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INQUIRY INTO THE CITY OF PERTH

PUBLIC HEARING - DAY 126

THURSDAY, 10 OCTOBER 2019

INQUIRY PANEL:

COMMISSIONER ANTHONY (TONY) POWER

COUNSEL ASSISTING:

MR CHEYNE BEETHAM

MS KATE ELLSON

COUNSEL APPEARING:

**MR WILLIAM ROBINSON and MR TRENT O'NEILL (MR Murray
JORGENSEN)**

MR MARTIN TUOHY(MR Martin Mileham)

MS BELINDA RANDALL (MR Robert MIANICH)

MS ALENA ZORIC (MS Rebecca MOORE)

.10/10/2019

HEARING COMMENCED AT 10.02 AM:

5 COMMISSIONER: The Inquiry into the City of Perth acknowledges the traditional custodians of the land on which it is conducting this hearing, the Whadjuk people of the Noongar Nation and their Elders past, present and future. The Inquiry acknowledges and respects their continuing culture and the contribution they make, and will continue to make, to the life of this City and this region.

10 Mr Beetham.

MR BEETHAM: Sir, I recall Murray Alan Jorgensen.

15 COMMISSIONER: Thank you. Mr Jorgensen, would you please come forward and take a seat in the witness box.

MR Murray Alan JORGENSEN, recalled on former oath:

20 COMMISSIONER: I will just take appearances, Mr Beetham.

MR BEETHAM: Certainly, sir.

COMMISSIONER: Thank you. Mr Robinson?

25 MR ROBINSON: Mr Robinson with Mr O'Neill, seeking leave, Commissioner.

COMMISSIONER: You have leave

30 MR ROBINSON: Thank you.

COMMISSIONER: But I will just take appearances. Mr Tuohy?

MR TUOHY: Commissioner, I seek leave to appear on behalf of Mr Mileham.

35 COMMISSIONER: You have leave, thank you. Ms Randall, you appear today for Mr Mianich?

MS RANDALL: That's correct, Commissioner.

40 COMMISSIONER: Thank you. Just before you begin, I will just read out an order prohibiting publication of certain materials, because the previous one has expired.

45 MR BEETHAM: Certainly, sir.

COMMISSIONER: Pursuant to section 19B 5(c) and (d) of the Royal Commissions Act 1968, which has effect pursuant to section 8.20 of the Local

Government Act 1995, the Inquiry Panel orders that publication of any personal information of any person referred to during the evidence given, or contained in any documents displayed during public hearings of the Inquiry during the period 10 October 2019 to 11 October 2019 is prohibited.

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In this order "personal information" means: (a), particulars of any person's contact details, including but not limited to his or her residential addresses, the addresses of any other residential or commercial properties in which he or she has an interest, post office box numbers, telephone numbers or email addresses; and (b), any person's bank account numbers.

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Mr Beetham, are you ready to proceed?

MR BEETHAM: Yes, sir.

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COMMISSIONER: Thank you

EXAMINATION-IN-CHIEF BY MR BEETHAM

Mr Jorgensen, yesterday you gave some evidence when we were speaking about the interconnectedness of the City's various systems about something called a spaghetti diagram; do you remember giving that evidence?---Yes, I do.

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Madam Associate, could we have up on the screen a diagram that might fit that description, please. Mr Jorgensen, can you see that on the screen there in front of you?---Yes, I can.

25

Is that the spaghetti diagram to which you were referring yesterday?---Yes, that is contract, sir.

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Could you explain what this diagram represents?---I'd like to be able to explain it but I'm not the technical expert in our financial or information systems, but at the highest logical level, the green squares represent software systems that provide a lot of our primary data sources, and then the yellow ones are secondary. There is a legend on the bottom left-hand corner, but the key thing that I would say, and the points that I was trying to make yesterday is that instead of having an enterprise-wide resource planning solution where there was an integrated financial and data and information keeping system, there was a system which involved multiple different systems that were not necessarily integrated, or subject to an information governance framework. So if you take the, what I will call the spaghetti or the interconnecting white lines between the systems, you will see a lot of the interdependencies, but in particular, I draw your attention to the ones with the red dots on, the pieces of spaghetti. Each one of those is either a manual intervention or a manual reconciliation involving the transfer of data and again, I'm explaining it in non-technical terms because that's the only way I understand it.

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Yes?---But certainly in-house, we have technology and financial experts that can

explain it in more detail.

5 Just so that I can understand the point you're making about those red dots, if we take - it's going to be a little bit hard to direct you on this diagram but if we take what I think is described as the K drive, which is sort of in the bottom middle, and you will see it's got numbers of pieces of spaghetti leading up to what looks to be a green item, Finance One, do you see that?---Yes.

10 On each of those strings or pieces of spaghetti there are red dots; are those the red dots you're talking about when you say that's where there's a manual intervention?---Yes, that is correct.

15 So that's true for red dots on these pieces of string throughout the diagram generally?---Yes, that is correct.

20 Was this what the system looked like when you arrived at the City of Perth, or when was this diagram prepared, do you know?---The system when I arrived at the City of Perth, I had no visibility of it. I only had visibility of day to day concerns about the ability to get accurate and efficient data to make decisions. This, from the best of my recollection, would have been several months after I started and our Project Director, Strategic Finance, Mr Kent, had experienced similar frustrations to myself on the ability to understand the interconnectedness between the systems, and he worked with the IT Department or the Information Technology Department to outline how everything did fit in together and this was the result of that.

25 So this is a diagram, is it, prepared by, to your understanding, Mr Kent and some people in IT?---It was prepared by our IT specialist under the supervision of Mr Kent.

30 When did you first see it, do you recall?---No, I don't recall but it's definitely in 2019, not 2018.

35 Can you recall what reaction you had, if any, to seeing this diagram for the first time?---On one hand, I suppose it would have been almost disbelief but then on the other hand it was, well, that now explains a lot. Despite the confusion that it created, it was at least comforting to know we understood the extent of the problem and now we have got a Financial Transformation and an Information Transformation Program to address this, and one of the reasons I said yesterday it may take up to three years to solve it, although I'm confident we will break the back of it by the end of this financial year, it is a very complex and difficult thing to turn around overnight.

40 Yesterday you gave some evidence about how, I think it was the Finance One package, was operating at about 12 per cent capacity, have I got that right?---That's my understanding.

45 And you gave some evidence to the effect of the bolt-ones which I understand

might be some of these other items around Finance One, were being removed and the function incorporated within or used within the Finance One package, is that right?---That's correct. So our objective will be to reduce the number of other systems and build the capability of Finance One to deliver a lot of the other work.

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So would a version of this or an updated version of this map that was prepared in, say, August of next year, is the aspiration that it will have far fewer spaghetti lines and red dots?---That is correct. In fact, the main thing is, it will not rely on the storage of our information on K drive and Finance One will be what I would call ERP or Enterprise Resource Planning, the whole enterprise solution. So that will be the core platform and there will definitely be less systems hanging off it.

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The proposal to undertake this reform is pursuant to these plans you spoke about a bit at length yesterday, is that right?---Yes, that is correct, sir. The actual steps to do that are outlined in the Financial Transformation Plan which was one of those documents that I tabled yesterday.

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Are you able to say whether regard has been had by the City in undertaking this transformation plan as to what, if any, impact that might have on the City's ability to deliver services?---Initially it will be our ability to extract and interpret quality realtime data. So hopefully the first benefit would be better decisions based on better data. The second thing is, there should be definitely efficiency savings without the need for all of those manual interventions. As the systems are reformed, there should be a serious ability to, over time, reduce the number of staff involved in the collation of that information. Then the third benefit I would see would be the minimisation of risk. I used yesterday the example of missing brackets on a manual document around a figure of \$55 million which extrapolated to \$110 million error in some statements. Hopefully that would be minimised in the future which is a risk to the City.

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In terms of the impact on stakeholders or ratepayers, people who interact with the City at a service level, is there any expectation that the reform is going to have a negative impact on that in the short-term?---Definitely no negative short-term impact that I can envisage.

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Thank you for that, Mr Jorgensen. Can I ask you now about a different topic? Madam Associate, that can come down off the screen. Sir, perhaps can I tender that document so it can form part of the Inquiry's evidence?

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[10.15 am]

COMMISSIONER: Yes. It would be convenient at this stage to refer to it as the spaghetti diagram?

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MR BEETHAM: Certainly, sir

#EXHIBIT MAJ2 - Spaghetti diagram.

MR BEETHAM: Thank you, sir.

5 Mr Jorgensen, in your statement that you've provided to the Inquiry, one of the things you say is that when you joined or started your tenure as CEO at the City of Perth, you observed, and you say this was consistent with a report that had been prepared by the Commissioners, that the City was an organisation that was, amongst other things "inward looking and not fully focused on the community, customer or its stakeholders." Can you elaborate what you mean by those two things, inward looking and not fully focused on stakeholders?---Yes, I can, sir. My perception when I got there was that the organisation had been through an incredibly different period, you would almost call it survival. It had been under a lot of scrutiny, attack, disruption and therefore I would say many of the staff were almost in survival mode, or protection mode - sorry, I've lost my train of thought.
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15 Could you - - -

That's okay, Mr Jorgensen. I will break the question in half. You mentioned in your statement that you had reached the view that the City was inward looking when you arrived?---Thank you, yes.

20 Can you just elaborate on that?---And the second point that I wanted to make was that rarely did I hear, in any conversations I was having at the Executive or management or even officer level, rarely was the words "customer, community or stakeholder" at the forefront of the conversation and that was because, I believe, they were in sort of a survival mode or feeling as though they were under attack, and there had been a lot of duress and there was a lot of self-reflection and inward looking behaviour rather than, what do we need to do for our customer, what do we need to do for our community?

30 Has that changed or begun the change?---It's improved but would I say it's 100 per cent embedded? Certainly not at this stage but there is definitely a bigger focus on the community, customer and stakeholder. Our consistent conversation at Executive level or in any discussions with the Commissioners is, how will this better serve our community, how will it better serve our customer?

35 So when you joined the City and you were confronted with systems that eventually looked like the one we saw in that spaghetti diagram and you have this inwardly focused organisation, were any steps taken or did you obtain a view as to a sort of a benchmark as to how the City was performing as an organisation?---Yes, sir.

40 As I indicated yesterday, I don't believe the City of Perth got into this state overnight or over a short period of time. I think it was quite a long period of time. I couldn't be specific on the timeframe. We had an independent assessment. The Commissioners arranged for an independent assessment of the organisational state of affairs and the recognised benchmark is the Australian Business Excellence Framework and one of the four consultant reports that I tabled yesterday was a report from Learning Horizons and it indicated the state of maturity of the seven
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major criteria of business excellence.

5 Pursuant to that framework?---Correct, which included matters like leadership, strategy, planning, people management, performance management, data information, et cetera, et cetera.

10 Yes?---Including customers and stakeholders. It was extremely low, in fact one of the lowest they had ever come across in their work across Australia and it was a figure that was below 200 out of 1,000 points.

So below about 2 out of 10?---Below about 2 out of 10.

15 Has there been any steps taken to have that assessment done again since you've joined the City?---Through you, not at this stage. We have set out our Corporate Recovery Implementation Plan in accordance with the principles of the Business Excellence Framework and as I indicated yesterday, we are at about 24 per cent of the way through that. So certainly less than a quarter of the way and we just felt that it was too early to be checking but it's certainly something that would be worth the City looking at in the future.

20 When you received this information that the organisation was at about just under 2 out of 10 or 200 out of 1,000, did that surprise you?---Intuitively I would have thought it was 3 or 400 out of 1,000, but I knew it was struggling in areas. It was obvious. I mean, the Executive and management identified many of the problem areas so it's not as though they were discovered as new matters of concern. Certainly some of the issues have been around a long time and have been highlighted in previous reports and I am aware that previous Executives were working on trying to resolve of some of those matters.

30 Mr Jorgensen, I now want to move in a moment to talking a little bit more about the Corporate Recovery Implementation Plan and the vision and steps for the future?---Mm hmm.

35 Just before I move on to that topic, do you recall a letter that you wrote to the former Director of Corporate Services on about 12 March of this year? Do you know the letter I'm talking about?---If it was a personnel matter relating to a number of concerns, yes, I do recall the letter, not the specific contents.

40 Are you able to say, when you wrote that letter, whether what's contained in the letter reflected the views that you held or that were conveyed to you by other people within the organisation at that time?---Some of the views were conveyed to me, a lot of them were my own observations or matters that I came across over time.

45 Did you, to your recollection, receive a response to that letter?---Yes, I did, I believe, receive a response from the employee's solicitor, but I would need to check the records to be sure of that.

Thank you, Mr Jorgensen. Can I ask you now about that Corporate Recovery Implementation Plan and the steps for the future. Are you able to start by giving the Commissioner an overview as to - I know we spoke about this a little bit
5 yesterday, but an overview of what the future is going to look like for the City according to that implementation plan?---Yes, I can. Commissioner, whilst there will be hundreds of components of the complete picture, I will tackle it at the highest level. So if I go through the Business Excellence Framework, which drives a lot of the thinking behind this, so leadership and strategy is at the core of all the
10 recovery work. Unless people, whether it be at the Elected Member, Commissioner, CEO, Executive level, actually fulfil their roles with high quality values, building a customer focused excellence culture, that the City will always struggle. So that drives the behaviour. The strategy of course is then, we have on a daily basis, hundreds and hundreds of competing issues, so we need to be
15 focused on where to allocate the resources and ensure that we are responding to our customers and community and good strategy will do that. As I indicated yesterday, the Integrated Planning and Reporting Framework is the key tool to delivering that and being held accountable to the community for that. In addition to that, high quality data and information is needed to make informed decisions,
20 whether it be at the Council level or the Executive level or right down to officer level. If you take the spaghetti diagram as a starting point, I see in the next three years, realtime, highly integrated, enterprise-wide software solutions that will provide the data and information we need and we have a plan to get there. The next thing, one of the City's greatest assets and possibly often the neglected asset is
25 the people themselves. We have approximately 750 staff. I would say the very vast majority of those are outstanding, dedicated individuals and professionals that have been trying to do the right thing in a very difficult environment. So 2020 - we are planning now so that in 2020, we can do a lot more internal cultural development work which starts to shift the focus back to the customer and the
30 community. We have plans to move to neighbour precinct and place planning to ensure that there's a strong connectedness with the community. The next area of attention really is performance management. There's a lot of performance measurement at the City of Perth, in fact I would say too much, which means that it does become ineffective. There's just too much measurement of too many
35 things, that there's too much noise to make quality decisions. So we are looking at a very streamlined performance measurement system which means that whether you're the community, the governing body of the Council or the Executive, you will be able to see whether we are on track or not. So we will be held accountable to that. Finally, at a personal level, I hope to see some of the big neglected issues
40 that are tackled under the stewardship of the Commissioners and that includes homelessness, it includes revitalising the CBD, I think making the City a great capital city. We have got all the fundamentals right and I want to see it that every West Australian wants to visit the City of Perth regularly.

45 COMMISSIONER: What it should be?---M'mm.

Thank you, Mr Jorgensen.

MR BEETHAM: Mr Jorgensen, just a couple of questions arising out of that passage of evidence. You mentioned neighbour and place planning. Can you tell me what that is or what the vision is for that?---There would be a lot better
5 equipped people to explain that. In fact, we have a discussion booked internally with our Executive and Management Team tomorrow to better define that. So the timings probably not right for me to explain it as an expert but my understanding is, rather than adopting a one size fits all - even though the City of Perth is only 25
10 square kilometres and 25,000 people, Crawley versus East Perth is different to West Perth which is different to Northbridge. So rather than the one size fits all, let's look at Northbridge and actually work out how we want to plan that area for the future and connect with the community and work with the community to make that a very special place, and then it can go down to effectively a precinct or right down to a particular place as small as something like EQ or Wellington Square.

15 So the places within that are these places you are identifying in the neighbourhood for the broader community?---Yes.

20 Is one of those neighbourhoods, do you know, the CBD and I ask that because you mentioned an aspirational plan to revitalise the CBD. Do you know if that's tied into this neighbourhood and place planning?---Yes, it is. It in itself would be a perfect example of a unique precinct.

25 So there's an aspirational plan in place to do exactly that, is there, revitalise the CBD?---There's an aspirational plan and the initial liaison, engagement has started. The Commissioners recently extended an invitation to the people with skin in the game, the major property owners, the major retailers and then we have had subsequent meetings with community groups that also have an interest in the CBD, like Activate Perth, Historic Heart and other groups, to actually re-engage and
30 really understand the challenges they have and then work collectively on a solution. So even though something like homelessness might not appear to be a commercial issue, it does have an impact and we will be looking at working with the commercial sector to find a solution.

35 [10.30 am]

40 One of the things mentioned in your statement, which I think is connected to what you're saying, is that there was, to an extent, limited stakeholder engagement, or not a proper plan in place for stakeholder engagement; is that something that the City's looking to improve or is in the process of improving, including, for example, for the reasons you've just given in respect of homelessness?---Yes, that is correct. There certainly was, as I understand it, stakeholder management plans and stakeholder efforts in place when I arrived at the City of Perth but the One Degree report from Andy Farrant and Linda Wayman that I tabled yesterday gave the
45 Commissioners and myself insight as to where there were significant gaps in that, and that is being addressed now with a draft stakeholder approach.

Is that a City-wide stakeholder approach, is that what that is?---Yes.

Looking to the future, are there any particular obstacles that you can see that might impede the City achieving some of the aspirations we have been talking about?---That's a good question. Clearly there is - there's always risk and there will always be obstacles. We believe we have identified most of them. One thing is, whilst everyone says they like change and want change, when you go to implement change there can quite often be significant resistance, that's internally and externally. So resistance to change, I think, will be probably the biggest risk.

I know you've said this, but when you say resistance to change, you mean change within the City as an organisation to the extent that things, processes, for example, need to change and change in the City itself and resistance from stakeholders, is that what you mean?---That's what I mean. So, for example, if it's in the best interests of the City to be a 100 per cent pedestrian friendly City to create an awesome City, I'm sure there would be resistance to change, to saying, we want less vehicles in the City. So I'm not suggesting that's an initiative of the Commissioners or myself, but I just use that as an example to change and potential resistance.

The last thing I want to ask you, before ask you a more general question, is, one of the things that this Inquiry has heard a couple of times now is that the City had or aspects of the City had a culture of compliance - I'm paraphrasing here, but something of a check box mentality where it would be, if you comply with the legislation, then that's enough, you don't need to go beyond that. Is that something that you experienced when you joined the City?---The way I would describe it, similar to that is, if I can just revert back to that survival mode, when you feel as though you're under attack, whether it's from external sources or internal sources, it's quite a natural defensive mechanism to cover thy butt, is probably the best way to put it, or take a very risk-averse approach. I don't think that would be unique to the City of Perth. I think when there's difficult times, that tends to be how humans behave but in saying that, there were definitely pockets of incredible innovation and creativity. So I wouldn't say across the organisation there was a compliance mentality, but there were certainly pockets, large pockets of it.

Do I take it from what you're saying and what you said yesterday, that one of the aspirations of the City under your leadership and the Commissioners and the Council that may be elected in the future, is that the innovation aspects of the City are to be encouraged, is that right?---Without a doubt. Good change will only come with innovation and creativity and there's a lot of that. I've certainly seen the emergence from the current staff. A lot of people are really stepping up to the plate and driving good change and good innovation and improved services, there's no question that's already started to occur.

And what's the feeling - are you able to give us an indication of what the feeling is like at the City on the ground amongst the staff now?---It's probably a better question to ask the staff but if I had to define it, my perception would be that they

know they need change, they support change. They get a little more nervous as the change gets closer to affecting them but they have recently just been through probably one of the biggest adjustments where, within a week, half the Management Team were made redundant and as you can imagine, there were
5 strong relationships with teams and leaders and not everyone agrees with the decision-making that took place, but it would be fair to say that the last Town Hall meeting was the day after that was announced, which I would have said would have been rock bottom day of staff opinion, and that was the day that I indicated that the survey results indicated that there was still three-quarters or more of the
10 staff supporting the changes and initiatives that I had made.

Thank you, Mr Jorgensen. Just bear with me one moment. That's been very helpful, Mr Jorgensen. Is there anything else in respect of how the City was when you arrived, the processes in place for the future that you wanted to bring to the
15 attention of the Inquiry that we have not already discussed?---No, but I would like to - sorry, yes.

Yes?---But I would like to place on record my appreciation of the commitment of the majority of staff. I think in a lot of the media coverage that has occurred and through the challenges of the Inquiry, a lot of fairly innocent people that have been
20 committed to the delivery of quality services, have got caught up in a damaged reputation when it's totally unjustified. We have high quality individuals there which we are trying to harness to just make the City a better place and I'm confident, before I depart, that we will be well down the track of corporate
25 recovery.

Thank you, Mr Jorgensen. Sir, those are my only questions for this witness.

COMMISSIONER: Thank you, Mr Beetham. I will now hear applications.
30 Ms Randall, do you have an application?

MS RANDALL: No application, sir.

COMMISSIONER: Thank you, Ms Randall. Mr Tuohy?
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MR TUOHY: Commissioner, I have one application.

COMMISSIONER: I will hear it in the absence of the witness then.

40 MR TUOHY: Thank you.

COMMISSIONER: Mr Jorgensen, what typically happens is that if counsel have an application to examine you, I hear that in the absence of the witness so I'm going to ask for you to be excused from the hearing room while I hear this
45 application?---Thank you.

Thank you.

WITNESS WITHDREW.

5 COMMISSIONER: Yes, Mr Tuohy?

MR TUOHY: Commissioner, my application relates to, or the question I wish to ask is what is the current number of, or the aggregated number of full-time equivalent staff and contractors. The witness, as you will recall, yesterday was shown a bar graph from the Nicolaou report which indicated, I believe, the line and difference between the performance and the cost of staff in various years. My understanding is that the number of 750-plus was talked about but I'm just wondering whether or not it may assist the Inquiry to know what is the current aggregate number of full-time equivalent staff and contractors with the City of Perth to compare that against what it was during the relevant period of the Inquiry.

15 COMMISSIONER: Is that the only matter on which you wish to question the witness?

MR TUOHY: Yes, Commissioner.

20 COMMISSIONER: To be successful in your application, Mr Tuohy, you have to convince me that a question of that sort would advance the purposes of this Inquiry. How would it do that?

25 MR TUOHY: I believe it may show the Inquiry how long it's taken for the Commissioners and the current CEO to address the issues which the Inquiry appears to have identified concerning the cost of staff during the relevant period of the Inquiry, by the graph in the Nicolaou report.

30 COMMISSIONER: You will have to be more specific. What issue will it address if I allow to question Mr Jorgensen on that matter?

MR TUOHY: It appears that one of the issues that was raised of concern was the number of staff, the level of staff and I believe this witness may have commented yesterday on the overall number of staff and indeed has commented yesterday and today again about the reduction in the number of managers, but I believe it would be useful to the Inquiry to know exactly what is the current aggregate number of full-time equivalent staff and contractors at the City of Perth in light of the fact that criticism appears to have been levelled at the former Executive about the number of staff when they were present.

35 COMMISSIONER: I think the criticism, to be fair, Mr Tuohy, was that they did not know what the number was. I think the evidence was, if I recall it correctly, it was a certain number, give or take 10 or 20; is your recollection the same?

45 MR TUOHY: I believe it's somewhere around that number but I'm just wondering what it is now and whether or not they can pinpoint an exact number or whether

it's within a range.

5 COMMISSIONER: I have to say, Mr Tuohy, I am not convinced by the need to lead that evidence from this witness because it doesn't seem to have a very strong purpose, but I will hear from Mr Beetham on that. Mr Beetham?

10 MR BEETHAM: Three things, sir: the first is, I agree with your comments; the second is, my recollection is Mr Jorgensen gave a figure yesterday which I think was around 750.

COMMISSIONER: It was 750.

15 MR BEETHAM: The third point, sir, is a question of that type, to be fairly answered, would require Mr Jorgensen to have access to the HR system. Unless Mr Jorgensen did that this morning or yesterday, I'm not sure he's going to be able to give a precise figure without accessing the system himself relatively recently. So I'm not sure it's necessarily a fair question to put to this witness in those circumstances.

20 COMMISSIONER: The difficulty I have with it, Mr Beetham, is there doesn't seem to be very much point to it.

MR BEETHAM: I agree with that too, sir, yes.

25 COMMISSIONER: Is there anything else you wish to say?

MR BEETHAM: No, sir.

30 COMMISSIONER: Mr Tuohy, do you wish to be heard in reply?

MR TUOHY: No, sir.

35 COMMISSIONER: Thank you. I'm not going to give you leave. Thank you. Mr Robinson, do you have an application?

MR ROBINSON: I don't, Commissioner.

40 COMMISSIONER: Mr Robinson, while you're on your feet, may I take this opportunity to express the appreciation of the Inquiry for the witness statement of Mr Jorgensen, which I understand was drawn up by someone at your firm. It is a very helpful document for the Inquiry to have. The amount of time and effort which has gone into it is obvious from the final product and it is a very professional piece of work, so thank you very much

45 MR ROBINSON: Thank you, Commissioner. I can't take full credit for that but my friend here can.

COMMISSIONER: Thank you. Are there any housekeeping matters before I adjourn briefly to allow the arrangements to be made for the next witness?

5 MR BEETHAM: Sir, other to have Mr Jorgensen back and let him know he's - - -

COMMISSIONER: Of course.

MR BEETHAM: Other than that, no, sir.

10 COMMISSIONER: Thank you. We will have Mr Jorgensen back in the hearing room, please. Mr Jorgensen, please resume your seat in the witness box. Thank you.

MR Murray Alan JORGENSEN, recalled on former oath:

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COMMISSIONER: Mr Jorgensen, in your absence I heard an application to examine you, which I declined. So you will be pleased to hear there are no further questions for you this morning. I would like to take this opportunity to thank you for your assistance, as I have thanked all witnesses in the course of this Inquiry. Is there any reason why Mr Jorgensen cannot be discharged from further attendance as a witness?

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MR BEETHAM: No, sir.

25 COMMISSIONER: I also take this opportunity to discharge you as a witness, and I will now, as I indicated earlier, adjourn for a short time to allow the arrangements to be made for the next witness to be called.

MR BEETHAM: If it please.

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WITNESS WITHDREW

(Short adjournment).

35 COMMISSIONER: Ms Ellson.

MS ELLSON: Commissioner, I call Andrew Charles Hammond.

40 COMMISSIONER: Thank you. Mr Hammond, please come forward and take a seat in the witness box.

MR HAMMOND: Thank you, sir.

45 COMMISSIONER: Mr Hammond, would you prefer to take an oath or make an affirmation.

MR HAMMOND: I'm happy to take an oath, sir.

COMMISSIONER: Thank you. Madam Associate.

MR Andrew Charles HAMMOND, sworn:

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[11.00 am]

COMMISSIONER: Thank you, Mr Hammond, take a seat . I will hear applications now. Mr Tuohy?

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MR TUOHY: Commissioner, I seek leave to appear on behalf of Mr Mileham.

COMMISSIONER: I don't imagine there would be any objection, is there, Ms Ellson?

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MS ELLSON: There's not Commissioner, no.

COMMISSIONER: Thank you, leave is granted.

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MS ZORIC: May it please, Commissioner, I seek leave to appear for Ms Rebecca Moore. An application was filed on 25 September.

COMMISSIONER: Thank you. Is there any objection?

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MS ELLSON: No, Commissioner.

COMMISSIONER: Leave is granted, thank you.

MS ZORIC: Thank you, Commissioner.

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MS RANDALL: Commissioner, I seek leave to appear for Mr Mianich pursuant to an application filed this morning.

COMMISSIONER: Thank you. Is there any objection, Ms Ellson?

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MS ELLSON: No, Commissioner.

COMMISSIONER: Thank you, leave is granted. Ms Ellson, are you ready to proceed?

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MS ELLSON: I am, yes.

COMMISSIONER: Thank you.

45

EXAMINATION-IN-CHIEF BY MS ELLSON

Sir, you've been a Commissioner with the City of Perth since 2 March 2018, is that

correct?---That is correct, yes.

And from 9 August 2019, this year, you've assumed the role as Chair
Commissioner with the City of Perth, is that right?---Yes, that is correct.

5

Could you just briefly tell the Inquiry the role of a Commissioner?---The role of
the Commissioner is essentially to replace that of a Council or Councillors in the
context of managing the City and in accordance with the Local Government Act,
and in the case, however, of when a Council's suspended, there is obviously some
10 role as well in restoring good governance to the City.

I will come back to the concept of good governance as we go, sir?---Certainly.

15 The role of Chair Commissioner?---The role of Chair Commissioner is essentially
that of the Mayor or Lord Mayor and typically the same functions as a Councillor,
other than also to liaise with the Chief Executive Officer to speak on behalf of the
Council in terms of their decisions and also to provide leadership.

20 Chair Commissioner, you've had a lengthy career in Local Government yourself, is
that right?---That is correct.

Spanning some 30 years?---That's correct.

25 You began as a Senior Administrative Officer in Manjimup in 1987, is that
right?---That's correct.

You've also worked over the years as a Shire Clerk, the equivalent of a Chief
Executive Officer, is that right?---That is correct.

30 And you've worked in that role with the Shire of Nannup?---That's correct.

Wyndham?---Wyndham-East Kimberly for half of that period because in 1995 the
title of that position changed to Chief Executive Officer as a result of the new Act
being put in place.

35

Which new Act?---The Local Government Act 1995.

You've also had roles with the City of Albany?---That is correct.

40 And what was your role there?---My role there was as CEO. However, the
principal function was to establish a new Administration and governance system
for the amalgamated shire and town of Albany into a single organisation, the City
of Albany.

45 When did you work for them?---I worked for them from August 1999 until August
or July 2008.

And then you moved to the City of Rockingham?---That is correct.

As a CEO?---That's correct.

5 When did you do that?---I did that in 2008 and - July/August 2008, yes.

10 What did you do after that?---I was CEO there for 10 years or thereabouts and proposed to retire and lodged my resignation in November of 2018, but gave the City of Rockingham six months notice, so as they could effect a replacement seamlessly. However, during that period of notice the opportunity to be a Commissioner came up, of which I accepted and therefore left the employ of the City in March 2019 and took on the role of Commissioner.

15 I would just like to talk to you a little about your qualifications as well?---Yes.

You have an Executive MBA from UWA, is that right?---That's correct, yes.

20 And a Diploma in Local Government from the Central Metropolitan TAFE?---That is correct.

And you're a fellow of the Local Government Professionals of Australia?---That is correct.

25 And a fellow of the Australian Institute of Management?---Yes, that's correct.

And you're a graduate member of the Australian Institute of Company Directors as well?---That's correct.

30 In 2012 you were awarded the inaugural award of Institute of Public Administration, Local Government Leader of the Year, is that right?---That's correct.

35 And in 2013 you received a Local Government Professionals Medal for your services to the profession of Local Government?---That is correct.

You mentioned in one of your earlier answers the concept of good governance?---Yes.

40 Can you explain for me the difference between good governance and good government?---Good governance is essentially a system that enable governments to fulfil their roles effectively with the people that have placed them in the position to do so.

45 And good government?---Good government is - in my view, a good government is good people acting in the best interests and acting strategically in the best interests of the stakeholders and people who have elected them or put them in their position of power.

5 And for a Local Government, who are those people?---The Local Government, the people - there is a range of people: the Mayor, the Councillors, the CEO, the Executive, managers, staff. So everybody must contribute to that concept of good government.

In whose interests are all of those people serving?---They are absolutely serving the interests of the community.

10 In terms of providing good government, how do the members of a Local Government serve the community?---The members of the government serve the community, firstly by effectively utilising the system that has been put in place with integrated strategic planning. The legislation and the regulations, and also the pertinent guidelines that have been issued by the Department of Local
15 Government, provide for a system where a Council's role is to extract and distil the vision for their community, and that vision for the community, being a Strategic Community Plan, should encapsulate the aspirations that help to serve the community's vision, and should also be clear on the objectives that should be reached in order to achieve those aspirations or move towards those aspirations. It
20 is the role then of the Chief Executive Officer to establish a Corporate Business Plan that is capable of applying the resources and the logistics necessary to achieve the objectives of the Strategic Community Plan that has been, if you like, sponsored by the Council.

25 When you're talking about the Council, you're talking about the Elected Members?---I am talking about the Elected Members.

I see?---Yes.

30 What role, if any, does the Executive have in utilising the system of strategic planning in addition to the Council and the CEO?---Well, if one looks at the role of CEO, I think the term CEO in the context of strategic planning means the organisation. So it's the role of the CEO obviously to foster, to mentor, to establish the necessary human resource to be able to effectively execute the Corporate
35 Business Plan. That obviously includes the Executive, which should be working as one with the Chief Executive, it includes the management group but it also includes all staff.

40 Is it correct to think of the CEO, the person?---Yes.

As someone who is integral or a key factor good government?---Indeed, yes.

45 Why?---The CEO is the principal technical advisor for the Council, not of the Council, for the Council. So there's a two-way line of information. It is the role of the Council to be actively engaged in strategy and policy, but it is the role of the CEO to ensure that the governance framework exists that can satisfactorily engage Councillors or Elected Members in the development of strategy and policy. So he

must provide, or he or she must provide and foster that framework that truly and sincerely engages the Council in that type of decision-making. That decision-making at a policy and strategy level then, provides the CEO and the organisation, with very clear direction both on the type of services that should be provided, but more importantly, when there are decisions to be made that are subject to review, such as review by the State Administrative Tribunal, that the policy framework that has been fostered by the CEO is contemporary, is lawful and that it's reported to the Council in such a way that enables them to make decisions in line with their role and function as a Tribunal Member for matters such as planning decisions.

So is it fair to think then that one of the key qualities for a CEO is leadership?---Very much so, yes.

And what are the other key qualities that you need to have in a CEO for a Local Government?---That's a very interesting question because, look, it really depends on, if you like, the state of the Local Government. If a Local Government had been subject to a lot of conflict and perhaps was dysfunctional and had a lot of problems with its systems and procedures, then my view would be that the CEO would require significant experience in Local Government, so they would have a very great knowledge of the business of Local Government itself. That's on one area of the continuum. At the other side of the continuum, if there was an organisation that was clearly running extremely well, had an excellent Governance and Strategy Framework, the Councillors were fully engaged, the community and stakeholders were happy and engaged, then the qualities involved would perhaps require less Local Government experience because the systems and the governance frameworks are in place.

But in all cases, it's imperative for the CEO to demonstrate excellent leadership qualities, would you agree with that?---Excellent leadership qualities and leadership, in my view, in its purest form.

Meaning?---Meaning that the ability to establish a shared vision through good process, and then bring along, influence and guide the people under the CEO's control towards that shared vision. In the case of a Local Government, that shared vision is a vision shared with the community, it's a vision shared with Council. In the City of Perth it's a vision that should be shared with the State Government. So it's very important that the role of the CEO there understands the vision, understands the aspirations and has the wherewithall to be able to bring people under his or her influence towards that vision.

When we are talking about Council as a group of Elected Members and in the case of the City of Perth, including the Lord Mayor?---Yes.

We are talking about a group of people who are responsible for hiring and dismissing and managing the performance of their CEO, aren't we?---Yes, that's correct.

How do you see the function of the Council in terms of the importance of managing the CEO?---It is the most important decision that a Council will make.

- 5 Decision?---A decision to appoint and obviously a decision to dismiss, or a decision to not renew a contract, the engagement or otherwise of a CEO is the most critical decision that a Council can make.

[11.15 am]

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In your view, Chair Commissioner, what skills and experience is necessary in order to manage the performance of a CEO?---The skills firstly are a basic understanding of the business of Local Government, an understanding of contemporary human resource practice and not have experienced a situation or a process that might infer some type of bias when making decisions and to give an example there, a CEO has an obligation under law to report misconduct or serious misconduct, either to the Public Sector Commissioner or the Crime and Corruption Commission. He's obliged to do that under the law. If he does that and he does that to a Councillor, that Councillor has every right to sit on that CEO's Performance Appraisal and vote as to whether he gets a pay rise or if his contract's renewed, et cetera. So it's my opinion that that is a problem. As a past CEO, it is really firstly not fair on an elected Council to expect that they would have the necessary skills to be able to do such a thing as employing a CEO without assistance but secondly, some Councillors may come to the table with regards to decision-making on either the performance or appointment of a CEO, with other agendas in mind.

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Is it your view that the task of Councillors in the area of CEO human resource matters, is an onerous one and one that should only be guided by qualified and experienced human resource practitioners?---Yes, I agree with that. I would qualify those comments by saying that the process should be facilitated and overseen because the process certainly should not dilute the decision-making capacity of the Council to determine who they want as their CEO, and who they don't want as their CEO. So the process needs assistance but it should still respect the right of the Council and their role in making the decision.

40

45

Assistance by whom?---At the moment, Councils can, at their discretion, procure services which are essentially consultants and the consultants, in my view, do a reasonably good job. However, Councillors also have the discretion not to do that and to actually run processes themselves. I think that there is the problem there. My view is that an independent body such as perhaps the Public Sector Commission that could provide due diligence to a process or indeed to establish some guidelines, would be a positive step. I say this in being an ex-CEO, not just to support my CEO colleagues, because I've seen some CEOs that have been appointed that have done some unethical things perhaps, so this is not just to protect the CEOs, it's to protect the Councils as well. For example, reference checking, looking at qualifications, making sure that if there's any internal

5 applicants, there hasn't been any inappropriate lobbying, if you like, behind the scenes. So the more independent that process can be, provided that the Elected Members are fully engaged, I think that would be better for communities and the communities obviously are the ones that are affected, both positively by a very, very good CEO, and negatively by one who's not so good.

When you mentioned independent oversight in the context of due diligence?---Yes.

10 What did you mean?---Well, I will give some examples of things that do happen that shouldn't happen, perhaps the due diligence can and assists with that. The first one is that Councillors that are in a confidential process, break that confidentiality and make phone calls to determine the efficacy or otherwise of applicants to a job, who obviously would wish their application to remain confidential. That happens
15 on occasion. Issues such as basic meeting procedure in governance, like a committee can't make a decision - certainly can't make a decision on a CEO because a committee can't be delegated powers of which an absolute majority is required. So the Councillors wouldn't know that. It's unfair of the Councillors to know that. If the CEO isn't there, has gone and perhaps there's been some conflict,
20 perhaps there's not a lot of trust with staff, the Councillors won't go to the staff and seek advice, they will have a go themselves. It's those type of scenarios where problems happen. Other issues with Councillors are, in some cases actually calling a prospective applicant and having a chat with them prior to an interview and in some cases, of course, with applicants calling Councillors who they may know are
25 on the panel, to seek their support. All of this is unethical behaviour. I don't think it's necessarily unlawful but it certainly can lead to not the right person being appointed to the role.

30 COMMISSIONER: Ms Ellson, do you mind if I interrupt for a moment?

MS ELLSON: Not at all.

35 COMMISSIONER: There's one thing that's been exercising my mind and I hope I don't mind if I ask you this?---Certainly not, sir.

40 Do you think that Local Government as a whole in the process of recruiting and assessing a CEO's performance, would benefit from a model set of guidelines which would be objectively drawn, merit based and clearly understood so that instead of having the problem of Councillors not really understanding what they should or should not be doing - that seems to be a problem and I don't speak just about the City of Perth in that regard or have final views about that?---Certainly, Commissioner.

45 It seems to me if you have a model set of guidelines focused on recruitment, and for that matter dismissal, and also performance assessment, which was objective, merit based, and clearly understood, a lot of the problems about which you've been speaking might be solved but I would like to hear your views on that?---Sure. I

would possibly add measurable to one of the elements that you saw. Yes, absolutely, model guide lines would be good. However, even with model guidelines, in my view there is a need to have independent assistance and oversight, and to have both, I think, would be getting to a stage where the risks
5 involved would be mitigated.

I take on board what you say. I would be contemplating that the guidelines would be drawn up with the assistance of the relevant experts in the fields?---Yes.

10 That would bear upon those guidelines, and the reason why I would like to take it a bit further with you, please, is this: if you bring in experts to assist you in the process, there is always the chance, I suppose, that the right expert might not be chosen, for whatever reason?---Yes.

15 But if you did bring in experts to assist you in the process, then again would it be helpful, in your view, for the selection process, or the expert to itself be subject to a set of guidelines?---Yes, it would, and secondly, if there was a process that could see some form of accreditation of that expert, then once again, the risks involved would be mitigated.

20 Thank you, Mr Hammond, that's very helpful?---Thank you.

Pardon me for the interruption, Ms Ellson.

25 MS ELLSON: Not at all, Commissioner.

Chair Commissioner, I would like to take you to now about what you found when you started as a Commissioner on 2 March 2018?---My first impression was that it was an organisation under siege. The demeanour of the staff, and obviously we
30 were only in contact with the senior staff, but they were quite stressed. They seemed to me to have been through a lot of adversity and they were struggling with the situation, if you like, and from that I saw an internal defence focus. There was certainly - I can remember in my first two days of discussions, the words "customer service" were never mentioned, and on reflection, that's understandable.
35 Putting myself in the same position, I'd be looking at, I guess, self-preservation to a certain degree because of the amount of conflict that had been going on. I felt that there was some level of conflict between members of the Executive and I also felt that the Commissioners - the staff involved were quite wary of us, if you like. Perhaps they were just feeling us out or whatever, but let's say we didn't walk into
40 a congenial or productive working relationship.

Did that change?---In my opinion, no. In saying that though, I was not the Chair Commissioner at that time so I had limited involvement with either the CEO or senior staff. However, it became apparent to the Commissioners that there was
45 going to need to be some quite significant changes if we were going to be able to change that environment, which was quite frosty and certainly internally focused.

We will come back to the subject of changes and the way forward with respect to the City of Perth a bit later?---Sure, okay.

5 I would like to continue talking to you though about your observations when you first began with the City of Perth?---Yes.

Was it your view that there was a culture of something along the lines of, "We are a capital city so we are better"?---Yes, there was.

10 Can you explain that a little bit more?---A couple of things that were said to me, and were not said to me by the CEO, they were just said to me by Directors and managers. One was, when I questioned the amount of exceptions on the Annual Compliance Return, which was significant, really significant in my view - from memory, it was 11 or 12, typically 1 is too much - I was told that "At the City of
15 Perth, because we are a capital city, we go much harder on ourselves."

What did that mean?---It meant the reason there were that many exceptions, because they were far more diligent in finding out where the problems were. I assume that's what that meant. I also asked a question about the minutes and
20 agendas. It is contemporary practice that the minutes are amalgamated and absorbed into the agenda for easy reading of the community, and they also have indexes and page numbers. I raised that as an issue and was told, "Look, we follow the City in Melbourne in this regard because we are a capital city." My view on that was, well, that's just not right but obviously the enormity of the task
25 meant that something like and minutes and agendas went right to the back of the list. However, the general theme I got was, "We are happy to compare ourselves and look at systems at the City of Adelaide or the City of Melbourne but, possibly not so the City of Stirling or the City of Wanneroo." If that's good or bad, I don't know, but that certainly was the attitude.

30 Is there a role for the City of Perth to compare itself to other Local Governments within Western Australia?---Absolutely. The City of Perth is not a large Local Government, by any stretch of the imagination and the systems, the Integrated Strategic Planning Frameworks, the service delivery, are all the same as other
35 Local Governments. If the City of Perth is special, then all other Local Governments are special. Just ask the Councillors or the staff and the City of Perth is different, but it's not special.

40 [11.30 am]

45

You touched upon the organisation being inward focused, is that right?---Yes.

Was that something you observed when you began on 2 March 2018?---Yes, I did.

5 What does that mean, inward focused?---I have seen this and experienced this
throughout my career, and it's certainly unfair to say that it only happened at the
City of Perth, when conflict generally prevails, and the majority of intellectual
effort by the Executive is put towards resolving adversity or conflict, then other
notions relating to excellence in customer service or engagement with community
10 go off the agenda.

And is that what was happening in the City of Perth when you began?---In my
opinion it was, yes. The staff appeared to me to be under siege, under an
enormous amount of pressure. I was unaware of what had happened in the past but
15 obviously things that had caused a lot of pressure for the staff.

In terms of an appreciation or understanding of the roles of Elected Members, what
was your view with respect to strategy and policy development and the way that
was being worked on within the City of Perth, in March 2018?---Fair to say in
20 March 2018 I didn't hold a view but certainly after two or three months I did. I
think the lack of engagement of Elected Members in their role in developing and
reviewing and applying policy and strategy - - -

Applying, did you say?---And applying, yes, and measuring performance was a
25 key factor in their disaffection, and I can - to provide an example, some of the
activities of the Council appeared to be quite operational, they were getting
involved in matters that they shouldn't have, but it then became apparent to me if
there was a policy requirement, the policy would be driven by the Administration.
So the Administration would develop a full policy, a draft policy and place it
30 before the Commissioners for adoption or approval. That's not unlawful because
the Councillors get to deal with it, however, the best practice in the development
of policy and strategy is that Councillors are engaged at the formative stages of
policy development so as they own that policy. What I mean by owning it, I mean
intellectually they are right across it, they actually agree with the policy objectives.
35 Indeed, they were the ones that, at that formative stage, should have developed
those policy objectives. Those policies then go on to guide decision-making,
particularly with reviewable decisions, and so therefore if a Council has not been
totally engaged in the development of policy, they are not going to, if you like,
own their policy, they are not going to understand the content of their policy and
40 so therefore when the time comes to make a decision, of which the discretion can
only extend to the limits of the policy involved, there is obviously going to be
problems. I saw that as a big problem. I also saw the fact that there was no
business rules, or indeed a Council Policy on the development of policy. Once
again, it is a best practice that a Council would provide a policy or enact a policy
45 that says to the CEO, "Here's the way we want to be engaged with policy
development. So whenever there's a policy, here's some rules" and it might be,
"We want a discussion paper on the issue, we need to have demonstrated

alignment with the Strategic Community Plan, we need to have demonstration of engagement with stakeholders, we need to have the opportunity to perhaps advertise the policy, 14 or 28 days" and then business rule obviously becomes - it's a policy of Council so whenever a policy happens, occurs, is required or reviewed, that policy prevails. That stops ad hoc policy making but once again, it also provides a very solid framework in which to guide decision-making.

COMMISSIONER: Just tackling those two issues that you've described, either together or separately, what can and should a CEO do when confronted with those two types of issues?---I can only speak from my own experience. My experience would be that a Governance Framework needs to be established so as the CEO and the Elected Members are able to effectively discuss matters such as policy development, and come to an agreed position on the way they want to deal with policies. From there, a policy should then be developed by the Council because it's their policy, and then as a CEO, I would be very happy that I had some very clear business rules. So therefore, if any staff member came to me and said, "We need a policy on this", I'd say, "That's great, you've got a process and the first process is, you need to go to Council at the very basic level and say, 'Councillors, we need a policy on this issue, are you prepared to endorse commencement of the policy development process'." So that means they actually own their policy from their commencement.

Is it difficult to do that though as a CEO when you have a disaffected group of Councillors?---That's a really interesting question. I think I'd possibly use the term chicken and egg. Perhaps one of the principal causes of the disaffection was a lack of engagement in the policy and strategy development process. My experience has been if you do not effectively and genuinely engage Elected Members in policy and strategy discussions, then they will do things they shouldn't do and so, it's really important to focus the Councillors on that very important task and my experience is, if you can achieve that, the Councillors are generally much happier because they feel involved and they have some ownership over those guiding decisions. If I can further give an example of that, and this is in relation to town planning matters where town planning policies, the decisions can only extend to the policies, one of the problems I see in our industry, Commissioner, is that a lot of the policy framework is not contemporary. It tends to be ignored, it doesn't have a dynamic system of review and once again, that's a role for the Councillors. I think if all policies, particularly with town planning, were current, contemporary, in line with contemporary town planning and urban and activation practices, when the time comes to make decisions, it's obvious that if it's a good, strong, contemporary policy, you're going to have a good decision. If you have a good decision, you're going to have good development; if you have good development, you're going to have good community.

Thank you.

45

MS ELLSON: In terms of what makes a successful Local Government, what do you say the core drivers of that are?---People, good people. Irrespective of any

legislation or regulations, it's all about the people. You've got to have good staff, committed staff, staff that love the community in which they live and staff that want to do well. You've got to have Elected Members with exactly the same attitude. If ever there was Local Government Nirvana, it would be when the CEO, the Executive, management group, Elected Members and Mayor, and key stakeholders, say in the City of Perth's example it would be the State Government, if they are all actively committed to the shared vision of the City and are all actively working and influencing towards that shared vision, then that Local Government becomes a formidable Local Government. It would be hard to stop, almost impossible to stop in achieving their vision. Absolutely, totally unfair to say to a CEO, for example, "Please do that" because there's an election every two years. I believe that Local Governments are - they are visible, they are accessible and they are also vulnerable and one of the key vulnerabilities of a Local Government is people. The Elected Members, at the moment there has been a worldwide decline in volunteering. It's well-known, it's well documented, it's getting more and more difficult to get volunteers. Irrespective of the allowances that Councillors get, I still believe they should be treated as volunteers because they generally just work - they have got other jobs or other lives. There is now the impact of social media on both Elected Members and potential candidates can be very negative, so I don't see a real incentive for a range of people that might have wanted to be a Councillor, to be a Councillor now. In summary, the pool of Elected Members, I believe as a result of contemporary times, has diminished. If one looks at the CEO, if we go back to our previous discussion about the way Councils deal with CEOs, Local Government at this time is probably one of the only industries where your performance is judged and decisions made potentially by people that know absolutely nothing about the industry of which the CEO's involved with. So I see that, and I've seen examples of - not at the City of Perth but I've seen examples of poor Performance Appraisals or contracts not being renewed because the person involved just simply wasn't liked or that they, in a country context, sent their kids to a private school in Perth instead of the local school. Basically, there's a whole range of reasons outside contemporary human resource management reasons. If a CEO wants to pursue a career in Local Government, he's going to want some comfort or he or she's going to want some comfort that there is an equitable and reasonable process involved in recruitment and assessment if we can't establish that I think that is going to establish a barrier for prospective CEOs. They are just going to say, "Look, I'll go and get into another industry where I can be judged by my peers as to my performance. "

We have spoken about the human resource function of Council with respect to the CEO in some length but you've raised it again in the context of talking about the vulnerability of a Local Government?---Yes.

Can you tell me what you mean by vulnerability when you're talking about a Local Government, other than the biennial elections point and other than the point about the reduction in volunteering?---Okay. The Local Governments are really vulnerable if the Councils appoint a CEO that's incompetent.

Vulnerable to what?---Vulnerable to the organisation becoming, firstly, less functional, bordering towards dysfunctional. I will give you an example: a Chief Executive Officer is appointed by the Council, the Council perhaps haven't done their due diligence and the person involved doesn't have the necessary skills. First
5 what happens is the Executive Team starts immediately looking for another job. The Executive Team leaves, then some of the management group leaves, you find competent staff leaving. You might, for example, find that the CEO doesn't understand the need for engagement of the Councillors in policy and strategy and so therefore the Councillors are disengaged. So you can very quickly, within six
10 months go from a highly functional Local Government organisation, into one that is not so by the Councillors appointing the wrong person.

[11.45 am]

15 Do State Government controls feed into vulnerability of Local Governments at all?---Local Government is a creature of the State. They make the Act, the Local Government Act, so we don't have constitutional recognition per se, we exist as a result of the Act and most of our infrastructure and roads sits on land that is owned
20 by the State and the State controls the committee that assigns the grants from the Australian Grants Commission and obviously the State Government also has the power to suspend and dismiss Councils. So the State Government certainly has a lot of influence over Local Government and so therefore, I think communities are vulnerable. Let's take the City of Perth and it's not my role and it would be
25 inappropriate for me to even suggest why I'm sitting here today or the Council was suspended, that's the role of this commission. However, the main - the people that are suffering the most as a result of this is the community because they haven't got elected reputation. So however that happened, whenever anything goes wrong in Local Government, it's not right to say that the Local Government suffers. The Local Government is just an entity; the community suffers, we must always
30 remember that.

You've mentioned that it's vital in part for State Government to share the vision?---Yes.

35 Of the Local Government. Does it also follow that it's important for the Local Government to respect and share the vision of the State Government?---Look, I think that depends and let's look - I'll use some examples. The City of Perth as a capital city Local Government, particularly in terms of major infrastructure
40 projects, needs to be able to engage with the State so they can agree upon major projects because when the time comes to fund major projects, particularly from the Federal Government, if the Federal Government sees a conflict between the State Government and the Local Government, it can diminish the chances of getting that funding. Obviously Councils are autonomous and they can make their decisions to say, "No, we don't support that, we oppose that", that has happened at the City of
45 Perth. There was a campaign relating to light rail going down Hay Street Mall and I think there was quite a vocal campaign on behalf of Council that opposed it. I think Councils certainly have the right to oppose the State Government, they

certainly have the right to be negative, however, if the end result of that is that no infrastructure is developed, once again the community suffers. With relation to other Local Governments, it would probably be more incumbent on, for example, the City of Kalgoorlie to have an aligned vision with the mining industry, the Chamber of Minerals and Energy but as far as the City of Perth goes, their vision should be, as much as possible, in line the State's. I go back to that original powerful entity where everybody understands the vision, supports the vision and then brings people along in their influence towards that vision, that formidable power that can exist if the people are combined in their desire for projects.

5

You mentioned that that power was directed towards a shared vision?---Yes.

And working toward that?---M'mm.

When you commenced at the City of Perth on 2 March 2018, was there a vision to be shared?---Look, I think if there was a vision, and there was a vision within a Strategic Community Plan, it's my view that that vision wasn't representative of some of the issues that were at hand and two that come as a case in point, one was homelessness and anti-social behaviour and the other one was the challenges that were being faced by the core retail area of the CBD, but as I've explained, the staff were, in my view, diverted from that vision. They were diverted because of the conflict that they were dealing with. So the City of Perth in March 2018 was at the other end of the continuum of the formidable, everybody on the same page heading towards that vision.

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When you say the other end, can you describe the end they were on?---They were on the bad end, not the good end.

Has that changed?---It's changing. We are currently going through the review of the Strategic Community Plan, that will be out and about in November of this year. It's been reviewed so now it does incorporate contemporary issues such as the matters I talked of before, but more importantly, it's been established so as it more effectively integrates with the organisation. There was discussion earlier today I note on the staff numbers, et cetera. Irrespective of how many staff there is, the realities are that until such time as Service Unit Plans that deliver the services, firstly those invisible, almost ubiquitous services that Local Governments deliver, and then secondly the services that the City, by virtue of their circumstances, chooses to deliver, when those Service Plans or Team Plans are established, it's then and only then can you establish the human resource complement that is going to be needed to achieve the objectives. One thing for sure was, there was no clear line of sight, if you like, connection between the Strategic Community Plan at one end, and the delivery of services at the other.

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Is that changing?---That is changing, yes. The Strategic Community Plan has been modelled in such a way to allow for much more interconnectedness with other systems. The Chief Executive Officer has undertaken a review of the management positions and a review of the way services are delivered and we are currently going

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through some other areas of development which includes the establishment of a Major Project Plan, so as we can take a more strategic approach to the delivery of major projects. By major projects, I mean ones of a magnitude that might take two or three years to deliver.

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Was it the case in March 2018 that there was really no looking forward beyond a 12 month or financial year period?---Absolutely, and I talked of policy and strategy disengagement with the elected group as being one of the issues. The other really large issue in my opinion was that the annual budget was being used to allocate resources and determine programs. Whilst that might seem pretty normal, in the Local Government context, if I can use the analogy: if you had a fully functional Corporate Business Plan, including financial projections, including all the challenges facing, including a workplace plan, et cetera, then the Local Government can make decisions about its future in year 2, 3, 4, 5, year 10. If you've got an annual budget, you're delivering it for next year. The analogy I'll use is the difference between an x-ray for a doctor to diagnose an illness, and an MRI scan for a doctor. The MRI scan is going to give you a comprehensive view of all the issues relating to the injury or illness that might prevail. The Corporate Business Plan gives a comprehensive view on the way forward for the Local Government. Best practice with Corporate Business Planning would see one test and that test is that there is more effort, time and intellectual energy going into the establishment and constant review of the Corporate Business Plan than there is the annual budget. The annual budget should just be there to deliver year 1 of the Corporate Business Plan. The indicator is that really, a budget meeting should go for no more than one or two hours and major infrastructure projects and plans and programs that have been established within the Strategic Community Plan and are being delivered in the context of a range of strategies. That certainly wasn't happening at the City of Perth. We are confident that by early next year, we will have that Integrated Strategic Planning Framework operable and we will certainly have the staff involved that are competent, but also leading to that desire to achieve, the vision and I think that's all important. It's one thing in having a strategy, the other one is having important, influential people agreeing with the strategy and then being on board to deliver.

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And has the way that moved forward involved coordinated efforts from the Commissioners, the Executive, including the CEO, and the staff?---Yes, it has. It's required the recruitment of expert staff in the area of Local Government integrated strategic planning. The staff involved have been not only cooperative, they have been really keen to be able to establish this planning framework and the key elements of that successful Local Government that the Commissioners will leave behind will be one that has effective integrated strategies, one that has business rules that provides for how Councillors are involved and engaged with strategy, that is the same for policy as well. So, for example, a homelessness strategy, that is something that is needed by the City of Perth at the moment because they, the City of Perth has decided, yes, we are going to get involved. That strategy will provide for the allocation of resources, it will also identify the stakeholders, other collaborators and other contributors to the issue. It will set some targets which

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need to be achieved and there will be a matrix of costs that will be integrated into the Corporate Business Plan. The positive of that is, if a member of the community or the government or whoever says, what is the City's involvement in homelessness, we can say, "Here is our strategy, here is the City's policy position on homelessness and here is how we propose to resource it." That doesn't mean that every year or every two years a new Council comes along, "We don't want to be involved in homelessness", well good, we change our strategy. The policy position is, we don't want to engage in homelessness but it's the ability for the Local Government to have that framework in place that effectively engages the elected group so as the CEO and the Executive and the rest of the staff can execute the strategy and deliver to the community.

Who is the most responsible for, I suppose, establishing that framework?---Chief Executive Officer.

And maintaining it?---The Chief Executive Officer. In saying that though, the Councillors should be demanding involvement and if the Chief Executive Officer provides an excellent platform for the Councillors to become involved in strategy and policy, then the Councillors decide that they don't want to, then there is a significant problem as well, and I've seen that happen. So this is not just about the CEO, it's certainly about the Councillors involved as well. Some Councillors are more than happy to stick to the annual budget regime, it gives them a bit of power, makes them feel involved, perhaps can please some of their constituents. However, a good Councillor or a good Elected Member will see the bigger picture and will want to be part of steering that Local Government towards the vision for the community, not just serving their own desires.

[12 noon]

Before I come back to, I suppose, the future, I'd like to go back to 2 March and 2018 and ask you one last question about your observations?---Yes.

And that is with respect to the finance of the organisation, of the Local Government?---Yes.

Was it difficult to obtain financial data to explain the big picture?---Yes.

When you commenced on 2 March 2018?---Yes, absolutely.

Can you tell me why?---Well, on 2 March 2018 I didn't know - it's become apparent since then that the reporting and the financial accounting systems were less than good and the way that the accounting system was, I guess, not interconnected effectively with other programs around the place, and also we did find out that there was not actually an enterprise approach to accounting and each division had its own accountant, and in some cases, as we understand it, actually its own accounting records. Following on from that, I was intrigued why there was no Business Plan for the City of Perth's Parking Business Unit and was a very

strong advocate to get that Business Plan in place, not only for compliance but because that trading entity provided, from memory, 35 to 40 per cent of the City's revenue, it was a considerable risk to the Council if we didn't know what the net proceeds were of that Business Unit after effectively taking into account organisational overheads that had been allocated. I think this is representative, if you like, of the culture of the financial reporting and that was that the draft Business Plan that was submitted for consideration by Council, which in accordance with the major trading undertaking section of the Local Government Act provides that the financial implications of a major trading undertaking should be included in a Business Plan. The Business Plan that was submitted had estimated yearly revenue, gross revenue and that was it. So that is not a representation of the financial implications of the plan, it was a representation, according to the officer involved, that there was insufficient financial data in which to effectively prepare the financial income and expenditure for that Business Unit. It would be really unfair to say that the City of Perth is in financial difficulty. My view is, I don't think it is. However, it would be fair to say that the ability for Councillors, and indeed the CEO to obtain accurate, timely, and informative financial data was just not there.

20 In terms of the information computer technology, was there an ICT plan in place?---No.

What is the importance or the value of that?---It is my personal view that ICT is the most significant strategic risk to Local Governments today, as of today. The reason for that is, all our systems are computerised, all our data is saved and needs to be retrievable just for us to get about our daily operations, and good ICT enables Local Governments to engage very effectively with their communities and also allows Local Governments to provide excellence in customer service. That has to come from a concerted and strategic approach to the entire ICT framework and it needs to have a significant commitment to funding, and it seems to me that the level of investment in the ICT system, for whatever reason, was not anywhere near enough and certainly wasn't guided by any cogent strategy that would establish best practice in ICT.

35 How does ICT, in the way you've described, improve the Local Government's ability to deliver service?---Okay, I will answer that by giving examples, I think it's the best way. The Integrated Customer Response Management System - when I say integrated, once again we get back to this need to have an enterprise wide system and not have little stand alone modules about the place. Somebody can be walking down the street and see, okay, a broken park bench and with an app, take a picture of it and hit a button that can immediately go to the CRM. It immediately establishes a works request to the works department. The computer generates a response to the person who made the complaint and then it automatically follows it up in 14 days.

45 So it's more efficient than perhaps a Councillor taking a photo on the street and emailing it to someone who needs to email it to someone else, who then needs to

5 follow it up and then feed that back to the Councillor?---Yes. It's a personal view and I guess this comes as being a CEO, it's not the role of the Council/Councillors, to be effectively people that are the recipient of complaints, "Leave it with me, I'll sort it out." Even the City of Perth have the capacity for people to lodge "My bin didn't get picked up" type of things on their website. The role of the Council should be to ensure that there are really contemporary and functional ICT systems in place that give outstanding customer service. So they shouldn't be getting involved at that level but they should be, at the bigger picture, overseeing the development of ICT that can really make a difference to service.

10 Leaving that topic now and going back to the remarks you made about engaging experts to assist in the recovery of the City of Perth, have you engaged a Project Director of Strategic Finance?---I haven't certainly but the CEO - - -

15 Sorry, you being the City of Perth?---Yes, the CEO engaged a Director of Finance - Strategic Director of Finance, yes.

20 Why did that occur?---It occurred because there was an inability to, I think obtain an acknowledgment from the staff involved as to the importance of an Integrated Strategic Planning Framework and the need for documents like the Corporate Business Plan to be fully populated with financial projections and also a need for team-based plans that could give Council and the Executive the opportunity to almost forensically understand what each team was up to and what their activities were likely to be for the next three to five years.

25 Those things don't seem to relate to finance, so I'm wondering why the City's engaged a Project Director of Strategic Finance?---I have to disagree there because nothing happens without money. So therefore, any strategy that is put forward must be accompanied by an understanding of how it's going to be resourced, and obviously the resource is the money, whether it comes from the Local Government or a grant or whatever. So in setting up an Integrated Strategic Planning Framework, you cannot establish an effective strategic framework until you can establish where you spend your money now, how much money you've got and how much money you're going to have in the future. So therefore, whilst it's - not
30 chicken and egg, the Strategic Finance Director - it's a Finance Director and there's a great difference between accounting as in what account the money's going to go to, here's the balance sheet, and strategic finance analysis which is, "Here's what we want to do, here's how much money we have got, here's how we can do it."
35 There is a very strong interface between strategic finance and the development of strategy. There is nothing worse in the context of a Local Government, when strategy is developed and it's adopted and it's publicised, but it's never executed because it gets to the first budget and it doesn't get a run. If that strategy is adopted, that strategy can only be adopted if the Corporate Business Plan clearly establishes that the City has the financial capacity to deliver, and not before.

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45 Has the City also engaged a Project Director of Corporate Recovery?---Yes, they have.

Has that person commenced?---Yes.

5 What is that person doing for the City of Perth?---Whilst I'm not actively involved
with that person, the engagement that the Commissioners have had with her is
based on two areas: one is the development of the Strategic Planning Framework,
and that interface between finance that we talked of before, the assistance with
10 staff in developing their team-placed plans. The identification of specific issue
strategies that will come from the Strategic Community Plan, for example,
homelessness, core retail activation, and event strategy and the like, but also on the
corporate recovery side is a range of other issues such as getting an effective
Business Plan for the City of Perth Parking Business Unit. Other areas such as the
15 review of the Council's Standing Orders, which is the meeting procedure, that's, in
my view, somewhat archaic. The development of policies/business rules for the
development of strategy policy, policies that provide for the governance
framework. Essentially, establishing that contemporary Local Government
framework so when the Councillors come back in, which they will and which they
should, they will have a very, very contemporary and robust system in which to
work under.

20 [12.15 pm]

Chair Commissioner, are there any other actions that you collectively at the City of
Perth, as the Commissioners, have taken since 2 March 2018 to improve things for
25 the City of Perth?---Yes. Obviously we were responsible and involved in the
replacement of the Chief Executive Officer. We also, with the new Chief
Executive Officer, supported him with his views on the need to replace the
Executive. We, in the context of resource allocation, we have ensured that
sufficient funds have gone into reserve that will allow the ICT system to be
30 recovered as soon as is practical because that's very, very important.
Commissioner McMath has worked tirelessly, in my view, at re-engaging
stakeholders that were perhaps disaffected with the City and she has met many
community groups, not for profit associations, lobby groups, sometimes in
conjunction with other Commissioners, sometimes not, and so I'm confident that
35 our major stakeholders within the city now feel that they have a good line of
communication with the City. Every now and again they are not going to agree
with what the City does but there will be a good line of communication. We have
accepted that homelessness, whilst not being the fault of the City, is something that
the City should address in collaboration with the State Government. I think that's
40 very important. We have also commenced a cultural change in the context of
reliance upon parking revenue to fund the overall operations of sustainability of
the City. Parking is a - I wouldn't say dying business but it's a flat business.
Indeed, our sustainability policies endorse less cars in the City, so there we have a
policy or a strategy that is in opposition to the revenue requirements of the
45 Business Plan. We need essentially to wean ourself off those revenues and there's
no other revenues around so we will need to do that by cutting our current cost,
which we have done and the CEO does have a key focus area to continue that so as

we are in a situation where we do have some flexibility with regards to our Parking Business Unit. That has been a problem for all concerned, that a principal decision-making guide was, you can do anything but you cannot impact upon the revenue of the City of Perth Parking Business. That was a rule and we have managed to change that. We have established free parking regimes in the High Street areas. I understand that the East Perth High Street area, that trial has been very successful and we are also about to commence up to three hour free parking in the core retail area of the CBD, to see if that can impact and improve things. One of the other issues that the City did was we made a real effort to engage face-to-face with the major stakeholders of our core retail area and the core retail area is struggling, that's well publicised. We are competing with regional shopping centres. It's the Commissioners' view that we need to be engaging with the major stakeholders in that core retail area as a management company for a major regional shopping centre would. So therefore, we have complementary and holistic programs that serve the benefits and interests of the retailers, but also serve the benefits and interests of the City.

Going back to the topic of parking if I can for a moment, did the reliance you describe on the parking revenues mean that there was no drive for efficiency within the City of Perth?---Look, that might have been a by-product of it but I think it would be unfair to come to that conclusion. I think it's more of a long-term cultural issue. It's been prevailing for many, many, many years and that was, if you like, the sacred cow of revenue was the parking business, so don't touch it because that's keeping us afloat.

ACIL Allen found a growing trend in expenditure over the financial years 12 to 18?---Yes.

In particular, staff and contractor costs?---Yes.

What, if anything, are the Commissioners doing to contain the City's expenditure?---We have given the Chief Executive Officer a clear KFA - - -

Sorry, a clear?---Sorry, key focus area to reduce recurrent expenditure. Recurrent expenditure includes programs, services, but also staffing levels. The key solution to this problem though is getting the Team Plans and Service Unit Plans right, getting them effectively integrated with the Integrated Strategic Planning Framework, because then you do have - that MRI I talked of before, you do have a very detailed understanding of where the staff are, what the staff do, how many staff there is going to be in three years, five years or 10 years. Once again, Local Governments can be fantastic organisations if you totally commit to that Integrated Strategic Planning Framework and everybody gets on board with it. Out of that, a by-product of that would be, you will know exactly how many staff you need and if it is too many staff, it then becomes easy to say, "Well look, we have got X amount of staff, because Councillors, you want this, this, and this, that's great, however, if you want the staff to be this, well then here's some areas or services or programs or projects we consider that you're going to need to cut." So until such

time as you get that transparency across the integrated framework, it's difficult for the Councillors and it's also difficult for the CEO and indeed the Executive to work together and come up with these type of solutions for the future. How many staff is a good enough of staff at the City of Perth? I don't know. Until such time as we have done that integrated planning and completed it, we won't know.

How far away are you from completing your Integrated Planning Framework?---The Corporate Business Plan will be together by November, which is a month away. The overall Team Plans, Service Unit Plans, will be ready end of first quarter 2020 and that is, once again, a key focus area for the Chief Executive Officer.

What, if anything, are the Commissioners doing with respect to revitalising the CBD, other than engaging in face-to-face contact with the key stakeholders?---Only last week we allocated a further \$1.4 million to activation activities. We do need to make some decisions about some of the activities and events that the City of Perth has provided traditionally and it seems that some of the major events are done because we have done them the year before. What we are doing at the moment is looking at a strategic way of setting some hurdles, if you like, in terms of economic return, to make sure that any money we invest in events or activation programs, has a clear nexus to people coming into town and spending money, and I don't think that has - it has been the case in some issues but not in the case of others. So that is something we need to do. One of the most important areas though is to have a really good, live communication with influential people in that sector.

That sector being?---The retail sector, that major retail sector and that has been really pleasing with the way in which they have embraced the City. They have been cooperative. The first forum we had, we know the people flew from interstate, so we had some key decision-makers there. They were very frank and open with how they thought the City was going, but it enabled us to collaborate more effectively with them. We all agreed there's a whole lot more factors than the City of Perth that's creating the economic decline in retail areas. So I think we are pretty realistic about that, but in saying that, we will do everything we can. Also, through the good efforts of Commissioner McMath, the exploration of the establishment of a major university within the CBD continues and by the time that we depart the City of Perth, we would certainly hope that an announcement would have been made that one of the major universities has located or relocated to the CBD. Our view is that we need an extra 15 to 20,000 people living in the City and that will create that critical mass of people that will make the place safer, it will make the place more economic and the location of a university and the appurtenant housing requirements and servicing requirements I think would not achieve that but would certainly head that in the right direction.

Going back for a moment, if I can, to what you observed when you started at the City of Perth in March 2018, Chair Commissioner - I'm sorry to do this to you?---That's all right.

But did the City of Perth have in place a contemporary governance structure when you began your work?---No.

5 What, if anything, have the Commissioners done to ameliorate that?---We are currently, in fact next week we have got a discussion and briefing session on the establishment of a Governance framework which will essentially become a business rule that I talked of. That Governance framework will include matters such as, when Council meetings are conducted, when Council briefing sessions or
10 forums are conducted, how we engage with the community. It will also provide for how much notice needs to be given for agendas and also provide how much time the Councillors should have with their agenda papers prior to having to meet so as they can consider them effectively. Also matters such as submitting notices of motion, giving the staff the opportunity to be able to comment on the
15 implications of such motions. A whole range, if you like, of business rules. Once again, the business rules are absent in that Governance Policy Strategy area. We will have them well and truly in place by first quarter next year.

20 What, in your view, were the consequences for the City in not having a contemporary governance structure in place?---We get back to that lack of engagement with policy and strategy and I'm not here to comment on the behaviour of Council or behaviour of staff, but my opinion is that if you haven't got an effective framework of business rules, that basically mandate the engagement of Councillors in things that they should be engaged with, and you do
25 that sincerely, you will have problems.

And none of that was present at the City of Perth when you began?---No, it was not, no.

30 Chair Commissioner, do you agree with the comment that good change will only come with innovation and creativity?---I think you need to add good people. Nothing happens without good people.

35 My last question for you, Chair Commissioner, is what does the future hold for the City of Perth?---The City of Perth has a bright future. They have wonderful staff, we have a growing population, we have lots of economic opportunity and the capital city Local Government I'm sure is one that Western Australia will be proud of in the years to come. The Commissioners will get the basics of Local
40 Government right, those fundamental areas of governance that need to be strong and from there, provided that good people are involved with the City, both at the Executive level and at the elected level, the City will thrive.

45 And those good people will necessarily have to share the vision with each other and the City of Perth?---They must. They must demonstrate the leadership to understand the shared vision is more important than their own. They need to understand that sometimes their opinion isn't the right opinion and they also need to have the ability to disagree in a sensible and respectful way, but it comes down

to nothing good happens in an environment of conflict. Everything good happens in an environment of cooperation and good strategy.

Thank you?---Thank you.

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Commissioner, that completes my questions for the Chair Commissioner.

COMMISSIONER: Thank you, Ms Ellson. Before I call on other counsel for applications, I just have one area that I would like to explore with you?---Yes, sir.

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The Local Government Act defines the role of the Mayor and relevantly, what it says is in 2.81(f), "The Mayor", and I read it literally, "liaises with the CEO on the Local Government's affairs and the performance of its functions"?---Yes.

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[12.30 pm]

Those words are obviously deliberately chosen because of the number of different circumstances that arise. I wanted to put to you a scenario. The scenario is this, that the Lord Mayor no longer has sufficient influence over a Council and in that situation where the majority of Councillors are no longer agreeing with the Lord Mayor, do you see the wording of that clause as problematic? I will read it to you again, if you like?---No, I'm fully aware of the clause. Commissioner, I have worked in those circumstances, it's known in the industry as a hostile Mayor scenario, and obviously only prevails when the Mayor is elected at large. Having worked in that situation, it - any good relationship with the CEO and the Mayor has to be set on some ground rules and it is a relationship like any other relationship, it needs to be based upon honesty, trust and respect. It doesn't matter if you don't necessarily like the person, that's neither here nor there. If you can follow those rules as a Local Government professional, it shouldn't really matter who the Mayor is and it shouldn't matter if the Mayor is respected by the Councillors or not. The main area I felt challenged by in that hostile Mayor situation was the Councillors, for whatever reason, who were opposed the Mayor doing everything they possibly could to make it difficult for her, things such as moving motions to reduce the allowance or moving motions to stop the Mayor from going on a conference or things like that looks, petty, small-minded and a really bad look in the eyes of the community. There needs to be good, solid, effective liaison between the CEO the Mayor. There doesn't need to be, there can not be decisions made. You cannot afford to get too close or friendly, it needs to be a very professional, robust relationship that includes disagreements. If it becomes hostile, then the way that is dealt with purely is with honesty and openness and essentially, here's my role as CEO, irrespective of whether the Councillors don't like you or not, this is my role and this is what we need to do. A Mayor in that situation still needs to speak on behalf of the Local Government and that means all the policy decisions of the Local Government that Mayor needs to support. Therein lies the problem, I guess, outside of the realm of the CEO, that if a properly elected Mayor who gets a four year term ends up with a Council that dislikes him or her and then decides, "Well okay, whenever I communicate a

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5 Council decision, I'll going to also communicate that I don't support it and I think it's silly", there's a problem. Once again, it gets back to the community then think, haven't got confidence in the Local Government. It always gets back to the community. The community wants to see people getting on, people cooperating, people delivering services and people behaving properly.

Thank you. That's very helpful. Ms Ellson, anything arising out of that?

10 MS ELLSON: No, Commissioner.

COMMISSIONER: Thank you. I will hear applications now. Ms Randall, do you have an application?

15 MS RANDALL: No application, sir.

COMMISSIONER: Thank you. Ms Zoric, do you have an application?

MS ZORIC: No application, Commissioner.

20 COMMISSIONER: Thank you. Mr Tuohy, do you have an application?

MR TUOHY: No application, sir.

25 COMMISSIONER: Thank you, Mr Tuohy. In that case, is there any reason why Mr Hammond cannot be discharged from further attendance as a witness?

MS ELLSON: No.

30 COMMISSIONER: Thank you. Mr Hammond, I would like to thank you for your assistance to the Inquiry, it's been very helpful, and I also discharge as a witness from further attendance at this Inquiry?---Thank you, Commissioner.

I will now adjourn until 2.15.

35 **WITNESS WITHDREW**

(Luncheon Adjournment)

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HEARING RECOMMENCED AT 2.20 PM

COMMISSIONER: Mr Urquhart.

5 MR URQUHART: Thank you very much, Commissioner.

The public hearings of this Inquiry commenced on 5 August. After 40 days of evidence since then, the calling of 23 witnesses and approximately 4,000 pages of transcript, this important part of the Inquiry's functions has concluded.

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Now in my closing address it's appropriate to identify key themes and patterns that have emerged out of the evidence the Inquiry has heard. I emphasise that the observations I will now make are not, and should not be inferred as findings that the Inquiry has made or will make. As well as the public hearings, the Inquiry has conducted a significant number of private hearings, covering many matters that have not been the subject of public hearings. The Inquiry will report on those matters in due course in its final report but I intend to refer to some of the evidence heard in the course of the private hearings in my remarks today.

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Bearing in mind the timeframe set out in the Inquiry's Terms of Reference, being 1 October 2015 to 1 March 2018, the matters that have been the subject of the Inquiry's investigations can be broadly categorised as follows: first, the conduct of Elected Members, the adequacy and competency of decision-making by Council, and the Council's capacity to govern the City's affairs. Secondly, the conduct of the City's employees and the capacity of the City's Administration to manage the City's operations, including its financial and procurement activities, and thirdly and finally, the relationships between Elected Members of the Council, Elected Members and the City's Administration, particularly the CEO and the City's Directors, and the effect of those relationships on the performance of the City's functions and obligations.

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So now, Commissioner, I will address each of those three matters, commencing first with Elected Members. From the evidence it has heard, it may be open for the Inquiry to find that Elected Members improperly or unlawfully manipulated the City's electoral process by, first, creating sham leases to enable them to nominate as a candidate to run in Council elections and gain votes in those elections; secondly, by knowingly making false complaints to the Returning Officer so that electors would be improperly struck off the electoral roll; and thirdly, by nominating friends and family members with no connection to corporate bodies that owned or occupied property in the City for the purpose of gaining votes in Council elections.

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Sir, the first and last matters I have just referred to did not involve any illegality. However, they exploited loopholes in the legislation that applied to Local Government, and it could be said these practices defeated the intent of the legislation.

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There was also evidence that suggested Elected Members may have failed to consider matters on their merits and/or took into account improper or irrelevant considerations when performing their responsibilities and making decisions as Council. Examples identified by the Inquiry of such alleged conduct included the following: with respect to the CEO, Mr Gary Stevenson, his Performance Reviews were influenced by Elected Members' opinions of his attitude to reporting matters to the CCC.

With respect to the Development Application for a convenience store in front of the Adagio luxury apartment complex on Terrace Road, the Council unanimously refused this Development Application, which was entirely compliant with the relevant planning requirements. It may be open for the Inquiry to find that some Elected Members voted in this way in February of 2015 to gain an advantage or to avoid a detriment in the Council elections held in October of that year.

With respect to a sponsorship application regarding the renovation of the Piccadilly Theatre building in Hay Street Mall into a live theatre performance venue, the Council refused the sponsorship grant recommended by the Administration. It was evident that an extraordinary amount of work was undertaken by the City officers to prepare a comprehensive report. The question the Inquiry will be required to answer is whether concerted opposition by high profile stakeholders, who had a vested interest in opposing the sponsorship was the reason for the Council's refusal.

Staying with the conduct of Elected Members, the Inquiry unearthed evidence revealing that Elected Members appear to have failed to properly and carefully discharge their obligations with respect to disclosing their sources of income in annual returns, disclosing gifts they received in the course of performing their duties as Councillors, and declaring financial interests and removing themselves from participating in matters before Council, as required by the law. This last matter was of some concern because the evidence is clear that the Elected Members, and Governance Officers, were fully aware as of late March 2016, of the consequences of Elected Members previously receiving free tickets to sponsored events. It meant they might well have financial interests in any future sponsorship applications, yet a number of Elected Members continued to make no financial interest declarations when such applications came before Council.

It was also revealed that some Elected Members misused their position for their own personal benefit by using their privileges as a Councillor to entertain family, friends and business associates at the Council House Dining Room. Council's own policies on the use of the Dining Room were flagrantly breached and little or no effort was made by the Council or the City to rein in a gross misuse of the Dining Room facilities. Elected Members also made claims to the City for the reimbursement of expenses which had no proper connection to their role as a Councillor. There is also evidence that at least one Elected Member used their title and the prestige as a Councillor in business dealings to earn commission payments and attract or impress clients.

5 Aside from the failure to declare financial interests at Council meetings, there is also evidence before the Inquiry in which a finding could be made that one or more Elected Members improperly involved themselves in matters before Council or the City's Administration where they had a clear conflict of interest and in regard to another matter, interfered in the performance management and discipline of employees which impeded City employees from addressing allegations of poor performance and misconduct.

10 I turn now to the second category concerning the administration of the City. There is evidence available to support a finding that there was a failing to put in place or enforce appropriate governance practices. This enabled, or failed to detect potentially inappropriate conduct by Elected Members. Such examples include failures to make enquiries or apply proper controls to prevent and detect
15 manipulation of the electoral system; failures to properly scrutinise claims for reimbursement of expenses by Elected Members; failing to apply Council Policy in respect of the use of the Dining Room by Elected Members; and failing to sufficiently scrutinise or consider the implications of Gift Declarations with respect to the disclosure of financial interests.

20 However, with respect to that last point, it must be said that the legislation relating to this is extremely, and it might be said, unnecessarily complex. It is also open to the Inquiry to find that the Administration: (A), failed to apply or follow Council's policies which resulted in some serious consequences. By way of examples, there
25 was a failure to adhere to policies and procedures regarding the procurement of goods and services, creating the material risk that procurement processes could be manipulated or abused. There was a failure to properly declare gifts from tenderers and to identify and manage conflicts of interest during tendering processes. There was a failure to adhere to Council's policies regarding building
30 works, which resulted in building work taking place on a Heritage Listed building which just so happened to be Council House, and with respect to one matter, the Administration potentially executed documents on behalf of the City beyond the delegated authority of officers.

35 (B): It may be found that the Administration failed to properly investor report allegations of corruption. In one instance, the City's failure meant precisely the same conduct occurred again.

40 (C): It was apparent from the evidence that different Directorates within the City were either unable or unwilling to work constructively together to achieve outcomes for the benefit of the community; and finally (D), it may also be open for the Inquiry to find that job promotions were offered in exchange for promises of loyalty, thereby attempting to avoid transparent recruitment practices.

45 I turn now to the third category, the relationship between Elected Members and the Administration and my remarks will be brief in this regard. It is clearly evident from what the Inquiry has heard that there were fractious and hostile relationships

between members of Council, amongst the ELG and between Elected Members and senior employees. Whilst there is never going to be harmonious relationships throughout the entirety of a large organisation, the level of animosity within the City of Perth was, at times, palpable. There is evidence that may support a
5 conclusion that these poor relationships resulted in a majority fraction of the Council attempting to appoint a favoured Executive as the Acting CEO.

There is also evidence suggesting that a majority of the Executive Leadership Group improperly activated a Crisis Management Plan which significantly
10 destabilised the City. What this all meant was that as of 27 February 2018, key relationships within the City had disintegrated. The perfect storm that had been forming for some time had finally peaked.

I turn now to the Inquiry's work and particularly, what else has the Inquiry
15 uncovered? Unfortunately, it uncovered that many witnesses before the Inquiry would not answer questions directly or responsively. This was so notwithstanding my remarks in my opening address, back on the first day of the public hearings, that this was not acceptable. It continued right through to the final week of these public hearings. When Counsel Assisting has to ask the same question up to six
20 times of a witness, it is little wonder that the public hearings constantly ran behind schedule.

The Inquiry also heard witnesses admitting to forging documents produced to the Inquiry. It heard witnesses admitting being dishonest in their evidence to the
25 Inquiry. There were witnesses who attempted to obstruct the Inquiry by inappropriately discussing their evidence with other witnesses still to be called. There was at least one witness who failed to produce documents or information required to be produced by the Inquiry, using its powers under the Royal Commissions Act.

30 This behaviour was extremely concerning. It smacked of witnesses paying scant regard to what they were required to do and showed an appalling lack of respect to the functions of the Inquiry. At times it was as if they were a law unto themselves and if the actual law did not suit their agenda, then it could be ignored. It was
35 conduct that had the effect of impeding and frustrating the Inquiry's work. There are serious consequences for such conduct which may yet still be felt by those who engaged in it.

I finally turn to the next steps of the Inquiry. The Inquiry will now undertake the
40 task of writing its report. Parties before the Inquiry will be afforded procedural fairness with respect to adverse inferences or findings that may be drawn or made against them. The report will not be finalised until those parties have had the opportunity of responding to any adverse findings that may be made against them.

45 The Inquiry will also consider referring matters that have arisen from its investigations to regulatory bodies and law enforcement agencies. Finally, the Inquiry will present a report to the Minister for Local Government, Heritage,

Culture and the Arts containing the Inquiry's findings. This report will also include recommendations to improve not just the City of Perth, but the operations of all Local Governments in Western Australia.

5 Thank you, Commissioner.

COMMISSIONER: Thank you, Mr Urquhart. I will now make some closing remarks. On 24 April 2018 the Minister for Local Government, using his powers under section 8.16 of the Local Government Act, appointed an Inquiry Panel to
10 enquire into, report on and make recommendations in relation to the City of Perth, including whether the Council should be reinstated or dismissed. As Counsel Assisting has said, today's hearing is the conclusion of the Inquiry's public hearings. It comes after 92 days of private hearings and 40 days of public hearings, spanning the period from 21 November 2018 to 10 October 2019.

15 It also comes after many hours of dedicated but unseen hours of investigation, analysis and preparation behind the scenes, often early in the morning, late into the night and on weekends. The product of this tireless and otherwise unheralded work is apparent in the work of the Inquiry in its public hearings.

20 The Inquiry's mandate is determined by its Terms of Reference. They are far-ranging. They determine what the Inquiry can and should examine and by exclusion, what it cannot. Those Terms of Reference are, first, the Inquiry panel is to enquire into and report on those aspects, operations and affairs of the City of
25 Perth, including of the Council and the Administration during the period between 1 October 2015 and 1 March 2018 inclusive, which may be necessary in order to determine, first, whether there has been a failure to provide for good government of persons in the City of Perth; second, the prospect of such good government being provided in the future, including by reference to whether the Council and
30 Administration has the ability to, and is likely to do so; and thirdly, any steps which may need to be taken to ensure that such good government does happen in the future.

35 The Inquiry Panel is, and without limiting the generality of the first head, to give due consideration to, enquire into and report on the following matters: first, whether there was improper or undue influence by any member of the Council of the City of Perth in administrative tasks such as recruitment, employee management and grants administration; secondly, whether any Elected Member engaged in improper or unlawful conduct in relation to the performance by the
40 Council or the Elected Members of any of their functions and obligations; thirdly, the relationships between the Elected Members, the Chief Executive Officer and other employees of the City, and the effect of those relationships on the performance of the City's functions and obligations; fourthly, sponsorship arrangements between the organisations and the City and the acceptance of gifts in
45 the form of tickets to events by Elected Members from those organisations; fifthly, governance practices including adherence to the financial provisions of the Local Government Act; and finally, the adequacy and competency of Council

decision-making.

5 The Terms of Reference which I have just read out make it abundantly clear that there was and is much to investigate, examine and report on. At the public opening of this Inquiry on 21 November last year, I observed the Inquiry would discharge its obligations thoroughly, fairly and thoughtfully and would, in doing so, meet one of the primary reasons for its establishment, namely, to restore public confidence in the City of Perth.

10 Notwithstanding the enormous amount of documentary material it has had to examine and consider, the large number of witnesses who have been examined on a variety of matters and the breadth of its Terms of Reference, the Inquiry has, where appropriate in public hearings, comprehensively addressed its Terms of Reference. It has done so in a fair, but rigorous manner, befitting the important and complex task given to it. This Inquiry has been conducted against the background of the State Government's legislative reform program for Local Government. It is a reform program which is well overdue and much needed. The work of this Inquiry, much of it conducted in the public eye, will complement and inform the program in a direct and meaningful way.

20 Lastly, it is customary on an occasion like this to thank those without whom the Inquiry would not have functioned as well as it has. I do so with my deepest gratitude. The Inquiry would not be able to discharge its obligations and undertake the enormous menu of work required of it without the dedication, skill and hard work of all of its investigative, administrative and legal officers, past and present and I take this opportunity at the close of the public hearings of this Inquiry, to record my sincerest appreciation, personal indebtedness and thanks to all those involved.

30 I now formally close the public hearings of the Inquiry into the City of Perth.

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