Our Communities Councils Future

Destination 2036 Discussion Paper

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Our Challenge

→ What is *Destination 2036*?

In 2011, we live in a society in which change is both constant and rapid. Our markets, transport and communications systems, governments and even our cultures have become increasingly globalised. We have more information than ever before – and a much better understanding of the interconnectedness of our people and environments. In this context, leadership is more complex and more difficult than ever before. It is also more important.

In August 2011, over 300 mayors, councillors, general managers and other sector leaders will come together to plan the future of local government in NSW. This is a truly unique event – nothing like this workshop of civic leaders has ever been held here before. The event will be known as *Destination 2036*. As the Minister for Local Government said in his address to the Shires Association on 1 June 2011, "for some of us, 25 years may be beyond our working lifetimes, so here is an opportunity for us all as civic leaders to make a contribution and leave a beneficial legacy for future generations". The Local Government and Shires Associations (LGSA) have also called for "a unifying narrative, which ensures that councils move forward with purpose and coherence" (2010: 5). *Destination 2036* has the potential to deliver that narrative.

Destination 2036 reflects the NSW Government's commitment to work constructively with local government. To quote again from the Minister's speech, "many of you have already indicated to me that reform is needed. My challenge to you is to work together as a sector and articulate what reforms are needed and what we need to do to deliver them". The LGSA has also recognised that "collectively the Associations and member councils can't hope to wait out the incessant calls for change. We can't look the other way and hope. We must work together to find formulae for mutually agreed reform" (2011: 4).

The Division of Local Government (DLG), with the help of the LGSA, Local Government Managers Australia NSW (LGMA) and Australian Centre of Excellence for Local Government (ACELG), has commenced *Destination 2036* to start the preparation of a long term vision and short term action plan for local government. In effect, *Destination 2036* will begin the strategic plan and delivery program for all local government, mirroring key elements of the integrated planning and reporting frameworks which individual councils are implementing.

This Discussion Paper has been prepared to start the conversation which will be continued over the two days in Dubbo. It is a summary document which brings together the rich body of recent research on local government in Australia, carried out by a large number of organisations and individuals. The Discussion Paper also poses a series of questions as a starting point for discussion before, during and after the *Destination 2036* Workshop.

The **Our Councils Yesterday** section of this paper begins by looking at the ways in which local government in NSW has changed over time.

The **Our Communities and Councils Today and Tomorrow** section then considers the kinds of communities which local government will be leading over the coming years – and the challenges to which councils will need to respond. These communities and councils can be defined in many different ways. The groupings used in this paper do not exactly follow either the Australian Classification of Local Governments or the 11 categories used by the DLG in documents such as its annual publication of comparative information. Instead, it uses a simpler and more intuitive grouping of communities based on the common challenges they face over the next 25 years.

The **Our Future** section of the Discussion Paper looks initially at some ideas from other Commonwealth countries. These ideas are not all applicable to NSW, but are intended to help get us thinking and talking about what may (and may not) constitute a preferred future for local government in NSW. The paper concludes by offering some ideas about some potential models for local goverments in the future covering their governance, stucture, financing, function and capacity. These and other ideas will be debated and discussed in Dubbo – and it is hoped that these conversations will build new relationships and a renewed sense of trust that state and local government, along with our many other partners, can work together to provide the best possible leadership for our communities into the future.

VOTE FOR
CUTHREY
VOTE FOR
C.P. DWYER
VOTE FOR
REDUCTION OF RATES
FERRIS
VOTE FOR
JOHN YOUNG
E. HORTON

Our Councils Yesterday

→ How have we changed in the past?

Since 1842, when NSW's first council was created, local government has successfully dealt with innumerable changes. These include...

Changes in structure

In 1858 there were only 10 local governments in NSW. In 1905 a compulsory system of local government was introduced and by 1910 there were 324 councils in the state. By 1967, one hundred of these councils had ceased to exist. The amalgamations of 1979-1980 meant that by 1982 the number of councils had reduced to 175 – and after a small number of amalgamations in the 1990s and 2000s, largely in rural and regional areas, the total number of councils now stands at 152.

While the *Local Government Act* of 1919 empowered the establishment of county councils, only 11 had been constituted by 1944. However, by 1962 this had increased to 56, with the majority undertaking electricity supply functions. Today, only 14 remain. Conversely, the role of Regional Organisations of Councils (ROCs) has increased. The first ROC was established in 1973 – and there are now 18 of them.

Changes in financing

The traditional source of income for councils has been a levy on the value of land – known as rates. Until 1978, rates were based on unimproved capital value. In 1978 councils were given the choice of using land value – and this method of calculating rates was made compulsory from 1982. From 1858 until 1952, all council rates were subject to maximum and minimum limits. A system of rate limits, known as 'rate pegging', was reintroduced in 1976 and restricted rate rises for individual properties. In 2009, the process of special rate variations, which allow councils to seek rate rises above the rate peg, was aligned with the Integrated Planning and Reporting framework. Responsibility for setting the rate peg and assessing special rate variation applications was delegated to the Independent Pricing and Regulatory Tribunal in 2010. Over the last decade, many councils have significantly diversified their income base and are now less reliant on rates as a source of income. More recently, financial difficulties for some councils due to the Global Financial Crisis has led to stronger regulation of investment options.

Changes in governance

In the *Municipalities Act* of 1897, "every male elector of any municipality" was able to be elected an alderman – providing they were not a judge, in the military, bankrupt or "of unsound mind". The *Local Government Act* of 1906 gave the occupiers of rateable property the right to vote. In 1918 women became eligible to become aldermen, although the first female alderman was not elected until 1928 – and she became and Australia's first female mayor in 1938. NSW got its first popularly elected mayor in 1850, but this system was revoked shortly afterwards, only to be reinstated for the City of Sydney some 100 years later. The ability to have popularly elected mayors was extended to Newcastle and Wollongong, and to any other municipality on application, in 1956 (Maiden 1966). In 2004 the first Aboriginal person was elected a mayor. In 1987 the State Electoral Commissioner was made responsible for conducting council elections, but a more recent change in 2011 has meant that councils now have the option of conducting their own elections.

Changes in workforce

In 1987, councils in NSW directly employed a total of 62 800 people. By 2008, this had been reduced to 51 700 staff. The proportion of female staff increased from 26% in 1985 to 39% in 1996, but has stayed relatively stable since then. At the same time, there has been an increase in part time staff – from 15% in 1985 to 26% in 2001 (Paddon and Artist 2004). The outsourcing of some council functions has contributed to the decrease in the total number of staff directly employed by councils in NSW. The Local Government Award was restructured in 1992, with the new Award providing councils with greater flexibility to establish salary systems based on their own job evaluations. The professional and technical disciplines represented in local government have also changed over the years, reflecting the changes in services provided.

Changes in technology

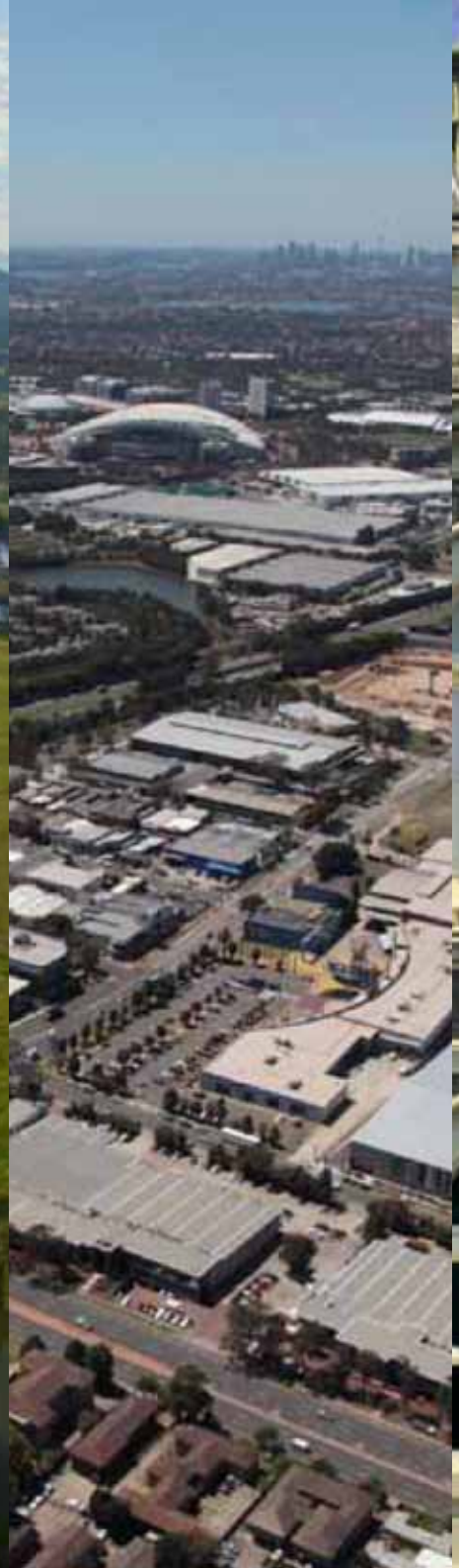
Changes to technology have impacted on council work practices, particularly in recent decades. Australia got its first computer in 1949 – but they weren't small enough for office use until the 1980s (the first IBM PC was released in 1983). Less than 25 years ago, many councils were still writing council reports on typewriters – and using mimeograph machines to copy business papers (which were a fraction of their current size). Today, business papers can be viewed by councillors on iPads – and some council meetings are streamed online. Most councils offer a range of services online, while ratepayers often expect an immediate reply to emails and web requests.

Changes in services

The potential responsibilities of councils under the Municipalities Act of 1858 included managing roads, establishing libraries and public gardens, preserving public health, and lighting the municipality – as well as establishing hospitals for the destitute, building museums, charging road tolls, licensing butchers and "the suppression of nuisances and houses of ill-fame". Councils no longer provide some of these services, while many others have been added. For instance, town planning became a requirement in 1945, while some councils started employing youth service workers from the 1960s. Environmental services were added in the 1990s, while councils have recently gained responsibility for preparing long term plans for their communities, as well as their finances, assets and workforce (LGSA 2011).

Changes in management

Under the *Local Government Act 1919*, mayors were the chief executives of councils. It wasn't until the *Local Government Act 1993* that town clerks became general managers – and became responsible for managing all parts of council (including engineering, planning and health and building surveying). The new legislation also changed the qualifications required of general managers. Until 1993, all town clerks and deputy town clerks had to have completed the Town Clerks Certificate – even if they were already qualified in another profession. Now some general managers have graduate business qualifications – and are translating management practices from private sector organisations.



Our Communities and Councils Today and Tomorrow:

→ What changes and challenges do we face?

Changes and challenges for Inner and Middle Sydney Communities

For more information on the challenges facing inner Sydney communities, see:

- → DECCW (2010) *Climate Impact Profile*
- → DOP (2008) *New South Wales State and Regional Population Projections, 2006-2036*
- → DOP (2010) *Sydney Towards 2036: Sydney Metropolitan Strategy*
- → Australian Government (2011a) *National Urban Policy* and (2011b) *Sustainable Population Strategy for Australia*
- → Drabsch (2011) *Population, Housing and Transport Indicators for NSW*

Changes and challenges for Inner and Middle Sydney Councils

What are these councils like now?

- established early, with some over 150 years old
- small in area – generally less than 40 km^2 with some less than 10km^2
- varied in population, from less than 20,000 to over 100,000
- often less than 500 staff
- generally rely on rates and annual charges for about 50-70% of income

What are people saying about these council areas?

"The available evidence points to a particular need for ongoing ***consolidation*** *of local government activities in metropolitan areas", particularly as population growth and planning pressures "call for a demonstration of local government's capacity to make a strong contribution on behalf of local communities and in the broader regional and national interest"*
(Aulich et al 2011: 8).

"Overwhelmingly, councils do not believe the communities they serve have appetites for larger councils. However, some noted...metropolitan communities may accept ***much larger councils*** *(or even a single council)"*
(LGSA 2011: 3).

"Although Sydney acts as the primary gateway to Australia for overseas migrants, 69% of its projected ***population growth*** *will actually be driven by natural increase, with net migration comprising the remaining 31%"*
(DOP 2008: xi).

"While the ***Executive Mayor*** *is largely seen as a big city role there may be an argument to have them in smaller councils"*
(LGSA 2010: 13).

"The current ***land valuation*** *methodology creates a number of distortions and restrictions on the rate base. This is particularly evident in high density urban areas with a high proportion of strata titled properties"*
(LGSA 2010: 210).

"The major difference which existed between metropolitan and regional and rural areas was that metropolitan residents were the ***least satisfied group*** *in relation to traffic management and parking, economic development and town planning"*
(Allan et al 2006: 75).

"Ironically quite often those that call for 'big' Local Government are from the private sector whose successes have been derived from ***innovation and efficiency*** *gained from small to medium size enterprises businesses smaller than most Councils"*
(LGMA 2011: 2).

What do you think these councils will be like in four years' time?

What about in 10 and 20 years' time – and in 2036?

Changes and challenges for Outer Sydney Communities

For more information on the challenges facing outer Sydney communities, see:

- DOP (2008) *New South Wales State and Regional Population Projections, 2006-2036*
- DOP (2010) *Sydney Towards 2036: Sydney Metropolitan Strategy*
- DECCW (2010) *Climate Impact Profile*
- WSROC (2010) *Getting Western Sydney Going*
- Australian Government (2011a) *National Urban Policy* and (2011b) *Sustainable Population Strategy for Australia*
- Drabsch (2011) *Population, Housing and Transport Indicators for NSW*

Changes and challenges for Outer Sydney Councils

What are these councils like now?

- large populations, mostly above 150,000 residents
- facing significant population growth in next 10-15 years
- large budgets, often over $100 million per year
- generally rely on rates and annual charges for about 50-60% of income

What are people saying about these council areas?

*"Ironically, larger councils generally charge **higher rates** per capita than smaller councils. Larger councils have often pursued a more 'maximalist' agenda than smaller ones, which has occasioned higher taxes"* (Allan et al 2006: 17).

*In major cities "**fringe growth** generally outstrips infill and increased density in established areas"* (Australian Government 2011a: 20).

*"Sydney's **infrastructure needs** (in particular transport infrastructure to service both commuters and freight) have not kept pace with the rate of population growth in the Sydney basin area or with the needs and expectations of the community or industry"* (Association of Consulting Engineers Australia 2009: 1).

*"Urban regions with poor job provision can be deemed 'at risk' of social and economic impoverishment should an **economic shock** cause downturn in general economic conditions"* (SGS 2007: 22).

*"Many of the issues facing residents in Western Sydney are as a result of a continuing lack of planning, infrastructure and **overall vision**"* (WSROC 2011: 9).

*"While most growth area municipalities are focused on managing the impacts of significant population growth, there is a need to be cognisant of **working collaboratively** at a regional level with neighbouring areas not experiencing the same level of growth, but which share a common range of infrastructure issues"* (SGS 2007: 23).

*"A move to **full-time paid mayors** may be appropriate for large councils, particularly in metropolitan areas, however would generally be inappropriate for smaller, rural/regional"* (quoted in LGSA 2011: 14-15).

What do you think these councils will be like in four years' time?

What about in 10 and 20 years' time – and in 2036?

Changes and challenges for Inland Regional Centres

For more information on the challenges facing regional centres, see:

- DOP (2008) *New South Wales State and Regional Population Projections, 2006-2036*
- DECCW (2010) *Climate Impact Profile*
- Australian Government (2011a) *National Urban Policy Sustainable* and (2011b) *Population Strategy for Australia*
- Drabsch (2011) *Population, Housing and Transport Indicators for NSW*

Changes and challenges for Inland Regional Centre Councils

What are these councils like now?

- many established early, with a few over 150 years old
- populations generally between 25,000 and 60,000
- generally over 300 staff
- generally rely on rates and annual charges for about 40-50% of income

What are people saying about these council areas?

*"Our **cities support and rely on our regions**. A positive future for our cities is important for the future of our regional areas"*
(Australian Government 2011a: 8).

*"Enhanced **strategic capacity** appears to be essential to local government's long term success as a valued partner in the system of government"*
(Aulich et al 2011: 10).

*"All inland cities have seen **population growth** over the past decade, although this has been slower than in coastal cities"*
(Federal Government 2011: 20).

*"Many inland country councils and coastal fringe and regional councils do not presently have the quality of **infrastructure** to deal with a rapid influx of older residents"*
(Allan et al 2005: 82).

*"Some larger regional councils felt that they were expected to take the lead and manage the **[collaborative] arrangement**...other larger regional councils noted this issue but took the position that they had a responsibility to support smaller neighbours and that it was in their long-term interest for a strong regional local government network"*
(DLG 2011a: 11).

*"Local job attraction schemes, regional universities, small scale roads and major infrastructure are all expensive, but they do not appear to materially accelerate **slow-growing regions**"*
(Daley and Lancey 2011: 3).

*"Regional cities are central assets to their regions. They give life to regions and people.... We should not only be proud of our regional cities, we should understand their potential to drive the **prosperity** of the nation"*
The Hon Simon Crean MP, Minister for Regional Australia, Regional Development and Local Government, Speech given to the Committee for Economic Development, 18 February 2011.

What do you think these councils will be like in four years' time?

What about in 10 and 20 years' time – and in 2036?

Changes and challenges for Coastal Communities

For more information on the challenges facing coastal communities, see:

- Gurran et al (2005) *Meeting the Sea Change Challenge: Sea Change Communities in Coastal Australia*
- DOP (2008) *New South Wales State and Regional Population Projections, 2006-2036*
- DECCW (2010) *Climate Impact Profile*
- Australian Government (2011b) *Sustainable Population Strategy for Australia*
- National Sea Change Taskforce (2011) *NSW Coastal Policy Paper*
- Drabsch (2011) *Population, Housing and Transport Indicators for NSW*

Changes and challenges for Coastal Councils

What are these councils like now?

- a wide diversity of population sizes and geographic areas
- significant, rapid and often sustained population growth
- a large range in budget sizes, from less than $50 million to more than $150 million
- generally reliant on rates and annual charges for 30-50% of income
- remainder of income from of a varied mix of user charges and fees, grants and contributions

What are people saying about these council areas?

*"**Population growth** in NSW is not evenly distributed. The coastal regions outside the Greater Metropolitan Region of Sydney, Newcastle and Wollongong experienced an annual average population increase of 1.2% whereas the inland regions of NSW grew by an average of just 0.3% per year in the same period"*
(Drabsch 2011: 5).

*"As the **population ages** more retirees will move to coastal and inland regional centres where they expect councils to provide aged care services (e.g. nursing homes and Meals on Wheels)"*
(Allan et al 2006: 11).

"Governments have tended to divide recurrent ***infrastructure funding*** between regions according to the number of existing residents...Consequently, the people in rapidly growing regions near capital cities and on the coast get substantially less than their fair share of services and infrastructure" (Daley and Lancy 2011: 3).

*"Sea- and tree-changers used to **city standards** demand higher grades of service than nonmetropolitan councils can afford"*
(Allan et al 2006:11).

*"Smaller coastal councils with a **low rate base** struggle to maintain and upgrade facilities, infrastructure and services that are used by visitors, such as public toilets, parks, gardens, cycleways and footpaths and sewerage and waste services"*
(National See Change Taskforce 2011: 3).

*"Residential and tourism development associated with the sea change phenomenon does not necessarily lead to **sustainable economic growth** or improved socio-economic outcomes for local populations"*
(Gurran et al 2005: 3).

*"**Sea level** rise and extreme storms are virtually certain to adversely affect vulnerable developments along the coast: Some coastal areas are already subject to the effects of coastal erosion, which will be exacerbated by rising sea levels"*
(DECCW 2010: xi).

*"The distinctive **rural character** of coastal hinterlands is threatened by pressure for residential and rural residential subdivisions"*
(Gurran et al 2005: 7).

*"**Consolidate** local urban councils from 42 to 11 (in the Sydney Basin) and one regional council for each of Newcastle, Illawarra and the Central Coast"*
(Association of Consulting Engineers Australia 2009: 1).

What do you think these councils will be like in four years' time?

What about in 10 and 20 years' time – and in 2036?

Changes and challenges for Rural and Remote Communities

For more information on the challenges facing rural and remote communities, see:

- → DOP (2008) *New South Wales State and Regional Population Projections, 2006-2036*
- → DECCW (2010) *Climate Impact Profile*
- → Australian Government (2011b) *Sustainable Population Strategy for Australia*
- → Drabsch (2011) *Population, Housing and Transport Indicators for NSW*

Changes and challenges for Rural and Remote Councils

What are these councils like now?

- large to very large in area, generally over 2,000 km^2 and some over 10,000 km^2
- small to very small in population, mostly between 2,000 and 10,000 residents
- small budgets, often below $10 million and generally below $20 million
- rates and annual charges account for 15-30% of income
- usually reliant on grants for over 30% of income, with some over 50%

What are people saying about these council areas?

"The depopulation of farming areas and small towns is undermining the ***revenue-raising capacity*** *of rural councils"* (Allan et al 2006: 11).

"Some regional communities, particularly those in remote areas, may not have the necessary resources to attract and retain skilled and ***professional people****"* (Standing Committee on Regional Development 2004: 2).

"In the case of more remote councils with small populations spread over large areas, ***consolidation*** *(whether amalgamation or shared services) may not be feasible"* (Aulich et al 2011: 7).

"Most council ***infrastructure*** *is comprised of roads and a high proportion of roads are in under-populated rural shires which do not have the rate base to support the upkeep let alone renewal of such roads, especially regional roads"* (Allan et al 2006: 28).

"Population growth has been uneven, with coastal cities growing faster than Australia as a whole, while remote and inland country areas have ***grown slowly or declined****. The most significant declines occurred in small rural townships with populations of between 1000 and 2000 people"* (Australian Government 2011b: 20).

"Some councils ***spend much more per capita*** *on services than other comparable councils. Reasons for this disparity include councils being...the 'last one standing', especially in rural areas where if a council does not fund a badly needed service (e.g. a school bus) the community may be denied it"* (Allan et al 2006: 14-15).

"Smaller and slower growing parts of rural and regional Australia remain great places to live and should not be left without services that increase wellbeing... However, these should be clearly recognised as ***subsidies to be justified on equity or social grounds****, rather than hoping they will generate self-sustaining economic growth"* (Daley and Lancy 2011: 3).

"NSW is expected to become ***hotter****, with higher maximum and minimum temperatures very likely to be experienced across the state in all seasons. The greatest increases in maximum temperatures are projected to occur in the north and west of the state"* (DECCW 2010: x).

What do you think these councils will be like in four years' time?

What about in 10 and 20 years' time – and in 2036?

Our Future

→ How might we change in the future?

Managing change

If you take a sample of community strategic plans which have been completed so far by councils in NSW, you find that people across the state want many of the same things: safe and healthy communities; clean and green environments; liveable neighbourhoods; vibrant businesses; and ethical and responsible governance. Many councils in NSW are well placed to work with their communities to help achieve these things. However, councils will also need to be willing to adapt and change in order to meet existing and future challenges.

The LGSA has suggested that in the next 20 years, local government is likely to see:

- Significant climate change if mitigation is not successful
- Major geopolitical shifts across the world
- Several turns of the economic cycle
- Significant population growth and change internationally and within Australia
- Several changes in government at the Australian and NSW levels
- Continuous changes to information technology
- Several new management theories (LGSA 2010: 7).

Discussion about change in local government is certainly not new. Councils in NSW have been talking seriously about change since the LGSA, LGMA and other stakeholders met as part of the Strengthening Local Government Taskforce in 2006 – and recent years have seen many voices, both from within and beyond local government, weighing in with their perspectives and opinions.

There is already considerable agreement within local government about some of the things which need to change. Consultation undertaken recently by the LGSA (2011) as part of its Modernising Local Government project revealed that most councils believe:

- that local government should be recognised in the Constitution
- that there should be different models of elected councils and that communities should have the flexibility to adopt the best model for them
- that it will be important for councils to develop additional sources of income in the future
- that local government should address barriers that may prevent diversity in the composition of councillors
- that there should be a revised role for local government in land use planning, including a complete review of the legislation.

While each point on this list may appear relatively uncontroversial, collectively they represent a significant change agenda for NSW councils.

A recent paper on local government reform prepared by the LGMA (2011) considered most of these issues, as well as other impediments to innovation and change in the sector, such as the restrictions on the formation of corporations and other entities. There is thus much that NSW's diverse councils agree needs to change – and this creates a solid foundation for the creation of a sector wide vision and action plan.

As well as the things which councils generally agree need to change, there are also come potential changes about which there is a diversity of opinion. For instance, the LGSA consultation found that there were differing views on:

- whether there should be an option for councils to have executive mayors
- whether the discontinuation of rate pegging alone will result in the financial viability of NSW councils
- whether all local government services and regulatory functions should be agreed between all three spheres of government, or whether some can be left to the discretion of individual councils
- whether councils should act as the conduit for community engagement on all local services and issues.

The LGMA paper again added a number of issues to this list, including

- whether clarification or changes to the roles of mayors and general managers are necessary
- whether there needs to be a cultural change within the way that councillors and staff work together.

These and other issues will be discussed and debated as part of the *Destination 2036* process. The Roadmap and Action Plan begun at the Workshop will need to set out a path which moves local government in NSW from talking about and reacting to change, to managing change to create a preferred future.

Ideas to stimulate discussion

Nations and states across the democratic world face similar questions when considering the best forms of local government for their communities. Some of these questions include:

- How should local government be structured?
- How should it be governed?
- What services should councils provide?
- How should they be financed?

Local governments are also increasingly thinking about how their communities can be better engaged in the running of their councils.

Councils in Australia have experienced considerable change over the last 20 years or so, including structural change. For example, there was consolidation of councils in South Australia and Tasmania, as well as amalgamations and considerable reform to local government in Victoria, in the 1990s. Queensland experienced a process of amalgamations and other changes, including the introduction of requirements for community and asset planning, in 2007-08, and the Northern Territory saw first the formation of many new councils from previously unincorporated areas, and then the replacement of those councils with a much smaller number of local government areas. In Western Australia, the Minister for Local Government has recently announced the creation of an independent panel to examine the social, economic and environmental challenges facing Perth and make recommendations about boundaries and governance models for local governments in the metropolitan area. This follows a series of voluntary amalgamations and regional collaboration agreements in many parts of rural WA.

This next section of the Discussion Paper looks at the ways in which other Commonwealth nations, which have a similar system of government to Australia, have answered the questions about structure, governance, financing and service profile. It does not provide a detailed description or analysis of local government systems in the UK, New Zealand and South Africa, but rather focuses on some new ideas. It is not expected that these ideas will all be applicable to councils in NSW. The short case studies presented here are intended to help stimulate thinking and discussion.

Recent reforms in the United Kingdom

Spotlight on: England
Population is 50.4 million

The sub national tier of government has 9 regions, including the Greater London Authority

The local tier of government has

- 34 county councils
- 238 district councils
- 36 metropolitan councils
- 47 unitary councils
- 33 London boroughs

Constitutional recognition?
No - England has no constitution

Transforming relationships between central and local government

There is currently an extensive and controversial change agenda proposed for local government in the United Kingdom, which has many resonances with issues being discussed in NSW (although many councils in the UK provide a larger range of services than those in Australia – including schools and housing). As a response to the impacts of the Global Financial Crisis, the UK Government has significantly reduced funding to local government, which has been a major impetus for reform of service delivery. In addition, in December 2010, the Government introduced its Localism Bill to Parliament. It is claimed that the Bill will significantly shift powers from the centralised state to local communities. Among its many proposals, the Localism Bill intends to

- increase the number of **directly elected mayors** – and require areas to have a referendum on whether they want a directly elected mayor
- create **executive mayors** in the 12 largest English cities
- allow councils to operate on one of **three governance models**: directly elected mayor and cabinet; an indirectly elected leader and cabinet; or a committee system
- **abolish central government caps on council taxes** and instead require councils to hold a referendum on proposed increases above a threshold level
- **allow communities to call for a referendum** on any local issue they think is important – and require local authorities to take the results into account when making decisions
- give communities the right to bid for the **ownership and management of community assets** – such as old town halls
- allow voluntary and community groups to challenge to **take over the running of council services**.

"No government has ever passed a piece of legislation like the Localism Bill... because instead of taking more power for the Government, this Bill will give power away"

Nick Clegg, Deputy Prime Minister, in UK Department for Communities and Local Government 2010: 1

"The spending review does leave councils facing some of the biggest cuts in the public sector. With no option but to inevitably, although reluctantly, cut frontline services that people rely on. These cuts will hurt."

Baroness Eaton, Chair of Local Government Association, 2010

Recent reforms in New Zealand

Spotlight on: New Zealand
Population is 4.0 million

There is no sub national tier of government (no states or provinces).

The local tier of government has

- 11 regional councils
- 11 city councils
- 50 district councils
- 6 unitary councils

Constitutional recognition?
No – like England, New Zealand has no constitution

Creating a super city...

In November 2010, eight councils in and around New Zealand's largest city were amalgamated to create the 'super city' of Auckland Council. The new local government area has a population of 1.4 million, governed by a directly elected mayor and 20 councillors, elected on a ward basis. There are two interesting features of the Auckland super city model.

...with an Executive Mayor...

The Mayor of Auckland has a wide range of responsibilities. At the highest level, the Mayor is required to "articulate and promote a vision for Auckland". He or she also has responsibility for:

- lead the development of plans, policies and budgets, which are put to Council for approval
- appoint the Deputy Mayor
- establish committees and their chairs.

... and Local Boards

In addition to the 21 elected officials, Auckland Council also has 21 Local Boards, each with between 5 and 12 elected members. The Local Boards are intended to represent the interests of local communities. They have limited decision making powers, but are required to provide input and advice to the Council in a wide range of areas, including local service provision.

Allowing councils to set up corporations

When Auckland Council was established, seven 'Council Controlled Organisations' (CCOs) were set up to deliver some services and facilities on behalf of the Council. The CCOs, while controlled by Council, operate independently. CCOs have been set up to manage Council's:

- major assets, such as the international airport and ports, and financial investments
- property portfolio
- events and economic development activities
- transport services and infrastructure
- redevelopment of its waterfront
- regional arts, culture, heritage, leisure, sport and entertainment venues
- water and wastewater services.

"A new Auckland-wide entity will provide for much more decisive and visible leadership, and allow for long-term planning and more efficient use of public resources and infrastructure investment"

Royal Commission on Auckland Governance, cited in Auckland Transition Authority 2011: 46

Recent reforms in South Africa

Spotlight on: South Africa
Population is 47.4 million

The sub national tier of government has 9 provinces

The local tier of government has

- 8 metropolitan councils
- 46 districts
- 321 local municipalities

Constitutional recognition?
Yes – the constitution not only enshrines local government, but also includes detailed principles for its operation and relationships with other levels of government

Allowing larger councils to choose their own model of local government

The South African Constitution established three different types of municipality. Under the *Local Government: Municipal Structures Act* 1998, urban areas are known as 'Category A' municipalities if they have:

- areas of high population density
- an intense movement of people, goods and services
- extensive development
- multiple business districts and industrial areas
- a centre of economic activity with a complex and diverse economy
- a single area for which integrated development planning is desirable.

The Category A municipalities are also known as unicities (much like Auckland 'super city' tag). There are currently 8 'unicities' in South Africa, ranging in population from 0.7 to 4.0 million.

Unlike the new Auckland Council, unicities in South Africa have a very large number of councillors (the legislation allows up to 270, but in practice there are generally about 200).

The most interesting thing about unicities from the NSW perspective is that they are allowed to choose between two types of governance: the **mayoral executive system** (where mayors are elected by the council and then choose their own committees), and the **executive committee system** (where governance is via a small committee elected by the council).

Seven of the eight unicities have chosen to be governed by executive mayors.

Other noteworthy features of the South African system are that mayors can only serve **a maximum of two five-year terms**. Unicity councils also have **speakers** who chair council meetings – and the mayor cannot be the speaker.

The South African approach may not, however, be serving rural and regional parts of the country, with a recent report prepared by the South African Department of Corporate Governance and Traditional Affairs noting many difficult challenges, particularly for councils in rural areas and former homelands.

"The national or a provincial government may not compromise or impede a municipality's ability or right to exercise its powers or perform its functions."

Clause 4, Section 151 of the Constitution of South Africa.

Elements and models

What if NSW had a Local Government Act which allowed communities or councils to choose their own council model? How many different models would be required?

Models for local government could potentially address five key elements: governance, structure, functions, financing and capacity. Recent research on local government in NSW and Australia has suggested that each of these elements could address a number of issues.

Issues about Governance, such as:

- Number of councillors
- Type of mayor (executive or non executive)
- Term of mayor
- Existence of governance sub structures (such as wards)
- Formalised community engagement mechanisms
- Level of compliance requirements

Issues about Structure, such as:

- Size and shape of council
- Population of council
- Structural resource sharing

Issues about Functions, such as whether councils should provide:

- An agreed or required set of services and regulatory functions only
- An agreed or required set of services and regulatory functions, as well as other discretionary services
- Functions enabled but not required by legislation
- Some additional services which are currently provided by State and Federal Government

Issues about Finance, such as:

- Reliance on rates income, with rate pegging
- Reliance on rates income, without rate pegging or with more flexibility to gain exemptions from the rate cap
- Reliance on grants
- Greater diversification of income sources
- Resource sharing arrangements

Issues about Capacity, such as:

- Maintaining or increasing strategic capacity
- Increasing efficiency of service provision
- Changing delivery mechanisms (such as greater outsourcing of functions and partnerships)

Can you think of any other issues or options which should be considered as part of future models?

Elements and models

When you put the five elements of governance, structure, functions, financing and capacity together, you could form a series of models for local government in NSW in the future. These models could potentially include...

Approach 1→

Big councils with broad focus

This model could suit councils with large populations and geographic areas, which may have been amalgamated. Councils using this model could potentially be governed by a larger number of councillors than the Act currently permits – and it might be appropriate for councils using this model to have the option to have an executive mayor, being full time, remunerated accordingly and with greater responsibilities than current Mayors. It may be easier for these councils to show strong strategic leadership in their communities, and they could possibly have increased flexibility in setting rates once they demonstrate high quality integrated planning and reporting. These councils could provide a core set of services – and could also respond flexibly and creatively to the needs of their communities. These councils may have some kind of formalised system of community engagement, particularly on local issues.

Approach 2→

Small to medium councils with tight focus

This model could be pertinent to councils with small to medium populations and budgets which wish to focus on the delivery of a core set of services. Mayors could either be directly elected for a four year term – or elected by councillors for a shorter period. These councils may be able to increase their financial viability by entering into resource sharing arrangements with their neighbours. They may be able to achieve exemption or greater flexibility from rate pegging – but would need to demonstrate strategic capability and high quality integrated planning and reporting to do so. It may also be appropriate for there to be a lifting of some compliance requirements on councils using this model.

Approach 3→

Small and nimble councils

This model could appeal to councils with smaller populations and budgets, which may be of any geographic area. Mayors could either be directly elected for a four year term – or elected by councillors for a shorter period. There could be recognition that these councils rely financially on grants and focus on delivering a core set of services, but may also have developed innovative solutions to local challenges. As in Model 2, it may also be appropriate for there to be a lifting of some compliance requirements on councils using this model. In this model, councils may be early adaptors of new community engagement technologies, particularly where communities are distributed over large geographic areas.

Approach 4→

Small to medium councils with shared administrations

This model could suit smaller councils which do not want to amalgamate, but do want to increase the efficiency of their operations. These councils could share administrations and deliver a core set of services throughout the joint administration area, but may also have developed targeted solutions to local challenges. The strategic capacity of these councils may be enhanced, as much of the planning work could be undertaken collectively. This may result in these councils gaining greater flexibility with the application of rate pegging.

Approach 5→

Small to medium councils with broad service reach

This model could appeal to councils which are willing to take on a regional service provision role. These councils are likely to be larger in geographic area and potentially remote from existing service centres. The councils could deliver a core set of services, but could also take on new services, including some services currently provided by the State and Federal Governments. They could be directly funded for the provision of these services and may also be enabled to establish corporations or other entities. They may use innovative technologies to provide regional services to their communities – and it may be appropriate for there to be a lifting of some compliance requirements on councils using this model.

These models are some initial ideas – do you have any other ideas?

Could one of these models work for your community in the future?

Envisaging change

Change is one of the few certainties in life. Change happens. It can be anticipated, planned for, managed and even enjoyed. Or it can be ignored until a crisis occurs - then it happens much more quickly, with less planning, control and management.

The *Destination 2036* project is about planning for change to achieve a preferred future. It is about civic leaders planning together, then managing and enjoying the changes thatsupport great local government for our communities.

A plan for the future often starts with a vision statement. A vision statement answers the question "Where do we want to be?", by imagining and describing a preferred future. If we can't answer this question for local government, it will be much harder to answer the follow up questions, such as

- How will we get there?
- What challenges will we face?
- How will we overcome them?
- What are the actions we need to take?
- What are the top priorities?

Answering these questions will help create "the unifying narrative" described by the LGSA which will assist local government to "move forward with purpose and coherence".

Drawing from recent local government reports, speeches and conversations, a preferred future for local government might include the following characteristics:

Local Government will be respected, relevant, responsible and resourced.

The councils of the future will be:

- *democratically elected*
- *reflecting the diversity of their communities in their Councillors and staff*
- *responsibly governed and managed*
- *financially viable*
- *future focused*
- *able to plan and act strategically*
- *providing highly valued services, facilities and infrastructure*
- *undertaking a core set of functions*
- *able to undertake additional functions which respond to local needs*
- *engaging with their communities in new ways*
- *true collaborators and partners - with each other, with their communities and with state and federal agencies*
- *continually adapting.*

The councils of the future will use a range of operating models enabled by legislation. These models will have facilitated change to ensure that NSW communities are led by distinctive, sustainable councils of diverse population size and geographic area.

Councils will be true leaders of their communities.

There may be other characteristics of future NSW councils which will be important to include in a vision statement for local government – can you see any gaps?

Creating a preferred future

Nothing like the *Destination 2036* Workshop has ever been held in NSW before. It is a truly unique opportunity for our civic leaders to talk together about the future and plan for the kind of councils that our communities deserve.

To do this we need to be able to imagine our communities in 5 years, 10 years, 20 years and even 25 years, and consider how we can best serve them.

We need to reach beyond our individual opinions and develop a collective view about what needs to change. We need to learn from the past to help us focus on the future - creating a legacy that works.

What will great local government look like in the future? What changes are needed to achieve that future? What are the top priorities? This is what the *Destination 2036* project is about.

This is a real opportunity to start building stronger relationships of trust that will help build a local government future together. If not us, then who?

What happens in the Workshop?

In the *Destination 2036* Workshop, we need to work as equals - creatively, openly and thoughtfully. The Workshop purpose is:

- To create a bold vision for local government
- To identify the roadmap that will put us on a path to this vision
- To develop a shared view on the right models for local government
- To develop and get excited about a short term Action Plan: not a wish list but something clever and achievable that focuses on priorities for 4 years
- To create an opportunity for new relationships of trust within and between local and state government to help deliver great local government.

Start being heard before the Workshop – fill in the short online survey for participants

Can I have a say before the Workshop?

In order to achieve the Workshop purpose, we will have a lot of work to complete in the two days in Dubbo. To help us with this work, and to understand the views of participants on some of the issues covered in this Discussion Paper, we have prepared an online survey.

The survey will only take 10 minutes or so of your time – so we encourage participants to take this opportunity to have your thoughts heard, right from the beginning of the *Destination 2036* process.

How else can you prepare for the Workshop?

Reading this Discussion Paper, and following up on any of the reference documents which interest or inspire you, is a great start. Thinking about organisations, industries and people you know who have planned and managed change well will also be useful - what did they do that worked?

How can others provide input?

If you are a Mayor, Councillor or County Council Chair, you may like to discuss the opportunities and challenges facing local government with your fellow Councillors. If you are a General Manager, County Council Chief Executive or ROC Executive Officer, you may want to talk to your staff about their ideas for the future of the sector. Bringing an array of ideas to the Workshop, without fixed positions, will help the conversation.

You can also encourage Councillors and staff to participate in a web forum, which they will soon be able to access at www.dlg.nsw.gov.au.

What will happen after the Workshop?

The *Destination 2036* Workshop is the start of a conversation. After the Workshop, it is expected that there will be ongoing discussion and engagement with a wide range of people and organisations, both about the overall roadmap for local government in NSW, and about specific actions in the Action Plan.

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