

# **Submission to the Independent Local Government Review Panel's *Future Directions for NSW Local Government – Twenty Essential Steps***

July 2013

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## Opening:

Local Government NSW (LGNSW) is the peak body for councils in NSW.

LGNSW represents all the 152 NSW general-purpose councils, the special-purpose county councils and the NSW Aboriginal Land Council.

LGNSW is a credible, professional organisation representing NSW councils and facilitating the development of an effective community-based system of Local Government in NSW.

LGNSW represents the views of councils to NSW and Australian Governments; provides industrial relations and specialist services to councils; and promotes NSW councils to the community.

LGNSW welcomes the opportunity to make a submission responding to the Independent Local Government Review Panel's *Future Directions for NSW Local Government – Twenty Essential Steps*.

In so doing LGNSW acknowledges that the Future Directions paper is a progress report and therefore represents another opportunity for LGNSW to provide input and add value to the Panel's thinking. Throughout this response it must be borne in mind that LGNSW strongly holds to the principle that all reform or change must result in a better outcome for all those concerned.

At the meeting where the Board initially dealt with the Future Directions paper, it was resolved that the Board:

1. Confirm LGNSW's policy of no forced amalgamations.
2. Acknowledge the significant body of work.
3. Commend some aspects of the key proposals and outcomes e.g. financial agency.
4. Request a detailed explanation of how some highly productive large area low population councils are categorised as being "at risk" contrary to the T Corp analysis.
5. Request a detailed explanation of how economies of scale are actually calculated in large population councils.
6. Request that in future communications phrases such as "head in the sand", "muddling through", "self-interest", "special pleading" not be used as they tend to denigrate constructive criticism.

Since that meeting the Board has had the benefit of council input through the Leaders Forum (involving 134 Mayors, councillors and senior staff from 75 councils) and correspondence from many councils forwarding their submissions.

While it is not a matter that the Panel has ultimately any control over, there is a strong feeling amongst member councils that the present suite of NSW Government reviews lack coherence, connection and guiding principles. This creates problems for parts of the Independent Local Government Review Panel, the Planning White Paper and the Local Government Acts Taskforce where they intersect or fail to intersect. At the Leaders Forum participants agreed with the need for overarching principles to link reviews put by the City of Sydney representative. Participants lent support to the view that reform should strengthen the capacity of Local Government to deliver for the diverse communities of NSW.

The fundamental role of a democratically elected council is to provide leadership and governance for its local area. Local government best serves its communities when it is truly "local" in character, especially in the context of Australia's three sphere system. Good Local Government engages with its communities to establish an integrated vision for its area. A good

council understands the aspirations of its people, leads debate on important issues affecting our future, and delivers results on its vision.

A reform process must begin with an understanding of the role of Local Government and its role in local planning, and be based on clear principles. It needs a logical and structured approach that genuinely engages with Local Government and the communities they serve. It should involve reform across all three spheres government, not just Local Government.

Participants feel this is not occurring with the State Government's current reviews, which involve untested, complex and even contradictory proposals that could initiate disruption, with little demonstrated benefit. Rather than increased capacity, the current directions will reduce the role and authority of Local Government.

Returning specifically to the *Future Directions* paper, LGNSW needs to emphasise that there continues to be a wide range of views on the paper as a whole and on individual sections. While many councils disagree with some of the options on how councils may be structured in the future, there are many other options that fit with the long term agenda which LGNSW and its predecessors have pursued.

Set out in this submission are LGNSW's views on the propositions that have been advanced for discussion. Where we are in agreement we have indicated this in a fairly brief fashion. Where there is qualified support we have explained our position in more depth. However, where the options are strongly and completely opposed LGNSW is unable to comment further.

## **Response:**

### **Sustainability and Finance**

#### **1. Develop a standard set of sustainability benchmarks**

LGNSW strongly supports the proposal to develop an enhanced set of financial sustainability benchmarks for councils.

LGNSW has long advocated the development and adoptions of financial benchmarks. This was also a key recommendation of *the Independent Inquiry into the Financial Sustainability of NSW Local Government 2006* (the Allan Report).

The standardised benchmarks need to be developed in consultation with LGNSW, the DLG and Local Government professional organisations.

#### **2. Require all councils to appoint a qualified Chief Financial Officer (CFO)**

LGNSW considers this to be a desirable objective and offers qualified support for this proposal but does not support making the appointment of a qualified CFO a statutory requirement.

The role of a CFO is already firmly established with the vast majority of councils already employing a staff member with professional accounting qualifications in a range of positions such as Finance Director, Finance Manager, Manager – Corporate Services or Treasurer.

The proposal does not define the qualifications and skills required of a CFO and this requires careful exploration. LGNSW thinks that it is important to differentiate between the skills, experience and qualifications required of a CFO in a large council with those of smaller councils. The qualifications demanded should be proportionate and councils' ability to set their own requirements and recruit appropriate staff should not be limited.

Further, the Panel acknowledges the existence of skills shortages and the problems councils have in attracting qualified staff, particularly in regional areas. This often necessitates compromise, often for extended time periods. Councils may be unable to comply with statutory requirements to engage staff possessing prescribed qualifications for these reasons.

Consideration should be given to allowing this function to be shared between smaller councils rather than adopting the single model approach of each council having to appoint a qualified staff member. The desirable position is that councils retain the ability to determine where and how in their organisation structures, the capacity and accountability for financial management are best allocated and resourced. Conversely councils that are struggling to retain and attract appropriate technical and financial expertise must be allowed to explore alternatives, for example, on a regional or shared services basis.

LGNSW remains of the view that the requirement to appoint a qualified person to cover the CFO function should be a best practice benchmark, not a statutory requirement.

### **3. Strengthen the guidelines for councils' 4-year Delivery Programs**

LGNSW signals qualified support for this proposal, having received significant feedback over the life of the guidelines about the need for refinement from a variety of councils. The revised and strengthened guidelines need to be developed in consultation with LGNSW and Local Government professional organisations.

### **4. Place local government audits under the oversight of the Auditor General**

LGNSW provides qualified support for this proposal. It is acknowledged that a centralised standard approach will improve consistency. There are also potential benefits in terms of probity and capacity.

There is uncertainty about the nature of engagement of the Auditor-General and we are concerned about the potential additional costs involved. There are also potential options for engagement ranging from the Auditor-General taking full control of the audit function, including the contracting of auditors and audit sign off, to a lighter-handed approach with the Auditor-General setting audit standards and running random compliance audits.

There needs to be further consultation within the sector about the detail of the proposed role of the Auditor-General and the financial implications before any final decision is taken.

### **5. Improve the rating system**

LGNSW strongly supports the proposal to improve the rating system.

LGNSW and its predecessors have long advocated the need to improve the NSW rating system. The current system contains many elements that belong in the 19<sup>th</sup> and early 20<sup>th</sup> century that fail to adequately meet the needs of modern Local Government.

There is a pressing need to comprehensively review the appropriateness of existing rate exemptions. The *Local Government Act (NSW) 1993*, mainly in sections 555 and 556, provides for a wide range of rate exemptions most of which were carried over from the *Local Government Act (NSW) 1919* and many of which are archaic and no longer appropriate.

Many exemptions serve to provide financial benefits to numerous religious organisations, benevolent institutions, private schools and some government business enterprises that are no longer justified in terms of principles of optimal taxation, particularly principles of equity and efficiency. The distinction between charitable and social activity and commercial activity has

progressively blurred over time, with community orientated enterprises increasingly engaging in more commercially focused activity.

These inappropriate rate exemptions serve to restrict the revenue base of councils and place an unfair financial burden on rate payers. Accordingly, Local Government NSW has been calling for review and reform of rate exemption provisions for over a decade. Local Government NSW has initiated research on this subject and would present this research to a comprehensive review of rate exemptions.

LGNSW also advocates the inclusion of an option to use Capital Improved Value as the basis for more equitable and efficient rating, particularly in urban areas with increasing medium and high rise development. Ideally, the system would allow councils the option of adopting this basis. Although cost is a factor, the use of different valuation methodologies for different land categories is provided for in some jurisdictions (e.g. WA and Victoria).

LGNSW also acknowledges that many councils have not optimised their use of the rating system and more work needs to be done to encourage such optimisation.

## **6. Streamline rate-pegging to enable councils to generate essential additional revenue**

LGNSW strongly agrees that rate pegging in NSW has adversely impacted sound financial management and disadvantaged NSW Local Government in comparison to Local Government in other jurisdictions.

LGNSW strongly affirms its opposition to rate pegging and maintains that rate pegging should be removed. The introduction of Integrated Planning and Reporting has made rate pegging redundant.

LGNSW is disappointed that the Panel has adopted the 'softer' option of streamlining rate pegging. While the proposal has some benefit over the current system, it is at best an interim position and LGNSW maintains that it should just be a step in the transition to the complete removal of rate pegging. The Forum largely supported a transitional approach to the removal of rate-pegging. The Forum also noted that the pegging of rates may not be only solution to increasing council revenue – consideration needs to be given to reviewing rates exemptions and capacity to pay.

LGNSW also maintains the view that while there is scope for improving the rating system, it is only part of the financial sustainability problem. For example, rate revenue raising capacity varies across councils in NSW, even if improved, it will only make a marginal difference for many councils. There is a more fundamental need for change to the funding structure for Local Government nationally. The Forum supported a separate review of council funding models, however, this is considered to be beyond the scope of the Panel.

## **7. Progressively re-distribute grant funding to provide greater assistance to rural-remote councils with limited rating potential**

LGNSW recognises that many smaller rural and regional councils have a limited own source revenue base and have a high degree of dependency on grants, particularly Commonwealth Financial Assistance grants (FAGs).

We also acknowledge that the current FAGs pool is inadequate to provide for full Horizontal Fiscal Equalisation (HFE) across councils and that the pool has not grown in real terms and has steadily declined as a proportion of national taxation revenue.

LGNSW maintains that this is the real problem. If the pool were an adequate size there would be no need to tweak the distribution. We will continue to strongly advocate that the Australian Government should increase the quantum of FAGs.

Redistributing the current NSW FAGs allocation may be of marginal benefit for a number of councils. It will not dramatically change the overall financial sustainability of the sector.

The Forum agreed that the FAG pool should be increased, and supported the redistribution of grants conditional on the ability for councils to recoup 'lost' funds via rates. A key principle for councils to be eligible to receive redistributed grants is that they must be able to demonstrate good practice (e.g. be financially responsible, as opposed to financially sustainable).

#### **8. Establish a State-wide Local Government Finance Agency to bring down interest costs and assist councils make better use of borrowings**

LGNSW fully supports the proposal to establish a NSW Local Government financing Authority. The Association believes that such an Authority should be modelled on the Local Government Finance Authority (LGFA) of South Australia.

The LGFA is managed and administered by a Board of Trustees, and works for the benefit of Councils and other Local Government Bodies within South Australia. It is not part of the Crown, nor is it an agency or instrumentality of the Crown. The Local Government financing Authority of South Australia has been run successfully for many years and is a proven well established business model.

#### **9. Maintain the Local Infrastructure Renewal Scheme (LIRS) for at least 5 years, with a focus on councils facing the most severe problems**

LGNSW strongly supports the proposal to extend LIRS. The Scheme has proven popular with councils having a high take up rate and there is evidence to suggest that it is helping many councils address infrastructure renewal backlogs.

We advocate that the program be extended indefinitely and that additional funding be made available.

#### **10. Create a Strategic Projects Fund for roads and bridges to help reduce the infrastructure backlog**

LGNSW supports the establishment of Strategic Projects Fund for roads and bridges.

However, the Association maintains that this should be supported by new funding, not drawn from already inadequate Roads to Recovery or FAGS roads component funding. The current Bridges for the Bush Program represents a more suitable model. Such funding could be used for strategically identified infrastructure projects, for example to enhance accessibility for high performance heavy vehicles on key local road freight connections, or to address identified road safety back spots, without detracting from council's pre-existing local road and bridge funding commitments.

#### **11. Investigate the Queensland model of Regional Roads Groups, as well as options for cost savings through strategic procurement initiatives**

LGNSW support further investigation of the potential adoption of the model for NSW. We are aware that the Government, through Roads and Maritime Services NSW, are keen to explore regional delivery options for (i) Road Maintenance Council Contracts (RMCCs) on State Roads

and (ii) Regional Road Block Grants, and that this could include an over-arching jointly managed alliance – type arrangement similar to the Queensland model.

This could provide benefits for the Local Government sector in the form of asset management capacity building, sharing of resources, data and information, and the opportunity for enhanced regionally strategic funding outcomes, while providing the NSW Government with productivity enhancements in the delivery of its road maintenance responsibilities. Willingness to participate in a regional funding arrangement such as this may also improve the long term viability of existing funding sources or provide new targeted funding opportunities.

## **12. Introduce mandatory asset and financial management assessments of councils seeking special assistance**

LGNSW consider this to be a reasonable proposal providing that it is directly relevant to the assistance being sought, and that the level of assistance being sought is of a magnitude to warrant assessments.

### **Productivity and Improvement**

## **13. Introduce a requirement for regular ‘best value’ service reviews**

LGNSW supports this proposal in principle. These reviews would need to be implemented in a way that is not unnecessarily costly or resource intensive.

If this proposal were to proceed it would be important that a mutually agreed framework be developed co-operatively by LGNSW, the DLG and Local Government professional organisations.

## **14. Develop a consistent data collection and performance measurement system for NSW councils**

LGNSW supports this proposal. It is consistent with the *Destination 2036 Action Plan* and other initiatives previously supported by LGNSW and its predecessors. LGNSW has also supported national initiatives to improve data quality and consistency, particularly in relation to road assets.

## **15. Strengthen internal and performance audit processes**

LGNSW agrees that all councils should host an internal audit function and supports the proposal to strengthen internal audit and performance reporting in principle. Further consultation on the models for doing so needs to be undertaken. The response should only be commensurate with the risks and needs to take account of practical considerations such as size, resources and circumstances.

Sharing the function between councils should be an option.

## **16. Commission a review by IPART of the regulatory and compliance burden on NSW local government**

LGNSW strongly supports this proposal. There has been disproportionate scrutiny of Local Government ‘red tape’ by a range of state and national agencies. A review of the ‘red tape’ burden placed on Local Government by other spheres of government is long overdue. Not only is it important that IPART review overall ‘red tape’, it is critical that ‘red tape’ generated by the *Local Government Act 1993* and regulations is referred to the Local Government Acts Taskforce for full consideration.

## **Better Governance**

### **17. Mandate ongoing professional development for councillors**

LGNSW encourages ongoing professional development for Councillors providing:

- it acknowledges prior learning;
- it recognises that Local Government is different from other sectors and the training is appropriately tailored (e.g. balancing the political role of Councillors with the corporate director role);
- training is delivered over an extended period, recognising time constraints of Councillors; and
- it recognises cost constraints of councils and is designed accordingly or is funded directly by the NSW Government.

The Forum discussed whether it was necessary to mandate professional development and there was general agreement that:

- induction of councillors in council governance should be mandatory;
- ongoing professional development is to be encouraged but not mandatory.
- it was desirable that councillor professional development be accredited and include access to portable and recognised qualifications.

There was small support for councillor development to be built into the role of the Mayor.

### **18. Strengthen the authority and responsibilities of Mayors**

LGNSW considers this to be an area for further exploration and discussion. LGNSW does not support the proposal to extend an additional leadership role to the position of Mayor. The Leaders Forum generally agreed that Mayoral authority and responsibility did not require strengthening.

LGNSW sees merit in maintaining the balance and separation between policy setting by Council and Mayors and the operational responsibilities at the General Manager level, but there needs to be more clarification around this. At the Forum the view was expressed that measures to assist Mayors to understand their roles and responsibilities (e.g. a handbook) would be desirable. It was also identified that LGNSW has an important role to play in the development of such resources and should draft proposed measures for consultation over this issue.

The Forum was cognisant that the role of elected members was not static and that elected members did more than just set policy and strategy and monitor performance. Elected members and Mayors, do and will continue to bring valuable skills to their role, but the Forum expressed the view that councillors' capacity to do so was limited by inadequate remuneration for the range and volume of their existing responsibilities. It was noted that NSW Mayors receive lower remuneration than counterparts in Victoria and Queensland.

### **19. Require popular election of mayors in all councils with a population of 20,000 or more**

LGNSW opposes this proposal.

The decision to have a popularly elected Mayor should be made locally by a referendum of the local community and not be triggered by size or other criteria.

LGNSW supports the proposal that in the case of Mayors elected from amongst councillors, the term of the Mayor should be at least two years.

## **20. Provide additional governance options for larger councils, including a mix of ward and ‘at large’ councillors and a ‘civic cabinet’ model**

This proposal is supported in principle.

Councils should have a range of governance options available and should have the right to select the model that best fits their requirements.

## **21. Take steps to improve Council-Mayor-General Manager relations**

LGNSW agrees that councillors and senior staff must work closely as a team and therefore supports the objective of this proposal, but does not agree with all of the proposals identified for consideration in Chapter 12.

LGNSW agrees with the Panel that the matters raised should be referred to the joint working party proposed in Chapter 10, noting that consultation with respect to the provisions of the *Standard Contract of Employment for General Managers of Councils in NSW* has already commenced. LGNSW believes that many of the matters to be referred to the joint working party for consideration will need to take into account any proposed amendments to the roles, scope of duties and authorities of councillors and General Managers under the reviewed *Local Government Act*. The process would benefit from confirmation that the mechanism of a joint working party will be established to provide a forum for ongoing consultation and the coordination of industry advice on these matters.

### **Structural Reform**

## **22. Establish a network of around 20 ‘new look’, multi-purpose County Councils to undertake regional-level functions outside the Sydney metropolitan area**

LGNSW is opposed to the State Government mandating the establishment of 20 (or any other number) of County Councils for the areas outside the Sydney metropolitan area.

LGNSW does however recognise that there may be advantages for councils in organising more strongly and effectively at the regional level. The potential form and function of ‘regional Local Government entities’ requires further analysis and consideration.

LGNSW is disappointed that the paper has not provided a more comprehensive coverage of the proposal nor presented other optional models or variations. This would have helped focus discussion on arriving at a stronger form of regional entity that serves Local Government.

LGNSW also maintains that as many of the benefits of council regionalisation will accrue to the State Government and its agencies, the NSW Government should contribute to the cost of establishing regional Local Government entities.

It should be noted that the Leaders Forum largely agreed with the LGNSW position (i.e. they did not support mandating the establishment of ‘County Councils’ as proposed per se) but were interested to developing new options for regional cooperation.

While the new look County Council model, especially with the leadership vesting in the council for largest population centre, has been rejected, there is certainly interest in developing a regional entity that serves Local Government interests in the interactions with State and Australian Governments and remains Local Government owned and controlled.

Although it is difficult to be definitive amidst the variety of feedback LGNSW has received, it appears there would be a reasonable amount of support for a Local Government regional entity. It seems such a regional entity would be supported if it includes the following features:

- Matches with NSW Government regional boundaries, provided these boundaries are negotiated between the constituent councils and the NSW Government and are only changed over the long run through similar negotiation and the boundaries are protected by legislation, regulation and some other formal legal guarantee;
- Ensures stability by mandating membership and only allowing opting out in cases of significant dysfunction or disadvantage, with the opting out clauses and definitions negotiated between the LGNSW (on advice from member councils) and the NSW Government;
- Is fully owned by member councils with its decision making body comprising elected members from member councils elected by resolution of member councils;
- Has its governance, powers, responsibilities and liabilities properly set out in the revised *Local Government Act* ;
- Has carriage of formal input to and engagement with regional and sub-regional scale strategic planning of the NSW Government such as NSW 2021 Regional Action Plans, and the range of specific regional plans under that banner including Regional Waste Avoidance and Recovery Strategies, Regional Transport Plans; Long Term Transport Master Plan; Regional Ageing Strategies (under the NSW Ageing Strategy) Ability Links coordination and eventually the Local Area Coordination approaches which will be used in implementation of the DisabilityCare Australia (formally known as the National Disability Insurance Scheme); Catchment Action Plans (or whatever they become under LLS); Regional Weed Strategies; NPWS Regional Pest Management Strategies; Water Sharing Plans ;
- Has carriage of formal input to and engagement with regional and sub-regional scale strategic land use planning such as Regional Growth Plans, Subregional Delivery Plans, Growth Infrastructure Plans (regional and subregional), Urban Activation Precincts, and the Metropolitan Strategy;
- Has the options of:
  - providing on behalf of constituent councils regional and sub-regional scale facilities, services and programs, or
  - procuring on behalf of constituent councils regional and sub-regional scale services;

In designing a regional entity for the option on the provision of regional and sub-regional scale facilities, services and programs in regional NSW the following points need to be addressed. LGNSW believe that to ensure effective, efficient and sustainable provision of services in regional NSW, it is important to facilitate the sharing of resources and technical capacity among councils.

The main function of a regional entity is to facilitate resource sharing and skills pooling among member councils and provide skills and knowledge to assist member councils in undertaking regionally integrated service planning. (Service planning by member councils includes: the determination of levels of service and infrastructure required to provide them; long term financial planning and asset management to ascertain the full cost of providing services and supporting infrastructure; and the determination of resources to ensure services and supporting infrastructure can be funded over the long term).

- The entity should have capacity to guide, coordinate and facilitate service planning by member councils of relevant services as follows:
  - In its guidance and coordination role, the entity would develop high level strategic direction for the region and coordinate member's strategic planning to achieve integrated and effective regional service planning. Where appropriate, the entity could identify and manage regional/shared infrastructure.

- In its facilitation role, the entity would provide technical support to member councils and assist with the sharing of knowledge and professional staff to ensure member councils can meet best practice and other regulatory requirements. The entity should facilitate best practice, compliance with regulatory requirements and reporting on performance of the region to the relevant regulator(s).
- It is important to note that member councils, not the entity, would actually implement and be accountable for the service planning for their area of operation as well as providing the services. The entity would provide guidance on and coordinate member's strategic planning but would not be able to compel member councils to implement strategic directions. The model should have the potential to evolve. The model does/should not preclude the entity, over time and by mutual agreement of member councils, from taking on functions previously performed by member councils and/or being granted the authority to make binding decision for member councils (e.g. management of beneficial regional infrastructure).
- The decision making body could be supported by a technical body containing council professionals and external experts where appropriate. Potentially, those two bodies could be merged. However, there could be no support any governance structure where the decision making body is controlled by non-Local Government members.

Finally, in the context of the provision of regional and sub-regional scale facilities, services and programs it needs to be noted that ideal "catchments" of regional cooperation might be different for different services (e.g. for water services dependent on hydrological catchment, waste services might have smaller/larger economies of scale, library services might be more dependent on population structure and distribution). A multi-purpose entity with firm boundaries may not be able to capture different catchments.

LGNSW is aware of councils and groups of councils developing their own models to assist regional strategic capacity and co-operation and recognises these endeavours are to be encouraged. LGNSW will examine these when they are made available and commends the Panel to do likewise.

### **23. Introduce the option of Local Boards to service small communities**

LGNSW has strong reservations about this proposal. Again we are disappointed that the paper has not provided a more comprehensive coverage of the proposal nor presented optional models to assist in detailed consideration.

The Forum largely agreed with the LGNSW position. There was no clear support for establishment of Local Boards per se, but there was acknowledgement that should be mechanisms to reflect local community's voices within 'merged' councils should they be imposed. The decision on whether to adopt that mechanism should be at the community's and/or council's discretion.

There was a call for the drafting of principles and objectives that articulate the roles, responsibilities and relationships for 'local boards' and 'county councils', before a decision is made as to whether to accept or reject the ILGRP option. LGNSW notes that a separate paper on Local Boards is being prepared and will be issued by the Panel (now expected 22 July), with a separate round of submissions being invited. LGNSW will reserve its substantive comments until then. Nonetheless, it is important that the integrity of local democracy be kept and that such Boards have control over rate and budget setting.

### **24. Introduce the option of Local Boards to ensure local identity and representation in very large urban councils**

LGNSW also has reservations given the lack of detail provided to date.

## **25. Encourage voluntary amalgamations of smaller rural councils to improve their sustainability**

LGNSW recognises that amalgamation may be beneficial in the long run for the communities in some council areas. However, it is not necessarily relevant whether the councils are rural or urban councils.

LGNSW and its predecessors have consistently supported voluntary amalgamations. These should be determined democratically by councils and the communities they represent.

LGNSW maintains that the NSW Government needs to provide substantial financial incentives to encourage voluntary amalgamation and to fund facilitators to assist in the process. We challenge the Panel to offer a more extensive and/or creative set of potential incentives than those offered in the paper to date.

The Forum agreed with the LGNSW position, stressing that decisions to amalgamate should be based on quadruple bottom line analysis. As part of this analysis, consideration should also be given to the impact of amalgamation on the local community (e.g. staff have children in schools, generate business for local services).

## **26. Convert small (in population) councils (generally less than 5,000) to Local Boards**

LGNSW does not support mandating that councils with a population of 5,000 or less (or any other arbitrary figure) should be reduced to Local Boards without reference to area and productivity considerations. Any such move should be determined locally.

## **27. Promote a series of voluntary amalgamations in the Lower Hunter and Central Coast regions, including Newcastle-Lake Macquarie and Gosford-Wyong**

As noted above, LGNSW and its predecessors have consistently supported voluntary amalgamations. But these should be determined democratically by councils and the communities they represent.

LGNSW maintains that the NSW Government needs to provide substantial financial incentives to encourage voluntary amalgamation and to fund facilitators to assist in the process. We challenge the Panel to offer a more extensive and/or creative set of potential incentives than those offered in the paper to date.

## **28. Seek to reduce the number of councils in the Sydney basin to around 15**

LGNSW is strongly opposed to the mandating of a reduced number of councils for Sydney. This is a politically untenable position for our member councils in the Sydney metropolitan area.

The Forum agreed with LGNSW position, adding that any amalgamations should be voluntary, are to be based on quadruple bottom line analysis, and the local community is to make the final decision.

## **29. Create major new cities of Sydney, Parramatta and Liverpool, each with populations of 600-800,000**

LGNSW is strongly opposed to the mandating the creation of three major new centres.

**30. Introduce a package of incentives for voluntary mergers that offers a higher level of support to ‘early movers’.**

As previously noted LGNSW supports voluntary amalgamations and strongly believes that the NSW Government should provide positive incentives to any councils willing to merge or change boundaries (not just early movers), so as to encourage them.

**31. Establish a Western Region Authority to provide a new governance and service delivery system for the far west of NSW, based on a partnership between local, state and federal governments and Aboriginal communities**

LGNSW would like take this opportunity to draw to the Panel’s attention the outcome of Consultation on *Strengthening NSW Remote Communities* by the Western Division Councils of NSW.

Those present at the meeting of 17 July 2013 of the Western Division Councils of NSW reached consensus on the following:

- The Division rejects the Panel’s option of an overarching NSW Western Region Authority;
- The Division supports the Panel’s work that demonstrates the need for integration of service delivery across the three spheres of government in western NSW;
- The Division will explore the clustering of councils into three or more sub-groups based on geographic communities of interest;
- The sub-groups will likely form regional alliances or some other regional entities to focus on i) place-based approaches to integrating service delivery across the three spheres of government and eliminating parallel structures and wasteful duplication and/or ii) regional resource sharing;
- The regional alliances/regional entities may take different forms or models in different sub-groups;
- The Division believes councils must retain autonomy to set their own rates and budgets;
- The sub-groups will develop their preferred models individually prior to reporting back to the Division;
- The Division notes that in parallel there needs to be concerted action by the NSW and/or Australian Governments as appropriate to end rate pegging, enhance to Financial Assistance Grants for rural areas, increase subsidised infrastructure loans and pursue integrated Government Service Delivery; and
- The Division will continue as an overarching regional advocacy group.

**Implementation**

**32. Appoint a Local Government Development Board for a maximum period of 4 years with a brief to drive and support a concerted program of reform**

LGNSW supports the proposal in principle but believes there needs to be further consideration of structure and scope.

**33. Build on the new State-Local Government agreement to secure increased collaboration and joint planning between councils and State agencies**

LGNSW strongly supports this proposal.

This will require significant cultural change by all parties and an end to the patronising attitude that continues to prevail in many State Government agencies.

### **34. Strengthen recognition of elected local government in the NSW Constitution**

LGNSW strongly supports recognition of Local Government in s96 of the Australian Constitution and strengthening its recognition in the NSW Constitution.

The latter should include provision of democratic Local Government and recognition that it is a distinct sphere of government, not merely an agency of the State Government.

### **35. Focus Local Government NSW (the new single association of councils) and the Division of Local Government on sector improvement.**

LGNSW strongly supports this proposal in principle. The merger of the Local Government Association of NSW and the Shires Association of NSW was driven by the need to build a stronger leadership and a unified voice for Local Government in NSW.

Following the merger LGNSW has instigated a membership survey and a structural review. These are collectively aimed at improving the focus and performance of LGNSW. But at this stage it is inappropriate to pre-empt our members' needs and demands and the Board's strategic response to these needs and demands.