



Better, Stronger Local Government

The Case for Sustainable Change

November 2012

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Responses Welcome! The Panel looks forward to receiving comments on this paper. It is particularly keen to hear from the new councils elected in September this year, but anyone with an interest in the issues raised is welcome to join the conversation.

Full details of the Panel's consultation program and how to contribute to the review process are available on the Panel's website (see page 37).

Please go to: www.localgovernmentreview.nsw.gov.au

Preamble: Creating the Future

Local government in New South Wales must change. The future is challenging but also full of potential. Local councils must embrace the challenges and realise the potential. They can be catalysts for improvement across the whole public sector. They can demonstrate how to tackle complex problems by harnessing the skills and resources of communities, and how effective place-shaping can boost the State's economy and enhance people's quality of life.

The fortunes of NSW have slipped in recent years and the State government's goal is 'To Make NSW Number One'. The State Plan refers to the need to 'rebuild', to 'renovate' and to 'restore'. None of this can be achieved without a local government system that is also 'Number One'. NSW local councils employ over 50,000 people and spend close to \$10 billion every year; in many cases they are the lifeblood of local economies, and both individually and collectively they can play a central role in promoting state development.

Yet with notable exceptions, local government seems to have been stuck in a rut, waiting for others to take the lead and seeking 'silver bullet' solutions to its problems: a share of federal tax, an end to cost-shifting and rate-pegging, constitutional recognition. Some of these things should happen, but they are not in themselves the way forward. Local government must first look to its own resources, structures and performance. Then it must forge a new partnership with the State government based on its renewed strength and competence.

The President of the Local Government Association of South Australia, returning from a delegation to Canberra, recently had this to say:

The message out of Canberra was clear, there is no pot of gold, so we have to look at ways where we can work smarter and more efficiently. We have to look at where we can partner with State and Federal

governments and where we will have to bite the bullet and go it alone. (LGA News Issue 152, October/November 2012, LGA of SA)

That powerful message rings equally true for local government in NSW.

There are already encouraging signs of an understanding that the challenges of change simply have to be met. These are encapsulated in the Action Plan of *Destination 2036*, the joint local and State government initiative to pursue a vision for councils to 'create strong communities through partnerships'. They are also reflected in the decision to create a single local government association, and in the efforts of the current State government to seek a productive working relationship with councils.

The establishment of the Independent Local Government Review Panel was itself a product of *Destination 2036*, and it has been given carriage of key elements of the Action Plan. The Panel is totally committed to better, stronger local government. But we all know that the world will be a very different place in 2036, and therefore a realistic program for the future must be a program for substantial and lasting change.

This paper sets out the Panel's current thinking on some of the key aspects of local government – and its relationship to the State – that are most in need of fresh thinking and new ideas. Throughout the paper we identify 'signposts' for the rest of the review. These are summarised below.

Signposts

The local government system and challenges faced

- Local councils are part of a broader local government system. Understanding how the overall system works is essential to achieve lasting improvements. (section 2.1)
- Profound changes in local government's operating environment call for equally far-reaching responses. Each community in NSW needs a local government with the necessary strategic capacity to deal with future challenges. (section 3.5)

Fiscal responsibility and financial management

- The Panel will explore the feasibility and desirability of changes to the distribution of financial assistance grants. It also sees scope for further streamlining of rate-pegging, recognising in particular the importance of funding essential infrastructure. (section 4.3)
- NSW local government has some way to go in advancing fiscal responsibility. Key organisations such as the Associations, the Division of Local Government, IPART and the Auditor General need to contribute to reaching that objective. (section 4.4)

Services and infrastructure

- Councils must be able to decide how best to respond to the particular needs of their local communities. The Panel will explore opportunities for an enhanced 'whole of government' perspective on service delivery capacity, and will be examining a range of options for service delivery in rural and remote regions. (section 5.1 and 5.2)
- Tackling local infrastructure needs and backlogs warrants the highest priority. This will require continued efforts to improve asset management, make more efficient use of available resources and build the capacity of smaller councils. Areas of rapid growth will require particular attention. (section 5.3)
- There needs to be a concerted effort to improve the efficiency, productivity and competitiveness of NSW local government. The Panel will be looking at how to develop much stronger frameworks and new entities for regional collaboration, advocacy and shared services. (section 5.4 and 5.5)

Structures and boundaries

- The Panel will investigate the need for new local government structures at regional and sub-council levels. It will also explore a range of possible new models of cooperative governance and service delivery in western NSW. (section 6.1 and 6.4)
- The Panel will seek further evidence on the benefits and drawbacks of boundary changes in different circumstances. It will formulate proposals for amalgamations, new regional entities and shared services as appropriate throughout NSW. There is a case to consider significant consolidation of local government across the Sydney metropolitan area, and in other major urban regions, and some regional centres. (section 6.2, 6.3 and 6.5)
- If further boundary changes are to be pursued, especially on a voluntary basis, there will need to be a well-resourced, strongly proactive process. The Panel will consider how that might best be facilitated. (section 6.6)

Governance

- Issues of political governance go to the heart of local government's reputation and, ultimately, its capacity to deliver desired community outcomes and to be a trustworthy partner in government. The Panel will give further consideration to alternative governance models. (section 7.1 and 7.3)
- The Panel sees considerable potential in enhancing the role and stature of mayors, as well as a need for further measures to improve working relations between councillors and General Managers, within a framework of checks and balances. (7.2 and 7.4)
- The Panel sees a compelling case for a shift from compliance to innovation and improvement, underpinned by better data collection and expanded benchmarking and performance reporting, linked to the Integrated Planning and Reporting Framework and supported by internal and external audit. (section 7.5)

A compact for change and improvement.

- There is a particular role for the Division of Local Government and the new Local Government Association to drive change. (section 8.3)
- The Panel's goal is to reach agreement on a package of changes that amount to a new 'compact' between State and local government in NSW. This will need to engage all stakeholders in the system of local government, and will provide a platform to increase the capacity of the system to build stronger communities and make NSW Number One. (section 8.3)

1: Introduction

1.1 Scope and purpose of this paper

This 'Case for Sustainable Change' paper sets out the Independent Local Government Review Panel's broad approach to the need for fresh thinking and new approaches in NSW local government. It draws on discussions during the Panel's recent Listening Tour, submissions received in response to the Consultation Paper released in July, published research and further studies commissioned by the Panel (see list of references on p38). It revisits some of the points made in the Consultation Paper to provide an update on the Panel's work and a basis for further research and discussion.

At this stage the 'Case for Sustainable Change' is a work in progress and further studies and consultations are required to formulate firm proposals. However, the paper does include a number of 'signposts' – pointers to the directions of change the Panel believes will be necessary. Supporting information is provided, but the paper does not pretend to offer a detailed analysis of all the issues involved.

1.2 Structure of the review

The Independent Local Government Review was launched in May 2012 and the Panel is scheduled to present its final report to the State Government in July 2013. The review had its origins in *Destination 2036* – a joint State and local government initiative based on a vision for local councils to create strong communities through partnerships.

The Panel is chaired by Professor Graham Sansom, Director of the Australian Centre for Excellence in Local Government. The other two members are Ms Jude Munro AO, a former CEO of four metropolitan councils across three states, including the city of Brisbane; and Mr Glenn Inglis, who has extensive experience as a council General Manager in rural and regional NSW.

The Panel's overarching responsibility is to improve the strength and effectiveness of local government in NSW, supporting the key strategic directions identified by *Destination 2036* and the broader objectives of the State as outlined in *NSW 2021: A Plan to Make NSW Number One* (the State Plan).

The Panel's terms of reference are set out in Box 1. It has also been asked to consider:

- Several items from the Destination 2036 Action Plan, focused on regional collaboration, innovation and better practice, the local government revenue system, and identification of the respective roles of State and local government.
- Possible future arrangements for local governance and service delivery in the far western districts of NSW, including aspects of service delivery to Aboriginal communities
- Proposals advanced in the Armstrong-Gellatly report of December 2008, and more recently by Infrastructure NSW, to combine the existing 104 council-owned water utilities across non-metropolitan NSW into 32 larger regional operations.

Alongside the Panel the Government has appointed a Local Government Acts Task Force, which is to rewrite the much-amended 1993 Act to ensure modern legislation that meets the current and future needs of the community and local government (see Figure 1). The Taskforce will also examine the City of Sydney Act. The Panel will maintain close liaison with the Task Force and plans to provide advice early in 2013 on emerging proposals that are likely to require legislative change. The Task Force has been given until September 2013 to complete its work and will give effect to those recommendations of the Panel that are adopted by Government.

The Panel is also following closely the Government's reform of the land use planning system, and the review of local government compliance and enforcement activities by the Independent Pricing and Regulatory Tribunal (IPART).

Box 1: Terms of Reference

The Panel is to investigate and identify options for governance models, structural arrangements and boundary changes for local government in NSW, taking into consideration:

1. ability to support the current and future needs of local communities
2. ability to deliver services and infrastructure efficiently effectively and in a timely manner
3. the financial sustainability of each local government area
4. ability for local representation and decision making
5. barriers and incentives to encourage voluntary boundary changes.

In conducting the review the Panel will:

- ensure recommendations meet the different nature and needs of regional, rural and metropolitan communities
- consult widely with the broader community and key stakeholders
- take into account the work completed, and future work to be completed, under the Destination 2036 initiative
- take into account the broader interests of the State including as outlined in the State Plan
- consider the experiences of other jurisdictions in both the nature and implementation of local government reform
- take into account the Liberal-National's 2011 election policy of no forced amalgamations.

Figure 1



1.3 Progress to date

Figure 2 shows the Panel's work program. It released a Consultation Paper in July and then held 32 consultation sessions during a 'Listening Tour' that visited 18 metropolitan and regional locations. More than 200 submissions were subsequently received, many of which provided valuable documentary evidence to assist the Panel's research. These are available on the Panel's website.

The Panel is also reviewing a wide range of published research and reports of inquiries into various aspects of local government in NSW, across Australia and internationally. In addition it has commissioned further studies including:

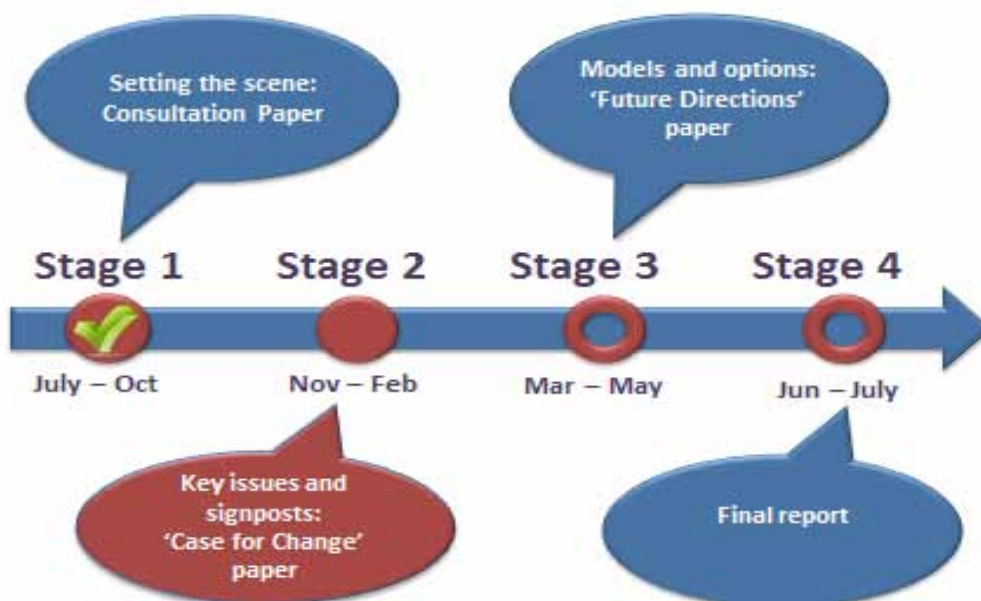
- A series of background papers based on available research and government information
- An examination of the scope to enhance regional collaboration through Regional Organisations of Councils

- A 'cluster-factor' analysis to identify types of communities that have similar characteristics and are facing similar challenges
- A review of the processes and outcomes of the 2004 council amalgamations in NSW
- An analysis of a range of opinion polls and resident satisfaction surveys to assess community attitudes towards local government
- An examination of the effectiveness of the NSW rating system.

Ongoing work also includes analysis of the financial sustainability of all 152 local councils by the NSW Treasury Corporation; and assessments of each council's infrastructure backlog by the Division of Local Government. The Panel expects to receive results from these investigations in early 2013.

All this material will be made available as soon as possible on the Panel's website.

Figure 2



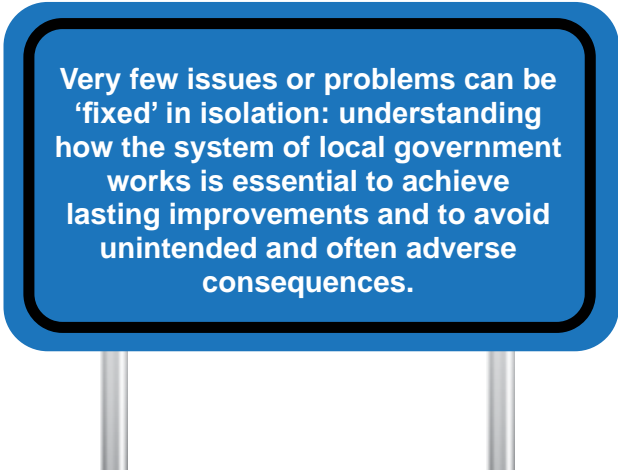
2: A Systems Approach

The Panel has adopted a 'systems approach' to its review of NSW local government. This involves looking at local government as a system (or network) of councils and other organisations operating within and contributing to a broader system of State and national governance (governments plus business and civil society).

2.1 What is the 'system' of local government?

The system of local government in NSW is much more than the 152 general purpose councils. There are complex interactions between councils and many other players: (see Figure 3).

- Parallel structures of local government (councils, County Councils, Regional Organisations of Councils, council-owned corporations, strategic alliances)
- The Local Government and Shires Associations
- Employee organisations (unions and professional institutes and associations)
- Institutions that oversight councils in various ways (the Division of Local Government, IPART, the Ombudsman, ICAC etc)
- The Boundaries Commission and Grants Commission
- State agencies that regulate aspects of local government operations or in various ways partner with councils to provide infrastructure and services
- Academic and training organisations that offer courses for local government staff and councillors.



Very few issues or problems can be 'fixed' in isolation: understanding how the system of local government works is essential to achieve lasting improvements and to avoid unintended and often adverse consequences.

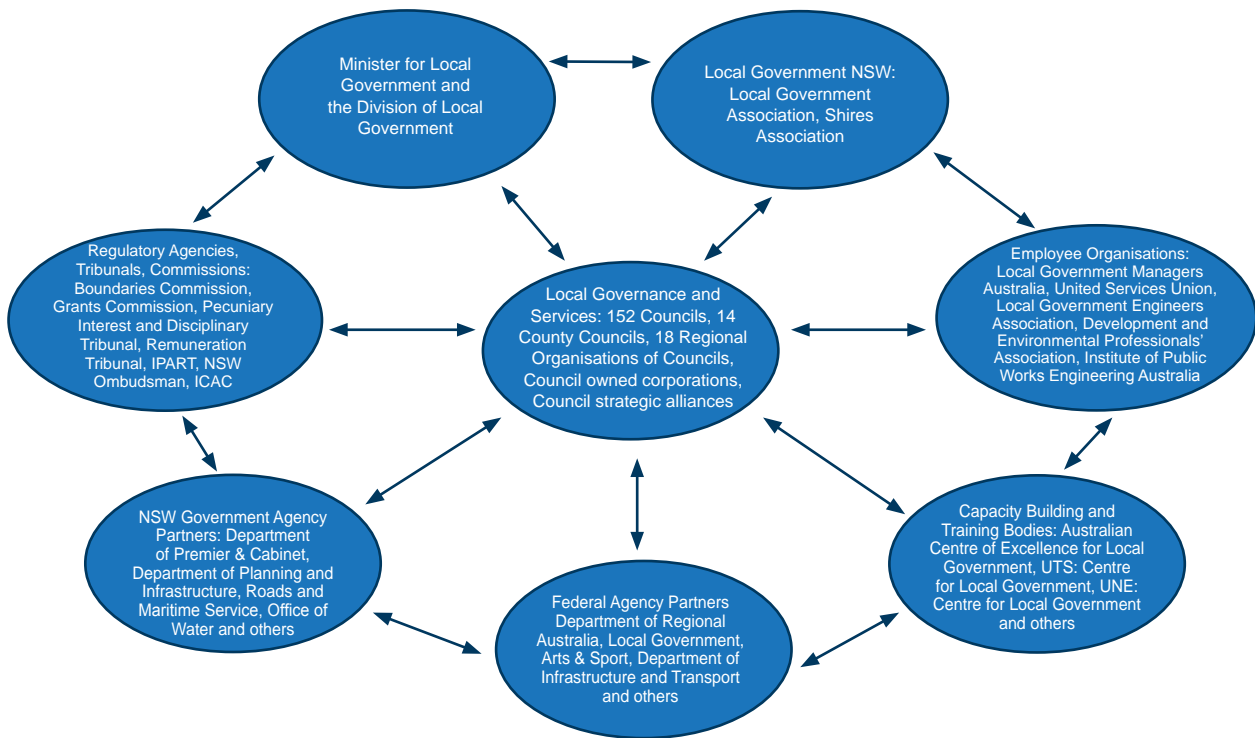
2.2 How healthy is the system?

The Panel believes that the current system of local government looks superficially well enough, but is really in quite poor shape.

On the whole, councils continue to deliver a reasonable range of services and do so quite efficiently. But on closer examination it becomes evident that underlying financial problems and infrastructure backlogs are mounting; grants are not being allocated sufficiently to areas of greatest need; many more councils should be applying for Special Rate Variations; efficiency, effectiveness and regional collaboration must be improved considerably to make the best use of scarce resources; there are too many layers of regulation; too many councils focus on compliance rather than performance; the local government associations need to play a stronger role; and so on.

Despite recent improvements, the State-local relationship is typically regarded in local government circles as one of 'master to servant'. Compared to other States, NSW has been slow to establish processes for regular policy dialogue between State and local government. Some State policies affecting local government cut across each other with adverse, unintended consequences. For its part, local government has failed to raise its sights and make it itself a more attractive partner. This issue is discussed further in section 8.

Figure 3



2.3 Essential values and qualities of local government

Local government is the democratic representative of communities. It is 'close to the people'. It can lead communities. It can be the voice of communities. It can moderate between competing interests. It can create places that make lives better. However, some councils are so small and so captured by local interests that they seem incapable of taking a more strategic view. To be an effective partner in the broader system of government, local government must be both truly 'local' in the way it relates to communities, and have the ability to address problems and emerging issues at a larger scale.

At its best, local government demonstrates leadership on some of society's most intractable problems by harnessing resources and acting in a timely way. Mayors, councillors and staff together take ownership of issues, and take the initiative. They enable communities to deal with their own issues, in the context of the bigger picture, as part

of a regional, metropolitan, State or even national strategy. When councils work well they achieve beneficial outcomes across the local and regional economy, built and natural environments, and social networks. Despite often being tight for funds, purposeful and effective councils find the resources for crucial initiatives, like medical services in rural areas. They act as *government*, getting on with what needs to be done rather than becoming overly concerned about 'cost-shifting' and the other difficulties they face.

2.4 Improving the system

The Panel's task is to build on recent initiatives and to develop a *package of proposals* that will make the NSW system of local government, and the councils that form part of it, 'fit for purpose' in the middle of the 21st Century. At this relatively early stage of the review, the Panel has put together the following preliminary list of essential elements of an effective system. Further commentary on each of the points can be found in later sections of this paper.

Box 2: Elements of an Effective System of Local Government

- Councils with an adequate revenue base (own source or grants), healthy balance sheets, and sound financial management including reasonable and justifiable rate increases and proper use of borrowing.
- Councils renowned for their efficiency and focus on outcomes, based on the Integrated Planning and Reporting framework.
- Universal use of modern information and communications technologies for service delivery, council meetings and community engagement.
- Regional organisations of councils that share resources on a large scale and jointly plan and advocate for their regions (but not a 'fourth tier' of government).
- Councils that are managed like multi-million dollar companies; have highly skilled mayors, councillors and executive teams; and are respected by the State government and community alike.
- Mayors who are recognised leaders both within the council and throughout the local community, and enjoy a positive reputation for that leadership.
- Clear definition in the Local Government Act of the respective roles of mayors, councillors and senior managers.
- An electoral system designed to ensure that as far as possible councils are representative of the make-up and varied interests of their communities.
- Council elections characterised by high quality candidates standing on soundly-based policy platforms, and fully aware of their potential responsibilities as a councillor.
- Professional development for new councillors and mayors, including access to accredited courses and coaching of a high quality, similar to that of company directors.
- Mayors and councillors who are adequately remunerated in return for high-level performance.
- A Local Government Act that minimises prescription and provides a range of options for the way councils and regional organisations are structured and operate, tailored to the differing characteristics and needs of communities.
- A reduction in State regulation and compliance regimes, replaced by improved auditing and a focus on capacity building and continuous improvement.
- A range of effective mechanisms for State-local consultation, policy development and operational partnerships, linked to the State Plan and regional coordination framework.
- Integrated strategic planning involving State and local governments as partners at all levels.
- A local government association that is focused on strategy; a well-informed, dynamic advocate; a leader in reform; and a troubleshooter for dysfunctional councils or councillors.
- A constructive relationship between employers, employees and employee organisations, focused on improving productivity, performance and rewards.

3: Facing the Challenges of Change

3.1 Global and national trends

The Panel is looking ahead to 2036 and beyond. Coming decades will bring numerous challenges. Some have been evident for a while, others will be new. The recent 'Asian Century' White Paper has focused attention on what Australia needs to do to secure its future in the region: councils must look well beyond their localities when considering plans for the future.

The CSIRO has identified six inter-linked 'global megatrends', shown and summarized below.



- **More from less:** Ensuring quality of life for current and future generations within the confines of limited resources.
- **Going, going ...gone:** Much of the natural world that humans depend upon is at risk of being lost forever – but there is also a positive story and a potentially bright future.
- **The silk highway:** Coming decades will see billions of people in Asia and, to a lesser extent, South America and Africa transition out of poverty and into the middle income classes.
- **Forever young:** The ageing population is an asset – elderly citizens provide a wealth of skills, knowledge, wisdom and mentorship.
- **Virtually here:** A world of increased connectivity where individuals, communities, governments and businesses form new connections and selectively access information through multiple channels.
- **Great expectations:** The rising demand for experiences over products and the rising importance of social relationships.

In similar vein, the *2012 Australia Report: Risks and Opportunities* prepared by the ADC Forum and KPMG, and the submission to the Panel by the Local Government and Shires Associations highlighted the following trends that may be of particular significance for local government (Box 3).

Box 3: Some Key Challenges and Opportunities

- Structural change in world and national economies and local impacts – including the growing influence of the 'economic imperative'
- Environmental challenges – including more extreme weather events, sea level rise and coastal erosion, waste and carbon management
- Social change – including the 'silver tsunami' as Australia's baby boomers move into retirement en masse, population shifts to coastal areas, increasing population densities in the metropolitan area and other major cities, depopulation in parts of rural NSW, changing ethno-cultural mix in different areas
- Internet access enabling Australians and their businesses able to operate in the global marketplace, and potentially both reviving rural towns and avoiding traffic congestion in cities
- Australia's potential to be a major food bowl for the world provided it makes the most of modern technologies and secures and conserves water supplies
- Housing supply and affordability, especially in major cities.
- City workers moving to the metropolitan fringe or satellite cities to find cheaper housing, but where long commutes hamper productivity and public transport services are few and far between
- Greater use of social media for political campaigns and social movements

In order to mitigate risks and make the most of opportunities governments will need to work together, and with the private sector and community organisations, to a far greater extent than is often the case now. They will need to outline clear visions and strategies, demonstrate effective leadership and forge durable partnerships. Each sphere of government and sector of society needs the others to be viable and strong performers.

No more so is this the case than in New South Wales.

3.2 The state context

New South Wales has long been Australia's 'premier State' but in recent years that mantle has been slipping. The need for change and improvement has been recognised in NSW 2021, the new State plan. Clearly, local government must play its part in delivering better outcomes.

There are particular concerns about the future of Sydney and many parts of rural NSW. Sydney remains Australia's only truly global city: it has a broad and deep economy and will continue to grow rapidly towards a population of 7 million people by the middle of this century. However, housing supply and transport loom as intractable problems, and the recent assessment of metropolitan

planning by the COAG Reform Council found significant weaknesses.

In rural NSW, many communities have been hit hard by declining and ageing populations. Changed economic conditions and farming practices, often coupled with declining public services, have resulted in an exodus of younger people. By contrast, there is very strong population growth in all coastal regions, fuelled by retirees and those seeking a 'Seachange' lifestyle. This pattern is also evident in some inland areas and centres.

Infrastructure gaps and backlogs threaten both economic potential and social and environmental wellbeing. The need for improvement was clearly documented in the recent report of Infrastructure NSW, including specific proposals affecting local government.

3.3 The fiscal outlook

The available evidence points to a very difficult fiscal outlook for NSW and Australia as a whole – constraints on revenues during a time of relatively slow economic growth, coupled with the need to fund infrastructure gaps and increasing demands for services. The federal budget is much more constrained than it has been for decades due to the government's aim to bring it back into surplus and reduce the debts incurred during the Global Financial

<p>NSW 2021 is a plan to make NSW number one. It is a 10 year plan to rebuild the economy, provide quality services, renovate infrastructure, restore government accountability, and strengthen our local environment and communities. It replaces the State Plan as the NSW Government's strategic business plan, setting priorities for action and guiding resource allocation.</p> <p>NSW 2021 is a plan for change with ambitious goals and challenging targets. These targets will be hard to meet and there will be many factors outside the control of the NSW Government. However, we will work to bring together government, community and business to respond to the challenges and opportunities we face and achieve the goals we have set.</p>	<p>FIVE STRATEGIES NSW 2021 is based around five strategies:</p> <p>REBUILD THE ECONOMY —restore economic growth and establish NSW as the 'first place in Australia to do business'</p> <p>RETURN QUALITY SERVICES —provide the best transport, health, education, policing, justice and family services, with a focus on the customer</p> <p>RENOVATE INFRASTRUCTURE —build the infrastructure that makes a difference to both our economy and people's lives</p>	<p>STRENGTHEN OUR LOCAL ENVIRONMENT AND COMMUNITIES —improve people's lives by protecting natural environments and building a strong sense of community</p> <p>RESTORE ACCOUNTABILITY TO GOVERNMENT —talk honestly with the community, return planning powers to the community and give people a say on decisions that affect them.</p>
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Crisis. The October 2012 'mini-budget' makes it clear that for the foreseeable future there is no 'bucket of money' in Canberra to help the states and local government out of any difficulties they may face.

All this suggests that local government cannot expect increases in total state and federal funding and may well see a declining trend in specific purpose grants as regional development and climate change programs are wound back. Making the best use of existing external funding and of local government's own tax base – rates – will assume even greater importance.

The 'Henry' tax review of 2009 covered a number of issues of significance for local government:

- the need for councils to have sufficient autonomy in setting rates
- potential integration of rates and land tax
- the need to review the current distribution of federal financial assistance grants (FAGs)
- the potential for expanded road user charges
- the problem facing Australians in relation to housing affordability
- the cost of providing aged care in a country with an ageing population
- the limited longer term financial capacity of the states.

The review's report made it clear that taxes on land and property are efficient and effective means of raising revenue and could make a substantially greater contribution to Australia's overall taxation effort in decades to come. Contrary to much of the rhetoric about the limitations of rates, local government actually has access to a robust tax base. Recent figures on total taxation revenue highlight that fact: since the GFC local government's share of taxation has risen from a long-term low of 2.9% to 3.5%.

3.4 Demographic trends

The Panel has examined official population projections to 2036 issued by the Department of Planning and Infrastructure. It understands these are currently being reviewed but expects the broad trends to remain much the same. Some key points are as follows:

- The Sydney region (excluding Illawarra and Central Coast but including Wollondilly Shire and Blue Mountains City) will grow to around 6 million people
- All coastal local government areas will also have strong growth, in some cases of up to 47%
- A number of inland regional centres will also grow significantly, up to 57%
- Agricultural shires in more densely settled regions will mostly have static populations or experience modest declines
- Far western NSW is likely to experience considerable loss of population (falls of up to 40%) but the proportion of Aboriginal people will grow substantially.

Overall, it is likely that less than 25% of the current local government areas west of the Great Dividing Range will experience population growth. However, this picture could change to some extent if additional mining projects proceed and if the rural economy improves as Australia becomes a major global 'food bowl'.

Population shifts will thus sharpen regional disparities – between Sydney and the rest of NSW; between the coast and inland; between major regional centres and smaller towns; between areas that benefit from mining-related growth or agricultural expansion and those that do not.

3.5 Need for 'strategic capacity' in local government

Most of the issues outlined above were echoed in submissions received by the Panel in response to its Consultation Paper. However, many submissions from councils demonstrated only limited appreciation of the significance of the changes and challenges that lie ahead. There still appears to be a widespread belief that local government can 'muddle through' with current arrangements or at least something not much different.

The Panel's view is that profound changes in local government's operating environment call for equally far-reaching responses. Current policy settings around financial management, governance, structures and boundary change will have to be altered significantly. The concept of 'strategic capacity' is central to this discussion.

The Australian Centre of Excellence for Local Government (ACELG) in its report Consolidation in Local Government: A Fresh Look described strategic capacity in the following terms:

Economies of scope increase the capacity of councils to undertake new functions and deliver new or improved services that previously were not possible. Significantly, they enable councils to shift their focus towards a more strategic view of their operations... Enhanced strategic capacity appears essential to local government's long term success as a valued partner in the system of government, and this emerged as probably the most important issue for councils to consider in examining different modes of consolidation. (p10)

The ACELG study drew in part on the 2007 report of the Queensland Local Government Reform Commission which argued that:

The challenges confronting Queensland in the coming decades require governments of all levels to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change.... This requires a local government structure which responds to the particular characteristics of the regional economies emerging over the coming decades, recognising communities of interest are developing rapidly and differently across the regions due to improved transportation, telecommunications and economic interdependencies. This structure needs to give rise to local governments capable of responding to the sometimes quite diverse demands by these communities and be of a sufficient size and scale to generate cost efficient and effective services. (p.5)

As the above accounts of megatrends and NSW 2021 together make clear, the future can be exciting and full of opportunities, with the promise of stronger communities enjoying better services and infrastructure and an enriching lifestyle. On the other hand, failure to take necessary action now could have disastrous consequences. The Panel's proposals will be geared to seizing long term opportunities even if that requires difficult decisions over the next few years.

A central task for the Panel is to design and recommend a system of local government that ensures that each community in NSW is governed by a council or other local government-based entity that has the necessary strategic capacity to deal with future challenges.

4: Advancing Fiscal Responsibility

In light of the challenges described in section 3.3, this section discusses various elements of what the Panel terms ‘fiscal responsibility’ – an approach by which asset and financial planning, taxes (rates) and charges, distribution of grants, service levels, management of expenditure, performance improvement and audit practices are aligned to tackle the core goal of long term sustainability. Some of the issues involved are discussed further in section 5.

‘Fiscal responsibility’ does not equate to cutting rates and expenditure and remaining debt free. In the Panel’s view, keeping rates artificially low and failing to borrow when appropriate can be just as irresponsible as over spending.

4.1 Sustainability and viability

An important distinction has to be drawn between financial ‘sustainability’ and ‘viability’. The 2006 report of the Independent Inquiry into the Financial Sustainability of NSW Local Government (the ‘Allan’ report) defined sustainability as follows:

A council’s finances should be considered sustainable in the long term only if its financial capacity is sufficient – for the foreseeable future – to allow the council to meet its expected financial requirements over time without having to introduce substantial or disruptive revenue (and expenditure) adjustments. (p.283)

‘Viability’ is a very different concept. It focuses on the short term and may be defined as the ability to generate sufficient income to meet operating payments and debt commitments – to continue to trade. The current regulatory focus in NSW is principally on viability because that is where immediate or practical risk lies. However, many councils that are merely viable will not be strong and effective partners in the system of government, and may well become unviable as fiscal pressures mount.

4.2 Continuing concerns about sustainability

Applying its definition of sustainability, the Allan Inquiry found that (pp.24-25):

- The balance sheets of most councils are exceptionally strong, displaying very low levels of indebtedness...Only a handful of councils exceed 10 per cent....
- By contrast, the operating statements of most councils (when stripped of capital revenue) are in deficit. Excluding commercial utilities... councils on average run an operating deficit of almost five per cent of their total own-source revenues.
- This means capital contributions, capital grants and proceeds of asset sales are mainly used to prop up operating costs rather than undertake capital renewals and enhancements...
- For one in four councils the long-term outlook is particularly bleak. Without substantial rate, grant and debt increases and/or disruptive expenditure cuts, they are financially unsustainable....

The submission to the Panel by the Urban Task Force claimed that half of NSW local councils are financially unsustainable or close to it; and that the main reason for this is a \$4.5 billion infrastructure renewals backlog that is growing by \$150 million a year. (p.44)

NSW Treasury Corporation has provided preliminary data on ‘Group 4’ councils (typically coastal and larger inland centres with populations in the range 20-60,000). This tends to confirm the Allan Inquiry and Urban Task Force analysis. It suggests that while ‘Group 4’ councils appear generally strong in terms of viability – adequate cashflow, low debt etc, most are becoming less sustainable due to inadequate capital and maintenance expenditure. Moreover, capital expenditure appears to be strongly dependent on grants and other one-off revenue, rather than being supported by recurrent revenues and appropriate borrowings.

4.3 Revenue issues

The Panel has been specifically tasked with examining the current local government revenue system as well as the financial sustainability of each local government area. As indicated in section 3.3, its starting point is that local government has to take steps to secure its own financial future, and that property rates are in fact a robust revenue source.

Repeated reviews have failed to identify a suitable alternative or additional local tax that would raise large amounts of revenue. However, some councils could increase fees and charges (eg parking, swimming pools), and more services could be made fully self-funding (eg processing applications). The 'Henry' tax review and others have pointed to the options of increased heavy vehicle charges and road pricing: some councils could share in those revenues.

NSW councils currently forego substantial amounts of revenue due to areas of non-rateable land and other concessions. These issues require further investigation.

Financial Assistance Grants

The Federal Government recently announced a review of the system of FAGs, which now total well over \$2bn per annum. NSW councils will receive an estimated \$684m in 2012/13.

Several studies have suggested a need to review the distribution of FAGs in order to direct more funds to councils and communities in greatest need of assistance. The 2008 Productivity Commission report on *Assessing Local Government Revenue Raising Capacity* examined community capacity to pay increased rates. It found that while smaller rural and remote councils had very little scope to raise additional own-source revenue, many larger urban councils had considerable unused capacity and could cope without any support from FAGs. Compared to some other states NSW has a low proportion of councils receiving the minimum per capita grant, again suggesting scope to redirect some assistance away from larger urban councils to more needy rural and remote areas.

The Panel will explore the feasibility and desirability of significant changes to the distribution of financial assistance grants.

Rates and rate-pegging

According to the submission received from the Independent Pricing and Regulatory Tribunal (IPART), over the period 2001/2 to 2010/11, growth in the total revenues of NSW councils was 5.7% per annum, compared to an average of 8.0% for the other mainland states. Taxation revenue (rates) increased by 4.4% per annum in NSW compared to 8.0% in the other mainland states. The fact that rates in those other states have increased without a strong community 'backlash' suggests that political sensitivities in NSW may be overstated.

The impact of this slow growth in rates is highlighted by the federal government's 2008-09 Local Government National Report, which shows that average rates per capita in NSW were \$120 or 22% less than the average of other states. This difference amounted to 'revenue foregone' of around \$850m for that year (see Table 1).

The NSW system of rate-pegging has now been in operation for more than 30 years. It is intended to ensure that ratepayers do not face unwarranted increases, and that councils operate efficiently. But rate-pegging also seems to have had unintended consequences, in particular:

- Unrealistic expectations in the community (and on the part of some councillors) that somehow rates should be contained indefinitely, even though other household expenditures are rising rapidly.

Table 1: Average Rates Per Capita 2008-09

NSW	Average of Others	Difference	Vic	Qld	WA	SA	Tas
\$426.3	\$546.4	\$120.1	\$537.4	\$540.5	\$542.9	\$588.5	\$522.5

- Excessive cuts in expenditure on infrastructure maintenance and renewal, leading to a mounting infrastructure backlog.
- Under-utilisation of borrowing due (in part) to uncertainty that increases in rates needed to repay loans will be granted.
- Reluctance to apply for Special Variations even when clearly necessary because exceeding the rate peg is considered politically risky, or because the process is seen as too complex and requiring a disproportionate effort for an uncertain gain.

The Panel is particularly conscious of the need to ensure that councils have sufficient revenue to address infrastructure needs (see section 5.3).

The IPART submission makes the important point that the rate-pegging system is not cast in stone: a 'more light handed regulatory approach' is entirely possible. The Panel notes that the relevant provisions of the Local Government Act could be applied in a number of ways, and that the current arrangements flow largely from administrative decisions.

The Panel therefore welcomes the revised rate-pegging guidelines for 2013/14 which move towards a system based on IPR processes. It is also interested in IPART's suggestion of a streamlined process for Special Variations of less than, say, 3% above the annual rate peg (around 50 cents per week for the average residential ratepayer).

The Panel sees scope for further streamlining of rate-pegging, recognising in particular the importance of funding essential infrastructure. It will also consider other aspects of rating, such as the valuation base, categories of rates, exemptions and concessions.

4.4 Responsible financial management

Numerous inquiries into local government (for a summary, see the ACELG report Unfinished Business) have highlighted significant deficiencies in financial management and governance. IPR is intended in part to address those concerns with its requirements for long term asset and financial plans.

Better financial management must be a centrepiece of local government reform. This requires, among other things, a greater effort to boost own-source revenues – especially rates; increased use of borrowing to fund long term assets (subject to the council's financial position); more concerted efforts to control costs and expenditure; enhanced productivity; more strategic procurement practices; and resource sharing with other councils.

Audit practices also need to be improved. The Panel understands that less than half of NSW councils have effective internal audit procedures. Moreover, unlike other major states, the NSW Auditor General plays no role in overseeing external audit, with councils selecting their own auditors by tender.

NSW local government has some way to go in advancing fiscal responsibility. Key organisations such as the Associations, the Division of Local Government, IPART and the Auditor General need to play stronger advisory and oversight roles to reach that objective.

5: Delivering Better Infrastructure and Services

5.1 Supporting communities

Communities need their councils to be able to provide adequate infrastructure and services to facilitate economic and community development, maintain environmental amenity and ensure quality of life.

In general terms the Local Government Act neither prescribes nor limits the services councils may provide, although several other pieces of legislation do mandate service provision or regulatory functions. The scope of local government service delivery has expanded considerably over recent decades, driven largely by increasing community needs and expectations. The evidence also points to some 'cost-shifting' from State and federal governments: transfer of responsibilities to councils without corresponding funding or mechanisms to raise the additional revenue required.

This expansion in activity is widely seen as unsustainable in that it has been funded at least in part at the expense of infrastructure provision and maintenance. Some argue that councils are doing too much and should re-focus on a set of 'core' services and responsibilities, perhaps common to all. However, given the diversity of communities and their needs, and the right of local people to have a say on how their rates and charges are spent, defining required 'core' services is probably both impossible and undesirable.

Councils must be able to decide how best to respond to the particular circumstances and needs of their local communities, having regard to the resources available and the importance of responsible financial management.

5.2 Uneven capacity and grant dependency

The capacity of councils to deliver services varies greatly. Over 90% of the state's people live in about 80 local government areas which have populations of 20,000 or more. By contrast, around 50 councils have populations of less than 10,000, and a similar number depend on grants for more than 40% of their revenues. Most of these councils are struggling to remain financially sustainable and to meet community needs.

As discussed in section 4.3, it may be possible to direct a greater proportion of available grant funds to rural-remote councils. However, first the hard question has to be asked: would channelling additional grants to fundamentally unsustainable councils be a sound use of scarce public funds?

Having said that, the Panel believes that great care should be taken to avoid premature or unwarranted cuts in services and associated employment in rural NSW, especially west of the Dividing Range. In some areas there are prospects of expanded mining and agricultural activity in years to come. Capacity needs to be retained to deliver expanded infrastructure and services if and when required.

A case in point is the letting of RMS Road Maintenance Council Contracts to regional and rural councils for work on State roads. The Panel is advised that currently 81 councils have contracts worth about \$146m per annum. There are concerns that a purely competitive tendering arrangement may be introduced and that a number of councils would lose this work, with potentially serious impacts on local employment and their capacity to deliver other services, especially local road construction and maintenance. Having said this, the Panel understands that some councils may need to improve their technical capacity and quality standards to justify ongoing contracts. This could perhaps form part of a partnership between RMS and councils, similar to the successful Queensland Roads Alliance, under which councils and the State Department of Transport and Main Roads

work together in Regional Road Groups to manage the planning, design, construction and maintenance of road networks.

The Panel will explore opportunities for an enhanced 'whole of government' perspective on service delivery capacity and competitiveness.

5.3 Tackling infrastructure needs

There is general agreement that NSW local government faces a substantial backlog of infrastructure maintenance and renewal, and the available evidence indicates that many councils are continuing to underspend in this aspect of their operations. The precise extent of the backlog is difficult to determine due to a lack of standardised data. The Panel is awaiting the results of the assessments being carried out by the Division of Local Government and NSW Treasury Corporation. As noted previously, the Urban Task Force submission estimates the backlog at \$4.5 billion.

The source of the backlog has been variously attributed to inadequate council revenues; poor asset planning and management; over-investment in new assets without proper consideration of whole-of-life costs (often in response to availability of one-off grants); unmet needs for new assets in growth areas; and some councils having numerous assets, such as timber bridges, that are very costly to maintain and replace. In addition, councils generally lack opportunities or skills to 'bundle' capital works contracts, establish public-private partnerships, or arrange lower-cost long-term financing.

The introduction of IPR requirements for asset and financial planning, capacity building programs in those areas, and most

recently incentives to make greater use of borrowings to fund capital works (the Local Infrastructure Renewals Scheme) are all aimed at tackling the backlog issue and ensuring better infrastructure provision and asset management into the future. There is also scope for dialogue with communities to set somewhat lower levels of service and hence reduce expenditure needs – such a dialogue recently enabled Waverley Council in Sydney to reduce previously forecast backlog expenditure by more than 80%.

In addition to these backlog issues, the Panel is also conscious of the funding challenges in providing new and improved infrastructure in areas of rapid growth. A State government task force is currently reviewing the system of developer contributions. There is a risk that policies designed to increase housing supply and improve affordability will impose an unsustainable burden on council budgets and ratepayers. The Local Infrastructure Renewals Scheme offers some assistance, but supplementary funding mechanisms may be required.

Tackling local infrastructure needs and backlogs warrants the highest priority. This will require continued efforts to make more efficient use of available resources, but the underlying issues of local government revenues and the limited technical capacity of many smaller councils must also be addressed. Areas of rapid growth will require particular attention.

5.4 Improving efficiency and productivity

Local government is generally a capable and efficient deliverer of services, but it is evident that ongoing efficiency gains and productivity improvements will be essential in a climate of fiscal restraint and growing community needs and demands.

There is presently a dearth of reliable information on the cost and quality of local

government service delivery. The annual publication of Comparative Information on NSW Local Government Councils provides some data on costs and a number of councils undertake community satisfaction surveys, but without a standardised methodology. No work has been done to set efficiency benchmarks.

The cost structure of council service delivery varies considerably across NSW. It is driven by such factors as a council's location, the size of the local government area, its capacity to access economies of scale and scope, and the costs of attracting and retaining suitably skilled staff – or indeed whether it can attract such staff at all. Skills shortages are of growing concern throughout local government, but particularly in non-metropolitan areas and especially in more remote locations and amongst smaller councils. Inability to pay sufficiently attractive salaries, growing competition from the mining sector and absolute shortages in some trades and professions are cited as key factors.

Workforce development programs deserve a higher priority. Councils are now required to prepare workforce plans as part of the IPR framework, but active implementation will be the key. The Panel has heard that education and training programs need to be boosted considerably, and improved workforce data is also required to plan effectively and monitor trends. ACELG is preparing a national local government workforce strategy for State and

federal ministers, and this will need to be followed through vigorously.

The need for regular reviews of the scope, quality and method of delivery of council services is also implicit in the IPR framework, but there is no explicit requirement for councils to undertake such reviews or to participate in quality improvement processes. A substantial number of councils do both of their own accord, but is there a case for mandatory processes?

Experience in other jurisdictions suggests there is considerable room for improvement. In Victoria in the 1990s requirements for compulsory competitive tendering (CCT) and later 'Best Value' service reviews brought about significant improvements, although CCT also caused a great deal of disruption. In the UK the work of the Audit Commission in monitoring and benchmarking councils' performance generated widespread gains in efficiency and productivity. This was also fostered from within local government by the Improvement and Development Agency (IDeA), now a unit of the local government Association. Box 4 points to a current improvement initiative of the South Australian Association.

These issues have received little attention in presentations and submissions to the Panel. Our impression is that with some notable exceptions there has been significant under-investment across a range of important areas such as information management

Box 4: 'Local Excellence' in South Australia

The Local Government Association of South Australia is funding pilot projects aimed at improving various aspects of local government operations. Under the theme 'Service Efficiency and Effectiveness' councils are participating in projects designed to:

- explore procurement activities and how enhanced performance in purchasing goods and services could be achieved
- establish mechanisms to compare service performance, share best practice and

consider more efficient and effective ways of delivering services

- target service provision for under-represented groups
- explore enhanced service provision through regional collaboration, public private partnerships and sector-wide approaches
- identify and test new approaches to service delivery in waste, planning, water, public health, climate change and other key areas.

and communications, asset management and customer service. This may reflect in part the relatively small scale of most councils.

One aspect that has been raised is the application of the Local Government Award. There is a view among some managers and elected representatives that the award provisions are too restrictive and add unwarranted costs to service delivery. Specific concerns relate to the requirements to maintain employment levels and 'rural service centres' post-amalgamations. A counter view is that the award is really quite flexible if applied in the right way and on the basis of proper consultations with unions and employees. What is not in doubt is that there would be strong opposition to removing current employment guarantees and to transferring substantial sections of council workforces to federal awards.

The challenge of mounting a concerted effort to improve the efficiency, productivity and competitiveness of NSW local government must be met if councils are to be sustainable, valued and effective partners in the state public sector.

5.5 Regional collaboration and shared services

Another avenue for enhanced efficiency and effectiveness in service delivery is expanded regional collaboration and shared services. The Panel commissioned an independent review of the prospects in this area, taking existing regional organisations of councils (ROCs) as a starting point. The report by Gooding Davies Consultancy Pty Ltd will be available on the Panel's website. It notes that (p.1)

... while ROCs have been criticised as lacking the capacity to deliver consistent and significant outcomes in the delivery of shared services, recent research indicates that in NSW at least they are in fact the primary form of multi-purpose shared services provision by local government. Furthermore, their role in regional advocacy is not only an important form of collaborative delivery in its own right but also supports their activities in developing shared services in operational areas...

Nevertheless, the delivery of shared services by ROCs remains patchy and uneven. This reflects the disparate size, number and wealth of participating councils, as well as variations in factors such as the level of commitment and institutional leadership involved which apply to all forms of shared services activity....

The report identifies current legislative impediments to effective shared services arrangements, including the need for each participating council to separately approve tenders for regional provision of goods and services, and limits on councils' ability to form companies. It also highlights the desirability of ensuring that any employees transferred from councils to regional entities are retained under the Local Government Award.

The report goes on to suggest ways in which ROCs might be strengthened to provide a robust platform for shared services, including through establishment of arms-length entities with their own expert boards (some ROCs have already moved in this direction), as well as improved political governance arrangements. The latter could see ROCs evolve into 'Councils of Mayors' with a legal framework along the lines of a modified County Council structure.

A closely related issue is the proposed rationalisation of council-owned water utilities. The Panel notes that the model recommended in the 2009 Armstrong-Gellatly report retained these utilities in local government ownership whilst proposing a reduction in their number from 104 to either 32 regional groups or 15 catchment based organisations. Aggregation of the utilities to around 30 was again recommended in the recently released State Infrastructure Strategy prepared by Infrastructure NSW. It argued that a number of smaller utilities would be unable to fund necessary renewal and upgrading of infrastructure over coming years, and that there was scope for increased efficiencies.

The Panel will be looking at how to develop much stronger frameworks and new entities for regional collaboration, advocacy and shared services, in order to increase local government's strategic capacity and the scope and quality of service delivery.

6: Matching Structures and Boundaries

The available evidence points to a simple hypothesis. Different regions of NSW, and different local councils, are facing radically different patterns of growth and change over coming decades. It follows that the system of local government will also need to vary from one place to another. A 'one size fits all' approach is untenable.

The Panel is therefore exploring how local government structures, and hence how boundaries are drawn, could and should differ from one place to another. It has commissioned research ('cluster-factor' analysis) to understand the economic, environmental and social fabric of NSW and to group communities accordingly. This research will also provide information to help determine whether changes to local government boundaries could assist in better managing the opportunities and challenges that lie ahead.

6.1 A variety of structures

There are already three structural options widely used in NSW local government: local councils, County Councils, and regional organisations of councils (ROCs). Whilst the Local Government Act mandates a 'standard' model for local councils and prescribes many aspects of their operations, there is already flexibility to tailor activities to local needs, and this flexibility could be extended under the planned new Act to the basic governance structure itself. This is discussed in section 7.

As far as County Councils and ROCs are concerned, councils currently have the option to participate or not and, in the case of ROCs, to organise them as they see fit. However, as indicated in section 5.5, research points to the need for a stronger platform for shared services.

Another possible gap in structures occurs at the 'sub-council' level. This has not been a major issue in the past simply because there are so many councils and only a few have really large populations. However, with the expected growth of metropolitan fringe councils around Sydney to populations of 250,000 or more, there may be a case to make available a sub-council option along the lines of New Zealand's community boards. A similar arrangement

could also provide a suitable form of local governance for small communities in some rural and remote regions (see below). However, it may be possible to avoid the need for additional structures by strengthening the role of ward councillors and improving community engagement and customer service systems.

The Panel will investigate the need for new local government structures – to be used only where required – at regional and sub-council levels.

6.2 The amalgamation debate

The evidence suggests that NSW has too many local councils and that various forms of consolidation should be pursued to strengthen capacity and sustainability. In many cases boundaries are out-of-date: changes in transport and especially information and communications technology mean they can and should be reviewed. However, the Panel acknowledges that:

- Some parts of non-metropolitan NSW have already experienced significant boundary changes
- Boundary changes can be very disruptive and costly, and assistance with transition costs may be necessary
- Merging weak or unsustainable councils may simply produce a larger weak or unsustainable council
- Amalgamations are not possible where physical distances between communities and service centres are simply too great
- Local identity is important and needs to be maintained.

The principal argument used against amalgamations is that there is no direct, general relationship between council size and the efficiency of service delivery; that mergers will fail to produce worthwhile cost savings; and that regional cooperation and shared services

Table 2: Summary Attributes of Different Forms of Consolidation

	Amalgamation	Boundary Change [^]	Shared Services	Regional Collaboration [*]
Efficiency and Economies of Scale	Strong link	Potentially strong link subject to size/disposition of re-shaped councils	Strong link	Weak link
Strategic Capacity	Strong link	As above – benefits will flow to larger ‘new’ council/s	Potential medium-strong link subject to organisation structure and governance	Weak link
Service Improvement and Innovation	Strong link	As above	Strong link (but limited to those services that are effectively shared)	Potential link subject to nature and scope of collaboration
Potential Diminution of Local Democracy	Distinct risk, but can be managed	Some risk depending on nature of ‘new’ councils – can be managed	Risk where shared services are extensive and decision-making is ceded to joint authority – may be difficult to manage	Little or no risk

[^]To create a more robust council

^{*}Along the lines of a regional organisation of councils

can deliver the desired outcome. However, that argument misses several crucial points:

- The evidence shows that for some local government functions, notably infrastructure and ‘back-office’ services, increased scale can and does bring efficiencies and cost savings.
- A number of ‘before and after’ cases of individual amalgamations have shown significant efficiency gains (but not necessarily cuts in rates, because savings have been ploughed back into other service and infrastructure improvements).
- Local government does much more than just deliver services and needs ‘strategic capacity’ across knowledge and skills, planning, advocacy, partnerships etc as well.

The ACELG report Consolidation in Local Government: A Fresh Look summarises the extent to which different forms of consolidation can achieve the benefits sought. Table 2 is drawn from that report. It suggests that amalgamations do have an important role to play in strengthening the system of local government, and offer the surest way to achieve efficiency and economies of scale, service improvements and strategic capacity.

Stronger regional collaboration and robust shared services organisations may also achieve those objectives, but the outcomes across the board are less certain.

ACELG’s research also points to various ways in which local identity can be maintained in larger local government areas by more effective ‘place management’, including ‘sub-councils’ and better resourced ward representation, as well new approaches to community engagement and customer service as discussed in section 6.1. The recent Perth metropolitan review of local government also found that a sense of place and local identity can be maintained through appropriate governance regardless of the size of a local government area.

The Panel’s terms of reference require it to consider the Liberal-National 2011 election policy of ‘no forced amalgamations’. As required, the Panel will be examining barriers and incentives to encourage voluntary boundary change. It has commissioned an analysis of issues raised by the 2004 amalgamations in regional NSW.

The Panel will seek further evidence on the benefits and drawbacks of amalgamations in different circumstances.

6.3 Metropolitan Areas

The need for strategic capacity is especially evident in major urban regions, particularly metropolitan Sydney. Population growth in the Sydney region will place enormous pressure on infrastructure and services, and on already stretched government budgets. A close and productive partnership between all three spheres of government will be essential to ensure that Sydney is an efficient and livable city, remains globally competitive, and continues to prosper. Local government can and must play a considerably greater role in realizing those outcomes. It needs the capacity to do so.

Within the Sydney region patterns of growth will produce severe imbalances in the population size of existing local government areas. On current 2036 projections (under review) and if Sydney (excluding Central Coast and Illawarra) continues to have 41 council areas:

- Populations will range from 18,000 to 481,000
- 'Central' Sydney will have 18 councils with an average population of about 80,000
- 'Eastern' Sydney (east of Parramatta/Auburn/Bankstown) will have 27 councils with an average population of about 97,000, including 9 of less than 60,000
- 'Western' Sydney will have 14 councils with an average population of about 220,000.

It is very difficult to see how such imbalances in the metropolitan system of local government can be justified. They would make it almost impossible for local government to develop and present a coherent strategic view on metropolitan issues to state and federal governments.

The Perth metropolitan review of local government which reported a few months ago made a number of observations that resonate for Sydney too (Box 5). In particular, it concluded that:

In examining the critical and strategic issues affecting the future of metropolitan Perth... the [Perth] Panel has concluded that some issues are beyond the current capacity of local government and a more strategic response is required.

A critical element in future metropolitan governance will be the role of the City of Sydney as a 'centrepiece' of the local government system and a vital contributor to Sydney's stature as a global city. The City council already manages and funds crucial regional and state precincts and facilities: there may well be a case to expand that role, and in consequence the city's boundaries, especially given its exceptionally strong revenue base.

Similar observations about the need to review local government structures apply to the Lower Hunter, Central Coast and Illawarra regions. There is an evident need to build the capacity of local government in those regions to address issues of urban growth and change, as well as the challenges of economic and social development and environmental management.

There is a case to consider significant consolidation to enhance the strategic capacity of local government across the Sydney region and other major urban regions including both regional centres and rural areas.

Box 5: Key findings of the Perth metropolitan review

In addition to its role in managing accelerated growth, local government also needs to play its part in challenges it has not faced previously:

- facilitating the continued supply of affordable housing
- managing demographic change
- responding to the effects of environmental change
- reducing urban congestion
- contributing to the provision of an adequate transport system
- maintaining ageing assets
- co-ordinating the effective provision of critical infrastructure
- adapting to the changing use of technology.

After nearly a year's work, the Panel has concluded that maintaining the status quo, comprising 30 metropolitan local governments of varying sizes and capacities, is not in the best interests of metropolitan Perth.... The Panel found

weaknesses with the current metropolitan local government arrangements:

- There is a significant level of duplication and wasted resources.
- There are great inconsistencies in processes and approaches which result in difficulties for business, lost opportunities for communities, and confusion for consumers.
- The fragmented approach to local planning results in a system that is unnecessarily complicated, uncoordinated and lacking in strategic focus.
- Some local government boundaries are illogical.
- There is a great variation in the size and capacity of local governments.
- A large disparity in service levels between different local governments exists.
- The structure has limited ability to address region-wide issues.
- The current structure will not serve Perth's future needs.

6.4 Western NSW

Small communities and their councils in western NSW face daunting challenges. These include:

- Declining, ageing and often socially disadvantaged populations
- Growing Aboriginal communities with high needs for improved services and infrastructure
- Fragile local economies with limited employment and educational opportunities
- Remoteness from major population and service centres
- Susceptibility to natural disasters.

Councils in remote NSW operate under the same legislative provisions as the rest of the state and there is an expectation they will deliver broadly a similar range of infrastructure and services as their counterparts elsewhere. In addition, communities often expect them to fill the gaps created when other spheres of government do not have a presence or fail to deliver to an adequate standard.

However, as discussed earlier, remote councils have poor prospects of long-term financial sustainability and limited ability to attract and retain skilled and experienced staff with the capacity to resolve complex service delivery issues. Meanwhile distances can make sharing skilled staff and other resources difficult if not impossible, although

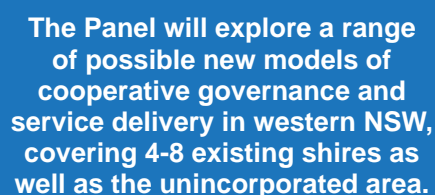
for some functions modern information and communications technologies may facilitate new approaches to resource sharing and new forms of service delivery.

Addressing the challenges of western NSW will require new approaches to governance that effectively combine the capacities of local, State and federal agencies. This was emphasised in submissions to the Panel:

...greater co-ordination and not additional funding is required to breakdown existing barriers to achieve the desired outcomes in relation to a wide range of youth and youth employment problems. (Shire of Walgett)

...appropriate governance model may encompass co-operative/shared management of current local government functions with the functions currently carried out by agencies of state and federal governments. (Shire of Brewarrina)

Simply amalgamating councils is not a realistic approach. People and resources are too thinly spread and distances too great. One option might be some sort of joint local-State government authority, with local community councils providing democratic representation and some place-based services. Alternatively, there could be a region-wide local government – perhaps a modified County Council – that works through community councils and delivers programs as an agent for State and federal governments.



The Panel will explore a range of possible new models of cooperative governance and service delivery in western NSW, covering 4-8 existing shires as well as the unincorporated area.

6.5 Other regions

As noted in section 5.2, NSW has around 70 councils with populations of 20,000 or less. Most of these are rural-remote shires west of the Divide, and most are expected to experience population decline. A significant number of shires are small in both population and (relatively speaking) geographic size.

In a number of cases amalgamation may be an option – where necessary in combination with other measures to boost capacity, such as expanded shared services and adjustments to the distribution of grant support. It would be important to minimize the transaction costs of mergers and boundary change, and where possible to create a robust entity based on a stable or growing population centre and with sound economic prospects. Elsewhere, regional collaboration and shared services – to the extent possible across large distances – may be the most practical approach.

Several regional cities and some other large urban centres are forecast to experience significant economic and population growth, often associated with people moving in from surrounding rural districts, concentration of government service delivery, and ‘Treechange’ migration from metropolitan areas. Some of these centres have extensive commuter catchments crossing into neighbouring local government areas. In a few cases urban growth spills over into adjoining shires, or a nearby smaller town has become in effect a dormitory suburb. Such circumstances would indicate a case to consider boundary changes.

Coastal NSW and its immediate hinterland will continue to witness substantial population growth over the next 25 years, with some

adjoining council areas becoming coastal conurbations. Whilst most coastal councils are projected to have populations of 40,000 or more by mid-century, there may be a case for some mergers in order to facilitate improved urban and environmental management and to maximise strategic capacity. Once again, enhanced regional collaboration and shared services would be essential complementary measures.

The Panel will formulate proposals for amalgamations and/or new regional entities and expanded shared services to build local government's strategic capacity and sustainability throughout NSW.

amalgamations in 2003-04, the minister chose to commission a series of regional reviews by independent facilitators.

The Panel will consider whether for the longer term the Boundaries Commission needs to evolve into a more independent and purposeful body with a brief to undertake ongoing reviews of boundaries irrespective of whether or not a specific proposal for change has been presented to the Minister. The Municipal Demarcation Board in South Africa operates along those lines. Consideration might also be given to current reforms in New Zealand aimed at streamlining consideration of boundary change proposals through the Local Government Commission.

If further boundary changes are to be pursued, especially on a voluntary basis, there will need to be a well-resourced, strongly proactive process. The Panel will consider how that might best be facilitated.

6.6 Implementing boundary change

Past approaches to boundary change in NSW have been characterised by three key elements:

- The need to apply an essentially 'one-size-fits-all' model
- The lack of a sufficiently robust regional collaboration/shared services alternative to amalgamation (seemingly County Councils were not viewed as such)
- A tendency for pressure for change to build up over long periods of time before action was taken.

Like those of its counterparts in other states, the role of the NSW Boundaries Commission is essentially reactive and limited to advising the Minister for Local Government on proposals s/he refers to it. In the last round of

As a guide to its own review, the Panel has prepared a preliminary list of factors to be considered in its assessment of possible future local government boundaries (see Box 6). These include the factors currently mandated by the Local Government Act, but with some additions and changes of emphasis.

Box 6: Factors informing the Panel's assessment of local government boundaries

Population Growth

- The boundaries of a local government area (LGA) should be able to accommodate projected population growth generated by the LGA over at least the next 25 years.

Accessibility

- As a general rule, it should be possible to drive to the boundaries of a LGA from a main administration centre within less than 2 hours in country areas, and within 30 to 45 minutes in metropolitan areas.
- Difficult terrain, forests, rivers, wetlands etc can act as natural boundaries for LGAs, whilst water catchments, valleys and river crossings may be important uniting factors. Freeways and railways are important elements in urban areas.

Communities of Interest

- There is still no definitive approach to the concept of 'communities of interest', which can vary widely in their focus and extent. Some are strongly place-based, others are not, especially in metropolitan areas.

Local Identity and Sense of Place

- Boundaries should reflect a sense of identity and place, including important historical and traditional values, and the extent of other social and economic interdependencies. However, incorporating communities into larger LGAs does not necessarily destroy local identity and sense of community.

Strategic Capacity

- Councils need a strong base to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented councillor candidates; to attract skilled staff; and to develop strategic capacity in leadership, governance, advocacy, planning, and management.

Efficiency and Effectiveness

- Councils should be able to operate efficiently and effectively within the limits imposed by their location, geography and the characteristics of the communities they serve. They should be able to provide 'value for money' to their ratepayers and external funding agencies.

Strong Centres

- Each LGA should have a population centre that provides higher order commercial, administrative, education, health and other services.

Infrastructure Assets

- As far as possible, key transport infrastructure such as airports and ports, and those nearby urban and regional centres that are principal destination points, should be within the same LGA; boundaries should also facilitate provision of local infrastructure such as water supply, sewerage, drainage and open space.

Removing Disruptive Boundaries

- Some existing LGA boundaries are divisive and obstruct good governance. They impede integrated planning, strategic infrastructure development, efficient service delivery, and regional economic growth.

Combining Existing Municipalities

- Wherever practicable, amalgamations should combine the whole of two or more existing LGAs without the additional cost and disruption of associated boundary adjustments.

7: Securing Good Governance

The quality of governance in local government has emerged as a major area of concern. Issues raised include:

- Electoral systems and the quality of local representation
- The capacity, conduct and performance of elected members
- Sometimes poor councillor-mayor-senior management relations
- Lack of adequate support and advice to councillors
- Community engagement and decision-making processes
- Senior management skills and accountability
- Inadequate performance monitoring, audit and continuous improvement systems.

The Panel is at an early stage of its investigations in this area and has no fixed views, but the following sections provide some insight into its current thinking on the need for change.

7.1 Political governance

There is general agreement that local government needs to be kept 'local' to the maximum possible extent, whilst maximising its strategic capacity. This highlights the importance of the councillors' representational and decision-making roles, and of councils' responsiveness to local needs.

Electoral systems should to ensure as far as possible an adequate spread of representation geographically across local government areas, and that councils reflect the make-up and interests of the community as a whole. Important considerations here include the number of councillors; whether election is by wards or 'at large'; whether wards have 1, 2 or 3 councillors; and the system of voting. Concerns have been expressed, for example, that in some cases electoral arrangements seriously skew the representativeness of the council, and that 'list' voting may result in the election of candidates who were just 'making

up the numbers', and lack the necessary qualities and motivation to be successful councillors.

For some years now there have been moves to reduce the number of councillors, based on notions that Australia has too many politicians and that a council should be a 'board of directors', focused on strategy and leaving all day-to-day implementation of policies in the hands of senior management. An extension of that argument is that like company directors the few councillors left should be better paid, perhaps subject to completion of relevant training.

The Panel has received feedback both for and against maintaining the 'board of directors' concept and the trend to fewer councillors. Arguments for a fresh look include:

- The very high ratios of population per councillor now evident in large councils
- The need to ensure an adequate spread of representation
- The difficulty in practice of translating the 'board of directors' concept to local government given the nature of its functions and that the 'directors' are elected by the community, not selected by their peers, and may or may not have the skills required.

It is a widely held opinion that too many councillors are simply not performing at the level required. They are seen to lack a mature approach to political and working relationships, financial acumen and budgeting skills, and to focus on representation on relatively minor matters to the detriment of operating at a strategic level. Poor behaviour by councillors both within and outside the council chamber is often raised as an issue. Questions are also asked about the average age of councillors and why younger people and women are not attracted in sufficient numbers to the role, or do not continue beyond a term or two.

Options worthy of consideration to address these issues include;

- A larger number of 'backbench' councillors from which a small executive group could be selected – this is the model used widely in the UK
- Increased remuneration, extending to full-time salaries for mayors and perhaps chairs of committees in large councils
- Requirements for would-be candidates to attend awareness sessions in order to understand more fully the responsibilities of becoming a councillor, and for councillors to undertake regular professional development programs
- Considerably increased professional and staff support for councillors .

If the effectiveness of councillors can be improved, then high population per councillor ratios may not be a major issue. The ratio in Brisbane City is about 40,000:1, but the councillors are full-time and have personal staff. Moreover, councillors can be assisted in their representational role by high quality customer service systems and community engagement and consultation processes. Over the next 25 years, changes in communication technology will enable further improvements in these areas, including in rural-remote regions.

The Panel notes that a new Code of Conduct has been prepared aimed at addressing various aspects of the performance of councillors in NSW.

Issues of political governance go to the heart of local government's reputation and, ultimately, its capacity to deliver desired community outcomes and to be a trustworthy partner in government. Local government needs to ensure that the performance of councillors achieves the high standards expected by residents, ratepayers and other stakeholders

7.2 Role of mayors

A specific aspect of political governance that needs to receive more attention concerns the role, responsibilities and authority of mayors. There seems to be a distinct gap in political leadership in a substantial number of councils: whilst some mayors provide high profile, purposeful leadership, others do not. Less than a quarter are popularly elected for the 4-year term; elsewhere, effective leadership may be compromised by having to face annual elections, or by agreements made to give other councillors 'their turn', or by party-political considerations.

At present the functions of mayors are defined in only the most general terms in the NSW Local Government Act, even where mayors are popularly elected and thus have a strong mandate. Research by ACELG² suggests that NSW could learn from recent experience in other jurisdictions – notably Queensland, New Zealand and England in order to define an expanded role for mayors that couples increased responsibilities and authority with an expectation of strategic political leadership and accountability for following through on agreed policies and legislative requirements. This approach would fall short of making mayors the 'chief executive officer' as they were before the 1993 Act, but might involve:

- Being the designated 'community leader' and 'principal representative' of the council
- Oversight of the performance of other councillors, including code of conduct issues
- Establishing committees and appointing chairs
- Guiding the preparation of the Community Strategic Plan, Delivery Program and budgets
- Ensuring adequate community engagement and consultation on key decisions
- Participating in inter-governmental relationships at regional, state and national levels
- Providing advice and strategic direction to the General Manager in accordance with the council's policies.

An expanded role for mayors along the lines set out above would need to be full-time and properly remunerated. It would seem to sit most logically with mayors of larger councils who are popularly elected. Popular election could become the norm for larger urban and rural councils. Smaller councils might retain a modified version of current arrangements.

The Panel sees considerable potential in enhancing the role and stature of mayors, and will be formulating proposals to that end.

7.3 Alternative governance models

It follows from the preceding sections that the Panel is considering a range of governance models from which councils could choose according to their local circumstances. This approach has been used for a decade in England.

The current 'one-size-fits-all' model in NSW may be characterised in terms of a 'weak mayor', small number of councillors, and collective decision-making on all issues. This could be replaced by a number of options, for example:

- 'Status quo' but with 'stronger' mayor (part-time but role more clearly defined, enhanced leadership authority)
- 'Full-time Mayor': full-time, directly elected mayor with substantially increased authority; small number of councillors (range 7-12 depending on population); decision-making remains collective
- 'Mayor and Cabinet': full-time directly elected mayor; larger number of councillors (up to 25); small 'cabinet' of committee chairs (some or all of whom may also be full-time); other councillors remain part-time in representational and scrutiny role.

The Panel will give further consideration to alternative governance models.

7.4 Councillor-management relations

Relations between the mayor, councillors and senior management, especially the General Manager, are problematic in a significant number of councils. Issues involved include:

- Tensions arising from a perception on the part of some mayors and councillors that the Act gives the General Manager too much authority and autonomy, with insufficient scope for political direction – a perception that may be reinforced by the way some General Managers see themselves and play their role.
- On the other hand, concern amongst General Managers and other senior staff on performance-based contracts that they may be subject to unwarranted dismissal.
- The limited administrative and professional support provided to many councillors and even mayors.
- Lack of skills in political management and relationship building on the part of some mayors, councillors and senior managers.
- The apparent reluctance of some General Managers to provide robust policy advice to mayors and councillors, and to take responsibility for completion of key policy documents such as those required under IPR.

Within a complex, multi-functional organisation such as a local council, differing perspectives on policy and priorities, and hence some tensions between political and management viewpoints, are inevitable. However, too often these appear to get out of hand, or to reach a level that threatens the council's performance. Likewise, there will inevitably be occasions when a mayor or elected council finds it impossible to work with a General Manager whom they see as unwilling or unable to carry out their program as they see

²Australian Mayors: What can and should they do?

fit. This happens at all levels of government and in the private sector.

The question for the Panel is whether the incidence of such problems in local government is greater than it should be, and whether there are sufficient checks and balances to prevent rash behaviour on all sides and ensure that decisions are taken responsibly and with full regard to all the facts of the matter and likely consequences.

The Panel sees a need for further measures to improve working relations between councillors – in particular mayors – and General Managers. An improved governance framework is required to ensure that appropriate checks and balances in their respective powers and responsibilities.

7.5 Audit and continuous improvement

Recent reports by Auditors-General in both NSW and Victoria have highlighted the need for improved monitoring of the performance of local government as a basis for comparative benchmarking and continuous improvement. In NSW these activities have been under-resourced in both the DLG and most councils, and it is very difficult if not impossible for a resident, ratepayer or other stakeholder to obtain a clear picture of the relative performance of councils.

The introduction of the IPR framework offers an opportunity to advance this issue in NSW by ensuring that the various planning, budgetary and reporting documents required are soundly based and provide consistent data. This work can be kick-started through the sustainability and asset backlog assessments currently being carried out by NSW Treasury Corporation and the DLG as part of the Panel's review. There are also opportunities arising from two national projects being carried out for local government ministers by ACELG: a National

Assessment Framework for asset and financial management, and a Minimum National Data Set for workforce characteristics and participation of women in local government.

Audit – both internal and external – has a key role to play. Internal audit is presently strongly focused on governance and risk issues, but could readily be extended within current settings to a broader quality control function. Similarly, external audit in NSW is limited to financial reports, but elsewhere deals also with the quality of councils' performance and, in New Zealand at least, the soundness of long term plans. Strengthening of external audit may well necessitate the involvement of the Auditor General, as in Queensland and Victoria, in order to set appropriate standards, oversight the work of consultant auditors and ensure a consistent approach.

A combination of enhanced internal and external audit could thus be used to ensure that critical planning documents and budgets are soundly based and thoroughly prepared, and to improve the quality of data collection and performance reporting. Together with regular service reviews (discussed in section 5.4), this would provide a focus for continuous improvement efforts.

A review of State regulation of local government and associated compliance regimes would also be timely. IPART is currently reviewing how local government regulates others, especially business, but this begs the question of whether local government itself is over-regulated. As indicated in section 2.4, the Panel's view at this stage is that efforts would be better spent on effective benchmarking and capacity building than on perhaps excessive compliance. There is a need for a cultural shift to innovation and improvement. Data collection, benchmarking and audit need to be directed towards that end, rather than compliance.

The Panel sees a compelling case for a shift from compliance to innovation and improvement, underpinned by better data collection and expanded benchmarking and performance reporting, linked to the IPR framework and supported by internal and external audit.

8: A Compact for Change and Improvement

8.1 A network of relationships

The concept of a 'system' of local government, as outlined in section 2, demands a focus on effective working relations between the various partners involved. Of critical importance are relationships between:

- State government and the local government associations
- State agencies and local councils
- councils within regions or that share common interests
- councillors, mayors and senior managers
- councils, their employees, employee associations and unions
- councils, businesses, the not-for-profit sector, community organisations and residents.

A number of those relationships have already been discussed to some extent in this paper. The Panel will be exploring the issues involved in more detail during upcoming round-table and focus group discussions. For now, this concluding section deals in particular with State-local relations.

8.2 Building State-local partnerships

Various issues in State-local relations have been identified throughout this paper. The Panel's broad assessment is that:

- The relationship has been less than satisfactory for far too long – but there are welcome signs of improvement and an opportunity now exists to make real progress
- Problematic elements have included lack of mutual respect; a 'master-servant' culture on both sides; a failure to grasp the fact that State and local government are parts of the same public sector with the same overarching goals, constraints and opportunities; lack of consultative mechanisms to address key policy issues; lack of effective arrangements for collaborative regional and sub-regional planning; excessive regulation and compliance

regimes; and 'running sores' such as the land use planning system, rate-pegging and cost-shifting

- Neither side is fully equipped to establish the kind of productive partnership required – the State lacks a 'whole of government' approach to the role of local government, and is only now building the required machinery at the regional level; whilst local government has failed to lift its sights and come to grips with the 'big picture', and lacks a sufficiently strong association that can truly speak on the sector's behalf and command the State's attention when required.

Nowhere in Australia is there a 'perfect' State-local relationship: inter-government relations are always complex and subject to tensions, so partnerships inevitably wax and wane. However, other jurisdictions do appear to have had more success over recent decades using mechanisms such as:

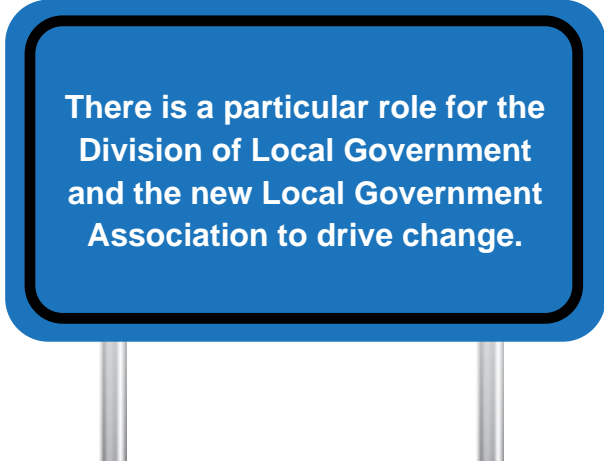
- Overarching State-local protocols and memoranda of understanding for communication and consultation
- High-level ministerial forums that meet regularly to discuss key policy issues
- Partnership agreements on specific issues or for particular regions and localities
- Regional planning committees that focus specifically on shared State-local interests and bring together ministers and mayors to canvass the political dimension of planning
- Regional coordination groups of senior State and local officials.

An inter-government agreement was signed between the previous State government and the NSW Local Government and Shires Associations in October 2010. It set out some broad principles and an agenda for ongoing discussions, and foreshadowed quarterly meetings of a Ministerial Round Table, with the first meeting each year to be chaired by the Premier. That agreement lapsed following the change of government in 2011, but a new agreement is now being negotiated.

One example of a highly productive relationship in NSW is the Food Regulation Partnership between local councils and the NSW Food Authority, agreed in 2007. A recent evaluation found that the partnership was generally working as intended, 95% of councils are meeting stipulated inspection frequencies, and there has been a positive response from the retail sector. The Food Authority has established a dedicated local government unit to implement the partnership.

The Panel appreciates that several State agencies are increasing their efforts to work more productively with councils, although the sheer number of councils and the lack of an overarching State policy and robust regional frameworks remain limiting factors. However, the Panel sees considerable scope to build on processes to 'localise' (regionalise) the State Plan, and for regional coordination of the activities of State agencies. It should be possible to find ways to engage strongly with local government as part of those processes – provided councils are willing to organise themselves effectively on a regional basis and speak with a common voice on strategic issues. The imminent release of the first round of Regional Action Plans under the State Plan, to be followed by work on the 'second generation' of those plans, offers an excellent opportunity for both dialogue and a new cooperative effort in program development and project implementation.

8.3 Co-drivers of change



There is a particular role for the Division of Local Government and the new Local Government Association to drive change.

Change can be uncomfortable and is often resisted: it requires creative and cooperative leadership, and has to be driven hard. In this case the co-drivers of change must be the Division of Local Government (DLG) and the new single association, Local Government NSW. Each needs a stronger presence.

DLG sits within the Premier's Department (which also manages the State Plan and regional coordination) and the associated cluster of agencies including the Department of Planning and Infrastructure and the Office of Environment and Heritage. It is thus well placed to forge a set of key relationships within State government to promote an understanding of local government's potential as an essential partner in the NSW public sector.

Integrated Planning and Reporting, Destination 2036 and localising the State Plan represent important moves in this direction, but it will take time and effort to bring about new attitudes and approaches to local government across all relevant State agencies. The Panel's view is that the Government will need to find additional resources and shift more effort from regulation and compliance to improvement and innovation in order, on the one hand, to foster change within local government; and on the other, to promote new ways of working with councils amongst State agencies. The recent

restructure of DLG was a significant step forward in this regard.

For its part, much of the local government sector seems to have settled more or less for the status quo. There are numerous pockets of energy and innovation, but the Panel's general impression is that relatively few councils and councillors are focused on the need for fundamental change. The sector seems to focus more on its disparate interests than on presenting a strong, unified position, re-inventing itself as an indispensable partner, and challenging the State to create a new paradigm of the NSW public sector.

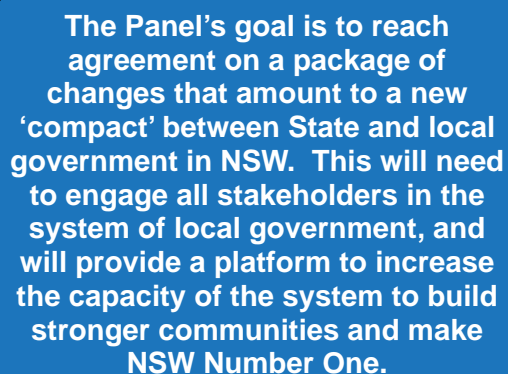
The new single association has the challenge of leading a change of attitude and culture. In the Panel's view, it will need to adopt new ways of working, for example conferences that focus on a few strategic issues and develop robust policy positions that matter to its partners in government, business and the community. It will also need to take responsibility for the sector's performance and reputation, promoting capacity building and continuous improvement, and intervening promptly to address damaging governance problems and other disputes within and between councils.

The LGSA's submission to the Panel set out the 'Top 5' changes that should be made to local government to help meet the NSW community's future challenges in the following terms:

- 1. Reshaping the whole system of local government (not just councils, but intergovernmental relations with State government and its agencies) based on respectful institutional relations*
- 2. Improving councillors remuneration substantially and providing guaranteed access to improved credentialed councillor training and education*
- 3. Resolving the long running revenue restriction and cost shifting issues between NSW State and local governments*

- 4. Creating genuinely different models for say i) metropolitan councils, ii) regional councils and iii) sparsely settled councils*
- 5. Creating genuine incentives for communities and councils that wish to change scale or implement new models.*

What these ideas imply is a fresh agenda for reform that is future focused and aims to set aside some of the "running sores" mentioned earlier. This is, of course, precisely what Destination 2036 is intended to achieve.



The Panel's goal is to reach agreement on a package of changes that amount to a new 'compact' between State and local government in NSW. This will need to engage all stakeholders in the system of local government, and will provide a platform to increase the capacity of the system to build stronger communities and make NSW Number One.

9: Next Steps

The Panel is committed to continue consulting widely throughout the review process. Full details of its consultation program and opportunities to make submissions or contribute in other ways to the discussion of key issues are available on the Panel's website.

The Panel is particularly conscious of the need to engage with the new councils elected in September this year. It looks forward to their consideration of this 'Case for Sustainable Change' paper and to receiving their comments. There will be a number of opportunities for discussion of their views in early-mid 2013, well before the Panel drafts its final report.

Planned next steps are as follows:

- Between late November and mid-March the Panel will hold a series of roundtables and focus group meetings to discuss various aspects of the 'Case for Sustainable Change'. It will also conduct opinion surveys on key issues.
- These meetings will include firstly, review of the key issues and themes raised in this paper with relevant stakeholder groups; and secondly, a series of workshops for groups of councils identified in the Panel's 'cluster-factor' analysis. Those workshops will provide an opportunity to work through the implications of the research for governance, structures and boundaries.
- In February-March members of the Panel will be available to attend meetings of regional organisations of councils to present a progress report and obtain further feedback.
- In late March or early April the Panel will release its third and final discussion paper: 'Future Directions'. That paper will provide as much detail as possible on the Panel's conclusions and the likely shape of its final recommendations to Government.
- From early April there will be another two months of consultation, including further Panel visits to all regions.

To provide your comments on the paper:

Visit:

www.localgovernmentreview.nsw.gov.au

Email:

info@localgovernmentreview.nsw.gov.au

Post:

Independent Local Government Review Panel,
C/- Locked Bag 3015, Nowra

The Panel is looking for sound evidence on which to base its findings and recommendations. Please make sure your comments are supported by accurate information wherever possible. You can attach additional material if you wish.

Comments welcome until March 2013

If you have any questions about the review please call us on (02) 4428 4140.

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