

Fit for the Future

A roadmap for
Stronger, Smarter
Councils

September 2014



ACCESS TO SERVICES

The Office of Local Government is located at:

Levels 1 & 2
5 O'Keefe Avenue
NOWRA NSW 2541

Locked Bag 3015
NOWRA NSW 2541

Phone 02 4428 4100
Fax 02 4428 4199
TTY 02 4428 4209

Level 9, 6 – 10 O'Connell Street
SYDNEY NSW 2000

PO Box R1772
ROYAL EXCHANGE NSW 1225

Phone 02 9289 4000
Fax 02 9289 4099

Email olg@olg.nsw.gov.au
Website www.olg.nsw.gov.au

OFFICE HOURS

Monday to Friday
8.30am to 5.00pm

(Special arrangements may be made if these hours are unsuitable)
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Working together for stronger communities



The NSW Government is committed to supporting and working with local government to strengthen our communities and the State.

That is why we have announced funding of up to \$1 billion to help local councils take the next step towards change and ensure our system of local government is Fit for the Future.

The package is based on the Independent Local Government Review Panel's recommendations and reflects the priorities identified by the sector during the consultation process.

The Panel concluded that for councils to become strong and sustainable, both the NSW Government and the local government sector would need to play its part.

We are making our commitment to the future of local government through record funding, legislative reform and opportunities to work with the NSW Government in making the decisions that matter to our communities.

Now it is time for councils to play their part by preparing a plan to become Fit for the Future.

I am confident that every council in NSW will be able to move towards a more sustainable position through this program.

For some this will mean changes to service delivery and operations to strengthen efficiency and performance.

For others, it will mean embracing structural change.

The NSW Government will support councils every step of the way as they consider their options and prepare their plan.

This document explains what councils need to do and the generous funding and assistance available.

Together we can lay the foundations for a smarter system of local government across NSW.

A handwritten signature in black ink that reads "Paul Toole".

**The Hon Paul Toole MP,
Minister for Local
Government**

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Why do we need a roadmap for the future?

The NSW Government has a vision to rebuild our State and deliver a strong future for the people of NSW. To have a strong future, NSW needs strong councils providing the services and infrastructure that communities need.

The Independent Local Government Review Panel's final report has made it clear that the system of local government in NSW is not working as well as it should be.

More than one-third of the State's councils are facing financial problems, infrastructure backlogs are overwhelming, many of our growing suburbs are being constrained by boundaries that date back to the horse and cart days, and councils are missing out on opportunities to take a more active role in



“We need smart, modern local councils that can work with the State to deliver the housing, jobs and transport people need.”



regional and State planning because they lack the scale and structures to engage.

Destination 2036 started a conversation about the need for reform in the local government sector. The Fit for the Future program is about enabling each council to create its own roadmap of how it will become sustainable.

The work of the Independent Panel, NSW Treasury Corporation analysis and the NSW

Infrastructure Audit has helped us to build a clearer picture of what a sustainable council looks like. But this picture needs to be set in the context of each local community. Each community has its own vision and its own unique circumstances and challenges.

The NSW Government is laying the foundations for a stronger and more viable local government sector. We will work with councils to make changes to legislation, review the regulatory burden on councils, create new regional Joint Organisations and opportunities for cheaper finance. But these are just the starting point.

Councils too, must play their part by working smarter together to become Fit for the Future.

What does a Fit for the Future council look like?

A Fit for the Future council is one that is:

- Sustainable;
- Efficient;
- Effectively manages infrastructure and delivers services for communities;
- Has the scale and capacity to engage effectively across community, industry and government.

These features will ensure that a council has the strategic capacity to govern effectively and partner with industry and State government to deliver key priorities. This is crucial to helping Sydney grow and ensuring regions prosper.

The Government has developed this definition of a Fit for the Future Council, based on the research, analysis and conclusions of the work of Destination 2036, Independent Local Government Review Panel and the NSW Treasury Corporation.

Sustainability

For councils to meet the service and infrastructure needs of their communities they need to be financially sustainable.

The NSW Treasury Corporation defined a financially sustainable council as one that, over the long term, is able to generate sufficient funds to provide the level and scope of services and infrastructure, agreed with its community through the Integrated Planning & Reporting process.



‘Securing local government’s financial capacity and sustainability is the fundamental pre-requisite for all other moves to enhance its strength and effectiveness.’

New South Wales Treasury Corporation



Effective infrastructure and services

A Fit for the Future council is one that:

- knows the current and future infrastructure needs of the community;
- develops, maintains and renews infrastructure using the right mix of revenue and borrowing;
- works with others to deliver cost effective services;
- delivers services and infrastructure that meets the needs of communities as identified through the Integrated Planning & Reporting process; and
- delivers services and infrastructure on time and on budget.

Efficiency

People rightfully expect modern, responsive services, that are easy to access and that offer value for money. A Fit for the Future council provides this.

A Fit for the Future council:

- minimises unnecessary burden on business and the community;
- provides value for money to the community; and
- manages resources well to deliver services or infrastructure.

“There is a need for councils to shift their focus towards a more strategic view of their operations; to have the ability to respond to the diverse and changing needs of different communities; and to take on new functions or deliver improved services in order to meet those needs.”

Independent Local Government Review Panel

Scale and capacity

Scale is a key component of strategic capacity – both in creating individual councils with the resources and skills to provide leadership on regional planning and to advocate on behalf of communities by creating a system of local government where State and Local Government can work together effectively.

A Fit for the Future council is one that:

- saves money on bureaucracy and administration, freeing up funds for front-line services and community facilities;
- can contribute to projects and tackle issues that impact on its residents and extend beyond the council boundary; and
- has credibility and influence across councils, across government, and with industry.

“Being of the right scale is a key component to having strategic capacity as it will enable councils to benefit from economies of scale and scope and be better able to provide infrastructure and services to their communities”.

Independent Pricing and Regulatory Tribunal

Fit for the Future councils – criteria and benchmarks

The Office of Local Government has developed a criteria and certain benchmarks for a Fit for the Future council. These have been based on the work of TCorp and the Independent Local Government Review Panel and have been reviewed by the Independent Pricing and Regulatory Tribunal (IPART).

Fit for the Future		
Definition:	Criteria/Benchmarks:	
 <p>SUSTAINABILITY</p> <p>Generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning & Reporting process.</p>	<p>Operating Performance Ratio (> or equal to break-even over 3 years)</p> <p>Own Source Revenue Ratio (>60% over 3 years)</p> <p>Building and Infrastructure Asset Renewal Ratio (>1 over 3 years)</p>	<p>Strategic capacity</p> <p>Sustained improvement against each of the criteria to underpin the strategic capacity of Councils over the long term.</p> <p>This capacity, along with willingness and commitment to collaborate in good faith with government, communities and industry stakeholders will underpin fit for the future councils</p>
 <p>EFFECTIVE INFRASTRUCTURE AND SERVICE MANAGEMENT</p> <p>Maximise return on resources and minimise unnecessary burden on the community and business, while working strategically to leverage economies of scale and meet the needs of communities as identified in the Integrated Planning & Reporting process.</p>	<p>Infrastructure Backlog Ratio (<2%)</p> <p>Asset Maintenance Ratio (>1)</p> <p>Debt Service Ratio (>0 and less than 0.2)</p>	
 <p>EFFICIENCY</p> <p>Efficient service and infrastructure delivery, achieving value for money for current and future ratepayers</p>	<p>Real Operating Expenditure per capita over time</p>	
 <p>SCALE AND CAPACITY</p> <p>Demonstrate strong organisational and regional capacity to mobilise resources to engage effectively across community, industry and government</p>	<p>Has the scale and capacity consistent with the recommendations of the Independent Panel</p>	

How does your council become Fit for the Future?

All councils are being asked to prepare a submission by 30 June 2015, which will be assessed by a panel of independent experts.

Having the right scale and capacity is the first step in becoming Fit for the Future.

Some councils may already meet the scale criteria. Others will need to consider structural changes to help them become Fit for the Future.

This might include joining forces with their neighbours through a merger. The Government will provide generous support to pursue that path. Small councils outside of Sydney will also be able to consider the new Rural Council model as a pathway to becoming Fit for the Future.

Councils who are already functioning well may develop strategies to strengthen their operations and improve efficiencies.

Each council will be different, depending



Becoming Fit for the Future will mean different things for different councils.



on its current circumstances and its community needs. Each council will need to discuss the options with their community to complete their roadmap.

The Fit for the Future program will guide councils through the process, using self-assessment tools and templates.

Generous funding and practical support is available to help councils throughout the process. Councils who become Fit for the Future will receive access to further benefits and opportunities.

What structural options are available for your council?

The Independent Local Government Review Panel recommended a range of structures for councils across NSW, based on their extensive consultation and research. The Government therefore welcomes proposals, broadly in line with these recommendations. To assist, the Government is providing funding and support, and an opportunity to continue working together to develop these models to ensure councils can shape their own future.

Voluntary mergers

Voluntary mergers will be an option to consider to become Fit for the Future; to create stronger regional centres and towns or to reduce fragmentation in Sydney and ensure a bigger, stronger voice on the issues that matter to communities. The Government is providing incentives and support and removing barriers, to enable councils to pursue this option.

Regional Joint Organisations

Regional Joint Organisations are an opportunity for councils to come together to formulate ideas and priorities for Local and State Government at a regional level to help our local communities grow and thrive. They will also create a mechanism for State and Local Government to plan better than ever before.

The Government will support councils to establish 15 Joint Organisations in regional NSW from September 2016, following a pilot in four regions to develop the model.

More information can be found at: www.fitforthefuture.nsw.gov.au.

A new model for the Far West

The communities and councils of the Far West of NSW (comprising the councils of Balranald, Bourke, Brewarrina, Broken Hill, Central Darling, Cobar, Walgett and Wentworth, plus the Unincorporated Area) are confronted by many unique and complex challenges.

The Panel, after extensive consultation, recommended the creation of a Far West organisation for this region. This is a possible solution that will take time, collaboration, research and consultation to get this right. That is why these eight councils do not need to make a Fit for the Future proposal by 30 June 2015.

The Government will be holding a forum in November 2014 for all eight councils in the Far West, to continue the journey towards creating a better future for this region. This will be followed by work with key stakeholders at both a State and Federal level over the following 12-18 months to plan and implement a lasting solution.

These councils can, however, still make a Fit for the Future application, if after the forum, they wish to present a different proposal to become Fit for the Future.

Rural Councils

Councils in small rural communities have different needs to larger councils.

Councils with a current, or projected, population under 10,000 will be invited to work with the NSW Government in developing a new Rural Council model, building on the model recommend by the Panel.

Councils will be invited to work with the Office of Local Government (OLG) to further develop the Rural Council model by December 2014, to help small councils decide if this is an option for them, alongside of becoming part of a Joint Organisation.

How will the process work?

There are four parts to the Fit for the Future process:

- Self-assessment
- Preparing a roadmap
- Review
- Implementation

Program launch

The program will be launched in September 2014. Councils will receive more information about becoming Fit for the Future at a series of regional workshops over the coming months. A Fit for the Future website will also be available and the Office of Local Government will provide a One Stop Shop, where councils can access additional support.

Stage One

In October 2014, councils will receive a Self-Assessment tool to help them review their current performance against the Fit for the Future criteria. Based on these results, councils will progress to Stage Two to prepare a roadmap, demonstrating how they will move towards becoming Fit for the Future.

Stage Two

Councils will need to prepare a roadmap for becoming Fit for the Future, taking account of their community's needs and future outlook.

Consideration of scale and capacity will be the starting point, based on the Independent Panel's recommendations for your council. Councils may submit proposals for scale and capacity that are different to the recommendations made by the Panel, so long as they are broadly consistent with the Panel's recommendations. Councils will not need to address the other three criteria until they have made the changes to have the right scale and capacity.

Councils that already have the right scale and capacity, based on the Panel's recommendations, will need to prepare a roadmap for how they will address the other three criteria; sustainability, efficiency and effective services and infrastructure.

Fit for the Future roadmaps must be submitted by 30 June 2015, for review by a team of independent experts.



“The Independent Local Government Review Panel recommended a range of structural solutions for councils across NSW, based on its extensive consultation and research. The NSW Government therefore welcomes Fit for the Future proposals broadly in line with these recommendations.”



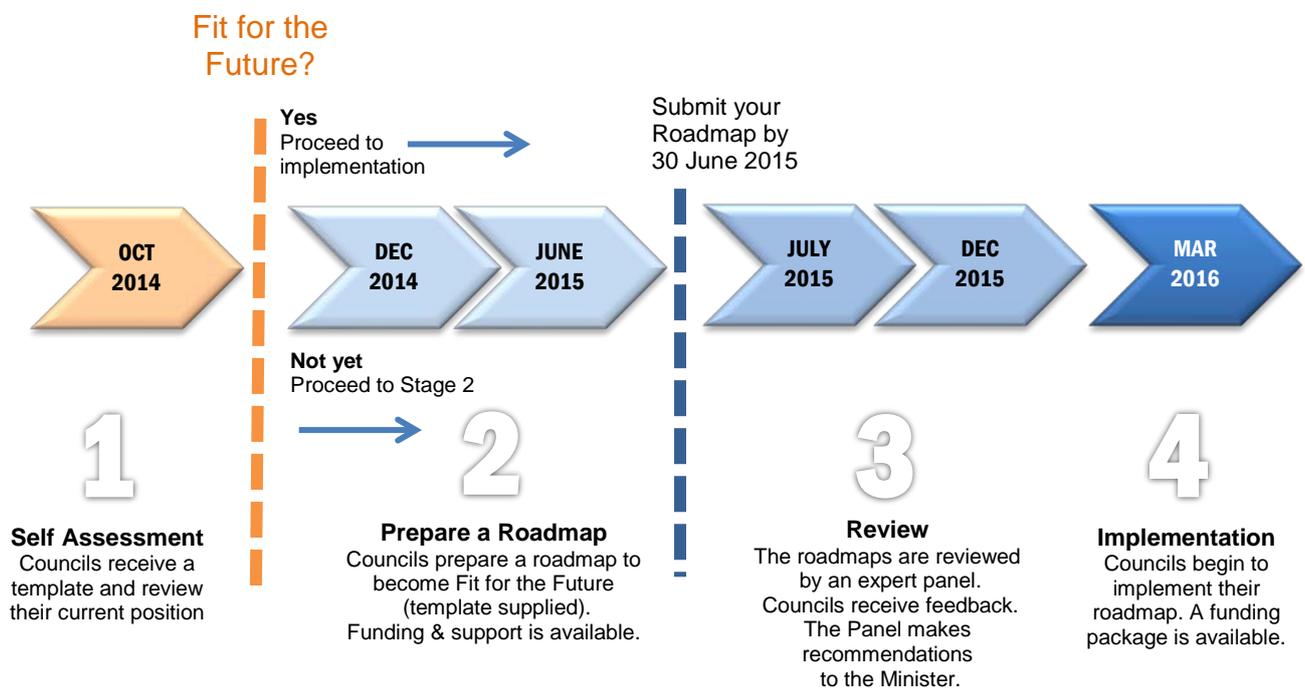
Stage Three

During this stage, the Expert Panel will review each council's roadmap. The Panel will make recommendations to the Minister for Local Government based on its assessment.

Stage Four

In Stage Four, councils who are Fit for the Future will begin to implement their roadmaps and take advantage of the benefits of being a Fit for the Future council.

Newly formed councils and Rural Councils will provide a plan for how they will meet the other three criteria.



What help is available to prepare your roadmap?

The Government is committed to supporting councils to develop their Roadmap, and to make the changes necessary to become Fit for Future.

We are providing a range of support and funding to councils, including:

- A One Stop Shop. This will be hosted by the Office of Local Government, giving access to Regional Relationship Managers to assist councils explore options and access additional support;
- Access to fully-funded skilled facilitators, to assist in bringing councils to the table to identify risks, benefits and options for voluntary mergers;
- Establishing a Panel of technical experts, with skills in financial analysis, asset management and governance, to support councils gaining access to the information and skills they need; and
- Access to a structural change expert panel for councils that commit to structural change, to provide affordable access to technical advice to undertake due diligence and community consultation to support voluntary merger or Rural Council proposals. The State will fund 50% of the cost to councils.



\$258m

To help councils who have decided to merge to make the transition and provide services and facilities communities need.



Expert assistance

Funding for experts to help merging councils explore the options and prepare a sound business case.

\$13m

To support local transition committees and ensure elected representatives are involved in the merger process.

One stop shop

Access to the Office of Local Government's One Stop Shop for local government reform, including a regional relationship manager who understands your area.

\$5.3m

To get new regional Joint Organisations up and running.

Facilitators

Access to fully-funded professional facilitators who can help councils begin discussions about how to merge and the benefits for their community.

\$4m

To help small councils (<10,000 population) develop innovative ways of working.

Technical support

Access to a team of technical experts to help prepare your Fit for the Future proposal.

Up to \$600m

Potential savings from cheaper finance for Fit for the Future councils to invest in local infrastructure.

What is the assessment process?

Fit for the Future proposals will be assessed by an independent Expert Panel. The Panel will be supported by a Technical Panel, with key experts able to analyse council submissions. The Panel will make recommendations to the Minister for Local Government before the end of 2015, on which councils it considers are Fit for the Future.

What are the benefits of being Fit for the Future?

Councils that have made the changes necessary to become Fit for the Future will have the capacity, strength, expertise and credibility to help shape the future of NSW. In recognition of this, the NSW Government will give Fit for the Future councils:

- Access to a streamlined IPART process for rate increases above the rate pegging limit, particularly focussed on infrastructure funding needs, making it easier for councils to increase rates to fund services and infrastructure the community has said it wants and is willing to pay for;
- Access to a T-Corp borrowing facility that will save NSW councils up to \$600 million on the cost of borrowing, helping them to fund the crucial infrastructure that communities need;
- Priority access to other State funding and grants; and
- Eligibility for additional devolved planning powers in relation to the making of local environmental plans and development decisions, and opportunities for devolving further planning powers.

How can your council find out more?

Information, tools, answers to frequently asked questions and more will be available at www.fitforthefuture.nsw.gov.au