

A NEW DIRECTION FOR LOCAL GOVERNMENT

A POSITION PAPER

OCTOBER 2006

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SECTION 1

A NEW DIRECTION

1. THE CHALLENGE FOR THE 21ST CENTURY

Local government is about sustaining communities. It is much more than providing services. Services are a council's response to its community needs in a wider context of local democracy and local representation. Local councils, as the heart of communities, are an essential ingredient in forging the quality of a community's life.

While each community is unique, council administration is not. The challenge to local government in the 21st Century is to retain local community 'uniqueness' while delivering valued services as economically as possible. Resources are limited and demands are competing so it is critical that local government finds new ways to plan and deliver services so that local democracy is sustainable and able to flourish.

Because communities are never static, it stands to reason that local government, as the closest tier of government to people, should also be constantly evolving to meet changing community needs.

While local government in NSW has been undergoing reform in recent years there are still many opportunities to further refine and improve the system of government that has served the people of NSW so well for over a century.

This position paper suggests a new direction and options for further reform across the sector. It is intended to generate debate so that consensus can be reached on the way forward. The matters raised in the paper are based on the assumption that the local government sector is committed to innovation and continuous improvement. This paper supports initiatives proposed in the Draft NSW Government State Plan - A New Direction for NSW. In particular, it aligns with the areas of building harmonious communities through increased community participation; improving services to focus on community needs; and growing prosperity across NSW by focussing on financial management and strengthening the rural and regional skills base.

The paper acknowledges work done across the sector including the recent Local Government Inquiry into financial sustainability commissioned by the Local Government and Shires Associations (LGSA) and chaired by Professor Percy Allan. Where relevant, it addresses the issues raised and recommendations made by Professor Allan.

2 A SNAPSHOT OF LOCAL GOVERNMENT IN NSW

2.1 History

For the first 50 years of the NSW colony, all services were provided by the State. Over time governors wanted to follow the English model by delegating the delivery of local services to a local system of governance.

In the 1840s, District Councils were created to raise revenue locally for the purpose of constructing and maintaining roads, bridges, public works and gaols. They were also charged with maintaining a police presence. Twenty-eight District Councils were proclaimed.

Under the *Municipalities Act 1858*, any town, city, hamlet or rural district could be constituted as a municipality by a petition of fifty or more householders. Municipalities had responsibility for roads, bridges, ferries, cemeteries, water supply, sewerage, hospitals, libraries, museums and parks etc. There was reluctance by communities to form municipalities and by 1905, only 1% of the State was covered.

In 1905, the *Local Government (Shires) Act* divided the remainder of NSW into 134 shires. The boundaries were set by a local government area commission. The *Local Government Act 1906* consolidated existing legislation. By 1910, there were 324 councils in NSW.

In 1919, the *Local Government Act 1906* set out in detail how local government was to be administered in NSW. The 20th century saw numerous amalgamations, boundary adjustment and reforms. The 1919 Act was regularly amended and was replaced in 1993.

The 1993 *Local Government Act* introduced greater autonomy for councils with a broad range of functions and responsibilities contained in a Charter. The essence of the Charter is community leadership and accountability.

2.2 Local Government Now

Local government in NSW is diverse. Councils provide a wide range of services and conduct an array of functions. No two councils are the same. The following is a snapshot of some key statistics.

- There are 152 general purpose councils.
- Geographic size of councils ranges from 5.8 square kms (Hunters Hill) to 53,510 square kms (Central Darling).
- Population size ranges from 1400 residents (Urana) to 280,000 (Blacktown).
- The most common age group of Councillors is 50-59 years (34.5%).
- 26% of councillors are female and 74% male.
- Councils employ over 51,000 staff.
- 96% of General Managers and 86% of Senior Managers are male.

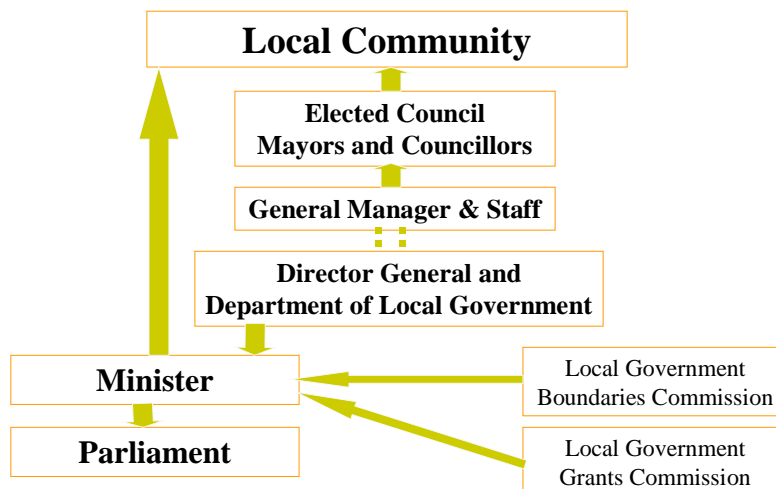
- Councillor numbers range from 5 to 15. The total number of Councillors in NSW is around 1500.

Local councils provide a complex array of services. Gone are the days of 'rates, roads and rubbish'. As well as looking after roads and collecting waste, NSW councils provide services for their communities that include libraries, recreation and sporting facilities, water and sewer, art and cultural facilities, health and community services and cemeteries.

Local government in NSW is a \$6 billion industry that touches almost every citizen in some way on a daily basis. The following diagram illustrates the broad local governance system in NSW:

Diagram 1

The System of Local Government in NSW



2.3 Reforms

The story of local government in NSW has been one of constant change and renewal. Not only is this desirable, it is necessary if councils are to reflect their communities and meet their changing needs. There have been periods of intense activity. 1910 marked the peak in terms of numbers of councils. At that time there were 324 councils. The boundaries of these councils did not necessarily reflect ecological catchments, communities of interest, or the financial capacity of communities. The subsequent reforms have largely been designed to address the financial sustainability of councils.

In 1973, the Committee of Inquiry into Local Government Areas and Administration chaired by Mr CJ Barnett undertook a major review of boundaries. The Committee concluded that a number of councils were too small to be sustainable and recommended that there be only 97 District Councils in NSW. By 1973 the number of councils had dropped to 223.

Between 1974 and 2003 a number of voluntary amalgamations occurred resulting in the total number of councils decreasing to 173.

In 2003, the NSW Government called on councils to develop proposals for structural reform under the Local Government Reform Program. The purpose was to create a strong and sustainable local government system. Possible solutions included amalgamations, boundary adjustments (along communities of interest or natural catchments), resource sharing and governance improvements.

Amalgamations resulted in the overall number of councils reducing to 152 by 2005. Resource sharing and governance reforms are the subject of the current thrust of local government reform.

2.4 Council Resources

Councils obtain revenue from four main sources:

- Rates on property. Growth in each council's total rates income is capped to a percentage each year roughly in line with CPI. This percentage can be exceeded with Ministerial approval through an application for a Special Variation under section 508 and 508A of the *Local Government Act 1993*. Specific criteria must be met;
- Financial Assistance Grants (FAGs) from the Commonwealth Government. These are distributed by the NSW Grants Commission; a body set up to advise the Local Government Minister on how to allocate the FAGs. The Commission works on a formula which takes into account population, infrastructure, remoteness etc;
- Council fees such as Development Application fees, plant hire charges, sporting field use, hall hire, etc;
- Miscellaneous revenue (interest from investments, etc).

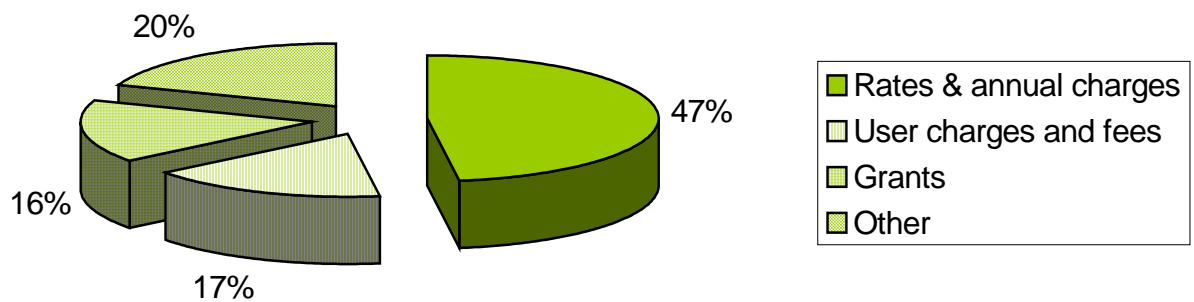


Diagram 2 Local Government – Major Sources of Funding

2.5 The New South Wales Department Of Local Government’s Role

The Department of Local Government’s vision is “to foster a strong and sustainable local government sector that meets changing community needs.” It provides the legislative and policy frameworks that enable councils to provide the quality services required by their communities.

The Department also monitors council compliance with legislative and regulation requirements, investigates complaints about councils and provides information and guidance to councils, government agencies and the public about local government.

The Department has adopted a ‘systems’ approach to building a strong and sustainable sector. The key elements of a well functioning local government system have been identified and strategies are being put in place to progressively strengthen and improve the whole system. This has been in response to emerging issues, many of which have been identified from within the sector.

2.6 The Fork In The Road

Local government in NSW has many challenges confronting it. Many of these were highlighted in the Allan Inquiry report. Some hard choices and decisions need to be made. It is as much about identity and function as it is about funding. Councils operate in a context of increasingly demanding and complex community expectations where there are limited resources and skills shortages.

Different words can be used to describe the diverging pathway confronting the sector but they can be reduced to two basic scenarios. One is a contracted services model where councils only provide basic services such as road maintenance and waste removal. The other is a growth model where council functions and responsibilities expand to become the type of organisations contemplated and made possible by the 1993 *Local Government Act*. It is recognised that some councils already embrace this model.

Local government's key role is to support and sustain communities. As community expectations are growing, it is unlikely that communities would support councils reducing their services. This paper is based on the assumption that local government wishes to take the path of increasing its role to match the changing needs of local communities. The challenge is to develop appropriate ways to do that cost effectively.

2.7 Obstacles In The Path

Local government in NSW operates largely in a competition, compliance and dependency paradigm. One hundred and fifty-two councils compete for scarce resources from the State and Commonwealth Governments to supplement other sources of income such as rates. In terms of performance and the expected delivery of services, all councils are largely considered as equals. However, the variance in council size, resources and ability is wide.

Reform has generally been resisted because it has been seen as code for amalgamation and the loss of local representation.

The *Local Government Act 1993* does not impede cooperative or joint service delivery between councils. However, the culture of the sector has been to adopt a more cautious approach with respect to alternative business models, which involve working across boundaries.

Incentives have focussed on the delivery of core services within a council boundary rather than to take a wider sector approach. Performance measures of councils drive this behaviour because performance is only measured council by council. The result is duplication of delivery systems and sector wide inefficiencies. Some councils are now struggling to survive in an environment of increasing competition for resources.

3. THE FUTURE FOR LOCAL GOVERNMENT

3.1 Sustainable Communities

A sustainable community is difficult to define. It is not a static end product but more a state of becoming. People who live in sustainable communities have a sense of belonging and a strong sense of place. A sustainable community can be recognised by its confidence, self-reliance and ability to assume responsibility for its future.

The core components of a sustainable community include;

- Social cohesion; a socially mixed community where neighbourhoods are characterised by diversity of income, age, culture and housing tenure etc and there are opportunities to move freely through life's cycles without the need to relocate.
- Functional economy; diverse employment opportunities exist which underpin a quality of life matched with community prosperity expectations.
- Robust environment; ecologically balanced with impacts from human activity capable of being accommodated without degradation.
- Sound infrastructure; facilities and services are matched to community needs.

3.2 Strong and Sustainable Local Government

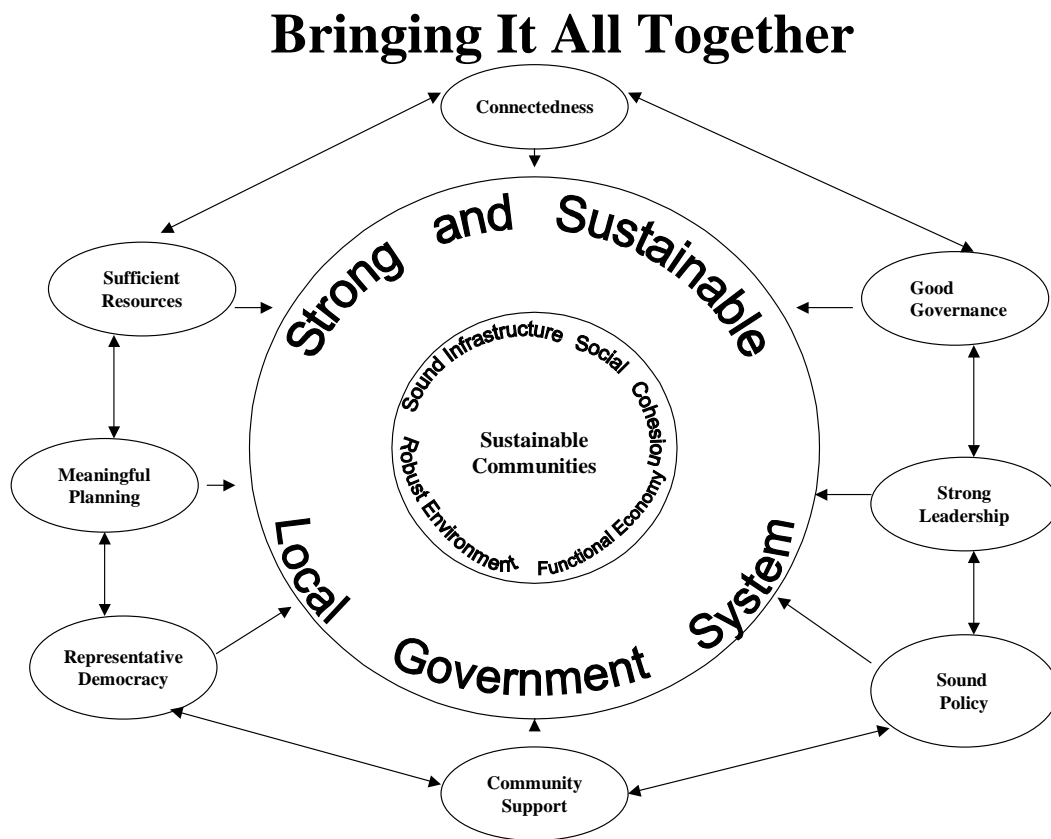
In the same way that communities are different, local councils also have differences in the services they provide and the manner in which they provide them. However, the core elements of a strong local government system are the same. They can be summarised as:

- (1) *Good governance*: The way the council is directed, controlled and managed to ensure there is community confidence in the organisation's performance.
- (2) *Representative democracy and community support*: Elected members are truly representative of their community demographics. People are able to participate in local affairs and have confidence in council decisions.
- (3) *Sound policy*: Clear and transparent policies enable decisions to align with community values and expectations.
- (4) *Sufficient resources*: Human and financial capital is sufficient to implement council decisions, deliver services to agreed community standards and to meet statutory obligations.
- (5) *Meaningful planning*: Planning processes translate community aspirations into council services.
- (6) *Connectedness*: Councils are linked to the wider community and are not 'islands'.

- (7) *Strong leadership*: Councils are places where people want to work and contribute. There is active competition for positions at both the political and managerial levels.

The following diagram illustrates the connection between sustainable communities and a strong local government system.

Diagram 3



3.3 New Direction

If local government is to reach its potential as a vibrant tier of government, there needs to be a change in thinking about how the sector operates. The culture of isolated units needs to be replaced with a new paradigm of connectedness and innovation. Such a paradigm would see all the players as an integral part of one system, which is charged with the goal of achieving better outcomes for sustainable local communities. One business; many providers.

Neither the community in general nor other tiers of government are satisfied that local councils are as efficient and effective as they could be in providing

their services. If the question of resourcing is to be addressed, it is incumbent on the sector to prove that every possible efficiency has been adopted and that the services provided are wanted and valued by the community. This new direction would encourage new approaches to meeting community needs without being hindered by protecting traditional ways of working. It is acknowledged that many councils are already actively engaging in innovative business models consistent with this direction.

If a sector wide approach is adopted, concerns about the number of councils would recede as different models of governance emerge. Local diversity, community autonomy, efficiency and effectiveness in service delivery would be the primary concerns.

Sustainable reform can only come through the sector embracing new business models, enhancing community engagement and focussing on quality service delivery.

The principles of the new direction would be:

- State and local government “have an open and productive relationship” - Inter Governmental agreement signed on 12 April 2006 between Commonwealth, State and Local Government. (Element 1: Good governance)
- Stronger councils assisting weaker ones. (Element 2: Representative democracy and community support)
- Minimal duplication while maintaining competition principles to drive efficiency improvements. (Element 3: Sound Policy)
- Ideas and resources being shared. (Element 4: Sufficient resources)
- Focussing on continuous improvement. (Element 5: Meaningful planning)
- Boundaries not being impediments. (Element 6: Connectedness)
- Councils mentoring each other. (Element 7: Leadership)

If this paradigm of thinking is embraced by the entire local government sector, the possibilities are vast. Councils could be ‘community franchises’ purchasing or trading services from a local government market place of specialist providers. Some councils could specialise in certain ‘back office’ businesses and compete to provide the service to multiple councils. New business models could emerge resulting in increased efficiencies, improved services, and a new fresh image for local government.

SECTION 2

BUILDING ON THE STRENGTHS: THE NEW DIRECTION IN PRACTICE

The local government system in NSW has many enduring strengths. As with any system however, continuous improvement is essential if the goal of having sustainable communities is to be realised.

If the sector is to continue to meet the challenges before it, there is a need for ongoing debate. This section outlines some current initiatives and puts forward for discussion, some suggestions for further reform. It is important that they are viewed as a package and not in isolation. They are designed to engage the sector in a debate on how local government can reform itself largely from within. Some of them will require legislative change. Others will require new policy directions and some will only need a new way of thinking.

The Department has been progressively assessing gaps that are inhibiting local government from working as effectively as it could. Grouped under the elements of a good system as outlined in Section 1, are projects designed to assist councils to better understand and meet the needs of their communities. Collectively they attempt to describe a strong and sustainable local government system, in the context of the new direction of connectedness and innovation. The seven elements are:

1. Good governance
2. Representative democracy and community support
3. Sound policy
4. Sufficient resources
5. Meaningful planning
6. Connectedness
7. Strong leadership

ELEMENT I. GOOD GOVERNANCE

Good governance is the foundation of a sustainable and successful organisation. Good governance delivers good performance. It minimises the risks of financial failure, ensures transparency and accountability and promotes efficiency and effectiveness. Local government is under intense scrutiny and the success of the sector is only as good as its weakest part. It is essential that the elements of governance are clear and transparent so communities have confidence in the way a council is managed.

What we have been doing

Promoting Better Practice (PBP) Reviews

The Department has been conducting PBP reviews of councils since 2004. These act as a health check on the individual councils and the identification of trends across the sector. The reviews cover

- Strategic directions
- Governance
- Regulatory functions
- Asset and financial management
- Community and consultation
- Workforce relations

Recommendations are made to treat performance problems and to prevent problems arising.

The PBP program is a proactive, early intervention strategy to assist individual councils as well as sharing learning across the whole sector. From the reviews done to date some consistent themes have been emerging which are helping drive the Department's work in progressively building a strong and sustainable system. While there are many areas of satisfactory performance, there are major areas in need of improvement. These are:

- Strategic management
- The role of councillors
- Community engagement
- Code of conduct implementation
- Complaints handling
- Meetings practice
- Risk management
- Integration of social and landuse planning
- Asset/Infrastructure planning and management
- Service standards
- Workforce planning

Now that a significant number of reviews have been completed, reports and trends are being posted on the Department's website so the sector as a whole can benefit.

Reviewing the Model Code of Conduct

The *Local Government Act 1993* requires councils to adopt a code of conduct that incorporates the provisions of the Model Code of Conduct prepared by the Department in consultation with the LGSA, Local Government Managers Australia, the Independent Commission Against Corruption and the NSW Ombudsman. These requirements came into effect on 1 January 2005. The Department is currently reviewing the implementation of the Code in consultation with the sector including the bodies mentioned above with a view to updating it as appropriate.

What we think needs doing

Proposal 1.1: Peer reviews of councils

The Department is able to conduct around 18 Promoting Better Practice reviews (PBP) each year. At this rate it will take many years to complete all councils. To both speed this up and to broaden the opportunities for learning across the sector, some PBPs could be conducted by councils themselves and then reviewed by the Department with voluntary peers from other councils. Reviews could also be conducted by a mixture of Departmental staff and accredited volunteers from other councils (elected and staff). The reviews would follow the agreed and standard format. This would encourage the principle of mentoring.

Proposal 1.2: Strategic planning assistance for councils

Strategic planning is a current gap in many councils. Without it, good governance is severely hampered because there is no strong framework for a council to work within. It is proposed to provide support and training to councils on this element of governance as part of the integrated planning and reporting reforms outlined in Proposal 5.1.

Proposal 1.3: Red tape review

Any prudent organisation or sector will from time to time review administrative processes to make sure they are still fit for purpose and focussed on outcomes. While much of the red tape in the *Local Government Act* is being assessed as part of the Integrated Planning and Reporting project, it is proposed to conduct a more comprehensive red tape review of the Act and Regulation and remove anything that does not add to the quality of life for sustainable communities.

Proposal 1.4: Clarification of roles

It is essential in any organisation that roles and functions be as clear as possible. It is an important requirement for good governance. The *Local Government Act 1993*, outlines in a broad sense, the roles and responsibilities of councillors, mayors and general managers. However, there are differing interpretations of some aspects that often lead to internal conflicts and disputes. This diverts attention away from the primary purpose of councils and can eventually lead to inappropriate behaviour and dysfunction.

It is proposed to further clarify the respective roles to support other initiatives, particularly in relation to integrated planning and leadership development.

ELEMENT 2. REPRESENTATIVE DEMOCRACY AND COMMUNITY SUPPORT

For a council to be effective, it should broadly reflect its community demographics and be able to confirm it has community support to make decisions on behalf of that community.

What we have been doing

Reduction in Councillor Numbers.

The *Local Government Act* provides that councillor numbers can only be altered by a referendum. However, the Act was amended in 2005 to enable councils, as a one-off opportunity, to reduce the number of councillors without a referendum. A sunset clause ended this opportunity on 15 July 2006. No council may have less than 5 councillors and councils divided by wards could not apply if it meant that there would be less than 3 councillors in a ward.

21 councils put forward proposals with the total number of councillors across the state reducing by 47. This will come into effect at the next ordinary election in September 2008. Some councils expressed interest in reducing numbers but were prevented by the ward limitation.

Diversity in Local Government:

Councils in NSW do not as a general rule, reflect the demographics of their communities. For example, currently, only 26% of NSW councillors and 4% of general managers are women.

The Department has been supporting greater diversity in local government and is keen for councils to create an environment where under represented groups want to make a contribution.

We have worked with key players in the sector to develop and promote the National Framework for Women in Local Government Kit. We recently held a "Promoting Diversity in Local Government" workshop where councils

showcased initiatives and explored future opportunities for encouraging diversity.

What we think needs doing

Proposal 2.1: Develop principles for determining local representation

There is no formula for calculating the number of councillors required for a sound local democracy. In NSW the number of councillors can range from 5 to 15. Representation levels vary from one councillor per 500 people to one councillor per 15,000 people. It is proposed to develop some principles to guide councils and their communities when considering councillor numbers. This will not result in a formula but is intended to establish agreement across the sector on the criteria to be used for efficient and representative local democracy. Depending on the outcome of this work, consideration may then be given to another opportunity to alter councillor numbers where appropriate, to align with the new principles.

Proposal 2.2: Develop a kit to promote 'candidacy' in local government

If local government is to be strong and robust it is essential that the best possible candidates are attracted. There are many in the wider community who have an ill informed or negative view of councils. As a result, it is possible that many potential candidates do not stand for council thereby reducing the pool of available talent both in number, diversity and ability.

It is proposed that the Department and the LGSA work together on a kit to promote local democracy, the important role of councils and the opportunities being a councillor presents. The existing publication "So You Want to be a Councillor" will be expanded and updated. Unnecessary impediments to attracting candidates will be identified and addressed as part of the work.

Proposal 2.3: Promote flexible meeting times

Council meetings are the public face of local democracy. If they are well run, respectful and focus on community outcomes, the community is more likely to have confidence that sound decisions are being made. The Department has in recent times provided the model Code of Conduct and Meeting Practice Note to assist. However, if councils are to attract high calibre people who are representative of the community, consideration needs to be given to a greater level of flexibility in how and when meetings are conducted. It is proposed therefore to encourage flexible meeting times to accommodate the needs of working people and families.

Proposal 2.4: Guidelines on community consultation and involvement

The Promoting Better Practice Reviews of councils have revealed a consistent theme of councils having a patchy understanding of community engagement. If councils are to support sustainable communities then this element of their work is of critical importance. It cuts to the core of everything a council does. It must be a central focus of policy development in a well functioning local democracy. As well as being the key to sound decision making, communities are demanding more say in how they are governed.

However, it is recognised that meaningful community engagement is not easy. It is proposed therefore to develop tools to assist councils in engaging with their communities. It is acknowledged that some councils already do this extremely effectively. The guidelines will build on this work with a view to sharing successful strategies.

Proposal 2.5: Workforce planning assistance

It is important that council organisations are also diverse. The Promoting Better Practice reviews have highlighted that many councils do not have workforce plans in place. It is proposed to develop guidelines to assist councils in the preparation of such plans including strategies to encourage a diversity of employees commensurate with the demographics of the council area.

ELEMENT 3. SOUND POLICY

A key function of the Department is to provide policy advice to facilitate effective decision making throughout the sector. This is a prerequisite of a strong and sustainable local government system. Policies are an organisation's way of minimising risks of failure in meeting its goals.

What we have been doing

Policy Advice

The Department issues policy advice on a regular basis. Each year the Director General issues around 80 circulars on a number of matters. These cover a range of topics including the release of major guidelines and policies. Some recent examples include:

- Pecuniary interest guidelines
- Public private partnership guidelines
- Councillor expenses and facilities policy guidelines
- Model code of conduct guidelines
- Compulsory acquisition guidelines
- Meetings practice note

What we think needs doing

Policy can be divided into big “P” and little “p”. Big “P” is the big picture agenda where the framework for how councils operate is established. What the Department is doing in this area is outlined elsewhere in this paper. Little “p” is the myriad of issues, which arise on a daily basis where clarification/interpretation is required or advice on a better way of doing something is provided. In addition to circulars, the Department provides a large quantity of information directly to individual councils.

Proposal 3.1: Develop a policy directory

Issuing circulars and guidelines with policy advice is a core little “p” service provided by the Department. We will continue to consult with the sector and identify where policy advice is required. Currently, policy advice is contained in a number of circulars and letters. It is proposed to consolidate them into a directory of best practice on the website in an easy to read “Frequently Asked Question” format. Encouragement will also be given for councils to use this facility to share good practice.

ELEMENT 4. SUFFICIENT RESOURCES

A vibrant council needs human and financial resources to implement its decisions and to fulfil its statutory obligations.

What we have been doing

Ministerial Roundtable

In recognition of the difficulty of some rural and remote councils to remain financially sustainable, the NSW Minister invited all jurisdictions to a special Roundtable held in Sydney in May 2006. The Roundtable recommended to the Local Government and Planning Ministers’ Council (LGPMC) that there be nationally consistent approaches to asset management, financial reporting and sustainability. It also supported a case for more funding to local government via the Financial Assistance Grants (FAGs).

At its meeting on 4 August 2006, the LGPMC endorsed a nationally consistent approach to asset management, financial reporting and sustainability. On 20 October 2006, the LGPMC endorsed the draft national framework. The principal components of the framework include:

- Asset management policy statement from the State specifying minimum requirements for local government.
- Council asset management plans linked to long term financial plans.

- Governance and management arrangements clearly articulated and in place.
- Levels of service defined in consultation with the community.

Infrastructure Task Force

In line with the approach adopted by the LGPMC, the Department has set up the NSW Infrastructure Task Force to advise on the most appropriate way of putting in place an asset management and financial reporting system which is consistent with other jurisdictions. The work of the Task Force will link with the integrated planning and reporting project (see proposal 5.1). Its membership comprises the DLG, LGSA, Local Government Managers Australia (LGMA), Institute of Public Works Engineers Australia (IPWEA), Department of Energy Utilities and Sustainability (DEUS), the Roads and Traffic Authority (RTA) and the Local Government Auditors.

Financial Assistance Grants (FAGs)

NSW has put a case to the LGPMC for an increase in FAGs. FAGs are increased annually to take into account inflation and population increases. In 1997/98 the Australian Government did not include the population factor. The NSW case to LGPMC requested that the population escalation factor, not allowed in 1997/98, be reinstated and backdated. This would give NSW an additional \$55m as a one-off payment and an additional \$5m annually. NSW will continue to mount a case for increased funding while at the same time driving efficiency reforms at the local level as outlined elsewhere in this paper.

Supporting Special Variation Applications

In 2005/06 forty-six councils applied to exceed the rate cap under sections 508 and 508A of the *Local Government Act 1993*. Of these, thirty-one were approved unamended, eight were approved with modifications, five were declined and two were withdrawn. Applications generally focussed on infrastructure and were approved where a good business case was made supported by an asset management plan and evidence of community support.

Capital Expenditure Reviews

Capital expenditure reviews are required when councils wish to carry out major building works. If a council is proposing to fund the project either partially or fully from a new borrowing allocation or a special rating variation a copy of the review must be forwarded to the Department prior to any determination being made. In order to make the process more robust and rigorous, the Department is currently improving the application process. It will align with the proposed new planning process outlined in Proposal 5.1 by requiring any proposal to be linked to the council's long-term plan. It will also require a more detailed business case than is currently the case.

What we think needs doing

Proposal 4.1: Asset management plans

It is proposed to introduce an asset management system, which is consistent with the national framework. It will be informed by the work of the Infrastructure Task Force outlined above but is likely to include:

- Requirements for councils to have a long term asset management plan linked to a long term financial plan (at least 10 years);
- Condition assessment service levels determined in consultation with the community;
- Standardised reporting/terminology;
- A phasing in period with support tools;
- Peer review (rather than audit).

The framework will link to the integrated planning project with any planning and reporting requirements incorporated into the new planning system (see Proposal 5.1). It will also clarify what is expected from councils when applying to exceed the rate cap. The Infrastructure Task Force is preparing a discussion paper on a range of options.

Proposal 4.2: Efficiency statement

As part of the overall strategy to improve and demonstrate the efficiency of local government, it is proposed to require councils to prepare an annual efficiency/productivity savings statement as part of its annual report. This will ensure that councils are continuing to reform their service delivery models and drive down delivery costs. It will be an opportunity for councils to showcase innovations such as strategic alliances and resource sharing. Explanations of the circumstances where rate rises remain below the cap could be included. The details of this proposal will form part of the Integrated Planning and Reporting project (see proposal 5.1).

ELEMENT 5. MEANINGFUL PLANNING

Planning is a process to translate community needs and aspirations into council services. To be meaningful, plans must result in actions and outcomes for the community and not be done merely to satisfy statutory requirements.

What we have been doing

Integrated Planning and Reporting

The Department is undertaking a review of the existing planning and reporting framework with a view to strengthening the focus on outcomes while at the same time streamlining the process. A discussion paper was released in early 2006 for comment to gauge current performance by councils and obtain views on how the system could be improved. Submissions to that paper confirmed that councils support an overhaul of the process. Planning and reporting should be meaningful and produce a result rather than being done as a 'tick and flick' exercise to meet a statutory requirement.

An options paper has now been prepared for comment including a proposal for how a streamlined approach could work.

What we think needs doing

Proposal 5.1: Integrated planning and reporting

Subject to comment on the options paper, it is proposed to introduce a new planning and reporting regime for councils that will replace the current one. It will be phased in and have clear outcomes and accountabilities.

Communities need information if they are to be effective so the new system will be as transparent and as simple to understand as possible. The new system proposes to include:

- A 10 year strategic plan (to be known as a Community Strategic Plan), including social, ecological, economic and governance outcomes. It will be revised and rolled forward each 4 years; within 18 months after each council election. A core feature will be a 4 year Delivery Program with details of how each strategy in the plan will be funded and delivered. The plan will link with State and regional plans to reflect joint priorities. Preparation of this plan is a councillor responsibility. It is proposed to be reviewed by a combination of representatives from both state and local government.
- An annual operational plan (similar to the current management plan) with a budget that is uniformly presented across councils and consistent with the national approach. This document implements the Delivery Program and is a General Manager responsibility to prepare.
- A simple reporting system that focuses on risks to achieving stated outcomes. Preparation is a General Manager responsibility.
- An annual report that comprises performance against key indicators. Preparation is a General Manager responsibility.

The options paper outlines in detail how this model would work. It also outlines alternative options.

ELEMENT 6. CONNECTEDNESS

In the information age of the 21st Century, councils cannot afford to be 'islands'. A strong local government system will require a high level of connectivity across communities and councils.

What we have been doing

Intergovernmental Agreement (IGA)

On 12 April 2006, all jurisdictions and the Australian Local Government Association signed an Intergovernmental Agreement. The IGA is an aspirational document that sets out principles for how the three tiers of government will work together in a spirit of cooperation. The Minister for Local Government signed the IGA on behalf of NSW.

The LGSA has requested the NSW Government to enter into a similar State based IGA. Consultation is underway on a possible IGA that reflects the national IGA.

Strategic Alliance Network

On 1 May 2006, the Department and the LGSA held an inaugural Strategic Alliance Conference. Over 220 delegates representing 100 councils attended to examine resource sharing models and to launch the Strategic Alliance Network. The Network is an ideas 'clearing house' or data base to promote resource sharing among councils. It collects models and experiences from councils so other councils can learn and not 'reinvent the wheel'. It is proposed that the Network will be web based and updated by councils for councils. Since the conference, the number of alliances between councils has grown significantly. Development of the Network is currently underway.

What we think needs doing

Proposal 6.1: Benchmarks

The Department's Comparative Data is a collection of data for the purpose of comparing councils in groups of similar councils. There are few benchmarks across the sector against which any council can assess performance. It is proposed to develop a small number of key indicators to set out the core competencies of any council no matter what size. These will also take into account the recently endorsed draft national framework for asset management financial reporting and sustainability. As councils range in size and function,

setting benchmarks is likely to generate much debate. In order to advance the debate some suggested categories for the benchmarks are as follows:

- Financial
- Service delivery responsiveness and efficiency
- Community engagement
- Environmental responsibility
- Social/community well being
- Leadership and governance
- Workforce

Proposal 6.2: Regional/Cluster indicators

If resource sharing and efficiency improvements are to be meaningful, councils must be able to report to their communities on how they have worked beyond their own borders. Under the new direction for local government, where the whole sector is the focus, councils should decide themselves who they will form alliances and business arrangements with.

Councils are invited to put forward proposals for Council Business Clusters. The Clusters can be on a geographic basis or functional basis, or both. Actual and potential savings and benefits should be detailed to highlight the efficiencies being gained or expected to be gained. Details of any existing cluster arrangements should be included so there is full awareness across the sector of all the initiatives underway. This will enhance learning and avoid duplication

Once the clusters are determined, measures will be established for each cluster to ensure efficiencies and service improvements continue to be quantified and evaluated as part of the Promoting Better Practice reviews. Regional Organisations of Councils (ROCs) are one form of cluster. However, membership of a ROC is insufficient unless that ROC is seriously coordinating resource sharing on a formal basis with demonstrated outcomes.

Some models councils could consider include:

- Shared administrations
- Co-operatives
- Partnerships
- Alliances
- Service level agreements

Proposal 6.3: General manager contracts to enable working with neighbouring councils

The standard contract for general managers (GMs) was released on 1 July 2006. It does not deal with the issue of working across council boundaries.

If resource sharing opportunities are to grow, part of the performance measure of a GM should include how he or she works for the betterment of the whole system. It is proposed to enable GMs, via their contracts of employment, to contribute to council business clusters and other sharing arrangements.

Proposal 6.4: Resource sharing guidelines

Many councils already have experience with setting up resource sharing arrangements. As part of the Strategic Alliance Network, it is proposed to prepare guidelines outlining the various models available with practical advice on how to go about setting one up. It will be 'nuts and bolts' approach including potential legal structures, pitfalls, performance indicators and case studies etc to assist the development of robust Council Business Clusters.

Proposal 6.5: Regional context for Special Variation applications to exceed the rate cap

If resource sharing is effective it should generate savings and reduce the need for rate rises above the cap. However, should a council wish to apply to exceed the cap, it is proposed that the applicant must demonstrate that efficiencies have been achieved through resource sharing. Applications may also be considered on a joint council basis where the costs and benefits of projects to be funded by the increase are to be shared.

ELEMENT 7. STRONG LEADERSHIP

A strong local government system can only be achieved if people see value in participating in local democratic processes and councils are an employer of choice.

What we have been doing

Leadership Development for Councillors

In response to the Promoting Better Practice reviews and the public inquiry into Brewarrina Council, which found that councillors were struggling to understand their role, the Minister announced compulsory training for councillors to commence after the 2008 elections.

This program is being designed to assist councillors to be effective community leaders by being well-informed when making decisions. The program will link with the introduction of a strategic planning role for councillors with tools and guidance being provided to help with this crucial function.

Skills Shortage Taskforce/Scholarships

The Department set up the Professional Skills and Training Shortages Task Force in 2005 to assist councils in addressing the problem of skills shortages. The Task Force comprises the Department, LGSA, LGMA, Department of Education and Training, councils, peak industry bodies and education providers. One of the emerging goals from the group's work is the need to promote local government as an employer of choice and an exciting career for young people. The Task Force has had a number of important successes already including: collaboration with TAFE NSW and the University of Technology Sydney to develop training courses specific to local government; and undertaking activities designed to promote local government as a career choice.

The Task Force has also been responsible for the introduction of the Local Government Scholarship Program recently announced by the Minister for Local Government. Under this program councils can apply for funding on a matched basis to support final year students with their study. It will continue to identify opportunities to assist councils with workforce planning.

What we think needs doing

Proposal 7.1: Accreditation for councillor learning and development

To be successful, councillor learning and development must be a rewarding and sought after experience. It should enhance decision making and be part of a culture of continuous improvement. In order to focus on councillors' leadership roles it is proposed to develop a process that sets out clearly the outcomes and commitments expected by councillors and councils with respect to learning and development over the term of the council. The process will include some form of recognition or accreditation for councillor skills.

Mayors have some different roles to councillors such as chairing council meetings. There is also a special relationship needed with the General Manager.

As part of the learning and development program, it is proposed to provide specific coaching for mayors on their role including joint sessions with their General Managers. Experienced mayors will be encouraged to be mentors for new mayors.

SECTION 3

WHERE TO FROM HERE?

Local government in NSW is at a crucial point in its history. Communities are rapidly changing. As the heart of communities, local councils must continue to evolve.

This position paper sets out a context for ongoing reform by the local government sector. It sets out a direction of connectedness and innovation and invites comments on specific proposals to further advance this direction. These proposals are not intended to be all encompassing but rather a means for the sector to debate how best it can ensure NSW councils continue to meet the changing needs of their communities.

Comments on these proposals and any other suggestions for how the sector can grow in strength should be marked "A New Direction for Local Government" and sent to:

Deputy Director General
Department of Local Government
Locked Bag 3015 Nowra 2541

Or email dlg@dlg.nsw.gov.au.

The closing date for submissions is 9 March 2007.

