

## Surf Coast Shire Report - Key Findings and Recommendations

Key General Findings	Minister's Response
<p>1. The Commission has formed the view that the evidence does not support a sufficient case, nor would it be in the Surf Coast community's interests for the Minister for Local Government to consider recommending to the Governor in Council that –</p> <ul style="list-style-type: none"> <li>• all of the Councillors of the Surf Coast Shire Council be suspended; and</li> <li>• an administrator be appointed for the Council.</li> </ul>	<p>The Minister accepts this general finding and will not be recommending the suspension of the Council. The Minister also notes, in support of this finding, that the Commissioner found no evidence of criminal conduct on the part of any person associated with the Surf Coast Shire Council.</p>
<p>2. The Commission has further formed the view that there are no grounds for the Minister to establish a local government panel to conduct a review of the Surf Coast Shire Council for the purposes of Part 10C of the Local Government Act 1989 in relation to the abolition or re-constitution of the Council, or the alteration of its existing municipal boundaries.</p> <p>The Commission has, however, formed the view that the Minister should consider the establishment of a local government panel under Part 10A of the <i>Local Government Act 1989</i> to conduct a review of the Surf Coast Shire Council and to otherwise advise the Minister for the purpose of Part 10C of the <i>Local Government Act 1989</i> in relation to the desirability of re-constituting the Council's municipal district as an unsubdivided municipal district.</p>	<p>The Minister accepts this general finding and announces the establishment of an independent review to advise the Minister on the desirability of re-constituting the Council's municipal district as an unsubdivided municipal district (see recommendation 4 below).</p>

<b>Key Specific Findings</b>	<b>Minister's Response</b>
<p>1. The Surf Coast Shire Council between March 1998 and March 2001 was clearly divided, primarily because of personality conflicts between Councillors, and between Councillors and some members of the Council's senior staff, particularly the Chief Executive Officer, Ms Diana Patterson. These divisions and conflicts were significant contributing factors giving rise to the Council's inability to deal with a number of important issues during this time, particularly the monitoring of its financial performance. This was the key period during which the Council's financial position deteriorated.</p>	<p>The Minister notes the finding and that there are no specific actions which can be taken against the former Councillors in relation to their management of the Council's finances. In relation to the current Council, the Minister notes the monitoring in relation to the ongoing financial management of the Council outlined in response to recommendations 1 – 3 below.</p>
<p>2. The present Council, despite having taken a series of positive actions since being elected in March 2001 and becoming aware of the need for a revised budget in November 2001, did not give proper regard to section 7(f),(g) and (k) of the Local Government Act 1989 (in relation to strategic corporate financial management control, organisational accountability and information and reporting systems), and did not initially give any or any proper consideration to the preparation of a general resource allocation plan as required by section 153A(1)(d) of the Local Government Act 1989.</p>	<p>The Minister notes the finding and refers to the monitoring role as for previous finding.</p>
<p>3. Despite the cumulative and ongoing effect of poor financial decision making, the Council has the capacity (conditional upon the achievement of a number of financial and other assumptions and further actions as outlined in the Council's general resource allocation plan as later discussed in this Report) to provide its</p>	<p>The Minister notes the finding and refers to the monitoring role as for previous finding.</p>

<b>Key Specific Findings</b>	<b>Minister's Response</b>
<p>community with the levels of service and infrastructure that will be required in the future.</p>	
<p>4. There is a very strong perception in the community of over representation and dominance of Torquay and Anglesea which is perceived to be to the detriment of the balance of the Shire.</p> <p>There is no evidence of an overwhelming view by the Surf Coast community or compelling or substantial reasons put forward to have the Council suspended or to have the municipality re-constituted.</p>	<p>The Minister notes the finding and that it reflects the key general finding on the desirability of re-constituting the Council's municipal district as an unsubdivided municipal district. Refer to recommendation 4.</p>
<p>5. The former Chief Executive Officer, Ms Diana Patterson, whilst apparently having a well regarded background in other public sector organisations was unable to grasp both the strategic importance of long term financial management, or to provide the necessary leadership to ensure the Council fulfilled its financial obligations as required by section 7(f), (g) and (k) of the Local Government Act 1989.</p> <p>Ms Patterson overly relied on the perceived knowledge and competence of a senior member of the Council's accounting staff and other senior managers in relation to financial matters and did not appear to have an understanding of the requirements relating to the budgetary obligations of the Council specifically, and local government generally.</p>	<p>The Minister notes the finding and that Ms Patterson is no longer the CEO of the Council, having resigned on 21 May 2002.</p>

<b>Recommendation</b>	<b>Minister's Response</b>
<p>1. That the general resource allocation plan (1), prepared and adopted by the Surf Coast Shire Council at its meeting held on 28 January 2003, be accepted as a sound basis for re-establishing the municipality's long term sustainability with full recognition of the following factors being addressed:</p> <ul style="list-style-type: none"> <li>• the level of budgetary provision for capital works and asset maintenance, renewal and replacement being sufficient to turn around the overall decline in the assets remaining useful life and service productivity.</li> <li>• employee cost increases including any outstanding superannuation liability are contained in the longer term, through a combination of: <ul style="list-style-type: none"> <li>i. achieving the planned recurrent expenditure reductions through the organisation review;</li> <li>ii. improving innovation and/or productivity in service delivery, thereby containing the number of staff required; and</li> <li>iii. reducing the level of increments contained in future enterprise agreements.</li> </ul> </li> <li>• Council's medium to long term commitment to the general resource allocation plan and a financially prudent approach to the Council's operations, together with the Executive Management Team's ability to deliver the Council's business according to the financial and performance targets inherent in the plan.</li> </ul>	<p>The Minister acknowledges the Council's progress to date in the preparation and implementation of the general resource allocation plan and the ongoing role of Inspector of Municipal Administration, Mr Merv Whelan, in monitoring the Council's progress. Further, that the Inspector will continue to monitor and report the Council's progress until otherwise directed.</p> <p>The Minister notes that whilst the report has identified that the Shire's financial position remains finely balanced, it also identifies that the current plan appears to provide a basis for the municipality going forward and stabilising its financial position.</p>

<sup>1</sup> Prepared and referred to by the Council as 'Surf Coast Shire Strategic Resource Allocation Plan Five Year Financial Plan for the years 2003/2004 to 2007/2008' (January 2003).

<b>Recommendation</b>	<b>Minister's Response</b>
<p>2. That the Surf Coast Shire Council be required to submit a supplementary general resource allocation plan to the Minister for Local Government no later than 31 December 2003 for assessment by and to the Minister's satisfaction of the matters outlined in the Executive Summary of paragraph 1.5.2 of the general resource allocation plan.</p>	<p>Support. In light of the Council's ongoing preparation of an Asset Management Plan and conduct of Operational and Organisational reviews, the Minister requires the preparation of a supplementary general resource allocation plan by 31 December 2003 which incorporates the plan and review outcomes.</p>
<p>3. That the Minister for Local Government require the Surf Coast Shire Council to provide quarterly reports for assessment by an Inspector of Municipal Administration or other qualified person(s) as determined by the Minister, such reports to continue for a minimum period of three years or until such time as the Council can demonstrate to the Minister's satisfaction its ongoing financial sustainability.</p>	<p>Support in principle. The Minister notes the ongoing role of the Inspector of Municipal Administration, appointed by the former Minister for Local Government, to monitor the implementation of the general resource allocation plan. In acknowledging the finely balanced financial position of the Council, the Minister supports the extension of this monitoring role to the provision of quarterly reports, subject to the Minister determining from time to time the frequency of such reports.</p>
<p>4. That the Minister for Local Government take the necessary steps to provide for the next municipal elections for the Surf Coast Shire Council scheduled for March 2004 to be on the basis of an unsubdivided municipality with proportional representation being used as the method for the election of Councillors, subject to the appropriate legislative amendments being made such as those that were contained in the Local Government (Update) Bill 2002.</p> <p>In the findings of the Inquiry, the Commissioner forms the view that the Minister should consider the establishment of a local government panel under Part 10A of the Local Government Act 1989 to conduct a review of the Surf Coast Shire Council and to otherwise advise the Minister for the purposes of Part 10C of the Local Government Act 1989 in relation to the</p>	<p>Support in principle. The Minister will request that the Victorian Electoral Commission conduct an independent review of electoral representation in the Surf Coast Shire. In particular, the review will consider the need to provide for a fair and equitable representation of voters through the electoral structure of a municipality. Whether this need could be met by constituting the municipality as an unsubdivided one would appropriately fall within the scope of such a review.</p>

<b>Recommendation</b>	<b>Minister's Response</b>
<p>desirability of re-constituting the Council's municipal district as an unsubdivided municipal district.</p>	
<p>5. That amendments to the Local Government Act 1989 be considered as a matter of priority to specify the obligations of Councillors in satisfactorily performing their roles and responsibilities as locally elected representatives.</p>	<p>Support in principle. The Local Government Act Update Bill 2002 contained a proposal to provide a set of basic rules of conduct for Councillors and members of Special Committees. One of the proposed rules of conduct is the exercise of reasonable care and diligence in the performance of the role of a Councillor.</p> <p>The Bill will be re-introduced in the Spring 2003 session of Parliament.</p>
<p>6. That a comprehensive accredited training program be developed for newly elected Councillors as a requirement during the first year of their office. Such program to include specific reference to understanding corporate governance and in particular financial statements and the monitoring of Council budgets, and the need for long term financial and strategic planning.</p>	<p>Whilst not supporting the mandating of councillor training, the Minister continues to support the greatly expanded induction programs provided to newly elected councillors through the peak bodies. These programs focus on the general themes of good governance.</p> <p>The need for more specific training in relation to financial statements and the monitoring of Council budgets is more appropriately decided at the council level, based on the particular needs of the council. For example, in some Councils, Councillors attend the Company Directors Course.</p>
<p>7. That the need for on going training of Councillors be the subject of further consideration.</p>	<p>The Minister supports consideration of this recommendation by the Department's Local Government and Regional Services Division in consultation with the peak bodies.</p>
<p>8. That the Local Government and Regional Services Division of the Department for Victorian Communities in consultation with the Municipal Association of Victoria, the Victorian Local Governance Association, Local Government Professionals and appropriate</p>	<p>Support. Each council should have a clear understanding of its responsibilities under the Local Government Act 1989 in relation to financial management and reporting. The specific role of each Council's Principal Accounting Officer should</p>

<b>Recommendation</b>	<b>Minister's Response</b>
<p>professional accounting bodies develop a responsibility framework for defining the role of the Principal Accounting Officer.</p>	<p>be developed out of these responsibilities in liaison with relevant peak bodies and professional associations.</p> <p>Regulation 5 of the Local Government Regulations 2001 provides a definition of Principal Accounting Officer.</p>
<p>9. That steps be taken to ensure that there is more effective coordination between the Surf Coast Shire Council, Parks Victoria and the Department of Sustainability and Environment with a view to formulating a more effective and efficient approach to coastal management, particularly in relation to the Lorne foreshore precinct.</p>	<p>Support. A copy of the report will be referred to the relevant Ministers and their Departments for consideration.</p>
<p>10. That all Victorian Councils be provided with a copy of the Commission's Report.</p>	<p>Support. There is great potential for all Victorian Councils to learn valuable lessons from the outcomes of this inquiry.</p>