

September 2014



Fit for the Future

NSW Government Response

Independent Local
Government Review
Panel recommendations

Local Government Acts
Taskforce
recommendations

Recommendations for local government reform

Three years ago, local councils from throughout NSW gathered for the Destination 2036 summit, to plan how local government could meet the challenges of the future.

Councils all agreed that change was needed, but there were various views as to how this could best be achieved.

Following Destination 2036, the (then) Local Government and Shires Associations asked the Minister to appoint an Independent Local Government Review Panel to develop options to improve the strength and effectiveness of local government in NSW. The Local Government Acts Taskforce was also appointed to review the *Local Government Act 1993* and the *City of Sydney Act 1988*.

The Independent Panel

The Independent Local Government Review Panel, led by Professor Graham Sansom, conducted three rounds of public consultation and commissioned independent research to help develop its thinking.

The Panel considered options for governance models, structures and boundary change, as well as the wider questions of sustainability of the sector. It used the feedback it received from

councils and community members to help refine its final recommendations.

The NSW Government has considered the 65 recommendations presented by the Panel and developed its response, based on support for the majority of recommendations. The response to each recommendation is detailed in the table on the following pages.

The Taskforce

The Taskforce looked at options to develop a new, modern Local Government Act that would meet the future needs of the local government sector and the community. It conducted several rounds of consultation to discuss options for streamlining the legislation and cutting red tape. The feedback received from councils, business and community members helped to inform the Taskforce's final recommendations.

The NSW Government response includes general support for the Taskforce recommendations and is detailed on the final page 20.



Pictured are members of the Local Government Acts Taskforce and the Independent Local Government Review Panel:

From left: Ian Tiley, Taskforce Chair John Turner, Panel Chair, Graham Sansom, Gabrielle Kibble, Glenn Inglis, Stephen Blackadder and Jude Munro.

Government response to the Independent Local Government Review Panel recommendations

Area	Recommendation	Position	Government response
Fiscal responsibility	<p>1. Establish an integrated Fiscal Responsibility Program, coordinated by DLG and also involving TCorp, IPART and LGNSW to address the key findings and recommendations of TCorp’s financial sustainability review and DLG’s infrastructure audit (5.1 and 5.3)</p>	Supported	<p>The Office for Local Government (OLG) has been consulting councils and key stakeholders to develop a Financial Sustainability Program that supports all councils to become financially sustainable. The program will include guidance, targeted capacity building and direct intervention in high-risk councils. The approach to implementation, including the involvement of key stakeholders, will be determined by the OLG through the program design and be subject to available funding. This program will commence once council ‘fit for the future’ proposals have been considered.</p>
	<p>2. As part of the program:</p> <ul style="list-style-type: none"> • Adopt an agreed set of sustainability benchmarks (5.1) • Introduce more rigorous guidelines for Delivery Programs as proposed in Box 9 (5.2) • Commission TCorp to undertake regular follow-up sustainability assessments (5.3) • Provide additional training programs for councillors and staff (5.3) • Require all councils to employ an appropriately qualified Chief Financial Officer (5.3) 	Supported	<p><u>Sustainability benchmarks</u> Supported - The OLG has, in consultation with the sector, commenced work on developing a performance measurement framework, including financial sustainability indicators. Once these indicators are defined and piloted, work will commence to identify appropriate benchmarks and council comparison groupings.</p> <p><u>Delivery Program guidelines</u> Supported - the Delivery Program guidelines will be amended to embed the principle of fiscal responsibility and improve financial and asset planning ahead of the next Integrated Planning and Reporting (IP&R) cycle (2016), and be reflected in the new Local Government Act.</p> <p><u>TCorp sustainability assessments</u> Supported – Council financial sustainability will be assessed as part of the Fit for the Future proposal (see rec 33), with support from TCorp in the assessment process.</p> <p><u>Additional training</u> Supported - This will form an important part of the Financial Sustainability Program, focused on high risk councils.</p> <p><u>CFO requirement</u> Supported in principle – The Government recognises the importance of strategic financial management in ensuring financially sustainable councils, expects councils to have access to this expertise and encourages those councils with limited</p>

Area	Recommendation	Position	Government response
			resources to explore opportunities to share expertise to ensure they have access to the necessary skills. It does not intend to make the employment of a qualified CFO a mandatory requirement in order to provide local flexibility, however will use other available tools, such as the Fit for the Future process to ensure councils address financial sustainability.
	3. Place local government audits under the aegis of the Auditor General (5.4)	Supported	<p>The Government recognises the importance of a robust external audit process in improving financial management, fiscal responsibility and public accountability for how councils use taxpayer funds. It is concerned at the general quality of external audit, in particular timeliness and consistency. In particular it is concerned at the impact this has on the State and Local Government having a reliable picture of council financial sustainability, effective council decision making and the ability for the community to hold councils to account.</p> <p>The Government recognises the potential value in giving the Auditor General oversight of council financial audit to improve quality, consistency and timeliness and financial management more generally. The Government recognises however that this improvement will increase the cost of audit for councils. The OLG will therefore discuss the timing, cost and approach to implementation with the Auditor General and the sector, in accordance with the Intergovernmental Agreement, with a view to implementing the new regime following legislative change from mid-2016.</p>
	4. Ensure that the provisions of the State-Local Government Agreement are used effectively to address cost-shifting (5.5)	Supported	The Government will continue to use the formal engagement mechanisms specified in the Intergovernmental Agreement and specific consultation as appropriate.
Strengthening revenues	5. Require councils to prepare and publish more rigorous Revenue Policies (6.1)	Supported in principle	The OLG will consider what is required to improve council revenue policies in reviewing the IP&R guidelines.
	6. Commission IPART to undertake a further review of the rating system focused on: <ul style="list-style-type: none"> • Options to reduce or remove excessive exemptions and concessions that are contrary to sound fiscal policy and jeopardise councils' long term sustainability 	Supported	The Government notes the issues raised by the Panel in relation to the equity of the current rating system. It remains committed however to protecting ratepayers from unfair rate rises and to providing rate concessions for pensioners. The Government will commission IPART to conduct a rating review to reflect these issues.

Area	Recommendation	Position	Government response
	<p>(6.2)</p> <ul style="list-style-type: none"> • More equitable rating of apartments and other multi-unit dwellings, including giving councils the option of rating residential properties on Capital Improved Values, with a view to raising additional revenues where affordable (6.3) 		
	<p>7. Either replace rate-pegging with a new system of 'rate benchmarking' or streamline current arrangements to remove unwarranted complexity, costs, and constraints to sound financial management (6.5)</p>	<p>Supported</p>	<p>The Government is committed to a rating system that protects local ratepayers from unfair rate rises. It recognises however the improvements in council strategic planning under IP&R and therefore supports removing unwarranted complexity, costs and constraints from the rate-peg system, where there is evidence that the council has taken steps to reduce unnecessary costs before seeking to impose an increased burden on ratepayers. The OLG will work with IPART to amend the guidelines to develop a streamlined and more proportionate process for 'fit for the future' councils wanting to increase rates above the rate peg, and to offset revenue loss through Financial Assistance Grants (FAGs) redistribution.</p>
	<p>8. Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs (6.6)</p>	<p>Supported in principle</p>	<p>The Government supports targeting Financial Assistance Grants to communities with the greatest need. It will ask the NSW Grants Commission (GC) to continue to identify opportunities to achieve this over time, within the constraints imposed by the national funding principles. It will also ask the GC to ensure transitional protection for those councils with lower levels of need, to minimise the impact of any redistribution.</p>
	<p>9. Establish a State- borrowing facility to encourage local government to make increased use of debt where appropriate by:</p> <ul style="list-style-type: none"> • Reducing the level of interest rates paid by councils • Providing low-cost financial and treasury management advisory services (6.7) 	<p>Supported</p>	<p>The Government encourages councils to make increased use of debt to invest in critical infrastructure, improve financial sustainability and ensure intergenerational equity in providing services to the community. To support and encourage this, the Government will establish a State borrowing facility, managed by Treasury Corporation. This will provide 'fit for the future' councils, with a demonstrated capacity to borrow prudently, with access to low cost loans, saving councils up to \$600 million over ten years.</p>

Area	Recommendation	Position	Government response
	10. Encourage councils to make increased use of fees and charges and remove restrictions on fees for statutory approvals and inspections, subject to monitoring and benchmarking by IPART (6.8)	Partially Supported	<p>The Government encourages councils, in consultation with their community, to make appropriate use of fees and charges, in particular to ensure cost recovery, to enhance financial sustainability.</p> <p>The Government remains committed however to consistency and affordability in council fees, to minimise red tape, protect service users and avoid significant local variation. It does not therefore support removing restrictions on fees.</p>
Meeting infrastructure needs	11. Factor the need to address infrastructure backlogs into any future rate-pegging or local government cost index (7.1)	Supported	<p>The Government has invested heavily, through the Local Infrastructure Renewal Scheme and Infrastructure Audit, in helping councils to tackle the infrastructure backlog. This remains a top priority. The Government will develop a streamlined and more proportionate process for 'fit for the future' councils wanting to increase rates above the rate peg, allowing for example rate rises to fund infrastructure renewal.</p>
	12. Maintain the Local Infrastructure Renewal Scheme (LIRS) for at least 5 years, with a focus on councils facing the most severe infrastructure problems (7.2)	Supported in principle	<p>LIRS has been successful in encouraging greater use of debt to fund infrastructure renewal. The Government remains committed to encouraging and supporting councils to borrow to invest in infrastructure. The current LIRS scheme will fund projects approved in the first three rounds until 2025. To provide a longer term solution, the Government will establish a local government borrowing facility through TCorp that will provide a more cost effective way for 'fit for the future' councils to access this support on an ongoing basis, giving those councils greater certainty and flexibility.</p> <p>The Government is providing significant funding to 'fit for the future' councils to support the merger and provide the infrastructure that communities need.</p>
	<p>13. Pool a proportion of funds from the roads component of federal Financial Assistance Grants and, if possible, the Roads to Recovery program in order to establish a Strategic Projects Fund for roads and bridges that would:</p> <ul style="list-style-type: none"> • Provide supplementary support for councils facing severe infrastructure backlogs that cannot reasonably be funded from other available sources 	Supported in principle	<p>The Government recognises the challenge particular councils face in tackling the infrastructure backlog.</p> <p>The Government also recognises the need to invest in strategically significant road projects that can cut across council boundaries. The proposed establishment of Joint Organisations (JOs) will assist in improving regional infrastructure planning and provide a mechanism to fund regional projects in the future.</p> <p>For new government funding initiatives, the Government will prioritise the delivery of these initiatives through those councils that have reformed and become 'fit for</p>

Area	Recommendation	Position	Government response
	<ul style="list-style-type: none"> • Fund regional projects of particular economic, social or environmental value (7.2) 		the future’.
	14.Require councils applying for supplementary support from the Strategic Projects Fund to undergo independent assessments of their asset and financial management performance (7.2)	Supported in principle	Councils’ financial sustainability and management of infrastructure will be assessed to determine if they are ‘fit for the future’. Fit for the future councils will have priority access to State funding and grants.
	15.Carefully examine any changes to development (infrastructure) contributions to ensure there are no unwarranted impacts on council finances and ratepayers (7.3)	Supported	The Government has consulted extensively on the proposed changes to the planning system and associated development contributions, to enable consideration of the impacts on councils. This will continue to be considered as part of the future planning reforms.
	16.Adopt a similar model to Queensland’s Regional Roads and Transport Groups in order to improve strategic network planning and foster ongoing improvement of asset management expertise in councils (7.4)	Supported in principle	Improving strategic network planning and fostering ongoing improvement of asset management through sharing expertise will be a priority for the proposed Joint Organisations. As JOs develop, further consideration will be given to the lessons from the Queensland model in developing a regional approach.
	17.Establish regional water utility alliances as part of new regional Joint Organisations proposed in section 11 (7.5).	Supported in principle	The Government acknowledges the potential benefit from improving strategic planning and sharing expertise through regional collaboration. This recommendation will be considered further as JOs develop.
Improvement, Productivity and Accountability	18.Adopt a uniform core set of performance indicators for councils, linked to IPR requirements, and ensure ongoing performance monitoring is adequately resourced (8.1)	Supported	The Government believes that gathering information about council performance is important to assist councils in driving their own improvement and to enable the community to hold councils to account. It is working with councils to develop a core set of performance indicators to pilot and implement. This will include the Fit for the Future criteria. The Government will continue to monitor council performance and intervene in cases of extreme dysfunction.
	19.Commission IPART to undertake a whole-of-government review of the regulatory, compliance and reporting burden on councils (8.2)	Supported	The Government supports identifying opportunities to streamline the regulatory, compliance and reporting requirements on councils to improve outcomes for communities. The Government will commission IPART to conduct this review.

Area	Recommendation	Position	Government response
	20. Establish a new sector-wide program to promote, capture and disseminate innovation and best practice (8.3)	Supported in principle	<p>The Government believes that improvement and innovation is best driven by the local government sector itself and encourages the relevant representative bodies to develop capacity in this area. The OLG will continue to support councils to improve, focussing its efforts on developing a performance measurement framework and a Financial Sustainability Program.</p> <p>In addition, the Government will establish a \$4m grant program to assist small rural councils with populations below 10,000 that are ‘fit for the future’ to improve service delivery and governance through better use of technology and innovative approaches.</p>
	21. Amend IPR Guidelines to require councils to incorporate regular service reviews in their Delivery Programs (8.4)	Supported	<p>The Government strongly encourages councils to have a continuous focus on service quality and efficiency, to ensure the needs of communities are met and ratepayers get value for money. The Government recognises that many councils are already doing this. To reinforce and develop this culture further, the OLG will develop revised IP&R guidelines to encourage a stronger focus on service efficiency and quality. The Government acknowledges the suggested ‘Best Value’ methodology suggested by the Panel but will develop, in consultation with the sector, principles suitable for NSW consistent with the principles of IP&R and within the NSW industrial relations system.</p>
	22. Strengthen requirements for internal and performance auditing as proposed in Box 17 (8.5)	Supported	<p>The Government recognises that internal audit is an effective mechanism for driving accountability and improvement. Given this, and the existence of guidelines encouraging councils to put in place effective internal audit processes, it is concerned that only about half of councils have done so. The Government supports the Panel’s recommendations on internal audit and plans to incorporate these provisions in the proposed new Local Government Act. Despite the potential efficiency gains internal audit can generate, the Government recognises that establishing an independent audit committee will impose a cost on councils. To minimise this burden and provide councils with maximum flexibility, it is proposed to allow all councils the ability to share an audit committee, rather than mandating a stand-alone committee.</p> <p>The Government recognises the value of the Auditor General undertaking performance audits of the sector, to identify trends and opportunities for</p>

Area	Recommendation	Position	Government response
			improvement. The OLG will therefore discuss the timing, cost, approach to implementation and interface with the proposed performance measurement framework with the Auditor General and the sector.
	23.Introduce legislative provisions for councils to hold Annual General Meetings (8.6)	Supported in principle	Strong accountability to the public is crucial in ensuring trust in democratic leadership and driving improvement in public services. The Government believes councils should use a range of mechanisms to ensure greater public accountability. In addition to the annual reporting that councils already do under the IP&R framework, the new performance measurement framework will further strengthen public accountability. Given this, the Government does not believe it is necessary to require councils to hold an Annual General Meeting. It does however encourage councils to consider this, and any other mechanism, that strengthens accountability to the local community.
	24.Develop a NSW Local Government Workforce Strategy (8.7)	Supported	Addressing skills shortages, such as financial management in rural communities and engineers to deliver critical infrastructure, is essential to the future success of local communities. So too is attracting and retaining high quality council staff. The Government strongly encourages the local government sector, led by the representative bodies, to prepare a NSW Local Government Workforce Strategy and more importantly to turn this plan into action to tackle these challenges.
	25.Explore opportunities for the Local Government Award to continue to evolve to address future challenges facing the sector and changing operational needs.	Supported	The Government encourages LGNSW and the unions, with the input of those from within the sector with the practical experience of managing and working within the award, to continue to negotiate an Award that provides opportunity for increased efficiency, productivity and flexibility.
Political Leadership and Good Governance	26.Amend the Local Government Act to strengthen political leadership: <ul style="list-style-type: none"> • Require councils to undertake regular ‘representation reviews’ covering matters such as the number of councillors, method of election and use of wards (9.1) • Before their nomination is accepted, require all potential candidates for election to local government to 	Supported in principle	Stronger political leadership and effective representation are essential to strengthen local communities. In developing a new Local Government Act, the Government will consider how to embed these principles and achieve these outcomes. <p>In time for the next local government elections in 2016, the Government will:</p> <ul style="list-style-type: none"> • Amend the legislated role of councillors and mayors to provide greater clarity generally in accordance with the Panel’s recommendations • Introduce minimum two year terms and compulsory voting in mayoral elections for mayors elected by councillors, to facilitate leadership stability

Area	Recommendation	Position	Government response
	<p>attend an information session covering the roles and responsibilities of councillors and mayors (9.1)</p> <ul style="list-style-type: none"> • Amend the legislated role of councillors and mayors as proposed in Boxes 19 and 21, and introduce mandatory professional development programs (9.2 and 9.3) • Provide for full-time mayors, and in some cases deputy mayors, in larger councils and major regional centres (9.3) • Amend the provisions for election of mayors as proposed in Box 22 (9.3) 		<p>In addition, the Government will give further consideration to:</p> <ul style="list-style-type: none"> • Requiring representation reviews to ensure that communities are adequately represented, subject to consideration of the potential practical implications and cost • Greater powers for the community to decide if they wish to have a directly elected mayor • Ensuring councils comprise an odd number of councillors(including the mayor) to support decision making • Ensuring new mayors and first time councillors undergo induction training. The Government believes in addition to this that councils should encourage all councillors, mayors and candidates to undergo training to ensure they have the necessary information and skills to decide to stand for council and perform their role effectively. <p>The Government recognises the important role of the Mayor in providing leadership to the council and the community. It recognises that the role of Mayor will inevitably vary given the size of the council and the nature of the community, and believes it is for the council to determine the appropriate time required to fulfil this important strategic role.</p>
	<p>27.Increase remuneration for councillors and mayors who successfully complete recognised professional development programs (9.2-9.4)</p>	<p>Not supported</p>	<p>The Government recognises the dedication of councillors across NSW to their local council and their community and supports councillors receiving a fair level of remuneration, which reflects the nature of the role and the communities' expectations of prudent use of ratepayer funds.</p> <p>The Government believes an independent process, currently undertaken by the Independent Remuneration Tribunal, provides a fair means of setting councillor remuneration, with the current criteria taking into account, among other things, the size and the significance of the council.</p> <p>The Minister for Local Government will ask the Tribunal to give further consideration to the criteria to better reflect the objectives of local government reform with a focus on those councils that have made the necessary changes to become 'fit for the future'.</p>

Area	Recommendation	Position	Government response
			<p>The Government also believes that professional development, particularly for new councillors but importantly for all councillors, is essential for being an effective councillor rather than a justification for increasing councillor remuneration and expects all councils to have in place a professional development program for councillors.</p>
	<p>28. Amend the legislated role and standard contract provisions of General Managers as proposed in Boxes 23 and 24 (9.5)</p>	<p>Partially supported</p>	<p>The Government recognises the important role that General Managers (GMs) play in ensuring the effective operation of the council and supports providing greater clarity of this role to improve decision making and relationships. It is proposed that this be clarified in the new Local Government Act and for those councils that have become 'fit for the future', the title of the position be 'Chief Executive Officer' as opposed to 'General Manager'.</p> <p>Given the importance of the relationship between the Mayor and the GM, the OLG will amend the standard contract for GMs to:</p> <ul style="list-style-type: none"> • require the Mayor to lead the appointment and performance reviews of the GM • limit the ability of a council to bind a future council to a particular GM, by preventing councils from renewing a GM contract within 6 months of an election.
	<p>29. Amend the provisions for organisation reviews as proposed in section 9.6</p>	<p>Supported</p>	<p>The Government recognises that the current provisions are an ongoing source of confusion and conflict and will address this in the new Act, with changes generally in accordance with the Panel's recommendations.</p>
	<p>30. Develop a Good Governance Guide as a basis for 'performance improvement orders' and to provide additional guidance on building effective working relationships between the governing body, councillors, mayors and General Managers (9.7)</p>	<p>Supported</p>	<p>The OLG will work with LGNSW and LGMA (now Local Government Professionals Australia NSW) to produce a Good Governance Guide to support effective working relationships. The Government encourages both LGNSW and LGMA to take a strong role in supporting councils to improve governance.</p>
<p>Structural Reform</p>	<p>31. Introduce additional options for local government structures, including regional Joint Organisations, Rural Councils and Community Boards, to facilitate a better response to the needs</p>	<p>Supported</p>	<p>The Government recognises the significant potential to strengthen regional planning and service delivery through a new approach to regional cooperation and is committed to making this happen. To support the development of this model, the Government will invite applications from approximately four regions to become 'Pathfinders', working with the State to develop this new approach before</p>

Area	Recommendation	Position	Government response
	and circumstances of different regions (10.1)		<p>making any necessary legislative change and implementing it. To assist councils the State Government will provide funding of \$5.3 million to support the creation of 15 Joint Organisations outside of Greater Sydney and the Central Coast.</p> <p>The Government recognises the unique pressures facing rural councils and the calls from the sector for a model of local government where one size does not fit all. It supports therefore the principle of creating different local government structures to provide greater flexibility for councils to continue to represent and serve diverse local communities.</p> <p>The Government expects councils to consider the recommendations of the Panel for the creation of Joint Organisations, Rural Councils and Community Boards in submitting a proposal to demonstrate how they will become 'fit for the future'.</p>
	32.Legislate a revised process for considering potential amalgamations and boundary changes through a re-constituted and more independent Boundaries Commission (10.3)	Not supported	<p>The Government is committed to ensuring transparency and public confidence in any boundary review process. The Government will consider the suggestions made by the Panel in preparing a new Local Government Act, to identify opportunities to streamline the process whilst ensuring robust and transparent decision making. In the meantime, the Government will make it easier for councils wishing to merge voluntarily (see recommendation 33).</p>
	33.Encourage voluntary mergers of councils through measures to lower barriers and provide professional and financial support (10.4)	Supported	<p>The Government expects all councils to reform to meet the needs of their community – to become financially sustainable, efficient, effectively manage infrastructure and deliver services and have the scale, resources and 'strategic capacity' to govern effectively. It calls on all councils to submit a proposal by 30 June 2015, outlining how they will achieve this.</p> <p>The Government encourages Fit for the Future proposals broadly in line with the structural changes proposed by the Independent Panel. To support councils to voluntarily merge, the Government is providing up to \$22.5 million for new councils in Greater Sydney, the Central Coast and the Newcastle/Lake Macquarie and up to \$13.5 million for new councils in regional areas.</p> <p>In addition, the Government will seek to amend the Local Government Act to provide an opportunity for councils choosing to merge voluntarily to undergo a streamlined application process. This would enable an application to be made</p>

Area	Recommendation	Position	Government response
			<p>direct to the Minister for Local Government to seek the Governor’s approval of the voluntary merger, where all the councils involved support the proposal and can demonstrate adequate community consultation and consideration of the issues.</p> <p>Merging councils will have the opportunity to guide the merger process through the creation of a Local Transition Committees, comprising the Mayor and one other councillor of the merging councils, plus general managers, to allow local leadership of the merger process.</p> <p>Councils deemed ‘fit for the future’ will have access to a range of benefits reflecting their greater capacity, including special rate variation flexibility, access to borrowing through a State Finance Authority, priority access to State funding and other grants and a greater role in planning decisions.</p>
	34. Provide and promote a range of options to maintain local identity and representation in local government areas with large populations and/or diverse localities (10.5)	Supported in principle	See comment for recommendation 31
Regional Organisations	<p>35. Establish new Joint Organisations for each of the regions shown on Map 2 by means of individual proclamations negotiated under new provisions of the Local Government Act that replace those for County Councils (11.5)</p> <ul style="list-style-type: none"> • Defer establishment of JOs in the Sydney metropolitan region, except for sub-regional strategic planning, pending further consideration of options for council mergers (11.5) • Re-constitute existing County Councils as subsidiaries of new regional Joint Organisations, as indicated in Table 5 (11.2) 	Supported in principle	<p>As described in the response to recommendation 31, the Government supports the creation of Joint Organisations. It will provide funding of \$5.3 million to support the creation of Joint Organisations outside of Greater Sydney and the Central Coast.</p> <p>It will work with up to four regions to develop and test the models, to improve regional strategic planning and service delivery. In designing and testing the model, the Government will:</p> <ul style="list-style-type: none"> • Align the regional boundaries for council collaboration with the State planning boundaries to maximise the opportunity for effective strategic planning and reduce the costs of working across different boundaries, while exploring options to provide flexibility for councils to collaborate and share services across different boundaries • Examine ways to ensure State agencies collaborate with councils in strategic planning • Consider the relationship between existing county councils, water utilities and

Area	Recommendation	Position	Government response
	<ul style="list-style-type: none"> Establish Regional Water Alliances in each JO along the lines proposed in the 2009 Armstrong-Gellatly report (11.3) Set the core functions of Joint Organisations by means of Ministerial Guidelines (11.6) Seek federal government agreement to make JOs eligible for general-purpose FAGs (11.6) 		<p>JOs, with the aim of maximising the benefits of the new collaborative model while minimising the disruption to existing collaborative arrangements</p> <ul style="list-style-type: none"> Work with the Pathfinder regions to identify appropriate core functions and the necessary legislative model to enable these functions to be carried out Defer consideration of the proposal to seek federal government agreement to make JOs eligible for general-purpose FAGs until after the evaluation of the Pathfinders and consideration of the outcomes of the Commonwealth review of FAGs.
	<p>36. Identify one or more regional centres within each Joint Organisation and:</p> <ul style="list-style-type: none"> Create a network of those centres to drive development across regional NSW (11.7) Consider potential mergers of councils to consolidate regional centres, as indicated in Table 6 (11.7) 	Supported in principle	<p>The Government recognises the potential value of a strong regional centre to provide skills and capacity to the JOs and to drive growth in regional NSW through collaboration with other regional centres and the State. Subject to the outcome of the Pathfinder process, and following the establishment of JOs across the State, the Government will explore the establishment of a network of regional centres.</p> <p>As outlined in the response to recommendation 33, the Government will support voluntary mergers, including those driven by a desire to consolidate regional centres.</p>
	<p>37. Develop close working partnerships between Joint Organisations and State agencies for strategic planning, infrastructure development and regional service delivery (11.8), and</p> <ul style="list-style-type: none"> Add representatives of Joint Organisations to State agency Regional Leadership Groups (11.8) Give particular attention to cross-border issues and relationships in the operations of Joint Organisations and in future regional strategies (11.9) 	Supported in principle	<p>Close working relationships between JOs and State agencies will be crucial to the success of this model of collaboration. The testing of the JO model will explore ways to ensure this, including a new approach to Regional Action Planning, possible amendments to the IP&R guidelines and through the involvement of JO representatives in the relevant regional service delivery coordination body and Regional Planning Board.</p>
'Rural Councils'	38. Establish a working party as part of the	Supported in	As outlined in recommendation 31, the Government recognises the unique

Area	Recommendation	Position	Government response
and Community Boards	Ministerial Advisory Group proposed in section 18.1 to further develop the concept of 'Rural Councils' for inclusion in the re-written Local Government Act (12.1)	principle	pressures facing rural councils and the calls from the sector for a model of local government where one size does not fit all. The OLG will therefore work with rural councils to further develop the concept of a rural council for possible inclusion in the re-written Local Government Act as an option available to rural councils. This option will be available in sufficient time for councils to consider as part of their 'fit for the future' proposal.
	39. Also include provisions for optional Community Boards in the re-written Local Government Act, based on the New Zealand model, but also enabling the setting of a supplementary 'community rate' with the approval of the 'parent' council (12.2)	Supported in principle	The Government supports the principle of not having a one size fits all approach to service delivery and local representation, and is therefore willing to work with councils, to further develop the concept of community boards for possible inclusion in the new Act. In particular, the Government encourages councils considering voluntary mergers to consider whether this option might be useful in maintaining local representation.
Recommendations for Metropolitan Sydney	40. Strengthen arrangements within State government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government (13.1)	Supported	The Government recognises the importance of Sydney remaining a global city and the need for more effective strategic planning and collaboration between State Government and councils to drive economic growth and ensure delivery of the NSW State Plan. The Government is providing support to councils to voluntarily merge to facilitate more effective collaboration and strategic planning and will consider ways of working more proactively with 'fit for the future' councils in the metropolitan area. 'Fit for the future' councils will also have the option of playing a stronger role in planning decisions.
	41. Seek evidence-based responses from councils to the Panel's proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission (13.3)	Supported in principle	As per the response to recommendation 33, the Government expects all councils to become 'fit for the future' and encourages proposals for structural change broadly consistent with the recommendations of the Panel.
	42. Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and <ul style="list-style-type: none"> • Retain a separate City of Sydney Act 	Partially supported	The Government recognises the unique role of the City of Sydney in ensuring Sydney remains a global city and therefore supports retaining a separate City of Sydney Act. Similarly, harnessing the potential of Parramatta as Sydney's second CBD is

Area	Recommendation	Position	Government response
	<p>to recognise its Capital City role</p> <ul style="list-style-type: none"> Establish State-local City Partnership Committees for Sydney and Parramatta along the lines of Adelaide’s Capital City Committee (13.4) 		<p>essential to economic growth in Sydney, and in western Sydney in particular. In submitting a ‘fit for the future’ proposal, councils will need to demonstrate it has the scale and capacity consistent with the recommendations of the Independent Panel.</p>
	<p>43.Pending any future action on mergers, establish Joint organisations of councils for the purposes of strategic sub-regional planning (13.5)</p>	<p>Not supported</p>	<p>The Government acknowledges the Panel’s recommendations for voluntary amalgamation in Sydney, and will therefore support voluntary mergers, as outlined in response to recommendation 33.</p>
	<p>44.Maximise utilisation of the available local government revenue base in order to free-up State resources for support to councils in less advantaged areas (13.6)</p>	<p>Not supported</p>	<p>The Government encourages councils to work in partnership with the State to deliver better outcomes for communities and welcomes financial contributions from councils to support shared priorities. The Government acknowledges the Panel’s view that this approach would work best with the proposals for voluntary mergers. The Government will therefore defer consideration of this recommendation, while councils consider options to voluntarily merge.</p>
	<p>45.Continue to monitor the sustainability and appropriateness in their current form of the Hawkesbury, Blue Mountains and Wollondilly local government areas (13.7)</p>	<p>Supported</p>	<p>The Financial Sustainability Program and performance measurement framework will provide an important means of understanding council performance to drive improvement and ensure these councils identify options to ensure a sustainable future.</p>
	<p>46.Promote the establishment of a Metropolitan Council of Mayors (13.8)</p>	<p>Supported in principle</p>	<p>The Government is committed to stronger partnership working and building closer relationships with the political leadership of Sydney councils, to improve strategic planning and better meet the needs of Sydney communities and business. The Government encourages the sector to identify a way for the councils of Sydney to meaningfully engage with the State as a collective. In particular the Government will consider ways to more effectively collaborate with ‘fit for the future’ metropolitan councils.</p>
<p>Hunter, Central Coast and Illawarra</p>	<p>47.Refer possible mergers of Dungog-Maitland, Newcastle-Lake Macquarie and Gosford-Wyong to the Boundaries Commission for further investigation in</p>	<p>Not supported</p>	<p>See comments in relation to recommendation 33</p>

Area	Recommendation	Position	Government response
	accordance with the new process proposed in section 10.3 (14.1 and 14.2)		
	48.Defer negotiations for the establishment of a Central Coast Joint Organisation pending investigation of a possible merger of Gosford and Wyong councils (14.2)	Supported in principle	The Government expects the proposals from Gosford and Wyong councils to demonstrate how they propose to become fit for the future, as per the definition. It is expected that this includes consideration of the recommendation for merger.
	49.Pursue the establishment of Joint Organisations for the Hunter and Illawarra in accordance with Recommendation 35 (14.1 and 14.3)	Supported	See comments in relation to recommendation 31 and 33
Non-Metropolitan Regions	50.Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16 (15.1)	Supported	The Government recognises the significant challenges faced by these councils and is committed to working collaboratively to explore options to ensure these communities face a sustainable future. Councils in this region will not be expected to submit a 'fit for the future' proposal, pending further work to develop a new model for this region.
	51.Refer councils in Groups B-F to the Boundaries Commission in accordance with Table 11 and the proposed timeline (15.1)	Not supported	See comments in relation to recommendation 33
	52.Complete updated sustainability assessments and revised long term asset and financial plans for the 38 councils identified in Table 11 by no later than mid-2015 (15.2)	Supported	'Fit for the future' proposals from these councils will be expected to address the issue of financial sustainability, and will be assessed on this basis.
The Far West	53.Agree in principle to the establishment of a Far West Regional Authority with the functions proposed in Box 39 and membership as proposed in Figure 8 (16.3)	Supported	The Government supports the principle of a new governance model in Far Western NSW to ensure the needs of these remote communities can be met into the future. To further develop the model and approach to implementation, it is proposed to conduct a forum with councillors and council staff from the region as a next step in developing a new model.
	54.Adopt the preferred new arrangements for local government set out in Box 40 as a basis for further consultation (16.4)	Supported in principle	See comment in relation to recommendation 53.

Area	Recommendation	Position	Government response
	55. Establish a project team and reference group of key stakeholders within the DPC Regional Coordination Program to finalise proposals (16.5)	Supported	The Government recognises the challenge of developing and implementing a new model for the Far West and the need therefore to involve key stakeholders. The Government will establish a project team and reference group to progress this work, following further consideration of the scope.
State-Local Government Relations	56. Use the State-Local Agreement as the basis and framework for a range of actions to build a lasting partnership, and negotiate supplementary agreements as appropriate (17.1)	Supported	The Government remains committed to the IGA and will identify opportunities to negotiate supplementary agreements as required.
	57. Introduce new arrangements for collaborative, whole-of-government strategic planning at a regional level (17.2)	Supported	The Government will give consideration to the opportunities identified by the Panel to establish effective strategic partnerships in designing the JO model.
	58. Amend the State Constitution to strengthen recognition of elected local government (17.3)	Supported in principle	The Government recognises the importance of democratic local government. It will therefore seek to embed this principle in the new Local Government Act and will consider strengthening recognition of local government through an amendment to the State Constitution.
	59. Seek advice from LGNSW on the measures it proposes to take to meet its obligations under the State-Local Agreement (17.4)	Supported	The Government strongly encourages LGNSW to continue to work as a driver of change and improvement, consistent with the commitment made in the IGA, and invites LGNSW to present its proposals at the IGA meeting with the Premier and Minister for Local Government in 2014.
	60. Strengthen the focus of DLG on sector development and seek to reduce its workload in regulation and compliance (17.6)	Supported	The OLG will strengthen its focus on sector development through establishing a Financial Sustainability Program and performance measurement framework. In addition it will establish a one-stop shop to assess 'fit for the future' proposals and support structural change
Driving and Monitoring Reform	61. Establish a Ministerial Advisory Group and Project Management Office (18.1 and 18.2)	Supported in principle	The Government strongly supports continuing the collaborative approach to reform, which began with Destination 2036 (D2036). To achieve this it is proposed to: <ul style="list-style-type: none"> • establish a Ministerial Advisory Group, comprising an independent chair, and representatives of LGNSW, LGPA and USU to provide advice to the Minister for Local Government on the direction and implementation of the Fit for the Future program. • continue to use the regular engagement mechanisms under the IGA; meetings

Area	Recommendation	Position	Government response
			<p>between the Premier, Minister for Local Government and LGNSW President and the Chief Executive dialogue to review progress in implementing reform</p> <ul style="list-style-type: none"> • Establish a Project Management Office within the OLG
	62.Refer outstanding elements of the Destination 2036 Action Plan to the Ministerial Advisory Group (18.1)	Supported in principle	The Government remains committed to the vision of D2036 of stronger communities through partnerships. All relevant actions from D2036 have now been dealt with or are incorporated, where appropriate, in the future agenda for reform.
	63.Adopt in principle the proposed priority initial implementation package set out in Box 42, as a basis for discussions with LGNSW under the State-Local Government Agreement (18.3)	Supported in principle	<p>The Government is committed to maintain momentum in the local government reform journey and is proposing to implement, working in partnership with the sector, many of the priority initiatives identified by the Panel, in particular:</p> <ul style="list-style-type: none"> • 'Fit for the future' councils • The development and eventual implementation of JOs, with associated improvements to strategic planning and service delivery • Establishing a state wide local government finance facility • Designing a new Local Government Act that strengthens IP&R, internal audit, political leadership
	64.Further develop the proposals for legislative changes detailed in Boxes 43 and 44, and seek to introduce the amendments listed in Box 43 in early 2014 (18.5)	Partially supported	The Government proposes legislative change as outlined in this response.
	65.Adopt in principle the proposed implementation timeline (18.6)	Not supported	Further details of the implementation timetable can be found at fitforthefuture.nsw.gov.au . The Government will assess the progress of councils in taking the necessary steps to become fit for the future towards the end of 2015.

Government response: Local Government Acts Taskforce recommendations

The Local Government Acts Taskforce, in considering the provisions of the *Local Government Act 1993* and the *City of Sydney Act 1988*, formulated recommendations for an enabling, principles-based Local Government Act that simplifies the regulatory aspects of the legislation.

Key recommendations

- Many aspects of the current Act still work well. However, its effectiveness has been eroded as a consequence of the manner in which the Act is structured which is as a result of incremental amendments over the past 20 years.
- The integrated planning and reporting provisions of the Act provide the primary strategic planning mechanism for local government in NSW and should be given much greater prominence in the new Act.
- There is an opportunity to streamline the Act and therefore the effectiveness of

councils through greater use of technology, streamlining of public land management, simplification of approvals, orders and enforcement, and revised procurement, capital expenditure framework and financial management.

- There is a need to retain a separate Act for the City of Sydney in recognition of the administrative and economic importance of the central business district of Sydney and its unique position in holding events of local, regional, national and international significance, but with some changes to the non-residential electoral roll.

Government response

The NSW Government broadly supports the recommendations of the Taskforce. It will therefore commence work, in consultation with the sector and key stakeholders, to develop a new Local Government Act, with the aim of phasing it in from 2016/17. The new Act will be designed to:

- Give more prominence to the IP&R sections of the Act and use IP&R as its central framework
- Reduce unnecessary red tape and prescription in the Act
- Enhance community engagement
- Embed the principle of fiscal responsibility
- Improve financial and asset planning
- Strengthen representation and leadership
- Enables Government to have a differential approach to councils that have undergone the necessary changes to become 'fit for the future', for example reduce the reporting and compliance burden
- Include the agreed recommendations of the Independent Local Government Review Panel
- Take account of the expected reports by IPART into red tape and licensing and the recommendations made by the Joint Select Committee into the 2012 local elections.

Government response: Local Government Acts Taskforce recommendations (cont.)

Early amendments

In the short term, the Government will reduce red tape for councils by amending the Local Government Act to:

- Remove the restriction on the delegation of the acceptance of tenders to support regional procurement

- Lift the prescribed tendering threshold for councils to \$250,000 to align it with the approved State Government tendering threshold for 'fit for the future' councils
- Enable councils to be able to support registered Australian Disability Enterprises, by being able to procure directly without having to go to tender
- Clarify that the current exemption from tendering will apply where councils use standing offers established by the NSW Procurement Board, the Commonwealth Department of Administrative Services,

Local Government Procurement and Procurement Australia even where no rate is specified.

- Remove the mandatory newspaper advertisement requirements for recruitment and tenders
- Reduce the frequency with which councils are required to adopt an expenses and facilities policy from annually to once in each term of the council within 12 months of an ordinary election.