



Why is this important?

With over 150 councils in NSW of varying geographic size and population, it is essential that the legislation does not adopt a "one size fits all" approach, but rather is flexible enough to accommodate the different capacities of councils and community needs, while at the same time ensuring accountability, transparency and effectiveness. This means that the legislation should not be overly prescriptive, but provide sufficient measures to ensure a quality governance framework exists for all councils.

A large number of Initiatives in this Plan will require legislative change if adopted. It is essential that the proposed review of the *Local Government Act* recognises and incorporates these actions where appropriate.

What is the current situation?

The NSW Government has announced its intention to undertake a review of the *Local Government Act*. Details of the proposed process will be available shortly. In determining the scope, process and timeframe of the proposed Act review, one of the key issues to be considered will be the alignment with Initiatives under the Action Plan and the timescale for the Independent Review of Local Government.

What actions need to be undertaken?

Each action in this Plan may identify legislative change that is required to strengthen local government. The Coordinating Agency should ensure this is captured and submitted to the proposed Act Review. The timing of the Act review will be set to allow this.

Linkage with other Initiatives

Potentially all initiatives

Who is responsible for this Initiative?

The DLG is responsible for this Initiative.

Key Actions	Coordinating Agency	Expected completion
3a Identify legislative implications of Destination 2036 activities and advise the Local Government Act review	DLG Submit to Panel and Act Review	September 2013



Ensure strong and effective local governance

Why is this important?

In order to ensure public confidence in councils and council decision making, it is essential that appropriate governance structures are in place and that councillors are well-informed and are representative of their community. While strong governance structures are essential, they are of little value without strong leadership, culture and communication.

In order to ensure the highest standards of governance, participants at Destination 2036 suggested that we need to examine how we currently deal with instances of unacceptable councillor behaviour, what alternative governance models are available, and the need to improve training and development and to encourage greater diversity among councillors.

What is the current situation?

Over recent years, DLG has, in consultation with the LGSA and LGMA (NSW), been pursuing a number of strategies to improve council governance. These include the Promoting Better Practice Program, the introduction of Integrated Planning and Reporting, the Councillor Development Strategy (the provision of councillor induction and refresher training), and the development of the Model Code of Conduct.

DLG recently commenced a review of the Model Code. Following a comprehensive consultation process, the DLG has published a revised draft Code and Procedures. The DLG is also working on strategies to increase diversity and is considering options for future candidate and councillor development.

What actions need to be undertaken?

The types of actions identified include:

- Review and amend the Model Code of Conduct and relevant provisions of the *Local Government Act* and provide appropriate training to ensure the highest standards of behaviour by councillors and council officials
- Develop and implement strategies to increase the diversity and skill range of candidates and councillors across the sector
- Develop and implement a councillor development strategy which recognises prior learning

Linkage with other Initiatives

Initiative 3 (Act Review)
Initiative 8 (Structural Models)

Who is responsible for this Initiative?

While the DLG has primary carriage for setting the governance system for Local Government, it is councils themselves that are responsible for how they apply and comply with that system. In addition, the LGSA and the LGMA (NSW) have important roles in developing, implementing and promoting strategies to improve the quality of governance and of those that govern.

Key Actions	Coordinating Agency	Expected completion
4a Review and amend the Model Code of Conduct and relevant provisions of the Local Government Act to ensure the highest standards of behaviour	DLG	September 2012
4b Develop strategies designed to increase the diversity and skill range of candidates and elected councillors	DLG/LGSA	Immediately and ongoing
4c Develop and implement a Councillor Development Strategy	DLG/LGSA	October 2012 and ongoing



Financial sustainability is arguably the key requirement to achieving strong and sustainable councils that can deliver services that the community wants and can afford. Financial sustainability was identified as the most important challenge currently facing councils in NSW. This is particularly important in terms of "own source revenue". Councils need to ensure that they are collecting income from their local communities efficiently and effectively and at levels that are sustainable.

Our communities have differing capacities and willingness to contribute more. The Productivity Commission², for example, found significant variation between classes of councils in their 'fiscal capacity'. It concluded that "...capital city councils have the highest fiscal capacities and urban fringe councils the lowest, on average". It also found that, if all councils increased their own source revenue to capacity "...the majority of rural and remote Local Governments would remain highly dependent on Australian and State Government grants". Unfortunately, however, the greater a council is reliant on grants from other levels of government, the less autonomy it has over its own future.

It is therefore essential that the revenue framework for Local Government in NSW provides sufficient flexibility for councils to optimally utilise their revenue bases, while ensuring that local communities and businesses are protected from excessive taxes and charges that are economically and socially damaging. It should also address the inherent differences between local government areas, particularly between rural and metropolitan, in their capacity to fund infrastructure investment. In addition, the revenue framework needs to recognise that smaller rural and regional councils do not have access to the broader range of income sources that many larger councils have, such as parking meter revenue, which means they are more reliant on general rates as their main form of own source revenue.

INITIATIVE 5

Review the revenue system to ensure greater flexibility and self reliance

INITIATIVE 6

Develop strategies that maximise opportunities to secure funding from other levels of Government

INITIATIVE 7

Establish a range of funding models to enable the long term maintenance, replacement and creation of different classes of assets

² Productivity Commission, *Assessing Local Government Revenue Raising Capacity*, Research Report, April 2008.



Review the revenue system to ensure greater flexibility and self reliance

Why is this important?

In 2005, the LGSA commissioned a major Inquiry into Local Government finances³ (Allan Inquiry) in response to widespread concerns about Local Government's financial capacity to meet the growing demand for infrastructure and services. The terms of reference required the Inquiry to:

- assess adequacy of Local Government infrastructure and services
- assess financial capacity of Local Government to meet statutory obligations, expected functions and new challenges
- identify possible funding, administrative, governance and intergovernmental reforms to address any shortcomings uncovered
- address specific issues already identified by the LGSA (e.g. cost shifting, rate pegging and exemptions)

The then NSW Government provided a comprehensive response to the Inquiry recommendations. This included requesting the Independent Pricing and Regulatory Tribunal (IPART) to inquire into the impact of rate pegging. More generally, the introduction of Integrated Planning and Reporting was seen as an important reform to councils' financial and asset management practices that would help to put councils on a more financially secure long term path.

There have been a number of developments since the Allan Inquiry, and it would be timely to assess the impact of those developments on the position in 2006.

What is the current situation?

Since the Allan Inquiry, the former NSW Government transferred responsibility for rate pegging and the assessment of special rate variations to IPART. IPART has since developed a Local Government Cost Index to calculate the rate peg which is designed to be reflective of cost pressures faced by councils. It has also implemented a rigorous process to the assessment of special rate variations. The DLG has ensured that the special rate variation process adopted by IPART has aligned with the implementation of Integrated Planning and Reporting. The intent of this alignment is to provide councils with a long term revenue path through their Resourcing Strategy, reflective of and supporting their four year Delivery Program.

While the reforms were designed to provide councils with greater flexibility in determining their income requirements in consultation with their communities, a number of other changes over the period, such as the cap on developer contributions under section 94 of the *Environmental Planning and Assessment Act 1979*, have negatively impacted on revenue flexibility for some councils.

What actions need to be undertaken?

In the first instance, a review should be commissioned to understand the latest position on financial sustainability. This review should consider what other legislative or policy changes can be made to increase own source revenue flexibility and self reliance, while ensuring that local communities and businesses are protected from excessive rates and charges that could be economically and socially damaging.

In addition, the current rating provisions of the Local Government legislation should be reviewed to ensure the system is contemporary in the context of the principles of Local Government taxation; namely equity, benefit to the community, capacity of ratepayers to pay, the efficiency of the impact of the taxes, and the simplicity of the taxation system.

The impending introduction of the Carbon Tax will also impact on councils to varying, but as yet unknown, degrees. There will therefore need to be consideration of how councils will be able to fund this impost.

³ The Independent Inquiry into the Financial Sustainability of NSW Local Government (Percy Allan Report), 2006.



Linkage with other Initiatives

Initiative 2 (Encourage Innovation)
 Initiative 3 (Act Review)
 Initiative 6 (Grant Funding)
 Initiative 7 (Asset Funding)
 Initiative 8 (Structural Models)
 Initiative 9 (Functions)

Who is responsible for this Initiative?

DLG will be responsible for reviewing the financial sustainability of councils, given linkages between this action and the infrastructure work. It will draw on the expertise in TCorp, who are already assessing the sustainability of councils applying for funding under the Local Infrastructure Renewal Scheme, to support the Independent Local Government Review Panel to consider the financial sustainability of each local government area and the revenue system that underpins it.

Financial sustainability lies at the heart of creating strong communities through partnerships and has a critical impact on local people, business and the wider economy. It will therefore be essential to consult with the community and ratepayers, business groups (such as the NSW and Sydney Business Chambers and Property Council), as well as councils, in examining the revenue system.

Key Actions	Coordinating Agency	Expected completion
5a Review the financial sustainability of councils	DLG Submit to Panel	December 2012
5b Examine current Local Government revenue system to ensure the system is contemporary, including rating provisions and other revenue options	Independent Review Panel	July 2013



Develop strategies that maximise opportunities to secure funding from other spheres of Government

Why is this important?

In the absence of a broad and readily accessible income base, funding from other spheres of government will continue to be essential to maintaining Local Government sustainability, particularly in rural areas.

What is the current situation?

Under the provisions of the *Local Government (Financial Assistance) Act 1995* (C'with), the Commonwealth Government provides untied financial assistance grants to local government bodies to spend according to their own priorities. The scheme's national entitlement for 2011/12 amounts to \$2.152 billion, of which the NSW share is \$674.263 million, or about 30%. The allocation of these funds to individual councils is determined by the NSW Local Government Grants Commission using 'horizontal fiscal equalisation' principles.

Financial assistance grant funding has been steadily declining as a percentage of Commonwealth revenue, from almost 1.1% in 1992/93 to 0.6% in 2008/09. It has increased slightly since then, but this has been due to Commonwealth revenues dropping due to the Global Financial Crisis.

The Commonwealth Government has announced that it will conduct a review into the equity and efficiency of the current funding provided through the FAGs program. This review is due to be completed in 2012-13.

In addition, Local Government has become heavily reliant on the Commonwealth's Roads to Recovery Program. This Program commenced in 2000/01. It has a limited life-span and is due to expire in 2013/14, although it has been renewed on a number of occasions. Local Government has become reliant on these funds and its lack of permanency creates great uncertainty for councils in terms of planning for the maintenance of their roads.

What actions need to be undertaken?

The NSW Government, the LGSA and individual councils need to actively participate in the Commonwealth review of FAGs to ensure an increase in the total pool of funding for all councils in Australia. The Local Government sector, through the Australian Local Government Association (ALGA) nationally and the LGSA in NSW, is campaigning for increased permanent funding under the Roads to Recovery Program.

More broadly, there is also a responsibility on every council in NSW to do what it can to apply for and secure grant funding from other levels of Government. Councils should also be looking at working together to secure such funding on a regional basis, and for the LGMA (NSW) to play an active coordination role and to assist smaller rural and regional councils to develop skills in applying for, and acquiring, grant funding.

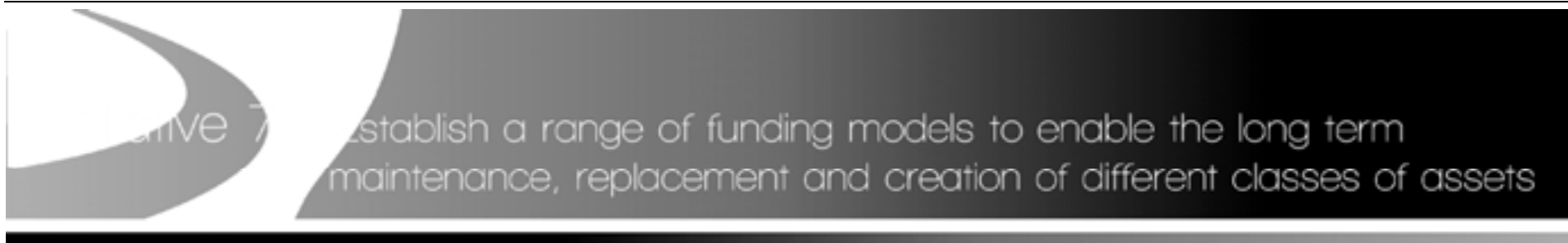
Linkage with other Initiatives

Initiative 2 (Encourage Innovation)
Initiative 12 (Constitutional Recognition)

Who is responsible for this Initiative?

The LGSA has primary responsibility for this Initiative, although every council must play a proactive role. The LGMA (NSW) should also develop a program or assistance arrangement to help small councils secure grants.

Key Actions	Coordinating Agency	Expected completion
6a Representations to the Commonwealth Government to provide Local Government with a greater share of income and a "fairer" distribution of funds between councils through the Commonwealth's review of Financial Assistance Grants	LGSA	Ongoing
6b Representations to the Commonwealth Government to ensure permanency of the 'Roads to Recovery' program	LGSA	Ongoing
6c Enhance skills in rural and regional councils to better ensure that they secure grant funding from other levels of Government	LGMA (NSW)	June 2013



Why is this important?

One of the key roles of councils, as identified at the Destination 2036 workshop, is the provision of infrastructure. It is therefore not surprising that participants at the workshop identified 'infrastructure and asset issues' as the most important challenge facing councils in NSW. This challenge relates to maintaining existing infrastructure stock and providing for future infrastructure needs.

What is the current situation?

The infrastructure backlog facing Local Government throughout the State cannot be addressed overnight. For some councils, the backlog is insurmountable and cannot be addressed without significant change. In 2006, the Allan Inquiry estimated that the annual infrastructure renewal gap for all NSW councils was approximately \$500 million, with a total infrastructure renewal backlog of \$6.3 billion.

Since that time, there has been significant policy focus on this issue. Under the Integrated Planning and Reporting framework, for example, all councils are required to have an asset management policy, strategy and plans. At the time of

the Allan Inquiry, less than one in five councils managed their infrastructure through a management plan.

The Commonwealth Government has also been placing great importance on the need for councils throughout Australia to better manage their assets as a condition of Commonwealth infrastructure grants.

As part of the State Plan - NSW 2021, the Government has committed to increase expenditure on critical infrastructure throughout the State and it will be identifying local priorities through the development of the Regional and Local Action Plans.

What actions need to be undertaken?

A number of the actions proposed at the Destination 2036 workshop are already underway.

As part of its Local Infrastructure Backlog Policy, the Government has implemented a number of interrelated initiatives, including an audit of each council's infrastructure backlog so there is better information on where investment is needed, and the establishment of a Local Infrastructure Renewal Scheme.

The Government is also supporting councils through the Commonwealth's Local Government Reform Fund (LGRF) allocation of \$3,250,000. In conjunction with the LGMA (NSW), the LGSA and the Institute of Public Works Engineers Australia (IPWEA), DLG is implementing a support program for all councillors and council senior management, as well as providing targeted financial support and asset management advice to 42 councils assessed as most in need.

The Minister for Local Government, ALGA and LGSA, will continue to make representations to the Commonwealth Government and COAG to provide a coordinating mechanism for Federal, State and Local Government infrastructure strategies and associated funding processes.

Linkage with other Initiatives

Initiative 5 (Revenue System)
Initiative 6 (Grant Funding)

Who is responsible for this Initiative?

The DLG has primary responsibility for this Initiative.

Key Actions	Coordinating Agency	Expected completion
7a Establish and implement the Local Infrastructure Renewal Scheme to assist in investment in infrastructure	DLG	Already commenced. Annual program funded until 30 June 2015
7b Provide support to councils to develop asset management plans and better understand asset management issues	DLG	June 2012
7c Representations to the Commonwealth Government to develop coordinated infrastructure strategies and funding	LGSA	Ongoing
7d Undertake a council-by-council audit of asset backlog	DLG Submit to Panel	June 2013



There are 152 councils in NSW serving significantly different population sizes over vastly different geographic areas. Currently, all of these councils are treated the same. One of the key questions asked at the *Destination 2036* workshop was, "what models of Local Government are most appropriate, and where?" An entire session at the workshop was dedicated to this question.

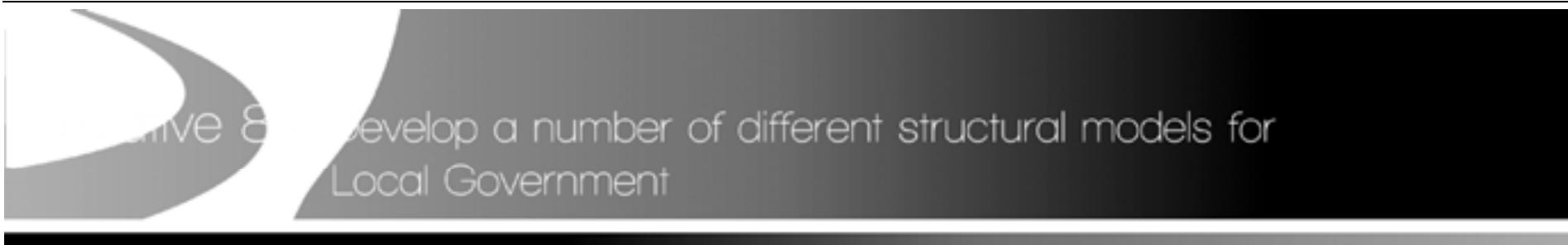
The primary message which emerged from a large proportion of the sub-groups was that civic leaders do not want to see a "one size fits all" model of Local Government in NSW. This aligns with the responses to the Online Survey before the workshop, in which 85% of respondents agreed that councils of the future should be using a range of structural models enabled by legislation.

In addition, it is clear that where desirable boundary changes have been identified by councils that will better enable them to serve their communities, the process for achieving such change is cumbersome and costly.

This Direction therefore focuses on

INITIATIVE 8

Develop a number of different structural models for Local Government



Why is this important?

We need to recognise that one size does not fit all and we need to develop a number of different models that can accommodate the different types of councils and their communities.

While the State Government has a policy of no forced amalgamations, there are instances where voluntary amalgamations and/or boundary changes make sense and will allow for communities to be better served, and they should be encouraged. Further, where amalgamations and/or boundary alterations are proposed by the affected councils, the process for achieving them should be made less cumbersome, less costly and less time consuming.

What is the current situation?

There is wide acceptance among the sector that a number of different models should be applied, primarily depending on geographic location or environment, and the Destination 2036 workshop achieved some headway in sketching out some of the alternative models.

The process for achieving a boundary alteration or amalgamation is complex and costly. It is legislated under the *Local Government Act*. The Local Government Boundaries Commission, which is an independent statutory authority constituted under s260 of the Act, has the function of examining and reporting on any matter referred to it by the Minister for Local Government regarding the boundaries of local government areas. Section 263(3) specifies factors which the Boundaries Commission must have regard to when considering amalgamation proposals.

In 1999, the Act was amended to simplify the process for achieving voluntary amalgamations and boundary adjustments. However, since that time, only four amalgamations have proceeded at the request of the affected councils.

What actions need to be undertaken?

There is a large variety of Local Government structural and governance models in Australia and internationally. In the first instance, it is important for us to understand what these alternative models are, their key features and why they exist the way they do. We can then determine their applicability to the NSW context.

The structural models developed at the workshop covered all areas of NSW, but in general tended to focus on urban, regional or rural areas. These models can serve as a starting point for further consideration. Specific models suggested at Destination 2036 include, but are not limited to:

- a model with greater and more formalised regional service delivery and resource sharing
- a model for small to medium councils with shared administrations but independent elected bodies
- a two tier model, with roles and responsibilities separated between local and regional councils
- a model for larger councils with a corporate board structure and/or corporatized service delivery

Examining the pros and cons of different governance models are a key part of developing structural models.

This could include the consideration of issues such as:

- minimum and/or maximum terms that Mayors and Councillors can serve
- half term elections
- a "portfolio model"
- greater flexibility to determine mayoral election
- remuneration of councillors
- wards
- roles and responsibilities



This Initiative will require the identification of the barriers, either legislative, administrative or political, that currently prevent councils from adopting boundary adjustments or any voluntary amalgamations that would benefit their communities. It will then require the identification of what changes are required to remove those barriers.

In addition, it is recognised that any voluntary amalgamations or boundary alteration process creates short term costs. As with any organisational change, it can be disruptive to staff and the community and it can result in stress and anxiety. It is therefore important to also identify what incentives can be provided to help mitigate these short term costs.

Linkage with other Initiatives

Initiative 2 (Encourage Innovation))
 Initiative 3 (Act Review)
 Initiative 5 (Revenue System)
 Initiative 9 (Functions)

Who is responsible for this Initiative?

These actions will be taken forward by the Independent Local Government Review Panel, who will make recommendations to the Minister for Local Government. As required by the Panel's terms of reference, it will ensure extensive and effective consultation with the community, ratepayers, business groups, unions, councils and other key stakeholders.

Key Actions	Coordinating Agency	Expected completion
8a Examine the pros and cons of alternative governance models	Independent Review Panel	July 2013
8b Research and develop alternative structural models, identifying their key features and assessing their applicability to NSW	Independent Review Panel	July 2013
8c Identify barriers and incentives to encourage the voluntary amalgamation or boundary adjustment of councils	Independent Review Panel	July 2013



There was a strongly held view throughout the Destination 2036 workshop that Local Government has not been treated as an equal partner by the other spheres of government. Rather, there is a perception that Local Government is just another stakeholder for consultation, rather than a legitimate and equal partner in strategic decision making. In particular, there has been growing frustration within the sector that even when it has occurred, consultation by the State Government has historically been tokenistic, particularly where State Government policies impact on councils. Participants did, however, recognise that the new State Government wanted to improve the relationship.

The lack of clarity in functions, roles and responsibilities and the often poor communication and consultation manifests not only in a strained relationship between State and Local Government, but it can result in poor planning, duplication or gaps in service provision, additional unfunded financial pressures for councils and ultimately poor outcomes for local communities.

These themes were reflected in the Directions proposed at the workshop for the next 1-4 years. The suggested directions included creating "...a respectful, honest and professional partnership based upon agreed values", "...defining the roles and responsibilities of the three tiers ..." and "...removal of cost shifting..."

This Direction will be achieved through the following Initiatives:

INITIATIVE 9

More clearly define the functions, roles and responsibilities of Local and State Government

INITIATIVE 10

Align State and Local Government planning frameworks

INITIATIVE 11

Negotiate a new Inter-Governmental Agreement (IGA)

INITIATIVE 12

Recognise Local Government as a legitimate and important sphere of government



More clearly define the functions, roles and responsibilities of Local and State Government

Why is this important?

Better understanding and more clearly defining the functions, roles and responsibilities of the three spheres of government is a high priority for all stakeholders. It is fundamental to building strong relationship and partnerships between the three spheres of government. Issues such as accountability and cost shifting will stand a stronger chance of resolution when there is a clear definition of the respective roles

What is the current situation?

The *Local Government Act 1993* and the *Local Government (General) Regulation 2005* currently specifies a number of functions and activities that councils are responsible for and that they must perform. Some functions of Local Government are specified in other legislation, such as the *Environmental Planning and Assessment Act*. In most instances, where councils are responsible for a particular regulatory activity, the legislation seeks to provide the capacity for councils to raise funds through fees or charges to cover the costs of the activity.

In addition to these specific functions, the *Council Charter*, which is contained in Section 8 of the *Local Government Act*, is very broad in terms of the functions and activities that councils can undertake. The charter is based on the principle that councils have a broad role and are empowered to make decisions on behalf of and with their communities. An overly prescriptive definition of the role and functions of

Local Government could go against the wishes of the local community. In short, councils should have the flexibility to provide services and facilities that best meet the needs of their particular community.

It must also be recognised that society's needs and demands are not static and the three spheres of government need to retain a degree of flexibility in order to respond to these changes. Any attempt to define functions and responsibilities must therefore include a mechanism to negotiate and agree on who should perform new functions and how those functions will be funded – indeed, this is a major feature of the *Inter-Governmental Agreement (IGA)*. Therefore, this is a matter that will need to be considered in the context of Initiative 11 (New IGA).

What actions need to be undertaken?

In order to more clearly define the roles and functions of Local Government and the State Government, it is important to firstly identify the current status.

The key action for this Initiative therefore is to undertake a stocktake of the current functions, roles and responsibilities that are mandated for Local Government, and the legislative provisions under which those functions are required. This will provide a clear snapshot of the core functions that councils are currently required to perform, particularly in terms of regulatory functions. It will also help to identify the funding sources available to perform the tasks.

Once this work has been undertaken, it will be possible to consider whether a set of core functions for Local Government should be prescribed in the *Local Government Act*.

Linkage with other Initiatives

Initiative 3 (Act Review)
Initiative 5 (Revenue System)
Initiative 8 (Structural Models)
Initiative 11 (New IGA)

Who is responsible for this Initiative?

The Independent Local Government Review Panel and Act Review will both have a role to play in implementing this action, based on extensive consultation.

The LGSA have done extensive work on this issue as part of its *Modernising Local Government* program, which the Panel will draw upon.

Key Actions	Coordinating Agency	Expected completion
9a Identify those functions that are clearly State or Local Government responsibility, those that cannot be readily defined and those that have been legislated/regulated as core functions	Independent Review Panel/ Act Review	July 2013

Objective 1 Align State and Local Government planning frameworks

Why is this important?

Both the State and Local Government have important roles in strategic and land use planning. The Environmental Planning and Assessment Act (EP&A Act) sets out how responsibility for environmental planning is determined between the NSW Government and Local Government. As a result of a range of amendments over the last 30 years, the NSW planning system is now characterised by its complexity, multi-layering of plans and policies, multiple development approval pathways and consent bodies, and lack of integration of land use and infrastructure planning.

More broadly, under the Integrated Planning and Reporting reforms, councils are now required under the *Local Government Act* to prepare a long term Community Strategic Plan and Long Term Financial Plan for their area. The Community Strategic Plan is for the entire community, not just those elements within the council's control. Under the reforms, councils are required to give due regard to the State Plan and any regional plans, although there is no requirement for the State to consider council plans.

What is the current situation?

The State Government has already set in train a number of significant initiatives to improve the alignment of state and local planning.

In terms of land use planning, the NSW Government has abolished Part 3A determinations under the EP&A Act. More broadly, it has commenced a comprehensive review of the Act. The review includes a comprehensive process of consultation across the State. DLG has been liaising with the EP&A Act Review Panel to ensure that issues of commonality are understood.

In terms of strategic planning, the new State Plan – NSW 2021 gives explicit recognition of Local Government as an important element of and contributor to the delivery of the State Plan. Regional Ministers and Members of Parliament are consulting with Local Government and communities across the State to develop Regional and Local Action Plans aligned to NSW 2021. These plans will focus on the most important actions the NSW Government can take to improve outcomes in each region and locality.

What actions need to be undertaken?

There are a number of actions that can be undertaken by the Local Government sector and other stakeholders to improve planning systems and outcomes.

Firstly, all councils and other affected stakeholders should take the opportunity to contribute to the review of the EP&A Act. The LGSA, as the sector's representative body, should make representations to the Review to ensure greater integration of planning processes and greater involvement with Local Government in the development of Strategic Land Use Plans. The DLG will also continue to liaise with the EP&A Act Review Panel.

With regard to the alignment of strategic planning, local councils and their communities and ROCs must be actively engaged in the development of the Regional and Local Action Plans. The process for the development of these plans will, in itself, help to strengthen the relationship between individual councils and their ROCs and their respective Regional Ministers and Regional Coordinators. Strengthening these relationships will assist councils to establish broader State Government relationships. DLG will be an important advocate for councils' involvement in this.

The DLG will also continue to develop tools and provide information, including data sources, to assist councils in preparing their Integrated Planning and Reporting plans and will review the IP&R framework at the conclusion of the first cycle.



Linkage with other Initiatives

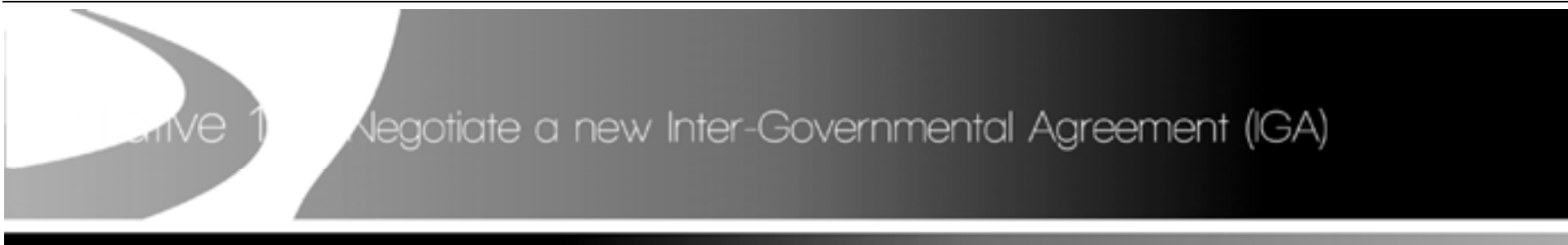
Initiative 2 (Encourage Innovation)
 Initiative 9 (Functions)
 Initiative 11 (New IGA)
 Initiative 12 (Constitutional Recognition)

It has also been noted that there are a number of regional boundaries that are used by different agencies for different purposes. This often adds to confusion and potentially results in overlap or gaps in regional representation. The Southern Councils Group (SCG) are developing a project to identify these different regional boundaries. Given the project's relevance to this Initiative and the work of the Independent Panel, this will be an important external project to link with.

Who is responsible for this Initiative?

The NSW Government has already taken a lead on this Initiative outside the *Destination 2036* framework. There is clearly a shared responsibility with Local Government to ensure that the sector actively participates in the new processes that the Government is establishing. DLG will have the main responsibility for this initiative.

Key Actions	Coordinating Agency	Expected completion
10a Contribute to the review of the EP&AA Act	LGSA	June 2013
10b Contribute to Regional and Local Action Plans that link to NSW 2021 and that address the key issues in each region and local area	DLG	December 2012
10c Review IP&R framework including access to data and regional planning	DLG	December 2013



Why is this important?

An Inter-Governmental Agreement can underpin and help to strengthen the relationship between State and Local Government. It can provide a robust framework and mechanism to establish a strong partnership through addressing specific roles and responsibilities, dealing with changes in responsibilities (i.e. address cost shifting) and resolving disputes. It could also serve as an umbrella under which the Destination 2036 Initiatives can be progressed.

What is the current situation?

An Inter-Governmental Agreement between LGSA and the NSW Government (NSW IGA) was signed in October 2010. That Agreement formalised the relationship between the two sectors, and commits to working together to build a strong and sustainable Local Government sector.

The Agreement acknowledges the *Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters* signed by the Commonwealth Government, the NSW Government and all other State and Territory Governments, and the Australian Local Government Association (ALGA) in 2006. It seeks to complement the objectives of that Agreement to achieve the best possible outcomes for communities. Following a recent review of the National IGA, members will now investigate regular performance measurement and a reporting framework at all three levels of government. Following that, members will examine the potential to broaden the National IGA's scope.

The existing NSW IGA seeks to ensure the efficiency, effectiveness and coordination of service and infrastructure provision by State and Local Government, promote transparency and accountability in both spheres of Government, promote open and timely communication and consultation between State and Local Government, enhance councils' accountability to their communities and their capacity for self-governance and continuous improvement, recognise the diversity of councils' financial capacity and the need to strengthen this financial capacity, and promote consistent and complementary strategic directions.

A Ministerial Round Table is the mechanism in the IGA which allows State and Local Government to come together to address significant, complex and challenging issues as they arise.

What actions need to be undertaken?

The existing NSW IGA needs to be revisited. While it contains a number of important principles, it was developed and signed by the previous NSW Government and it does not reflect the current Government's strong commitment to working in partnership with the Local Government sector.

In the first instance, it is proposed that a working group be established to explore ways in which the NSW IGA can be strengthened.

Linkage with other Initiatives

Initiative 5 (Revenue Framework)
Initiative 6 (Grant Funds)
Initiative 9 (Functions)
Initiative 10 (Planning Frameworks)
Initiative 12 (Constitutional Recognition)

Who is responsible for this Initiative?

DLG will work with the LGSA on this Initiative.

Key Actions	Coordinating Agency	Expected completion
11a Establish a forum and a process to review the existing IGA	DLG/LGSA	October 2012



Recognise Local Government as a legitimate and important sphere of government

Why is this important?

Local Government has been in existence in NSW since 1842. It is an integral sphere of government and plays a key role in delivering a range of services to the local community. It also has primary responsibility for local strategic and land use planning matters. Local Government is a State Government responsibility and it is recognised in the NSW Constitution. It operates under State legislation, primarily the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*.

Although Local Government receives a significant share of its funding from the Commonwealth Government, it is not recognised in the Australian Constitution. The constitutional basis for such funding is, however, doubtful and the need for reform was clearly highlighted in 2010 by the decision of the High Court in *Pape v Federal Commissioner of Taxation*. In that case, the High Court set out the limitations of the Commonwealth Government's powers and indicated that the Commonwealth Government does not have the power to fund Local Government directly, thus potentially casting doubt on the validity of some of the funding programs.

What is the current situation?

The Commonwealth Government intends to put a referendum question to the Australian people on the recognition of Local Government in the Australian Constitution by 2013. It has appointed an Expert Panel on Constitutional Recognition for Local Government and the Panel released a Public Discussion Paper in September 2011. The Expert Panel reported to the Commonwealth Government in December 2011.

The Local Government sector, through the Australian Local Government Association (ALGA) nationally and the LGSA in NSW, is seeking a change to the Australian Constitution which will allow the Commonwealth Government to fund Local Government directly. Direct funding of Local Government by the Commonwealth Government already occurs through programs such as *Roads to Recovery*, which benefit local communities and councils, their state jurisdictions and the nation as a whole.

What actions need to be undertaken?

Required actions will become clearer over the coming months now the Expert Panel has reported back to the Commonwealth Government. However, given that a referendum on this issue has failed on two previous occasions, the Local Government sector will need to undertake initiatives to garner broad community support for the proposal.

Linkage with other Initiatives

Initiative 6 (Grant Funding)

Who is responsible for this Initiative?

LGSA

Key Actions	Coordinating Agency	Expected completion
12a Support and promote the recognition of Local Government in the Australian Constitution	LGSA	December 2013



Efficient and Effective Service Delivery		
<i>Initiative 1 - Establish Local Government as an employer of choice.</i>		
Key Actions	Coordinating Agency	Expected completion
1a Develop a program for sharing specialist professional, technical and other staff between councils in rural areas on a regional basis and between urban and rural councils	LGMA (NSW)	June 2013
1b Develop a program for partnering and mentoring between large/small and urban/rural councils	LGSA	June 2013
1c Explore opportunities for increasing flexible working arrangements to support a variety of models of local government	LGMA (NSW)/LGSA Submit to Panel	April 2013
1d Identify barriers to establishing inter-council contractual arrangements sharing staff, including general managers and senior staff, as well as commercialising services	LGMA (NSW) Submit to Panel	April 2013
1e Develop and implement strategies to increase the diversity and skill range of council staff	LGMA (NSW)	Ongoing
<i>Initiative 2 - Encourage and facilitate innovation.</i>		
Key Actions	Coordinating Agency	Expected completion
2a Develop options and models to enhance collaboration on a regional basis through ROCs	Independent Review Panel	July 2013
2b Undertake research into innovation and better practice in Local Government in NSW, Australia and internationally	Independent Review Panel	July 2013
2c Ensure councils take advantage of the National Digital Economy Strategy and the National Broadband Network to improve capacity and service delivery	LGSA	June 2014
2d Develop a consistent performance measurement approach for councils and a comprehensive program to support improvement	DLG	June 2013
2e Develop alternative service delivery business models	LGMA (NSW) Submit to Panel	April 2013
2f Examine and develop options for state-wide procurement and technology	LGSA/DLG	December 2013
2g Review all legislation for impact on local government and identify opportunities to reduce red tape while ensuring accountability and not compromising good governance	LGSA Submit to Panel	September 2012

Appendix

Summary of Action Plan Initiatives and Key Actions

Quality Governance***Initiative 3 – Ensure the Local Government Act supports stronger local government.***

Key Actions	Coordinating Agency	Expected completion
3a Identify legislative implications of Destination 2036 actions and advise the Local Government Act review	DLG Submit to Panel and Act Review	September 2013

Initiative 4 - Ensure strong and effective local governance.

Key Actions	Coordinating Agency	Expected completion
4a Review and amend the Model Code of Conduct and relevant provisions of the Local Government Act to ensure the highest standards of behaviour	DLG	September 2012
4b Develop strategies designed to increase the diversity and skill range of candidates and elected councillors	DLG/LGSA	Immediately and ongoing
4c Develop and implement a Councillor Development Strategy	DLG/LGSA	October 2012 and ongoing

Appendix Summary of Action Plan Initiatives and Key Actions

Initiative 5 - Review the revenue system to ensure greater flexibility and self reliance.		
Key Actions	Coordinating Agency	Expected completion
5a Review the financial sustainability of councils	DLG Submit to Panel	December 2012
5b Examine current Local Government revenue system to ensure the system is contemporary, including rating provisions and other revenue options	Independent Review Panel	July 2013
Initiative 6 - Develop strategies that maximise opportunities to secure funding from other levels of government.		
Key Actions	Coordinating Agency	Expected completion
6a Representations to the Commonwealth Government to provide Local Government with a greater share of income and a "fairer" distribution of funds between councils through the Commonwealth's review of Financial Assistance Grants	LGSA	Ongoing
6b Representations to the Commonwealth Government to ensure permanency of the 'Roads to Recovery' program	LGSA	Ongoing
6c Enhance skills in rural and regional councils to better ensure that they secure grant funding from other levels of Government	LGMA (NSW)	June 2013
Initiative 7 - Establish a range of funding models to enable the long term maintenance, replacement and creation of different classes of assets.		
Key Actions	Coordinating Agency	Expected completion
7a Establish and implement the Local Infrastructure Renewal Scheme to assist in investment in infrastructure	DLG	Already commenced. Annual program funded until 30 June 2015
7b Provide support to councils to develop asset management plans and better understand asset management issues	DLG	June 2012
7c Representations to the Commonwealth Government to develop coordinated infrastructure strategies and funding	LGSA	Ongoing
7d Undertake a council-by-council audit of asset backlog	DLG Submit to Panel	June 2013

Appendix Summary of Action Plan Initiatives and Key Actions

Appropriate Structures

Initiative 8 - Develop a number of different structural models for local government.

Key Actions	Coordinating Agency	Expected completion
8a Examine the pros and cons of alternative governance models	Independent Review Panel	July 2013
8b Research and develop alternative structural models, identifying their key features and assessing their applicability to NSW	Independent Review Panel	July 2013
8c Identify barriers and incentives to encourage the voluntary amalgamation or boundary adjustment of councils	Independent Review Panel	July 2013

Strong Relationships

Initiative 9 - More clearly define the functions, roles and responsibilities of Local and State Government.

Key Actions	Coordinating Agency	Expected completion
9a Identify those functions that are clearly State or Local Government responsibility, those that cannot be readily defined and those that have been legislated/regulated as core functions	Independent Review Panel/ Act Review	July 2013

Initiative 10 - Align State and Local Government planning frameworks.

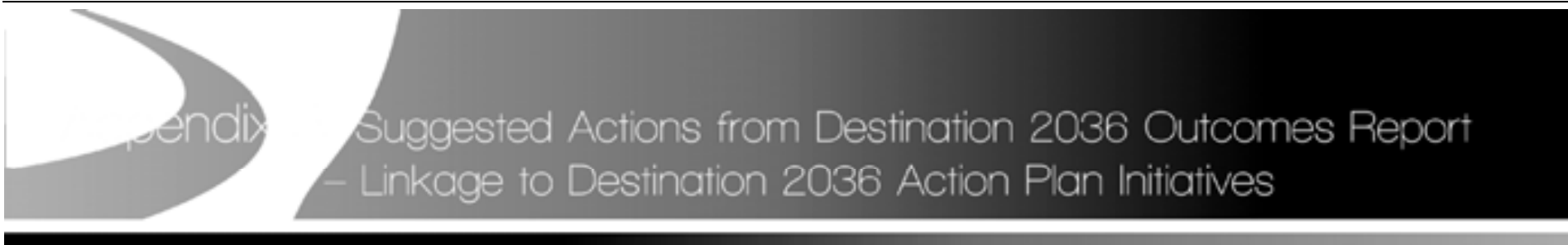
Key Actions	Coordinating Agency	Expected completion
10a Contribute to the review of the EP&A Act	LGSA	June 2013
10b Contribute to Regional and Local Action Plans that link to NSW 2021 and that address the key issues in each region and local area	DLG	December 2012
10c Review IP&R framework including access to data and regional planning	DLG	December 2013

Initiative 11 - Negotiate a new Inter-Governmental Agreement (IGA).

Key Actions	Coordinating Agency	Expected completion
11a Establish a forum and a process to review the existing IGA	DLG/LGSA	October 2012

Initiative 12 - Recognise Local Government as a legitimate and important sphere of government.

Key Actions	Coordinating Agency	Expected completion
12a Support and promote the recognition of Local Government in the Australian Constitution	LGSA	December 2013



Outcomes Report No.	Outcomes Report - Suggested Actions About Functions	Action Plan Initiative Reference
1a	Establish a task force to identify the roles and responsibilities of Federal, State and Local Government and formalise the shared understanding through a MOU or other similar agreement	9
1b	Review and clarify functions provided by Local Government, including identifying core or key functions as well as discretionary functions	9
1c	Ensure that the review of the <i>Local Government Act</i> defines core functions and enables discretionary functions	3,9
1d	Develop a procedure to be implemented when functions are proposed to shift between levels of government	11
1e	Explore the potential for councils to be directly funded to provide some State and Federal Government services, particularly in regional, rural and remote areas	6
1f	Clarify and reach agreement on responsibility, and associated funding arrangements, for emergency and fire services	5
1g	Develop and fund a program to increase the number of aged care facilities in rural and remote areas	6
1h	Align and integrate strategic planning between State and Local Government, including improving the interrelationship between state, regional and local plans	10
1i	Align federal, state, regional and local planning for population growth	10
1j	Promote population, business and industry growth in regional, rural and remote areas	10
1k	Review the Environmental Planning and Assessment Act to increase flexibility and local autonomy	10
1l	Develop greater community awareness and ownership of the Metropolitan Strategy and other city-wide land use planning policies and strategies	10
1m	Align state, regional and local planning for transport	10
1n	Develop integrated regional plans for affordable and social housing in metropolitan and regional areas	10
1o	Develop and implement strategies for productive agricultural land, to provide food security and encourage the localisation of food production	10
1p	Align state, regional and local planning for coastal management to help provide greater clarity for service provision	10
1q	Align state, regional and local planning for flooding to help provide greater clarity for service provision	10
1r	Align state, regional and local planning for disaster management to help provide greater clarity for service provision	10