council's technical services team is responsible for billing and collecting as well as providing labour for the barge operations.

The processes undertaken by the technical services team are outside the scope of our review.

Key stakeholders

Internal

Council receives freight on the barge for all of Council's internal programs, for example housing, concreting and road. As such most internal programs are impacted by the barge operations.

External

Council unloads the freight for all customers on the island and in many cases Council performs the landside delivery. Customers on the island include commercial enterprises, police, school, hospital and health services and Ergon as well as individual community members.

Key information

Council performs maintenance and refurbishment for the following properties:

60 barges annually

5,387 tonnes of freight processed annually (2018)

7 deliveries to customers each week (estimated)

5 staff involved in the process

Barge contract

The freight services are provided by Carpentaria Freight on a five year contract, due to end on 13 November 2023. We obtained a copy of the contract to determine which party was responsible under the contract for unloading the goods from the barge on Mornington Island

Per section 11.4 of the contract:

"Council will, at Council's expense, provide any equipment and labour needed to unload the goods at the delivery address."

It is clear within the contract that unloading the goods from the barge is the responsibility of the Council.

Physical risks

Council has identified that there are a number of physical risks associated with the barge operations, specifically workplace and health and safety concerns during the unloading of the barge and delivery of the freight. Council engaged Risk 2 Solutions in February 2019 to perform a risk assessment. It was determined that the overall risk associated with the barge operations (including unloading, storage and distribution of stock and supplies to the Mornington Shire community) was rated as extreme.

Freight arrangements

The barge operator provides the manifest to Council each Tuesday afternoon prior to the barge delivery early Wednesday morning. Council then provides the manifest to the relevant customers so that they can either arrange for delivery of their goods by contacting Council, or arrange their own collection from the barge landing.

Barge handling fees are then to be paid at Council's main office prior to collection of the goods. The receipt for payment of the barge handling fees should be taken to the barge landing and shown to Council employees in order to collect goods.

Delivery prices

Council has a schedule of fees and charges which is included in the revenue statement each year. The schedule of fees and charges sets out the barge handling fees including set fees for pick-up and delivery of pallets and containers as well as charges per tonne for goods such as vehicles, plant, building materials, gravel and fuel. There is also a per vessel barge handling fee for non-food barges.

These prices are based on historical costings and have only been increased nominally over the past five years.

Refer to **Appendix 2** for an extract of Council's fees and charges schedule taken from the 2019-20 operational budget.

Strategic direction

There are no documented objectives or goals for the barge operations program for either financial, strategic or community based objectives. Whilst the team does have a financial budget set for each financial year and from discussions, it appears that the overarching objective identified was to ensure all deliveries were complete without any loss of freight. Whilst this objective is practical it does not drive the program to achieve a successful outcome.

The Warehouse Manager is relatively new to Council and brings a fresh approach to the program. As time goes on, the Warehouse Manager will likely be the driver for change within this program.

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Financial performance

We were unable to perform a full analysis of historical results as we identified that due to inaccurate job coding of both revenues and expenses the financial results for the barge operations job code (2300) did not accurately reflect the actual activities undertaken and revenues collected.

Historical results

Revenues

From our review of the program revenues over the past three years we note barge program revenues have been steadily declining.

Barge handling fees
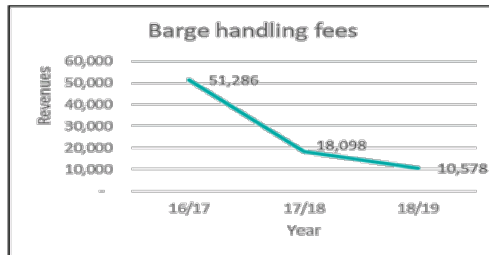
From our review of the general ledger in the 2019/20 year, the barge handling fee receipts are being recognised within either of three program codes being barge, warehouse or service delivery. It appears as though the knowledge surrounding which activities relate to each program code has been lost over the years due to staff turnover resulting in the financial results becoming less accurate as time progresses.

We also note that barge handling performed for other internal programs within Council is not being recognised as an internal cost to those programs and consequent revenues to barge operations.

Expenditure

Currently there are several main costs associated with the barge operation program, including:

- Labour. This cost includes wages relating to the Warehouse Manager and Storeman as well as wages relating to the Technical Services team who perform the unloading and delivery tasks on barge day.

- Equipment. These costs include plant items such as forklifts and trucks. These costs are not currently costed to the barge operations program.

- Operating costs such as the costs to operate the chiller rooms to store food orders etc.

- Depreciation. Council is unable to determine which particular assets relate to this program and therefore the depreciation charge is not likely to be reflective of the actual future replacement costs that the barge operations program will be expected to incur.

Budget vs actual results

Budget vs actual

We note that in the past two years the actual losses have exceeded the budgeted losses.

Future focused

Within the budget for the 2020 financial year, there is $50,000 budgeted for the barge area security and safety upgrade.

In the 2020 year, the barge is budgeted to make a loss of $341,700. The budget is based on $172,400 wages, $42,800 operating costs, $16,500 repairs and maintenance plus $150,000 depreciation offset by $40,000 barge handling fee revenues.

At the September quarter end we note that there has only been $1,400 of barge handling fees recognised within the program code along with $65,500 operating expenses. Following the trajectory from the first quarter of 2020, it is unlikely that the program will meet budget unless improvements are implemented.

Recoverability of debtors

Currently, the collection of barge handling fees has been haphazard as the actual process in place appears to rely on an honesty system. We are advised customers often collect their goods without paying the handling fees.
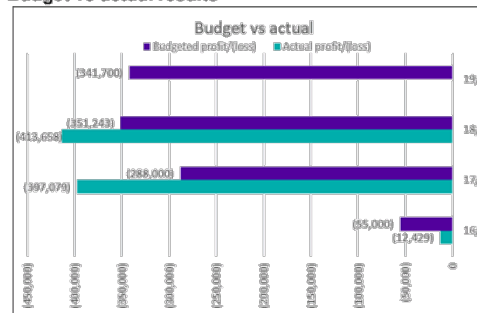
In relation to delivery fees, the staff responsible for the deliveries are supposed to notify the Executive Manager of Technical Services who deliveries were made to so that invoices can be raised however this process appears haphazard and often invoices are missed.

No invoices are being raised for other barges which use Council's barge landing although there are set fees and charges schedule for this.

The current process for invoicing for back freight is also haphazard.

Council does not have processes in place for monitoring the total revenues for which Council is entitled to receive relating to the barge operations. Council also does not have any processes in place for collecting any unpaid barge handling fees.

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Overall result

A number of key findings were echoed by all stakeholders who were consulted for this project. We have split the results into two sections, firstly being findings to improve the barge operations program internally and secondly being options identified to potentially outsource this function.

Internally the improvement areas can generally be split into seven broad areas:

Strategic direction – there appears to be a lack of direction for this program including overarching objectives and goals as well as clarity in employee roles. There need to be improvements in the training and communication surrounding these areas.

Staff retention – there has been a large amount of staff turnover which has significant impacts on the efficiency of completing the program works. It has also been identified that the recruitment process is focused on reducing the amount of vacant positions rather than recruiting the right staff for the position. This has a large impact on the overall retention of staff.

Succession planning – following on from staff retention, there are no documented policies and procedures in place to facilitate effective and efficient handover of the role to new employees.

Revenues – there is a lack of controls surrounding the collection of barge handling fees, delivery fees and fees charged to non-food vessels. Additionally, the schedule of fees and charges has not been re-assessed in many years and is potentially outdated resulting in fees not being sufficient to cover costs.

Structure of labour – currently the employees used to complete the back freight, unloading, storage and deliveries are from the technical services team as these are the only employees other the Warehouse Manager and Storeman who have the necessary tickets to operate the machinery. This takes resources away from the technical services team and creates supervision difficulties given that these staff do not report to the Warehouse Manager and Executive Manager of Finance & Human Services.

Monitoring of costs – there is currently no reporting produced or provided to the managers of this program in order to monitor the costs nor is their a detailed budget or reporting against budget for the program.

Physical risks – there is a lack of controls over the barge operations performed. These include workplace health and safety, access risks and risks over the ownership of freight.

Options to outsource this function have been speculated on. There are a number of considerations to be taken into account to determine whether this could be a viable option for Council if the sustainability of this project cannot be improved on internally.

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Ratings have been allocated to each finding area as well as individual findings per the definitions in Appendix 3.

#	Finding	Summary	Needs improvement
Strategic direction			
1	No documented strategic direction	Council does not currently have a documented vision or objectives.	High
2	Clarity of roles	The staff (including management) do not understand what their roles and responsibilities at Council are. This is likely due to the large amount of turnover.	Critical
3	Training	From discussions it seems like Council is investing in training locals a lot less than they have previously. Council should consider increasing their training investment in locals in the hope that it will foster a culture of belonging and encourage locals to be productive and be accountable for their work.	Moderate
Documentation of processes and procedures			Needs improvement
4	Documentation of processes and procedures	There are no documented procedures in place regarding processes and procedures performed in any roles. As a result when staff leave, there is a large cost (both time and money) associated with new staff learning how to perform the role and other staff adapting to the new manager's methodologies.	Moderate

#	Finding	Summary	Inadequate
Revenues			
5	External barge fees for usage of landing	Currently not monitored or billed.	Moderate
6	Collection of barge handling fees	Barge handling fees are not tracked and are only haphazardly collected prior to collection/delivery.	High
7	Review of fees and charges	Council's fees and charges schedule relating to the barge operations has not been reassessed in many years. Council should undertake a review of the barge handling fees to determine whether the fees set are appropriate based on a number of factors: • Recovery of Council's costs • Community expectations • Affordability and therefore recoverability	High
8	Monitoring deliveries and invoicing	Deliveries are not communicated to the Executive Manager therefore he cannot arrange invoices.	High

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#	Finding	Summary	Rating
Labour resourcing			**Needs improvement**
9	Plant on-costs	Since the transition to Xero accounting software, plant on-costs have not been recognised. As such costs such as vehicles and plant are not being included within the barge operations program and as a consequence the financial results of the program are not a true reflection of the costs incurred to earn the revenues.	Moderate
10	Internal wage allocation	Three employees from Technical Services have been performing the delivery and unloading tasks. As a result these employees have been costing their wages to the barge operations program. Generally seven hours on Wednesdays but also time on Tuesdays for pickups. This is taking a large amount of time away from their usual roles (parks and gardens, waste management and plant operator).	Moderate
Monitoring costs			**Needs improvement**
11	Monitoring of job costs for overruns	Reporting specific to the barge program should be developed and made easily accessible to the team.	High
12	Better asset identification	Better determination of assets relating to the barge operations so that the depreciation expenses recognised for this program can be more accurate.	Performance improvement
13	Budgeting process	Consideration should be given to improving the budget process.	Low

#	Finding	Summary	Rating
Physical risks			**Inadequate**
14	Risk assessment findings	Risk 2 Solutions performed a risk assessment. Findings of this report should be implemented.	High
15	Private security	Private security may assist the efficiency and safety of the barge unloading process.	Performance improvement
16	Insurance coverage	It is unclear as to whether there is adequate insurance coverage. A review should be performed.	Low
Options for divestment of program			**Needs improvement**
17	Divesting barge operations program	A business case analysis should be prepared and presented to the Council documenting the viability of any options to divest the barge operations program.	Moderate

It is our opinion that the sustainability challenges for the barge operations program may be able to be reduced by implementing appropriate processes and procedures however the cost to implement the required processes may outweigh the benefit of doing so. Council should consider options to divest the program.

Detailed findings and recommendations are included in the following section of the report which have been discussed with management.

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Detailed findings

1	Strategic direction	
Finding		**Recommendation**

Background

It is important to have documented vision, objectives and goals to ensure that the overall tone for each program is aligned to Council's overall strategic direction. Mornington Shire Council as a whole has the below vision statement. Council has also set a goal increasing the indigenous workforce to at least 75% of Councils workforce.

"Mornington Shire Council's vision for community is moving forward, together. Our vision is for a healthy and sustainable community, where people can influence decisions that affect their own lives, enjoy their rights, and assume their responsibilities. A community in which everyone is valued and treated equally. Our future is in our hands – we will get out of it what we put into it."

Finding

There appears to be a lack of direction for this program as Council's overarching objectives and goals do not seem to be applied nor are there specific financial, strategic or community based objectives set for the program. The strategic direction is neither documented nor communicated.

Employees working with this program are not aware of their role and responsibilities with the team or within the Council as a whole. Employee roles have not been developed and aligned to achieve the goals of the program including and financial goals and a result the work being performed by this department have not been directed towards achieving a common goal.

It was indicated that there has been less employment of local Indigenous people compared with the past. The willingness to invest time and training into local people is essential in meeting Council's vision as well as reducing labour costs.

Potential impact

Without having a strategic direction, the program may fail to meet the needs of the stakeholders.

1.1 Determine the strategic objectives of this program. When determining these objectives consider:

- Impact on the culture within the team

- Documentation and communication with the team

- How the objective for this program ties into Council's vision and goals and specific risk areas relating to barge operations

- How achievement against the objectives and goals can be measured.

1.2 Document the descriptions for roles within this department and ensure that each employee knows what is expected of them.

1.3 Consider implementing a training program incorporating:

- Teaching employees the skills necessary to perform their roles (per role descriptions)

- Increased training for local staff to increase staff retention and improve on the percentage of local employees (per Council's objectives)

- Multi-skilling employees so that they can perform different roles when there are ebbs and flows in the workload for their position

- Documenting the training performed by each employee and what their qualifications and licences are

2	Documentation of processes and procedures
Finding	**Recommendation**

Background

Documented policies and procedures assist organisations to mitigate the risk of corporate knowledge being lost should individuals leave the organisation. Furthermore, policies and procedures ensure expectations of systems, processes and controls are known by team members.

Finding

Members of the barge operations program team currently perform their duties based on their experience of being in the role, historically with no written processes or procedures.

It was verified that the program has not documented the following:

- procedures that define key processes, such as daily, weekly or quarterly job activities, and

- processes that should define in detail how key business functions are performed (either on repeating or as-need basis). For example, process of obtaining delivery details through to finance raising a delivery fee invoice.

Potential impact

Without documented procedures and processes, Council cannot be assured in the knowledge that the day-to-day running of Council operations will go smoothly in the absence of the staff tasked to those functions.

Having a clear and concise manual for each role will mean training new staff will be a lot quicker and key staff can be absent without it heavily impacting on the day-to-day operations.

2.1 Consider key areas that need to be documented for all roles and functions within the barge program and implement a plan to document these areas:

- use flowcharts to document processes that clearly show responsibilities, and

- document procedures, keeping it short, tight explanation, bullet points.

2.2 Implement checklists to support procedures to ensure every required step or piece of information is completed at various stages of the process.

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3	Revenues
Finding	**Recommendations**

Background

Each year, Council approves a schedule of fees and charges. There are set fees relating to barge handling including deliveries and fees for additional barges which use Council's barge facilities.

Finding

A number of findings have been identified in relation to the recognition and collection of barge handling fees:

- Use of Council barge infrastructure by non-food vessels is not currently monitored or invoiced
- Barge handling fees are not currently tracked and are only haphazardly collected prior to collection by the customer
- The employees responsible for deliveries communicate the number of deliveries to the Executive Manager verbally. It has been identified that this process often results in incomplete information regarding deliveries and therefore invoices not being raised for some customers.

Additionally, the schedule of fees and charges has not been reassessed in many years and is potentially outdated resulting in fees not being sufficient to cover costs.

We have also identified that the barge handling fees which are being collected, are not necessarily being job coded to the barge operations job code. From our review of the general ledger for the September 2019 quarter, it was noted that the barge handling fees are being incorrectly coded to the warehouse program and the service delivery program.

Potential impact

Barge handling fees are not being monitored or collected which impacts the overall result of the program. The revenues collected are not sufficient to cover the costs incurred in performing the barge operations. As a result this program is funded by other areas of the Council.

By not enforcing the payment of the barge handling fees, the culture within the community that all services provided by Council are free is reinforced.

By incorrectly job coding revenues received to other programs, the financial results of the barge operations program do not reflect the actual results of the program making it impossible to make informed decisions about the sustainability of the program.

3.1 Consider working with Carpentaria Freight to incorporate Council's barge handling fee into the cost of freight charged to the end customer. Carpentaria Freight can then remit these monies to Council. It is likely that Carpentaria Freight would charge Council a percentage of the fees collected for this service. An analysis would be required to determine whether the lost revenues would warrant the effort required to implement this process.

3.2 Implement controls to recognise all revenues including obtaining the manifest and calculating and recognising revenues. Monitor the collection of these revenues and follow up outstanding debtors.

3.3 Request local businesses to notify Council when a barge is docking to supply goods to these businesses so that they can be charged the barge handling fee.

3.4 Council should undertake a review of the barge handling fees to determine whether the fees set are appropriate based on a number of factors:

- Recovery of Council's costs
- Community expectations
- Affordability and therefore recoverability

3.5 Education and communication with the community regarding the need to pay for barge handling services to help minimise the views of the community that Council's role is to provide services for free. It was identified that within the warehouse team there may already be an employee who would be best placed to facilitate this informal education.

3.6 Consideration should be given to shifting the method of payment to be at time of collection on the barge landing. A portable EFTPOS machine could be located at the barge storage shed. This process combined with physical controls which prevent the collection of freight until it is paid for will improve collectability of barge handling fees.

3.7 As part of the implementation of the new accounting system, Xero, training should be provided to all staff who are responsible for performing tasks relating to the barge operations and accounting functions in relation to the correct job coding of barge handling fees to ensure that the program revenues are being recognised within the program.

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4	Labour resourcing
Finding	**Recommendation**

Background

Currently the employees used to complete the back freight, unloading, storage and deliveries are from the technical services team as these are the only employees other then the Warehouse Manager and Storeman who have the necessary tickets to operate the machinery.

Finding

Timesheets for employees doing unloading and deliveries may not be accurate due to the job costing including splitting timesheets between two job costs.

Currently it is unknown which staff have the capability of performing roles as there is no register of competencies obtained by employees (e.g. tickets)

The current work allocations for the barge operations takes resources away from the technical services team and creates supervision difficulties given that these staff do not report to the Warehouse Manager and Executive Manager of Finance & Human Services.

Potential impact

Inefficiencies relating to labour resourcing.

4.1 Register of capabilities for the workforce and training competency records for all of Council staff so that it is known who is capable of performing tasks to better manage work allocations among the workforce.

4.2 Eventually the warehouse team could take on the tasks performed by the technical services team once they are upskilled to be able to perform this role (e.g. necessary tickets)

4.3 Council may consider using casual employees who are available Tuesday afternoon and Wednesday who can perform the barge operations only.

4.4 Improve training over the timesheet process including which job codes to use for each operation so that the wages allocated to this program are accurate.

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5	Monitoring of results
Finding	**Recommendation**

Finding	Recommendation
Background It is important to monitor financial results and progress against budget on a regular basis. This ensures that cost overruns can be managed in a timely manner, job costing errors can be identified, revenues can be monitored to ensure that they are being recognised and any unpaid invoices can be followed-up. **Finding** Since a change in systems (Practical to Xero) there is currently no reporting available nor do the managers have access or knowledge of how to operate the Xero system to access the information required to monitor their financial results. Currently, the quarterly budget review process is performed by the Finance Manager. As a result, the barge operations program manager is not actively participating or required to take ownership of the budget overruns. It is unknown to the program team which capital assets have been allocated to the barge operations program and therefore it is unknown which maintenance costs they are responsible for and which assets their program will be required to fund the future replacement of. Return on assets information is also not available. **Potential impact** The financial results for the program are not an accurate reflection of the actual revenues and expenses incurred as results are not reviewed to identify errors. Corrective action is not taken as overruns are not identified in a timely manner.	**5.1** Reporting specific to the barge operations should be developed and be made easily accessible to the team. This may include dashboard reporting within Power BI, budget vs actual reports from Xero and reporting regarding revenue collections. **5.2** Consideration should be given to improving the budgeting process to include: • More detailed budget so that budget vs actual analysis can be used to determine risk areas • Involvement of program staff • Regular reporting against budget by the program team. **5.3** Better determination of assets relating to the barge operations so that the depreciation expenses recognised for this program can be more accurate.

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6	Physical risks	
Finding		**Recommendation**

Background
A risk assessment has been performed by Risk 2 Solutions in February 2019 which resulted in an overall risk rating of extreme and included risks such as:
"…hazards and unsafe practices during this operation, specifically around the use of heavy lifting equipment such as forklifts, lack of barriers and controls in place, storage and transport of unsafe loads onto private vehicles and the safety risk to members of the public accessing an uncontrolled area."

Finding
We observed a portion of the barge operations unloading and customer collection process early on a Wednesday morning and concur with the findings identified in the Risk 2 Solutions report.

Potential impact
Similar to the findings identified in the risk assessment report from Risk 2 Solutions, the impacts on Council if the risks identified are not resolved are financial losses as well as risk of workplace health and safety incidents.

6.1 Findings identified by Risk 2 Solutions should be implemented in order of risk taking into consideration the $50,000 capital budget allocated to a safety and security update for the barge operations.

6.2 It was identified that having private security at the barge landing during the unloading and delivery process could improve the efficiency and safety of the process. Consideration should be given to the benefits vs the costs of implementing security.

6.3 A review should be performed to determine whether adequate insurance coverage is maintained in order to reduce the financial risk to Council in relation to the following potential events:

- Loss or damage to freight from the time the freight is unloaded from the barge to the time it is delivered to the end customer (note that Carpentaria Freight only bears the risk of the freight until the barge arrives at Mornington Island)

- Workplace health and safety incidents relating to employees and the community during the barge unloading and delivery process given physical risks identified.

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7	Options to divest program
Finding	**Recommendation**

Background

The barge operation has been budgeted to make losses in the previous years. The actual performance of the program has been less than desirable resulting in larger than expected consecutive losses. Council is currently considering options in order to limit the sustainability risk to Council which includes shifting the risks away from Council.

Finding

Management has considered the possibility of restructuring the way that the barge operations program is conducted. Options already considered by Council:

- Transferring the ownership of this program to Mundalbe Enterprises, which is owned by Council.
- Expressions of interest for local Indigenous community members to run this program as a separate business with the assistance from Council including financial support and use of equipment and facilities.
- Expressions of interest for a provider from off the island to take on this program.
- Continue to perform this program in house but make improvements to the processes and controls in place regarding reducing costs and increasing collectability of revenues with an overall objective of creating a sustainable program.

Additional options Council should consider:

- Operating the barge operations program as a commercialised business unit under Division 4 of the Local Government Regulation 2012.

Potential impact

If appropriate consideration is not given to the risks associated with the above options, Council could be opening itself up to financial, regulatory and reputation risks.

Before any of the options identified are actioned, a business case analysis should be prepared and presented to the Council documenting the viability of the arrangement, including:

- What are the actual costs of operating the barge (including plant on-costs and actual depreciation relating to Council's assets)
- What is the actual revenue that should be made currently if Council had implemented processes to capture all revenue
- Collectability of revenues
- How much revenue would arise from Council paying for their freight delivery
- How much is Council willing to contribute to a private operator to make this a viable option for the operator
- Operating the business unit under a separate brand however still as part of Council as a whole. This may improve the culture of locals expecting the service to be free because it is performed by Council.
- Could an internal Council staff member perform this role more effectively from within staff (It has been identified that within the warehouse team there may already be an employee who would be best placed and capable of taking on these operations).

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Appendices

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Appendix 1

Objectives and scope of work

Objectives

The objectives of this project are to:

- Gain an understanding of the structure and operations of Council's key programs
- Gain an understanding of the future sustainability of these key programs.
- Gain an understanding of how the programs can be monitored to reduce risk of over expenditure.

Period covered

These procedures will be completed in the year ending 30 June 2020.

Scope

The scope of the project will include the following to the extent possible within the agreed budget. Note that the below procedures are unlikely to be achieved for all projects but will be completed in order of priority to Council. Projects listed below are in their order or priority:

- Obtain a detailed understanding of the Council's key programs, including:
  - Community housing programs
  - Barge operations
  - Workshop and plant operations
  - Store and warehousing facilities
  - Airport operations
  - Waste management services
- Review financial results of each operation over the past two years and future forecasts.
- Discuss future operations with key Council stakeholders for each program to understand future plans.
- Work with Council to develop a sustainability analysis for each of the programs within the scope.
- Draft a report addressing the sustainability of each program including issues identified and suggested action plans. Provide a draft report to stakeholders for comment.

Stakeholders consulted

The following stakeholders were consulted as part of the housing program review:

- Brad Dixon (Executive Manager Infrastructure Services)
- Dale Harvey (Housing Manager)
- Bob Todich (Housing Supervisor BAS Operations)
- Mark Morris (Housing Supervisor Purchase Orders)
- Kerry Whiting (Executive Manager Finance and Human Services)

The following stakeholders were consulted as part of the barge operations review:

- Shannon Wells (Warehouse Manager)
- Peter Willis (Storeman)
- David Torr (Acting Executive Manager Technical Services)
- Kerry Whiting (Executive Manager Finance and Human Services)

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Appendix 2

Barge operations: Fees and charges schedule

Mornington Shire Council
Operational Budget 2019-20

FEES & CHARGES DESCRIPTION	AUTHORITY	GST	2019/2020 FEES
BARGE HANDLING FEES			
Half Pallet at Shed (1-9 Boxes) (Pickup) (Per Delivery)		Y(Inclusive)	$11.00
Pallet at Shed (10-18 Boxes) (Pickup) (Per Delivery)		Y(Inclusive)	$22.00
Pallet at Shed (Pickup) - Annual Fee (Community)		Y(Inclusive)	$275.00
Pallet at Shed (Pickup) - Annual Fee (Commercial)		Y(Inclusive)	$550.00
Per Pallet Delivered (Per Week)		Y(Inclusive)	$55.00
Container 6 Foot (Pick Up or Delivered)	S59 Local Government Regulation 2009	Y(Inclusive)	$110.00
Container 8 Foot (Pick Up or Delivered)		Y(Inclusive)	$225.00
Container 20 Foot (Pick Up or Delivered)		Y(Inclusive)	$335.00
Container 40 Foot (Pick Up or Delivered)		Y(Inclusive)	$555.00
Plant and Equipment (Vehicles, Boats etc.) - Per Tonne		Y(Inclusive)	$15.00
Building Materials and Large Items - Per Tonne		Y(Inclusive)	$15.00
Fuel, Water, Roadbase, Gravel, etc - Per Tonne		Y(Inclusive)	$15.00
Barge Handling Fee (Non-Food Barges) - Per Vessel		Y(Inclusive)	$230.00

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Appendix 3

Ratings, definitions and disclaimer

Overall finding rating

Ratings	Definition
Inadequate	No control framework in place. Significant control weaknesses were noted which have resulted in material exposure at the entity audited. No compensating controls in place to mitigate the identified risks.
Needs Improvement	Significant control weaknesses were noted which if not addressed, may result in material exposure.
Acceptable	Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment.
Strong	Strong control environment in place and operating effectively (subject to the limitations of sampling).

Individual finding rating

The following framework for audit ratings has been developed and agreed with Management for prioritising audit findings according to their relative significance depending on their impact to the process. The individual audit findings contained in the report have been discussed and rated with management.

Ratings	Definition
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.
Performance Improvement	Performance improvements are generally associated with control design. Performance improvement observations do not include control weaknesses and, therefore, are not implicitly internal audit findings.

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Inherent limitations & Restriction of use

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides assurance regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities. Management should therefore not rely solely on our report to identify all weaknesses that may exist.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Mornington Shire Council in their full commercial impact before they are implemented.

This report has been prepared solely for the use of Mornington Shire Council and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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Managing the sustainability of local government services (Report XX: 2019–20)

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Councils deliver services that affect our daily lives. Many do so without an ability to improve their revenue from their rate payers. They are often a provider of last resort of services to regional communities and have legacy assets to maintain. They do so with limited recurrent financial resources as they may be dependent on government grants. This is particularly true for far western and Indigenous local governments.

We have highlighted the challenges for local governments in our previous reports on financial sustainability. This is the third report in our sustainability series and focusses on managing the costs of services to support long-term sustainability.

We audited five councils for this report on managing financially sustainable services. We have made recommendations to those councils as well as to the whole sector. Each council we audited has some elements necessary to effectively plan and deliver their collective services to support long-term sustainability. But none had all the components working together.

There are opportunities for councils to work together and with the department to share ways to plan services, allocate costs, and measure performance.

Service planning and working together

Planning for services helps councils to identify what level of service to the community they can afford. There are many benefits for councils in developing plans for their services:

- understanding the revenue they need to generate to make services financially sustainable
- understanding and adjusting service levels to manage costs
- managing and maintaining key infrastructure assets
- delivering effective and efficient services and assets which meet community needs.

Understanding the value of services

Understanding the value the community obtains from service delivery allows councils to change the level of services to manage their costs. It also helps guide decisions on new services and when to reduce or remove services.

Understanding the costs of services

Councils should make service-delivery decisions based on an understanding of the full cost of each service. Service costs include direct operating costs and a portion of corporate overhead costs. There are various scalable methodologies and tools available to allocate corporate costs.

Monitoring and reporting on services

Monitoring the financial and operational performance of services will identify ways to improve the efficiency and effectiveness of services. Councils can adjust costs and change service levels where necessary.

Managing the sustainability of local government services (Report XX: 2019–20)

Introduction

Our series of reports on sustainability highlights the financial challenges faced by local governments in meeting the needs of their community. We have previously produced reports on preparing long term forecasts, and the setting of rates and charges. This report focusses on managing the costs of services to support long-term sustainability. Our next report will be on strategic asset management.

Managing costs for financial sustainability

To be sustainable in the longer term, councils need to manage their costs within the amount of revenue they can earn. This is particularly important in an environment where there is uncertainty of future revenue sources, such as a reducing population to pay future rates, and dependence on grant revenue. Grants received by councils are often short term or one-off arrangements, yet they may use them to help finance long-term service commitments.

Councils usually commit to services over the longer term, especially those that use long life infrastructure assets. For example, investing in a swimming pool today will require maintenance and operation for its life of around 60 years. Councils must manage their costs to ensure that they do not spend more on these services over time than they earn from rates, grants, and fees and charges.

Having the right information on their costs allows councils to make informed decisions on how they spend their money. They can decide which services and the level of services to provide to the community within their available revenue. Councils can vary operating hours, assets used, frequency, and the quality of the service to manage their costs. Small savings across many services can improve a council's financial position.

Council services

Councils deliver four essential services to the local community: roads, water, wastewater/sewerage, and waste collection. They do this directly or through joint ownership of entities. All other council services depend on the needs of the community.

The non-essential services vary across councils and more remote councils are often the provider of a service delivered by the private sector in more populous areas.

On average, the five councils provide around 27 services. Operating hours and regularity of services vary at each council. Examples of the services provided by councils include:

- caravan and tourist parks
- airports
- parks and gardens
- museums, cinemas, and theatres
- swimming pools
- childcare and residential aged care centres and facilities
- quarries and gravel pits
- saleyards
- racecourses

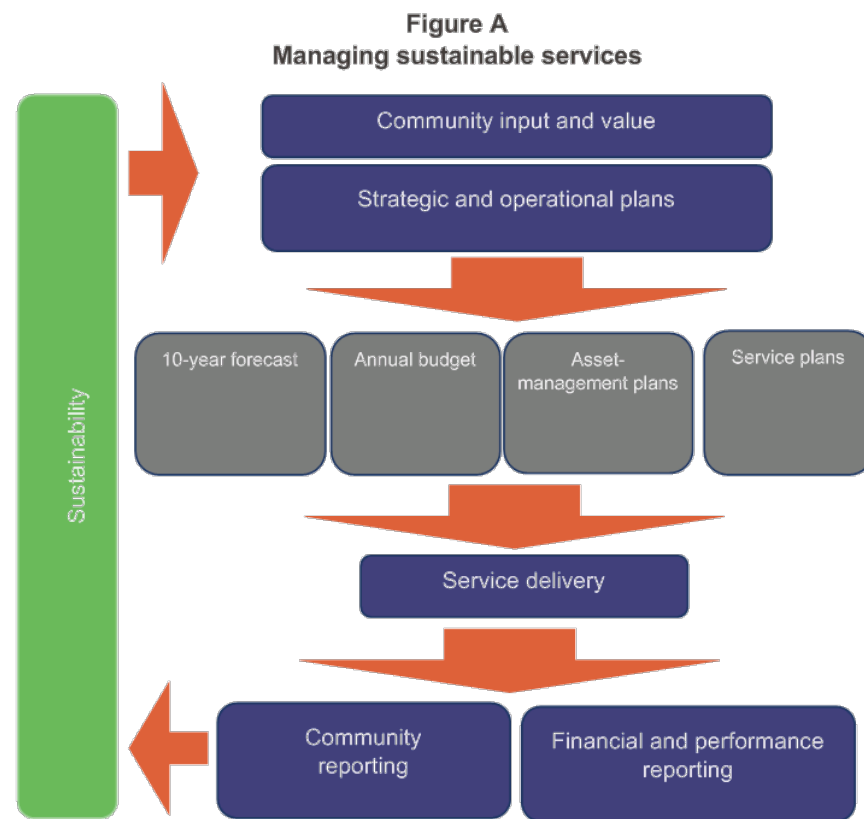IN-CONFIDENCE—SUBJECT TO THE *AUDITOR-GENERAL ACT 2009*

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Appendix B lists the types of services provided by the councils we audited.

Councils do charge fees for some of their services that are operated as a business. This means they are expected to earn sufficient revenue from fees and charges alone to meet all business costs. A saleyard is an example of a service council may run as a business. Services that are not run as business will sometimes have a fee or charge, but this is not expected to cover the full costs of operating the service, and a portion of the costs are covered from rates, grants or other general revenue.

Planning for sustainability

Service planning fits within councils' operational planning activities. Strategic plans provide the direction for the forecasts and plans – asset management and service – that support the delivery of services. Figure A shows how the different plans and activities that councils undertake support long-term financial sustainability.

Figure A
Managing sustainable services

Source: Queensland Audit Office.

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How we performed the audit

The objective of the audit was to assess whether councils plan and deliver their services to support long-term financial sustainability.

We assessed whether councils:

- develop robust approaches to planning and managing the costs of their services
- monitor and report on the costs and effectiveness of their services.

We conducted field interviews, reviewed key documents and performed data analysis.

We conducted the audit at the following five councils: Bundaberg Regional Council, Longreach Regional Council, Noosa Shire Council, Western Downs Regional Council, and Whitsunday Regional Council. We selected these councils because they have various challenges in delivering services, including varying population growth, economic activity and services.

We included the Department of Local Government, Racing and Multicultural Affairs in our audit, as it provides support and advice to councils. It provides the operating framework through legislation and regulation that aims to improve councils' accountability, effectiveness, efficiency, and sustainability.

We spoke with Queensland Treasury Corporation because it provides financial services to local government including financing, surplus cash management, and financial advice.

Queensland Treasury Corporation has developed specific local government forecasting and modelling templates. Councils can use these templates to understand the long-term sustainability of projects used to deliver council services.

We spoke with the Local Government Association of Queensland because it is a local government advocacy body, representing the broad objectives of Queensland local government. LGAQ partners with councils to assist with advancing knowledge and accessing resources.

Appendix H contains further details about the audit scope and our methods.

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Summary of audit findings

How the five councils planned their services

Service planning

Councils decide how to deliver services, what services will cost, and how they will measure and monitor service performance. All five councils had some level of service-planning documents, either in individual service plans, annual operational plans, business unit plans, or asset management plans.

Two of the five councils can improve their plans by adding more detail to give council a clear understanding of all their services.

Regular reviews of services to confirm community needs

Consulting with the community on existing services and the cost of services can help councils to provide the right services at affordable levels to support long-term financial sustainability.

None of the five councils we audited reviewed their existing services regularly. They did not consult with the local community about the types or the levels of services needed now or in the future. However, all councils consulted with their communities about new services associated with major construction works or asset acquisitions.

Understanding the costs of services

Councils need complete costing information on individual services so they can be sure that services are affordable. The full cost of services includes direct operating costs and a reasonable allocation of corporate overheads.

All five councils identified the direct operating costs of their services. Two of the five councils knew the full cost of their services as they allocated reasonable corporate overheads to the appropriate services.

Two of the five councils did not have effective approaches to calculating the complete costs before setting their fees and charges for their services. This was because they did not allocate a reasonable proportion of the corporate overheads for all services.

One council has assessed that allocating 56 per cent of corporate overheads to services is sufficient for their decision making. This is lower than the 80 per cent or more allocated by two other councils we consider effective.

New services and changes to existing services

All five councils had approaches in place to consider the whole-of-life costs of new assets to deliver new or amended services.

There is an opportunity for councils to engage with their communities in the early design stage of significant projects. This would ensure that the services and service levels for all new services associated with new or upgraded assets were based on community input.

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How the five councils monitored and reported on their services

Reporting on service budgets

One of the five councils reported budget information at the service level. This council and its senior management had clear line-of-sight to revenue and expenses for each of the council's services in the monthly budget reports.

The other four councils monitored and reported on their budgets at the business-unit level. Reports at a business-unit level include the performance of a group of services. The four councils did not have approaches in place to monitor and report on their expenditure and revenue against budgets of individual services except on an ad hoc basis.

Reporting on service performance

All councils used performance measures to monitor and report on their annual operational plans. However, none of the five councils had effective processes and systems in place to monitor and report on the effectiveness and efficiency of their services—internally to management and externally to the community.

Two councils had linked the performance measures in the annual operational plans directly to their services. This gave management measures on each service. However, many of the measures focused on tactical activities of business units rather than on strategic achievements or efficiency.

The other councils had designed their measures to monitor and report on the strategies in their annual operational plan or business plans but did not link them to their services. It was not possible for them to determine if they were managing and delivering individual services—effectively and efficiently.

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Audit conclusions

Each council had some elements necessary to effectively plan and deliver financially sustainable services. None of the five councils had all the elements working together. This affects their ability to effectively plan and deliver their services to support long-term sustainability.

Councils can work together to share ways to plan, deliver, and monitor their services.

Conclusions per council

Planning and managing the costs of services

Bundaberg Regional Council, Whitsunday Regional Council, and Noosa Shire Council had effective approaches in place to plan for their services for long term sustainability.

All five councils had some level of service planning either in their annual operational plans, business unit plans, service plans, or asset plans. Bundaberg Regional Council, Noosa Shire Council, and Whitsunday Regional Council had detailed information on their services, including services' direct operating costs.

Whitsunday Regional Council and Noosa Shire Council allocated a reasonable proportion of their corporate overheads to services. Bundaberg Regional Council considers that allocating 56 per cent of corporate overheads to services is sufficient for decision making. However, this does not represent a reasonable proportion and increases the risk of incomplete service costs being used for decision making. Longreach Regional Council and Western Downs Regional Council are not effectively planning for their services as they do not understand their services' full costs and do not allocate a reasonable proportion of their corporate overheads to services.

None of the councils had effective approaches in place to regularly review their services. They do not know whether their services meet the current or future needs of their communities.

Monitoring and reporting the costs and effectiveness of services

Longreach Regional Council effectively monitored operating costs at the service level. The other four councils monitored the budgets of business units, which represent multiple services. This could lead to missed opportunities to analyse the financial performance of services and make changes as necessary.

All five councils effectively monitored and reported on aspects of the effectiveness of some of their services. None of the councils effectively monitored or reported on the effectiveness and efficiency of all their services.

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Recommendations

Based on the findings from the audited councils we developed some recommendations that all councils can consider.

All councils

We recommend all councils consider whether:

1. they include sufficient details about their services within their existing planning documents or consider developing individual service plans (Chapter 2)

    Details about services should be scaled to the size and complexity of council and include:

    - how the service aligns to council's strategy

    - the service level (for example, operating hours)

    - the assets used to deliver the service

    - operational risks for the service

    - operating costs and overhead costs.

2. all existing services meet their community's current and future service needs and they deliver them at affordable levels by developing and undertaking regular reviews of existing services (Chapter 1).

3. budget owners develop consistent individual business unit and service budgets by providing documented budget guidelines, templates, and training (Chapter 1).

4. they benchmark their corporate overheads and allocate a reasonable proportion to services by developing and approving a corporate overhead methodology appropriate to the size and complexity of council (Chapter 1).

5. they make decisions to deliver new services or amend existing services (associated with new major capital projects) with an understanding of the whole-of-life costs and any impact on corporate overheads.

    Councils could develop their own or adopt an existing project decision framework that includes community engagement on the need for and level of new services. They could use the Queensland Treasury Corporation project decision framework to develop their own framework or work together to share existing frameworks (Chapter 1).

6. they collect reliable and accurate information on the effectiveness and efficiency of their services.

    Councils could develop a performance monitoring and reporting framework to support both internal management reporting to council and external reports to their communities (Chapter 2).

Department of Local Government, Racing and Multicultural Affairs

We recommend that the Department of Local Government, Racing and Multicultural Affairs support councils to develop:

7. models, benchmarks, and tools that are scalable for differently sized councils to allocate their corporate overheads to their services (Chapter 1).

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