attachment to item 31

Hawkesbury City Council

Attachment 1

Department of Local Government Position Paper - "A New Direction for Local Government"

Attachment 2

Department of Local Government Options Paper - "Planning a Sustainable Future, Integrated Planning and Reporting for NSW Local Councils"

date of meeting: 27 February 2007
location: council chambers
time: 5:00 p.m.

Attachment 1

Department of Local Government Position Paper -
"A New Direction for Local Government"

A NEW DIRECTION FOR LOCAL GOVERNMENT

A POSITION PAPER

OCTOBER 2006

dlg

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SECTION 1

A NEW DIRECTION

1.   THE CHALLENGE FOR THE 21ST CENTURY

Local government is about sustaining communities. It is much more than providing services. Services are a council's response to its community needs in a wider context of local democracy and local representation. Local councils, as the heart of communities, are an essential ingredient in forging the quality of a community's life.

While each community is unique, council administration is not. The challenge to local government in the 21st Century is to retain local community 'uniqueness' while delivering valued services as economically as possible. Resources are limited and demands are competing so it is critical that local government finds new ways to plan and deliver services so that local democracy is sustainable and able to flourish.

Because communities are never static, it stands to reason that local government, as the closest tier of government to people, should also be constantly evolving to meet changing community needs.

While local government in NSW has been undergoing reform in recent years there are still many opportunities to further refine and improve the system of government that has served the people of NSW so well for over a century.

This position paper suggests a new direction and options for further reform across the sector. It is intended to generate debate so that consensus can be reached on the way forward. The matters raised in the paper are based on the assumption that the local government sector is committed to innovation and continuous improvement. This paper supports initiatives proposed in the Draft NSW Government State Plan - A New Direction for NSW. In particular, it aligns with the areas of building harmonious communities through increased community participation; improving services to focus on community needs; and growing prosperity across NSW by focussing on financial management and strengthening the rural and regional skills base.

The paper acknowledges work done across the sector including the recent Local Government Inquiry into financial sustainability commissioned by the Local Government and Shires Associations (LGSA) and chaired by Professor Percy Allan. Where relevant, it addresses the issues raised and recommendations made by Professor Allan.

2 A SNAPSHOT OF LOCAL GOVERNMENT IN NSW

2.1 History

For the first 50 years of the NSW colony, all services were provided by the State. Over time governors wanted to follow the English model by delegating the delivery of local services to a local system of governance.

In the 1840s, District Councils were created to raise revenue locally for the purpose of constructing and maintaining roads, bridges, public works and gaols. They were also charged with maintaining a police presence. Twenty-eight District Councils were proclaimed.

Under the *Municipalities Act 1858*, any town, city, hamlet or rural district could be constituted as a municipality by a petition of fifty or more householders. Municipalities had responsibility for roads, bridges, ferries, cemeteries, water supply, sewerage, hospitals, libraries, museums and parks etc. There was reluctance by communities to form municipalities and by 1905, only 1% of the State was covered.

In 1905, the *Local Government (Shires) Act* divided the remainder of NSW into 134 shires. The boundaries were set by a local government area commission. The *Local Government Act 1906* consolidated existing legislation. By 1910, there were 324 councils in NSW.

In 1919, the *Local Government Act 1906* set out in detail how local government was to be administered in NSW. The 20th century saw numerous amalgamations, boundary adjustment and reforms. The 1919 Act was regularly amended and was replaced in 1993.

The 1993 *Local Government Act* introduced greater autonomy for councils with a broad range of functions and responsibilities contained in a Charter. The essence of the Charter is community leadership and accountability.

2.2 Local Government Now

Local government in NSW is diverse. Councils provide a wide range of services and conduct an array of functions. No two councils are the same. The following is a snapshot of some key statistics.

- There are 152 general purpose councils.
- Geographic size of councils ranges from 5.8 square kms (Hunters Hill) to 53,510 square kms (Central Darling).
- Population size ranges from 1400 residents (Urana) to 280,000 (Blacktown).
- The most common age group of Councillors is 50-59 years (34.5%).
- 26% of councillors are female and 74% male.
- Councils employ over 51,000 staff.
- 96% of General Managers and 86% of Senior Managers are male.

- Councillor numbers range from 5 to 15. The total number of Councillors in NSW is around 1500.

Local councils provide a complex array of services. Gone are the days of 'rates, roads and rubbish'. As well as looking after roads and collecting waste, NSW councils provide services for their communities that include libraries, recreation and sporting facilities, water and sewer, art and cultural facilities, health and community services and cemeteries.

Local government in NSW is a $6 billion industry that touches almost every citizen in some way on a daily basis. The following diagram illustrates the broad local governance system in NSW:

Diagram 1

The System of Local Government in NSW
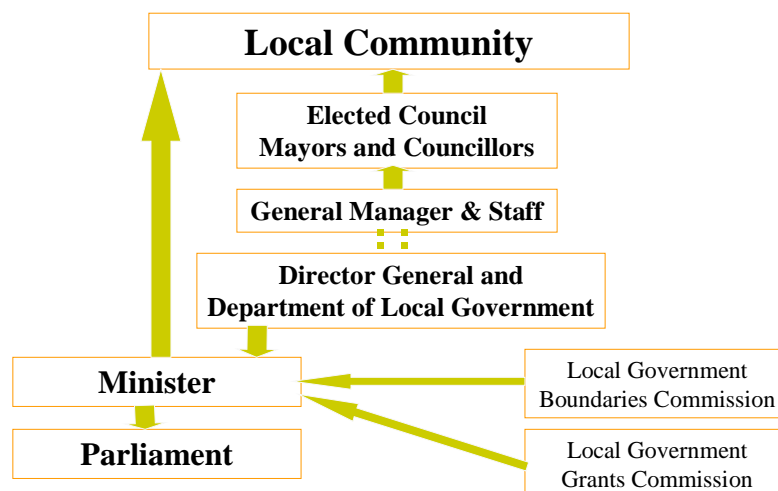
2.3 Reforms

The story of local government in NSW has been one of constant change and renewal. Not only is this desirable, it is necessary if councils are to reflect their communities and meet their changing needs. There have been periods of intense activity. 1910 marked the peak in terms of numbers of councils. At that time there were 324 councils. The boundaries of these councils did not necessarily reflect ecological catchments, communities of interest, or the financial capacity of communities. The subsequent reforms have largely been designed to address the financial sustainability of councils.

In 1973, the Committee of Inquiry into Local Government Areas and Administration chaired by Mr CJ Barnett undertook a major review of boundaries. The Committee concluded that a number of councils were too small to be sustainable and recommended that there be only 97 District Councils in NSW. By 1973 the number of councils had dropped to 223.

Between 1974 and 2003 a number of voluntary amalgamations occurred resulting in the total number of councils decreasing to 173.

In 2003, the NSW Government called on councils to develop proposals for structural reform under the Local Government Reform Program. The purpose was to create a strong and sustainable local government system. Possible solutions included amalgamations, boundary adjustments (along communities of interest or natural catchments), resource sharing and governance improvements.

Amalgamations resulted in the overall number of councils reducing to 152 by 2005. Resource sharing and governance reforms are the subject of the current thrust of local government reform.

2.4 Council Resources

Councils obtain revenue from four main sources:

- Rates on property. Growth in each council's total rates income is capped to a percentage each year roughly in line with CPI. This percentage can be exceeded with Ministerial approval through an application for a Special Variation under section 508 and 508A of the *Local Government Act 1993*. Specific criteria must be met;

- Financial Assistance Grants (FAGs) from the Commonwealth Government. These are distributed by the NSW Grants Commission; a body set up to advise the Local Government Minister on how to allocate the FAGs. The Commission works on a formula which takes into account population, infrastructure, remoteness etc;

- Council fees such as Development Application fees, plant hire charges, sporting field use, hall hire, etc;

- Miscellaneous revenue (interest from investments, etc).

20%

16%

17%

47%

- ■ Rates & annual charges
- ⊡ User charges and fees
- ⊡ Grants
- ⊡ Other
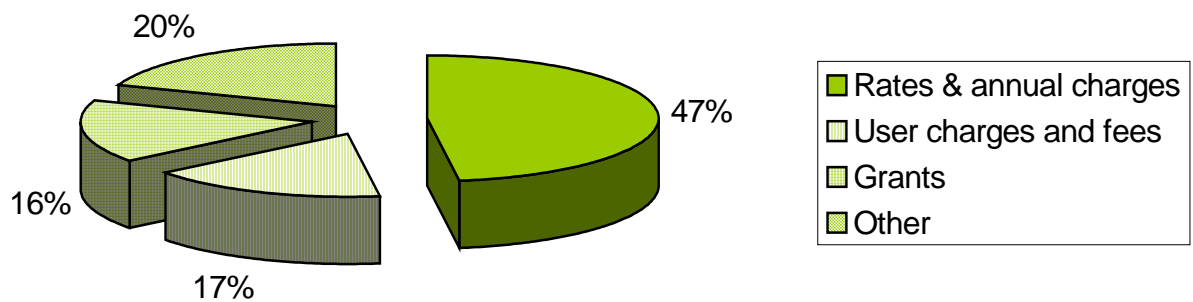
Diagram 2   Local Government – Major Sources of Funding

2.5   The New South Wales Department Of Local Government's Role

The Department of Local Government's vision is "to foster a strong and sustainable local government sector that meets changing community needs." It provides the legislative and policy frameworks that enable councils to provide the quality services required by their communities.

The Department also monitors council compliance with legislative and regulation requirements, investigates complaints about councils and provides information and guidance to councils, government agencies and the public about local government.

The Department has adopted a 'systems' approach to building a strong and sustainable sector. The key elements of a well functioning local government system have been identified and strategies are being put in place to progressively strengthen and improve the whole system. This has been in response to emerging issues, many of which have been identified from within the sector.

2.6   The Fork In The Road

Local government in NSW has many challenges confronting it. Many of these were highlighted in the Allan Inquiry report. Some hard choices and decisions need to be made. It is as much about identity and function as it is about funding. Councils operate in a context of increasingly demanding and complex community expectations where there are limited resources and skills shortages.

Different words can be used to describe the diverging pathway confronting the sector but they can be reduced to two basic scenarios. One is a contracted services model where councils only provide basic services such as road maintenance and waste removal. The other is a growth model where council functions and responsibilities expand to become the type of organisations contemplated and made possible by the 1993 *Local Government Act*. It is recognised that some councils already embrace this model.

Local government's key role is to support and sustain communities. As community expectations are growing, it is unlikely that communities would support councils reducing their services. This paper is based on the assumption that local government wishes to take the path of increasing its role to match the changing needs of local communities. The challenge is to develop appropriate ways to do that cost effectively.

2.7   Obstacles In The Path

Local government in NSW operates largely in a competition, compliance and dependency paradigm. One hundred and fifty-two councils compete for scarce resources from the State and Commonwealth Governments to supplement other sources of income such as rates. In terms of performance and the expected delivery of services, all councils are largely considered as equals. However, the variance in council size, resources and ability is wide.

Reform has generally been resisted because it has been seen as code for amalgamation and the loss of local representation.

The *Local Government Act 1993* does not impede cooperative or joint service delivery between councils. However, the culture of the sector has been to adopt a more cautious approach with respect to alternative business models, which involve working across boundaries.

Incentives have focussed on the delivery of core services within a council boundary rather than to take a wider sector approach. Performance measures of councils drive this behaviour because performance is only measured council by council. The result is duplication of delivery systems and sector wide inefficiencies. Some councils are now struggling to survive in an environment of increasing competition for resources.

3. THE FUTURE FOR LOCAL GOVERNMENT

3.1 Sustainable Communities

A sustainable community is difficult to define. It is not a static end product but more a state of becoming. People who live in sustainable communities have a sense of belonging and a strong sense of place. A sustainable community can be recognised by its confidence, self-reliance and ability to assume responsibility for its future.

The core components of a sustainable community include;

- Social cohesion; a socially mixed community where neighbourhoods are characterised by diversity of income, age, culture and housing tenure etc and there are opportunities to move freely through life's cycles without the need to relocate.

- Functional economy; diverse employment opportunities exist which underpin a quality of life matched with community prosperity expectations.

- Robust environment; ecologically balanced with impacts from human activity capable of being accommodated without degradation.

- Sound infrastructure; facilities and services are matched to community needs.

3.2 Strong and Sustainable Local Government

In the same way that communities are different, local councils also have differences in the services they provide and the manner in which they provide them. However, the core elements of a strong local government system are the same. They can be summarised as:

(1) *Good governance*: The way the council is directed, controlled and managed to ensure there is community confidence in the organisation's performance.

(2) *Representative democracy and community support*: Elected members are truly representative of their community demographics. People are able to participate in local affairs and have confidence in council decisions.

(3) *Sound policy*: Clear and transparent policies enable decisions to align with community values and expectations.

(4) *Sufficient resources*: Human and financial capital is sufficient to implement council decisions, deliver services to agreed community standards and to meet statutory obligations.

(5) *Meaningful planning*: Planning processes translate community aspirations into council services.

(6) *Connectedness*: Councils are linked to the wider community and are not 'islands'.

(7)   *Strong leadership*: Councils are places where people want to work and contribute. There is active competition for positions at both the political and managerial levels.

The following diagram illustrates the connection between sustainable communities and a strong local government system.

Diagram 3

Bringing It All Together

3.3   New Direction

If local government is to reach its potential as a vibrant tier of government, there needs to be a change in thinking about how the sector operates. The culture of isolated units needs to be replaced with a new paradigm of connectedness and innovation. Such a paradigm would see all the players as an integral part of one system, which is charged with the goal of achieving better outcomes for sustainable local communities. One business; many providers.

Neither the community in general nor other tiers of government are satisfied that local councils are as efficient and effective as they could be in providing

their services. If the question of resourcing is to be addressed, it is incumbent on the sector to prove that every possible efficiency has been adopted and that the services provided are wanted and valued by the community. This new direction would encourage new approaches to meeting community needs without being hindered by protecting traditional ways of working. It is acknowledged that many councils are already actively engaging in innovative business models consistent with this direction.

If a sector wide approach is adopted, concerns about the number of councils would recede as different models of governance emerge. Local diversity, community autonomy, efficiency and effectiveness in service delivery would be the primary concerns.

Sustainable reform can only come through the sector embracing new business models, enhancing community engagement and focussing on quality service delivery.

The principles of the new direction would be:

- State and local government "have an open and productive relationship" - Inter Governmental agreement signed on 12 April 2006 between Commonwealth, State and Local Government. (Element 1: Good governance)

- Stronger councils assisting weaker ones. (Element 2: Representative democracy and community support)

- Minimal duplication while maintaining competition principles to drive efficiency improvements. (Element 3: Sound Policy)

- Ideas and resources being shared. (Element 4: Sufficient resources)

- Focussing on continuous improvement. (Element 5: Meaningful planning)

- Boundaries not being impediments. (Element 6: Connectedness)

- Councils mentoring each other. (Element 7: Leadership)

If this paradigm of thinking is embraced by the entire local government sector, the possibilities are vast. Councils could be 'community franchises' purchasing or trading services from a local government market place of specialist providers. Some councils could specialise in certain 'back office' businesses and compete to provide the service to multiple councils. New business models could emerge resulting in increased efficiencies, improved services, and a new fresh image for local government.

SECTION 2

BUILDING ON THE STRENGTHS: THE NEW DIRECTION IN PRACTICE

The local government system in NSW has many enduring strengths. As with any system however, continuous improvement is essential if the goal of having sustainable communities is to be realised.

If the sector is to continue to meet the challenges before it, there is a need for ongoing debate. This section outlines some current initiatives and puts forward for discussion, some suggestions for further reform. It is important that they are viewed as a package and not in isolation. They are designed to engage the sector in a debate on how local government can reform itself largely from within. Some of them will require legislative change. Others will require new policy directions and some will only need a new way of thinking.

The Department has been progressively assessing gaps that are inhibiting local government from working as effectively as it could. Grouped under the elements of a good system as outlined in Section 1, are projects designed to assist councils to better understand and meet the needs of their communities. Collectively they attempt to describe a strong and sustainable local government system, in the context of the new direction of connectedness and innovation. The seven elements are:

1. Good governance
2. Representative democracy and community support
3. Sound policy
4. Sufficient resources
5. Meaningful planning
6. Connectedness
7. Strong leadership

ELEMENT I.   GOOD GOVERNANCE

Good governance is the foundation of a sustainable and successful organisation. Good governance delivers good performance. It minimises the risks of financial failure, ensures transparency and accountability and promotes efficiency and effectiveness. Local government is under intense scrutiny and the success of the sector is only as good as its weakest part. It is essential that the elements of governance are clear and transparent so communities have confidence in the way a council is managed.

What we have been doing

Promoting Better Practice (PBP) Reviews

The Department has been conducting PBP reviews of councils since 2004. These act as a health check on the individual councils and the identification of trends across the sector. The reviews cover

- Strategic directions
- Governance
- Regulatory functions
- Asset and financial management
- Community and consultation
- Workforce relations

Recommendations are made to treat performance problems and to prevent problems arising.

The PBP program is a proactive, early intervention strategy to assist individual councils as well as sharing learning across the whole sector. From the reviews done to date some consistent themes have been emerging which are helping drive the Department's work in progressively building a strong and sustainable system. While there are many areas of satisfactory performance, there are major areas in need of improvement. These are:

- Strategic management
- The role of councillors
- Community engagement
- Code of conduct implementation
- Complaints handling
- Meetings practice
- Risk management
- Integration of social and landuse planning
- Asset/Infrastructure planning and management
- Service standards
- Workforce planning

Now that a significant number of reviews have been completed, reports and trends are being posted on the Department's website so the sector as a whole can benefit.

The *Local Government Act 1993* requires councils to adopt a code of conduct that incorporates the provisions of the Model Code of Conduct prepared by the Department in consultation with the LGSA, Local Government Managers Australia, the Independent Commission Against Corruption and the NSW Ombudsman. These requirements came into effect on 1 January 2005. The Department is currently reviewing the implementation of the Code in consultation with the sector including the bodies mentioned above with a view to updating it as appropriate.

What we think needs doing

Proposal 1.1:   Peer reviews of councils

The Department is able to conduct around 18 Promoting Better Practice reviews (PBP) each year. At this rate it will take many years to complete all councils. To both speed this up and to broaden the opportunities for learning across the sector, some PBPs could be conducted by councils themselves and then reviewed by the Department with voluntary peers from other councils. Reviews could also be conducted by a mixture of Departmental staff and accredited volunteers from other councils (elected and staff). The reviews would follow the agreed and standard format. This would encourage the principle of mentoring.

Proposal 1.2:   Strategic planning assistance for councils

Strategic planning is a current gap in many councils. Without it, good governance is severely hampered because there is no strong framework for a council to work within. It is proposed to provide support and training to councils on this element of governance as part of the integrated planning and reporting reforms outlined in Proposal 5.1.

Proposal 1.3:   Red tape review

Any prudent organisation or sector will from time to time review administrative processes to make sure they are still fit for purpose and focussed on outcomes. While much of the red tape in the *Local Government Act* is being assessed as part of the Integrated Planning and Reporting project, it is proposed to conduct a more comprehensive red tape review of the Act and Regulation and remove anything that does not add to the quality of life for sustainable communities.

Proposal 1.4: Clarification of roles

It is essential in any organisation that roles and functions be as clear as possible. It is an important requirement for good governance. The *Local Government Act 1993*, outlines in a broad sense, the roles and responsibilities of councillors, mayors and general managers. However, there are differing interpretations of some aspects that often lead to internal conflicts and disputes. This diverts attention away from the primary purpose of councils and can eventually lead to inappropriate behaviour and dysfunction.

It is proposed to further clarify the respective roles to support other initiatives, particularly in relation to integrated planning and leadership development.

ELEMENT 2. REPRESENTATIVE DEMOCRACY AND COMMUNITY SUPPORT

For a council to be effective, it should broadly reflect its community demographics and be able to confirm it has community support to make decisions on behalf of that community.

What we have been doing

Reduction in Councillor Numbers.

The *Local Government Act* provides that councillor numbers can only be altered by a referendum. However, the Act was amended in 2005 to enable councils, as a one-off opportunity, to reduce the number of councillors without a referendum. A sunset clause ended this opportunity on 15 July 2006. No council may have less than 5 councillors and councils divided by wards could not apply if it meant that there would be less than 3 councillors in a ward.

21 councils put forward proposals with the total number of councillors across the state reducing by 47. This will come into effect at the next ordinary election in September 2008. Some councils expressed interest in reducing numbers but were prevented by the ward limitation.

Diversity in Local Government:

Councils in NSW do not as a general rule, reflect the demographics of their communities. For example, currently, only 26% of NSW councillors and 4% of general managers are women.

The Department has been supporting greater diversity in local government and is keen for councils to create an environment where under represented groups want to make a contribution.

We have worked with key players in the sector to develop and promote the National Framework for Women in Local Government Kit. We recently held a "Promoting Diversity in Local Government" workshop where councils

showcased initiatives and explored future opportunities for encouraging diversity.

What we think needs doing

Proposal 2.1: Develop principles for determining local representation

There is no formula for calculating the number of councillors required for a sound local democracy. In NSW the number of councillors can range from 5 to 15. Representation levels vary from one councillor per 500 people to one councillor per 15,000 people. It is proposed to develop some principles to guide councils and their communities when considering councillor numbers. This will not result in a formula but is intended to establish agreement across the sector on the criteria to be used for efficient and representative local democracy. Depending on the outcome of this work, consideration may then be given to another opportunity to alter councillor numbers where appropriate, to align with the new principles.

Proposal 2.2: Develop a kit to promote 'candidacy' in local government

If local government is to be strong and robust it is essential that the best possible candidates are attracted. There are many in the wider community who have an ill informed or negative view of councils. As a result, it is possible that many potential candidates do not stand for council thereby reducing the pool of available talent both in number, diversity and ability.

It is proposed that the Department and the LGSA work together on a kit to promote local democracy, the important role of councils and the opportunities being a councillor presents. The existing publication "So You Want to be a Councillor" will be expanded and updated. Unnecessary impediments to attracting candidates will be identified and addressed as part of the work.

Proposal 2.3: Promote flexible meeting times

Council meetings are the public face of local democracy. If they are well run, respectful and focus on community outcomes, the community is more likely to have confidence that sound decisions are being made. The Department has in recent times provided the model Code of Conduct and Meeting Practice Note to assist. However, if councils are to attract high calibre people who are representative of the community, consideration needs to be given to a greater level of flexibility in how and when meetings are conducted. It is proposed therefore to encourage flexible meeting times to accommodate the needs of working people and families.

Proposal 2.4:   Guidelines on community consultation and involvement

The Promoting Better Practice Reviews of councils have revealed a consistent theme of councils having a patchy understanding of community engagement. If councils are to support sustainable communities then this element of their work is of critical importance. It cuts to the core of everything a council does. It must be a central focus of policy development in a well functioning local democracy. As well as being the key to sound decision making, communities are demanding more say in how they are governed.

However, it is recognised that meaningful community engagement is not easy. It is proposed therefore to develop tools to assist councils in engaging with their communities. It is acknowledged that some councils already do this extremely effectively. The guidelines will build on this work with a view to sharing successful strategies.

Proposal 2.5:   Workforce planning assistance

It is important that council organisations are also diverse. The Promoting Better Practice reviews have highlighted that many councils do not have workforce plans in place. It is proposed to develop guidelines to assist councils in the preparation of such plans including strategies to encourage a diversity of employees commensurate with the demographics of the council area.

ELEMENT 3. SOUND POLICY

A key function of the Department is to provide policy advice to facilitate effective decision making throughout the sector. This is a prerequisite of a strong and sustainable local government system. Policies are an organisation's way of minimising risks of failure in meeting its goals.

What we have been doing

Policy Advice

The Department issues policy advice on a regular basis. Each year the Director General issues around 80 circulars on a number of matters. These cover a range of topics including the release of major guidelines and policies. Some recent examples include:

- Pecuniary interest guidelines
- Public private partnership guidelines
- Councillor expenses and facilities policy guidelines
- Model code of conduct guidelines
- Compulsory acquisition guidelines
- Meetings practice note

Policy can be divided into big "P" and little "p". Big "P" is the big picture agenda where the framework for how councils operate is established. What the Department is doing in this area is outlined elsewhere in this paper. Little "p" is the myriad of issues, which arise on a daily basis where clarification/interpretation is required or advice on a better way of doing something is provided. In addition to circulars, the Department provides a large quantity of information directly to individual councils.

Proposal 3.1:   Develop a policy directory

Issuing circulars and guidelines with policy advice is a core little "p" service provided by the Department. We will continue to consult with the sector and identify where policy advice is required. Currently, policy advice is contained in a number of circulars and letters. It is proposed to consolidate them into a directory of best practice on the website in an easy to read "Frequently Asked Question" format. Encouragement will also be given for councils to use this facility to share good practice.

ELEMENT 4. SUFFICIENT RESOURCES

A vibrant council needs human and financial resources to implement its decisions and to fulfil its statutory obligations.

What we have been doing

Ministerial Roundtable

In recognition of the difficulty of some rural and remote councils to remain financially sustainable, the NSW Minister invited all jurisdictions to a special Roundtable held in Sydney in May 2006. The Roundtable recommended to the Local Government and Planning Ministers' Council (LGPMC) that there be nationally consistent approaches to asset management, financial reporting and sustainability. It also supported a case for more funding to local government via the Financial Assistance Grants (FAGs).

At its meeting on 4 August 2006, the LGPMC endorsed a nationally consistent approach to asset management, financial reporting and sustainability. On 20 October 2006, the LGPMC endorsed the draft national framework. The principal components of the framework include:

- Asset management policy statement from the State specifying minimum requirements for local government.

- Council asset management plans linked to long term financial plans.

- Governance and management arrangements clearly articulated and in place.
- Levels of service defined in consultation with the community.

Infrastructure Task Force

In line with the approach adopted by the LGPMC, the Department has set up the NSW Infrastructure Task Force to advise on the most appropriate way of putting in place an asset management and financial reporting system which is consistent with other jurisdictions. The work of the Task Force will link with the integrated planning and reporting project (see proposal 5.1). Its membership comprises the DLG, LGSA, Local Government Managers Australia (LGMA), Institute of Public Works Engineers Australia (IPWEA), Department of Energy Utilities and Sustainability (DEUS), the Roads and Traffic Authority (RTA) and the Local Government Auditors.

Financial Assistance Grants (FAGs)

NSW has put a case to the LGPMC for an increase in FAGs. FAGs are increased annually to take into account inflation and population increases. In 1997/98 the Australian Government did not include the population factor. The NSW case to LGPMC requested that the population escalation factor, not allowed in 1997/98, be reinstated and backdated. This would give NSW an additional $55m as a one-off payment and an additional $5m annually. NSW will continue to mount a case for increased funding while at the same time driving efficiency reforms at the local level as outlined elsewhere in this paper.

Supporting Special Variation Applications

In 2005/06 forty-six councils applied to exceed the rate cap under sections 508 and 508A of the *Local Government Act 1993*. Of these, thirty-one were approved unamended, eight were approved with modifications, five were declined and two were withdrawn. Applications generally focussed on infrastructure and were approved where a good business case was made supported by an asset management plan and evidence of community support.

Capital Expenditure Reviews

Capital expenditure reviews are required when councils wish to carry out major building works. If a council is proposing to fund the project either partially or fully from a new borrowing allocation or a special rating variation a copy of the review must be forwarded to the Department prior to any determination being made. In order to make the process more robust and rigorous, the Department is currently improving the application process. It will align with the proposed new planning process outlined in Proposal 5.1 by requiring any proposal to be linked to the council's long-term plan. It will also require a more detailed business case than is currently the case.

What we think needs doing

Proposal 4.1: Asset management plans

It is proposed to introduce an asset management system, which is consistent with the national framework. It will be informed by the work of the Infrastructure Task Force outlined above but is likely to include:

- Requirements for councils to have a long term asset management plan linked to a long term financial plan (at least 10 years);
- Condition assessment service levels determined in consultation with the community;
- Standardised reporting/terminology;
- A phasing in period with support tools;
- Peer review (rather than audit).

The framework will link to the integrated planning project with any planning and reporting requirements incorporated into the new planning system (see Proposal 5.1). It will also clarify what is expected from councils when applying to exceed the rate cap. The Infrastructure Task Force is preparing a discussion paper on a range of options.

Proposal 4.2: Efficiency statement

As part of the overall strategy to improve and demonstrate the efficiency of local government, it is proposed to require councils to prepare an annual efficiency/productivity savings statement as part of its annual report. This will ensure that councils are continuing to reform their service delivery models and drive down delivery costs. It will be an opportunity for councils to showcase innovations such as strategic alliances and resource sharing. Explanations of the circumstances where rate rises remain below the cap could be included. The details of this proposal will form part of the Integrated Planning and Reporting project (see proposal 5.1).

ELEMENT 5. MEANINGFUL PLANNING

Planning is a process to translate community needs and aspirations into council services. To be meaningful, plans must result in actions and outcomes for the community and not be done merely to satisfy statutory requirements.

What we have been doing

Integrated Planning and Reporting

The Department is undertaking a review of the existing planning and reporting framework with a view to strengthening the focus on outcomes while at the same time streamlining the process. A discussion paper was released in early 2006 for comment to gauge current performance by councils and obtain views on how the system could be improved. Submissions to that paper confirmed that councils support an overhaul of the process. Planning and reporting should be meaningful and produce a result rather than being done as a 'tick and flick' exercise to meet a statutory requirement.

An options paper has now been prepared for comment including a proposal for how a streamlined approach could work.

What we think needs doing

Proposal 5.1:   Integrated planning and reporting

Subject to comment on the options paper, it is proposed to introduce a new planning and reporting regime for councils that will replace the current one. It will be phased in and have clear outcomes and accountabilities.

Communities need information if they are to be effective so the new system will be as transparent and as simple to understand as possible. The new system proposes to include:

- A 10 year strategic plan (to be known as a Community Strategic Plan), including social, ecological, economic and governance outcomes. It will be revised and rolled forward each 4 years; within 18 months after each council election. A core feature will be a 4 year Delivery Program with details of how each strategy in the plan will be funded and delivered. The plan will link with State and regional plans to reflect joint priorities. Preparation of this plan is a councillor responsibility. It is proposed to be reviewed by a combination of representatives from both state and local government.

- An annual operational plan (similar to the current management plan) with a budget that is uniformly presented across councils and consistent with the national approach. This document implements the Delivery Program and is a General Manager responsibility to prepare.

- A simple reporting system that focuses on risks to achieving stated outcomes. Preparation is a General Manager responsibility.

- An annual report that comprises performance against key indicators. Preparation is a General Manager responsibility.

The options paper outlines in detail how this model would work. It also outlines alternative options.

ELEMENT 6.   CONNECTEDNESS

In the information age of the 21st Century, councils cannot afford to be 'islands'. A strong local government system will require a high level of connectivity across communities and councils.

What we have been doing

Intergovernmental Agreement (IGA)

On 12 April 2006, all jurisdictions and the Australian Local Government Association signed an Intergovernmental Agreement. The IGA is an aspirational document that sets out principles for how the three tiers of government will work together in a spirit of cooperation. The Minister for Local Government signed the IGA on behalf of NSW.

The LGSA has requested the NSW Government to enter into a similar State based IGA. Consultation is underway on a possible IGA that reflects the national IGA.

Strategic Alliance Network

On 1 May 2006, the Department and the LGSA held an inaugural Strategic Alliance Conference. Over 220 delegates representing 100 councils attended to examine resource sharing models and to launch the Strategic Alliance Network. The Network is an ideas 'clearing house' or data base to promote resource sharing among councils. It collects models and experiences from councils so other councils can learn and not 'reinvent the wheel'. It is proposed that the Network will be web based and updated by councils for councils. Since the conference, the number of alliances between councils has grown significantly. Development of the Network is currently underway.

What we think needs doing

Proposal 6.1:   Benchmarks

The Department's Comparative Data is a collection of data for the purpose of comparing councils in groups of similar councils. There are few benchmarks across the sector against which any council can assess performance. It is proposed to develop a small number of key indicators to set out the core competencies of any council no matter what size. These will also take into account the recently endorsed draft national framework for asset management financial reporting and sustainability. As councils range in size and function,

setting benchmarks is likely to generate much debate. In order to advance the debate some suggested categories for the benchmarks are as follows:

- Financial
- Service delivery responsiveness and efficiency
- Community engagement
- Environmental responsibility
- Social/community well being
- Leadership and governance
- Workforce

Proposal 6.2:   Regional/Cluster indicators

If resource sharing and efficiency improvements are to be meaningful, councils must be able to report to their communities on how they have worked beyond their own borders. Under the new direction for local government, where the whole sector is the focus, councils should decide themselves who they will form alliances and business arrangements with.

Councils are invited to put forward proposals for Council Business Clusters. The Clusters can be on a geographic basis or functional basis, or both. Actual and potential savings and benefits should be detailed to highlight the efficiencies being gained or expected to be gained. Details of any existing cluster arrangements should be included so there is full awareness across the sector of all the initiatives underway. This will enhance learning and avoid duplication

Once the clusters are determined, measures will be established for each cluster to ensure efficiencies and service improvements continue to be quantified and evaluated as part of the Promoting Better Practice reviews. Regional Organisations of Councils (ROCs) are one form of cluster. However, membership of a ROC is insufficient unless that ROC is seriously coordinating resource sharing on a formal basis with demonstrated outcomes.

Some models councils could consider include:

- Shared administrations
- Co-operatives
- Partnerships
- Alliances
- Service level agreements

Proposal 6.3:   General manager contracts to enable working with neighbouring councils

The standard contract for general managers (GMs) was released on 1 July 2006. It does not deal with the issue of working across council boundaries.

If resource sharing opportunities are to grow, part of the performance measure of a GM should include how he or she works for the betterment of the whole system. It is proposed to enable GMs, via their contracts of employment, to contribute to council business clusters and other sharing arrangements.

Proposal 6.4:   Resource sharing guidelines

Many councils already have experience with setting up resource sharing arrangements. As part of the Strategic Alliance Network, it is proposed to prepare guidelines outlining the various models available with practical advice on how to go about setting one up. It will be 'nuts and bolts' approach including potential legal structures, pitfalls, performance indicators and case studies etc to assist the development of robust Council Business Clusters.

Proposal 6.5:   Regional context for Special Variation applications to exceed the rate cap

If resource sharing is effective it should generate savings and reduce the need for rate rises above the cap. However, should a council wish to apply to exceed the cap, it is proposed that the applicant must demonstrate that efficiencies have been achieved through resource sharing. Applications may also be considered on a joint council basis where the costs and benefits of projects to be funded by the increase are to be shared.

ELEMENT 7.   STRONG LEADERSHIP

A strong local government system can only be achieved if people see value in participating in local democratic processes and councils are an employer of choice.

What we have been doing

Leadership Development for Councillors

In response to the Promoting Better Practice reviews and the public inquiry into Brewarrina Council, which found that councillors were struggling to understand their role, the Minister announced compulsory training for councillors to commence after the 2008 elections.

This program is being designed to assist councillors to be effective community leaders by being well-informed when making decisions. The program will link with the introduction of a strategic planning role for councillors with tools and guidance being provided to help with this crucial function.

The Department set up the Professional Skills and Training Shortages Task Force in 2005 to assist councils in addressing the problem of skills shortages. The Task Force comprises the Department, LGSA, LGMA, Department of Education and Training, councils, peak industry bodies and education providers. One of the emerging goals from the group's work is the need to promote local government as an employer of choice and an exciting career for young people. The Task Force has had a number of important successes already including: collaboration with TAFE NSW and the University of Technology Sydney to develop training courses specific to local government; and undertaking activities designed to promote local government as a career choice.

The Task Force has also been responsible for the introduction of the Local Government Scholarship Program recently announced by the Minister for Local Government. Under this program councils can apply for funding on a matched basis to support final year students with their study. It will continue to identify opportunities to assist councils with workforce planning.

What we think needs doing

Proposal 7.1: Accreditation for councillor learning and development

To be successful, councillor learning and development must be a rewarding and sought after experience. It should enhance decision making and be part of a culture of continuous improvement. In order to focus on councillors' leadership roles it is proposed to develop a process that sets out clearly the outcomes and commitments expected by councillors and councils with respect to learning and development over the term of the council. The process will include some form of recognition or accreditation for councillor skills.

Mayors have some different roles to councillors such as chairing council meetings. There is also a special relationship needed with the General Manager.

As part of the learning and development program, it is proposed to provide specific coaching for mayors on their role including joint sessions with their General Managers. Experienced mayors will be encouraged to be mentors for new mayors.

SECTION 3

WHERE TO FROM HERE?

Local government in NSW is at a crucial point in its history. Communities are rapidly changing. As the heart of communities, local councils must continue to evolve.

This position paper sets out a context for ongoing reform by the local government sector. It sets out a direction of connectedness and innovation and invites comments on specific proposals to further advance this direction. These proposals are not intended to be all encompassing but rather a means for the sector to debate how best it can ensure NSW councils continue to meet the changing needs of their communities.

Comments on these proposals and any other suggestions for how the sector can grow in strength should be marked "A New Direction for Local Government" and sent to:

Deputy Director General

Department of Local Government

Locked Bag 3015 Nowra 2541

Or email dlg@dlg.nsw.gov.au.

The closing date for submissions is 9 March 2007.
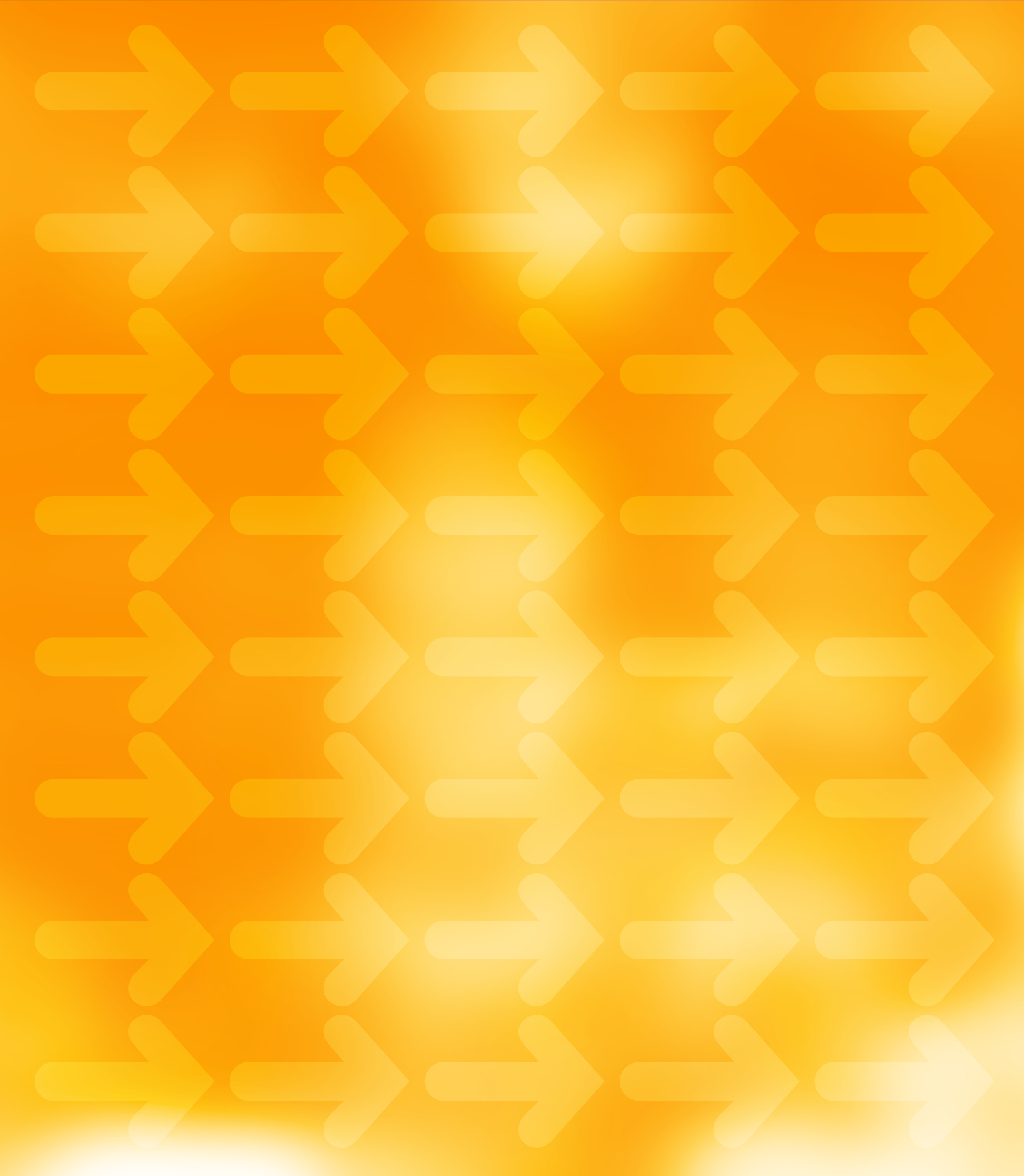
Attachment 2

Department of Local Government Options Paper - "Planning a Sustainable Future, Integrated Planning and Reporting for NSW Local Councils"

PLANNING A SUSTAINABLE FUTURE

A DEPARTMENT OF LOCAL GOVERNMENT OPTIONS PAPER ON

INTEGRATED PLANNING AND REPORTING FOR NSW LOCAL COUNCILS

NOVEMBER 2006

dlg

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Cover produced by Codfish Design for the Department of Local Government.

The future of local government depends largely on its capacity to anticipate, challenge, and respond to the forces that will shape our communities in the coming years.

It is a challenge that faces all levels of government in Australia, as our society continues to change – the need to respond in measured, strategic and relevant ways, the need for leadership, and the need for vision.

This paper examines the effectiveness of the current planning and reporting framework in promoting sustainable outcomes for local government and presents a number of options to strengthen their strategic focus.

Why was this paper developed?

There are a number of drivers behind the development of this Options Paper. These include:

- Increased expectations of local government
- The NSW Local Government Reform Program
- Recent inquiries and studies into councils' strategic performance
- Changes to the industry's operating environment
- Innovation from within the industry

Increased expectations

Since the current planning and reporting framework was developed, community expectations of local councils have continued to increase. Councils are now delivering a wider range of services and the need for effective planning to make optimum use of resources has never been stronger.

Local Government Reform

In September 2003, the State Government announced its Local Government Reform Program, which aims to ensure healthy and sustainable local councils that are accountable and responsive to their communities.

The program has taken on many aspects, from the initial round of amalgamations to the current focus on resource sharing and promoting better practice throughout the industry. The government is committed to continuing the reform process and has recognised that a key element in ensuring the sustainability of local government is its capacity for strategic planning. Councils who have the capacity to identify and respond to the influences and pressures affecting their community's future, set key directions and priorities and develop strategies to achieve the outcomes their community wants are in a far better position to survive and prosper.

The focus on sustainability led to the development of the Integrated Planning and Reporting Project, to review the effectiveness of the current legislative framework for planning and reporting and assess councils' experience in integrating the various planning mechanisms. The project also considered the impact of strategic alliance arrangements, with many councils now moving to a more regional approach to planning and resource management.

In December 2005, the department issued a discussion paper *"Fitting the Pieces Together"* which focused on integrated planning and reporting issues. The paper drew responses from local councils, government agencies and industry bodies, and these comments were considered along with other research projects and industry consultation. The various models presented in this Options Paper have been developed from this research and consultation process and the model ultimately adopted will form part of the Local Government Reform Program. It is expected that any reforms in this regard would be implemented from 2008.

Inquiries and Performance Studies

In considering the future of local government, the department has become increasingly concerned about the strategic capacity of our industry and the long-term implications this may hold. These concerns were echoed in the recent Inquiry into the Financial Sustainability of Local Government, commissioned by the LGSA and chaired by Professor Percy Allan, and have also been supported by other independent research and the department's Promoting Better Practice reviews.

While a number of councils are showing strong leadership in developing and implementing long-term plans, it has become clear that the majority currently do not plan beyond three years, nor budget beyond one year, for most of the services they provide. The result has been a significant impact on the financial sustainability of some councils, increased risk of failure of major infrastructure and increasing tensions over diminishing resources and competing priorities.

Reviews of councils' planning frameworks have shown that many currently experience difficulty with strategic planning and find it challenging to integrate the various planning mechanisms. Studies of councils' Social and Community Plans and State of the Environment Reports have also revealed a lack of integration with the Management Plan.

Changes to the operating environment

Since the existing legislative framework was developed, there have been a number of changes to the industry's operating environment. These include:
- Development of the State Plan
- Development of regional strategies
- The NSW planning reforms
- Reforms to natural resource management

NSW Government State Plan – A New Direction for NSW

The recently exhibited draft State Plan will also affect the operation of local councils, with the NSW Government clearly defining the goals and outcomes that will shape public policy over the next 10 years. The NSW Government's State Plan is being developed with the expectation that local councils will use its key directions as a guide when preparing their own strategic plans. It also proposes a number of partnerships and opportunities for local government.

Regional plans

Many government agencies are now developing regional strategic plans, identifying their priorities for the provision of services. The advent of regional land use plans has presented challenges for some councils, with the realisation that their strategic land use plans and Local Environmental Plans (LEPs) may not necessarily be aligned with the direction and priorities of the regional plan or strategy.

Land use planning reforms

Significant changes have also been made to the NSW land use planning system in the past two years. Broadly this major overhaul of the planning system was designed to focus resources on strategic planning for growth areas, simplify planning controls, improve development assessment processes and allow flexibility in the use of deverloper levies for local facilities and services. In particular, these reforms have affected the way that major projects are assessed and how councils prepare their LEPs.

The LEP reform is designed to focus councils' planning efforts on pro-active planning on a larger scale and reduce the resources consumed by small-scale, ad hoc planning epitomized by "spot rezonings". All councils are required to prepare a new principal LEP, based on a "standard instrument" (or template) within the next five years.

In the light of these reforms, it was timely to review the planning and reporting framework prescribed by the *Local Government Act 1993.* The review has considered the link between councils' strategic plans, their LEPs and development contributions plans.

Natural resource management

There have also been a number of significant changes to natural resource management requirements since the local government planning and reporting framework was developed.

These include the introduction of the *Native Vegetation Act 2003* and *Native Vegetation Regulation 2005*, the *Catchment Management Authorities Act 2003* and the *Natural Resources Commission Act 2003.* The legislation resulted in the establishment of the Natural Resources Commission and the development of state-wide standards and targets for natural resource

management. On a local level, these standards and targets are implemented primarily through Catchment Action Plans, under the direction of the State's 13 Catchment Management Authorities (CMAs). The Natural Resources Commission reports annually on progress in achieving compliance with the state-wide standards and targets.

These changes have led to some questions about the future role local government will play in natural resource management and environmental reporting and the relationships between local councils and Catchment Management Authorities. These relationships are still being defined and the integrated planning and reporting review has explored the possible linkages between councils' strategic plans and Catchment Action Plans, and the future role of state of the environment reporting.

Industry innovation

The department was also prompted to review the existing planning and reporting framework through the acknowledgement that a number of councils were currently operating beyond the prescribed system, with positive effect.

Substantial work has been undertaken by a number of innovative councils to develop strategic planning frameworks and integrate their existing plans. Some councils have moved to continuous monitoring frameworks for environmental and social planning and others have adopted sustainability frameworks as their over-arching planning mechanism. In all cases, the councils had found that they were somewhat impeded by the existing planning and reporting requirements in achieving their aims.

This raised the question as to whether sections of the industry have evolved beyond the existing framework and how innovative planning systems could be better accommodated and encouraged by the regulatory framework. Accordingly, this review considers not only legislative change, but the use of mentoring teams and support mechanisms to encourage further innovation within the industry.

What did the review include?

The review of the planning and reporting framework included:
- Circulation of a discussion paper - "Fitting the Pieces Together" - on integrated planning and reporting issues
- Review of submissions received from local councils, government agencies and industry organisations
- Review of relevant inter-state legislation
- Review of research into councils' strategic capacity
- Review of related local government projects, including asset management frameworks and long-term financial planning
- Review of sample strategic plans, management plans and annual reports

- Extensive consultation with an industry reference group, including representatives from the Local Government and Shires Associations, Local Government Managers Australia, Local Government Community Services Association, Department of Planning and a number of universities.
- Consultation with the Ministerial Advisory Council
- Consultation with other key stakeholders, such as the Institute of Public Works Engineering Australia, Corporate Planners Network, General Managers and community services staff, at various industry forums

What were the main findings?

The review found there were a number of issues affecting councils' ability to develop and deliver long-term strategic plans and to integrate their existing plans to achieve strategic outcomes. These included:

- The nature of the existing framework – the provisions do not encourage long-term planning nor assist councils to pursue innovative directions in integrating their plans. There is concern that the regulatory requirements are too prescriptive, directing resources towards compliance and multiple reporting requirements, rather than achieving strategic outcomes

- A general lack of resources for local government – councils find it difficult to devote funding to strategic planning when there are more urgent, operational needs

- Confusion over roles and responsibilities in developing strategic plans – specifically relationships between senior staff and councillors

- Uncertainty about how to develop and deliver the plans – there is evidence that some councils lack technical capacity in this regard

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- Lack of long-term financial planning – many councils only budgeted one year ahead

- Lack of sufficient supporting information to develop a long-term plan – this mainly relates to lack of asset management systems and limited levels of community consultation

- Uncertainty about integrating council plans with state and regional priorities – some councils find it difficult to consult with state government agencies, or are not included in regional planning consultations

- Uncertainty about councils' role following the various state reforms, particularly in natural resource management

What are the options?

In considering the results of the review, there are three basic options for the planning and reporting framework:

1) Maintain the status quo
2) Add to the existing framework
3) Reshape the framework

Option 1 – Maintain the status quo
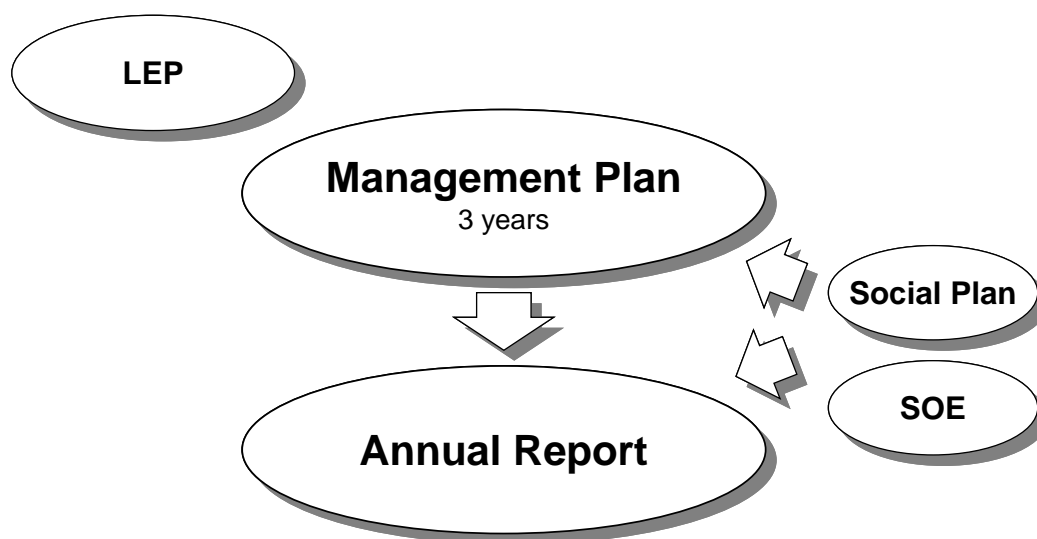
The option of maintaining current structures should always be considered. The existing framework has been operational for the past 13 years, with various amendments and additions over that time. While having limitations, the framework does have some merits:

- It encourages at least three years of forward planning
- It includes some requirements for community consultation
- It requires councils to report to their communities on principal activities
- It mandates some social and environmental planning and reporting mechanisms.

Concerns with the existing framework include:

- It doesn't encourage councils to take a long-term view
- It isn't sufficiently flexible to accommodate the varied needs and resources of different councils
- It is overly prescriptive, encouraging a focus on compliance rather than strategic direction
- It focuses too heavily on operational matters

- It doesn't encourage integration with other systems, such as long-term financial planning, asset management and land use planning
- The planning and reporting timeframes don't align

In future years, it would be reasonable to expect that more requirements may be added to the reporting regime, as the scope of local government continues to expand and expectations of public accountability increase.

Because the environment in which councils operate is also changing, it is not actually possible to "maintain the status quo" in terms of planning and reporting. The weight of changing expectations, management roles and infrastructure (under the new national framework for asset management and financial planning) will demand a new approach not easily catered for by the existing framework.

Although the existing framework does not prohibit long-term planning – the management plan may be developed for a period longer than three years - it does not encourage it, either. Neither does it provide any guidance for councils seeking to improve their strategic position. Over the years, the focus has shifted to compliance with the regulations, rather than applying the strategic intent of the framework. Combined with limitations on resources, this has tended to make planning more reactive than strategic. In this environment, it would be reasonable to suggest that the current planning framework is not providing the optimum solution for local government.

If the existing framework is maintained, the department could seek to mitigate future impacts by:
- Ensuring impact assessments are undertaken before any new requirements are added to the planning/reporting regime
- Providing guidelines and better practice examples to assist councils in the planning and reporting process
- Encouraging regional approaches to some reporting, eg State of the Environment reports
- Making requirements more flexible where possible

Option 2 – Add to the existing framework

One option for improving strategic focus is to add a mandatory strategic plan to the existing framework. Under this proposal, councils could be required to:

- Consider the needs of their community over the next 10-20 years
- Identify key directions and priorities
- Outline strategies for achieving these outcomes.

This would ensure that long-term needs and pressures were at least considered in councils' planning regime and that the community had more direct input into determining key directions for the future. The mandatory strategic plan would sit at the top of the planning structure, with the 3-year management plan beneath it. The requirements to complete a State of the Environment Report and Social and Community Plan would remain.

Strategic Plan
10-20 years

LEP

Social Plan

SOE

Management Plan
3 years

Annual Report

While this structure would provide change with the least disturbance to existing regimes, it would also result in additional resource requirements for councils. The level of benefit that may be obtained from this investment is open to question, as the structure maintains the existing problems of integrating the various planning mechanisms.

Resources would still need to be directed towards developing social and community plans and the State of the Environment Report (SoE), as well as the new strategic plan. The annual report would be retained.

Councils would need to determine how they could integrate the objectives of their new strategic plan into the management plan structure and how the social plan and SoE could help to inform the strategic plan. The existing problems with differing timeframes, eg SoEs every four years, social plans every five and management plans at least every three years, would remain.

There is also potential for duplication, particularly with community consultation, as the various plans are prepared.

Option 3 – Reshape the framework

The final option is to reshape the existing framework in some way to strengthen strategic focus, streamline the planning and reporting processes

and encourage integration between the various plans. The proposed model is designed as a continuous framework, rather than a static planning model.

It is designed to allow councils more aut[o]nomy in responding to their community's various needs, and encourages elected representatives to play a leading role in developing long term plans.

Why mandate strategic planning?

This model includes a mandatory requirement for a long-term strategic plan. One of the recurrent themes emerging from the review is that councils need to develop a stronger strategic focus. It is acknowledged that many councils currently experience difficulty with strategic planning and there are varying views as to what constitutes a "strategic plan". Some councils regard a "strategic plan" as being the sum total of their strategic documents, such as the social plan, strategic land use plans, service development strategies etc. Others see it as a separate entity, overarching these documents.

There is also a question as to whether a council's strategic plan should relate to the future of the community it serves, or the future of the council. There are concerns that councils are "planning" for matters that are outside their immediate sphere of influence – that they should focus only on the services that they could directly provide.

Considering the wide variety of views on the subject, it was felt that the only way to progress strategic planning within local government was to provide a base model upon which all councils could build.

Developing a strategic plan for the community

The strategic plan would focus on building a sustainable community and the various roles that council can play in achieving this aim.

Key elements of a sustainable community include:
- Social cohesion; a socially mixed community where neighbourhoods are characterised by diversity of income, age, culture and housing tenure etc and there are opportunities to move freely through life's cycles without the need to relocate
- Functional economy; diverse employment opportunities exist which underpin a quality of life matched with community prosperity expectations
- Robust environment; ecologically balanced with impacts from human activity being accommodated without degradation to the environment
- Sound infrastructure; facilities and services are matched to community needs.

To achieve this, councils need to think beyond the services that they can directly provide and determine where they, as an organisation, will fit within their community's future. They need to understand where their community is going and what it wants before they can respond to this in a meaningful and appropriate way and direct their energies where they will be the most effective.

The term "Community Strategic Plan" has been used to refer to the strategic plan, to reinforce the view that it is a plan for the community, rather than just the council. There is no intention to mandate what councils should call their plan. However, all plans would include four mandatory "themes": Social; Environmental; Economic; and Governance, which must be addressed in some way.

Each council would be free to develop its Community Strategic Plan within the context of its own community needs and existing planning and business frameworks, provided that the plan addresses the key themes in some way. For example, a rural council's Plan may have different objectives and be designed on a smaller scale than an urban council's Plan. Councils who currently work on a sustainability framework, or the Business Excellence Framework, may wish to integrate their Community Strategic Plan with these systems.

This model allows councils the maximum flexibility to develop business systems that suit their own particular needs and to carry out planning and reporting that is the most appropriate for their particular community

It does not mandate any plans or reports, apart from the four key themes. It attempts to address some of the current concerns with the mandatory social planning framework – ie that the framework is too narrow and the mandatory target groups are not appropriate to all communities. It also attempts to address the difficulties some councils currently face in attempting to integrate the Social Plan, or State of the Environment Report into sustainability frameworks, the Business Excellence Framework, or other planning structures. Councils could choose to be more innovative in their approach – or they could simply adopt the basic framework and target their monitoring activities to a series of key indicators, depending on the resources available.

While the mandatory structure of the Social Plan would no longer be applied, councils would still be expected to undertake social planning and monitoring. Similarly, State of the Environment reporting would not be prescribed, though councils would be expected to develop adequate monitoring and reporting frameworks, in consultation with the CMA.

It is proposed that the Community Strategic Plan has a prescribed minimum timeframe of 10 years. Councils would be free to adopt any timeframe they choose beyond that point.

The purpose of the Plan is to identify the community's main priorities and expectations for the future and to plan strategies for achieving these goals. In doing this, the planning process will consider the issues and pressures that may affect the community during this period and the level of resources that will realistically be available to achieve its aims and aspirations.

The Plan should consider outcomes that the council could achieve either by:
- Providing direct services or programs
- Providing or facilitating services and programs in partnership with other agencies
- Acting as a community advocate, to lobby other agencies for change.

To do this, council would obviously need to consult widely with the community and other agencies providing services within the region. Considering existing State or regional plans would also be important to the development process. The requirement for community engagement would be mandated by legislation – the method of carrying it out would not be mandated. Each council would be free to decide appropriate methods, depending on the characteristics of its particular community. The department would provide detailed guidelines to assist with engagement and consultation processes.

An integral part of the Community Strategic Plan will be a 10-year resourcing strategy, which outlines the financial commitment required to achieve the Plan's outcomes. This will give councils a clearer picture of the resources required, particularly if the Community Strategic Plan has identified the need for major capital works or asset upgrades/augmentations.

To inform the initial Community Strategic Plan, councils would be expected to draw from their existing plans and other documents, such as the Social Plan, Cultural Plans, State of the Environment reports, infrastructure servicing strategies, development contributions plans, strategic land use plans and their existing Local Environmental Plan (LEP).

Once completed, the Community Strategic Plan will naturally influence a number of the council's planning instruments, such as the LEP, standards of service, capital works programs and asset management strategies. It will identify the social, economic and environmental outcomes the community expects, and these expectations should be reflected in future land use planning, natural resource planning, community service and infrastructure projects. The current Planning Reform process is timely, as it will allow councils to achieve stronger integration between their Community Strategic Plan and their new LEP.

Who would develop the Community Strategic Plan?

For councils to successfully develop their Community Strategic Plan, they will need to develop a strong working partnership between staff and elected representatives. It is proposed that the Mayor and councillors would hold legislative responsibility for the Community Strategic Plan. These responsibilities would include:
- Establishing the strategic direction of the council, in consultation with the community and council staff
- Ensuring the Plan is implemented by the council
- Reporting to the community on council's progress in implementing the Plan

Naturally, to achieve this aim, they would rely heavily on the technical expertise and leadership of the council's senior staff. Councillors and staff would also be expected to work together in developing the Delivery Program (described below). This program details how each new council will work towards achieving the outcomes outlined in the Community Strategic Plan.

Operational plans supporting the main framework would be the responsibility of the General Manager.

This model also prescribes special duties to the General Manager to ensure that each council is constantly monitoring and assessing its operating environment and adjusting its plans accordingly. The General Manager would be responsible for ensuring monitoring systems are in place to inform council of key issues that may impact on the Community Strategic Plan. These systems would include, as a minimum:
- Maintenance of current social planning mechanisms, including demographic profiles, social indicators and needs analysis
- Systems for monitoring relevant legislative changes
- Systems for monitoring financial drivers
- Collection and analysis of environmental data from relevant sources

- Asset management systems
- Stakeholder consultation networks

The purpose of this is to ensure that the resources currently devoted to preparing the mandatory plans and reports, every four or five years, are applied to more immediate mechanisms. The council should be constantly in touch with its community and continuously monitoring the changes in its operating environment.

It is proposed to amend the *Local Government Act 1993* to more clearly define the roles of councillors and the General Manager in developing, implementing and maintaining the council's Community Strategic Plan.

Could councils change the Community Strategic Plan?

Each new council would review the Community Strategic Plan to determine whether or not its objectives were still relevant and appropriate to the community. It would also be required to roll the Plan forward a further four years, so that its planning timeframe is perpetual. If councils wished to change the plan substantially – for example change a key objective – they would need to carry out further consultation with their community.

Proposed amendments should be in response to new influences or changes affecting the community, rather than the council's political preference. If the community supports the new direction, the Community Strategic Plan, and the various plans that support it, could be changed accordingly.

Would the Community Strategic Plan be assessed by industry regulators?

The model in Option 3 includes an assessment mechanism for the Community Strategic Plan. However, it is not intended that they be submitted to the Department of Local Government for "compliance checking". The purpose of the integrated planning and reporting project is to encourage councils to develop the tools they need to better manage their community's future. Its intent is to provide assistance and encourage autonomy, rather than develop a new regulatory framework for local government. Option 3 therefore proposes to use regional mentoring and liaison teams to assist in the development of the Community Strategic Plans, encourage exchange between stakeholders - so that relevant agencies are aware of council plans and that councils are aware of relevant regional and state strategies - and to evaluate the initial Community Strategic Plan developed by each council.

These teams would consist of representatives of the Department of Local Government, members of local councils, the LGSA, the LGMA and other government agency and industry members, as appropriate. The basis of the evaluation process would be to determine:

- Whether the Plan adequately addresses the four themes prescribed by the legislation

- Whether the Plan has been adequately informed by existing plans, studies and documentation, including relevant state and regional plans
- Whether its objectives are tangible and achievable ie not just "motherhood" statements
- Whether adequate community consultation has occurred in the development phase

The mentoring teams would also evaluate each council's initial Delivery Program (as described below) to determine:
- Whether the Delivery Program is adequately aligned with the objectives of the Community Strategic Plan
- Whether the financial projections and resourcing arrangements contained within the program are realistic and achievable
- Whether additional borrowings, or a special variation to rates will be required.

Where does the LEP fit in?

Under this model councils would still prepare their Principal LEP, as required by *the Environmental Planning and Assessment Act, 1979*. The underpinning Strategic Land Use Plan and subsequent LEP should refect the same community directions and priorities identified in the Community Strategic Plan, if adequate consultation has been undertaken. Subsequent reviews of the Community Strategic Plan and the LEP should be regarded as a "cross check" to ensure that both documents are aligned.

What is the Delivery Program?

Underpinning the Community Strategic Plan is a Delivery Program, which outlines how each new council will deliver the outcomes proposed in the Plan during its term of office and the measures it will use to determine its success. The Delivery Program will be directly linked to the Community Strategic Plan, and prepared in consultation with the community.

The Program will look at the council's programs and priorities for its term and include four years of detailed budgets. However, councils would still have the flexibility to review these budgets annually when determining their rates and charges for the year.

Councils would be free to prepare any other supporting plans to assist them in delivering the outcomes of their Community Strategic Plan. These might include asset management plans, development contributions plans, environmental management plans, and capital works programs. It would be expected that these plans would reflect the priorities and direction of the Community Strategic Plan.

What is the Operational Plan?

Councils would also prepare an annual operational plan, which outlines the "nuts and bolts" of implementing the Delivery Program for that year, and the budget that will be required. It will be a separate document to the Community Strategic Plan and the Delivery Program.

The operational plan will focus on the detail of implementing each year of the Delivery Program and should not depart substantially from the direction and budgets set in the Program. Councils will be required to place the document on public exhibition, as it will contain the proposed fees and charges for the coming year.

What about reporting requirements?

Under all models proposed, councils will continue to remain directly accountable to their communities and to report annually to them on their progress in achieving strategic outcomes. The intention of Options 2 and 3 is to streamline reporting requirements and align them more closely with the planning framework.

The Option 3 model includes a modified version of the existing annual report which focuses mainly on the council's performance in delivering the outcomes identified in its Community Strategic Plan and supporting framework.

The review took a detailed look at the various legislative requirements for the annual report and considered whether or not some requirements could be deleted, as they are reported via other channels, or whether alternative reporting formats, such as electronic "report cards", could be developed. These alternatives are still being considered and councils are invited to comment on how the annual report could best be streamlined, while still maintaining accountability to the community.

Under the Option 3 model, the legislative requirement to prepare a Management Plan would also be removed, as this structure would be replaced by the Delivery Program. The reporting requirements currently prescribed for the Management Plan, ie quarterly, will also be reviewed. Councils are encouraged to provide comment on suitable reporting requirements for the Delivery Program.

How is planning and reporting integrated?

The diagram below shows how the objectives from the Community Strategic Plan may be cascaded through the system.

For example, a council's Community Strategic Plan might identify the objective of "A safe and healthy community" and nominate key strategies for achieving this. These strategies might include a wide variety of approaches, such as ensuring quality water supply and safe operation of sewerage services, ensuring efficient collection of domestic and commercial waste,

promoting health education programs, lobbying for more aged care services in the area, developing crime prevention strategies for the community, and improving road safety.

These intentions would be translated into the Delivery Program in the following way, for example:
Strategy:
Improving road safety
Delivery methods:
1) Undertake a review of the condition of all roads in council's area
2) Develop a Roads Management Strategy
3) Identify funding options for roads management
4) Identify key community concerns with road safety
5) Develop programs to address key road safety issues

The Operational Plan would then focus on what council would do towards achieving each of these goals in the coming year. For example:

Develop road safety programs:
Actions for 2008-09
1) Finalise agreement for shared Road Safety Officer's position with neighbouring councils
2) Explore joint project options with other agencies, including RTA & Police
3) Sponsor "Bike Right" program for local primary schools
4) Host Young Drivers Forum

In this way, the objectives of the Community Strategic Plan are cascaded down through council's planning framework, so that general directions and objectives for the community are translated into strategies, then into programs and finally, individual actions.

The annual report would focus on council's success in achieving the individual actions identified in the Operational Plan and its progress in implementing the four-year Delivery Program.

Objective: A safe and healthy community

Strategies:
- Ensure quality water supply
- Ensure efficient operation of sewerage services
- Effective management of domestic & commercial waste
- Promote health education programs
- Lobby for more aged care services in the area
- Develop crime prevention strategies for the community
- Improve road safety

Delivery methods: Improve road safety
- Review condition of all roads in council's area
- Develop a roads management strategy
- Identify funding options for roads management
- Identify key community concerns with road safety
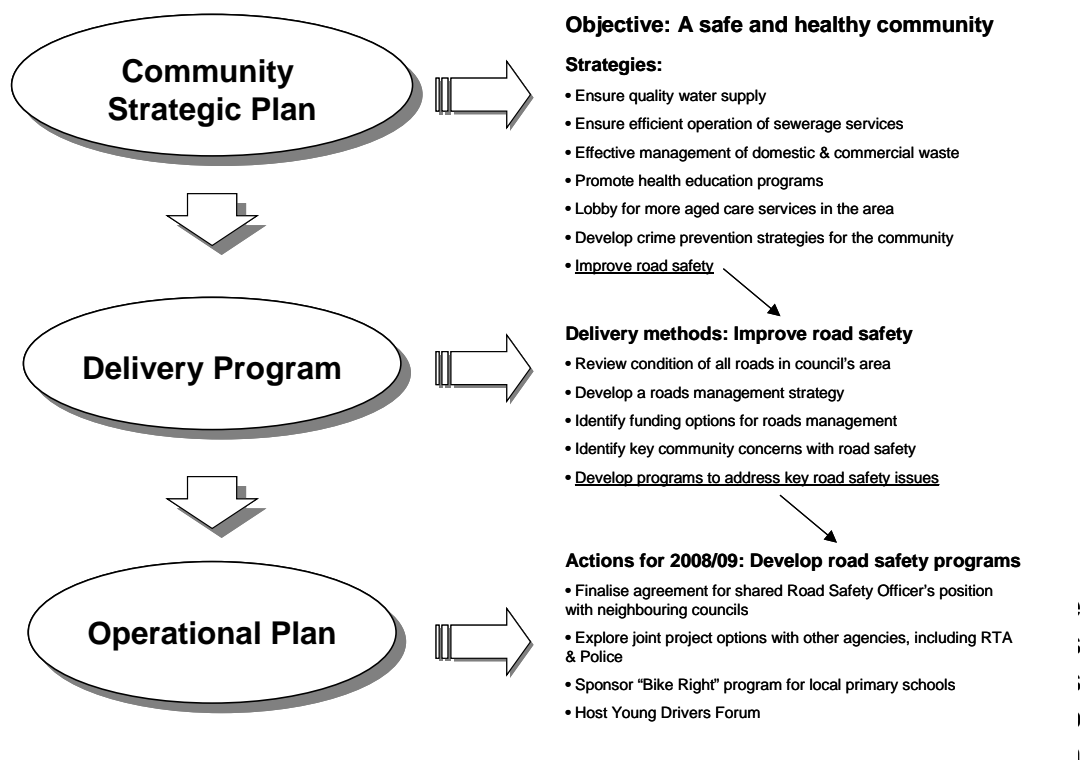- Develop programs to address key road safety issues

Actions for 2008/09: Develop road safety programs
- Finalise agreement for shared Road Safety Officer's position with neighbouring councils
- Explore joint project options with other agencies, including RTA & Police
- Sponsor "Bike Right" program for local primary schools
- Host Young Drivers Forum

state asset management framework.

The model proposed in Option 3 considers asset management as an integral part of the strategic planning process, by requiring the Community Strategic Plan to address asset management issues.

A separate discussion paper on asset management is being prepared and will be circulated to councils shortly.

Will this model affect the way councils resource their projects?

The Integrated Planning and Reporting project aims to improve councils' capacity for long-term planning and should help them to identify their resourcing needs earlier in the planning cycle. The requirement to consider resourcing over the 10-year period of the plan will help councils to take a wider view of their needs, considering not only finances, but also human resources and asset requirements. They will be able to identify the additional resources that could be raised through borrowings, rate variations or grants and will be in a better position to take maximum advantage of funding opportunities, resource sharing options and strategic alliances.

How would the model be implemented?

Adopting Option 3 would require substantial changes to existing legislation and a significant implementation period. Although a number of councils have already progressed substantially along the lines of Option 3, the majority have not yet embraced strategic planning at this level. It is acknowledged that the initial stages of implementation would involve additional commitment of resources from some councils. However, the new structure would ultimately

result in savings through improved efficiency, long-term planning and reduced reporting requirements. To assist in the transition, a staged implementation and assistance package is proposed, over the 2008-2012 council term.

Under a suggested implementation program, the State's councils would be divided into three groups, according to existing level of development, resources and capacity. Group One would consist primarily of councils who have already developed a Strategic Plan, and have adequate asset management systems in place. Councils would have the option of nominating which Group they would like to join.

The phase-in schedule would be:

Group One – Community Strategic Plan and Delivery Program to July 1 2013 submitted for review by September 2009

Group Two – Community Strategic Plan and Delivery Program to July 1 2013 submitted for review by September 2010

Group Three – Community Strategic Plan and Delivery Program to July 1 2013 submitted for review by September 2011.

The success of the changes will also depend on the level of support provided to local councils by the department and other industry organisations during the implementation phase. The following support mechanisms are proposed:

- Development of comprehensive guidelines to support the planning processes
- Establishment of a Good Practice website, showing examples of Community Strategic Plans and including useful resources to help councils develop and implement their plans.
- Regional mentoring teams to assist councils with the strategic planning process and provide evaluation and feedback on plans
- Briefings to various professional groups, including general managers and councillors
- Encouraging councils to work jointly in developing their Community Strategic Plan
- Identifying training needs and developing appropriate programs

Where do we go from here?

This options paper forms the next stage of consultation and review for the Integrated Planning and Reporting Project. The paper was announced by the Minister for Local Government, the Hon Kerry Hickey MP, on 30 October 2006 and consultation on the options will continue until 9 March 2007. The consultation period will include:

- Receipt of written submissions on the Options Paper
- Regional focus groups and workshops for councillors and council staff, conducted by the Department of Local Government
- Discussion of the proposals at various industry workshops conducted by the LGSA and LGMA

Making a written submission

Councils, agencies, industry groups and other interested individuals are welcome to make written submissions on this Options Paper.

A feedback form is provided below, or you may wish to prepare a more detailed response. A series of key questions is also provided, which may be of assistance when preparing your submission. There is no requirement to answer all, or any, of the questions, they are provided solely as a guide to discussion.

Written submissions on this Options Paper should be directed to:
Integrated Planning and Reporting Project
Department of Local Government
Locked Bag 3015
NOWRA NSW 2541

Or via email to:
IPRProject@dlg.nsw.gov.au

The closing date for submissions is 9 March 2007

Key questions

Concepts

- Which of the proposed models would work best for your council or agency?

- What are some of the advantages/disadvantages of the models proposed?

Roles and responsibilities

- What role should the Mayor and councillors play in planning for the community's future and reporting on achievements?

- Should special responsibilities be assigned to the Mayor in this regard?

- What role and responsibilities should be assigned to the General Manager in planning for the community's future and reporting on achievements?

- How could people with differing views work together to develop shared long-term plans for the community?

- How could councillors and council staff work together to develop a Community Strategic Plan?

- How could social, environmental, land use planners and asset managers work together to develop the Community Strategic Plan?

- What assistance would new councillors need to help them participate in the strategic planning process?

Reporting

- How could the annual report be streamlined, while still maintaining accountability to communities?

- How could Catchment Management Authorities and local councils work together to improve environmental reporting outcomes?

- What reporting requirements should be imposed on the proposed Delivery Program in Option 3?

- Do you have any suggestions for further streamlining local government reporting, under *the Local Government Act 1993*?

Implementation

- Could your council's current planning framework be readily adapted to the integrated model? Why/why not?

- What training/information/assistance would be required to help councils implement Options 2 or 3?

Government agencies

- How could your agency use councils' Community Strategic Plans to assist in its regional planning?

- Would the use of regional mentoring/liaison teams assist in your planning activities and improve communication between your agency and local councils?

- What role could your agency play in this process?

<u>Feedback Form</u>

Integrated Planning and Reporting Options Paper

Organisation _____

Contact Person _____

Contact No. _____

Email _____

Preferred Option:

Option 1 ☐   Option 2 ☐   Option 3 ☐

Comments: