

**Submission
No 2**

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT
REPORTS FEBRUARY 2019 - JULY 2019**

Organisation: Inner West Council

Date Received: 15 June 2020



15 June 2020

Mr Greg Piper MP
Legislative Assembly
Public Accounts Committee
Via Email: pac@parliament.nsw.gov.au

Dear Mr Piper

I refer to your letter dated 14 May on behalf of the Public Accounts Committee requesting a response to the Auditor-General's report *Workforce Reform in Three Amalgamated Councils*, tabled on 1 May 2019. Inner West Council has generated significant achievements post amalgamation, despite the challenging and at times disconcerting environment for staff. Efficiencies are longer term, especially, when working with the additional (five year) employment protections Inner West Council afforded its transferred staff.

The timing of the workforce audit, three years after amalgamation was understandable. As the report indicated, a newly amalgamated Council cannot realise the benefits of amalgamation until they align services across their former Council areas, complete integration of ICT systems and adopt common practices. However, the audit failed to reflect that such transition processes are time intense and efficiencies are longer term, especially when merging three councils. Further, the workforce audit concluded that "..... all amalgamated Councils should be routinely reporting to their communities about the costs of amalgamation and realisation of benefits." Council reports to the community through the IP&R framework. Reporting does not specifically identify costs of amalgamation, as they continue, and any realisation of benefits are utilised to reduce the infrastructure backlogs and budget deficit inherited and ongoing. As amalgamation was a forced policy by the State on Local government it should not be within local government's reporting remit to endorse the virtues of state government policy to the community.

The audit recognised the thorough consultative workforce process of Inner West Council working together with the Joint Consultative Committee, the staff and unions, to achieve change. The audit had no impact on our delivery program for service reviews and the integration of a One Council cloud-based ICT system. For Inner West, comparison of like mergers e.g. three metropolitan council mergers, would have provided more beneficial data for benchmarking. What has not been considered, yet significantly impacts on the success of amalgamation, was the return of the elected governing body, and their commitment or lack thereof to the success of the amalgamated Council. Policy decisions that increase non-essential services and commit to unfunded spending place stress on any efficiencies realised. Lack of policy decisions on achievable options for managing long term budget deficits also provide poor outcomes for the community and place significant stress on council staff.

Inner West Council's achievements have been reported in your Implementation of Recommendations template attached.

Sincerely,



Michael Deegan
Chief Executive Officer

IMPLEMENTATION OF RECOMMENDATIONS

Workforce reform in 3 amalgamated councils – INNER WEST COUNCIL

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1	Establish future service offerings and service levels and ensure that organisation structures are aligned with service levels and integrated ICT systems.	Accept – delivery program was already mapped.	a) Outdoor service reviews benchmarked and implemented	Dec 2019	Completed. External benchmarking provided the evidenced based data for workplace reform. A significant consultation process involving staff and unions ensured industrial harmony and a successful harmonisation and service review.	Infrastructure
			b) Organisation structure review to provide efficiency savings	Dec 2019	Completed. A change in CEO necessitated two iterations of structure changes. Significant fiscal savings achieved with a smaller more effective Executive leadership team and better alignment of services. Efficiency savings outcome of \$18 million is forecast to be significantly reduced by the impact of COVID-19.	Executive

			c) Integrated cloud-based ICT systems implemented	Mar 2020	Completed. One Council was a significant organisation wide ICT project that integrated our Finance, Payroll, Property and Rating systems providing a cloud-based solution enabling access anywhere and anytime for greater efficiency. These efficiency benefits were realised ensuring service provision was maintained whilst staff are working from home during the COVID restrictions.	Chief Operating Officer and Corporate
2	Report against target efficiency and savings outcomes associated with workforce reform and actively monitor progress against milestones.	Accept by reporting through the IP&R framework	<p>Due to the changes in CEO during the period with an Administrator, InnerWest Council's reform process was delayed initially. Consequently, the second CEO at the time did not follow the guidelines suggested at the time by the DPC for monitoring milestones.</p> <p>Council continues its current practice of reporting against KPI's through the IP&R framework; including managing its budget and tracking efficiency savings i.e. managing efficiency and savings associated with workplace reform through the operational plan; resourcing strategies, budget and LTFP process.</p>		<p>Amalgamation incurred the financial deficits of each former entity including the infrastructure renewal backlogs. Until these backlogs are reduced, Council cannot realise financial benefits of amalgamation. Further, Policy decisions that increase unplanned spending, are to the detriment of income and operating expenses, putting more pressure on managing the budget and any savings associated with workforce reforms.</p> <p>Despite service harmonisations, benefits realisation is also delayed for Inner West due to the 5-year employment protections resolved by Council. This does not expire until May 2021.</p> <p>Council continues to address policy decisions through the elected governing body e.g. reduction of non-essential services, property and investment</p>	Executive

					<p>strategies, reduction in spending to reduce LT financial deficits.</p> <p>Budget reporting to Council is conducted on a quarterly basis and ARIC meetings are held quarterly.</p>	
--	--	--	--	--	--	--