

THE CITY OF GLEN EIRA

A well managed, but not so well governed, municipality

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Inspector of Municipal Administration**

September 1998

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EXECUTIVE SUMMARY

On the 4 June 1998, the Minister for Planning and Local Government, the Hon Robert Maclellan MLA, acting under section 223A of the Local Government Act, 1989, appointed Dr Greg Walsh, Director of Utility and Government Services at Pannell Kerr Forster, to undertake an independent review of various matters at Glen Eira City Council. Dr Walsh was appointed an Inspector of Municipal Administration for this purpose.

The Minister's decision to conduct the review was made at the request of the Mayor of Glen Eira, Cr Barry Neve JP, the independent Chairman of the Council's Audit Committee, Mr David Gibbs, and the Council's Chief Executive Officer, Ms Margaret Douglas. The request followed a confidential letter of complaint sent to Mr Vern Robson, Director of Local Government Operations in the Department of Infrastructure, by a Glen Eira councillor on 21 May, 1998.

Among other things, the letter of complaint expressed 'grave concerns in the manner of which the CEO has conducted the affairs of Council'. The particular focus of the councillor's concerns involved the processes and procedures surrounding recent staff changes and consultancy arrangements at Glen Eira.

The Terms of Reference required the Inspector to undertake a review of Glen Eira which included an examination of the matters raised in the letter of complaint and to consider 'whether there should be any changes in processes and procedures at Glen Eira City Council'.

The main findings are as follows:

- (i) Glen Eira City Council has performed at a high level since its formation in 1994 and in a large part this can be attributed to the overall competence of the Chief Executive Officer, the senior officers and the staff of the council;
- (ii) In relation to the recent staff changes and consultancy arrangements, the Chief Executive has acted professionally and in accordance with the Local Government Act 1989;
- (iii) There are some inadequacies in governance practices at Glen Eira.

It is of paramount importance that steps are taken immediately to improve these practices; for the relationship between 'governance' and 'management' in the body politic of a municipality, is much like the relationship between heart and lung in the human body - a relationship of interdependence. Indeed, there is some evidence that poor governance practices at Glen Eira over recent months are beginning to impact negatively on the management and overall performance of Council. Staff morale is low and some senior officers have indicated to the Inspector that they are considering leaving Glen Eira.

Accordingly, it is recommended:

- (i) that the City of Glen Eira develop and formally adopt a Code of Governance which incorporates detailed communication and behavioural protocols for both councillors and senior officers and a shared understanding of roles and responsibilities;
- (ii) that the City of Glen Eira appoint a Governance Advisor to facilitate the development and implementation of the Glen Eira Code of Governance by not later than February 28, 1999, and to advise and assist councillors and senior officers in effectively responding to

- the governance issues identified in this investigation including those which are the subject of recommendation iv, v and vi;
- (iii) that the Governance Advisor appointee be approved by the Minister for Planning and Local Government and the advisor report to the Minister as well as Council on all matters arising out of this report;
 - (iv) that the City of Glen Eira establish a Human Resources Committee of Council comprising councillors, senior executive and independent expertise-based membership;
 - (v) that the City of Glen Eira in conjunction with the Department of Infrastructure sponsor the preparation of a professional development program on 'model governance practices' which includes accredited courses (similar to the Company Directors program) which are made available to all current and aspiring councillors and senior officers throughout the industry;
 - (vi) that the City of Glen Eira review the current structure of representation on council with a view to extending the number of councillors at Glen Eira from six to seven or nine councillors.
 - (vii) that the City of Glen Eira be included as a participating council in the current Office of Local Government review of the composition and charter of municipal audit committees.

CHAPTER ONE

BACKGROUND AND TERMS OF REFERENCE

On the 4 June 1998, the Minister for Planning and Local Government, the Hon Robert Maclellan MLA, acting under section 223A of the Local Government Act, 1989, appointed Dr Greg Walsh, Director of Utility and Government Services at Pannell Kerr Forster, to undertake an independent review of various matters at Glen Eira City Council. Dr Walsh was appointed an Inspector of Municipal Administration for this purpose. During the course of his investigation Dr Walsh was assisted at different times by Mr Merv Whelan and Mr Kelvin Goodall who are also Inspectors of Municipal Administration.

The Minister's decision to conduct the review was made at the request of the Mayor of Glen Eira, Cr Barry Neve JP, the independent Chairman of the Council's Audit Committee, Mr David Gibbs, and the Council's Chief Executive Officer, Ms Margaret Douglas. The request followed a confidential letter of complaint sent to Mr Vern Robson, Director of Local Government Operations in the Department of Infrastructure, by a Glen Eira councillor on 21 May, 1998.

Among other things, the letter of complaint expressed 'grave concerns in the manner of which the CEO has conducted the affairs of Council'. The particular focus of the councillor's concerns involved the processes and procedures surrounding recent staff changes and consultancy arrangements at Glen Eira. In connection with this, the letter stated:

"Basically, the CEO removed the incumbent Director Human Services and Manager GlenCare without notice and made them both redundant with no substantive reasons. No information was provided to Councillors other than the removal of both officers.

A) *Removal of Manager GlenCare*

Councillors were informed that the one year contract of the Manager GlenCare had not been renewed. I have since learnt that the incumbent had been positively appraised and therefore offered, in writing, a three year contract. The contract was drawn yet the Manager was made redundant without any explanation and paid a sum of money, including a 10% performance bonus (even though it was considered that her performance was not worthy of continuation!).

B) *Removal of Director Human Services*

Some two to three weeks later, Councillors and the media were notified that this Director resigned. The reason provided has been emphatically denied by the Director. However, when asked if there was a package involved, this ex-Director agreed that a settlement had been negotiated.

C) *Appointment of a Business Development Manager for Human Services*

There is significant evidence to show that this newly appointed Manager did not apply for the above position and was appointed by the CEO at a considerably higher salary than was originally advertised. This new Manager 'bragged' to some staff about being offered the position without applying.

Interestingly, information provided indicated that this Manager worked with the CEO at the PTC. As interestingly, the newly appointed Chief Financial Officer worked for the PTC as so did the current HR consultant, who has assisted the CEO in appointing all of the above.

D) HR Consultant for the City of Glen Eira

An appointment was made last year, under CCT, to employ a consultant to assist HR department. It appears that this consultant is deeply involved in points A, B and C. I believe that this Consultant, the CEO and new Business Development Manager for Human Services were colleagues (and possibly made redundant) from the PTC at the same time.

The CEO has asked this Consultant to assist Councillors in the appraisal assessment of her KPI's. There is no confidence that there is any independence in this assessment. The Mayor was notified of the Councillors' evaluation of her performance on 7 May but Councillors will not be notified until 25 May".

The letter concluded by requesting 'an investigation' and stating that 'two other councillors, the ex-Director and ex-Manager GlenCare will co-operate with any investigation and provide documented evidence'. Some documentation was appended to the letter.

At about the same time two other letters were sent to Mr Robson. The first, dated 19 May 1998, came from the Mayor of Glen Eira, Cr Neve. Attached to it were anonymous letters sent to councillors at Glen Eira from someone expressing concerns about staffing and other decisions impacting on the Human Services functions of Council. Cr Neve described the letters as 'mischievous and somewhat malicious'. On 22 May 1998, the Chief Executive Officer, Margaret Douglas sent a series of documents to Mr Robson. The documents related to a range of staffing, organisational and governance matters.

Terms of Reference

The Terms of Reference provided to the Inspector were as follows:

REVIEW

To undertake a review at Glen Eira City Council which examines:

The matters raised in the schedule of letters and attachments and matters related to the letters and attachments which impact on good governance at Glen Eira City Council.

REPORT

To provide a report to the Minister on issues arising out of the review process and whether there should be any changes in processes and procedures at the Glen Eira City Council.

SCHEDULE OF LETTERS AND ATTACHMENTS

1. Confidential complaint from a Glen Eira Councillor dated 21 May 1998, and attachments.
2. Letter dated 19 May 1998 from Mayor Glen Eira City Council and attachments.
3. Letter dated 22 May 1998 from Chief Executive Officer, Glen Eira City Council.

Approach

The approach adopted by the Inspector involved:

- (i) extensive interviews with all councillors, senior officers and relevant staff, the HR advisor to Council, the former Manager of GlenCare and the former Director of Human Services, applicants for recent Human Services positions at Glen Eira, the independent Chairman of the Audit Committee and some members of the Glen Eira community who have served on Council advisory committees.
- (ii) collection, examination and analysis of relevant files and documents including:
 - ◆ correspondence, memoranda, and emails
 - ◆ newspaper reports
 - ◆ council minutes and audio tapes of Council meetings
 - ◆ budgets and related financial data
 - ◆ incident reports
 - ◆ customer service reports
 - ◆ the City of Glen Eira Human Resources Policies and Procedures
 - ◆ other staffing and organisational material
 - ◆ information and reports provided to councillors by officers on an ongoing basis
 - ◆ performance review reports
 - ◆ the Audit Committee charter
 - ◆ **Councillors' Code of Conduct**
 - ◆ Other relevant materials including confidential letters and other written comment sent to the Inspector by councillors and members of the Glen Eira community during the course of the investigation.

In the early stages of the review, the Inspector's endeavours to understand what had happened at Glen Eira were inhibited by divisions among councillors, profound difficulties in the relationships between some councillors and senior officers and the widespread use of innuendo, hyperbole and the psychology of suggestibility in discussions and correspondence about the matters under review. At the time of writing this report it would seem that, in general, broader perspectives have been recovered at Glen Eira. However, these will be tested by Council's capacity and will to deal with the findings and recommendations that emerge from this investigation. If Council, as an organisation, successfully responds to the 'governance' issues that this report puts before it, benefits will accrue not only to the Glen Eira community but also to the entire local government industry.

CHAPTER TWO

AN OVERVIEW OF GLEN EIRA

THE FORMATION OF GLEN EIRA

The City of Glen Eira was formed on 15 December 1994 following a review of the structure of local government authorities in the area. Glen Eira City Council was created by the merger of the former City of Caulfield with the northern part of the former City of Moorabbin. As a consequence of this review, the new City of Glen Eira covers an area of approximately 38.6 square kilometres in the inner south eastern area of Melbourne and has a population of about 118,000 people. The City comprises established residential neighbourhoods, busy strip shopping centres, excellent public transport networks, important parks and public open space, significant arts, cultural and community services and facilities.

GOVERNANCE AND MANAGEMENT ARRANGEMENTS

Commissioners

Between December 1994 and March 1997 the City of Glen Eira was governed by Commissioners appointed by the Minister for Local Government: Cliff Caldwell (Chairperson), Virginia Rogers and Charles Williams. One of the many tasks of the Commissioners in guiding the new municipality through the change process was to prepare for the return of elected councillors on 15 March 1997. In June 1996 the Commissioners proposed a six-member Council, with two councillors in each of three wards. This was later ratified by the Minister for Local Government. It was also decided that triennial elections for councillors be held – that is full council elections every three years.

Councillors

The first elections held in March 1997 attracted 24 candidates for 6 positions. The successful candidates were as follows:

Orrong Ward

Cr Alan Grossbard
Cr Noel Erlich

Mackie Ward

Cr Veronika Martens
Cr Norman Kennedy

Jasper Ward

Cr Russell Longmuir
Cr Barry Neve

Crs Grossbard, Erlich and Martens are former Caulfield City councillors and Cr Neve is a former Moorabbin City councillor. Crs Kennedy and Longmuir have been elected to office for the first time. In the poll in March 1997, Crs Grossbard and Erlich exchanged preferences in Orrong Ward as did Crs Longmuir and Neve in Jasper Ward. Cr Grossbard was elected Mayor for the period March 1997 to March 1998 and Cr Neve is the current Mayor.

Audit and Advisory Committees

Council has established an Audit Committee and a series of Advisory Committees which address specific project briefs. The Audit Committee comprises an independent Chairman (David Gibbs), one other independent member (Gary McLean) and two Councillors (Cr Grossbard and Erlich). Its charter is to assist the Council in fulfilling its responsibilities in relation to accounting policies, external financial reporting practices, internal control and management and reporting policies and systems. The Audit Committee determines the scope of internal audit work and liaises with external auditors in relation to external reporting. At the same time, Council meets all statutory requirements for external audits which require its accounts to be subjected to the scrutiny of the State Auditor-General and/or the agent of the State Auditor-General. A separate internal audit service which scrutinises the processes and controls applied by Council to its administrative and accounting functions over a three year cycle is conducted for Council by Coopers & Lybrand.

Council Advisory Committees are chaired by Councillors on a portfolio basis as follows:

Cr Noel Erlich	: Human Services
Cr Veronika Martens	: Recreation
Cr Alan Grossbard	: Arts and Culture
Cr Barry Neve	: Infrastructure and Waste
Cr Russell Longmuir	: Strategic Town Planning
Cr Norman Kennedy	: Business Development
Cr Veronika Martens	: Finance

Committee membership is drawn from the Glen Eira community. Specific project briefs are provided by senior officers, some of whom are also members of the Committee.

Management

Council has delegated most functions of an operational nature to the Chief Executive. The Chief Executive at the City of Glen Eira is Margaret Douglas who was appointed to the position in March 1996. The organisational structure of Council is based on a four-director model: Director Corporate Development (Andrew Newton); Director City Development (Jeff Akehurst); Director City Services (Jim Mackinnon); Director Human Services (formerly Judy Leitch, currently Laurie Harkin). In total there are 11 positions at "Senior Officer" level (defined in the Act as packages of more than \$70,000 p.a.). Glen Eira's five neighbouring Councils have an average 20 'Senior Officer' positions, one of them as high as 28.

PERFORMANCE

Competitive Tendering

In common with all other councils in Victoria, Glen Eira is required to subject at least 50% of all eligible expenditure in each financial year to a competitive tendering process. In 1996/97, 51% of the Council's 'total expenditure' was market tested under the competitive arrangements set out in Section 208A of the Local Government Act, 1989. In 1997/98 this increased to 63.8%. While many of the contracts for the delivery of council services have been won by 'in-house' staff teams (formed into Business Units) significant services such as traffic control, have been successfully 'contracted-out' to external providers.

Rates and Charges

The overall financial performance of Glen Eira has been one of continuous improvement since the council's formation in 1994. Indeed analysis of Glen Eira's financial performance over the past five years suggests that the glowing assessment made by Cr Alan Grossbard when he was Mayor in October 1997 is not unreasonable. In a letter to Mr Ian Cathie who had declared himself a 'new resident' in the City of Glen Eira', Cr Grossbard wrote:

'As a new resident in Glen Eira, please be assured that you have moved to a municipality that is regarded independently as one of the best managed and financially prudent Councils in Victoria' (17 October 1997).

In February 1997, following a state-wide assessment of councils, the Victorian Government identified Glen Eira as one of the 'lowest-taxing, lowest-spending' councils in Victoria. An analysis of rates and charges over the past five years shows that Glen Eira's rates in the current financial year are still 15 per cent lower than in 1993/94 despite the imposition this year of a 6% 'infrastructure levy' and increased charges to accommodate the rising cost of recycling and other waste collection. At present Glen Eira's average rates and charges are about 13% lower (on average about \$80) than the average for Glen Eira's five neighbouring councils.

Budget Outcomes

Council adopted a budget for the current year (1998/99) of \$57.4m. The budget achieves an Operating Surplus (after depreciation and before abnormals), one of the first few Victorian councils to do so. A feature of the budget is a 27% increase in capital works spending to \$12.3m. This is part of an essential 'catch up' strategy to improve community infrastructure and facilities. The imposition of the 'infrastructure levy' which supports this increased spending was first recommended by the Glen Eira Commissioners to the State Government in February 1997, prior to the election of councillors. The recommendation was made following a study by Coopers and Lybrand.

A comparison of 1998-99 budgets from Glen Eira and the five neighbouring councils in the area shows that Glen Eira has the lowest level of debt. Council's debt position has been further assisted by a decision to pay out Council's superannuation liability to the Local Authorities Superannuation Board. This decision will mean that Council has saved ratepayers an estimated \$2m over the next 10 years. The superannuation liability was caused by retrenchments, largely arising from council amalgamations. Council decided to use \$6m from reserves to pay out the debt rather than pay \$8m (in today's dollars) over 10 years.

While Glen Eira has been successful in reducing costs and increasing efficiencies, the challenge for Council in the future will be, as David Gibbs, the independent chairman of the Audit Committee, points out, to focus on generating revenue in ways other than through increasing rates and charges. This implies a greater emphasis on 'user pay' methods of covering future cost increases in service provision. There is nothing about Glen Eira's performance in financial management to date that would suggest it cannot meet this challenge.

Community Satisfaction Rates

The results of the Community Satisfaction Measurement Program conducted by the Department of Infrastructure in 1998 were extremely encouraging for Glen Eira. Glen Eira received a satisfaction score of 67, a performance rating which was within 3 points in 100 of the highest score for the inner metropolitan group of councils whose ratings were amongst the highest for all councils in Victoria. The survey showed that Glen Eira's residents, on average, rate overall performance as better than 'adequate' and approaching 'good' - an excellent result for a 'monopoly service provider'. A particularly high score was received for customer service. In addition, all results for the nine service responsibility areas (local roads and footpaths, health and human services, recreational facilities, the appearance of public areas, traffic management and parking facilities, waste management, enforcement of by-laws, economic development and town planning policy and approvals) were above average with several in the upper quartile of performance.

Management Awards and Commendations

These have included the following:

- ◆ Glen Eira's Cultural Strategy – the Victorian Local Government and the Arts Best Practice Management in Cultural Planning award.
- ◆ In May 1997 Glen Eira received a National Award for Information Technology in Local Government for Customer Service Systems.
- ◆ Glen Eira was the first public library system in Australia to have its catalogue on the internet.
- ◆ All five child care centres at Glen Eira have received the highest possible levels of accreditation. Current retention levels are greater than 90%.
- ◆ Glen Eira's financial management system has been used as a case study in effective financial management by the Australian Public Service. Director Andrew Newton has been requested to address national conferences on Glen Eira's systems.
- ◆ Glen Eira's Planning and Development Manager, Mr Jeff Akehurst was requested to participate in a LGPAC Steering Committee to develop 'Best Practice Guidelines in Delegation of Council'. Mr Akehurst is also a member of the Planning Minister's Standing Advisory Committee to consider proposed local variations to the Good Design Guide.
- ◆ Glen Eira's food audit and nutrition programs have won State Awards and been adopted as models for other councils
- ◆ Glen Eira's risk management system was recently awarded 88% by Civic Mutual Plus.

CONCLUSION

The City of Glen Eira has performed at a high level since its formation in 1994. This is due in no small measure to the management abilities of the Chief Executive Officer, Margaret Douglas, and the competence of Council's senior officers and staff. This view is shared by the current Mayor Cr Neve and Crs Kennedy and Longmuir. While Cr Martens has expressed some concerns about the flow of information between managers and councillors, she is also proud of the achievement of Glen Eira and recently successfully moved a motion on Council to appoint a public relations company to promote these achievements. At the end of 1997 Cr Grossbard sent the following end of year message to the Chief Executive:

Thank you for a good year's work. Learning to work with Councillors is a lesson in itself let alone running a large organisation like this City. You have managed the activities, strategies and policy of Council well. Have a good rest before a busy year.

Over recent months, however, Cr Grossbard's views have changed. He is now highly critical of the performance of the Chief Executive particularly in relation to recent staff changes and consultancy arrangements at Glen Eira.

While Cr Erlich indicated to the Inspector a generally favourable view of Glen Eira's progress, he shares Cr Grossbard's current views of the Chief Executive particularly in relation to the recent staffing changes in Human Services.

Nevertheless, it should be noted that in July 1998, the CEO Performance Review Report which was based on performance indicators prepared by Cr Grossbard, when he was Mayor in 1997, was adopted unanimously by Council. This involved the payment of a performance bonus to the Chief Executive in accordance with the review outcomes.

CHAPTER THREE

RECENT STAFF CHANGES AND CONSULTANCY ARRANGEMENTS AT GLEN EIRA

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CONCLUSION

In relation to the staff changes and consultancy arrangements which are the subject of the letter of complaint, it is concluded that the Chief Executive has acted professionally and in accordance with statutory authority.

CHAPTER FOUR

THE GOVERNANCE OF GLEN EIRA

The investigation of matters referred to in the letter of complaint and in other documents attached to the Terms of Reference has raised a number of issues relating to governance practices at the City of Glen Eira. The three most important issues involve:

- (i) a lack of a shared understanding between councillors and officers about the roles and responsibilities of Councillors and the Chief Executive;
- (ii) communication between officers and councillors;
- (iii) representation and public participation

(i) Councillors and the Chief Executive

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As pointed out in the previous chapter, the position of the Chief Executive Officer has been changed since the restructure of local government by provisions such as S94A of the Local Government Act 1989 which clearly designate the statutory responsibility for employment matters and the day-to-day management of council's operations (in accordance with the corporate plan) to the Chief Executive.

In contrast the role of councillors has not changed substantially since before the restructure of local government. In August 1995, the Local Government Board Review recommended that the State government amend the Act to establish 'a clear division between the role and function of the Council and the Executive' (The Roles and Functions of Councillors August 1995, p17). In establishing this division the Board recommended that the legislation include a broad definition of the role and functions of councillors that established the primary role of councillors in determining policy, setting objectives and establishing the strategic directions of council. However, the Board's recommendation was not adopted by the government. Consequently, there are no provisions in the Act that restrict the work of a councillor to just matters of policy and direction setting.

A number of provisions in the Act define the role of councillors in broad terms. For example, councillors are representatives of residents and ratepayers of the municipal district (S.5). They have to undertake their duties in the best interest of the people in the municipality (S.63). The Act also contains a number of sections which refer specifically to the purposes of a council (56), the objectives of a council (57) and the functions and powers of a council (58). These include policy making, setting performance targets, developing and monitoring strategic plans and budgets, delegating decision making to appropriate levels, developing and implementing co-ordinated personnel and industrial relations policies. In addition a Council must appoint a Chief Executive Officer (S.94) and review the performance of a Chief Executive Officer (S.97A), ensure that proper accounts and records of transactions and affairs are kept (S.125), prepare an annual report (S.126), prepare a budget for each financial year (S.153), prepare a corporate plan including indicators against which the performance of the Council can be measured (S.153A) and prepare an annual performance statement (S.153B).

Nevertheless, while the Act does contain many provisions which define the roles of the councillor, it does not limit the work of the councillor to these matters specified in the Act. In the light of this, it is imperative that there be a shared understanding between councillors and officers about the roles and responsibilities of Councillors and the Chief Executive. There is no such shared understanding at Glen Eira.

Furthermore, there have been certain changes to the Act in recent years which councillors must understand and take account of particularly when discharging their duties to provide equitable and appropriate services and facilities to the community. Interviews with some councillors at Glen Eira suggest that the implications of Compulsory Competitive Tendering provisions in the Act are not well understood.

The somewhat tortuous process adopted by Council in awarding the Traffic Enforcement, Animal Control and Local Laws contract in late 1997 is illustrative of the point. The tender evaluation panel had recommended to Council that the contract be awarded to an outside contractor. The decision to award the contract was taken over two meetings after a motion to appoint the external tenderer was lost on the casting vote of the Mayor. When legal advice was received two councillors changed their vote and the recommendation was passed. After the meeting, one councillor contacted the Director Corporate Development and 'complained that staff had not supported the councillors point of view'.

The outsourced contract has since proved successful on a number of measures

While officers have been diligent in providing information to councillors about CCT and the role of councillors in the tendering process, it is the view of the Inspector that the councillors' understanding of the process is not assisted by the so-called 'horizontal split' between the 'client' and 'provider' sides of the organisation at Glen Eira. The organisational model adopted at Glen Eira (which is similar to models found in other metropolitan councils) may contribute to governance difficulties in that, in the perception of councillors, it does not sufficiently differentiate the CT - orientated structure of modern councils from the conventional council structure which existed prior to reform.

The conventional council structure usually comprised the Chief Executive Officer supported by three or four directors, each responsible for management of a defined group of functions commonly referred to as technical services, corporate services and so on. Several councils have retained this structure and have created the client/provider roles by introducing a horizontal division between directors and the remaining staff. In these cases each director is responsible for the relevant council business units, staff not in business units which perform a client role, and external service providers. The inspector considers this model does not generally provide a clear separation of the client/provider roles within the organisation and is therefore somewhat confusing to councillors and the public.

Many councils have successfully introduced a vertical structural division directly beneath the Chief Executive Officer which distinctly separates the organisation into client and provider sides. In these cases the provider side has its own director/manager and staff and its position is clearly recognised as no different from outside or external service providers. It tenders for council works and services in open competition and, if successful, performs them according to specification.

This vertical separation of the 'client' and 'provider' sides of the organisation is likely to be more readily understood by councillors, and is more transparent from a probity perspective.

(ii) **Communication between officers and councillors**

The lack of a shared understanding about the various roles and responsibilities of councillors and officers is most apparent in the different and sometimes conflicting expectations of councillors and officers about what should or should not be communicated, particularly in relation to staffing matters. The letter of complaint and other matters raised by councillors in the course of the investigation suggest that councillors expect to be kept fully informed about a wide range of management and day-to-day operational matters including employment matters.

During the course of the investigation the Inspector received a number of letters from some councillors expressing concern that they had not been adequately advised about particular activities or initiatives undertaken by council staff or contractors. Investigation of these matters showed that, in the main, adequate advice had been provided by officers although not always at the precise time that the matter had assumed significance for the particular councillor concerned. In some instances it would appear that a lack of attention at council briefing sessions, or a failure to read or absorb council newsletters or reports meant that councillors were inadequately informed despite the best endeavours of officers. In other instances, the information provided was too succinct to capture the attention of some councillors or was presented at a time when councillors had little or no interest in the matter, or was not sufficiently highlighted in the Council papers or reports.

However, there have been other occasions when officers have decided not to advise Council of a particular matter, despite the organisational significance of the matter and the considerable interest councillors could be expected to have in the matter.

While the Chief Executive has established a range of formal and informal communication systems designed to keep councillors informed and abreast of developments, on some important matters she has judged it to be sufficient to inform only the Mayor. For example, at the time she was negotiating the staff changes in Human Services, the Chief Executive kept the Mayor informed of events in a general sense, but this did not include informing the Mayor or councillors of the monetary details of the separation packages under discussion. It can be argued that because the Chief Executive is responsible for dismissing council staff (S.94A(3)), the disclosure of the separation payments is not required unless they cause the relevant budget program approved by Council to be exceeded. This does not appear to be the case. The Director Corporate Development (Mr Andrew Newton) has reported to the Inspector that:

'The program budget which was approved by Council and covered Human Services Divisional Management came in better than budget as did the Council (budget) overall'.

Nevertheless, the extraordinary nature of the expenditure which is also material and which involved a member of the senior executive team of Council (in once instance), is such that, in normal circumstances, it would have been prudent for the Chief Executive to disclose the separation arrangements to Council in closed session even though she believed the overall result for the program budget would be favourable. Such disclosure assumes, of course, that councillors would respect the confidential nature of the arrangements. The Chief Executive has the view that, at that time, the confidentiality of the agreements may not have been respected.

The incident also highlights the importance of the councillors' role in approving the budget and in monitoring overall financial performance. The slowness of Council to agree to the establishment of a Finance Advisory Committee (as recommended by the Audit Committee) due

to a 3:3 dispute among councillors over the composition of the Committee, is detrimental to the good governance of Glen Eira in this respect, and it unduly increases the level of councillor dependence on officer advice in the determination of financial policy.

Communication between officers and councillors over staffing issues at Glen Eira could also be aided by the establishment of a Human Resources Committee of Council. Such a Committee could comprise two councillors, the Chief Executive and perhaps one other senior staff member and an independent member with expertise in human resources. The purpose of the Committee would be to provide advice, feedback and support to the Chief Executive. The Committee charter would include matters such as enterprise bargaining and performance appraisal.

(iii) Representation and Public Participation

In June 1996, the Commissioners proposed a six-member Council, with two councillors in each of three wards. On several critical policy matters, voting on Council has split 3:3 requiring the Mayor to determine the outcome by using his casting vote. During 1998 this trend has increased, although it should be pointed out that the current Mayor, Cr Barry Neve, has been reluctant to use his casting vote to change Council policy. But in behaving in this creditable way, Cr Neve, who is a capable and experienced councillor, is unintentionally restricting the development of Council policy.

It would be possible to ease this dilemma if at the next triennial elections for councillors, the six-member Council was extended to seven or nine and the ward structure of Council was reviewed accordingly. There is substantial support among councillors to increase the number of councillors to nine.

During the course of the investigation, the Inspector interviewed a number of community people to develop a sense of how Glen Eira's performance was perceived from outside Council. One view commonly expressed during these interviews was that a 'sense of belonging to Glen Eira' had not yet developed in the community; there remained a tendency to identify areas of the municipality in terms of their association with the old local government structures (Caulfield or Moorabbin).

One mechanism which would assist in creating a greater 'sense of belonging' at Glen Eira is for Council to use S.86 of the Local Government Act 1989 to establish a system of 'village committees' through the municipality. These committees would link local communities with a 'mediating' structure which is part of the Glen Eira Council, and through this increase the level of public participation and involvement in Council affairs. S.86 of the Act enables a council to establish 'special committees' and to delegate certain functions, duties or powers to those committees.

CONCLUSION

This chapter has highlighted three main areas of weakness in the governance arrangements at Glen Eira: conflicting understandings of the role and responsibilities of Councillors and Officers; conflicting expectations about the content and level of communication between officers and councillors; the growing indecisiveness of Council on critical issues due to a 3:3 split in voting patterns. There are other governance issues (not elaborated upon in this report) to which Council must also give attention. At the root of some of these is a certain obtuseness in the

Local Government Act 1989 about the role and responsibility of a councillor. But Glen Eira's governance difficulties go beyond the law and will not be overcome by amending the Act. They require detailed attention at the local level and involve changes not just to structures and processes, but also to relationships, attitudes and mindsets. A constructive first step on this journey would be for councillors and officers to develop and adopt a detailed Glen Eira Code of Governance.

CHAPTER FIVE

FINDINGS AND RECOMMENDATIONS

The Terms of Reference require consideration of 'whether there should be any changes in processes and procedures at Glen Eira City Council'.

Findings

Before making any such recommendations it is necessary to summarise the main findings:

- (i) Glen Eira has performed at a high level since its formation in 1994 and in a large part this can be attributed to the overall competence of the Chief Executive Officer, the senior officers and the staff of the council;
- (ii) In relation to the recent staff changes and consultancy arrangements, the Chief Executive has acted professionally and in accordance with the Local Government Act 1989;
- (iii) There are some inadequacies in governance practices at Glen Eira.

Recommendations

It is of paramount importance that steps are taken immediately to improve these practices; for the relationship between 'governance' and 'management' in the body politic of a municipality, is much like the relationship between heart and lung in the human body - a relationship of interdependence. Indeed, there is some evidence that poor governance practices at Glen Eira over recent months are beginning to impact negatively on the management and overall performance of Council. Staff morale is low and some senior officers have indicated to the Inspector that they are considering leaving Glen Eira.

Accordingly, it is recommended:

- i. that the City of Glen Eira develop and formally adopt a Code of Governance which incorporates detailed communication and behavioural protocols for both councillors and senior officers and a shared understanding of roles and responsibilities;
- ii. that the City of Glen Eira appoint a Governance Advisor to facilitate the development and implementation of the Glen Eira Code of Governance by not later than February 28, 1999 and to advise and assist councillors and senior officers in effectively responding to the governance issues identified in this investigation including those which are the subject of recommendation iv, v, vi and vii;
- iii. that the Governance Advisor appointee be approved by the Minister for Planning and Local Government and the advisor report to the Minister as well as Council on all matters arising out of this report;
- iv. that the City of Glen Eira establish a Human Resources Committee of Council comprising councillors, senior executive and independent expertise-based membership;

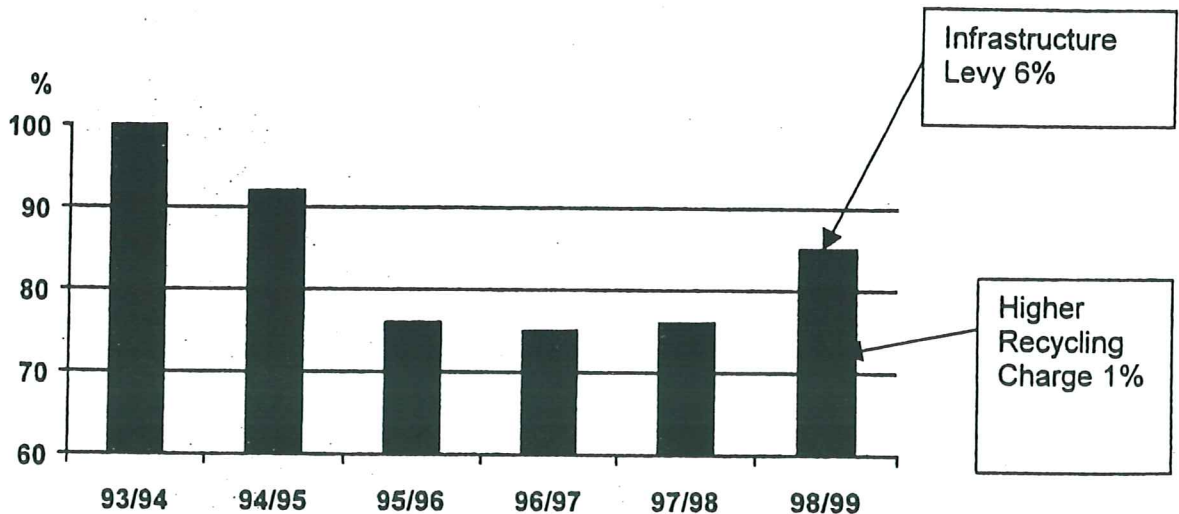
NOT DONE

- v. that the City of Glen Eira in conjunction with the Department of Infrastructure sponsor the preparation of a professional development program on 'model governance practices' which includes accredited courses (similar to the Company Directors program) which are made available to all current and aspiring councillors and senior officers throughout the industry;
- vi. ✓ that the City of Glen Eira review the current structure of representation on council with a view to extending the number of councillors at Glen Eira from six to seven or nine councillors.
- vii. that the City of Glen Eira be included as a participating council in the current Office of Local Government review of the composition and charter of municipal audit committees.

APPENDIX

RATES AND CHARGES

An analysis of rates and charges over the past five years shows that Glen Eira's rates in the current financial year (1998/00) are still 15 per cent lower than in 1993/94 despite the imposition this year of 6% 'infrastructure levy' and increased charges to accommodate the rising cost of recycling and other waste collection.



Rates and charges across the last five years (adjusted for inflation) showing Glen Eira's rates are still 15 per cent lower than the 1993/94 year

CAPITAL PROJECTS FOR 1998/99

Capital projects for 1998/99 include:

- ◆ \$3 million on roads
- ◆ \$1.8 million on drainage
- ◆ \$1 million on footpaths
- ◆ \$870,000 to improve shopping centres
- ◆ \$500,000 on sports ovals
- ◆ \$400,000 on library materials
- ◆ \$200,000 on the two swimming pools
- ◆ \$210,000 for disability access to buildings
- ◆ \$200,000 on parks
- ◆ \$120,000 on playgrounds
- ◆ \$110,000 on improving traffic flows and safety

COMMUNITY PROJECTS

Vision 20/20

The vision of Glen Eira in the Year 2020 was produced by Council under the direction of the Commissioners and published in December 1996. It has informed subsequent planning and developmental work under the elected Council.

Open Space Strategy

The **Open Space Strategy** will guide the development and management of Council's open space system. Glen Eira's network of open space is a valuable community asset and it was recognised that there is a real need for sound open space planning to prevent changes being made to the design of open space or recreational facilities on an ad hoc basis which can result in certain sections of the community not being adequately catered for and existing open space areas not being fully utilised.

An extensive consultation process was carried out as part of the strategy and a two month public exhibition period had just expired for public comment on the 'draft' strategy. The strategy sets out objectives, strategies and actions to overcome the identified open space gaps and limitations and provide Council with a strategic framework to guide the direction of open space in the city.

Street Tree Strategy for the City of Glen Eira

The **Street Tree Strategy** was developed in October 1997. Street trees are an integral component of the urban fabric of the City of Glen Eira and there was a need to provide a working document for street tree planning to unify all the streets in Glen Eira and strengthen the aesthetic and environmental quality of the area for the benefit of the whole community. The strategy is a practical, long term plan for street tree planning that addresses issues of aesthetics, maintenance, risk management, heritage conservation and environmental considerations.

Princes Park

A proposal to develop Princes Park recreation facilities was received from the Maccabi sporting clubs group in 1997. Councillors and officers responded to this by setting in motion an exhaustive community consultation process (including a public Expressions of Interest process) designed to ensure that the view of all sections of the community could be considered.

Phoenix Precinct Strategy

The Phoenix Precinct Strategy recognises and builds upon the existing major facilities within the precinct and will create a physically integrated and visually improved and economically sustainable precinct to act as a major amenity facility for patrons and the wider community. The strategy will identify economically feasible and marketable development options for key sites within the precinct and will guide the redevelopment of these sites, mindful of surrounding residential amenity issues.