



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



Ref:  
MIN:  
Doc ID: A478162



Mr David Blunt  
Clerk of the Parliaments  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Blunt

Please find attached, for tabling in the Legislative Council, the Government response to the report entitled Local Government in NSW which was prepared by the General Purpose Standing Committee No. 6 and released on 29 October 2015.

I am pleased to advise that following the release of the report, the Government has commenced the next phase in local government reform in NSW. This builds on the consultation, research and independent reviews that have been conducted by the Government and others since 2011, and focusses on:

- Creating stronger councils;
- Improving performance and governance of local councils; and
- Strengthening the system of local government.

The findings and recommendations from the Local Government in NSW report were considered by the Government in developing the current phase of reform.

Attached is the Government response to each of the 17 recommendations in the Standing Committee's report. Also attached is the Fit the Future Progress Report, released on 18 December 2015, which provides an update on implementation of *Fit for the Future* initiatives as well as new reform priorities. The Report addresses many of the issues raised by the Inquiry.

I would like to thank the General Purpose Standing Committee No. 6 for undertaking the inquiry and contributing to the continued reform of local government in NSW.

Yours sincerely

Paul Toole MP  
Minister

Received at 4.15 pm  
Friday 29 April 2016



## **Response to the findings and recommendations of the Inquiry into Local Government in NSW by the General Purpose Standing Committee No.6**

The Government notes that a key focus (Findings 1-2 and 4-6) for the Inquiry was on the *Fit for the Future* process, including the assessment of council's *Fit for the Future* proposals by the Independent Pricing and Regulatory Tribunal (IPART) and the merits of the Fit for the Future assessment criteria.

The *Fit for the Future* assessment criteria was informed by the recommendations from NSW Treasury Corporation's analysis of local government, the Infrastructure Audit of NSW Councils, and the Independent Local Government Review Panel. Each of these reviews involved extensive engagement with the local government sector.

The NSW Government is committed to rebuilding NSW, creating jobs and providing better services. Reforming local government, so it is able to deliver quality services, better infrastructure and greater value for money, is essential to this work.

Ultimately, the aim of *Fit for the Future* is to strengthen councils in NSW to deliver a strong future for the state. It is pleasing that the Inquiry found that a positive outcome from the *Fit for the Future* process was that it encouraged local councils across the state to review their performance and consider options for systematic improvement.

The Inquiry finding (Finding 8) regarding the adequacy of NSW Government consultation with councils and the community on local government reform is not supported. The *Fit for the Future* reform program built on the consultative approach of Destination 2036, as acknowledged by the Inquiry, and was developed taking into account extensive community consultation, undertaken by both the Independent Local Government Review Panel and Government.

Over a three year period, the Panel held face to face discussions across the State with councils, community organisations, businesses and local ratepayers and residents about their councils.





The *Fit for the Future* process was designed to continue an open dialogue with the community to ensure the local government sector is well placed to meet their needs as residents and ratepayers in future. Other examples of the NSW Government working in partnership on local government reform include the development of the Regional Joint Organisation model through the Joint Organisation pilot process and the consultative approach to streamlining the legislation that governs councils in NSW.

In relation to the findings concerning council mergers (Findings 7 and 9) it is noted that since the report from the Inquiry into Local Government in NSW was released, the Government has referred merger proposals to the Chief Executive of the Office of Local Government for examination and report under the *Local Government Act 1993*.

The Chief Executive delegated the function of examining and reporting on the proposals to Delegates who are required to prepare reports that consider the factors in the legislation, including financial matters, communities of interest, elected representation, employment of staff, service and facilities, and the attitude of residents and ratepayers.

The Delegates' reports will go to the independent Local Government Boundaries Commission, which will comment on each report. The Minister for Local Government will consider the reports of the Delegates and Boundaries Commission before making a final decision.

Independent analysis of the merger proposals shows significant financial benefits for NSW of up to \$2 billion that can be invested in new infrastructure, improved services or keeping rates stable.

Rec. No	Inquiry Recommendation	Government response
1	<p>That the Premier and NSW Government withdraw the statements that 71 per cent of councils in metropolitan Sydney and 56 per cent of regional councils are 'unfit'.</p>	<p>The Government appointed the Independent Pricing and Regulatory Tribunal (IPART) as the Expert Panel to assess <i>Fit for the Future</i> proposals.</p> <p>The terms of reference for assessing <i>Fit for the Future</i> proposals were developed in consultation with the Fit for the Future Ministerial Advisory Group and required the Expert Panel to develop a methodology to assess proposals.</p> <p>The Independent Pricing and Regulatory Tribunal provided an assessment methodology consultation paper on 27 April 2015 and received 174 submissions over a 4 week public consultation period. 300 people attend forums across NSW as part of this consultation.</p> <p>The methodology was based on the <i>Fit for the Future</i> criteria which in turn came from the recommendations from Treasury Corporation's analysis of local government, the Infrastructure Audit of NSW Councils, and the Independent Local Government Review Panel. Each of these reviews involved extensive engagement with the local government sector. IPART also reviewed the criteria.</p> <p>IPART provided an independent assessment against the <i>Fit for the Future</i> criteria and ensured a consistent, fair and impartial assessment of all council proposals. The outcomes of these assessments are contained in the reports published by IPART and available at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a>.</p>



Rec. No	Inquiry Recommendation	Government response
2	<p>That the NSW Government provide all local councils in New South Wales access to the proposed Fit for the Future incentives, regardless of the Independent Pricing and Regulatory Tribunal's assessment of whether a council is 'fit' or 'unfit'.</p>	<p>The Government will provide those councils that were assessed as "not fit" because they did not meet financial criteria, with the opportunity to revise their <i>Fit for the Future</i> proposals and resubmit them for assessment.</p> <p>The Office of Local Government will work with these councils to support them through this process and, if deemed "fit" following this assessment, those councils will have access to the benefits such as access to the TCORP borrowing facility and the Innovation Fund.</p> <p>Councils that have met the financial criteria are considered to have a greater capacity to repay loans obtained at a cheaper rate through the NSW TCorp, as a result of the NSW Government AAA credit rating.</p> <p>The opportunity to participate in this process will also be available to the councils of the Far West region, who did not participate in the original <i>Fit for the Future</i> assessments.</p>
3	<p>That, as part of its planned review of the rating system the NSW Government evaluate the option of the removal of rate pegging and allow councils to determine their own rates conditional on the delivery of a local works plan outlining the expenditure associate with any proposed rate increases and demonstrated community support.</p>	<p>The NSW Government's response to the Independent Local Government Review Panel reiterated its commitment to a system of rate-pegging that protects ratepayers from unfair rate rises.</p> <p>On 18 December 2015 the Government engaged the Independent Pricing and Regulatory Tribunal (IPART) to undertake a review of the rating system and provide a final report to the Minister for Local Government within 12 months. As part of the review, IPART has been asked to provide an interim report within six months with recommendations on a legislative or regulatory approach to support the Government's policy of freezing existing rate paths for a period of four years for councils that merge.</p>

Rec. No	Inquiry Recommendation	Government response
4	That the Minister for Local Government work cooperatively with the NSW local government sector to petition the Australian Government to reverse its decision to freeze the indexation of Financial Assistance Grants.	The NSW Government has raised concerns about the impact of a range of Commonwealth budgetary decisions, including the decision to freeze the indexation of Financial Assistance Grants.
5	That the Minister for Local Government work cooperatively with the local government sector to petition the Australian Government to seek to redistribute Financial Assistance Grants in order to direct additional funding to councils with the greatest needs, provided councils with the capacity to raise additional local revenue are able to do so.	The distribution of Financial Assistance Grants across NSW is undertaken by the NSW Grants Commission. The NSW Government is continuing to work with the NSW Grants Commission to redistribute Financial Assistance Grants to those councils most in need.
6	That the NSW Government eschews future cost shifting and commits to providing adequate funding to local government for any new services, assets or regulatory functions that it devolves to local councils.	<p>The NSW Government is committed to addressing concerns about cost shifting through a strong partnership with local government. The NSW Government has engaged the Independent Pricing and Regulatory Tribunal (IPART) to undertake an independent review into regulatory and reporting requirements for local government, to identify more ways of cutting burden for councils. IPART is consulting with councils and stakeholders as part their review and will provide a final report to Government in April 2016.</p> <p>Despite the Government's commitment to addressing concerns about cost shifting, it is also noted that the Independent Local Government Review Panel found that cost-shifting has been overstated relative to other factors.</p>



Rec. No	Inquiry Recommendation	Government response
7	<p>That the NSW Government ensure that those water utilities that are currently operated by local councils remain under the control of those councils.</p>	<p>As noted in the Government response to the recommendations from the Independent Local Government Review Panel, the future management of local water utilities will be addressed in the process of developing the final Regional Joint Organisation model for councils.</p>
8	<p>That the Office of Local Government, in consultation with the Audit Office of New South Wales and local government representatives, develop guidelines to ensure greater consistency across councils in the treatment of assets, including:</p> <ul style="list-style-type: none"> <li>• a depreciation methodology that more closely correlates with the actual condition of deterioration and considers the councils' priorities for the condition of the infrastructure</li> <li>• quantifying the useful life of an asset</li> <li>• determining the realistic residual values of assets</li> <li>• the componentisation of assets.</li> </ul>	<p>Over the last decade, the NSW Government has provided councils with significant funding and training to improve asset management. Ultimately, councils are responsible for reporting on infrastructure by consulting their communities about service standards.</p> <p>The Office of Local Government provides guidance through the accounting code and the Integrated Planning and Reporting (IP&amp;R) framework on how councils report on infrastructure and how to determine a satisfactory standard with the community.</p> <p>The 2013 OLG infrastructure audit found that the quality of asset data had improved since the introduction of IP&amp;R, with 50% of audited councils having adequate assessments, processes and procedures. The OLG is continuing to work with the Auditor-General and key stakeholders to further improve consistency where possible.</p> <p>From 2017, councils will report on assets against revised Special Schedule 7. In the future Special Schedule 7 data will be audited to check whether the data is reasonable.</p> <p>The Government also is committed to revising IP&amp;R Guidelines to embed the principle of fiscal responsibility and improve financial and asset planning ahead of the next IP&amp;R cycle.</p> <p>In light of the recommendation from the Inquiry, the Government will give further consideration to strategies for improving consistency across councils in the treatment of assets.</p>

Rec. No	Inquiry Recommendation	Government response
9	<p>That the NSW Government implement the Independent Local Governments Review Panel's recommendations to strengthen the independence of the Boundaries Commission and ensure a robust and consultative process is in place to consider council amalgamation proposals before any further steps are taken by the government in relation to council amalgamations.</p>	<p>In announcing <i>Fit for the Future</i> in September 2014, the Government responded to each of the 65 recommendations made by the Independent Local Government Review Panel. In response to the Panel recommendation regarding the Boundaries Commission, the Government noted a commitment to ensuring transparency and public confidence in any boundary review process.</p> <p>The process for examining and reporting on council merger proposals is detailed in the <i>Local Government Act 1993</i> and is currently underway.</p>
10	<p>That the NSW Government implement a program to assist and support senior staff affected by amalgamations, particularly those staff in regional areas who may need to relocate if their position is lost through an amalgamation.</p>	<p>The NSW Government, through regulatory amendments, has committed to:</p> <ul style="list-style-type: none"> <li>• provide general managers and senior staff employed by councils affected by amalgamations the same portability of accrued leave entitlements as non-senior staff where they are employed by the new council and where there is no break in continuity of service; and</li> <li>• deem the termination of general managers and senior staff employment as a result of an amalgamation (other than through the expiry of their contracts on the termination date) to be due to reasons of redundancy to ensure that termination payments are taxed beneficially as a redundancy.</li> </ul>



Rec. No	Inquiry Recommendation	Government response
11	<p>That the NSW Government commit to a policy of no forced amalgamations of local councils, except in circumstances where it can be established that a council is severely financially unsustainable to the point of bankruptcy or unable to maintain an acceptable level of service provision.</p>	<p>On 6 January 2016, the Minister for Local Government referred council merger proposals to the Chief Executive of the Office of Local Government for examination and report under the <i>Local Government Act 1993</i>.</p> <p>The merger proposals identify significant benefits for the local community. Proposals have been informed by four years of consultation with NSW councils, independent assessment, council merger preferences, and feedback from communities and stakeholders.</p> <p>The Local Government Act clearly sets out the merger process. This process allows councils and their communities to have their say through public inquiries (public meetings) and written submissions.</p>
12	<p>That the NSW Government consider amending the Local Government Act 1993 to allow for a period of transition between a decision to merge councils and the creation of the new council, to ensure effective planning, consultation, implementation and ongoing service delivery to communities.</p>	<p>On 6 January 2016, the Minister for Local Government referred council merger proposals to the Chief Executive of the Office of Local Government for examination and report under the <i>Local Government Act 1993</i>.</p> <p>No decision has been made on any merger proposal.</p> <p>The Government is committed to effective implementation of any merger. The Department of Premier and Cabinet has provided councils with guidance on preparing for change, to assist those councils that want to start preparing for a possible merger.</p> <p>The Government has announced unprecedented funding for merger implementation, including up to \$10 million towards the costs of merging and up to \$15 million for improved services and infrastructure.</p> <p>The Government remains committed to allowing councillors that are supportive of making the new council a success the opportunity to shape the future of the new council.</p>

Rec. No	Inquiry Recommendation	Government response
13	That the Minister for Local Government encourage local councils with council-elected mayors to initiate a referendum on whether the mayor should be popularly elected or elected by councillors.	Under the current provisions of the <i>Local Government Act 1993</i> , it is a matter for councils to initiate referenda for election of mayors.
14	That the NSW Government seek to amend the <i>Local Government Act 1993</i> to increase to two years the period a mayor elected by the councillors is to hold office.	The Government is currently consulting on amendments to the <i>Local Government Act 1993</i> , including a proposal to increase to two years the period a mayor elected by the councillors is to hold office.
15	That the NSW Government consider amending the electoral legislation to introduce donation and spending caps for candidates at local government elections.	Election funding and expenditure requirements are prescribed under the <i>Election Funding, Expenditure and Disclosures Act 1981</i> . The Joint Standing Committee on Electoral Matters (JSCEM) is considering the Final Report of the Expert Panel on Political Donations. The Government is awaiting the JSCEM's report and will consider its recommendations.
16	That the NSW Government make Joint Organisations available to all councils in New South Wales.	The NSW Government will implement Joint Organisations across regional NSW, with the exception of the Far West region, following the next local government elections.



Rec. No	Inquiry Recommendation	Government response
17	<p>That the NSW Government work with local government on a statutory model for Joint Organisations based on the Hunters Hill, Ryde and Lane Cove Council model as a cooperative and consensus model for local council reform in Metropolitan Sydney.</p>	<p>From September 2014, the NSW Government has been working collaboratively with the local government sector to develop the Joint Organisation model. This has involved working with five regions of councils in the Joint Organisation Pilot program and broader consultation with the sector on key elements of the model.</p> <p>During 2016, further consultation will be undertaken with the sector to consolidate and finalise the Joint Organisation model.</p> <p>The Government notes the Hunter’s Hill, Lane Cove and Ryde Councils Joint Regional Authority model proposed by the councils indicated benefits of \$0.5 million over five years. In contrast the Government merger proposal for these councils has a total financial benefit of \$86 million over 20 years.</p>

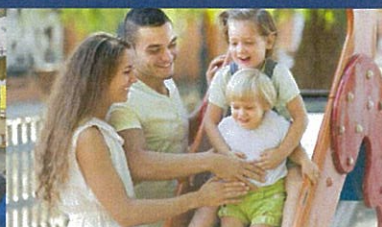
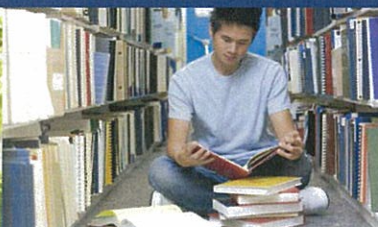
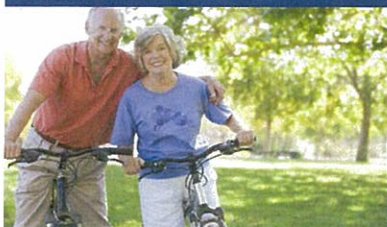
# PROGRESS REPORT

Fit for the Future

## Stronger Councils, Stronger Communities



Office of  
Local Government





## KEY ACHIEVEMENTS



### Assessed 139 Fit for the Future proposals

Councils assessed operations and identified ways to improve them.



### Established five Joint Organisation pilot regions

A new model for regional collaboration to deliver for regional communities.



### Established the TCorp borrowing facility

To provide cheaper infrastructure loans for "fit" councils and improve financial management.



### Commenced review of councils' compliance and regulatory burden

To help reduce council reporting requirements and red tape.



### Progressed the Far West Initiative

Developing solutions that meet the unique needs of the Far West communities.

## WHAT'S NEW IN THIS UPDATE

### Modernising the Local Government Act

Consultation on Phase 1 amendments to streamline legislation will begin in January

### Joint Organisations

Fast-tracking the involvement of up to two additional regions in early 2016.

### New financial intervention powers

Consultation will occur on new powers to appoint a financial controller for councils with a high financial sustainability risk

### Review of the rating system

IPART commissioned to commence a review of the rating system.

### Creating new councils

Proposals to create new and stronger councils in Sydney and regional NSW.

### Stronger Communities Fund

All new councils will have access to the Stronger Communities Fund and funding for merger costs.

### Flexibility for Rural Councils

Tailored support for each rural council and opportunity to streamline governance.



# Stronger councils, stronger communities

## Creating a new system of local government



All communities across the state deserve high-quality infrastructure and services – now, and for generations to come. That's why the NSW Government is transforming the system of local government to ensure councils have the strength and capacity to deliver this.

Four years of industry and community consultation and independent assessments, including the recent IPART report, has told us the current system is not working as well as it should and that we can no longer sustain 152 councils.

The time has come to create a stronger, modern system of local government that removes waste and duplication; a new system that generates savings to be reinvested into services and infrastructure, while stabilising rates.

This document outlines our proposals for new councils and next steps in creating a stronger system of local government – a system that puts ratepayers and communities first.

Our actions will ensure we have stronger, future-focused councils that can respond to the challenges posed by changing populations in metropolitan, regional and rural areas. We want councils that will meet the unique housing, jobs and transport needs of their communities.

We've listened to what communities want – quality services, vital infrastructure, value for money and responsible leadership from their local council.

We are pleased that many councils have shown leadership and supported a merger, recognising the benefits this will bring to communities.

Our reforms will generate up to \$2 billion in benefits over the next 20 years – money better invested in new infrastructure and improved services for local communities.

This is a significant opportunity for the local community and ratepayers – and one that they deserve.

Premier of NSW



The NSW Government has been working with local councils since 2011 to achieve our shared vision of strengthening local communities. The Fit for the Future program, launched in September 2014, has seen significant progress in working towards this vision.

Key priorities within the Fit for the Future program have been delivered, including the assessment by IPART of 139

Fit for the Future proposals, the piloting of new models of regional collaboration and commencement of the Far West Initiative.

This progress report outlines what has been achieved and the next steps in the reform.

The next phase of reform builds on the consultation, research and independent reviews conducted since 2011 and focuses on three key programs of reform:

- Creating stronger councils;
- Improving performance and governance of local councils; and
- Strengthening the system of local government.

There is no 'one-size-fits' all approach to local government and we are ready to deliver on the next phase of our plan for stronger councils across Sydney and regional NSW that will help our communities grow and prosper.

I would like to thank councils and communities for their input and co-operation on this critical reform and I look forward to continuing to work with them as we enter the next phase of reform.

Minister for Local Government



# Making Local Government Fit for the Future

**The NSW Government is committed to rebuilding NSW – and local councils have a vital role to play in shaping communities and helping them to grow and prosper.**

The Fit for the Future Blueprint, launched in September 2014, outlined the NSW Government's plan for local government reform, including key milestones for delivery that have all been achieved.

This progress report outlines the next steps of reform, creating stronger councils and stronger communities. It includes new initiatives to create new councils across NSW, supporting "not fit" councils to become "fit" and the opportunity for two more regions of councils to participate in the Joint Organisation program.

The reforms will be delivered through three key programs, each working to build stronger councils and stronger communities.

## Key Reform Programs



### 1 Creating stronger councils

Proposals to create new councils for Sydney and regional NSW

Establish Joint Organisations for regional NSW

Develop whole-of-government solutions for Far West communities



### 2 Improving council performance and governance

Support "not fit" councils to become "fit"

Deliver programs to improve council capability, with an initial priority on financial sustainability

Support rural councils to deliver the services their communities need

New powers to intervene in financially unsustainable councils

Deliver tools to support improved leadership and governance



### 3 Strengthening the system of local government

Create streamlined, modern legislation

Improve financial systems, including rating, access to TCorp and Financial Assistance Grants

Develop stronger accountability systems for councils, including Auditor-General oversight and performance improvement tools and frameworks





# PROGRAM 1: CREATING STRONGER COUNCILS

The NSW Government is ready to take the next steps towards creating new and stronger councils to realise the benefits that are available for local communities - \$2 billion in benefits that can be reinvested in better services, more infrastructure or lower rates.

The Fit for the Future program will ensure that every council in NSW can meet the future needs of communities, is financially sound and operating efficiently. Councils will be in a strong position to guide community growth, deliver quality services, infrastructure and provide value for money.

The Government's reforms will ensure councils:

- are stronger, future-focused and able to help deliver the housing, jobs and transport that communities need;
- have the capability to be accountable, efficient, and deliver quality services and facilities; and
- can minimise the cost of borrowing and not be burdened by red tape and duplication, so that they can deliver the things communities want.

The Government is offering new councils and their community significant funding, with:

- up to \$15 million from the Stronger Communities Fund providing new councils a head start on services and infrastructure; and
- up to \$10 million to cover the upfront costs of council mergers.

*“\$2 billion in benefits that can be reinvested in better services, more infrastructure or lower rates.”*

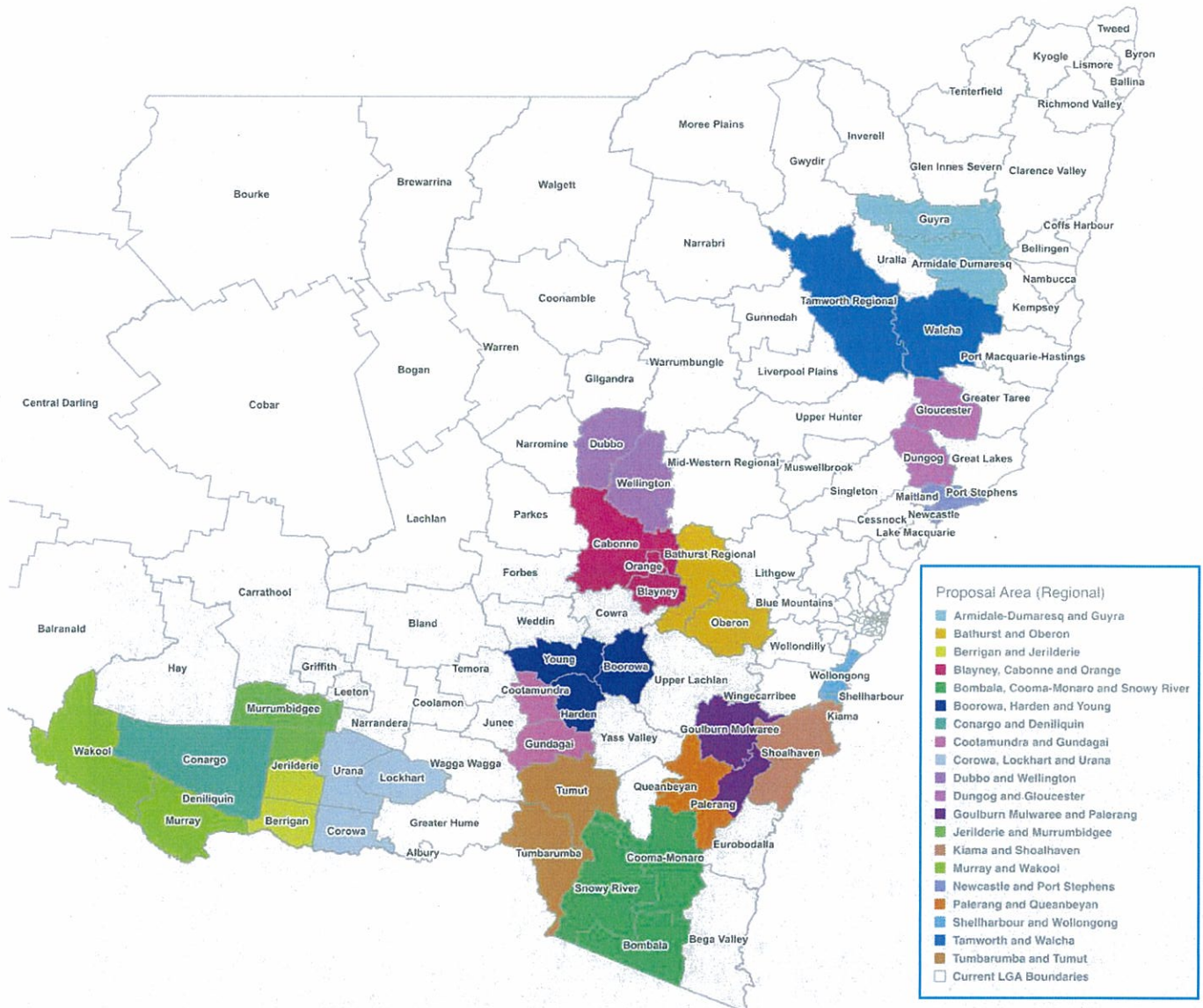


(Picture courtesy of Destination NSW)



# CREATING NEW COUNCILS

## Proposed New Regional and Rural Councils

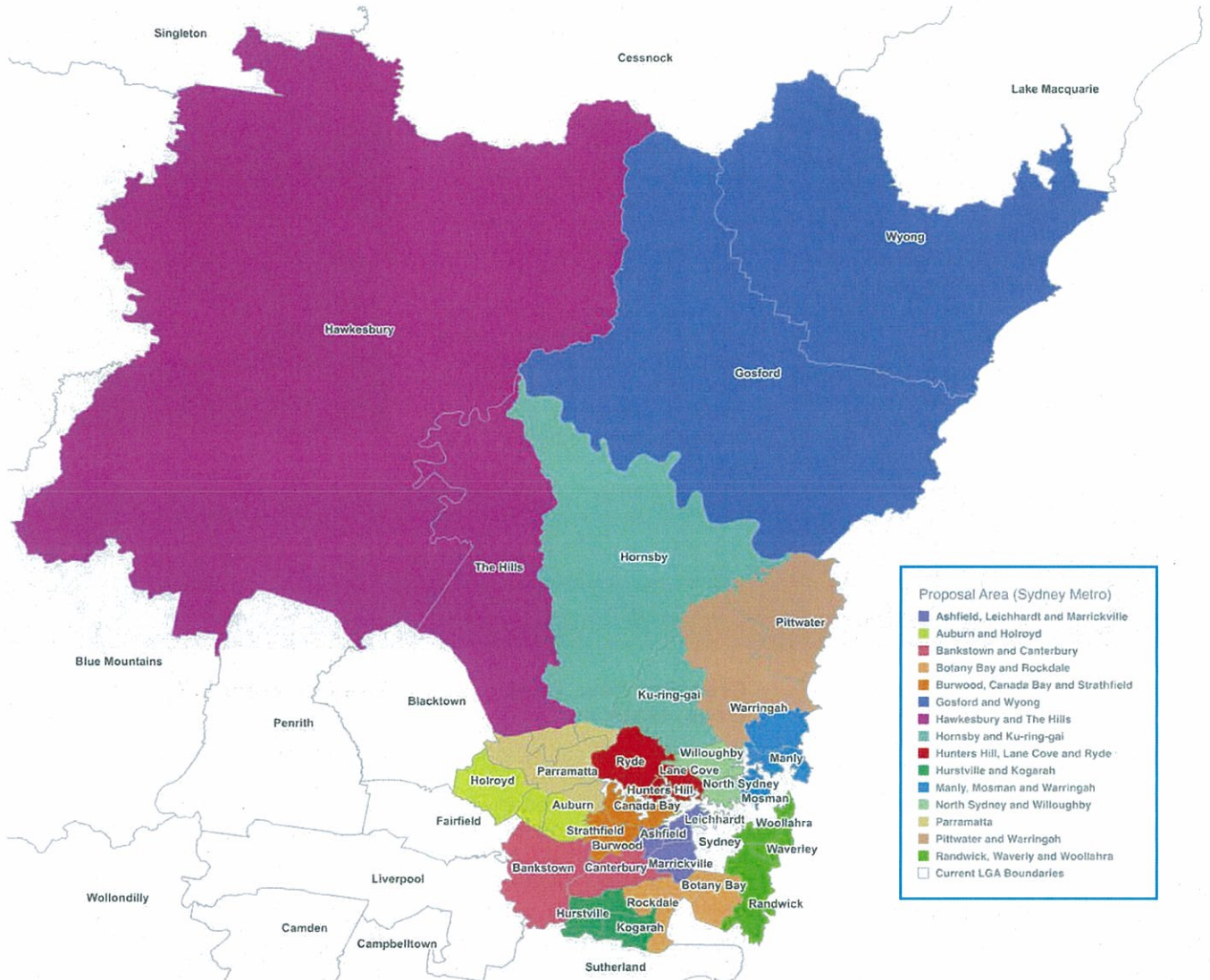


*Reducing the number of regional councils from 109 to 87*

*20 new regional councils will be created by merging 42 councils*



# Proposed New Sydney Region Councils



*Reducing the number of councils in Greater Sydney from 43 to 25*

*15 new Greater Sydney councils will be created by merging 33 councils*



## Stronger councils helping to build tomorrow's Sydney

Sydney is Australia's fastest-growing capital city. We are leading the way with new enterprise and investment, new suburbs are opening up, new employment precincts are being developed, and new hospitals and schools are on the way to serve our growing population. Over the next 20 years, an additional two million people will call Sydney home and most of them will settle in the city's west.

Our map is based on achieving as much consensus as possible and creating councils of

150,000 or more to deliver efficiencies and reduce red tape, but still ensuring effective local representation.

Sydney will need more homes, more jobs, more services and facilities, and better roads and transport to help people move about. That's why we are proposing to create new councils across Sydney.

The map on page 7 shows our vision for what the new Sydney will be like: stronger councils, offering better services and value for money for our growing communities.



## Stronger councils, stronger regional communities

Regional communities play a vital role in supporting the State's economy, providing the food for growing communities and sustaining our major export industries. The NSW Government has a plan to revitalise regional NSW and provide the infrastructure, jobs and services country communities need and deserve. Our proposal is to create new councils as a key part of that plan.

The map on page 6 shows our vision for creating new councils in regional NSW. Our map is based on high priority mergers, council merger preferences and opportunities to strengthen councils financially and strategically.

We recognise that there is no 'one-size-fits all' solution for regional NSW.

### Creating new Joint Organisations

New regional organisations will help councils work with the State Government to deliver the things that matter to regional communities – local jobs, and better transport, services and facilities.

We are providing more than \$5 million in seed funding to help establish this new system and five groups of councils are already enjoying the benefits. Joint Organisations boundaries will be considered once council boundaries are finalised and implemented in regional areas from 2016.

### The Far West Initiative

The recently-appointed Far West Initiative Advisory Committee is working with the councils and communities of Far Western NSW to develop solutions that improve the way all levels of government work together to deliver services to the communities of the region. The initial focus of the Far West Initiative is to strengthen the financial sustainability and strategic capacity of the eight Far West councils.





# THE PROCESS FOR CREATING NEW COUNCILS

January  
2016

**1** Minister for Local Government refers merger proposals to the Chief Executive of the Office of Local Government for examination and report under the Local Government Act 1993 (NSW). Proposals will explain the impacts and benefits of a proposed merger.

**2** Chief Executive of the Office of Local Government delegates the examination of merger proposals under the Local Government Act 1993 (NSW) to Delegates.

**3** Communities will have a chance to have their say during a public consultation process for merger proposals, including through submissions and at public hearings.

**4** Local Government Boundaries Commission membership is confirmed.

**5** Delegates examine proposals, including reviewing public submissions, and after having regard to the factors listed in the Local Government Act 1993 provide a report to the Minister.

**6** Delegates will also provide their reports to the Boundaries Commission who will review and comment on the reports.

**7** Boundaries Commission provides its comments on the Delegate's reports to the Minister for Local Government.

**8** Minister for Local Government considers the reports from the Delegates and comments on those reports from the Boundaries Commission, and makes a decision for each proposal.

**9** The Minister may or may not recommend to the Governor of NSW that the proposed merger be implemented.

Mid  
2016

**10** New councils commence.

Further information about the process, including information about delegates, where to lodge a public submission, and individual merger proposals, will be available on the Local Government Reform website:

[www.councilboundaryreview.nsw.gov.au](http://www.councilboundaryreview.nsw.gov.au)





## PROGRAM 2:

# IMPROVING PERFORMANCE AND GOVERNANCE

**Creating stronger councils is only part of making local government Fit for the Future. The NSW Government is committed to working with councils to deliver programs to improve local services and infrastructure.**

The Fit for the Future assessments have shown that some councils are in a strong position, meeting all the Fit for the Future criteria, while others need support to address specific challenges or issues that impact that council's operations.

The NSW Government will work with all councils to improve performance over time. Early priorities will be to:

- Support "not fit" councils to become "fit" at the earliest opportunity;
- Improve the financial sustainability of councils; and
- Support rural councils to implement the required changes they identified to improve their performance.

### **Improving council financial sustainability**

There has been widespread recognition amongst councils that the Fit for the Future process has improved council operations. The Office of Local Government will work with councils to share the learnings from this process.

Councils that did not perform well in their Fit for the Future assessment, due to sustainability, efficiency or asset management issues, will be supported to improve. The Office will be working with them individually to identify and implement the changes required to improve their performance, with an initial priority on financial sustainability.

The aim is to see all councils improve their performance over time. Councils will get the help they need to become stronger and provide better outcomes for their communities.

### **Access to the TCorp borrowing facility**

Councils that have met performance benchmarks and been deemed "fit" now have access to the new TCorp borrowing facility, reducing the cost of finance for infrastructure projects. Providing more councils with access to the TCorp borrowing facility is a priority for the NSW Government.

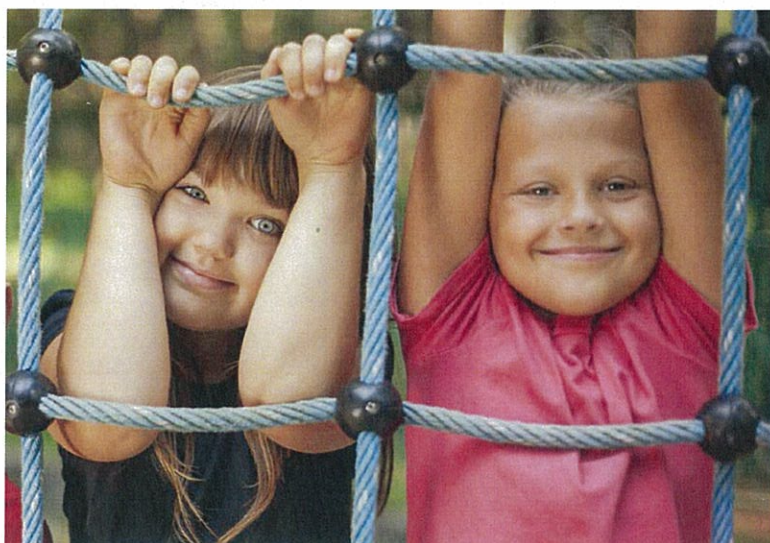
### **Opportunity for reassessment**

In 2016, councils assessed as "not fit" because they did not meet financial criteria will have the opportunity to revise their Fit for the Future proposals and resubmit them for assessment. The Office of Local Government will work with these councils to support them through this process and, following a "fit" assessment, will then have access to the benefits on offer.

### **New financial intervention powers**

For those councils that have demonstrated a consistent record of poor financial performance, the Government will introduce stronger intervention powers to protect local ratepayers, businesses and communities and get the council back on track.

This will empower the Minister to appoint a financial controller with responsibility for implementing financial controls.





## Working with rural councils

The NSW Government recognises the unique challenges facing councils and communities in rural areas, and will continue to collaborate with these councils to explore new ways of working that deliver the services their communities need.

Those councils assessed as “fit” as a Rural Council will have access to the benefits on offer to “fit” councils.

Rural councils not part of an amalgamation proposal will have the opportunity to streamline governance arrangements, if they choose, following legislative change to provide this option.

Rural councils will be supported to improve their capability and performance.

Central to this support is the \$4 million Innovation Fund, providing eligible councils with the opportunity to implement innovative solutions to improve service delivery.

## Strengthening local leadership

Local leaders work hard to act in the best interest of their communities and secure community confidence of their local representatives. Communities expect their local leaders to perform in an honest and professional manner. Local leadership in NSW councils will be strengthened by:

- ensuring elected leaders get the support they need to build leadership skills and learn the regulations and requirements;
- encouraging more people to be involved in standing for local office, especially women and young people, who are currently under-represented on councils;

- providing more stability in local leadership by clearly defining the roles of councillors and mayors, and extending the minimum mayoral term;
- providing clear guidelines on how councillors should conduct themselves in council meetings and manage any perceived or actual conflicts of interest; and
- tougher measures for local leaders who don't do the right thing. This includes suspension or exclusion from office for councillors who repeatedly engage in misconduct.

To help attract high quality candidates, the Government will review councillor remuneration during 2016.

*“The NSW Government will work with all councils to improve performance over time.”*







## PROGRAM 3: STRENGTHENING THE SYSTEM

*The NSW Government is committed to working with councils to strengthen the system of local government. Most importantly, this means strengthening the legislation that governs councils.*



### **Modernising local government legislation**

The NSW Government will introduce more streamlined legislation to implement key reforms recommended by the Independent Panel and Acts Taskforce to enhance our local government system.

Consultation on Phase One of the streamlined legislation will commence in January.

Proposed amendments will focus on reforms that provide much-needed support for councils, allowing them to connect with their communities and build their capability.

In particular, the Phase One Bill will:

- Increase the term for mayors elected by councillors from one to a minimum of two years;
- Place external audit of councils under the auspices of the Auditor-General; and
- Ensure all councils have an odd number of members to reduce deadlocks.

Subsequent phases in the legislative reform process will address recommendations arising from reviews being undertaken by IPART about the regulatory burden imposed on councils and the rating system.

In each phase, opportunities will be identified to streamline the shape and structure of the legislation to ensure that our whole system of local government is fit for the future.





### **Improving financial systems**

The NSW Government is committed to real and substantial reforms and has now engaged IPART to review the rating system. IPART will provide its report to Government by the end of 2016.

The NSW Government will continue to work with the Grants Commission to redistribute Financial Assistance Grants to those councils most in need. A detailed review of the current allocation methodology has identified the opportunity for significant improvement. The Grants Commission will be supported to implement these improvements for 2016/17 grant allocations.

Work will also continue to develop a streamlined Special Rate Variation process for potential implementation in 2017/18.

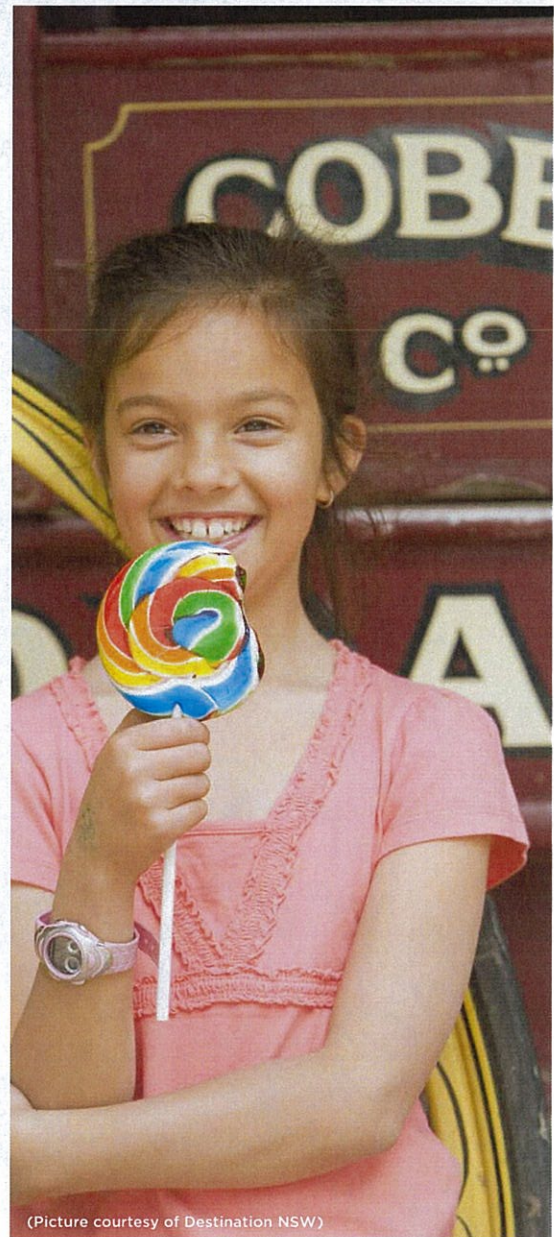
### **Improving accountability**

We will also implement a new robust system of council reporting so the community can be fully informed about their council's performance and make comparisons with others.

The NSW Government has been working with councils to develop a new way of measuring performance and reporting progress. We have already launched the first stage of this work with the annual Your Council report. Further improvements are planned, including State-wide community satisfaction surveys.

The strategy to improve accountability and performance will include the development of a range of tools and frameworks to support councils, including:

- a performance measurement framework;
- revised Integrated Planning and Reporting guidelines;
- governance and performance guidelines; and
- stronger council auditing, including a new role for the Auditor-General in monitoring council performance.



(Picture courtesy of Destination NSW)



## WHAT THIS MEANS FOR MY COUNCIL

### Councils that are part of a merger proposal

- Delegates will listen to your council and community through the consultation process
- Public hearings on merger proposal will be held
- If the merger is approved councils will be given assistance with implementation and declared fit
- Councils declared fit can access TCorp borrowing facility

### Councils assessed as “fit” with no merger proposal

- Access TCorp borrowing facility
- Implement Fit for the Future proposals
- Participate in other reform initiatives

### Councils assessed as “not fit” due to scale and capacity with no merger proposal

- For some councils, the Government considers the council does have sufficient scale and capacity and therefore deems the council fit
- For others, the Government will reassess scale and capacity once Joint Organisations are operating effectively

### Councils assessed as “not fit” due to financial criteria with no merger proposal

- The Government will support your council and consider financial intervention if the council is not fit after the 2016 reassessment

### Rural Councils assessed as “fit” with no merger proposal

- Access TCorp borrowing facility
- Commence implementation of Fit for the Future proposal
- OLG will work with your council to implement the legislative changes that you have identified in your proposal or wish to consider further, and will closely monitor improvements
- Participate in other reform initiatives

### Far West Councils

- Continue to participate in Far West Initiative Advisory Group
- Participate in other reform initiatives

Details on what this means for each council can be found at: [www.fitforthefuture.nsw.gov.au](http://www.fitforthefuture.nsw.gov.au)



## NEXT STEPS: KEY MILESTONES

<b>December 2015</b>	<ul style="list-style-type: none"> <li>• Government announces next steps on local government reform</li> <li>• IPART Rating Review process commences</li> <li>• Fit for the Future Progress Report released</li> </ul>
<b>Jan - Mar 2016</b>	<ul style="list-style-type: none"> <li>• Merger proposals assessment and consultation</li> <li>• Fit councils can access TCorp borrowing facility</li> <li>• Expression of interest for Early Starters Joint Organisations</li> <li>• Innovation Fund call for applications</li> <li>• Consultation on Phase One Local Government Act amendments and Joint Organisation Framework</li> <li>• Not Fit councils advised of opportunities to revise proposals</li> <li>• Early Starter Joint Organisations identified</li> <li>• Consultation on Phase One Act Amendments and Joint Organisations closes</li> <li>• Targeted financial sustainability programs commenced</li> </ul>
<b>Apr - June 2016</b>	<ul style="list-style-type: none"> <li>• Round one Innovation Fund grants advised</li> <li>• FAGS reallocations consultation with councils</li> <li>• Far West Initiative Discussion Paper released</li> <li>• Commence consultation on performance measurement and improvement frameworks</li> <li>• IPART Regulation Burden report to Government</li> <li>• "Not fit" councils submit revised FFTF proposals for assessment</li> <li>• Phase One Act Amendments and Joint Organisation legislation introduced to Parliament</li> </ul>
<b>July - Dec 2016</b>	<ul style="list-style-type: none"> <li>• Phase One Act amendments commence implementation</li> <li>• Joint Organisations commence roll out</li> <li>• Revised FFTF proposals assessed</li> <li>• New councils commence</li> <li>• Aim for Local Government elections</li> <li>• IPART Rating Review Report to Government</li> </ul>
<b>Jan - July 2017</b>	<ul style="list-style-type: none"> <li>• Preparation for new Integrated Planning and Reporting cycle</li> </ul>





For more information visit:  
[www.fitforthefuture.nsw.gov.au](http://www.fitforthefuture.nsw.gov.au)