
ESTABLISHMENT OF CAPITAL AND OPERATIONAL ADVISORY COMMITTEE

Datworks Filename: GOV – Meetings – Capital and Operational Advisory Committee

Attachment: [Terms of Reference Corporate & Operational Advisory Committee](#)

Responsible/Authorising Officer:



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Chief Executive Officer

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PURPOSE

The purpose of this report is to seek Council's approval for the establishment of a Capital and Operational Advisory Committee to support enhanced governance and provide advice and recommendations to Council on investment decisions, project planning, prioritisation and delivery.

BACKGROUND

Council continues to strive to become a more efficient and effective organisation across all areas of our business. The drive for more efficiency is particularly focussed on improving customer service, reducing internal costs, reducing red tape for both residents and the business community and delivering quality services in a timely fashion.

Each year Council delivers projects to the value of approximately \$60-70m. This is largely made up of capital projects relating to vital community infrastructure (e.g. roads, parks, stormwater, water and sewerage, community facilities etc) and to a lesser extent operational projects (e.g. local law reviews, staff training and development programs, significant policy and strategy reviews etc).

As part of Council's commitment to efficiency, it is essential that this annual investment in projects is supported by suitable structures and processes. Council achieves this, via advice from the CEO, through the establishment of a corporate structure and the employment of experienced professional staff with appropriate qualifications and expertise in fields such as engineering, project management, financial management etc. To enhance outcomes however, it is essential that these resources are supported by robust corporate governance arrangements to ensure, inter alia:

- Clear communication between the various Departments of Council;
- Compliance with relevant legislation;
- Suitable project approval processes to ensure investment decisions are aligned to Council's strategic objectives, the community's needs, mitigation of risk, leveraging of opportunities etc;
- Optimal procurement, contracting and contract management processes; and
- Suitable project delivery processes to manage project scope changes, progress reporting to Councillors, the Executive and the community and accountability for delivery of final outcomes within acceptable standards of time, cost and quality.

In recent months, the Executive Leadership Team (ELT) has approved various internal initiatives aimed at improving outcomes in these areas and ultimately delivering better, more cost-effective services to the community. Some of these measures are outlined in the body of this report.

A further key requirement in Council's governance arrangements is the establishment of a Capital and Operational Advisory Committee. This Committee would provide expert advice to Council on a range of project related matters including commercial investment decisions, asset management planning, capital works planning, strategic procurement, adequacy of internal controls (e.g. project approval processes, performance management, benefits realisation) etc.

ISSUES

Each financial year Council approves, and ultimately delivers, many millions of dollars worth of capital and operational projects. The majority of these projects relate to the construction, upgrade or maintenance of assets that are used to provide vital services to the community including road infrastructure, stormwater drainage, parks and park improvements, water and sewerage reticulation, community facilities etc.

It is vital that these projects are delivered on time, on budget and to the desired standard of quality. Wherever possible it is also vital to ensure continuous improvement in these areas so outcomes to the community, in terms of both enhanced quality of services and reduced costs, can be delivered. A number of review processes are currently underway across the organisation under the direction of the ELT and/or project control groups established by the ELT. Three of these reviews are briefly outlined below;

1. Portfolio Management Office

Staff are currently undertaking a consultative review across all areas of the organisation involved in project delivery. Given that all areas of Council manage projects from time to time, the scope of this review impacts the entire organisation, but the key areas impacted are as follows:

- Infrastructure and Operations Department who are largely responsible for the planning and delivery of Council's annual capital works program;
- Corporate Finance who are responsible for the development of Council's annual budget and long-term financial plan; and

- Corporate Governance who are responsible for governance over the project intake and approval process and reporting on performance.

The review will be completed this financial year and a final report and framework for project management will be brought to Council for endorsement (via the project control group and ELT). The framework will deliver absolute clarity for all stakeholders with regard to roles and responsibilities for project approval and delivery including:

- clarification of dates for project scopes and briefs to be delivered;
- clarification of standards for project scopes and briefs tiered in relation to cost/risk;
- clarification of reporting requirements for projects tiered in relation to cost/risk; and
- clarification of project management requirements tiered in relation to cost/risk.

The review will also identify existing gaps in key processes that hinder project delivery in the organisation including:

- adequacy of existing information systems;
- consistency and quality of asset management planning across the organisation;
- procurement constraints (e.g. red tape) and opportunities for Council to achieve better, more cost-efficient procurement outcomes; and
- adequacy of existing contracting and contract management processes.

Where issues are identified in these areas, they will be brought to the attention of ELT so that all opportunities to achieve better outcomes are leveraged.

2. Review of Asset Management Plan Maturity

The *Local Government Act 2009* requires that Council's system of financial management must include a long-term asset management plan. Logically, given the vast array of assets Council owns and utilises in the provision of services to the community, the long-term asset management plan is broken down into multiple sub-plans for the various asset classes (roads, parks, buildings, stormwater, water and sewerage etc).

The maturity and accuracy of Council's asset management plans are vital factors in Council's annual and long-term planning given that so much expenditure goes into the construction and maintenance of assets on an annual basis. Council has consistently improved the standard of asset management plans in recent years but recognises that the plans need to develop further so Council can have as accurate a picture as possible of the state of its assets for current and future service and financial planning and provisioning needs.

This is an extremely complex and time consuming task given the thousands and thousands of individual assets owned across the asset classes and spread geographically throughout the City with many of the assets underground and

requiring sophisticated techniques to assess matters like current condition, remaining useful life etc.

Some asset classes are higher risk than others and the consequences of not fully understanding their condition presents a relatively higher risk to Council accordingly. Naturally Council manages this risk through inspection and maintenance programs to ensure continuity of service and safety for the community.

Accordingly Council's Asset Management Steering Committee, comprising senior officers across the organisation including representatives from operational, financial and governance areas, is currently embarking on a process to accurately review and assess the maturity of asset management plans. This review will support decisions around which asset management plans should be given higher priority and more quickly elevated to a standard of "best practice" in accordance with Council and community need.

Once Council's asset management plans are brought to the required standard, precise information will be available to Council to support better informed decisions in areas such as desired service levels for significant asset classes, costs associated with achieving those standards, financial commitments in the medium to long term to achieve desired service levels etc.

It should be understood that Council's current asset management planning is sound and generally consistent with standards across local government. It is essential though that Council moves closer to a "best practice" scenario for asset management planning, bearing in mind system, resource and cost constraints, to allow us to better plan community service needs, better understand our longer-term financial commitments and better integrate current and future planning to provide for the demands of the community for the next twenty years and beyond.

3. Procurement and Contracting Manual

Section 222 of the Local Government Regulation requires that a local government must make and adopt a contract manual. Council's General Counsel has recently undertaken a review of Council's Procurement and Contract Manual ensuring alignment to sound contracting principles and integration with Council's Corporate Plan and contracting plans.

The revised Procurement and Contract Manual ensures legislative compliance, reduces red tape for staff and suppliers wishing to do business with Council and clarifies the roles and responsibilities for all staff who enter into contracts and/or procure goods and services on behalf of Council.

The document comprehensively outlines requirements in the following areas:

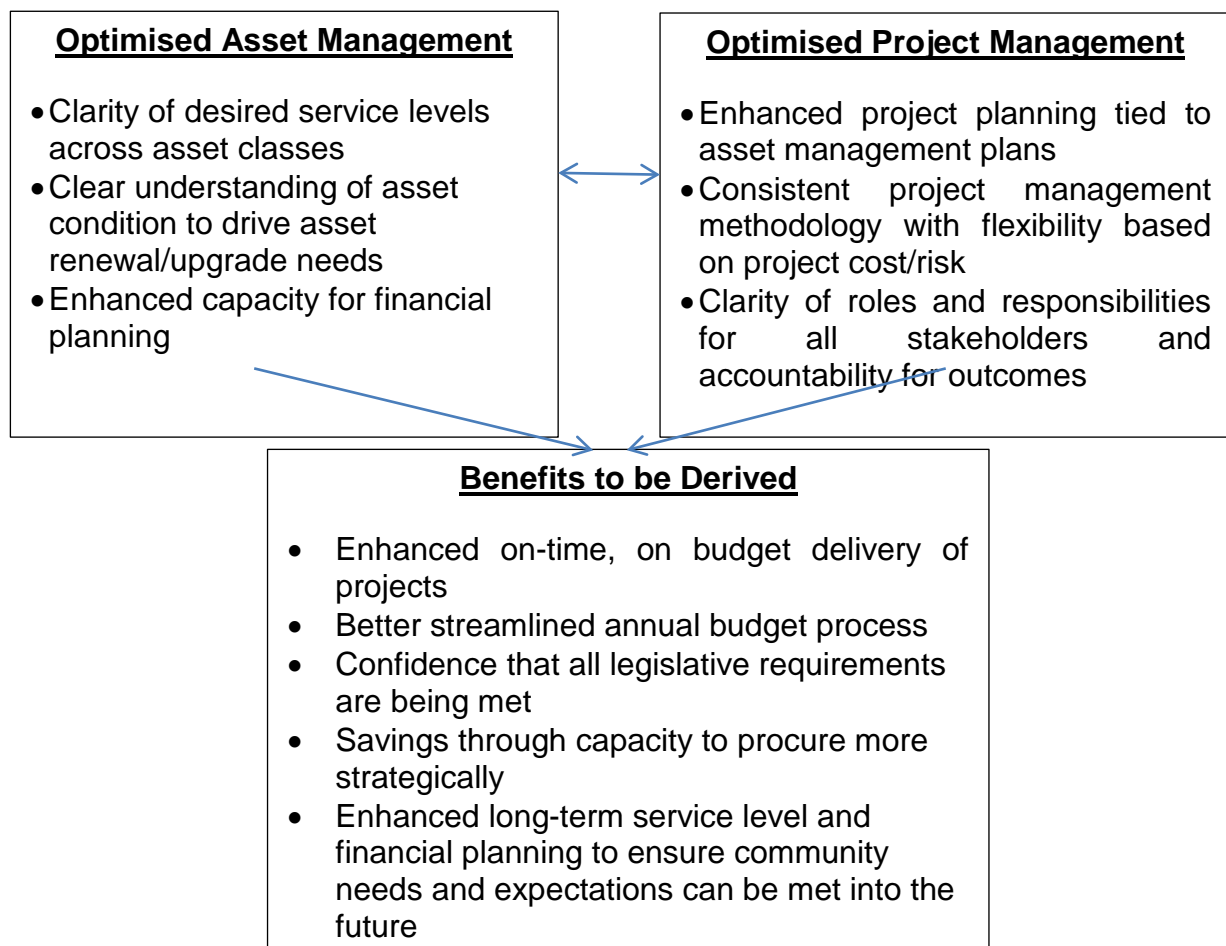
- Ensuring value for money and open and effective competition;
- The development of competitive local business and industry;
- Protection of the environment;
- Financial delegations of officers;

- Roles and responsibilities of staff who sit on evaluation committees for quotes or tenders; and
- Actions staff should take prior to approaching the market including purchasing plans, quote/tender evaluation and probity plans, lodgement details and rules around considering late tenders etc.

These actions achieve efficiencies by standardising documents, centralising managerial responsibility, streamlining procurement systems/processes to reduce timeframes and duplication and increasing predictability, probity and confidence.

Benefits to be Achieved

The Portfolio Management Office review and the revised Procurement and Contract Manual, in conjunction with other important work currently underway such as the audit of Council's asset management planning maturity, will deliver significant benefits as outlined in the diagram below;



Capital and Operational Projects Advisory Committee

To support the achievement of the benefits outlined above it is essential that a suitable governance model is implemented. The initiatives above, and other related steps in the project delivery process, need to be appropriately integrated and delivered in a timely and effective way across multiple departments without detracting from the capacity of operational areas to focus on day to day delivery. The key areas that need to be integrated are as follows.

- Asset management planning;
- Project management planning;
- Financial planning (annual budget and long term planning);
- Procurement planning; and
- Project delivery including contracting, contract management and accountability for final delivery of outcomes

These activities are undertaken across all Departments and Groups in Council and ideally need to be coordinated by a responsible governance body. Such a body could be constituted under the Local Government Act 2009 by the establishment of an Advisory Committee as set out in Section 264 of the Local Government Regulation. An Advisory Committee may include in its members persons who are not Councillors and all members, whether or not Councillors, may vote on business before the Committee.

The benefits of an Advisory Committee to oversee capital and operational project matters and provide advice to Council are as follows:

- Capacity to include independent members to advise Council on strategic, financial and commercial matters;
- Access to expertise, on a limited fee arrangement, to support Council's decision making process and provide advice on risks and opportunities;
- Access to advice from members with significant public and private sector experience on matters such as asset management, return on investment, strategic procurement etc; and
- Advice on alternate and contemporary methods that can save time, costs and improve quality aspects of Council's service delivery.

It is noted that an Advisory Committee cannot be appointed as a "standing committee" (Section 265 Local Government Regulation). Further, Section 257 of the *Local Government 2009* outlines that a local government can only delegate its powers to a standing committee or joint standing committee and a local government cannot delegate a power that is expressly required by an Act to be exercised by resolution (e.g. the adoption of the annual budget).

As such, the proposed Capital and Operational Advisory Committee would operate to provide advice and recommendations to Council, not to make unilateral decisions. All recommendations of the Committee would need to be brought to Council for formal ratification.

The Terms of Reference for the Capital and Operational Advisory Committee are outlined in the attachment to this report. Key aspects include:

- Proposal for the Committee to meet four times per year (minimum) with a summary report to Council after each Committee Meeting for ratification of recommendations;
- Committee to be comprised of the Mayor, Portfolio Councillor, CEO and three independent external members with Chairperson to be one of the external members;
- Chairperson to be appointed by Council with other independent members to be appointed by the CEO in consultation with the Chairperson and all Councillors;
- Other Councillors able to attend Committee meetings and provide input to meetings, in accordance with standing orders and direction from chairperson, but not able to vote; and
- Budget of \$40,000 p.a. to be set aside for Committee operations and payment of fee to external members.

Given the progress being made in the areas outlined above, and to ensure input into the 2015/16 budget process, it is recommended that the Advisory Committee should be established as soon as practical with a minimum of two meetings scheduled for the balance of 2014/15.

With regard to the appointment of the Chairperson, the curriculum vitae of [REDACTED] was recently supplied to all Councillors for review. [REDACTED] holds engineering, management and company director qualifications and has vast experience serving on boards, including as Chairman, of both public and private sector companies. [REDACTED] has also held multiple senior positions, up to and including Chief Executive Officer, with local governments, utility providers, other government entities etc. [REDACTED] broad experience and skillset makes him an ideal candidate for Chairperson of the Capital and Operational Advisory Committee.

STRATEGIC IMPLICATIONS

Legislative Requirements

Establishment of local government Advisory Committees are provided for in Sections 264 and 265 of the Local Government Regulation 2012. This Committee will assist Council to meet its statutory obligations in a range of areas including financial and asset management planning obligations and justification of annual capital programs.

Risk Management

The establishment of a Capital and Operational Advisory Committee would significantly enhance the management of risks in a number of financial, project management, legislative compliance and operational areas as outlined in Council's strategic, operational and activity risk registers.

Financial

In terms of direct financial impact, the annual cost of a Capital and Operational Advisory Committee would be approximately \$40,000 pa. Costs relating to Committee Meetings for the balance of 2014/15 can be covered through small adjustments to existing budgets. From 2015/16 onwards the costs will be included in budget submissions to Council. As outlined in the report, this Committee can support a number of other improvement initiatives around project management, asset management, procurement etc to drive significant savings and efficiencies into the future.

People

There are limited impacts on Council staff and no structural changes proposed through this report.

Environmental

There are no direct environmental impacts from this report though the draft Terms of Reference (attached) includes the need for the Committee to provide advice as required on environmental aspects of project planning and delivery and as such independent Committee members will need to demonstrate experience in the integration of social, environmental, commercial and economic demands.

Social

There are no direct social impacts from this report.

CONSULTATION

Consultation has occurred between the CEO and the Portfolio Management Office in the development of this report.

OPTIONS

1. That Council approves the establishment of a Capital and Operational Advisory Committee and endorses the attached Terms of Reference to provide ongoing governance over Committee management and operations, noting the benefits management has outlined and that all decisions still rest with council (the Advisory Committee has no delegated authority).
2. That Council approves the establishment of a Capital and Operational Advisory Committee with changes to the attached Terms of Reference.
3. That Council does not approve the establishment of a Capital and Operational Advisory Committee, and council continue with Business as Usual (BAU)

OFFICER'S RECOMMENDATION

That Council resolves to:

1. Approve the establishment of a Capital and Operational Advisory Committee and endorse the attached Terms of Reference to provide ongoing governance over Committee management and operations;
2. Appoint [REDACTED] as Chairperson of the Capital and Operational Advisory Committee for an initial two year period;
3. Authorise the CEO to take all necessary steps, as outlined in the Terms of Reference, to establish the Committee immediately with a view to a minimum of two meetings being held over the balance of the 2014/15 financial year; and
4. That this report and attachments remain confidential.

COUNCIL RESOLUTION

Moved by: Cr P Gleeson
Seconded by: Cr K Hardman

That Council resolves to:

1. Approve the establishment of a Capital and Operational Advisory Committee and endorse the attached Terms of Reference (as amended) to provide ongoing governance over Committee management and operations;
2. Appoint [REDACTED] as Chairperson of the Capital and Operational Advisory Committee for an initial two year period;
3. Authorise the CEO to take all necessary steps, as outlined in the Terms of Reference, to establish the Committee immediately with a view to a minimum of two meetings being held over the balance of the 2014/15 financial year; and
4. That this report and attachments remain confidential, until such time as the Chairperson has accepted the role.

CARRIED 9/2

Crs Ogilvie and Bishop voted against the motion.

TERMS OF REFERENCE

CAPITAL AND OPERATIONAL ADVISORY COMMITTEE

The following table sets out the formal terms of reference for the Committee:

ASPECT	TERMS
Head of Power	Advisory Committee appointed by Council under Section 264 of the <i>Local Government Regulation 2012</i> .
General Purpose	<p>The Committee provides strategic, economic, commercial, and financial advice to Council to guide its decisions relating to operating and capital investment covering Council's responsibilities in delivering a range of services to the community. Specific functions and roles in the provision of this advice include:</p> <ul style="list-style-type: none"> • Ensuring the provision of prudent and efficient Council services to the community by aligning service delivery to strategic, operational and asset management plans; • Considering advice, documents and materials brought forward from Council's Executive Leadership Team (ELT) or Portfolio Management Office (PMO) in relation to operational and capital investment decisions; • Considering impacts and benefits to the community, including risks of proceeding or not proceeding with proposed investment and expenditure, with regard to proposed operational and capital investment; • Considering proposed annual budget and operational program and forward capital works programs and providing advice and recommendations to Council on issues including deliverability, value for money, alternative delivery mechanisms and opportunities for innovation around construction, operations, maintenance, environment etc; and • Monitoring of delivery of programs against time, cost and quality parameters including reviewing and advising on the effectiveness of internal controls.
Membership	<p>The Committee shall be made up of the Mayor, the relevant Portfolio Councillor, the CEO and three external members. External members must be totally independent of Council and must possess relevant expertise in the following areas:</p> <ul style="list-style-type: none"> • Strategic planning and direction setting; • Understanding the integration of social, environmental, commercial and economic demands; • Corporate governance; • Local government services including water and sewerage, roads and stormwater, environmental sustainability, quality assurance, risk management and financial analysis; and • Demonstrated leadership skills at a senior executive level.
Appointment of the Chair	The Chairperson shall be one of the external Committee members as appointed by Council for the duration of two years. In the Chair's absence, the Committee shall appoint an Acting Chair from one of the other external Committee members.

Quorum	There must be at least three members of the Committee present at each meeting to form a quorum, including at least one external member. Where a quorum is not obtained for a particular meeting within 30 minutes of the appointed starting time of the meeting, the Chair shall postpone the meeting to a later date.
Appointment of Other External Members	Recruitment and appointment of external members, other than the Chair, will be managed by the CEO who will consult with the Chair and all Councillors. Other external members will also be appointed for a term of two years. All other Committee members will remain consistent in accordance with their roles with Council (i.e. Mayor, Portfolio Councillor, CEO).
Meeting Frequency	Meetings of the Committee shall be quarterly. Additional meetings may be called as deemed appropriate provided the overall number of meetings each year does not exceed eight (8).
Notice of Meetings	At least once a year, Council will publish notice of the days and times when Committee meetings will be held, on Council's website. Notice will also be provided in a conspicuous place at Council's public office.
Integration of Meetings with Council's Budget and Planning Operations	The CEO will determine meeting dates for the financial year ahead. In determining meeting dates the CEO will ensure consideration is given to integrating meetings with Council's statutory and non-statutory planning timeframes including annual budget and operational plan processes, annual approval of updated asset management plans etc.
Meeting Location	Meetings will be held in Council chambers wherever possible though meetings can be moved to a suitable alternative venue, preferably at one of Council's offices, provided approval of the Chair is received and appropriate notice (at least seven days) is provided to all members as well as on Council's website and in a conspicuous place at Council's public office.
Standing Orders	For all matters not covered by these Terms of Reference, Council's Standing Orders (Policy 3127) will apply and all Committee members will be required to abide by the Standing Orders.
Minutes and Agendas	The CEO shall provide a secretariat for the Committee. The secretariat shall prepare an agenda and provide a copy of the agenda to all Committee members not later than five (5) business days before each meeting. The secretariat shall also take minutes at each meeting with minutes to be provided to all Committee members not later than four (4) business days after the conclusion of each meeting. Agendas and minutes will be made available on Council's website in accordance with the requirements of the <i>Local Government Regulation 2012</i> .
Committee Recommendations	In accordance with <i>Local Government Act 2009</i> requirements, recommendations at each meeting will be open with questions decided by a consensus of the members present. Non-member Councillors may attend meetings and provide input, as regulated by the Chair. It should be noted Councillors and the full Council will consider and vote upon any recommendations of the committee at a full Council meeting. (The committee has no delegated authority).

Attendance at Meetings by Employees or Other Parties and Requests for Employee Assistance	<p>From time to time senior management employees or other employees with specific expertise might be asked to attend Committee Meetings to present information, answer questions, provide advice etc. Where employees are required to attend meetings they will provide full, frank and meaningful advice on all issues within their capacity. Other external parties (contractors, consultants etc) may also be invited to meetings to provide input at the discretion of the Chair.</p> <p>Where information is required from employees outside of Committee Meetings, such requests will be directed through the CEO and employees will make every effort to respond in a reasonable timeframe, generally in accordance with Council's Customer Contact Guidelines (Guideline 3125-001).</p>
Referral of Committee Recommendations	<p>Reports of each meeting will be referred to the next available General Meeting of Council for consideration of recommendations. Council may endorse, amend or reject the recommendations as it deems appropriate by resolution. Council may refer particular recommendations back to the Advisory Committee for further consideration.</p>
Reviews of Terms of Reference	<p>These terms of reference will be reviewed periodically by the Committee as deemed necessary provided that they must be reviewed at least once every two years. Minor changes to the Terms of Reference that do not alter the intent of the Committee or its decision making powers, structure etc. can be approved by the Committee provided the changes are referred to all Councillors for noting. Changes to the intent of the Committee or its decision making powers, structure etc. must be ratified by Council resolution.</p>
Delegated Authority	<p>In accordance with the constraints of the <i>Local Government Act 2009</i>, Council cannot delegate authority to the Committee.</p>
Public Access to Meetings	<p>All formal meetings will be open to the public, consistent with legislative requirements and normal practice at Council's General Meeting. By exception, and in accordance with the <i>Local Government Act 2009</i>, confidential matters may be considered in closed session without the public present and informative and/or deliberative workshops may be conducted if necessary without public access.</p>
Remuneration	<p>Independent members of the Committee will be paid remuneration commensurate with experience and knowledge. The CEO will negotiate fees with external candidates on this basis. The fee for each Committee meeting will include meeting preparation and reimbursement of all reasonable travel and out of pocket expenses relating to meeting attendance. The fees will be reviewed every two years from appointment. All Councillors and Council Staff will receive no additional remuneration for this committee.</p>
Conflict of Interest or Material Personal Interest	<p>Councillor members of the Committee are required to discharge any material personal interest or any real or perceived conflict of interest in the same fashion as required under the <i>Local Government Act 2009</i>. In the event the CEO or an independent Committee member has a material personal interest in a matter or a real or perceived conflict of interest, they shall declare same to the Chair or the Mayor as soon as they become aware of the situation and the minutes of the meeting shall record the interest.</p>

BILL LYON

Chief Executive Officer