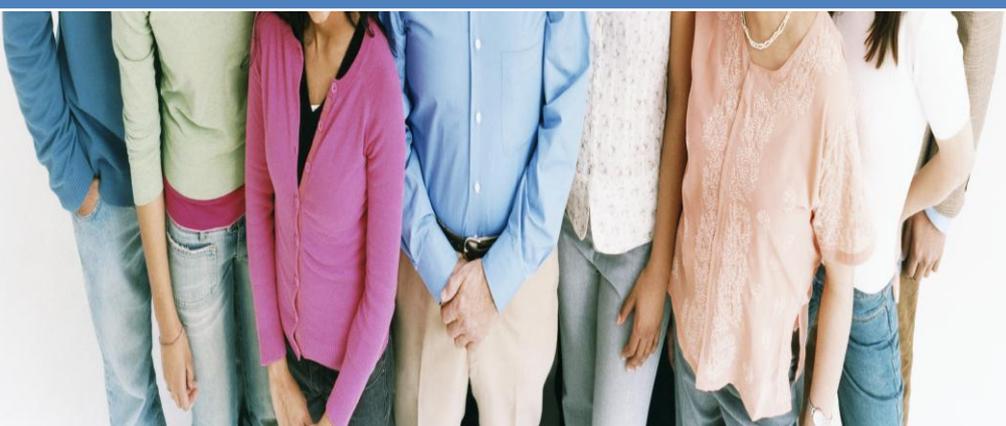


Discussion Paper for Local Government Review Panel



Local Government Review



Submission by the General
Managers of:-

Bankstown Council
Blacktown City Council
Campbelltown City Council
Camden Council
City of Botany Bay Council
City of Canterbury Council
Fairfield City Council
Penrith City Council
Randwick City Council
Sutherland Shire Council
The Hills Shire Council
Wollondilly Shire Council
Wollongong City Council

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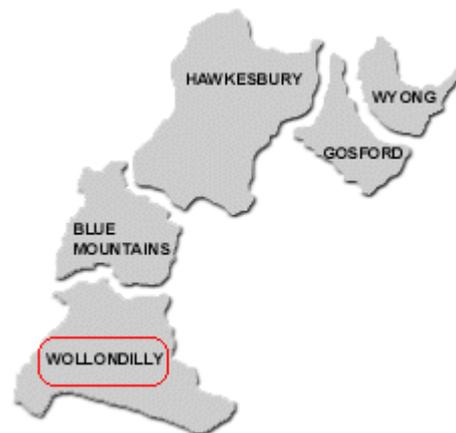
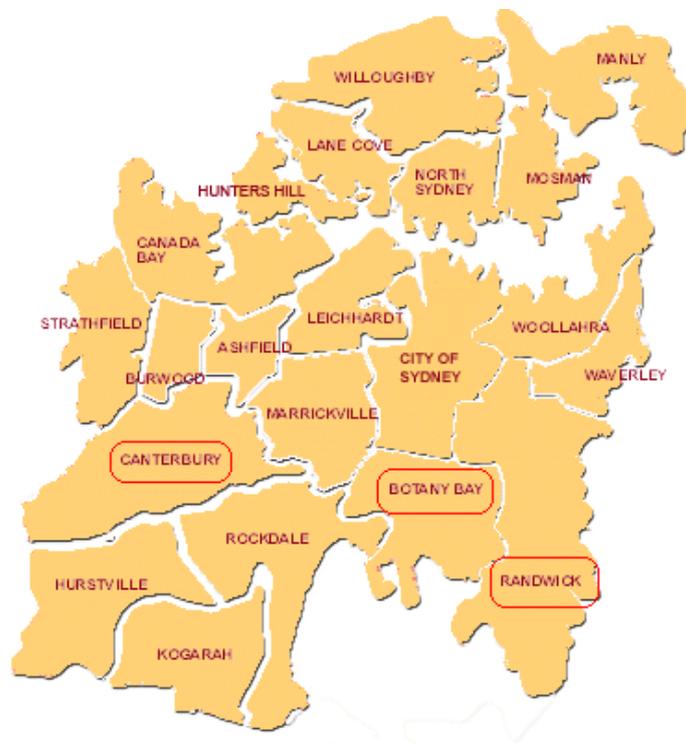
Participating Councils

Sydney Outer Councils involved in submission



Local Council Boundaries

Sydney Inner Councils, Sydney Surrounds & Illawarra involved in submission



Introduction

This paper has been prepared on behalf of a diverse range of councils within the Metropolitan and fringe Metropolitan areas of Sydney. The councils are highlighted in the introduction to this discussion paper and include:

- Bankstown City Council
- Blacktown City Council
- Campbelltown City Council
- Camden Council
- City of Botany Bay Council
- City of Canterbury Council
- Fairfield City Council
- Penrith City Council
- Randwick City Council
- Sutherland Shire Council
- The Hills Shire Council
- Wollondilly Shire Council
- Wollongong City Council

The General Managers of these councils have formed a group to discuss and prepare a response to a number of issues that affect Local Government with a view to facilitating a coordinated approach to those issues. The General Managers have formed a working party that has taken responsibility for preparing a paper for consideration of the Local Government Review Panel on the five terms of reference that were submitted to the Premier by the Local Government and Shires Association.

This discussion paper takes the format of posing a number of questions for each term of reference where answers, we believe, would assist the Review Panel in gaining an understanding of each term of reference and how these responses will affect Local Government entities in carrying out their respective duties.

This discussion paper is seen as a starting point for a broader discussion with General Managers with a view to developing a robust submission to the Panel. Ultimately, some of the more pertinent questions posed in this discussion paper will be accompanied by an appropriate response to assist the Panel understand possible reform options/solutions. It is strongly recommended that a response to other questions posed in this discussion paper not be furnished so as to allow the Panel itself to exercise its own mind on how best to respond to the issue.

At this point it is highlighted that this paper has more relevance from a Metropolitan viewpoint than regional and rural councils.

This paper accepts that structural reform of the NSW Local Government sector is necessary and has the potential to improve a whole range of aspects of our current industry including increased capacity to better plan, manage and deliver services to our communities with a focus on sustainability. Not just a one dimensional sustainability focus, but a multi-faceted focus that traverses social, environmental, cultural, governance, workplace, asset and economic sustainability.

However, structural reform, in itself, is not the solution. It must be complemented by other reforms such as legislative, political, community access and engagement, long term strategic planning and industry identity/branding reforms. To a large extent, these reforms are interconnected and co-dependent. Any amount of structural reform (whatever the model proposed) will surely fail if not adequately supported by a much broader portfolio of reforms such as those outlined above.

Similarly, a one size fits all approach will not necessarily work. Factors that affect rural councils are not the same factors that often affect inner city and fringe metropolitan councils. For example, issues such as demographics, geography, culture, climate, access to materials and resources, and transport greatly impact on the quality of services delivered and the financial sustainability of individual Councils.

It has also become abundantly clear that there is a lack of understanding and cooperation between all levels of Government in providing a coordinated and structured delivery of services to the community as a whole. This is especially the case between the NSW State Government level of bureaucracy and the responsible officers within NSW Local Government.

The number of legislative requirements and reviews that are currently taking place within NSW should all be taken into consideration in dealing with any type of reform within Local Government. This is especially the case for the recent review of the *Local Government Planning and Environmental Assessment Act*. In conducting a comprehensive review we believe that all types of reform need to be examined including legislative and political reforms.

In the discussion paper, the need to understand the make-up of our community in providing relevant services that are contemporary in meeting community expectations is highlighted. There are a number of questions that can be applied across each term of reference especially in the area of sustainability of the current structure of Local Government.

The Working Party has taken an open view in developing the discussion paper to assist the Review Panel in gaining open and transparent terms of reference for further discussion papers to be developed during the consultation period for reform.

The recent Integrated Planning and Reporting Framework introduced by the Division of Local Government has emphasised a more strategic and longer term approach for the delivery of services whilst maintaining a sustainable framework for individual Local Government areas. The Integrated Planning and Reporting Framework includes extensive consultation for all communities and this should inform each Local Government area and should provide an indication of community satisfaction as a base for the Review Panel.

The outcome of Destination 2036 has also developed a number of strategies which include a greater response at a regional level in facilitating a more cooperative approach between neighboring councils. There are a number of opportunities where regional cooperation would provide a more structured outcome for the community. The opportunities for regional cooperation must be included in any review that is conducted in regard to Local Government reform.

It is important that we are clear about what it is we want structural reform to achieve and have sufficient buy-in from both our elected representatives, our communities and other spheres of government for it to be a success. We need to draw on the experiences of Victoria, Queensland, South Australia, Tasmania and, more recently, Western Australia to determine what has worked and what has not (and why it has or has not worked). We also need to consider how change will be managed and supported over time.

On behalf of all councils we offer an open invitation to all members of the Review Panel to engage with us on any issue where we may be of assistance.

Term of Reference One: Ability to support the current and future needs of local communities

Overview

The ability of local councils to support the current and future needs of local communities depends very much on their understanding of these needs. This in turn depends on a clear understanding of the characteristics of these communities through environmental scanning (in the broader sense), demographic profiling and community engagement. Communities in inner Sydney are different, for instance, to those in western Sydney, and different again to those in rural and regional NSW. The trends and pressures impacting on these communities in a regional, national and international sense must be understood. State government agency plans and priorities also need to be considered. In addition not all needs can be addressed, and the processes that are used to determine priorities amongst these various communities of interest will be important. Local councils, because of their close relationships with these communities, have however historically been, and continue to be, well placed to meaningfully engage with their communities, and other agencies and organisations providing services to them.

The new integrated planning and reporting framework goes a long way in setting out the strategic reform required to achieve this comprehensive understanding of communities' needs and priorities. It is early days in the implementation of this framework, and the key principles and practices that comprise this framework will require constant reiteration and focus. It will also require the allocation of support and resources.

It is apparent that the framework envisages any role for local councils that local civic leaders have the capacity to identify, articulate, and convince the community to pay for. There is, however, a danger in elected representatives promising too much without engaging the community in a conversation around setting priorities and their capacity or willingness to pay. Proposals for changes to boundaries and governance models ought to take into account how best this conversation might be facilitated.

1. Ability to support the current and future needs of local communities

It is believed that the following should be considered:

- a) Whether council boundaries need to align to a single common community of interests or whether there can be several communities of interest within a council boundary and if so, what impact will this have on the placement of administrative centres, strategic planning and in attracting people to work in local councils now and in the future.
- b) Whether the emerging new roles of local government and the services it provides to local communities will be supported by strong legislative prescriptions such as the Local Government Act 1993 Charter and whether legislative prescriptions are able to guarantee basic service provision.
- c) Whether the articulation of the role of local government should be thoroughly investigated with a view to better position local government to determine the political, policy and economic framework required for the sector to complete its transition from an administrative unit of the State to a model of community government focused on building sustainable communities.

- d) Whether the State government's high level of supervision and legislative constraints imposed on local government diminishes the empowering role of councils to plan for and provide a range of services to their communities as prescribed in the NSW Local Government Act 1993 and in any other legislation that local government work within.
- e) Whether current local government administration and structures would be able to cater for the future needs of larger and/or more hybrid local communities.
- f) Whether the State Government and Local Government have or plan to have intergovernmental agreements, regional plans and strategies that complement and reinforce each other's governance roles to achieve the best outcomes for the community and the economy and in order to maintain efficient and uniform planning and reporting.
- g) Whether local government organisations have the capacity and ability to cater for a regional population base with regards to its governance structure, financial capacity and workforce base to allow the Council to adopt a regionally focused perspective in wider varieties of service delivery and whether there is a need to consider other models of governance to assist in addressing emerging regional challenges and to facilitate and strengthen regional strategic planning across all levels of government requiring whole-of-government responses.

Term of Reference Two: Ability to deliver services and infrastructure efficiently effectively and in a timely manner

Overview

The ability of local councils to deliver services and infrastructure efficiently, effectively and in a timely manner largely depends on securing sufficient resources – money, people, technology and infrastructure. These resources are co-dependent and success in securing them in turn depends on local councils' capacity to plan for the longer term, and engage their communities.

At a broader level, local councils can be seen as partners with other levels of government in delivering services and infrastructure, and achieving outcomes. A whole of government approach is thus required to address efficient and effective service and infrastructure delivery. In the case of high growth councils, this whole of government approach is particularly critical. Much of the infrastructure and services required for these councils is dependent upon the effective, efficient and timely rollout of works from state agencies and other partners.

Workforce planning is also an essential component of local councils' ability to deliver services and infrastructure efficiently, effectively and in a timely manner. Difficulties in obtaining sufficient appropriately qualified people for a variety of functions are often experienced, and have been the subject of a number of industry studies. Good workforce planning, perhaps even at a regional level, could go a long way to identifying and quantifying needs and approaches to overcoming these difficulties. Changes to structural or governance arrangements could also provide greater flexibility for local councils in obtaining staff. There is also a cultural dimension to workforce planning, and proposed changes to structural or governance arrangements should take account of their impact on the attractiveness of local councils as employers.

2. Ability to deliver services and infrastructure efficiently and effectively and in a timely manner

It is believed that following should be considered:

- a) Whether there should be more better State and Local Government partnerships in the delivery of services and infrastructure and whether there will be State Government support, where required, with regional infrastructure delivery which are complemented by State Government regional infrastructure plans.
- b) Whether it will become clear as to who is the best person and entity to deliver certain services. For example will it be more efficient and effective if private companies delivered entrepreneurial activities, local government to provide integral local services such as library facilities and whether the state government should provide some services regionally.
- c) Whether consideration of various different service delivery models have been investigated in local government. For example the use of corporate entities.

Term of Reference Three: The financial sustainability of each local government area

Overview

Financial health is assessed by consideration of a range of financial indicators, but these often only give a snapshot of a council's financial position at a point in time. They do not provide insight into the ability of a council to maintain or improve this position in the future. The requirements for long term financial planning based on sound asset planning and workforce strategy outlined in the new integrated planning and reporting framework again provide greatly more means for assessing a council's financial sustainability. It seems that there may be a role for IPART here, in providing support and guidance to local councils in identifying relevant factors, making reasonable assumptions and undertaking sound financial modeling.

The need for rate pegging must also be questioned in the context of the integrated planning and reporting framework. It is time for the use of new language, without the use of the term 'rate pegging', to better reflect the more modern context. Rate pegging is creating intergenerational inequity as community infrastructure is deteriorating at a faster rate than the investment in its future replacement. This is transferring financial sustainability issues to future generations. Although the rate peg is now determined by IPART in a much more transparent fashion, the historical impacts mean that future increases will be applied to an insufficient base.

Economies of scale are often held out as a primary benefit of structural changes, with the aim of improving efficiency and as a result, financial sustainability. In assessing options for structural change and new governance models, these economies ought to be mapped out in detail, rather than just assumed and left to chance. These opportunities for efficiencies, whilst real, are also small compared to the opportunities that arise from a clearer definition of the role and responsibilities of local councils, and an expansion of local councils' ability to obtain sufficient revenue for the services that are provided.

Another important factor is the shifting of the burden of service provision from other levels of government without the corresponding ability to increase revenue. There is also the short term sponsorship by other levels of government of programs delivered by local councils that fuel community expectations and are subsequently difficult to wind back. There appears to be a need for clearer definition, perhaps even in legislation, of the core functions of local councils, and for transfer of responsibilities, if they occur, to be matched with the ability to access appropriate funding.

3. The financial sustainability of each local government area

It is believed that the following should be considered:

- a) Whether there is an optimum size for a Council to be capable of meeting its service requirements having considered 'community of interest' factors, geographic features and local identity centres.
- b) Whether the financial sustainability of local government in its current state has the capacity to meet its legislative requirements within the context of a larger population base and whether local government can still efficiently provide for a growing local community now and in the future during post-reform activities.

- c) Whether the income sources for each local government area are adequate and appropriate to funding whole of lifecycle and whole of organisation projects and demands.
- d) Whether the current local government areas have the capacity to meet their asset expenditure in light of the gradual increase of asset maintenance costs amidst asset sustainability index decline.
- e) Whether the inheritance of various outdated assets resulting from any reform may impinge on the council's ability to cope with already existing financial issues.
- f) Whether there are other more appropriate mechanisms, regimes and models for revenue creation once a state of financial sustainability has been reached and whether the rating system is reviewed to ensure consistency across all local government areas.
- g) Whether the benefiting region has been considered in the financial sustainability of the resulting local government structure.
- h) Whether the emerging new roles of local government are adequately considered in setting the financial parameters in local government.
- i) Whether local government reforms will exacerbate the issues regarding legislative fee prescriptions and legislative constraints that currently impinge on local government and may hinder effective management of administration and operating costs during post-reform stages.
- j) Whether the State and Federal governments have the financial capacity to provide further assistance to local government.

Term of Reference Four: Ability for local representation and decision making

Overview

Local representation and hence the spread of councils in both metropolitan Sydney and rural/regional NSW areas have largely been related to the historical patterns of development across the State. Levels of representation, however, do not necessarily reflect leadership capacity or the quality of local governance. The matter of the appropriate number of elected representatives for a local government area needs to be considered with, amongst other things, a review of the role of councillors, whether current governance arrangements and remuneration attract a diverse enough field of candidates. There is also the question of whether the current practice of decision making by a committee remains appropriate for the future of local government. Stronger strategic leadership accountabilities for the Mayor, and even a small cabinet of councillors, such as the model introduced in England, has provided new ideas for the role and accountabilities of elected representatives.

Given the complexity of Local Government, there is perhaps an opportunity for a broader range of learning development options to be made available to councillors so that they are well supported in their roles of engaging their communities, providing leadership, working with their Council organisation at a strategic level, and making decisions that balance the needs for future service provision with responsible management. The existing separation between responsibility for strategic decision making by the elected members and operational decisions by the General Manager, is supported.

4. Ability for local representation and decision making

It is believed that the following should be considered:

- a) Whether the role of Mayors and Councillors as established under the Local Government Act 1993 can be better defined.
- b) Whether decision making practices and models will be reviewed in order to determine the best local representation ratios that will result in effective decision making with respect to the establishment of optimal council sizes.
- c) Whether there are legislative support and tools for councils to be able to make or be part of the decisions necessary to maintain a regional focus.
- d) Whether local centres of democratic and administrative activities will be placed in localities which enable the council to make decisions that respond equitably to its communities.
- e) Whether there is sufficient support from the Division of Local Government for councillors.
- f) Whether the elected representatives are adequately remunerated.
- g) Whether the current executive management structures, appointment and roles hinder local government from making effective decisions.

Term of Reference Five: Barriers and incentives to encourage voluntary boundary changes

Overview

Forced amalgamations are greatly feared by community, councillors and local council staff alike, and for good reason. Forced amalgamations ride roughshod over the principles of local democracy, and often establish patterns of winners and losers that persist for generations. In theory voluntary boundary adjustments are less threatening because they can be driven locally, but the reality is that the fear remains. For those charged with leading voluntary boundary changes, there is a marked lack of motivation for change. Local communities generally see themselves with a unique identity, and do not want to be 'lumped-in' with a larger group. Local councillors are generally unwilling to give up their positions of influence, and local council staff are unwilling to give up their jobs.

For voluntary boundary changes to be effective each of these stakeholders should be able to identify tangible benefits and have confidence they will be attained:

- *For communities this may mean a better range and quality of services, and maintenance or reduction of rates and charges.*
- *For councillors this may be more responsible and meaningful roles.*
- *For staff this may be better working conditions, more flexible working arrangements, or opportunities for a greater variety of work or for advancement.*

Establishing this confidence will need clear articulation of the challenges facing local government in NSW to create a sense of the need for change, a clear picture of what the future will look like and the steps to be taken towards achieving it, and reliable stories of how such changes have worked elsewhere.

5. Barriers and incentives to encourage voluntary boundary changes

It is believed that the following should be considered:

- a) Whether appropriate long term planning goals and regulations are established to cater for the production and re-organisation of new council plans, strategies and administrative activities to become regionally focused.
- b) Whether different bargaining capacities of the different communities and local centres may result in an appropriate outcome e.g. big council vs. small council dynamics.
- c) Whether there will be appropriate and suitable decision making regimes available to larger councils through legislative reform.
- d) Whether there will be a voluntary body that will conciliate or arbitrate with the council bodies and challenge thinking before, during and after any reforms.
- e) Whether costs for the adoption of poor assets will result in significant financial burden on the resulting council structure.

- f) Likewise, whether the debt to asset ratios of Council's considered for amalgamation are compatible. For example, would it be equitable if the residents and ratepayers of a debt free Council inherited the debts of an adjoining Council.
- g) Whether local centres will be dissolved and will extinguish community of interests resulting in the loss of local community identity.
- h) Whether regionally orientated governance structures strengthen the influence, credibility and prominence of local government in regional decision making processes and in the community.
- i) Whether there will be state government support and funding to help offset boundary change costs and establishment costs.
- j) Whether local democracy and political bodies will embrace greater responsibility and accountability for a larger and more diverse population.

Participating Councils

