



MINUTES ORDINARY MEETING

GWYDIR SHIRE COUNCIL

THURSDAY 23 FEBRUARY 2017

COMMENCING AT 9AM

WARIALDA OFFICE COUNCIL CHAMBERS

Present:

Councillors: Cr. John Coulton (Mayor), Cr. Catherine Egan (Deputy Mayor), Cr. Stuart Dick, Cr Marilyn Dixon OAM, Cr. Jim Moore, Cr. Geoff Smith, Cr. David Coulton, Cr Tiffany Galvin and Cr Frances Young.

Staff: Max Eastcott (General Manager), Leeah Daley (Deputy General Manager), Richard Jane (Director Technical Services), Ron Wood (Chief Financial Officer) and Glen Pereira (Director Development and Environmental Services)

Public: Ms L Carroll (*Warialda Standard*) and Mrs H Rose.

Visitor: The citizenship recipients and their supports for the ceremony.

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Chairman

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OFFICIAL OPENING AND WELCOME – MAYOR

APOLOGIES Nil, all present

CONFIRMATION OF THE MINUTES

COUNCIL RESOLUTION:

MINUTE 1/17

THAT the Minutes of the previous Council Meeting held on Monday 12 December 2016 as circulated be taken as read and CONFIRMED.

(Moved Cr D Coulton, seconded Cr Egan)

PRESENTATION

The Mayor conducted four citizenship ceremonies during the meeting.



(From left to right Laith (Leo) Alabed Allat [Jordan], Margareta Ivanoff [Sweden], Ophelia (Mae) and Klarissa Ventura [Philippines] and the Mayor Cr John Coulton)

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CALL FOR THE DECLARATIONS OF INTERESTS AND CONFLICTS OF INTEREST

Crs Young and J Coulton declared a less than significant pecuniary interest in Item 4 the *Monthly Report - Development and Environmental Services - November/December 2016* (Community Services and Planning Committee recommendations) and Item 9 under the Local Government Act as the staff reports noted that they had each lodged a Development Application.

**ADDITIONAL/LATE ITEMS
COUNCIL RESOLUTION:
MINUTE 2/17**

THAT the following items, namely:

- 1. Review of Use of Shipping Containers**

are accepted as late items onto this Agenda for discussion.

(Moved Cr Dick, seconded Cr Galvin)

**COMMITTEE OF THE WHOLE – CONFIDENTIAL ITEMS
COUNCIL RESOLUTION:
MINUTE 3/17**

THAT the Council resolve into Confidential Session, Committee of the Whole and that in the public interest and in accordance with Section 10A(2)(a) of the Local Government Act, 1993, the public and press be excluded from the meeting to consider the items listed on the agenda.

(Moved Cr Galvin, seconded Cr Dick)

ADOPTION OF THE RECOMMENDATIONS OF THE CONFIDENTIAL SESSION

**COUNCIL RESOLUTION:
MINUTE 4/17**

THAT the recommendations of the Confidential Session, namely:

Confidential Organisation and Community Development Report - January 2017

THAT the Confidential monthly Organisation and Community Development report for January 2017 be received noting that

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the name of the replaced staff member should be recorded against the new employee's name. (Ref: 5/17)

Recommendations from the Closed Public Infrastructure Committee Meeting held on 09 February 2017

THAT the Governance and Town Services report for January 2017 be received. (Ref: 6/17)

Recommendations from the Closed Community Services and Planning Committee meeting held on 09 February 2017

THAT the Confidential Organisation and Community Development report for December 2016 be received. (Ref: 7/17)

THAT the minutes of the Councillor Workshop held on 12 January 2017 for staff action as appropriate. (Ref: 8/17)

are adopted.

(Moved Cr D Coulton, seconded Cr Young)

Item 1 Community Health Forum

DELIVERY PROGRAM

GOAL: 1. A healthy and cohesive community

OUTCOME: 1.1 WE HAVE HEALTHY SPACES AND PLACE

STRATEGY: 1.1.1 Improve local access to health services - OCD - external

The Mayor with Cr. Egan, the Deputy Mayor and Councillors Galvin, Young, Dick and Moore, attended the community Health Forum held at the Roxy last Thursday, 9th February 2017.

It is appropriate to especially acknowledge the work of Crs. Egan, Galvin and Young in promoting this Forum to be held due to the growing anxiety within the community regarding the current service.

The Forum was very well attended with 125 residents coming along to participate in securing the best possible health outcome into the future for the whole Gwydir Community. There is no doubt that there would have been many more attendees if the Forum had not clashed with the Bingara Central School twilight swimming carnival.

Presentations about the current roles and duties of the respective health providers were presented to the gathering by a panel including:

Mrs Sue Mack (Health Service Manager) Bingara Multipurpose Service (MPS) gave an overview of current services available at the Bingara MPS together with Mr David Quirk (General Manager, Mehi Sector, Hunter New England Local Health District);

Mr Shane Hatton (Director of Operations/Acting CEO) Rural and Remote Medical Services (RaRMS); and

Mr Richard Colbran (CEO) and Ms Estrella Low (Manager Rural Medical Service Initiative) from the Rural Doctors Network.

RaRMS was also represented by Ms Jenni Scott (Workforce Development Manager).

Unfortunately, on the night the PowerPoint presentation to be delivered by the Hunter New England Local Health District speakers could not be shown but is attached for your information.

RaRMS provided a written response to some of the questions submitted prior to the Forum and this document is also attached.

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Prior to the presentations, the Mayor outlined Council's role regarding the provision of medical services along the following lines:

One of Council's core objectives is to have a healthy community.

We are committed to getting the best possible medical services for our residents and visitors.

Great medical services also attract people to our area and in time keep them here.

This forum came about due to the growing concern in community.

There were many comments received and these were collated and presented to RaRMS and HNEH. So while you might not hear your specific question, the area of your concern will be addressed in one of the presentations or in one of the questions following.

Our agreement with RaRMS explained:

1 July 2014 Council entered into an agreement with RaRMS to transfer the management rights, medical records and all equipment, furniture etc.

RaRMS agreed to employ all medical staff.

Council still owns the building and land and maintains the building, gardens, and lawns.

RaRMS cannot assign or transfer their rights or obligations to any other party without the written consent of Council.

This agreement is for three year with an option of another three. Obviously, the first term finishes this July. Council is firmly committed to this agreement and wishes to carry on for another three years at least.

However, if the agreement is terminated the assets will come back to Council without cost.

The agreement requires RaRMS to provide medical practitioners in order to continue to provide quality rural primary healthcare to the Bingara community.

Council's agreement with RaRMS regarding the Warialda Medical Centre is pretty much the same but it includes Drs Di and Clem.

Council and the community own two houses which are used exclusively as doctor accommodation. These houses are located at 84 Finch Street Bingara and 123 High Street Warialda. These properties are fully furnished.

Recently Council sold a third property located in Bingara. The proceeds of this sale will be used to build two 2 bedroom townhouses. When built this too will be made available to doctors. While being built, Council is renting a home.

RaRMS pay to rent these houses, they also cover electricity and the maintenance of the lawns and gardens. Council is responsible for building maintenance and repairs.

Other ways we assist with the provision of medical services include being a sponsor of a NSW Rural Doctors' Network Bush Bursary although this is currently under review. This sees a medical student placed at our rural practice to experience medicine and our lifestyle. You might remember Olivia Tonge who was here just before Christmas.

Council has also supported the Barwon Division of General Practice W K Hunter Scholarship fund.

Following all the presentations the following questions were asked and answered:

- Q1 Some of the questions received should have been directed to either RaRMS or HNEH directly. Can you please outline the best way to direct any concerns that people may have regarding your respective organisations for attention?
- Q2 If another practice wants to start in either Warialda or Bingara will those doctors be able to have VMO rights providing that they are appropriately qualified?
- Q3 There have been numerous doctors work at the practice in Bingara over the last 12 months. Will you work towards greater consistency of the same doctors being available in the future to provide consistency in the provision of health care?
- Q4 Would a Nurse/Practitioner model work better at our local hospitals and overcome some of the issues that we face?
- Q5 Are there any impediments due to State or Federal Government requirements to getting doctors that we as a community could lobby to get changed?
- Q6 Are you confident about the future of good quality medical services being available when required in our Shire?

Before concluding the Forum a motion was put and passed ***that an alliance be formed between the community and the various health providers with the aim of providing ongoing quality and consistent healthcare. Further that this alliance meet regularly.***

OFFICER RECOMMENDATION

THAT an alliance be formed between the community and the various health providers with the aim of providing ongoing quality and consistent healthcare.

FURTHER that this alliance meet regularly at least every three months.

FURTHER that the group be named the Gwydir Community Health Alliance and that it be constituted as a committee of the Council in line with the attached governance arrangements.

FURTHER that an advertisement be placed in the local newspapers seeking expressions of interest from residents for consideration to be appointed to the Alliance (with at least a minimum representation from the Bingara, Warialda and rural communities).

FURTHER that the presenters be formally thanked for their participation in the Forum.

AT- Bingara MPS PowerPoint Presentation

AT- RaRMS Handout

AT- Role of Committee

**COUNCIL RESOLUTION:
MINUTE 9/17**

THAT an alliance be formed between the community and the various health providers with the aim of providing ongoing quality and consistent healthcare.

FURTHER that this alliance meet regularly at least every three months.

FURTHER that the group be named the Gwydir Community Health Alliance and that it be constituted as a committee of the Council in line with the attached governance arrangements.

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FURTHER that an advertisement be placed in the local newspapers seeking expressions of interest from residents for consideration to be appointed to the Alliance (with at least a minimum representation from the Bingara, Warialda and rural communities).

FURTHER that the presenters be formally thanked for their participation in the Forum.

(Moved Cr Galvin, seconded Cr Egan)



Bingara Multi-Purpose Service



Bingara MPS



- **Residential Aged Care**
- Bingara Multi-Purpose Service has 15 residential aged care beds which provide a home-like environment for those unable to remain in their own homes.
- Involved in NSW Ministry Pilot programs such as Music and Memory and Living Well in an MPS.

Bingara MPS



- **Acute Care Services**
Bingara Multi-Purpose Service has six acute care beds, including a designated Palliative Care Bed.

Bingara MPS



Month	Admissions 1/7/16 – 31/1/17	Admissions 1/7/15 – 31/1/16
July	32	24
August	27	37
September	32	29
October	30	25
November	28	28
December	21	28
January	33	20
Total	203	191

Bingara MPS



Community Health

- Community Health at Bingara Multi-Purpose Service provides a range of locally based and visiting services. These include onsite physiotherapy, diversional therapy (activities), radiography, child and family health and community nursing.
- Community Health nurses are also trained in foot care, diabetes education, palliative care, continence, cardiac and pulmonary rehabilitation and wound care.
- Visiting services including counselling, mental health, psychology, women's health, diabetes, occupational therapy, podiatry, speech therapy, dietary services and residential oral care are also available.

Bingara MPS



- Community Health / Allied Health
7925 Episodes of service during 2015/2016



Bingara MPS



- The emergency department at Bingara Multi-Purpose Service specialises in acute care of patients who arrive at the health service without prior appointment, either by their own means or Ambulance.
- The emergency department has tele-health technology to link with specialist staff at other hospitals in the HNE Local Health District.

Bingara MPS – What happens when there is no Doctor?



- Triage 1 and 2
 - Bingara also has access to Tamworth, Newcastle, Neonatal Retrieval Services and Retrieval Services through the Telehealth Camera to assist with emergencies during periods of no VMO coverage
 - Registered Nurses are Accredited as Advanced Clinical Nurses and have the ability to initiate treatment and medication as per Rural Critical Care Guidelines.
 - During periods of no VMO Coverage, clinical back up in the form of RN is available for staff to call in for assistance.
- Triage 3,4,5 and Inpatients
 - Bingara Multi-Purpose Service participates in the Small Towns-After Hours Program, which means that the registered nurses can contact doctors in other towns for over the phone advice.
 - NDEC – Set treatment and medication plans for 10 Non-Urgent presentations

Bingara MPS



Triage	Presentations 1/7/16 – 31/1/17	Presentations 1/7/15 – 31/1/16
1	3	2
2	91	51
3	157	126
4	193	196
5	256	316
Total	700	692
Average	3.3	3.2

Bingara MPS – Communication with Stakeholders



How can we improve?

- Regular Meetings to address issues
- Set Outcomes and Timeframes
- Concerns regarding each service needs to be directed in the first instance to the managers, if this is not possible, HNE has a complaints process that is available. We will always provide feedback regarding any concerns.

What can the community do ?



- **Expectations**
 - Nurses have skills and knowledge
 - Not all people need to see a doctor face to face
 - Most issues can be dealt with by a nurse, and if needed telephone medication orders from a doctor or a Documented Pathway.
- **ED means Emergency Department - if you are unwell call an AMBULANCE please.**

Bingara MPS

- End of Presentation



Nurse Practitioner



- ‘A RN who is educated and endorsed to function autonomously and collaboratively in an advanced and extended clinical role. The NP role includes assessment and management using nursing knowledge and skills. The role may include, but is not limited to, the direct referral of patients to other health care professionals, prescribing medications and initiating and interpreting diagnostic investigations.’

Nurse Practitioner



- Not a replacement for a doctor but it is an alternative model
- Position
 - Implementation of a Nurse Practitioner Position requires Extensive Planning and Inclusion of all Health Stakeholders.
- The person - Endorsed Nurse Practitioner
 - Must Complete Masters Program (2 years @ UNI)
 - Accredited in Advanced Skills in the position speciality



Bingara Community Health Forum – February 2017

Background to RaRMS

Rural and Remote Medical Services Ltd (RaRMS) is a not-for-profit organisation established by the NSW Rural Doctors Network (RDN) in 2001 to provide practice management support to rural and remote GPs. Whilst it was always a separate legal entity to RDN, changes to the RaRMS constitution in 2014 led to it becoming a completely independent organisation at that time and continues to operate completely independently from RDN. RaRMS is interested in nothing more than assisting GPs and other health professionals working in rural and remote locations to provide quality health services to the Community, with the key objective of seeking to improve health services in rural and remote towns. RaRMS does this largely by managing medical centres in rural and remote communities and working with all stakeholders to improve health services in those communities. RaRMS has established quality clinical governance and support protocols in place and currently has operations in 14 towns across NSW, including the responsibility for the management of the Bingara Medical Centre.

Responses to identified Community concerns

Medical crisis – affecting the area's ability to attract and retain resident

We're aware that primary (ie GP) and tertiary (ie hospital) health care is critical in attracting and retaining residents in rural towns. We understand the importance of helping rural towns avoid fragmented, or limited access to medical care. Unfortunately since January 2016, the GP/VMO workforce availability in Bingara has not been able to meet patient demand, and despite significant efforts to attract at least one more full time GP/VMO to Bingara, we have not succeeded.

RaRMS is very grateful for the ongoing support of Dr Lisa Brown, Dr Cho Oo Maung and regular visiting Locums like Dr Neil Wearne, who continue to show tremendous commitment to Bingara. Since Dr Fisher's departure, RaRMS has both independently and with as much support as possible from the NSW Rural Doctors Network and the Hunter New England Central Coast Primary Health Network, made attempts to attract to Bingara full-time permanent GPs.

Ideally we would like to see another full time, or close to full time GP/VMO join the Bingara Medical Centre team as soon as possible.

What are the terms of the current RaRMS Agreement with Council?

RaRMS is the tenant of the Gwydir Shire owned building that houses the Bingara Medical Centre. The current Lease expires on 30th June 2017. RaRMS pays Gwydir Shire agreed rental to occupy the medical centre building, and some rental incentive/support exists in

RaRMS Rural and Remote Medical Services Limited

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the favourable rental payments charged by the Gwydir Shire. The agreement between RaRMS and the Shire stipulates that RaRMS is able to run an independent practice, without interference from the Shire, as many Landlord/Tenant arrangements do. The Agreement does not cover services provided outside of the medical centre.

What incentives are there to attract doctors – ie accommodation, scholarships and programs for registrars?

It is widely recognised that there is a maldistribution of GPs across Australia, with most GPs working in urban areas. As a result, there are government funded programs supporting the attraction, recruitment and retention of GPs to rural areas.

The NSW Rural Doctors Network is a government funded organisation whose remit is “to ensure that the highest possible standard of healthcare is provided to remote and rural NSW communities through the provision of a highly skilled and continuing medical and health workforce.” The RDN facilitates a number of programs to support rural communities. Examples include: recruitment assistance, relocation subsidies for doctors interested in moving to rural areas, education subsidies for doctors working in rural areas, scholarships for students interested in moving to rural areas, etc.

There is also direct assistance from the Department of Health in the form of relocation and retention subsidies for eligible doctors who choose to move from a well-served community to a community in need of additional doctors. RaRMS always includes information about these incentives in any advertising posted to attract GPs (an example ad can be found at <http://www.nswrdn.com.au/site/search-vacancies> - search for Bingara).

RaRMS is currently offering a \$10,000 relocation package to eligible applicants for the vacant GP/VMO position in Bingara, and where necessary, accommodation assistance can also be provided.

Geographically, Bingara is well placed to host GPs still working their way through GP training programs (ie GP Registrars). However, we require another fully qualified, ie Vocationally Registered GP, to supervise GP Registrars in Bingara. There are remote training programs that we look to utilise like the Remote Vocational Training Scheme (RVTS). Bingara currently holds District of Workforce Shortage status making it a location that International Medical Graduates (IMGs) can work.

How many doctors do we have – what is their workload – do they get support and breaks as isolated professionals

As at 9th February 2017, there are 1.4FTE permanent GPs practicing in the Bingara Medical Centre. Dr Lisa Brown works part time, ie approximately 3 x 4 hour sessions per week, and Dr Cho Oo Maung works approximately 10 x 4 hour sessions per week. They are independent practitioners and in consultation with the Practice Manager they are able to

take periods of leave for at least 6 weeks per year. RaRMS also recruits GP and/or GP/VMO locums where possible to support Dr Brown and Dr Maung.

Each GP would see approximately 4 patients per hour, although patients with more complex health needs may require longer appointments of up to 45mins-60mins.

Dr Maung is currently supported remotely by a female GP in another small country town as part of the GP training program that he is enrolled in, and whilst Dr Brown doesn't have any formal professional support, she has the ability to consult with colleagues known to her if she so desires. RaRMS also has a Clinical Advisor to assist all GPs working with RaRMS where/when required, and RaRMS has a formal Clinical Governance Committee comprising of 3 GPs and an experienced and high level Registered Nurse to assist our GP and nursing/allied health workforce where required.

Each of the GPs working in Bingara largely sets their own working hours, and determine when they will have meal, and recreational leave breaks.

What is the morale like at the Medical Centre?

The staff in the Bingara Medical Centre take great pride in the services delivered by the entire Bingara Medical Centre team. They are all members of the Bingara Community and are strong advocates for ensuring health services remain of the highest quality and meet the needs of the Community. Their expectations are high, but reasonable. Staff morale is currently severely affected by the recognition that there aren't enough GPs in the Medical Centre to meet patient demand. Further, the staff are deeply concerned that there isn't 24/7 on-call GP/VMO coverage at the Bingara MPS. These two factors are contribute to low morale. Additionally, we know that staff morale is also affected by an increase in patient abuse levelled at staff from time to time, particularly when that abuse is misdirected or misinformed. Our Receptionists do all they can to book patients in to their preferred appointments, and with their preferred GP, and to keep patients informed if there is a wait time to see the GP.

Continuity of health plans is not being achieved.

RaRMS recognises the importance of ensuring continuity of care for patients, usually best achieved if the same practitioner is available to see the patient each time the patient requires an appointment. Sadly, that isn't always possible given we are in need of another permanent full time GP/VMO. The Bingara Medical Centre clinical team has also recently recommended regular clinical review meetings in Bingara, where issues around proposed changes in care and patient management can be formally discussed, so that the opportunity for patient management to remain consistent despite possible changes in GP/VMO personnel, is higher.

Very long waiting times to see doctor and get an appointment

Our current limited GP workforce at the practice is impacting on the practice's ability to provide the number of patient bookings required. An additional full-time permanent GP is our best solution to fix this problem. In the interim, on behalf of the staff and doctors at the practice, we ask for the Community's patience and understanding if the preferred appointment isn't available.

We recognise this causes patients frustration and inconvenience, but patient understanding will help prevent frustrations escalating to a point that practice staff/doctors are impacted, further delaying patient access to the care required.

How are VMO rights at the Bingara MPS managed?

In small rural towns like Bingara, traditionally the local GPs also provided on-call Visiting Medical Officer (VMO) services at the local hospital. Those GPs were, and still are in large part, engaged directly by the relevant Local Health District. In Bingara's case, the Hunter New England Local Health District (LHD) manages the Bingara MPS, and the LHD has sole authority to oversee the credentialing of all GP/VMOs working in the Bingara MPS, ensuring those GP/VMOs meet the required competence and qualifying standards (ie the VMO credentialing process). Wherever possible, RaRMS ensures all GP locums, and certainly all prospective permanent GP/VMOs meet the minimum qualifying standards to also work in the Bingara MPS.

Why at times is there no Doctor available in the Bingara MPS with patients needing to travel to Warialda?

Unfortunately the current permanent GP workforce situation in Bingara is such that at times there isn't an on-call GP/VMO covering the MPS, which may have led to patients traveling to Warialda to seek emergency medical care at times. This is not ideal for the relevant patients, and adds further work to the already busy GPs in Warialda, and all stakeholders recognise that. The ideal solution to bolster the on-call VMO roster in Bingara MPS is for another suitably qualified and experienced GP/VMO to be recruited to town. This remains a priority for RaRMS.

Whilst not a replacement for onsite GP/VMOs, there are also existing and emerging remote GP service models to help support local hospitals like Bingara in the short and long term. RaRMS is committed to working with all stakeholders including the Hunter New England Local Health District, the NSW Rural Doctors Network, Gwydir Shire and the Community to develop more robust VMO service models which will hopefully see local GP/VMOs available for all emergency situations, with support from the remote GP service for less urgent matters.

Why does the Bingara MPS rely so heavily on its nursing staff?

Nursing staff in all rural hospitals are a vital component in the clinical team, which includes wherever possible, on-call GP/VMOs. As GP/VMO workforce challenges around after hours care in particular become more prevalent, the reliance on local nursing staff will become even greater. There are excellent training courses available, eg First Line Emergency Care

(FLEC) that upskill emergency department nurses to give them an even greater knowledge and skill level when dealing with emergency medical presentations. With the advances in technology, and the wider implementation of remote GP service models, the reliance on nursing staff to support local hospital facilities will probably increase even further.

Patient feedback

RaRMS welcomes regular patient feedback and encourage all patients to complete the online Patient Satisfaction Survey available at: <https://www.surveymonkey.com/r/RaRMS>

Gwydir Community Health Alliance Committee

Committee Membership and quorum

The membership of this Committee Is:

Deputy Mayor Gwydir Shire Council (Chair);

A nominee of the Local State Member of Parliament;

Crs Galvin and Young;

Deputy General Manager Gwydir Shire Council (Secretary);

Aged Care Manager Gwydir Shire Council;

A representative from:

Hunter New England Local Health District;
Bingara and Warialda MPS' management and Chairs of Advisory committees;
Rural and Remote Medical Services (RaRMS);
Rural Doctors Network;
Naroo and Touriandi Aged Care Facilities; and;
Dr D Coote (representing the contracted General Practitioners)
Ambulance Paramedics

At least 3 Community Representatives (Bingara, Warialda and rural)

The quorum is 7.

Committee Chairman and Deputy Chairman

The position of Deputy Chair is to be determined by the Committee if considered appropriate.

Whenever the voting on a motion put to this Committee is equal, the Chairperson is to have a casting vote as well as an original vote.

Committee Delegation

This Committee has no delegations.

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Committee Function

The primary role of this Committee is to monitor the provision of the ongoing quality and consistency of healthcare within Gwydir Shire.

The Committee will achieve this role through reviewing the various benchmarks used in the measuring the provision of health care within the Shire's two Multipurpose Services.

To recommend to Council what support and/or assistance may be required to attract and maintain appropriately qualified General Practitioners with Visiting Medical Officer accreditation or other relevant matters pertaining to the provision of healthcare within the Shire.

To act as an advocate group on behalf of the Gwydir Community with other levels of Government as and when required.

Table the minutes of each Committee Meeting at the next available Council Meeting

Committee Meeting Cycle

The Committee is to meet at least quarterly or more often if required.

Item 2 Refugee Welcome Zone

FILE REFERENCE

DELIVERY PROGRAM

GOAL: 4. Proactive Regional and Local Leadership

OUTCOME: 4.1 WE ARE AN ENGAGED & CONNECTED COMMUNITY

STRATEGY: 4.2.2 Work in partnership to plan for the future - GM - external

AUTHOR General Manager

DATE 13 February 2017

STAFF DISCLOSURE OF INTEREST Nil

IN BRIEF/ SUMMARY RECOMMENDATION

This report recommends that Gwydir Shire Council join Moree Plains, Gunnedah and Glen Innes Severn plus Armidale Regional Councils in being another identified *Refugee Welcome Zones* in this Region.

It further recommends encouraging the Namoi Joint Organisation to collectively become a *Refugee Welcome Regional Zone*.

TABLED ITEMS	Nil
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BACKGROUND

The Council has adopted an aspirational target of essentially doubling its population by 2030. The staff have been working on ways to move towards this target and it has become very apparent that to achieve this target there will need to be either an influx from the normal immigration program or the refugee program.

The attached Discussion Paper outlines the challenges being faced by the rural based Councils within this region.

This is likely to cause some concern amongst some residents, which is understandable, but any movement of immigrants into this area must be from cultural backgrounds consistent with the existing profile. This would include such things as from a rural based community and profiles compatible with the demographic make-up of the Gwydir Community.

Gwydir has displayed the ability to welcome and support people moving into our Shire in the past and there is no reason to suspect that this generosity of

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spirit will not continue into the future. The Armidale Diocese of the Anglican Church has indicated its strong support for this initiative.

Country residents are inherently more supportive of their neighbours and basically put urban populations to shame in terms of being more open, accepting and friendly once any initial concerns are addressed through simple engagement.

In addition, the transfer of any migrants should be after the fundamental requirements to meet employment, housing and service needs have been implemented, or the planning is well advanced.

The movement of people into the Shire should also create genuine advantages for the existing residents through improved services and employment opportunities.

If the current planning around the Circular Economy initiatives are successfully introduced, the elected Councillors and staff anticipate the direct employment generation will be around 1,000 employed positions and this scale of improvement will not be possible without a significant increase in the Shire's population.

COMMENT

The process to become a *Refugee Welcome Zone* requires a declaration motion in the following terms:

This Declaration by Gwydir Shire Council is a Commitment in Spirit to

Welcoming refugees into our community,

Upholding the Human Rights of refugees,

Demonstrating Compassion for refugees and

Enhancing cultural and religious Diversity in our community.

CONCLUSION

If the negative population trajectory continues for rural Councils such as Gwydir, the consequences will result in things such as lower economic activity, reduced school numbers and reduced services. These are all outcomes that will detrimentally impact on the Shire's residents into the future.

A 2011 Commonwealth research paper, *A Significant Contribution: The Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, concluded that research has shown that refugees,

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once they have the opportunity to establish themselves, make important economic, civil and social contributions to Australian society.

Australia's refugees and humanitarian entrants have found success in every field of endeavour, including the arts, sports, media, science, research, business and civic and community life.

Former refugees are very entrepreneurial, being more likely to set up their own businesses than other migrant groups. They play an important role in facilitating the development of trade and other links with their countries of origin.

Former refugees value the education of their children very highly, with the proportion of young refugees attending an educational institution being higher than other migrants and even more than people born in Australia.

They tend to make substantial social contributions to Australia through volunteering, promoting community development and engaging in neighbourhood activities and events.

This is an option and there is no guarantee of successful implementation and this should be understood.

OFFICER RECOMMENDATION

THAT Gwydir Shire Council adopts the following Declaration:

This Declaration is a Commitment in Spirit to

Welcoming refugees into our community,

Upholding the Human Rights of refugees,

Demonstrating Compassion for refugees and

*Enhancing cultural and religious Diversity in our
community.*

FURTHER that the Namoi Joint Organisation of Councils be requested to consider endorsing the Namoi Region as a *Refugee Welcome Regional Zone*

ATTACHMENTS

AT- Draft Discussion Paper prepared for the New England North West Regional Multicultural Advisory Committee

This is page number 34 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

**COUNCIL RESOLUTION:
MINUTE 10/17**

THAT Gwydir Shire Council adopts the following Declaration:

This Declaration is a Commitment in Spirit to

Welcoming refugees into our community,

Upholding the Human Rights of refugees,

Demonstrating Compassion for refugees and

***Enhancing cultural and religious Diversity in our
community.***

**FURTHER that the Namoi Joint Organisation of Councils be
requested to consider endorsing the Namoi Region as a *Refugee
Welcome Regional Zone*. (Ref: 11/17)**

(Moved Cr Moore, seconded Cr Galvin)

Multicultural NSW - New England North West Regional Advisory Committee

(Draft) Discussion Paper

Regional Organisation of Councils' (ROC) member to develop a discussion paper on the local councils' perspective on the opportunities and challenges in the New England region for supporting refugees. Regional Advisory Committee members to send contributions to the ROC member
(Extract meeting notes 1st November 2016).

The Regional Australia Institute's report [Talking Points: The missing migrants](#) outlines that regional Australia actually has lower population growth than the cities because it does not attract its share of international migrants¹. This would also apply to the refugee intake and presents a genuine opportunity if handled in an appropriate manner.

This discussion paper is prepared to represent the issue from the view of the local government authorities within the Namoi Joint Organisation of Councils (Namoi JO representing Gunnedah Shire Council, Gwydir Shire Council, Liverpool Plains Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tamworth Regional Council, Uralla Shire Council and Walcha Council) and the New England Joint Organisation of Councils (New England JO representing Armidale Regional Council, Glen Innes Severn Shire Council, Inverell Shire Council, Tenterfield Shire Council and Uralla Shire Council). At the moment Uralla Shire Council is in both the above Joint Organisations.



Map sourced from the NSW Government's [Fit for the Future](#) website

Another local government organisation that would have an interest in this issue is the Border Organisation of Councils (BROC representing Balonne Shire Council (Qld), Goondiwindi Regional Council (Qld), Gwydir Shire Council, Inverell Shire Council,

¹ Regional Australia Institute's report [Talking Points: The missing migrants](#) p2

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Moree Plains Shire Council, Southern Downs Regional Council (Qld), Tenterfield Shire Council and Walgett Shire Council). BROOC is a regional organisation of Councils which is somewhat unique in that its membership crosses the Queensland/NSW border. Its member Councils range from regional centres, such as Goondiwindi, Moree and Warwick to more sparsely populated rural based areas.

The writer of this discussion paper is directly involved with BROOC (its Executive Officer) and the Namoi JO (its nominee on the RAC). As you can see there is some cross memberships of these regional organisations. Although the views of the member Councils were sought there has been no feedback so the views expressed in the paper are the writers alone and uses Gwydir Shire Council as the example in the proposed options.

Challenge

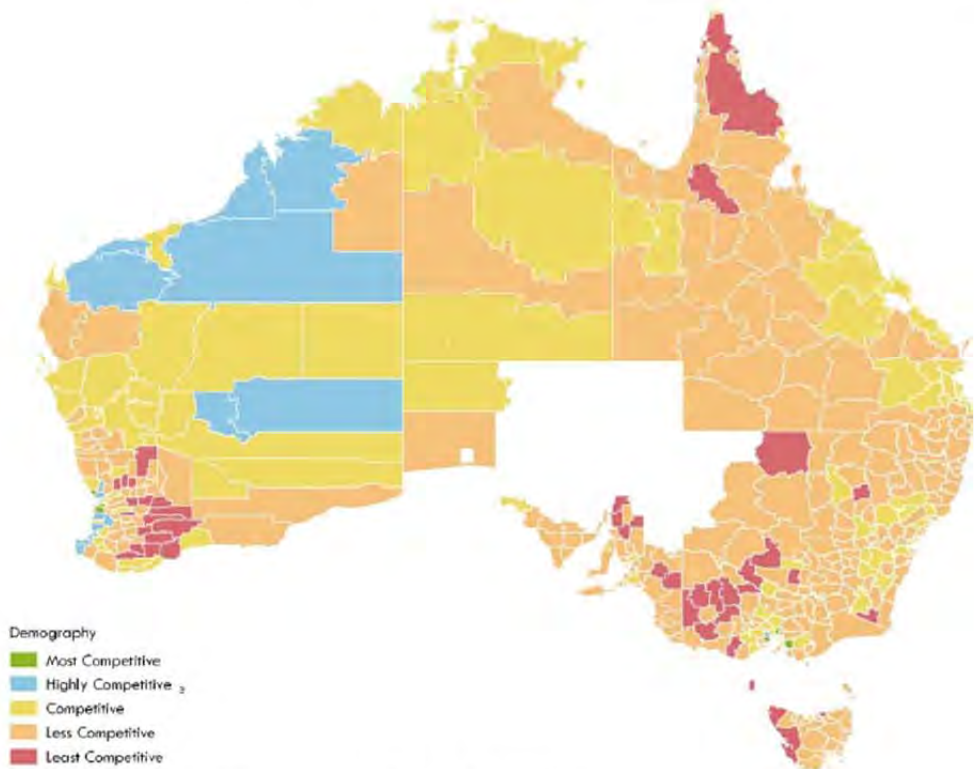
The area covered by this Discussion Paper has been identified generally as being uncompetitive, from a demography standpoint, under the [Regional Competitiveness Index](#) developed by the Regional Australia Institute² (RAI 2015). However, there are some locations (e.g. Tamworth on population turnover) that are considered competitive under one or more of the following six criteria (RAI 2015 pp 5-6):

- **Population size** (sourced from ABS Regional Population growth 2012-13 data): The number of people who live in an area. Larger populations offer bigger markets for goods and services as well as more skilled workers. Larger populations lead to a higher ranking.
- **Population growth** (sourced from ABS Regional Population growth 2012-13 data): The rate of change in the size of population over the last year. Growing populations expand local and regional economies. Higher population growth leads to a higher ranking.
- **Population density** (sourced from ABS data): The number of people per square kilometre. Density concentrates market demand and enables people to better connect with each other to drive innovation and change. Higher density leads to a higher ranking.
- **Population turnover** (sourced from ABS data): The rate at which people are moving to and from a region. Lower turnover indicates stability in a regional population, supporting stronger social capital and institutions. Lower turnover leads to a higher ranking.

² Regional Australia Institute 2015, [\[In\]Sights for Competitive Regions: Demography](http://www.regionalaustralia.org.au/wp-content/uploads/2015/01/Insights-for-Competitive-Regions-Demography.pdf), <http://www.regionalaustralia.org.au/wp-content/uploads/2015/01/Insights-for-Competitive-Regions-Demography.pdf>

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- **Senior dependency** (sourced from National Regional Profile 2012 and ABS data): The number of people aged over 64 years compared to the working age population (15-64 years). Populations with higher proportions of older people may require a greater focus on service delivery than economic development. Regions with a lower senior dependency ratio are therefore ranked higher.
- **Youth dependency** (sourced from National Regional Profile 2012 and ABS data): The number of people under 15 years compared to the working age population (15-64 years). Younger populations tend also to require a greater level of services. Regions with a lower youth dependency ratio are ranked higher.

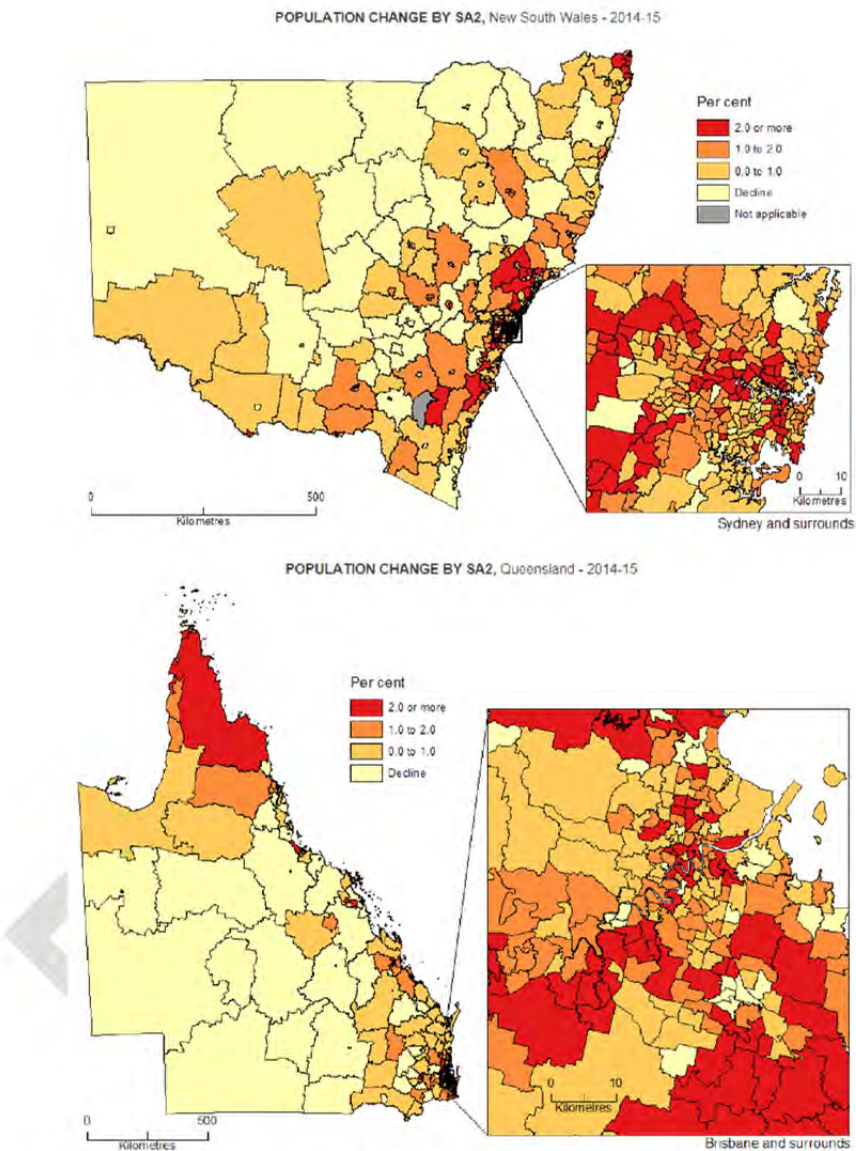


Source: RAI 2015 p 7

The challenge for eight of the local government authorities in this area is population decline and this has been a longer term trend. Often younger resident families and individuals leave and are replaced by older people in their retirement years.

These long term trends of declining population growth create governance issues for the local authorities experiencing this decline.

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Source for both ABS:
<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3218.0Main%20Features202014-15?opendocument&tabname=Summary&prodno=3218.0&issue=2014-15&num=&view=>

The estimated population figures determined by the ABS as at 30 June 2015 are outlined in attachment 1(NSW) and attachment 2 (Qld). Declining population areas are shown in red, marginal population growth areas in blue and increasing population areas in black.

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This region covering the local authorities of **Armidale Regional Council** (now includes **Guyra**), **Glen Innes Severn Shire Council**, **Gunnedah Shire Council**, **Gwydir Shire Council**, **Inverell Shire Council**, **Liverpool Plains Shire Council**, **Moree Plains Shire Council**, **Narrabri Shire Council**, **Tamworth Regional Council**, **Tenterfield Shire Council**, **Uralla Shire Council**, **Walcha Council** and **Walgett Shire Council** together with the Queensland Councils of **Balonne Shire Council**, **Goondiwindi Regional Council** and **Southern Downs Regional Council**, with a few exceptions, have declining or marginal population growth.

For this area to move to a competitive ranking as determined by RAI, the determining criteria of population size, growth and density must be addressed for each of the local authorities currently in long term decline.

The area has pockets of distinct social disadvantage identified by the ABS:

Index Type		Index of Relative Socio-economic Disadvantage									
Time		2011									
Measure	Score	RANK WITHIN AUSTRALIA			RANK WITHIN STATE AND TERRITORY			Minimum score for SAIs in area	Maximum score for SAIs in area	Usual resident population	
		Rank within Australia	Rank within Australia - Decile	Rank within Australia - Percentile	Rank within State or Territory	Rank within State or Territory - Decile	Rank within State or Territory - Percentile				
Local Government Areas - 2011											
New South Wales											
Armidale Dumaresq (A)	987	325	6	58	98	7	64	682	1123	24122	
Glen Innes Severn (A)	922	93	2	17	21	2	14	778	1055	8658	
Gunnedah (A)	947	164	3	30	47	4	31	773	1071	12079	
Guyra (A)	931	113	3	21	29	2	19	662	1070	4383	
Gwydir (A)	940	135	3	24	36	3	24	832	1055	4953	
Inverell (A)	921	92	2	17	20	2	13	600	1082	16078	
Liverpool Plains (A)	921	91	2	17	19	2	13	559	1039	7490	
Moree Plains (A)	915	83	2	15	15	1	10	326	1126	13415	
Narrabri (A)	953	195	4	35	55	4	38	734	1092	12944	
Tamworth Regional (A)	960	223	4	40	69	5	45	479	1110	50340	
Tenterfield (A)	915	84	2	15	16	2	11	776	1043	6604	
Uralla (A)	886	317	6	57	87	7	63	815	1085	6633	
Walcha (A)	974	266	5	48	82	6	54	867	1072	3033	
Walgett (A)	956	41	1	8	4	1	3	605	1068	6432	
Queensland											
Balonne (S)	959	219	4	39	41	6	35	854	1055	4719	
Goondiwindi (R)	978	284	6	51	49	7	34	734	1128	19027	
Southern Downs (R)	844	153	3	28	32	5	27	745	1076	33850	

The policies designed to encourage the relocation of people from the large urban centres to regional and rural areas have largely failed to meet the targets over the years and where there has been some measure of success the movement of people has been to the more established regional centres not the areas with declining populations. The reasons for this lack of success are probably manifold but primarily it comes down to not enough financial incentive and the lack of ability to enforce any movement of existing Australian residents.

A Possible Policy Response

Gwydir Shire Council is used as a case study for a possible policy trial. Gwydir Shire is typical of the areas with declining population and also has a relatively low rating on the *Index of relative Socio-economic Disadvantage* see above. Unfortunately no feedback was received from any other Namoi Council.

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As mentioned earlier in this paper the policy settings to encourage intra or inter-state migration are limited to basically monetary incentives and have not tended to meet the desired target of encouraging substantial movements within the resident population.

The same policy impediments do not exist for overseas migration into Australia. This applies to both the categories of authorised migration under an approved resettlement program and the current issues relating to refugees. In both these cases the Federal Government could play an active role in creating the policy settings that direct new immigrants to rural areas. This would be especially beneficial to immigrants from a rural setting in their home countries – the success of the [Mingoola example](#), although quite small scale emphasized the importance of this 'rural' connection.

However, there is concern amongst some that the overly complicated process relating to the allocation of migrants into rural areas actually works against the success of the program. The current procedural requirements and possibly the legislation require review to remove any unreasonable impediments.

Without a reversal of the current population decline trajectory in some areas of this region, the long term viability of these communities remains a concern. The relocation of migrants from whatever source is a positive way to address this issue to the benefit of existing residents and new arrivals.

Obviously there are many issues that require evaluation and attention. However, there are opportunities that, if handled appropriately, would improve the viability of the rural sector and the existing residents.

The essential element must be a genuine 'whole of government' approach to implementing a viable scheme that addresses the issues outlined below.

The reference to a 'whole of government' approach cannot just be a catch phrase but rather a co-ordinated and appropriately funded response with authority being genuinely devolved to the level of government best placed to act promptly and responsibility to any issues of concern that may arise during the implementation phase.

In some cases this will also require the appropriate level of funding for community based groups like Multicultural Tamworth to play an active role across this region.

As a first step the Namoi JO, New England JO and BROOC Councils should consider becoming a *Refugee Welcome Regional Zone* which simply requires each constituent Council to make the following declaration:

This Declaration is a Commitment in Spirit to

Welcoming refugees into our community,

Multicultural NSW - New England North West Regional Advisory Committee

Upholding the Human Rights of refugees,

Demonstrating Compassion for refugees and

Enhancing cultural and religious Diversity in our community.

Armidale Regional Council together with Gunnedah, Glen Innes Severn and Moree Plains Councils have already passed the appropriate declaration and are *Refugee Welcome Zones*.

Issue	Possible Response	Responsible level of Government
Current process including legislation and process	Conduct a comprehensive review to remove any superfluous or unnecessary impediments that restricts access to the program within rural areas.	Federal and State Governments
Addressing the existing negative community concern regarding refugees	Rather than frame the issue as a problem the possibility of population growth should be promoted as an opportunity. The additional access to employment and services by existing residents should be promoted as positives in line with other possible responses outlined below. The Namoi JO, New England JO and BROOC declare itself a <i>Refugee Welcome Regional Zone</i> .	Local government in consultation with local community support and service groups. State and Federal Governments JOs and BROOC to consider regional refugee declaration
Local employment generation	A 'whole of government' policy response could be used as a catalyst to initiate employment outcomes for both existing residents and new arrivals. There is no doubt that each local government authority has proposals that would generate employment but lack the financial support to move forward on the proposals. For example Gwydir Shire is exploring three significant economic opportunities that collectively could generate 1,000 jobs to cater for existing residents and new arrivals.	Local to develop proposals. State and Federal Governments to evaluate and support the local initiatives.
Support Services	There are issues that will require significant support structures for new arrivals, especially when relocated from areas that	Local and community groups to identify shortfall

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	<p>could be considered war zones. In many cases the lack of support services is an existing problem for the local residents. These services include mental health and many of the allied services. An expansion of these services in the region would aid both the existing and new arrivals and could be promoted in this way.</p> <p>If the process is handled appropriately there is also the natural inclination for rural based residents to be more supportive.</p>	<p>in current service delivery. State and Federal Governments to appropriately resource the identified need.</p>
Housing	<p>Obviously in many of the rural locations appropriate housing stock will be required.</p> <p>However, the upside is that this will create local employment and will also ensure the better use of underutilised infrastructure that currently exists. This is not the case in larger centres where the appropriate infrastructure needs to be established usually at great cost.</p> <p>Many smaller rural towns with population decline (e.g. Bingara and Warialda in Gwydir Shire) have parks, schools, water and sewerage etc already built to accommodate larger populations than currently require the infrastructure.</p> <p>This is a distinct competitive advantage to the funding body.</p>	<p>Local to identify suitable sites for the construction or reuse of existing housing. State and Federal Government to to appropriately resource the identified need.</p>
Mechanics of settlement	<p>This will require a more mandatory policy approach to the relocation of migrants and/or refugees.</p> <p>Entry into Australia could be conditional on relocation to particular regions for a period of 5 or more years.</p> <p>However, once established after the five year period it is reasonable to assume a reluctance to move unless compelling reasons exist.</p>	<p>Federal Government</p>
Timing	<p>These suggested pathways should be planned and implemented upfront rather</p>	<p>Local, State and Federal</p>

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	<p>than the often lag time that creates uncertainty and frustration amongst the parties directly impacted upon.</p> <p>This is where the 'whole of government' approach will be particularly important as poor planning will produce poor performance.</p>	Governments
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Presented for discussion.

3218.0 Regional Population Growth, Australia

Released at 11.30am (Canberra time) 30 March 2016

Table 3. Estimated Resident Population, Local Government Areas, Queensland

		ERP at 30 June											Change		Population density 2016 persons/km ²
LGA code	Local Government Area	2005 no.	2006 no.	2007 no.	2008 no.	2009 no.	2010 no.	2011 no.	2012 no.	2013 no.	2014 no.	2015 no.	2014-2015p %	Area km ²	
30300	Balonne (S)	4878	4754	4760	4786	4813	4833	4862	4839	4880	4866	4826	-1.2	31106.2	0.3
33610	Gondwivindl (R)	10297	10364	10466	10565	10722	10823	10900	10993	11018	11020	11022	0.0	19285.5	0.6
36660	Southern Downs (R)	32010	32411	32933	33451	33976	34313	34649	35034	35608	35706	35738	0.1	7111.7	5.0

Item 3 Recommendations from the Public Infrastructure Committee Meeting held on 09 February 2017

FILE REFERENCE

DELIVERY PROGRAM

GOAL: 5. Organisational Management

OUTCOME: 5.1 CORPORATE MANAGEMENT

STRATEGY: 5.1.3 Administrative functions - GM - internal

AUTHOR General Manager

DATE 15 February 2017

STAFF DISCLOSURE OF INTEREST Nil

IN BRIEF/ SUMMARY RECOMMENDATION

This report recommends the adoption of the recommendations from the Public Infrastructure Committee meeting held on 09 February 2017.

COMMITTEE RECOMMENDATIONS

Technical Services monthly report for December 2016

THAT the report be received

North West Weight of Loads Contribution

THAT the Council consider the recommendation suggested by the Weight of Loads Committee

ATTACHMENTS

There are no attachments for this report.

**COUNCIL RESOLUTION:
MINUTE 12/17**

Technical Services monthly report for December 2016

THAT the report be received

North West Weight of Loads Contribution (Ref: 13/17)

THAT the Council consider the recommendation suggested by the Weight of Loads Committee

(Moved Cr Egan, seconded Cr Smith)

Item 4 Recommendations from the Community Services and Planning Committee Meeting held on 09 February 2017

FILE REFERENCE

DELIVERY PROGRAM

GOAL: 5. Organisational Management

OUTCOME: 5.1 CORPORATE MANAGEMENT

STRATEGY: 5.1.3 Administrative functions - GM - internal

AUTHOR General Manager

DATE 15 February 2017

STAFF DISCLOSURE OF INTEREST Nil

IN BRIEF/ SUMMARY RECOMMENDATION

This report recommends the adoption of the recommendations from the Community Services and Planning Committee meeting held on 09 February 2017.

COMMITTEE RECOMMENDATIONS

Circular Economy Management Committee meeting held on 25 January 2017
 THAT the minutes of the Circular Economy Management Committee
 held on 13th December 2017 and 25th January 2017 be received and
 noted.

IT, Office Equipment and Buildings Assets Committee Minutes of 13 December 2016

THAT the Minutes for the IT, Office Equipment and Buildings Assets Committee meeting held on 13th December 2016 are noted.

Organisation and Community Development Report - December 2016/January 2017

THAT the Organisation and Community Development monthly report for December 2016 and January 2017 be received.

Roxy Complex Nomination for State Heritage Register

THAT the nomination of the Roxy Theatre and Peters Greek Café Complex for inclusion on the State Heritage Register is noted.

Monthly Report - Development and Environmental Services for November/December 2016

THAT the Development and Environmental Services report for November and December 2016 be received.

This is page number 48 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

Gwydir River Crown Land - Draft Plan of Management

THAT the draft Gwydir River Crown Land Reserves Plan of Management be placed on public exhibition for a period of 40 days seeking public comment on the draft Plan of Management after the approval of the Lands Office is received with an alteration to Page 26 Recommendation regarding camping should read:

- Install signage restricting camping to a maximum of 7 continuous days at all sites within the Bingara designated town boundary and monitor/enforce
- Install signage restricting camping to a maximum of 14 continuous days at all sites outside the Bingara designated town boundary and monitor/enforce
- Introduce a 'no go' rotation of sites to be 'rested' to allow for rehabilitation
- Install signage and maintain the current event only camping area that limits access and allow exclusive *camping* access to the Boat Ramp section by the Bingara Anglers' Club and monitor/enforce *noting that access to the boat ramp facility is available to all members of the public.*
- Review the need to have a camping fee in June 2018 following the suggested capital improvements
- Continue discussions with CMCA regarding a possible partnering arrangement

FURTHER that members of the public be requested to specifically note and comment on the proposed locations of the public toilets when considering the draft Plan of Management.

Councillors' reports

THAT the following reports are noted:

Cr John Coulton - Tourism and Economic Development Consultant

Cr Catherine Egan - Community meetings

Cr John Coulton – 'King of Bingara' Indigenous Rugby League Knockout

Cr Frances Young – Essential Energy Street Tree Trimming

Cr Jim Moore – Stop Signs, corner of Stephen and Hope Streets, Warialda

Cr John Coulton - Letters of congratulations for recently promoted members of NSW Parliament

ATTACHMENTS

There are no attachments for this report.

**COUNCIL RESOLUTION:
MINUTE 14/17**

Circular Economy Management Committee meeting held on 25 January 2017 (Ref: 15/17)

This is page number 49 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

THAT the minutes of the Circular Economy Management Committee held on 13th December 2017 and 25th January 2017 be received and noted.

IT, Office Equipment and Buildings Assets Committee Minutes of 13 December 2016 (Ref: 16/17)

THAT the Minutes for the IT, Office Equipment and Buildings Assets Committee meeting held on 13th December 2016 are noted.

Organisation and Community Development Report - December 2016 /January 2017 (Ref: 17/17)

THAT the Organisation and Community Development monthly report for December 2016 and January 2017 be received.

Roxy Complex Nomination for State Heritage Register (Ref: 18/17)

THAT the nomination of the Roxy Theatre and Peters Greek Café Complex for inclusion on the State Heritage Register is noted.

Monthly Report - Development and Environmental Services for November/December 2016 (Ref: 19/17)

THAT the Development and Environmental Services report for November and December 2016 be received.

Gwydir River Crown Land - Draft Plan of Management (Ref: 20/17)

THAT the draft Gwydir River Crown Land Reserves Plan of Management be placed on public exhibition for a period of 40 days seeking public comment on the draft Plan of Management after the approval of the Lands Office is received, with an alteration to Page 26 Recommendation regarding camping should read:

- Install signage restricting camping to a maximum of 7 continuous days at all sites within the Bingara designated town boundary and monitor/enforce**
- Install signage restricting camping to a maximum of 14 continuous days at all sites outside the Bingara designated town boundary and monitor/enforce**
- Introduce a 'no go' rotation of sites to be 'rested' to allow for rehabilitation**
- Install signage and maintain the current event only camping area that limits access and allow exclusive**

This is page number 50 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

camping access to the Boat Ramp section by the Bingara Anglers' Club and monitor/enforce *noting that access to the boat ramp facility is available to all members of the public*

- Review the need to have a camping fee in June 2018 following the suggested capital improvements
- Continue discussions with CMCA regarding a possible partnering arrangement

FURTHER that members of the public be requested to specifically note and comment on the proposed locations of the public toilets when considering the draft Plan of Management. (Ref: 21/17)

Councillors' reports

THAT the following reports are noted:

Cr John Coulton - Tourism and Economic Development Consultant (Ref: 22/17);

Cr Catherine Egan - Community meetings (Ref: 23/17);

Cr John Coulton – 'King of Bingara' Indigenous Rugby League Knockout (Ref: 24/17);

Cr Frances Young – Essential Energy Street Tree Trimming (Ref: 25/17);

Cr Jim Moore – Stop Signs, corner of Stephen and Hope Streets, Warialda (Ref: 26/17); and;

Cr John Coulton - Letters of congratulations for recently promoted members of NSW Parliament (Ref: 27/17)

(Moved Cr Dick, seconded Cr Moore)

Community Meetings (Ref: 28/17)

THAT a community meeting be held at the new Warialda Rail RFS Shed in May during the official opening.

(Moved Cr Dick, seconded Cr Young)

Crs Young and J Coulton declared a less than significant pecuniary interest in this report as it was noted that they had each lodged a Development Application.

Item 5 Organisational Performance Summary Report - January 2017

FILE REFERENCE

DELIVERY PROGRAM

GOAL: 5. Organisational Management

OUTCOME: 5.1 CORPORATE MANAGEMENT

STRATEGY: 5.1.1 Financial management and accountability systems - CFO - internal

AUTHOR Chief Financial Officer

DATE 12 February 2017

STAFF DISCLOSURE OF INTEREST Nil

IN BRIEF/ SUMMARY RECOMMENDATION

It is recommended this report be adopted as it is for information purposes.

A formal quarterly review is required under the legislation, which is prescriptive in format and content. While this is an important process and provides an appropriate avenue to formally revise budgets, it does lack some flexibility and does not provide Council with up to date information on a regular basis.

Further, the Responsible Accounting Officer (RAO) - currently Corporate Services Director, is required to provide opinions on overall position as part of the quarterly review process – but the amount of information while significant does lack some informative detail. Also, the nature of the report, only being required quarterly (up to two months after the close of each quarter) can lack an element of timeliness.

While the RAO is responsible for providing an appropriate budget system, development of budgets and compliance with approved budgets is largely the responsibility of relevant Directors and Managers.

The summaries in this report do not comply with Accounting Standards and are only meant as a comparative source of information.

These Year To Date (YTD) should also be seen as a potential tool to identify problems early, so potential corrective action may be undertaken prior to end of year. It is the end of year full year reports that provide the full year results that are most important – and these are where Council is judged externally on its performance.

BACKGROUND

This report is not required under the Local Government Act & associated Regulations, but does provide potentially useful financial management information.

The NSW Audit Office (AO) has been mandated with oversight of all NSW Council's external audit. No doubt over time this will result in numerous changes, but this will hopefully be minimal in the near term. In discussions/workshops, they have indicated they have a keen interest in accountability of public monies, i.e. budget management and financial reporting. This interest extends beyond completion of our Annual Statements.

The AO have produced a number of best practice guides that can be beneficial to Council. The Finance Section is currently working through the Internal Financial Reporting Best Practice Guide (BPG), which is attached for your information.

While there are improvements to be made, the financial reports provided to Council to date are on the right track – the level (fund and division) and detail (Resource group i.e. Wages, Materials) is generally consistent with the BPG sample report as shown below, noting that the categories highlighted are consistent with the resource group categories utilised in our reports.

Statement of Financial Performance – Whole Agency for the period ended 30 September 2001								
	Year to Date				Year Ending 30 June 2002			
	Actual \$'000	Budget \$'000	Variance %	Comment	*Forecast \$'000	Budget \$'000	Variance %	Comment
Expenses								
Employees	225	265	15.1	1	550	600	8.3	1
Suppliers	185	195	5.1		360	400	10.0	2
Depreciation & Amortisation	75	75	0.0	⇒	200	200	0.0	⇒
Interest	35	33	-6.1		60	50	-20.0	3
Loss from Sale of Assets	60	50	-20	2	60	50	-20.0	4
Total Expenses	580	618	6.1		1,230	1,300	5.4	
Revenue from Independent Sources								
Sale of Goods & Services	180	210	-14.3	3	430	450	4.4	
Other revenue	55	65	-15.4		100	100	0.0	⇒
Total Revenue from Independent Sources	235	275	-14.5		530	550	3.6	
Net cost of Services	345	343	-0.6		700	750	6.7	
% Cost recovery	40.5%	44.5%			43.1%	42.3%		
Revenues from Government								
Appropriations	260	260	0.0	⇒	680	700	2.9	
Operating Result – Surplus/(Deficit)	-85	-43	99.7	4	-20	-50	60.0	

*Forecast: actual to date + re-estimates for the rest of the Year.

*Forecast: actual to date + re-estimates for the rest of the Year.

This is page number 53 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

While it is pragmatic for Council in its oversight role to approve budgets and review financial performance at relatively high summary levels, it remains important for management to be held accountable at the resource level within our General Ledger (GL) structure. The following example provides an explanation why this must be so, which looks at the impact of viewing/managing financial performance at Resource Group level (groups like resources and is only one step up from the resource level in our GL structure) versus viewing/managing financial performance at the Resource level:

Employee cost resource Example based on 50% through year

	YTD Act	YTD Budget	YTD \$ Var	YTD % Var	Annual Actuals	Annual Budget	Annual \$ Var	Annual % Var
Employee benefits	50,000	50,000	0	0%	50,000	100,000	50,000	50%

On the face of it this looks 100% on track & should be fine at end of year

Broken into resources:

	YTD Act	YTD Budget	YTD \$ Var	YTD % Var	Annual Actuals	Annual Budget	Annual \$ Var	Annual % Var
Wages	10,000	50,000	-40,000	80%	10,000	100,000	-90,000	90%
Overtime	20,000	0	20,000		20,000	0	20,000	
Casuals	20,000	0	20,000		20,000	0	20,000	
	50,000	50,000	0	0%	50,000	100,000	-50,000	50%

This clearly shows there is really an unsatisfactory situation with overtime and casuals, that exceeds management authority and should be rectified.

Managers can control overtime and casuals by determining not to approve any more for the remainder of the year - provided they are aware of the situation

Wages on the other hand are generally not considered optional and must be paid.

Assuming the above is applied then it will play out as follows - **resulting in an over budget result in expenditure at year end:**

	YTD Act	YTD Budget	YTD \$ Var	YTD % Var	Annual Actuals	Annual Budget	Annual \$ Var	Annual % Var
Wages	100,000	100,000	0	0%	100,000	100,000	0	0%
Overtime	20,000		20,000		20,000		20,000	
Casuals	20,000		20,000		20,000		20,000	
	140,000	100,000	40,000	-40%	140,000	100,000	40,000	-40%

Unless you are managing at resource level on a YTD basis, this will not otherwise become apparent until it is probably too late to do anything about it.

It is also quite feasible that the \$ & % variance could be significantly higher than this example in real life.

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For the vast majority of resources, management does have discretion/control over the timing, type, volume and cost related to the activities charged. Different types of resources may also impact cash and/or operating results differently.

Council has adopted Key Performance Indicators that measure performance of actuals against budget - +/- 10% of Original Budget (also a performance measure in our Annual Statements) as well as +/- 5% of Final Budget (the tighter variance is in recognition of QBRS adjustments). This is also consistent with the principles outlined in the BPG:

Essential Fundamentals for Sound Financial Management

Managers in government agencies are responsible for the efficient and effective delivery of programs and services. To assist and judge managers there is a need to...

Managers in government are:

- entrusted with public resources to deliver programs and services, and in doing so they are
- accountable for the use of resources within their control.

As a consequence, managers should be judged on

- the delivery of programs and services
- the efficient, effective and economic use of resources under their control.

Why are the KPI's and performance against budget important?

The KPI's measure managements capacity to forecast the resources required regarding service delivery. Accuracy in performance of actuals vs budget are important because they provide credibility to Council's financial management performance and secondly, to forecast results.

High levels of actual vs budget performance in turn provides accurate outcomes relative to forecasts.

Further, higher revenue forecasts can provide the assumption that expenditure budgets are funded when in reality they are not. Lower revenue budgets can mean 'easy' targets to achieve and result in opportunity costs – not funding works that could in reality be funded.

On the other side higher expenditure budgets could provide 'easy' targets (too much fat) and be an opportunity cost by not being able to fund other works. Also, if expenditure budgets are not being met, does this mean that services that have been promised are not being delivered? Budgets too low could too easily result in overruns.

In this context, the best result is actuals being very close to budget – actuals being neither too high nor too low relative to budget. This should mean that services were delivered on time and at the net cost estimated/forecast.

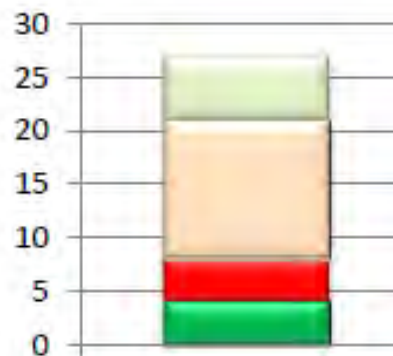
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High performing councils have a high compliance level with budgets vs actuals, with actual results close to forecast.

There has been some experimentation on the best way to convey KPI performance that is readily understandable and concise – past attempts may not have achieved these goals, however the revised reporting is believed to be a step in the right direction.

The tables have been converted to graphs with some colour coding to highlight desirability.



The KPI graphs represent a count of ledgers with values (i.e. accounts not in current use are ignored, as are balance sheet related accounts). The actual count is not so important (though for individual areas it can be an indication of ledger complexity) – rather the proportion of the colours. We should be looking for the maximum bright green as discussed below.

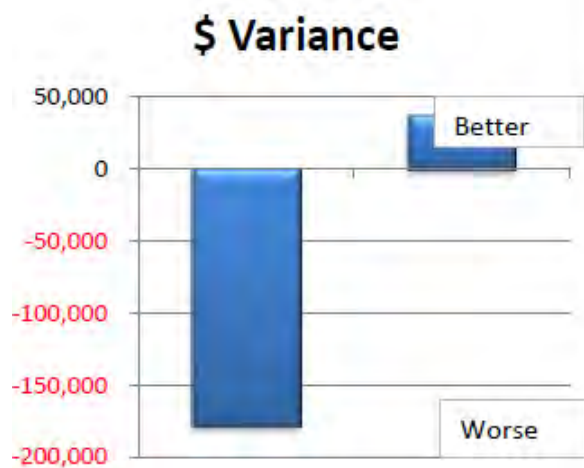
By far the most desirable result – within KPI (all other things being equal this means we have delivered what we intended for the price forecast) is coloured bright green.

Coming in at a distant second place is <- KPI for revenue and > KPI for expense, meaning we have raised more income and/or our expenses have been less than forecast (is this because we have not delivered?). This is coloured light green.

Not desirable is for our revenue variance to be > KPI (less than forecast) or for expense variation to be <- KPI (greater than forecast). This is coloured light orange.

The least desirable outcome is for items not budgeted. These are coloured red.

The measure of variance from budget has also been changed and is also now represented graphically.



The closer the variance to zero, the more desirable the result, meaning we are on target for budgeted results. Note that the “Better” and “Worse” indicators on the graph highlight the next best alternative if budget cannot be achieved.

The financial summaries have also been reviewed and updated.

The financial report can be broken into three sections.

Section 1 Original to Current budget comparison.

This shows Original budget as adopted via the IP&R process as well as any carry over budgets. Current budgets will start to differ on adoption of quarterly review budget adoptions – this may also indicate a divergence from adopted plan objectives.

GENERAL FUND		
	Orig Bgt 2017	Current Bgt 2017
1.1 Rates and annual charges	7,521,361	7,521,361
1.2 User charges and fees	4,359,119	4,359,119
1.3 Interest and investment revenue	148,562	148,562

Section 2 Year to Date (YTD) actuals vs budget comparison.

This section compares YTD actuals to YTD current budget – note that how the budget has been profiled over the 12 reporting periods may impact ytd reporting if the profile is not a good match to how actuals are realised.

YTD Bgt 2017	YTD Act 2017
7,504,099	7,466,933
2,542,799	1,042,210
86,667	30,314

Section 3 Performance analysis

This section provides some analysis on YTD performance against YTD budget in both \$ and % terms. It also indicates whether the result is favourable, unfavourable or is considered immaterial – note that the

immateriality value is subject to judgement and may vary over time and/or context.

YTD Variance	YTD % Variance	Key
(37,166)	(-0%)	I
(1,500,589)	(-59%)	U
(56,353)	(-65%)	U
37,875	4%	I

The key is found at the bottom of the table and also indicates the immateriality threshold.

99 Uncapitalised Works In Progress	8,712,498	8,712,498	5,105,90
------------------------------------	-----------	-----------	----------

KEY: F = Favourable, U = Unfavourable, I = Immaterial

Immaterial = +/- 50000

For those who prefer graphs to tables of figures, the existing graphs related to the financial report have been retained and updated to relate to the revised information.

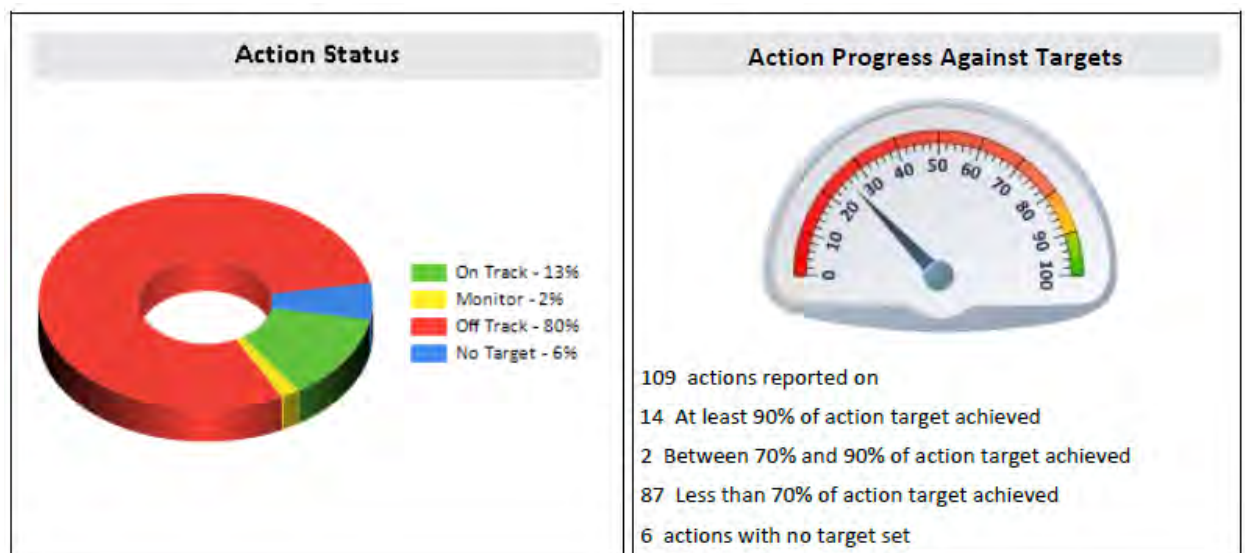
Planning objectives performance

An addition to this report is a summary of progress in achieving actions identified in the adopted Delivery Plan and Operational Plan.

There is also an additional report to advise progress on actions added after the above plans were adopted.

These are simple dashboard reports as per the example shown below. It is expected more detailed reports will be provided in divisional reporting.

As this reporting regime is relatively new, it is expected content and accuracy will improve over time.



ISSUES AND COMMENT

This report is not meant as a replacement for the Quarterly Review reports, nor is it meant to provide definitive financial results. It is meant to provide a

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Chairman

snapshot on relative performance and provide Council with some information regarding trends.

This report provides an interim snapshot as at 31 January and should be seen as a tool to highlight potential problem areas. Note that from the financial performance area, it may be as simple as incorrect budget profile matching with how actuals are realised. This is for management to investigate to determine if there is an underlying issue that requires corrective action.

Note that also as no quarterly budget review adjustments have been approved and processed, the YTD performance indicators should improve considerably after the December quarter adjustments are approved and processed.

CONCLUSION

This report is intended to supplement the Quarterly review process and provide Council with more timely information. The March quarter review is being undertaken and some, if not all of the above issues will be dealt with as part of this review.

It is important to keep up the momentum and remain vigilant to ensure improved results continue with General Fund cash continuing to improve.

CONSULTATION

Consultation has occurred within management of council.

STATUTORY ENVIRONMENT - N/A

POLICY IMPLICATIONS - N/A

FINANCIAL, ECONOMIC AND RESOURCE IMPLICATIONS (including Asset Management) - N/A.

STRATEGIC IMPLICATIONS - N/A

SUSTAINABILITY IMPLICATIONS (Social & Environmental) - N/A.

OFFICER RECOMMENDATION

THAT the report be received

ATTACHMENTS

- AT-** General Fund Financial Summary
- AT-** Other Funds Financial Summary
- AT-** Alternative General Fund KPI Summary
- AT-** Delivery Plan Progress Report Summary
- AT-** Operational Plan Progress Report Summary
- AT-** Other Reportable Items Progress Report
- AT-** Audit Office Best Practice Guide on Internal Financial Reporting

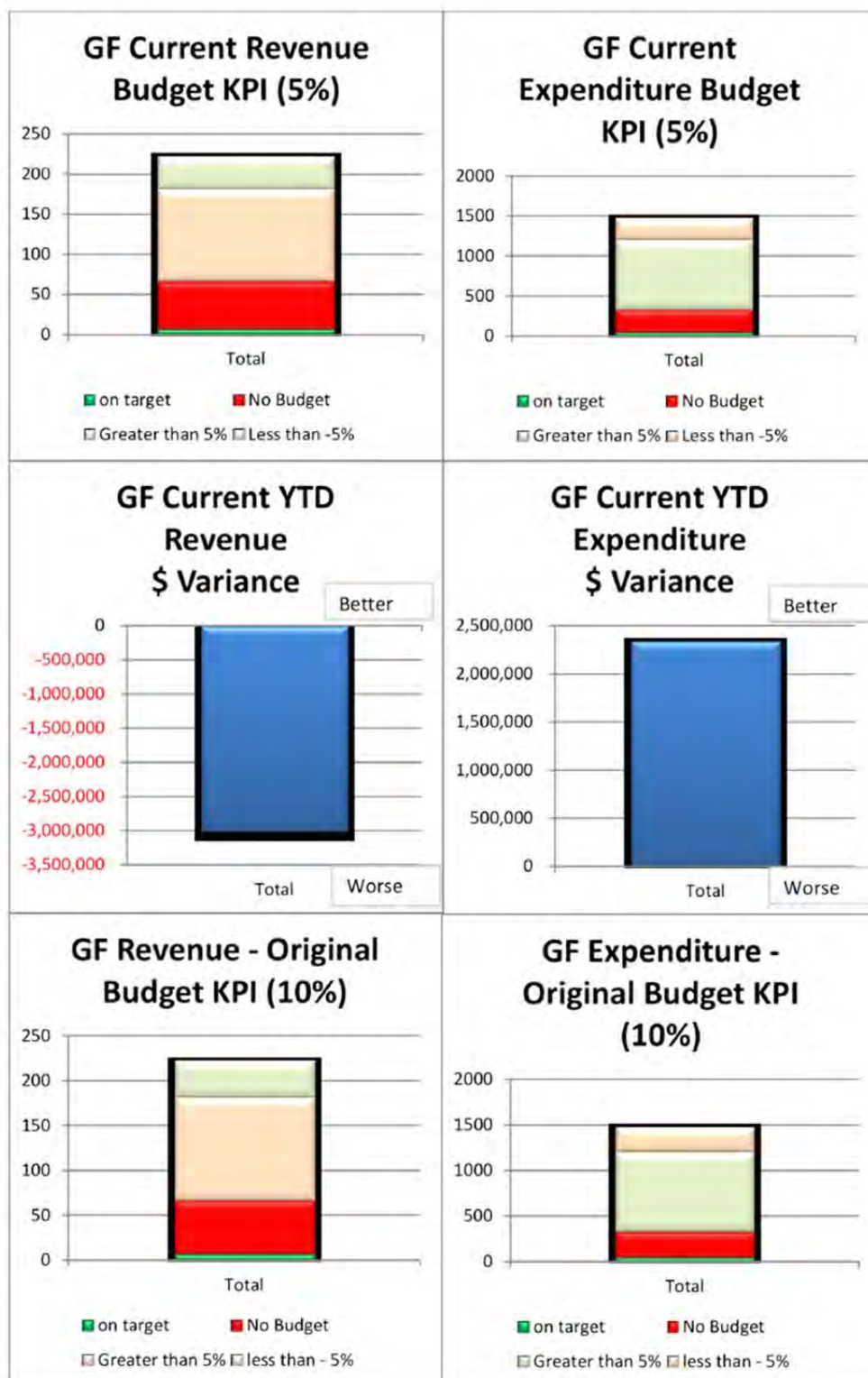
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**COUNCIL RESOLUTION:
MINUTE 29/17**

THAT the Organisational Performance Summary Report - January 2017- be received.

(Moved Cr Egan, seconded Cr D Coulton)

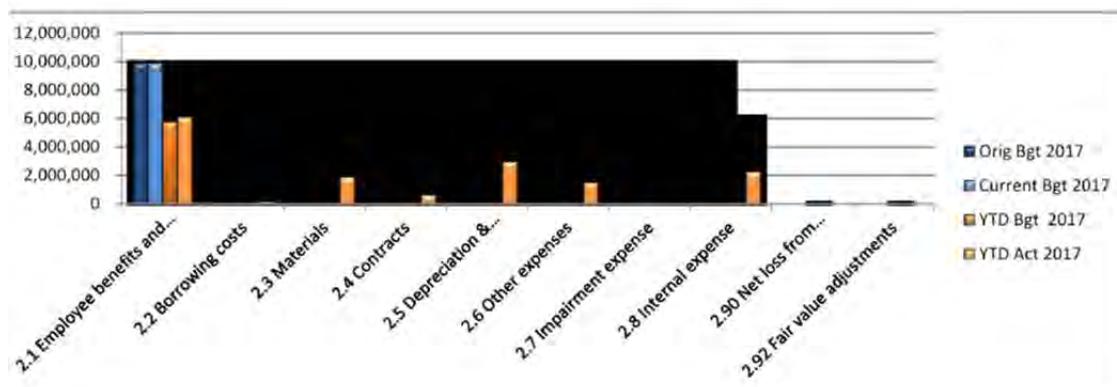
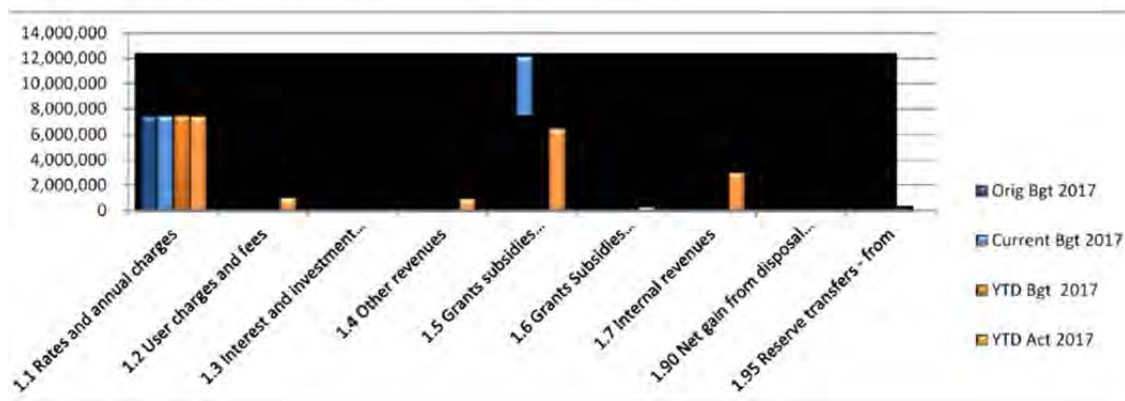


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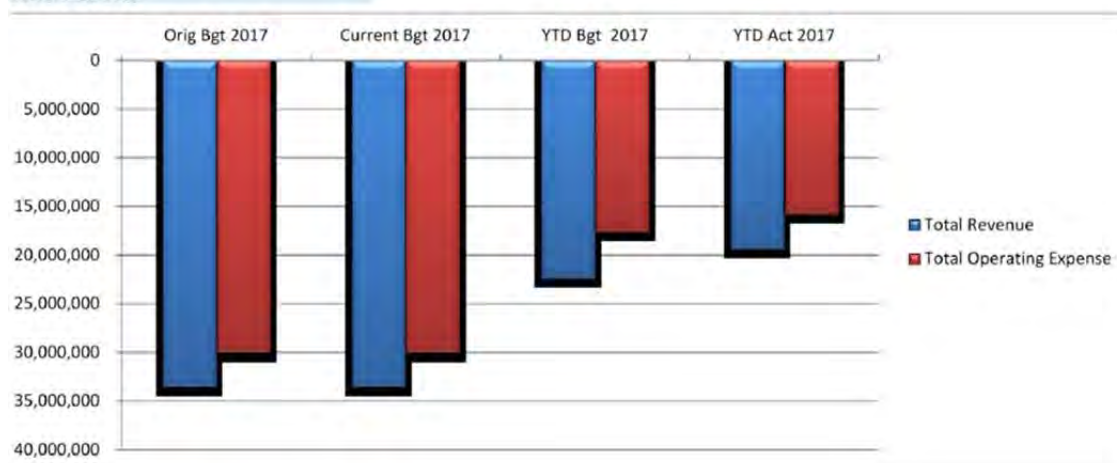
Chairman

GENERAL FUND			Report up to		January		YTD % Variance	Key
	Orig Bgt 2017	Current Bgt 2017	YTD Bgt 2017	YTD Act 2017	YTD Variance			
1.1 Rates and annual charges	7,521,361	7,521,361	7,504,099	7,466,933	(37,166)	(-0%)	I	
1.2 User charges and fees	4,359,119	4,359,119	2,542,799	1,042,210	(1,500,589)	(-59%)	U	
1.3 Interest and investment revenue	148,562	148,562	86,667	30,314	(56,353)	(-65%)	U	
1.4 Other revenues	1,561,822	1,561,822	911,015	948,890	37,875	4%	I	
1.5 Grants subsidies contributions - Op	12,241,395	12,241,395	6,799,268	6,495,156	(304,112)	(-4%)	U	
1.6 Grants Subsidies Contributions - Cap	682,289	682,289	397,992	326,762	(71,230)	(-18%)	U	
1.7 Internal revenues	6,863,667	6,863,667	3,968,797	3,035,223	(933,574)	(-24%)	U	
1.90 Net gain from disposal of assets							I	
1.95 Reserve transfers - from	144,949	144,949	144,949				I	
Total Revenue	33,523,164	33,523,164	22,355,586	19,345,488	(3,010,098)	(-13%)	U	
2.1 Employee benefits and on-costs	9,905,230	9,905,230	5,777,926	6,110,313	332,387	6%	U	
2.2 Borrowing costs	488,794	488,794	285,138	173,268	(111,870)	(-39%)	F	
2.3 Materials	4,535,272	4,535,272	2,623,261	1,953,967	(669,294)	(-26%)	F	
2.4 Contracts	1,930,950	1,930,950	1,126,251	669,213	(457,038)	(-41%)	F	
2.5 Depreciation & amortisation	6,084,791	6,084,791	3,549,392	3,011,466	(537,926)	(-15%)	F	
2.6 Other expenses	2,237,199	2,237,199	1,351,602	1,566,368	214,766	16%	U	
2.7 Impairment expense							I	
2.8 Internal expense	4,823,192	4,823,192	2,869,721	2,292,885	(576,836)	(-20%)	F	
2.90 Net loss from disposal of assets							I	
2.92 Fair value adjustments							I	
Total Operating Expense	30,005,428	30,005,428	17,583,291	15,777,480	(1,805,811)	(-10%)	F	
Operating Result	3,517,736	3,517,736	4,772,295	3,568,008	(1,204,287)	(-25%)	U	
99 Sale Proceeds - Contra Sales	418,800	418,800	244,300	263,118	18,818	8%	I	
99 Uncapitalised Works In Progress	8,712,498	8,712,498	5,105,902	4,620,308	(485,594)	(-10%)	F	

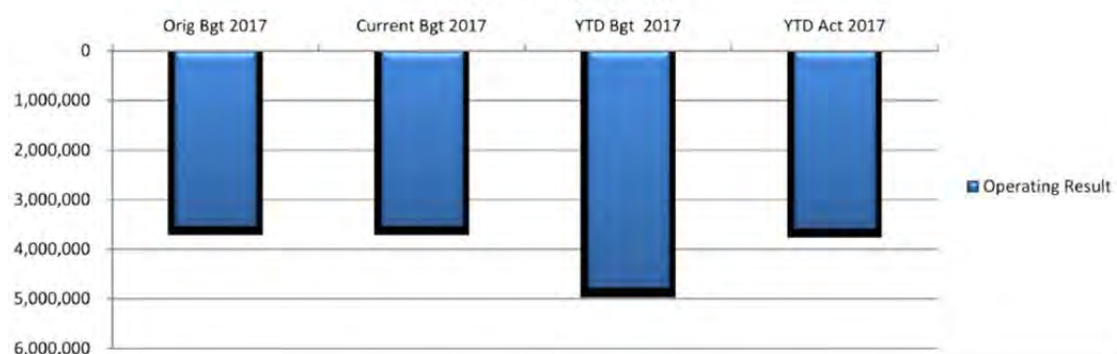
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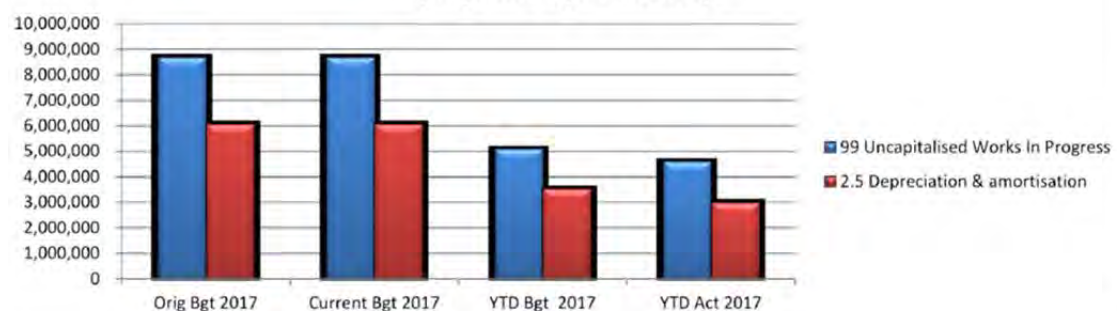
GENERAL FUND



Operating Result

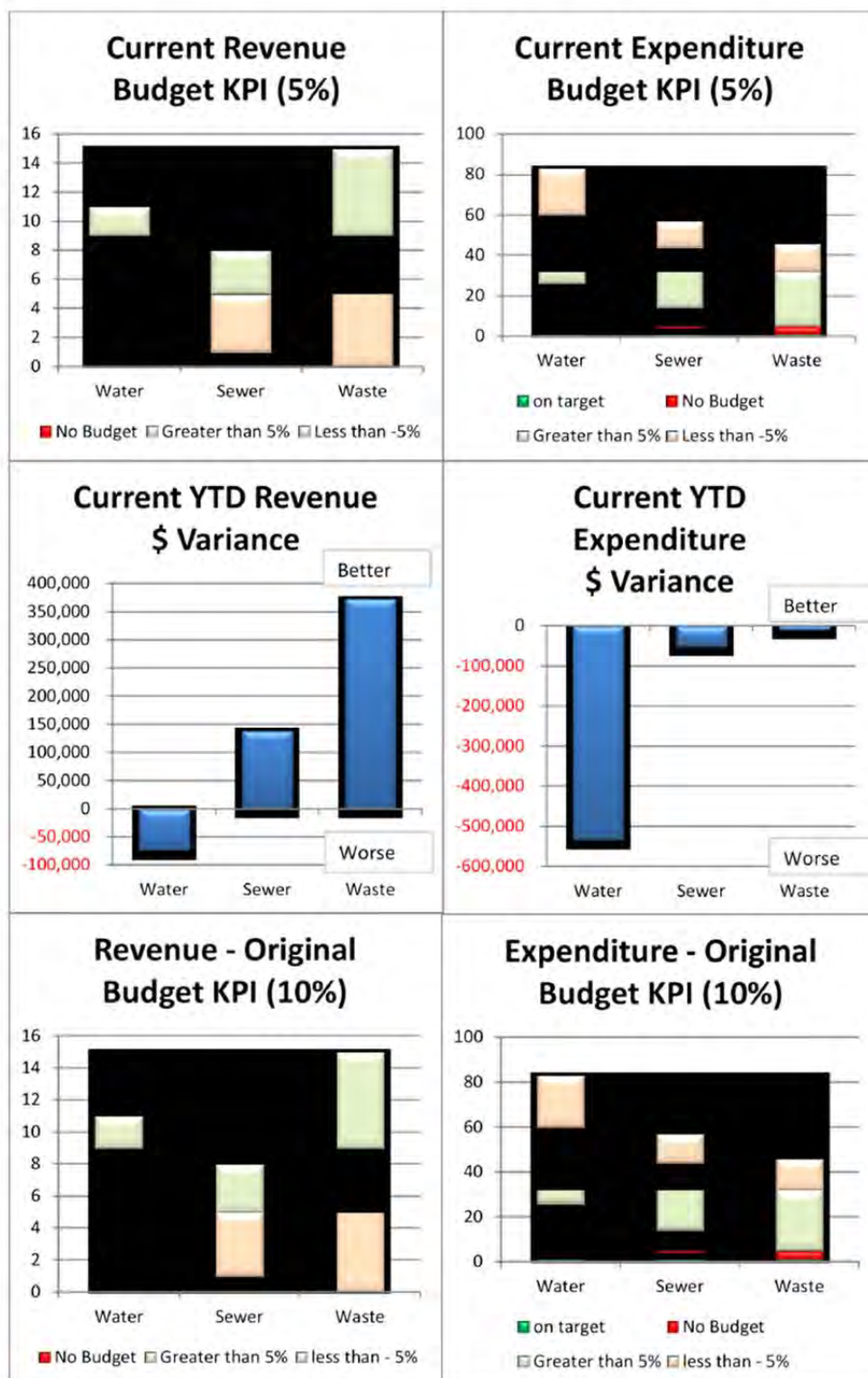


Uncapitalised Works In Progress (Capital Expenditure)



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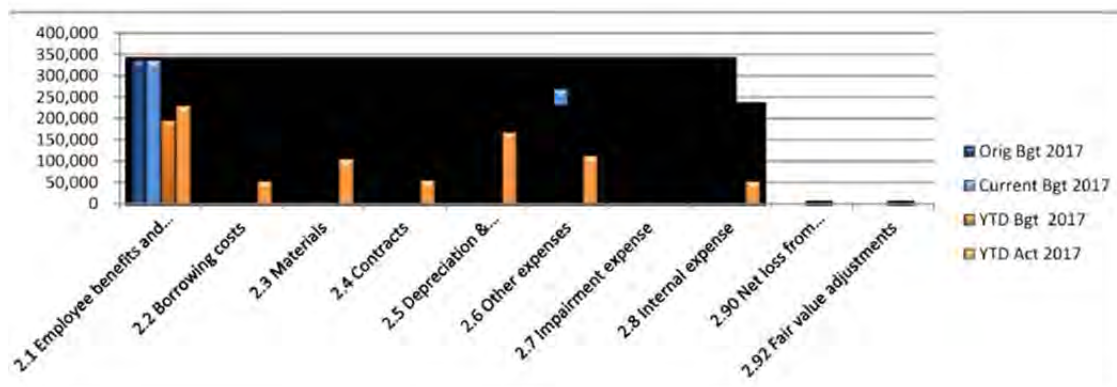
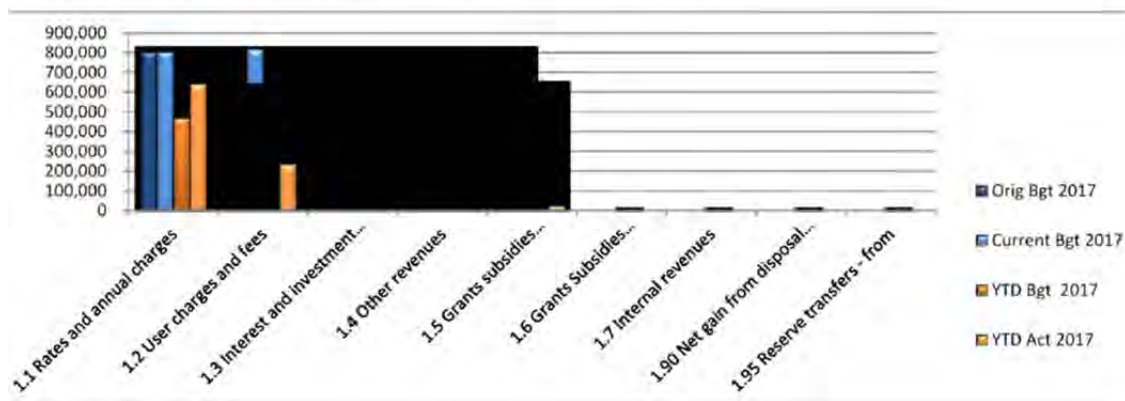


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WATER FUND	Report up to		January		YTD Variance	YTD % Variance	Key
	Orig Bgt 2017	Current Bgt 2017	YTD Bgt 2017	YTD Act 2017			
1.1 Rates and annual charges	806,287	806,287	470,330	643,998	173,668	37%	F
1.2 User charges and fees	819,488	819,488	478,030	235,502	(242,528)	(-51%)	U
1.3 Interest and investment revenue	41,500	41,500	24,206	9,369	(14,837)	(-61%)	I
1.4 Other revenues				1,043	1,043		I
1.5 Grants subsidies contributions - Op	26,258	26,258	15,316	24,289	8,973	59%	I
1.6 Grants Subsidies Contributions - Cap							I
1.7 Internal revenues							I
1.90 Net gain from disposal of assets							I
1.95 Reserve transfers - from							I
Total Revenue	1,693,533	1,693,533	987,882	914,200	(73,682)	(-7%)	U
2.1 Employee benefits and on-costs	337,298	337,298	196,756	231,150	34,394	17%	I
2.2 Borrowing costs	181,902	181,902	106,106	55,128	(50,978)	(-48%)	F
2.3 Materials	207,505	207,505	121,016	105,872	(15,144)	(-13%)	I
2.4 Contracts	68,489	68,489	39,942	56,754	16,812	42%	I
2.5 Depreciation & amortisation	198,087	198,087	115,549	169,158	53,609	46%	U
2.6 Other expenses	269,563	269,563	157,241	114,076	(43,165)	(-27%)	I
2.7 Impairment expense							I
2.8 Internal expense	72,195	72,195	42,105	54,187	12,082	29%	I
2.90 Net loss from disposal of assets							I
2.92 Fair value adjustments							I
Total Operating Expense	1,335,039	1,335,039	778,715	786,323	7,608	1%	I
Operating Result	358,494	358,494	209,167	127,877	(81,290)	(-39%)	U
99 Sale Proceeds - Contra Sales							I
99 Uncapitalised Works In Progress	107,600	107,600	62,769	588,755	525,986	838%	U

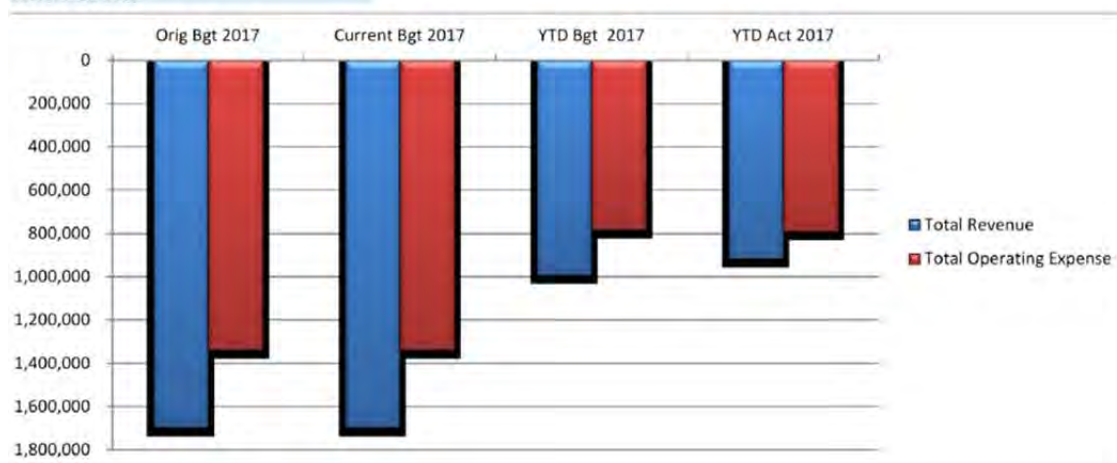
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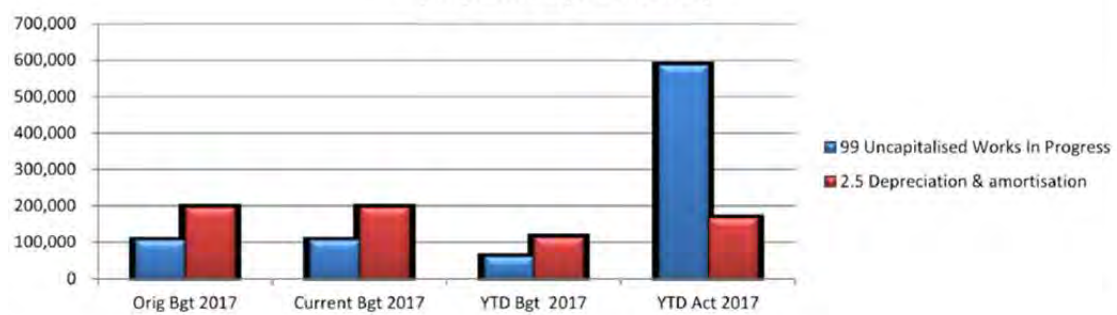
GENERAL FUND



Operating Result



Uncapitalised Works In Progress (Capital Expenditure)

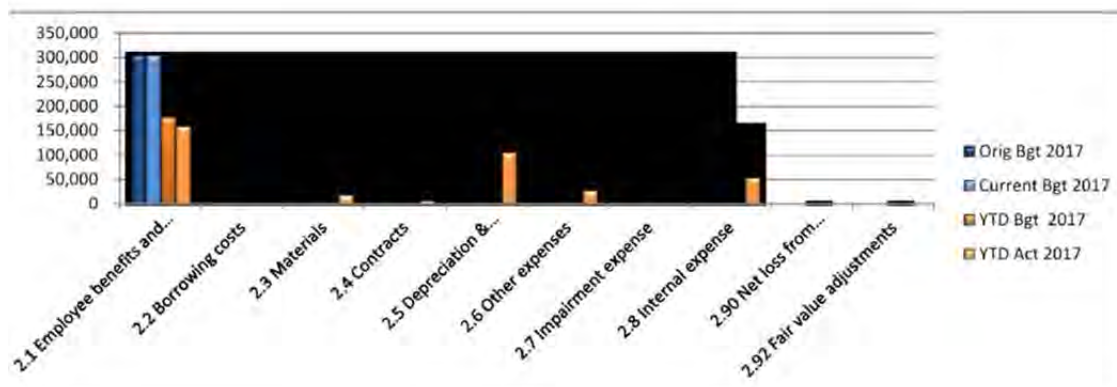
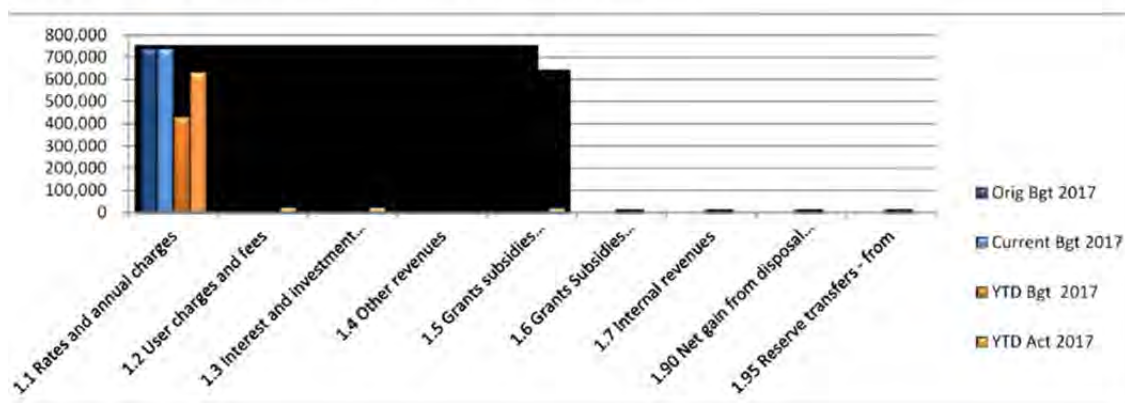


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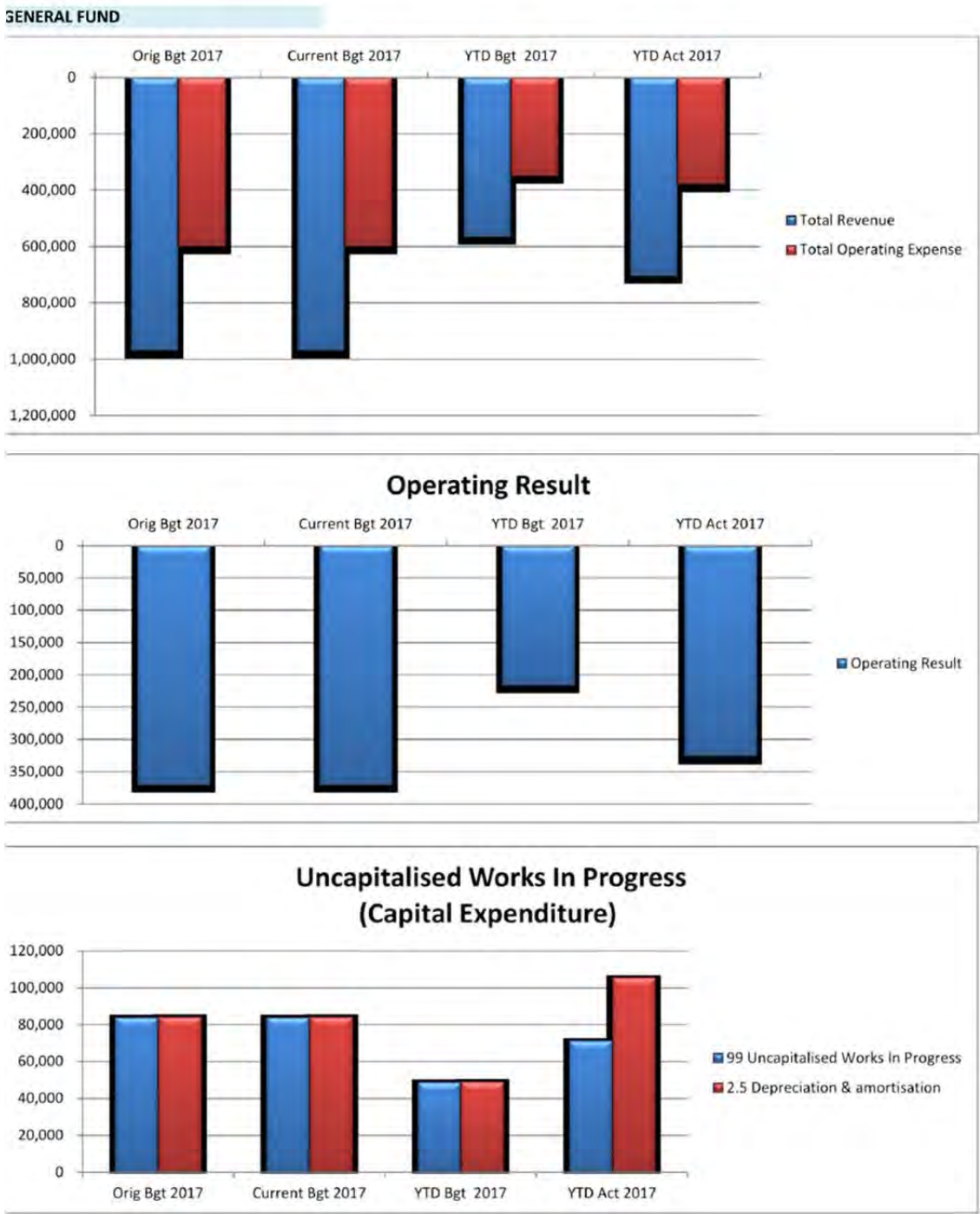
SEWER FUND	Report up to		January		YTD % Variance	YTD % Variance	Key
	Orig Bgt 2017	Current Bgt 2017	YTD Bgt 2017	YTD Act 2017			
1.1 Rates and annual charges	740,892	740,892	432,187	632,744	200,557	46%	F
1.2 User charges and fees	68,291	68,291	39,837	23,386	(16,451)	(-41%)	I
1.3 Interest and investment revenue	134,875	134,875	78,680	23,859	(54,821)	(-70%)	U
1.4 Other revenues	106	106	63	2,090	2,027	3217%	I
1.5 Grants subsidies contributions - Op	22,757	22,757	13,272	20,776	7,504	57%	I
1.6 Grants Subsidies Contributions - Cap							I
1.7 Internal revenues							I
1.90 Net gain from disposal of assets							I
1.95 Reserve transfers - from							I
Total Revenue	966,921	966,921	564,039	702,855	138,816	25%	F
2.1 Employee benefits and on-costs	305,766	305,766	178,374	160,294	(18,080)	(-10%)	I
2.2 Borrowing costs	129	129	77	76	(1)	(-1%)	I
2.3 Materials	52,366	52,366	30,548	19,667	(10,881)	(-36%)	I
2.4 Contracts	14,191	14,191	8,253	7,417	(836)	(-10%)	I
2.5 Depreciation & amortisation	84,293	84,293	49,182	105,601	56,419	115%	U
2.6 Other expenses	59,268	59,268	34,573	28,895	(5,678)	(-16%)	I
2.7 Impairment expense							I
2.8 Internal expense	81,364	81,364	47,453	55,407	7,953	17%	I
2.90 Net loss from disposal of assets							I
2.92 Fair value adjustments							I
Total Operating Expense	597,377	597,377	348,460	377,355	28,895	8%	I
Operating Result	369,544	369,544	215,579	325,500	109,921	51%	U
99 Sale Proceeds - Contra Sales							I
99 Uncapitalised Works In Progress	84,069	84,069	49,035	71,461	22,426	46%	I

KEY: F = Favourable, U = Unfavourable, I = Immaterial Immaterial = +/- 50000



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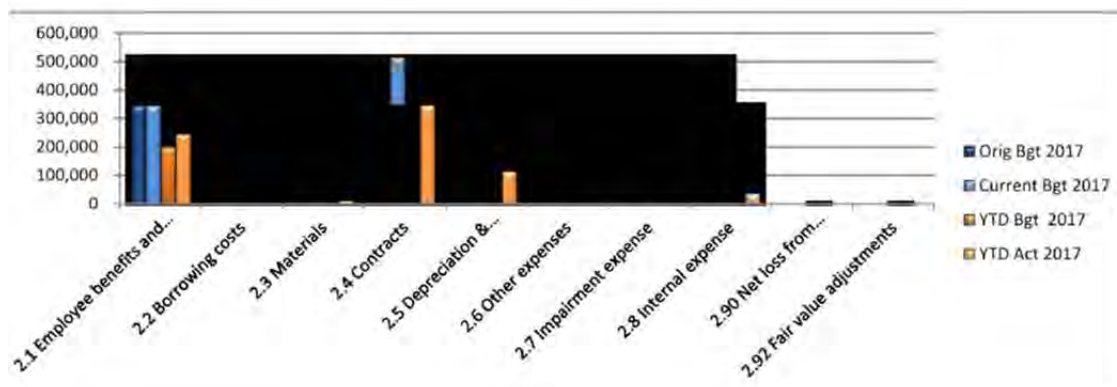
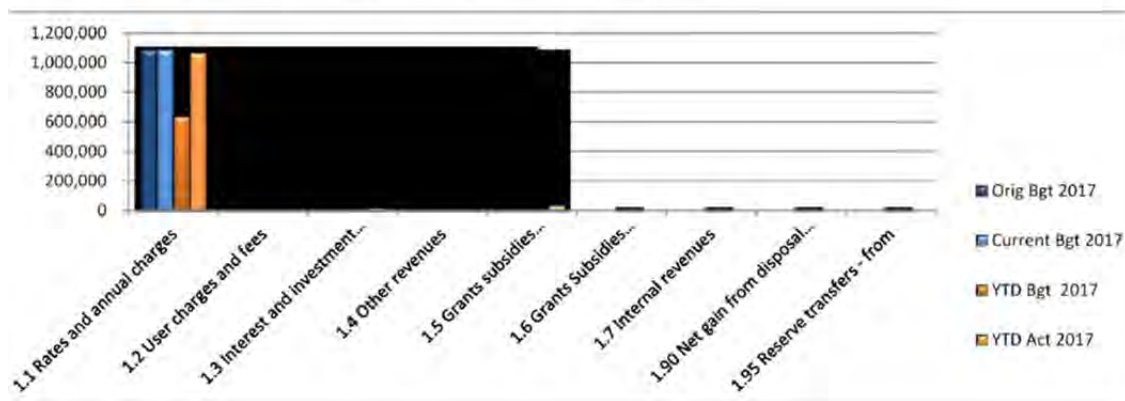


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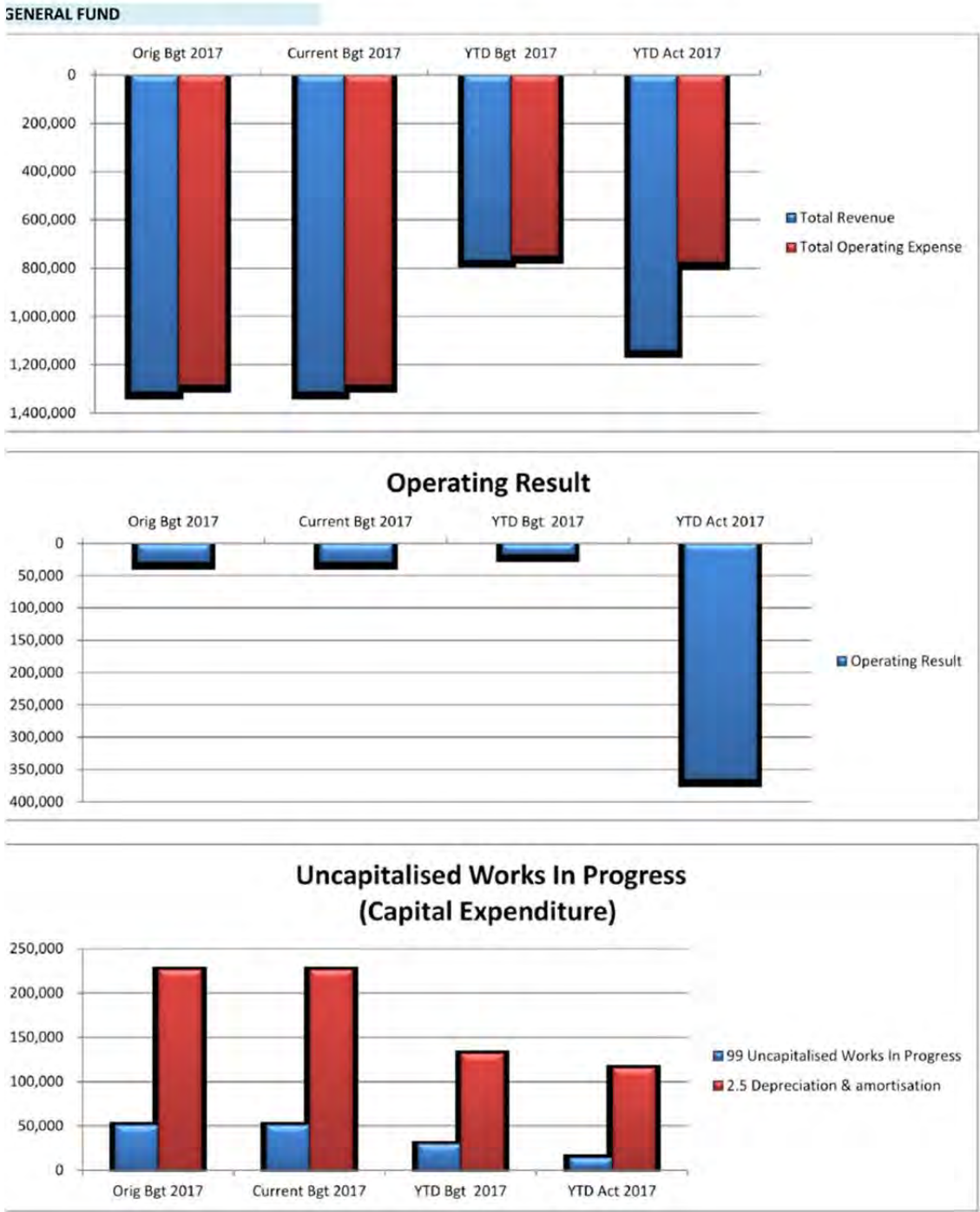
WASTE FUND	Report up to January						Key
	Orig Bgt 2017	Current Bgt 2017	YTD Bgt 2017	YTD Act 2017	YTD Variance	YTD % Variance	
1.1 Rates and annual charges	1,090,750	1,090,750	636,258	1,069,548	433,290	68%	F
1.2 User charges and fees	50,225	50,225	29,295	211	(29,084)	(-99%)	I
1.3 Interest and investment revenue	100,270	100,270	58,492	18,275	(40,217)	(-69%)	I
1.4 Other revenues	17,388	17,388	10,143	14,397	4,254	42%	I
1.5 Grants subsidies contributions - Op	49,754	49,754	29,022	33,739	4,717	16%	I
1.6 Grants Subsidies Contributions - Cap							I
1.7 Internal revenues							I
1.90 Net gain from disposal of assets							I
1.95 Reserve transfers - from							I
Total Revenue	1,308,387	1,308,387	763,210	1,136,170	372,960	49%	F
2.1 Employee benefits and on-costs	346,516	346,516	202,132	246,983	44,851	22%	I
2.2 Borrowing costs	6,876	6,876	4,011	2,773	(1,238)	(-31%)	I
2.3 Materials	12,887	12,887	7,518	13,146	5,628	75%	I
2.4 Contracts	516,174	516,174	301,098	347,858	46,760	16%	I
2.5 Depreciation & amortisation	226,928	226,928	132,370	116,200	(16,170)	(-12%)	I
2.6 Other expenses	20,579	20,579	11,998	6,365	(5,633)	(-47%)	I
2.7 Impairment expense							I
2.8 Internal expense	150,838	150,838	87,990	38,792	(49,198)	(-56%)	I
2.90 Net loss from disposal of assets							I
2.92 Fair value adjustments							I
Total Operating Expense	1,280,798	1,280,798	747,117	772,117	25,000	3%	I
Operating Result	27,589	27,589	16,093	364,053	347,960	2162%	U
99 Sale Proceeds - Contra Sales							I
99 Uncapitalised Works In Progress	51,500	51,500	30,044	14,788	(15,256)	(-51%)	I

KEY: F = Favourable, U = Unfavourable, I = Immaterial Immaterial = +/- 50000



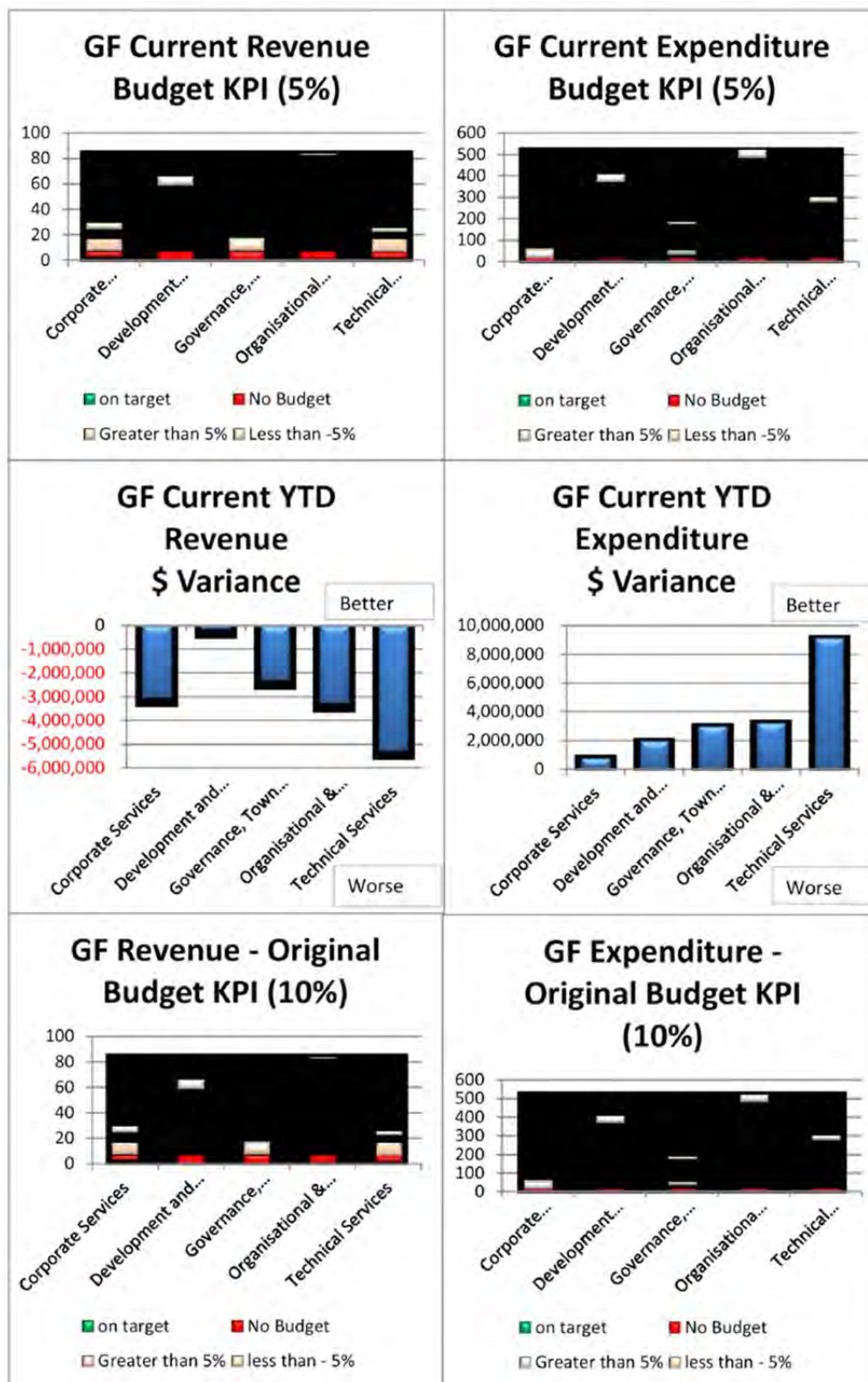
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Gwydir Shire Council

Delivery Plan Progress Report



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S H I R E C O U N C I L

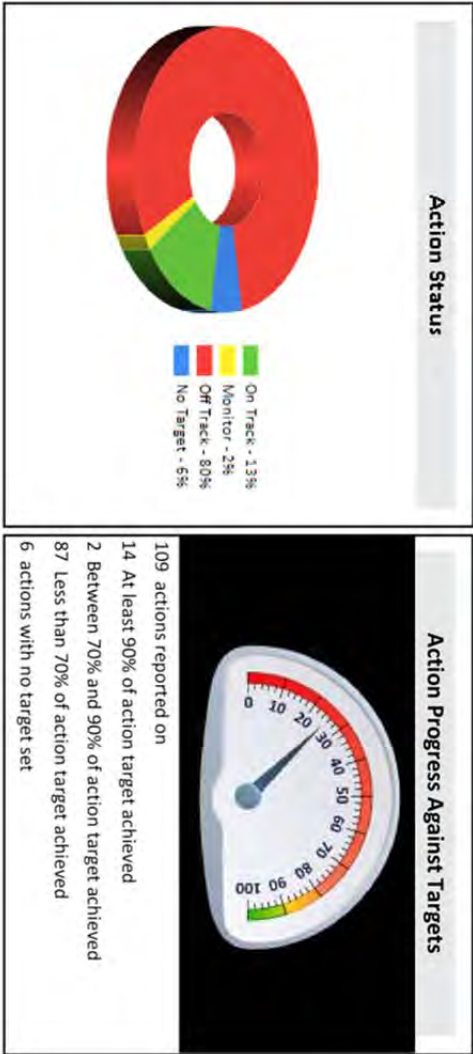
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OVERVIEW








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Operational Plan Progress Report

Gwydir Shire Council



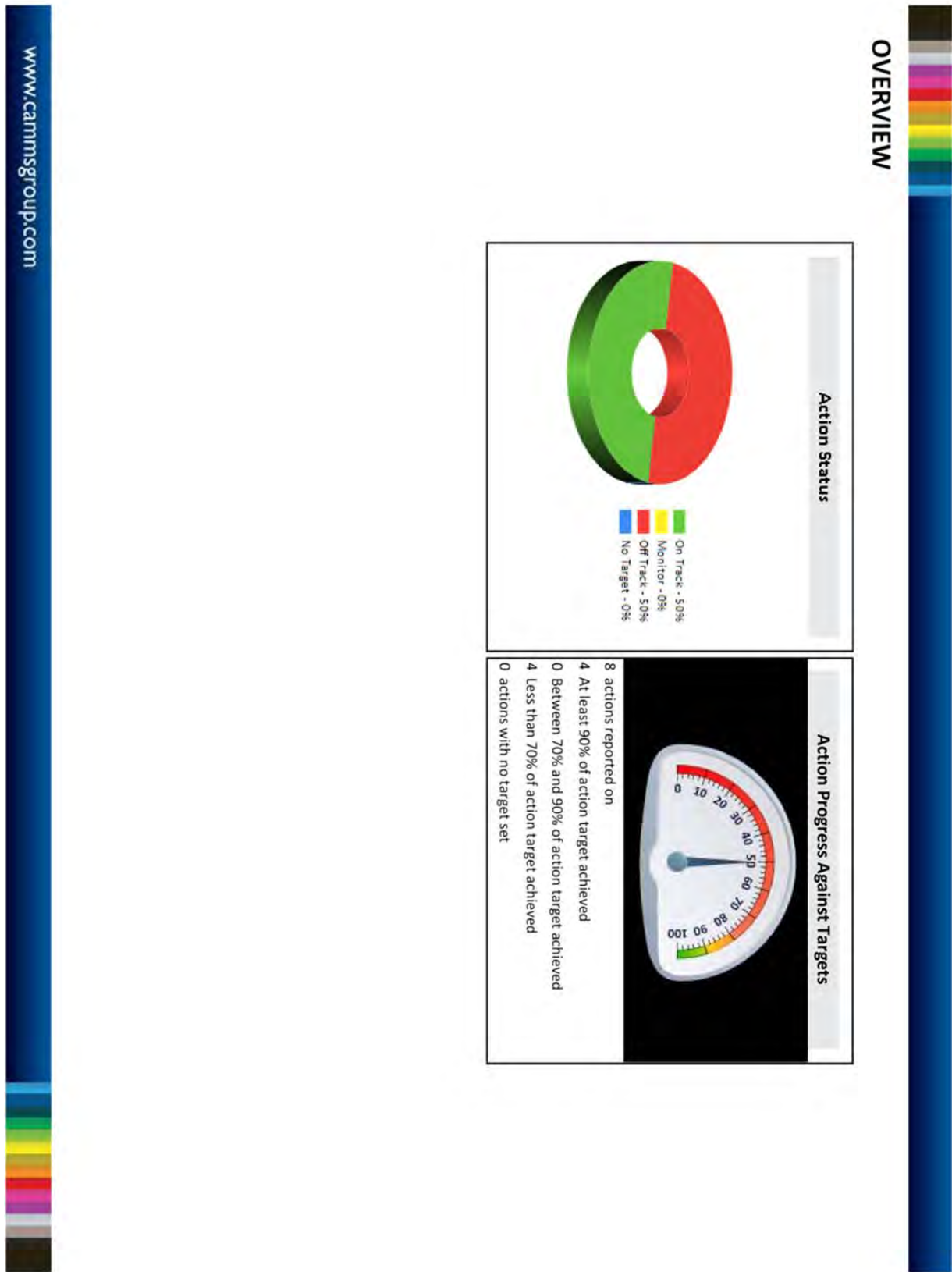
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Other Reportable Items Progress
Report

Gwydir Shire Council



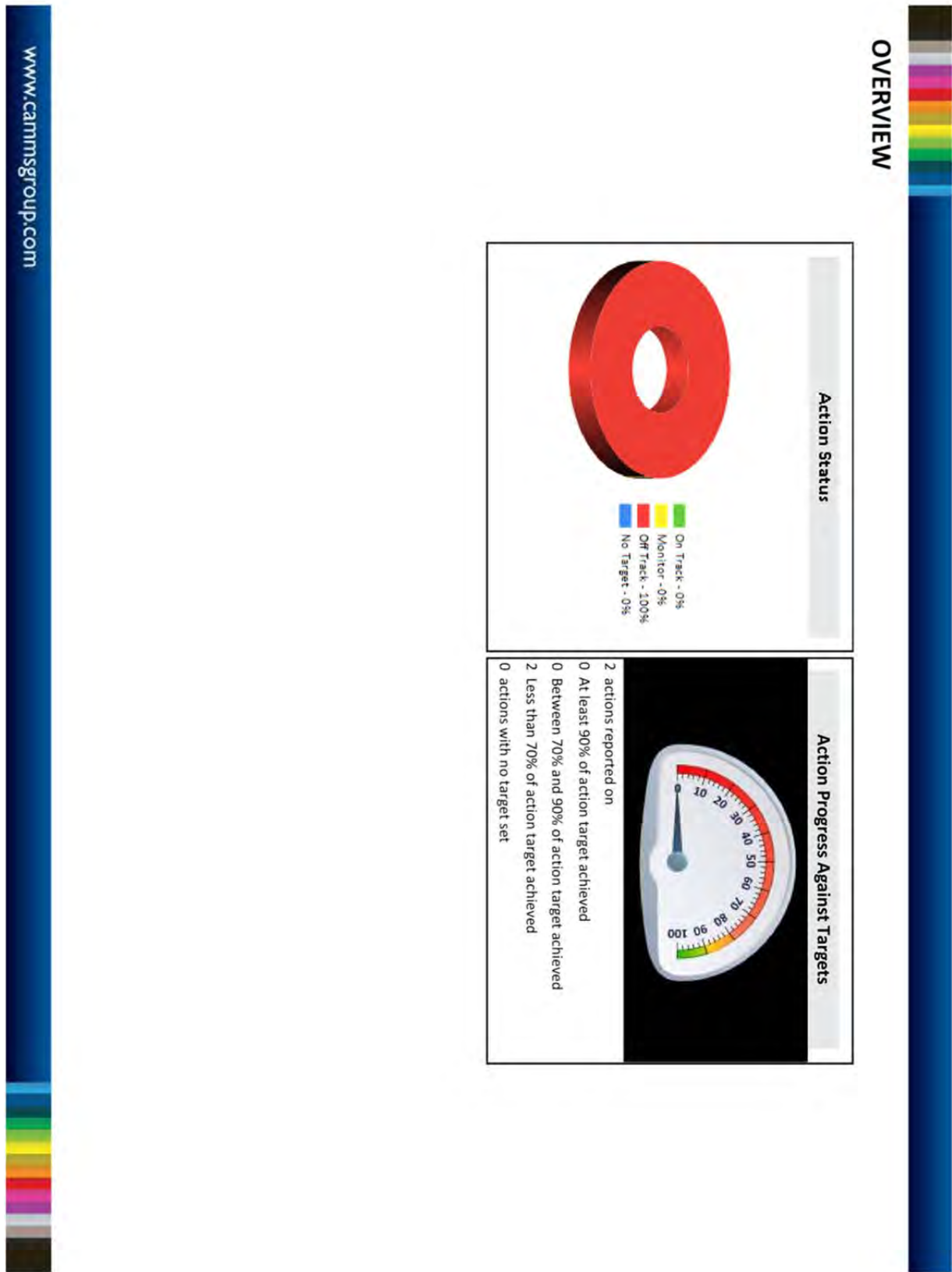
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This is page number 78 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

Overview

Internal Reporting	<p>There is a need for agencies to manage their information needs. A sound internal reporting system is essential for proper management.</p> <p>Within such a framework, internal financial reporting is pivotal to ensure proper control of resources, the efficient application of those resources to processes and the direction of those processes to the production of defined outputs.</p>
Internal Financial Reporting	<p>Internal financial reporting typically comprises financial information on revenue, expenditure, assets and liabilities against budgets or pre-determined limits. But for internal financial reporting to be truly useful as a management tool, there is a need for it to contain non-financial information that supplements and where necessary elaborates on the financial information.</p>
No Standard for Internal Financial Reporting	<p>Unlike external financial reporting, there are no standards or prescribed minimum requirements for internal financial reporting by NSW public sector agencies.</p>
The Act	<p>Section 11 of the <i>Public Finance and Audit Act 1983</i> (the Act) places a legal obligation on heads of agencies to ensure that there is an effective system of internal control over the financial and related operations of the authorities they administer.</p> <p>Internal reporting is part of the system of internal control. The Treasury has issued guidelines to assist agencies in this area, including its Risk Management and Internal Control Toolkit.¹</p>
Treasurer's Directions	<p>Section 9 of the Act empowers the Treasurer to issue directions to accounting officers and officers of authorities concerning principles, practices and procedures to be observed in the administration of financial affairs of the State.</p> <p>A number of <i>Treasurer's Directions</i> prescribing detailed accounting procedures and record keeping requirements have been issued under this section. However, the <i>Treasurer's Directions</i> provide minimal guidance as to what financial information should be included in an agency's internal financial reports and how it should be presented.</p>

¹ Treasury Policy Paper 97-3

Overview

The Treasury has advised the Audit Office that, as a result of developments in information technology, some of the *Treasurer's Directions* are less relevant today than at the time of issue.

Treasury has also advised that as the continued need for prescriptive, mandatory requirements has been questioned by some agencies and consideration is being given to replacing some *Treasurer's Directions* with non-mandatory *Statements of Best Practice*. This would enable heads of agencies to meet the obligations of section 11 of the Act according to local circumstances.

In addition the NSW Treasury has developed a *Financial Management Framework* for General Government Agencies, a draft *Guide to Performance Management* while *Service and Resource Allocation Agreements* are being trialed in certain agencies.

The Audit

The objective of the audit was to examine the quality of financial reporting used by agencies for internal management purposes. Whilst many of the comments may also apply to internal reporting generally, this audit focused more on the financial reporting rather than internal reporting generally.

The term 'quality' refers to the content, timeliness and relevance to the needs of managers of reports for assessing and managing financial performance. The accuracy of financial reports was not reviewed.

The report includes a Better Practice Guide designed to assist agencies with internal financial reporting.

Our Approach

The audit reviewed the internal financial reporting practices of four agencies within the NSW public sector.

Audit Observation

The Audit Office observed that there is diversity in the form, content and quality of reports produced by the agencies. This reflects, in the main, that agencies tailor reports to meet local needs and conditions.

It is considered that improvement is needed. A more consistent approach to financial reporting through the use of minimum standards is suggested.

The Audit Office is of the view that agencies would benefit from a systematic approach to the reporting of outputs and outcomes and using financial and non-financial information to measure, monitor and thereby improve performance.

The Audit

Observations

The observations arising out of the audit do not necessarily apply to all agencies reviewed.

The following observations are from the audit undertaken to review agencies' internal financial reporting policies and procedures.

It should be noted that not all observations outlined below apply to all agencies. Indeed, some of the agencies have adopted practices that are considered to be exemplary and have been used in the Better Practice Guide.

Nevertheless, as most observations have wider reaching applicability, they do serve to demonstrate the need to ensure that internal financial reporting is put to better use so as to assist in improving efficiency and effectiveness by agencies.

Financial Management

Financial, incorporating non financial information is essential for the proper management and control of resources, the efficient application of those resources to processes and the direction of those processes to the production of defined outputs.

Nevertheless, a clearly defined role for financial management was not always evident within the agencies subject to review.

For example, the corporate plan and related objectives seldom touched on the important role that financial management plays, with appropriate linkage to business plans and to the performance contained in performance agreements.

In particular, agencies have not systematically identified what information managers actually need, in terms of the types of information required, who needs it, when it is needed and what format to present it in or make it accessible to managers.

KPIs

Key financial performance indicators tend not to be defined. Financial reports tend not to link financial results and operational data to permit meaningful reporting on the achievement, or otherwise, of outputs and outcomes.

Most agencies either had not yet identified and/or were not reporting against Key Performance Indicators. In some agencies, the internal financial reports contained little, or no, operational performance information.

References to financial management tend to be limited and generic, often requiring, for example, that expenditure not exceed budget.

Accrual Accounting In many instances, cash-based accounting and reporting continues to be used by certain agencies for internal reporting purposes.

This is notwithstanding that agencies are required to use accrual accounting as a basis for the presentation of financial information in external reports, including monthly reports to Treasury, and have done so since 1991.

The practice of cash-based internal reporting seems to be continuing for reasons such as:

- Consolidated Fund allocations to budget dependent agencies are made by Treasury on a cash basis and agencies track progress against their allocations on a cash basis, notwithstanding that Treasury requirements are to report back on an accrual basis
- historically (prior to the introduction of accrual accounting) all reporting was on a cash basis and the practice still continues either because of skill requirements or a lack of perception of the benefits that can be gained from accrual accounting
- some managers expressed the view that cash accounting is adequate for internal financial reporting purposes.

Where cash accounting is used for internal financial reporting, agencies are not able to benefit from accrual accounting while the preparation of separate accounts may result in a duplication of work.

It was also noted that the agencies reviewed did not prepare a monthly Statement of Financial Position ["balance sheet"] and there is limited reporting of financial ratios. With this information agencies are better able to monitor and manage assets and liabilities.

Forecasting In respect of forecasting, it was observed that:

- ❑ 'end of year' forecasts tend not to be updated on a monthly basis but as and when information becomes available
- ❑ agencies produce projections of revenue and expenditure for internal and external (Treasury) reporting purposes using different reporting formats. That agencies produce internal financial reports as is appropriate to suit local circumstances (which need to be adjusted for reporting to Treasury) is a matter for individual agencies but the practice does create additional work

The Audit

- ❑ variation was observed in the accuracy of monthly projections provided by agencies to Treasury (as expected, the accuracy of 'end of year' projections tends to improve as the end of the financial year approaches)
- ❑ the late notification of internal budget allocations within some agencies was mentioned by a number of managers as a factor that jeopardised performance.

The audit found that the depth and quality of the analysis and commentary included in reports varied across agencies. When highlighting problems, the reports were often silent on the remedial action taken or proposed and the timeframes envisaged.

It was also evident in some agencies that the year end projections included in the monthly internal financial reports were not regularly updated.

For example, instances were noted where the actual year to date revenue and expenditure by mid-year had already exceeded the year end forecast, or conversely, where much of the year had passed but the actual revenue or expenditure was a small percentage of the year end forecast.

Responsibility for preparing the projections and the frequency of updating them had not been clearly defined.

The audit found that the year end projections included in the monthly Financial Information System (FIS) reports to Treasury were often produced separately and varied from those included in the agencies' internal financial reports.

In addition to the duplication of effort, this raises questions about the reliability of both sets of projections and highlights a potential risk that decisions may be made based on inaccurate figures.

In order to assess the general accuracy of the year-end forecasts provided by agencies to the Treasury, extracts of the FIS reports were obtained for the last two financial years.

The progressive monthly forecasts for the net cost of services were compared to the actual year end results.

As shown in the table below, although the success rate in predicting end of year results varies between agencies, the basic trend, as expected, is for the projections to become increasingly accurate as the year progresses.

The Audit

Accuracy of Progressive Year End Projections of the Net Cost of Services to Actual Result								
	Agency A %		Agency B %		Agency C %		Agency D %	
	98-99	99-00	98-99	99-00	98-99	99-00	98-99	99-00
July	-9.4	-6.6	-0.2	-7.0	-4.4	-1.6	-	-4.7
August	-9.4	-6.6	-0.3	-7.0	-4.4	-1.4	-	-4.7
September	-6.6	-6.7	-0.5	-7.2	-2.5	-0.4	-	-4.7
October	-6.9	-6.7	-0.5	-4.2	-2.3	-0.3	-	-5.0
November	-4.9	-7.5	-0.5	-8.4	-2.7	0.9	-	-4.9
December	-2.1	-3.7	-0.2	-8.0	-2.7	1.3	-	-5.6
January	-4.6	-3.7	-0.2	-3.1	-1.7	0.9	-	-4.3
February	-6.3	-3.8	-0.1	-2.8	-1.9	0.9	-	-2.7
March	-6.0	-4.5	-0.1	-3.7	-1.1	1.0	-	0.7
April	-5.8	-4.5	-0.3	-3.6	-1.9	1.0	-	1.3
May	-2.5	-1.8	-0.4	-2.5	-1.3	1.0	-	0.5

Note: 1998-99 results for Agency D excluded to avoid invalid comparisons.

**Quantity of
Information
Produced**

While different levels of management have different needs for information, the agencies subject to the audit typically produced large quantities of information for internal financial reporting. In most of these agencies the reports were lengthy, not user-friendly and there is considerable variation across agencies in both the format and content of reports.

Length of Reports

The sheer volume of some agencies' monthly internal financial reports raises questions about the relevance of the material included.

The length of reports produced by agencies ranged from 18 pages to over 150 pages. Better practice suggests that about 10 pages for Executive level reports should be sufficient.

Excessively lengthy reports are likely indicators that:

- ☐ a more rigorous application of the principle of exception reporting is required
- ☐ the agency has not recently reviewed the costs and benefits of including the information and/or
- ☐ the agency has not culled information that is not actually used.

The Audit

Agencies generally did not take advantage of available technology to distribute reports. Most agencies produce hardcopy reports and no agency had placed its monthly internal financial reports on the Intranet.

Most agencies did not retain data to enable an assessment of the time taken to issue monthly reports.

Audit also observed duplication of data in the reports produced by some agencies, and in a number of instances managers had not been asked whether the internal financial reports so provided meet their needs.

Training Required

A number of managers also indicated to the Audit Office that they lack the necessary skills and have not received suitable training to enable them to make the best use of the financial information available.

**Cost of Producing
Management Reports
not Measured**

The reports reviewed during the course of the audit did not indicate that agencies make regular use of information on the cost of processes and few agencies had progressed to the stage of reporting the full costs and unit costs of outputs.

In addition, limited use was made of indicators of resource utilisation and financial ratios.

Audit Comments

There is a need to articulate better the role and the purpose of internal financial reporting. Particular emphasis needs to be given to the integration of financial and non financial information for the proper management and control of resources in the measurement of performance.

**Relevant and Timely
Information**

As stated before, sound internal financial reporting is essential for the efficient and effective management of an agency. These reports, if they contain relevant and reliable information and are provided to those who need them on a timely basis in a format that is easy to understand, will significantly contribute to agencies' capacity to achieve their goals and objectives.

Better practice organisations take steps to ensure that happens.

The Financial Management Capability Model developed by the Office of the Auditor General of Canada defines the three essential elements of financial management as *Risk Management and Control, Information and Management of Resources*.

<i>Risk Management and Control</i>	<p>It is essential that an organisation identify the risks it faces and that establishes a framework to manage and control those risks. An essential part of risk management is an environment that communicates the purpose, values and ethics of the organisation.</p>
<i>Information</i>	<p>It is also essential that the organisation establish procedures to manage and protect the integrity of its data and to produce the type of information needed by managers to conduct business and to account for their responsibilities.</p> <p>Accordingly, for internal financial information to be effective there is a need to ensure that:</p> <ul style="list-style-type: none">❑ the vision of the organisation translated into clear objectives and strategies❑ the risks to the achievement of these objectives clearly identified and managed❑ the responsibilities of managers being consistent with the objectives of the organisation; responsibilities need to be clearly defined, communicated and understood by all key stakeholders and managers accountable for responsibilities so allocated❑ performance measures which integrate financial and non financial performance information and❑ performance measures which are linked directly to the objectives of the organisation. <p>Better practice organisations streamline reports, use exception-based reporting and cull data that are either duplicated or not used regularly.</p> <p>In distributing and presenting the reports, there is a need to consider the format of management reports, including the use of visual aids.</p> <p>The printing and distribution of voluminous pages of financial information is time consuming and costly and increases the risk that reports will not be used. In many instances better use could be made of technology eg <i>Intranet</i>, to distribute financial reports more efficiently.</p>

The Audit

The Need to Identify Costs	<p>With the move to an output focus in financial management, including the increased emphasis on <i>Activity Based Costing</i>, information is required on the costs, quality and quantity of outputs produced.</p> <p>To assist and inform this process there is a need for:</p> <ul style="list-style-type: none">❑ a basis to measure the efficiency and effectiveness of the delivery of programs, outputs and outcomes (key performance indicators)❑ integrated financial and other performance information for decision-making by management❑ agencies to benchmark operations with other organisations and evaluate the options to ‘contract out’ and❑ agencies to track the costs of various functions over time notwithstanding a tendency for restructures. <p>To maximise the potential of improved information, agencies should assess afresh the skills of managers in the area of financial management in a systematic way. There is a need to ascertain whether managers have the skills to make the best use of the information available or whether the information being produced can be improved to serve the purposes of users.</p> <p>Agencies also need to consider the issue of policies, procedure manuals or instructions to guide staff on the interpretation and better use of reports.</p> <p>Agencies need to consider the opportunities to interrogate/ integrate various systems to provide information for improved financial management.</p> <p>Agencies need to consider the target date and frequency with which information is provided to managers. The information should be provided as soon as possible after the end of the period.</p>
Cost of the Audit	<p>The cost of the audit was \$124,433. This includes an estimated cost of printing of \$4,500.</p>

Recommendations

The following recommendations give emphasis to the reporting of financial information and its integration of non financial information for improved monitoring and decision making.

To improve internal financial reports and financial reporting **it is recommended** that agencies:

- | | |
|--|--|
| <i>Better Practice Guide</i> | <input type="checkbox"/> review current practices. To assist in this, the Audit Office has prepared a Better Practice Guide. Agencies could review their policies, procedures and practices against that Guide. |
| <i>Responsibilities and Accountabilities</i> | <input type="checkbox"/> clearly establish responsibilities and accountabilities for all key finance positions as part of the corporate planning, governance and other processes for financial management

<input type="checkbox"/> integrate responsibilities and accountabilities with all relevant corporate processes. |
| <i>KPIs</i> | <input type="checkbox"/> include appropriate non-financial key performance information in monthly reports and that it be integrated with financial information to enable ready assessment of performance against key indicators, outputs and outcomes. |
| <i>Survey</i> | <input type="checkbox"/> conduct an annual survey to ascertain: <ul style="list-style-type: none">▪ the needs of managers for financial information▪ gaps between the information so required and that routinely provided▪ whether information is timely, relevant and user friendly▪ managers' understanding of accrual financial information for the purpose of identifying any related training needs. |
| <i>Accrual Accounting</i> | <input type="checkbox"/> implement : <ul style="list-style-type: none">▪ accrual-based monthly executive reports, including: a Statement of Financial Position and Cash Flow Statement▪ comparative figures; ratios and trend analyses▪ the use of charts, colour, shading, different fonts and consistent signage to aid in highlighting, analysing and interpreting the financial information. |

Response from the Treasury

Thank you for providing Treasury with a copy of the draft Performance Audit Report Internal Financial Reporting. Treasury agrees with the thrust of the recommendations contained in the report.

It is noted that the report now acknowledges Treasury's development of a Financial Management Framework for General Government Agencies and a draft Guide to Performance Management (which focus on both financial and non-financial information and the delivery by agencies of services and the achievement of agency/government objectives) and the trialing of Service and Resource Allocation Agreements.

However, the report fails to acknowledge that much of what is contained in the Financial Reporting Better Practice Guide will be superseded by the development of components of the Financial Management Framework discussed above.

Further, it has been part of the Fundamental Review of the Financial Legislation that the prescriptive Treasury Directions should be replaced by Best Practice Statements as part of a principles or purposive based legislation. But, this is not primarily because prescriptive directions have been questioned by 'some' agencies. On the contrary, most agencies want the prescription to be retained for certainty in most areas. Instead, it is Treasury's view that better outcomes will be achieved by a move to a purposive legislative framework.

I trust these comments are of value in finalising your report.

*(signed)
Robert Williams
for Secretary*

Dated 31 May 2001

Better Practice Guide

This is page number 91 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

Preface

The purpose of this Guide is to provide agencies within the New South Wales public sector with a toolkit to assess the efficiency and effectiveness of their internal financial reporting.

This Guide is not intended to be an exhaustive coverage of all the steps required in that process. For a detailed coverage, readers could refer to the publications by the Australian National Audit Office, titled *Building Better Financial Management Support* and *Building a Better Financial Management Framework*, published in November 1999.

This Guide is rather intended to provide practitioners and managers with an aid to assist them in considering the more important steps required, or to assess the adequacy of the steps take so far, to have an efficient and effective internal financial reporting framework.

In preparing this Guide, reliance has been placed on the result of the audit conducted and reported to the NSW Parliament under the title of *Internal Financial Reporting*. In the course of that audit, a number of better practices pursued by agencies came to attention. Some of those practices, with the kind permission of the agencies concerned, have been reproduced within this guide. The Audit Office greatly appreciates the agencies' permission to do so.

The Audit Office would also like to acknowledge the permission from the Australian National Audit Office to refer to and use some of the material from its publications referred to above.

This Guide is also available to down-load from the Audit Office of NSW web-site at www.audit.nsw.gov.au/guides-bp

Essential Fundamentals for
Sound Financial Management

This is page number 93 of the minutes of the Ordinary Meeting held on Thursday 23 February 2017

Chairman

Essential Fundamentals for
Sound Financial Management

Managers in government agencies are responsible for the efficient and effective delivery of programs and services. To assist and judge managers there is a need to...

...implement a comprehensive management framework.

Such a framework should enable to manage better by providing information to make informed decisions.

Managers in government are:

- entrusted with public resources to deliver programs and services, and in doing so they are
- accountable for the use of resources within their control.

As a consequence, managers should be judged on

- the delivery of programs and services
- the efficient, effective and economic use of resources under their control.

To cater for the responsibilities of managers, there is a need to establish a comprehensive management information framework.

The framework incorporates financial, operational, and management reports that produce complete, accurate and timely financial and operational information.

These reports and controls, if effective and operational, assist an organisation to meet its basic stewardship responsibilities, including strategic planning, decision making and reporting on its activities.

The implementation of an effective financial reporting system involves making decisions about the selection of information to be included in financial reports, its measurement and its presentation.

In establishing the overall framework for the financial information systems of agencies, the New South Wales Treasury has identified² that systems should have the capability of providing financial information by:

- account (to an established minimum level of account dissection)
- output/outcome/program
- responsibility centre
- function.

² Treasury Secretary's Letter to Council on the Cost of Government 10 July 1996.

Essential Fundamentals for Sound Financial Management

*Management reporting
should be consistent, timely,
accurate and relevant.*

The (Commonwealth) Management Advisory Board conducted a review in 1997 of the extent to which accrual accounting had been adopted in the Australian Public Service.

The Board, in its report titled *Beyond Bean Counting Effective Financial Management in the Australian Public Service – 1998 and Beyond*:

- stated that management reporting involves the provision of consistent, timely, accurate, and relevant information and analysis to assist decision making
- identified the following qualities that financial reports must possess if they are to be useful to users.

- **relevance** – information must have value in terms of assisting users in making and evaluating decisions about the allocation of scarce resources; and be both predictive about future situations and confirmatory in regard to past evaluations
- **reliability** – information must be free of bias or undue error and faithfully represent transactions and events
- **materiality** – would the omission of certain information affect decision making, considering users needs?
- **comparability** – users of financial information need to be able to compare aspects of operations at one time, and over time, and between operations. Consistency is therefore important and any assumptions made in the production of the information need to be explicit;
- **understandability** – the interests of users should be considered without sacrificing relevance or reliability of the information
- **timeliness** – relevance and reliability of information is reduced if reports are not timely. Material accuracy may need to be traded off to achieve timeliness; and
- **costs versus benefits** – costs of preparing information should not outweigh the benefits of having it.

Essential Fundamentals for Sound Financial Management

Financial information
should be on accrual basis.

The Management Advisory Board also stated that financial reporting must on an accrual basis.

Accrual accounting and reporting is essential for measuring financial performance. Accrual accounting provides information that:

- recognises the economic effects of transactions at the time they occur, regardless of immediate cash flow effects
- recognises the full costs of operations, and the extent to which costs have been recovered in a reporting period including the financial effects of decisions made in a reporting period
- useful for making and evaluating decisions about the allocation and use of all resources in the entity as a going concern
- allows costs incurred in a period to be matched with the benefits earned in that period to report resources controlled at the end of the particular period
- facilitates more active management of all assets and liabilities, current and non-current, financial and non-financial and recognises
- resources held and obligations outstanding at the end of the reporting period.³

One of the advantages of moving to a an accruals-based financial management environment is that it allows departments and agencies to develop standard ratio analyses, comparable to private sector usage and in which various simple, understandable measures can be monitored and compared within the organisation and with other comparable organisations. Ratios allow a simple snapshot of key financial performance measures.

Source: Beyond Bean Counting p 63

Notwithstanding that, it is noted that less than four percent of core Commonwealth agencies used accrual data for internal management reports and less than 20 percent used financial ratio analysis.

Source: Beyond Bean Counting p 63

Without accrual accounting, proper management of assets is rather problematic.

³ ANAO Audit Report No 7 of 1995-96, p2.

Essential Fundamentals for Sound Financial Management

Financial management reporting must be integrated into corporate plan and be part of performance agreement, and ...

Integral to success of management reporting is that the role and status of financial management be recognised within:

- the corporate and business plans
- relevant policy and procedure manuals of the organisation
- the performance agreements of managers.

...must have the support from the top.

Ultimately, the key to achieving effective financial management in an organisation is a supportive climate or culture that is reinforced by appropriate rewards, recognition and sanctions. This includes strong sustained leadership, shared values, and a shared commitment and purpose. Such a climate recognises the important contribution that effective financial management can make to an organisation.⁴

Managers need to develop a broader understanding of their responsibilities, one that encompasses the achievements of operational and financial objectives.

Financial information should form a key part of strategic and operational decisions.

To achieve that managers need information to make informed decisions relative to corporate and business unit objectives. It is incumbent on managers to understand the financial information provided and the uses to which it can be put.

Many organisations produce large volumes of financial information, yet managers do not always find what is available is complete, accurate, reliable, timely, concise, user-friendly and relevant.

Internal financial reporting should be used to enhance performance and...

Better practice organisations ensure that use is made of the internal financial reporting information for better performance.

Organisations should establish a structured approach to collecting, analysing, producing and using financial information that helps managers at all levels to manage.⁵

⁴ Financial Management Capability Model, Office of the Auditor-General of Canada, Ottawa, 1999 p 3

⁵ ANAO Building a Better Financial Management Framework – Defining, Presenting and Using Information p.7.

Essential Fundamentals for Sound Financial Management

*... the better use of
technology is essential.*

Organisational performance may be improved through better accounting systems and the use of technology.

Improved performance often relies on the access to, and the integration of, financial and non-financial information. Information to improve performance often requires access to a range of databases within an organisation from which information can be extracted, manipulated and analysed.

To enable this interface information systems need to integrate or interface. This can be achieved by using a central integrated system which is based around one system.

An example is a database which supports all human resources, benefits and payroll activities.

By this means employees can access payroll, benefits and HR information more easily and quickly. An added advantage of the central database is that data only needs to be added once to the system which eliminates redundant data entry, reduces the number of staff needed for data processing and ensures consistency of data entry.

Technology can also be used to distribute reports via Intranet as opposed to hardcopy reports.

The advantages of integrated information systems include:

- cost reductions and revenue enhance from improved reporting
- increased efficiency and timeliness of information
- the ability to relate information from different sources and thereby improve the relevance of information for improving performance and decision making
- better support for strategic planning and organisational change
- rationalisation of data and increased integrity of data in reports.

Once performance has been measured steps are needed to:

- communicate assessed performance on a regular intervals to those who need to know
- analyse and discuss the results
- assess future action
- monitor future progress.

Essential Fundamentals for Sound Financial Management

<i>For information to be useful, there is a need to identify and define:</i>	Better practice organisations tailor their internal financial reports to meet the needs of identifiable groups of users. They have a systems for identifying:
<i>what is needed</i>	▪ what information is needed
<i>who needs it</i>	▪ who needs which types of information
<i>when is it needed</i>	▪ when the information is needed by particular users
<i>in what format</i>	▪ what format the information is required to be in, and
<i>How is it to be distributed?</i>	▪ how best to distribute the information.

Essential Fundamentals for Sound Financial Management

<p>✓ Better Practice</p>	<p>Better practice organisations</p> <ul style="list-style-type: none"> <input type="checkbox"/> translate the vision of the organisation into clear objectives and strategies <input type="checkbox"/> identify clearly the risks to the achievement of the objectives <input type="checkbox"/> have management accounting and information systems that support the organisation's strategic objectives <input type="checkbox"/> integrate financial and non financial information for measuring and monitoring performance <input type="checkbox"/> assign responsibilities to managers being consistent with the objectives of the organisation and their authority <input type="checkbox"/> measure performance against assigned responsibilities <input type="checkbox"/> adopt accrual based accounting and reporting on a continuous basis has been implemented <input type="checkbox"/> apply business simulation techniques and conduct 'what if' scenario modelling to explore options and help make decisions that will improve performance <input type="checkbox"/> undertake internal and external benchmarking of performance against the relevant industry, other levels and jurisdictions of government, and the private sector <input type="checkbox"/> have an integrated database or established access to interrogate a range of systems, supporting easy access to information required <input type="checkbox"/> use their information for the evaluation of capital investment decisions. <p>Inclusion of full accrual costs, including depreciation, a possible capital usage charge, and so on, are essential for managers to be able to make fully informed decisions about the optimal use of resources. Better practice management includes the requirement that a business case, or equivalent, be prepared to support all significant investment proposals.</p> <p>Source: Beyond Bean Counting (page 69).</p>
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Type of Information

Type of Information

Type of Information

Need to define type of information needed for efficient and effective management.

An over-riding purpose of financial information is to provide information to achieve the organisational objectives. Financial information is essential for the efficient and effective:

- management and control of resources [inputs]
- application of those resources to processes [activities]
- direction of those processes to achieve result [outputs and outcomes].

Financial reporting needs to be balanced with non-financial information.

But for financial reporting to be truly meaningful and useful, it needs to be balanced with non-financial information, for example, information relating to qualitative aspects of operational results or benchmarking information on output/outcome.

Benchmarks and trends, against both internal and external data, can provide useful information to place achievements into its proper prospective.

Traditional financial reporting should therefore be combined with other techniques to improve the usefulness of reporting. Nevertheless, financial reporting, including financial budgeting, plays an important part within the overall management information framework.

Responsibility for the achievement for budget should rest with the line manager

In terms of accountability and for the purpose of effective accounting and control, responsibility for the achievement of targets/budget should rest with the appropriate line manager. This can include responsibility for income, expenditure, outputs/outcomes and achievements of corporate objectives.

Managers should not be held accountable for items over which they have no control.

Care should be taken, however, that managers are held accountable only for items over which they have control. The tendency to hold managers accountable even when they have no real control over conditions to achieve targets/objectives should be resisted.

Budget should be established and should be...

To control the financial position of an organisation, management needs to establish and monitor a budget.

A budget is a symptomatic method of allocating financial, physical and human resources in order to monitor progress towards organisational goals, help control spending and predict cash flow.

	Type of Information
<i>...based on sound financial data; provide comparison between budget vs actual as well as a realistic forecast.</i>	This requires sound financial information, including a comprehensive accrual based budget, that clearly identifies budget versus actual as well as provides a revised forecast of financial information on an ongoing basis.
<i>Budget should be linked to strategic plan and assist managers to perform their duties.</i>	<p>Budgets should:</p> <ul style="list-style-type: none">▪ be linked to strategic and operational plans, aligning the budgeting process with the strategic direction of the organisation▪ enable managers to connect daily activity with organisational goals,▪ provide feedback about obstacles and opportunities and ultimately better performance. <p>The effective use of budgets requires that variances from budgets be identified and addressed as early as possible within the reporting cycle.</p> <p>Operational success may be threatened if the variations are sufficiently severe.</p> <p>The Year To Date budget is of limited use if it is simply the annual budget divided by 12 then multiplied by the number of months to date.</p> <p>This approach lessens the effectiveness of monitoring variations from budget if the agency's actual expenditures and revenues exhibit seasonal patterns.</p> <p>In monitoring financial positions, certain key financial ratios can be critical to the viability of an organisation, particularly those agencies working in the commercial environment. Various key ratios are identified in the illustration below.</p> <p>Managers need the above information on a budgeted, actual and forecast basis, so will they also need details of all significant outstanding commitments.</p>

Type of Information

Financial Ratios Commonly Used by Managers	
Ratio	Components
Liquidity	Cash, marketable securities and net accounts receivable to current liabilities
Working Capital	Current assets to current liabilities
Gearing	Liabilities to equity or Debt to equity
Operating Expenses	Administration expense to total expenditure or to net sales Finance expense to total expenditure or to net sales

Note: See Appendix A for further examples of ratios.

Some of the benefits of balance sheet management are that it:

- enables a focus on, and management of, the organisation's assets and liabilities, and assignment of responsibility for their management
- ensures assets are better utilised to deliver the agency's outputs
- ensures all significant financial issues relevant to the organisation are reported
- enables more effective benchmarking with other organisations, and
- recognises all assets and liabilities.

Source: Beyond Bean Counting p 67

Costs...

An important component of outputs/outcomes is cost, in total and as a unit of output. For unit costs the quantity of output is required.

This concept means that costs should be accounted for and reported in the cost centre of the manager who exerts control. In other words managers cannot be held accountable for events and costs outside their sphere of influence.

...need to be identified for inputs, processing and outputs.

Costs need to be identified for inputs, processes and outputs to meet the needs of managers. While the costs of outputs are routinely recorded, the costs of processes are less often identified.

Type of Information

Examining the cost of processes is important if managers are to ensure the efficiency of operations. To control, and therefore minimise expenditure, activities need to be controlled.

Service delivery agencies that do not charge for services would benefit from a costing system which would assist in measuring and comparing the cost of inputs.

Cost Information Requirements for Managers	
Type	These costs need to be separated into:
Inputs	Direct and indirect inputs Variable and fixed inputs
Processes	Value added and non-value added process costs Primary and secondary process costs
Outputs	Full costs of outputs Unit cost of outputs

Line managers need to know the costs of support services in cases where those costs add to the cost of outputs in their area of responsibility.

For cost information to be more useful and relevant, the information should be in the form of full accrual cost for each business unit.

Resource Utilisation Requirements for Managers	
Resource	Suggested Measure
Staff	Output per employee per productive hour Operational hours against capacity Overtime per employee Staff leave, training and administration hours against operational hours Idle time per employee
Cash	Cash balance as multiple of daily or monthly cash requirement Cash balance as proportion of total current assets
Fixed Assets	Operational hours against capacity Floor space occupied against capacity

Type of Information

The performance of resources used in the production of outputs is another key requirement of managers in terms of financial and operational performance.

The performance of resources is intrinsically linked to the rate of consumption for given outputs. The nature of the resource will govern the utilisation rate and other indicators of performance for usage.

Staff Costs are important factors...

Measurement of costs is important. The unit cost of physical outputs is easier to judge than the cost of outputs of some services. Measurement of outputs and outcomes (relative to inputs and costs) is more problematical in the public sector where outcomes and outputs are more generic.

...in the public sector, it can represent around 80% of the total costs.

In the public sector and other service industries, staff costs are an expensive resource and often absorb around 80% of operational costs. On this basis minor savings in percentage rates will result in significant financial savings.

A direct measure of utilisation for staff is output [dollar and quantity] per productive hour. The retrieval of this information will require the development of appropriate systems.

Legal and Regulatory Compliance

Public Sector needs to comply with legislative requirements.

Organisations within the NSW public sector are required to comply with a range of legislation pertinent to the operations of each agency.

Other legislation is more generic and applies across the public sector, for example the *Public Finance and Audit Act 1983*, which deals with certain accounting and auditing provisions.

In terms of financial matters organisations are also subject to the Treasurer's Directions and the requirements of the accounting standards issued by the professional accounting bodies.

The collection of information on the performance of an organisation against legal and regulatory compliance is an essential part of good governance.

Type of Information

✓ Better Practice	<p>Better practice organisations:</p> <ul style="list-style-type: none"> <input type="checkbox"/> identify the type of information needed at various levels of management <input type="checkbox"/> provide financial and non-financial information in a balanced way <input type="checkbox"/> establish clear line of accountability <input type="checkbox"/> link budget to strategic plan <input type="checkbox"/> identify components of budget (costs, income, assets etc) <input type="checkbox"/> provide timely and accurate information as to variations <input type="checkbox"/> compare trends over time, allowing comparisons to the previous year or years' figures and/or for the same period last year, and undertake internal comparisons and benchmarking <input type="checkbox"/> have regard to information needs that may vary from year to year and the particular emphasis or focus that can vary according to the time of year, seasonal factors, changes in agency responsibilities or unusual events <input type="checkbox"/> require a simple and uniform structure for the chart of accounts and based on need, limit the number of cost centres and accounts in the general ledger <input type="checkbox"/> present internal reports as close as possible to the format of external reports including the financial statements contained in the Annual Report <input type="checkbox"/> require commonality of the year end projections used in internal reports and Treasury Financial Information System (FIS) monthly reports <input type="checkbox"/> establish a business case for new information required but is not readily available [that is the cost to collect and report the information versus the benefits of obtaining the information] <input type="checkbox"/> institute legal and regulatory "sign offs" as part of the preparation of statutory financial statements <input type="checkbox"/> periodically review what information is currently available <input type="checkbox"/> provide commentary on the remedial action that is being taken or proposed to be taken to remedy any performance problems highlighted in the report.
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Type of Information

Example Agency

Statement of Financial Performance – Whole Agency for the period ended 30 September 2001

	Year to Date				Year Ending 30 June 2002			
	Actual \$'000	Budget \$'000	Variance %	Comment	*Forecast \$'000	Budget \$'000	Variance %	Comment
Expenses								
Employees	225	265	15.1	1	550	600	8.3	1
Suppliers	185	195	5.1		360	400	10.0	2
Depreciation & Amortisation	75	75	0.0	⇔	200	200	0.0	⇔
Interest	35	33	-6.1		60	50	-20.0	3
Loss from Sale of Assets	60	50	-20	2	60	50	-20.0	4
Total Expenses	580	618	6.1		1,230	1,300	5.4	
Revenue from Independent Sources								
Sale of Goods & Services	180	210	-14.3	3	430	450	4.4	
Other revenue	55	65	-15.4		100	100	0.0	⇔
Total Revenue from Independent Sources	235	275	-14.5		530	550	3.6	
Net cost of Services	345	343	-0.6		700	750	6.7	
% Cost recovery	40.5%	44.5%			43.1%	42.3%		
Revenues from Government								
Appropriations	260	260	0.0	⇔	680	700	2.9	
Operating Result – Surplus/(Deficit)	-85	-43	99.7	4	-20	-50	60.0	

*Forecast: actual to date + re-estimates for the rest of the Year.

Legend Favourable Unfavourable Negligible variance ⇔

Key Financial Performance Indicators

Employee costs as a percentage of Total Expenses	38.8%	42.9%	44.7%	46.2%
Ratio of external revenue to appropriations	90.4%	105.8%	77.9%	78.6%

Comments - Year to Date	Comments - Year Ending 30 June 2002
<ol style="list-style-type: none"> 1. Favourable performance due to staff reductions. 2. Large loss on building sales due to depressed market. 3. Sales of goods and services below budget due to private sector competitor entering market. 4. Overall result poor but revised budget forecast appears to recover situation in balance of the year. 	<ol style="list-style-type: none"> 1. Expected further savings from reductions in staff numbers 2. Change of suppliers including bulk purchases 3. Additional interest charges arising from overseas loans 4. Losses expected from a down turn in the property market