

## Final Report of the NSW Local Government Review Panel

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<p>1. Establish an integrated Fiscal Responsibility Program, coordinated by DLG and also involving TCorp, IPART and LGNSW to address the key findings and recommendations of TCorp’s financial sustainability review and DLG’s infrastructure audit.</p>	<p><b>Supported in principle</b> - details required on costs involved and who will pay for the Fiscal Responsibility Program establishment.</p>	<p>The Panel believes that the starting point has to be a new focus on what it terms ‘fiscal responsibility’ – by which asset and financial management, the level of rates and charges, distribution of grants, setting of service standards, increased efficiency, performance improvement and audit practices are all aligned to achieve the long term goal of financial sustainability.</p>
<p>2. As part of the integrated Fiscal Responsibility Program:</p> <p>a. Adopt an agreed set of sustainability benchmarks</p> <p>b. Introduce more rigorous guidelines for Delivery Programs that:</p> <ul style="list-style-type: none"> <li>• Give effect to long-term financial and asset management plans prepared fully in accordance with IPR guidelines</li> <li>• Contribute effectively to progressive elimination of an operating deficit</li> <li>• Establish a 4-8 year ‘revenue path’ for all categories of rates linked to specific expenditure proposals for infrastructure and services</li> <li>• Clearly justify any proposed increases in services or creation of new assets, based on regular service reviews and community consultation to determine appropriate levels of service</li> <li>• Incorporate substantially increased funding for infrastructure maintenance and renewal (where backlogs have been identified)</li> <li>• Apply increased borrowing to meet infrastructure needs wherever appropriate and financially responsible</li> </ul>	<p><b>Supported:</b></p> <p>2a: SEROC supports the development of a standard set of sustainability benchmarks for all councils for comparative purposes.</p> <p>2b: The proposals for streamlining delivery programs generally appear reasonable provided that they are implemented through a good practice approach rather than through a legislative or regulatory intervention. Whether councils meet the standards should be left to the judgement of their communities, and not the subject of official intervention.</p> <p>2d: SEROC support this recommendation provided there is flexibility in how councils comply.</p> <p>2e: The option for two or more councils to share the services of a CFO, or for a sector wide service to provide CFO services to individual councils should be an available option.</p>	<p>TCorp recommended a focus on the following aspects:</p> <ul style="list-style-type: none"> <li>• At least breakeven annual operating positions are essential</li> <li>• Rate increases must meet <i>underlying</i> costs as well as annual growth in expenditure</li> <li>• Medium-term pricing paths are needed for ongoing adjustments to rates and charges</li> <li>• Asset management planning must be prioritised</li> <li>• Councillor and management capacity must be developed</li> <li>• The system and guidelines for accessing restricted funds should be reviewed</li> <li>• Increased use of borrowings for infrastructure.</li> </ul>

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<ul style="list-style-type: none"> <li>• Ensure a fair and reasonable distribution of the rate burden across categories of ratepayers</li> <li>• Include measures to bring about ongoing improvements to efficiency, productivity, financial management and governance</li> <li>• Be certified by the Mayor and General Manager, in their respective capacities, as meeting these requirements</li> </ul> <p>c. Commission TCorp to undertake regular follow-up sustainability assessments</p> <p>d. Provide additional training programs for councillors and staff</p> <p>e. Require all councils to employ an appropriately qualified CFO</p>		
<p>3. Place local government audits under the aegis of the Auditor General</p>	<p><b>Supported</b> – SEROC supports the notion that the Auditor General would have an overseeing role of audits rather than being an imposition with the possibility of undue costs on councils. We can see this being an issue for councils which are at some distance from the Auditor-General’s Sydney office. An option which would make this more acceptable is for the Auditor-General to engage suitably qualified contractor agents (ideally in consultation with the council involved) to undertake audits for councils at a distance from Sydney.</p>	<p>Most audits would continue to be carried out by private firms, but under the supervision of the Auditor General, who would also prepare an annual overview report to Parliament, providing an independent assessment of the financial health of the local government system.</p>
<p>4. Ensure that the provisions of the State-Local Government Agreement are used effectively to address cost-shifting</p>	<p><b>Supported</b></p>	<p>Local Government NSW and its predecessors have conducted an annual survey of cost-shifting for several years. According to the results for 2010-11 the financial impact on councils amounted to \$499 million or 5.72% of local government’s total income before capital.</p>
<p>5. Require councils to prepare and publish more rigorous Revenue Policies</p>	<p><b>Supported</b></p>	<p>The ‘Henry’ review again confirmed that rates are a tax, not a fee-for-service. That being the case, councils should be applying well established principles of taxation – such as equity, efficiency, simplicity, sustainability and policy consistency – as part of their Revenue Policies.</p>

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		<p>The Panel can find little evidence that this is occurring. In most cases, rating systems appear to be the result of an accumulation of pragmatic decisions taken over many years, focused simply on raising as much revenue as possible within legal limits and in a manner acceptable to the majority of ratepayers. This approach is unlikely to reflect sound fiscal policies or to lay a solid foundation for long-term sustainability.</p> <p>The Panel thus sees a need for preparation and adoption by councils of more rigorous Revenue Policies that set out a clear rationale for the way their rating systems are structured, precisely what they are designed to achieve, and how taxation principles have been applied. This would enhance transparency and accountability to the community, and encourage councils to avoid both arbitrary imposition of rates and unnecessary complexity. Revenue Policies should be updated as part of each new 4-year Delivery Program, and reviewed thoroughly every second or third term of Council (page 39)</p>

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<p>6. Commission IPART to undertake a further review of the rating system focused on:</p> <ol style="list-style-type: none"> <li>options to reduce or remove excessive exemptions and concessions that are contrary to sound fiscal policy and jeopardise council’s long term sustainability</li> <li>more equitable rating of apartments and other multi-unit dwellings, including giving councils the option of rating residential properties on Capital Improved Values, with a view to raising additional revenues where affordable</li> </ol>	<p><b>Supported</b></p>	<p><i>Table 2: Potential Changes to Rate Exemptions</i></p> <table border="1"> <thead> <tr> <th data-bbox="1574 312 1794 360">Type of Land</th> <th data-bbox="1794 312 2072 360">Possible Way Forward</th> </tr> </thead> <tbody> <tr> <td data-bbox="1574 360 1794 517">Commercial activities of various statutory authorities</td> <td data-bbox="1794 360 2072 517">Remove or modify current exemption (eg commercial forestry in State forests and commercial activities in National Parks)</td> </tr> <tr> <td data-bbox="1574 517 1794 673">Land used for certain religious, charitable and educational purposes</td> <td data-bbox="1794 517 2072 673">Modify current exemptions and/or switch to a minimum rebate with the option of additional concessions at councils’ discretion</td> </tr> <tr> <td data-bbox="1574 673 1794 829">Oyster cultivation and cattle dipping; land leased for granted mineral claims</td> <td data-bbox="1794 673 2072 829">Remove exemption (little justification on efficiency or equity grounds)</td> </tr> <tr> <td data-bbox="1574 829 1794 986">Various listed groups</td> <td data-bbox="1794 829 2072 986">Remove exemption (largely commercial purposes eg Royal Agricultural Society, Sydney Cricket Ground, Museum of Sydney)</td> </tr> <tr> <td data-bbox="1574 986 1794 1155">Land used for health and safety; Aboriginal land; cemeteries, public places, libraries</td> <td data-bbox="1794 986 2072 1155">Retain exemption</td> </tr> </tbody> </table>	Type of Land	Possible Way Forward	Commercial activities of various statutory authorities	Remove or modify current exemption (eg commercial forestry in State forests and commercial activities in National Parks)	Land used for certain religious, charitable and educational purposes	Modify current exemptions and/or switch to a minimum rebate with the option of additional concessions at councils’ discretion	Oyster cultivation and cattle dipping; land leased for granted mineral claims	Remove exemption (little justification on efficiency or equity grounds)	Various listed groups	Remove exemption (largely commercial purposes eg Royal Agricultural Society, Sydney Cricket Ground, Museum of Sydney)	Land used for health and safety; Aboriginal land; cemeteries, public places, libraries	Retain exemption
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<p>7. Either replace rate-pegging with a new system of ‘rate benchmarking’ or streamline current arrangements to remove unwarranted complexity, costs and constraints to sound financial management</p>	<p><b>Supported</b> – SEROC has a view that rate pegging should be primarily tied to the infrastructure needs of councils. One approach is a tiered system that allows:</p> <ul style="list-style-type: none"> <li>Rate increases of say up to 5% above the rate peg providing the additional revenue is tied to infrastructure or:</li> </ul>	<p><b>Rate Benchmarking:</b></p> <ul style="list-style-type: none"> <li>More rigorous Delivery Programs (see Box 9) and Revenue Policies, certified by the Mayor and General Manager as meeting all applicable requirements</li> </ul>												

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	<ul style="list-style-type: none"> <li>The rate cap being set aside based on a full IPART submission justifying a rate increase including public support.</li> </ul>	<ul style="list-style-type: none"> <li>Proposed rate increases and associate expenditures must be subject to community consultation when preparing Delivery Programs</li> <li>IPART publishes and justifies an annual Local Government Cost Index</li> <li>Annual audits (under the aegis of the Auditor General) check whether revenues in excess of the cost index have been expended in accordance with the Delivery Program</li> <li>IPART publishes benchmarking data on increases in revenues and expenditure efficiency</li> <li>Minister can intervene if the evidence warrants corrective action.</li> </ul> <p><b>Streamlining Rate Pegging:</b> Councils would be able to increase rates by up to 5% pa above the rate-pegging limit over the life of a Delivery Program, provided that:</p> <ul style="list-style-type: none"> <li>They prepare more rigorous Delivery Programs (see Box 9) and Revenue Policies, certified by the Mayor and General Manager as meeting all applicable requirements</li> <li>The community has been made aware of proposed rate increases and associated expenditures contained in the Delivery Program</li> <li>The case for a Special Rate Variation has been endorsed by the council’s auditor as being soundly based and warranted to ensure long term sustainability</li> </ul> <p>In addition, the Local Government Act and/or Regulation would be amended:</p> <ul style="list-style-type: none"> <li>to require IPART to publish and justify an annual Local Government Cost Index</li> </ul>

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		<ul style="list-style-type: none"> <li>• to provide that increased revenues flowing from all legitimate SRVs are embedded permanently in a council's rating base</li> <li>• to exempt from rate-pegging Special Rates levied on a defined group of ratepayers in order to undertake specific projects that are of particular benefit to those ratepayers, and have been shown to enjoy majority support amongst those affected</li> <li>• to give councils the right to collect revenue in excess of the rate-pegging limit that results from new 'greenfields' development, converted Crown Land, additional multi-unit residential development, and any increased residential values flowing from the introduction of CIV for multi-unit dwellings</li> <li>• to remove the need to seek approval for small amounts of revenue above the rate-pegging limit collected as a result of inaccurate estimates or calculation errors (amounts less than, say, the equivalent of 0.1% of total rate revenues)</li> <li>• to ensure that domestic waste management charges are set on a proper cost-recovery basis</li> <li>• to empower the Minister – through IPART – to conduct random audits to ensure that councils' documentation and implementation of these arrangements meets all relevant requirements.</li> </ul> <p>Where an audit shows that a council has failed to meet the new criteria for Delivery Programs and/or Special Variations, the current rate-pegging arrangements would be re-applied.</p>
8. Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs	<b>Supported</b> - many smaller rural and remote councils are disadvantaged by the mandatory 30% per capita rule.	Currently, the principal source of funds is the federal government through both Financial Assistance Grants (FAGs) and the Roads to Recovery program. FAGs are split into 'general-purpose' and 'roads' components,

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	<p>A redistribution of FAGS and Roads to Recovery Programs to rural and regional councils should be implemented and can be achieved if there is flexibility to allow metropolitan councils to increase their rates.</p>	<p>although both are untied and can be used as councils see fit. All councils receive a minimum grant: under the current law 30% of the total general-purpose component must be set aside for that purpose and distributed on a per capita basis.</p> <p>The effect of the current arrangements is that large amounts of assistance are paid to some councils that could make do with less. This has been highlighted in several reviews, notably the 2007 study by the Productivity Commission. The Panel believes that in a climate of fiscal restraint, consideration needs to be given to the option of redistributing more funds to the most needy councils and communities. It notes that at present around \$40 million of general purpose grants are allocated each year to 23 minimum grant councils, all of which are located in relatively affluent areas of the Sydney region north and east of Parramatta. Those councils also receive a share of the roads component of FAGs and Roads to Recovery grants.</p>
<p>9. Establish a State-wide borrowing facility to enable local government to make increased use of debt where appropriate by:</p> <ol style="list-style-type: none"> <li>a. Reducing the level of interest rates paid by councils</li> <li>b. Providing low-cost financial and treasury management advisory services</li> </ol>	<p><b>Supported</b> - SEROC supports the recommendation for the establishment of a local government borrowing facility with the objective of improving market access and reducing borrowing costs for NSW councils.</p>	<p>In Queensland, South Australia and New Zealand local government borrowings (and some investments) are handled collectively by a state-wide agency. The models differ, but in each case the effect is to reduce borrowing costs considerably. The Panel understands that investigations are under way to establish a similar arrangement in NSW. It strongly endorses that move, and sees particular merit in the Queensland approach of extending the remit of the Treasury Corporation to cover local government. This has the advantage of simplicity and low administrative costs, and means that councils can borrow at the same rate as the State government. On average, the interest rate saving to councils would be about 2%. Moreover, a very small surcharge on the interest rate payable (say 0.1%) would be sufficient to</p>

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		fund a free or low-cost advisory service to help improve councils' treasury management practices and financial governance generally.
10. Encourage councils to make increased use of fees and charges and remove restrictions on fees for statutory approvals and inspections, subject to monitoring and benchmarking by IPART	<p><b>Supported</b> - One measure which SEROC believes would contribute significantly to this objective is freeing up the ability for councils to work through commercial structures where such commercial structures are better placed to generate value than working through the traditional core council framework. The Division should propose changes to section 358 of the Local Government Act 1993 to:</p> <ul style="list-style-type: none"> <li>• Remove the requirement for ministerial consent.</li> <li>• Include a framework for the post-establishment governance of council controlled entities to ensure a combination of continuing democratic accountability, and the necessary discretions for the entity's governing body to manage its business. The provisions of New Zealand's local government legislation regarding council controlled organisations may be an appropriate precedent.</li> </ul>	Given the scope to improve the rating system, the Panel does not see the search for major new revenue sources as a top priority – and certainly not the key to solving councils' financial problems – but it is important that NSW local government does not get left behind in exploring new forms of revenue.
11. Factor the need to address infrastructure backlogs into any future rate-pegging or local government cost index	<b>Supported</b>	<p>The <i>Local Government Infrastructure Audit</i> published by DLG in May 2013 indicates that the backlog comprises:</p> <ul style="list-style-type: none"> <li>• \$4.6bn for roads</li> <li>• \$1.0bn for buildings</li> <li>• \$0.7bn for stormwater drainage</li> <li>• \$1.1bn for water supply and sewerage networks.</li> </ul>
12. Maintain the Local Infrastructure Renewal Scheme (LIRS) for at least 5 years, with a focus on councils facing the most severe infrastructure problems	<b>Supported</b> – SEROC's view is that we need to begin long term planning. The scheme should be legislated to be in place for the next 20 years. Major infrastructure loans are generally 15 to 30 years. Guidelines for the loans need to be amended so that loan periods can extend beyond the current 10 year maximum even if the interest assistance only applies for a maximum of 10 years.	The Panel was concerned that in early rounds of LIRS subsidies were provided for a number of councils that should not need support given their strong rating base.
13. Pool a proportion of funds from the roads component of federal Financial Assistance Grants and, if possible,	<b>Supported in principle</b> – many councils will not actually be able to fund their infrastructure backlogs without special	Option is based on an existing South Australian model, whereby 15% of the roads component of FAGs is

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<p>the Roads to Recovery program in order to establish a Strategic Projects Fund for roads and bridges that would:</p> <ul style="list-style-type: none"> <li>a. Provide supplementary support for councils facing severe infrastructure backlogs that cannot reasonably be funded from other available sources</li> <li>b. Fund regional projects of particular economic, social or environmental value</li> </ul>	<p>financial assistance. Therefore, SEROC supports this if there are additional funds provided. This can be done if there is a redistribution of grant funding from Metropolitan to Rural (refer comment under point 8) allowing a Strategic Pool of Funds to be created.</p>	<p>allocated to 'strategic projects' rather than in grants to every council. In NSW, 15% would amount to around \$30 million per annum, which (by way of illustration) could be used to borrow around \$300m over 20 years and thus create a special assistance fund. This might be augmented by a State contribution, and (if possible) a similar percentage of federal 'Roads to Recovery' funds, thus creating a substantial program to assist councils with needs that cannot reasonably be met from their own resources. In the longer term, the fund could begin to support strategic developmental projects across all councils.</p>
<p>14. Require councils applying for supplementary support from the Strategic Projects Fund to undergo independent assessments of their asset and financial management performance</p>	<p><b>Supported</b> with the qualification that there should be set criteria for the funding application by the Council and for the independent review of that Council</p>	<p>Councils receiving special assistance should be subject to mandatory financial reviews and external guidance in the preparation of new financial and asset management plans.</p>
<p>15. Carefully examine any changes to development (infrastructure) contributions to ensure there are no unwarranted impacts on council finances and ratepayers</p>	<p><b>Supported</b> with consideration that subdivisions that utilise the rural road networks create an increasing demand on Councils' resources because of the increased expectation of the new ratepayers in regard to road standards.</p>	<p>The Panel appreciates the Government's objectives of promoting economic development and facilitating housing supply and affordability. It is concerned, however, that the ability of councils to address their wider infrastructure and asset maintenance needs (including backlogs identified by TCorp and DLG) may be compromised if infrastructure contributions fall short of what is required to service development, and that an undue burden could be placed on ratepayers.</p>
<p>16. Adopt a similar model to Queensland's of Regional Roads and Transport Groups in order to improve strategic network planning and foster ongoing improvement of asset management expertise in councils</p>	<p><b>Supported</b> where the focus is on strategy and benchmarking in assets and providing support to regional procurement, as opposed to road construction and maintenance</p> <p>To operative effectively, management of RMS contracts would require and adjustment to RMS regional boundaries to align with those of the JO. For example half the Councils</p>	<p>Local councils currently work with Roads and Maritime Services (RMS) in two key areas:</p> <ol style="list-style-type: none"> <li>1. Maintenance contracts on State Roads</li> <li>2. Grant funding programs for Regional Roads</li> </ol> <p>RMS is looking to improve the efficiency and effectiveness of maintenance delivery on State roads in regional NSW. Currently 78 councils are involved in contract arrangements to undertake maintenance for</p>

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	<p>in the Southern Tablelands JO are currently administered from Wollongong and the other half from Wagga.</p> <p>An examination of the “model structure” for Joint Organisations (figure 7) establishes that road and transport groups are separate entities with the mechanism for JO engagement through a partnership agreement, therefore appropriate resourcing of such road and transport groups would need to be addressed.</p>	<p>RMS. Key areas for improvement include reduced RMS and council administration, improved systems and WHS capability from councils, increased procurement efficiency and improved utilisation of council resources. Under current arrangements councils are encouraged to form Peer Exchange Groups (PEGs) aimed at developing innovation, resource sharing and process improvement. The current PEG regional boundaries differ from those proposed in section 11, but could be progressively re-aligned.</p> <p>RMS will consider a ‘pilot’ scheme (or schemes) that would align one of the existing PEG groups into a proposed Joint Organisation, and also explore the potential to trial aggregated arrangements for maintenance contracts.</p> <p>RMS currently supports the maintenance of Regional Roads through formula- based block grants to councils and through targeted funding under the REPAIR program.</p> <p>The proposed Joint Organisation model provides an opportunity for:</p> <ul style="list-style-type: none"> <li>• improved consistency in council supplied data that feeds the funding distribution formula</li> <li>• a broader strategic approach to effective use of available funds to Regional Roads through improved business planning at the JO level</li> <li>• streamlining of administration of grant programs for RMS and councils</li> <li>• a more strategic engagement on a broader network basis to prioritise freight productivity needs and initiatives</li> <li>• improving the model for the strategic distribution of REPAIR funds.</li> </ul>

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17. Establish Regional Water Alliances as part of new regional Joint Organisations	<p><b>Supported in principle</b> – With respect to water and wastewater facilities, SEROC would object to a change in the way these utilities are managed. Councils must retain ownership and control of these infrastructure assets. The JO should not own assets - each region should determine what a water utilities alliance should entail and develop the Regional Water Alliance on that basis.</p> <p>Regional collaboration for the planning and management of water and sewerage facilities is an essential step forward to meet the challenges in rural NSW. The decision as to whether any infrastructure assets are transferred to the JO should be the decision of each individual Council.</p>	The Panel has been advised that just under \$1 billion is needed to bring all water supply and sewerage systems to acceptable minimum standards. This could involve \$300 million of new State government funding. A priority works program is to be formulated, based on cost-benefit analysis of required upgrades. Again, regional collaboration has an important role to play in enabling council-owned water utilities to meet the challenges they face.
18. Adopt a uniform core set of performance indicators for councils, linked to IPR requirements, and ensure ongoing performance monitoring is adequately resourced.	<b>Supported</b> - SEROC supports the development of a standard set of sustainability benchmarks for all councils for comparative purposes.	The Panel understands that DLG is moving ahead with the work on performance measurement and is exchanging information with its Victorian counterpart. This project needs to be given a high priority and additional resources should be allocated if necessary as part of the implementation program proposed in section 18. A worthwhile objective might be to establish a 'My Council' website giving the public easy access to a range of comparative data.
19. Commission IPART to undertake a whole-of-government review of the regulatory, compliance and reporting burden on councils	<b>Supported</b> - the continued risk exists that further intrusive state driven regulation of local government will undermine the prospect of achieving a partnership relationship between state and local government. Inherent in a partnership approach is good faith dealing based on trust. Inherent in a compliance approach is the statement 'we do not trust you to deliver'.	Research commissioned by IPART indicates that NSW councils have around 120 regulatory functions involving over 300 separate regulatory roles. Those roles emanate from 67 State Acts administered by 31 State agencies. These figures suggest a heavy burden on business and the community, and on local government itself. Substantial savings can be expected if this burden is reduced.
20. Establish a new sector-wide program to promote, capture and disseminate innovation and best practice	<b>Supported</b> – but the program must be adequately resourced.	Whilst DLG now has a group of staff focused on sector development, there needs to be a more concerted

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		approach driven jointly by the Division, Local Government NSW, professional bodies and unions.
21. Amend IPR Guidelines to require councils to incorporate regular service reviews in their Delivery Programs	<p><b>Supported in principle</b> - The idea of regular service reviews applying principles such as those developed by Victoria in its 'best value' guidelines has merit.</p> <p>Service Reviews should enable the demonstration of value for money to the ratepayers. The exercise is very resource intensive. The scope of Service Reviews should be defined and the guidelines for undertaking the reviews established. Perhaps this could be an appropriate function to establish under a JO.</p>	<p>Proposed Principles for Service Reviews:</p> <ul style="list-style-type: none"> <li>• A council must achieve continuous improvement in the provision of services and seek to ensure that its services are equivalent to 'best on offer' in its region</li> <li>• All services provided by a council must meet defined performance outcomes and quality and cost standards developed by the council in consultation with local communities and key stakeholders</li> <li>• As part of service reviews, a council must explore the potential for partnerships with adjoining or nearby councils, as well as other public or private service providers</li> <li>• Service reviews must take into account the importance of maintaining and where possible increasing local employment opportunities</li> <li>• Each service provided by a council must be accessible to those members of the community for whom the service is intended</li> <li>• A council must report regularly to its community on its achievements to these principles.</li> </ul>
22. Strengthen requirements for internal and performance auditing	<p><b>Supported</b> - SEROC understands that issue based performance auditing by the office of the Auditor-General is seen by local government in both Victoria and New Zealand as a valuable way of providing a relatively objective and informed overview of potentially significant issues for the sector.</p> <p>The proposals in respect of internal audit should serve as the basis for good practice guidance promulgated by Local Government NSW. SEROC welcomes especially the suggestion that joint audit committees and internal audit processes should be seen as appropriate for smaller</p>	<p>Strengthening Internal and Performance Auditing:</p> <ul style="list-style-type: none"> <li>• Revise the current guidelines under the Act and make them mandatory</li> <li>• Extend the concept of internal audit towards adding value and continuous improvement</li> <li>• Require all councils with expenditures of more than a set amount (perhaps \$20m per annum) to have an 'audit, risk and improvement' committee and associated internal audit function with broad terms of reference covering financial management, good governance, performance in implementing the Community Strategic Plan and Delivery Program,</li> </ul>

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	councils. This is also considered to be an ideal function of the JO.	<p>service reviews, collection of required indicator data, continuous improvement and long term sustainability</p> <ul style="list-style-type: none"> <li>• Enable councils with smaller budgets to have joint arrangements for internal audit and to share audit committees, under the aegis of regional Joint Organisations (see section 11)</li> <li>• Require audit committees to have a majority of independent members and an independent chair, and preclude General Managers from membership of audit committees (but not attendance at meetings)</li> <li>• Ensure that the chair of the audit committee reports at least biannually to a council meeting on the organisation's performance in financial management, good governance and continuous improvement</li> <li>• Empower the Auditor General to conduct issue-based performance audits in key areas of local government activity.</li> </ul>
23. Introduce legislative provisions for councils to hold Annual General Meetings	<b>Supported</b> - focusing both the public and media attention on council's overall performance, and providing an opportunity for the council to report its achievements is applauded by SEROC.	<p>A council AGM held in October-November each year could include:</p> <ul style="list-style-type: none"> <li>• Tabling of the audited accounts and questioning of the auditor by councillors, and perhaps the public (the former is already a requirement)</li> <li>• A public presentation by the chair of the audit committee</li> <li>• A 'state of the area' address by the mayor, outlining the council's achievements relative to the Community Strategic Plan and Delivery Program, and key issues that need to be addressed.</li> </ul>
24. Develop a NSW Local Government Workforce Strategy	<b>Supported</b>	Skills shortages are of growing concern and in a highly competitive labour market, local government needs to give a high priority to developing the talents of its

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		workforce and finding new ways to attract and retain skilled personnel.
25. Explore opportunities for the Local Government Award to continue to evolve to address future challenges facing the sector and changing operational needs	<p><b>Supported.</b></p> <p>SEROC also suggests that consideration be given to having one industrial award within one jurisdiction for consistency purposes and to avoid complexity.</p>	The Panel is not convinced that the award is as costly and inflexible as some believe, and believes that further efficiency and productivity gains can and should be made through negotiation. There ought to be scope, for example, to balance a commitment to retain jobs in award-based entities (such as the new regional Joint Organisations) with some relaxation of specific award provisions, such as spread of hours, that increase the cost of operating 'out-of-hours' services.
<p>26. Amend the Local Government Act to strengthen political leadership:</p> <ol style="list-style-type: none"> <li>a. Require councils to undertake regular 'representation reviews' covering matters such as the number of councillors, method of election and use of wards</li> <li>b. Before their nomination is accepted, require all potential candidates for election to local government to attend an information session covering the roles and responsibilities of councillors and mayors</li> <li>c. Amend the legislated role of councillors and mayors and introduce mandatory professional development programs</li> <li>d. Provide for full-time mayors, and in some cases deputy mayors, in larger councils and major regional centres</li> <li>e. Amend the provisions for election of mayors to include: <ul style="list-style-type: none"> <li>• Mandatory direct election of mayors in all metropolitan councils, in other councils with populations of 40,000 or more, and in designated regional centres</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>a. <b>Supported</b> – but the reviews must be adequately resourced</li> <li>b. <b>Supported</b> - but the information sessions must be adequately resourced. In addition, many new councillors have limited understanding of their role when they become a Councillor for the first time.</li> <li>c. <b>Supported in principle</b> – but the program must be adequately resourced.</li> <li>d. <b>Supported in principle</b> - The fit with “regional centre” and full time Mayor needs careful consideration. It appears from the commentary that there is a preference for outreach from an “anchor” regional council.</li> <li>e. <b>Supported</b> - SEROC generally supports these recommendations recognising the importance for the community as a whole of the Mayor having the status to provide effective leadership not just within the community, but in dealing with external parties whether in or outside the public sector. SEROC supports the minimum two year term for Mayors.</li> </ol>	<p><b>Proposed Roles and Responsibilities of Councillors</b></p> <p>The councillors and mayor collectively constitute the governing body of the council.</p> <p>The roles and responsibilities of the governing body are to:</p> <ul style="list-style-type: none"> <li>• to provide effective civic leadership and guidance to the community</li> <li>• to consult regularly with community organisations and other key stakeholders and keep them informed of council’s activities and decisions</li> <li>• to direct and control the affairs of the council in consultation with the general manager and in accordance with this Act</li> <li>• to ensure as far as possible the financial sustainability of the council</li> <li>• to determine and adopt the Community Strategic Plan, Delivery Program and other strategic plans and policies</li> <li>• to determine and adopt a rating and revenue policy and operational plans that ensure the optimum allocation of the council's resources to implement</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<ul style="list-style-type: none"> <li>• Elsewhere, election of the mayor to be either directly by the voters or by the councillors, with the default position remaining election by the councillors</li> <li>• Minimum two-year terms for mayors elected by the councillors</li> <li>• Ensure that all councils have an odd number of councillors (including the mayor), and require all councillors to vote in a mayoral election (thus avoiding 'draws from the hat')</li> <li>• Councils to hold community consultations on whether to change the way the mayor is elected as part of each representation review</li> <li>• Councils to hold a referendum if the representation review finds substantial community support for a change, or a set number of eligible voters petition the council</li> <li>• Referenda to be conducted by postal voting to minimise costs</li> <li>• Mayors to undertake mandatory ongoing professional development in accordance with the council's adopted Councillor Development Plan, including an initial specialised course to be successfully completed within three months of election as mayor</li> </ul>		<p>the community strategic plan and for the benefit of the area</p> <ul style="list-style-type: none"> <li>• to make decisions in accordance with those plans and policies</li> <li>• to make decisions necessary for the proper exercise of the council's regulatory functions</li> <li>• to keep under review the performance of the council and its delivery of services</li> <li>• to determine the process for appointment of the General Manager and monitor his/her performance</li> <li>• to ensure that the council acts honestly, efficiently and appropriately in carrying out its statutory responsibilities</li> </ul> <p>The role and responsibilities of an individual councillor, including the mayor, are:</p> <ul style="list-style-type: none"> <li>• to be an active and contributing member of the governing body</li> <li>• to make considered and well informed decisions</li> <li>• to represent the collective interests of residents, ratepayers and the wider community of the local government area</li> <li>• to facilitate communication between the community and the governing body</li> <li>• to be accountable to the community for the local government's performance</li> <li>• to uphold and represent accurately the policies and decisions of the governing body.</li> </ul> <p><b>Proposed Roles and Responsibilities of Mayors</b></p> <p>The Mayor has the responsibilities of a councillor plus the following additional responsibilities:</p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• to be the leader of the council and the community of the local government area, and advance community cohesion</li> <li>• to promote civic awareness and, in conjunction with the General Manager, ensure adequate opportunities and mechanisms for engagement between the council and the local community</li> <li>• to be the principal member and spokesperson of the governing body and to preside at its meetings</li> <li>• to nominate a deputy mayor, subject to ratification by the governing body</li> <li>• to ensure that the business of meetings of the governing body is conducted efficiently, effectively and properly in accordance with provisions of this Act</li> <li>• to propose a committee structure and to nominate chairs of committees, subject to ratification by the governing body</li> <li>• to lead the councillors in the exercise of their responsibilities and in ensuring good governance</li> <li>• to ensure the timely development of the governing body's strategic plans and policies, and to promote their effective and consistent implementation, including by promoting partnerships between the council and key stakeholders</li> <li>• to present and propose adoption of the annual operational plan and budget</li> <li>• to deliver an annual public statement outlining progress made during the previous twelve months in implementing the Community Strategic Plan and Delivery Program, and identifying key issues for the future</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• to exercise, in cases of necessity, the policy-making functions of the governing body between meetings of the council</li> <li>• to represent the governing body on regional organisations and in inter-government forums at regional, State and federal levels</li> <li>• to advise, manage and provide strategic direction to the general manager in accordance with the council's strategic plans and policies</li> <li>• to lead performance appraisals of the General Manager</li> <li>• to carry out the civic and ceremonial functions of the mayoral office</li> <li>• to exercise such other functions as the governing body determines.</li> </ul>
<p>27. Increase remuneration for councillors and mayors who successfully complete recognised professional development programs</p>	<p><b>Supported</b> - Increasing the remuneration of elected members (both councillors and mayors) is well worth considering, but needs to be done so in the broader context of how increased remuneration might affect both the way councils actually operate, and the nature of people likely to put themselves forward for office. We understand that the New Zealand experience with shifting remuneration much more towards a salary basis has had mixed outcomes - among other things it appears to have led to a situation in which councils now operate on the assumption that the job of councillor is a full-time job. This can make it very difficult for people to combine a successful external career or occupation with service as a councillor. It's likely the solution lies in revisiting council governance to ensure that, as with other corporates, the task is primarily one of governance and able to be combined with other occupations. There is also currently very little incentive for councillors to undergo professional development.</p>	<p>The Panel's view is that decisions of the Remuneration Tribunal do appear to under-value the decision-making responsibilities of councillors. This may reflect an inadequate description of that role in the Act, and a tendency in some sections of local government to promote an image of 'volunteer' councillors rather than professionalism.</p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<p>28. Amend the legislated role and standard contract provisions of General Managers</p>	<p><b>Supported in principle</b> - SEROC is of the view that if there are not in place clear boundaries of responsibilities, acknowledging the Mayor may not have the skills to do everything, it will further blur the respective role of the General Manager and Mayor and create ongoing friction between Mayors and General Managers.</p> <p>With the proposed strengthening of the role of the Mayor, there needs to be clarification of the role of the General Manager and the Mayor.</p>	<p><b>Role and Responsibilities of General Managers</b></p> <ul style="list-style-type: none"> <li>• To conduct the day-to-day management of the council in accordance with the governing body's strategic plans and policies</li> <li>• To advise the mayor and the governing body on the development and implementation of policies and programs, including the appropriate form and scope of community consultation</li> <li>• To prepare, in consultation with the mayor and governing body, the Community Strategic Plan and the council's Resourcing Strategy, Delivery Program and Operational Plan, Annual Report and State of the Environment Report</li> <li>• To certify, together with the Mayor, that IPR requirements have been met in full, and that council's annual financial statements have been prepared correctly</li> <li>• To ensure that the mayor and councillors receive timely information, advice and administrative and professional support necessary for the effective discharge of their responsibilities</li> <li>• To implement lawful decisions of the governing body in a timely manner</li> <li>• To exercise such of the functions of the governing body as are delegated by the governing body to the General Manager</li> <li>• To appoint staff in accordance with an organisation structure and resources approved by the governing body</li> <li>• To direct and dismiss staff</li> <li>• To implement the council's equal employment opportunity management plan.</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>To undertake such other functions as may be conferred or imposed on the General Manager by or under this or any other Act.</li> </ul> <p><b>Appointment and Tenure of General Managers</b></p> <ul style="list-style-type: none"> <li>The mayor should lead the appointment and performance reviews of the General Manager, and take responsibility for ensuring due process</li> <li>There should be a ‘cooling off’ period of 6 months after the election of a new council or mayor during which the summary dismissal provisions of the standard General Manager contract should not apply (this would provide an opportunity to build a positive working relationship whilst not preventing dismissals based on documented poor performance)</li> <li>Use of the summary dismissal provisions at any time should require a two-thirds majority of councillors</li> <li>Contracts of General Managers should not be renewed within 6 months prior to an election except by means of a full merit selection process; otherwise they should not be extended for more than 12 months and only on existing terms and conditions</li> <li>As a condition of appointment, General Managers should be required to complete a tailored induction program before or within 3 months of their first appointment to such a position, and approved professional development programs thereafter.</li> </ul>
<p>29. Amend the provisions for organisation reviews such that:</p> <ul style="list-style-type: none"> <li>the governing body must act on the advice of the Mayor and General Manager</li> <li>the adopted structure must accord with the priorities set out in the council’s Community Strategic Plan and Delivery Program</li> </ul>	<p><b>Supported</b> - Any well performing general manager will keep his or her council (not just the Mayor) briefed on matters such as organisational structure and the recruitment or dismissal of senior staff.</p>	<p>In the Panel’s view, the governing body should be able to determine, on the advice of the General Manager, the upper levels of the organisation structure, and to ensure that staffing resources are being allocated in such a way that the council’s priorities can be pursued.</p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<ul style="list-style-type: none"> <li>the adopted structure may only specify the roles and relationships of the General Manager, designated Senior Staff and other staff reporting directly to the General Manager</li> </ul>		
<p>30. Develop a Good Governance Guide as a basis for 'performance improvement orders' and to provide additional guidance on building effective working relationships between the governing body, councillors, mayors and General Managers</p>	<p><b>Supported</b> – but the development of the Good Governance Guide must be adequately resourced.</p>	<p>A key objective of such a Guide should be to help build effective working relationships around the respective roles and responsibilities of the governing body, mayors, councillors and general manager. Deficiencies in those relationships, and in the checks and balances necessary to foster mutual respect and collaboration, are usually at the heart of dysfunctional councils. Detailed guidance and mentoring or peer support is needed to raise the general standard across NSW local government.</p>
<p>31. Introduce additional options for local government structures, including regional Joint Organisations, 'Rural Councils' and Community Boards, to facilitate a better response to the needs and circumstances of different regions</p>	<p><b>Supported in principle</b> - SEROC views the set of proposed core functions set out by the Panel as functions that can reasonably be viewed as 'regional' in their impact. However, we also propose that it is important to ensure a workable and progressively sustainable model can be achieved.</p> <p>SEROC believes that there is scope for a JO to have a role in strategic planning and advocacy as well as operational functions.</p> <p>Strategic planning could include the critical aspects of environment, social and economic development which is required for member Councils to ensure the sustainability of communities. In having these tools, a JO is well placed to take on an advocacy role as well as establishing Council owned entities that deliver agreed categories of services back to Councils or communities. However, it would be of utmost importance for a JO to work on the basis of "low hanging fruit" with regard to functions delivered regionally and to achieve successful runs on the board. For example,</p>	<p><b>Proposed Core Functions of Joint Organisations</b></p> <ul style="list-style-type: none"> <li>Strategic regional and sub-regional planning</li> <li>Inter-government relations and regional advocacy</li> <li>Information and technical exchanges between member councils</li> <li>Activities of existing County Councils</li> <li>Regional alliances of local government water utilities</li> <li>Road network planning and major projects (through Regional Roads Groups)</li> <li>Collaboration with State and federal agencies in infrastructure and service provision</li> <li>Strategic procurement (which could also include accessing state-wide contracts and arrangements)</li> <li>Other joint activities specified in the proclamation, such as major infrastructure projects, regional waste and environmental management (including weeds and floodplain management), regional economic development, regional library services and 'high level' corporate services or 'back office' functions</li> <li>Administrative and technical support for any 'Rural Councils' established within the JO's area</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
	<p>we believe that the functions of internal audit, service reviews and code of conduct complaints could be a starting point.</p> <p>As an initial step, SEROC proposes developing a business plan to guide the first three years of our development which would be followed by a review. This would enable us to learn from our experience and further develop and implement functions which would be of benefit in delivering at a regional level. SEROC is of the view that financial support would be required to enable us to develop a comprehensive business plan. (SEROC has proposed a preferred geographic area for a JO which is provided under Recommendation no 35).</p> <p>Restricting Council membership to one JO may be limiting in terms of best outcomes for an individual community. Providing for individual councils to join with another JO on a specific project basis could address this issue (eg coastal issue affecting Councils in the Illawarra and South East, road network planning between Tablelands and Riverina Councils).</p> <p>In relation to Rural Council's, SEROC does not believe there is sufficient detail to assess whether a Rural Council is the most beneficial model for a small council.</p>	<p><b>Factors in Defining Regions</b></p> <ul style="list-style-type: none"> <li>• Manageable geographic area and suitable scale for strategic planning</li> <li>• Regional or sub-regional communities of interest reflected in current arrangements, including existing ROCs and County Councils</li> <li>• Alignment as far as possible with key State and federal agencies for strategic planning purposes</li> <li>• In the Sydney region, alignment with sub-regional boundaries proposed for the metropolitan strategy</li> <li>• Strong socio-economic links identified through the Panel's 'cluster-factor' analysis</li> <li>• Viability of a regional alliance of water utilities (at least 10,000 connections)</li> <li>• A regional centre with existing or potential strategic capacity to anchor the Joint Organisation and to assist smaller member councils where required.</li> </ul> <p><b>Framework for Establishing New Joint Organisations</b></p> <ul style="list-style-type: none"> <li>• JOs would be regional bodies established under new provisions of the Local Government Act replacing those for County Councils</li> <li>• Membership and ongoing active participation by councils would be mandatory</li> <li>• Each JO would be established by a separate proclamation which would be negotiated amongst the member councils and with the Minister, with the assistance of expert facilitators provided by the State government</li> <li>• The proclamation would set out the name, area, membership, functions, staffing and governance and financial arrangements (including payment of any 'dividends' to member councils)</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• In finalising a proclamation the Minister would act on the advice of a Ministerial Advisory Group (see section 18.1)</li> <li>• The governing body would comprise the mayor of each member council, but the proclamation could provide for additional council representatives and for ‘participating observers’ or advisers from outside local government</li> <li>• Each JO would prepare a 10 year Strategic Business Plan and 4-year Delivery Program to guide (but not restrict) operations, both to be endorsed by member councils and updated as required</li> <li>• JOs would be able to establish subsidiaries to undertake specific functions, and would incorporate existing County Councils (for which transitional provisions would apply)</li> <li>• Subsidiaries would have their own boards, which would be skills-based, and could include senior council staff and people with relevant expertise drawn from outside local government</li> <li>• Subsidiaries would be required to agree an annual Statement of Intent with the governing body to ensure that their activities and priorities align with those of the JO and its member councils</li> <li>• JOs would hold annual general meetings open to all councillors of member councils and to the public, at which they would report on and account for their activities, and at which priorities and strategies for the coming year could be discussed</li> <li>• Other provisions of the Act would apply to JOs as they do to councils, but variations could be made by Regulations or the terms of proclamations (eg to eliminate unwarranted compliance processes).</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<p>32. Legislate a revised process for considering potential amalgamations and boundary changes through a re-constituted and more independent Boundaries Commission</p>	<p><b>Supported in principle</b></p> <p>SEROC is of the view that any decision by a boundaries commission would be done through a process of cooperation, giving strong consideration to the outcomes of this study.</p> <p>SEROC also believes that a comprehensive review of State Government Agency boundaries should be undertaken to try and achieve at least some level of alignment with the JO boundaries.</p> <p>SEROC supports the view that LGNSW should have representatives on the Boundaries Commission, nominated by LGNSW, as well as representation from industry.</p> <p>SEROC does not believe that the Commission should initiate its own reviews.</p>	<p><b>Criteria for Determining Future Local Government Boundaries</b></p> <ul style="list-style-type: none"> <li>• <b>Sustainability and Strategic Capacity</b> Councils need a strong base to ensure their long-term sustainability; to achieve economies of scale and scope; to deliver quality services; to provide a pool of talented councillor candidates; to attract skilled staff; and to develop strategic capacity in governance, advocacy, planning, and management.</li> <li>• <b>Efficiency and Effectiveness</b> Councils should be able to operate efficiently and effectively within the limits imposed by their location, geography and the characteristics of the communities they serve. They should be able to provide ‘value for money’ to their ratepayers and external funding agencies.</li> <li>• <b>Integrated Planning</b> LGA boundaries should not unnecessarily divide areas with strong economic and social inter-relationships; they should facilitate integrated planning, coordinated service delivery, and regional development.</li> <li>• <b>Local Identity and Sense of Place</b> Consistent with the need for integrated planning, boundaries should reflect a sense of identity and place, including important historical and traditional values. (However, other mechanisms available to maintain local identity should be taken into account.)</li> <li>• <b>Population Growth</b> The boundaries of a local government area (LGA) should be able to accommodate projected population growth generated by the LGA over at least the next 25 years.</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• <b>Accessibility</b> As a general rule, it should be possible to drive to the boundaries of a LGA from a main administration centre within 60-90 minutes in country areas, and within 30 to 45 minutes in metropolitan areas.</li> <li>• <b>Strong Centre</b> Each LGA should have a substantial population centre that can provide higher order commercial, administrative, education, health and other services.</li> <li>• <b>Key Infrastructure</b> As far as possible, key transport infrastructure such as airports and ports, and those nearby urban and regional centres that are principal destination points, should be within the same LGA.</li> <li>• <b>Combining Existing Municipalities</b> Wherever practicable, amalgamations should combine the whole of two or more existing LGAs without the additional cost and disruption of associated boundary adjustments.</li> </ul> <p><b>A Revised Process for Boundary Changes</b></p> <ul style="list-style-type: none"> <li>• Reconstitute the Boundaries Commission to comprise three members, none of whom may be a serving public official nor a current or former councillor or State politician: an independent chair nominated by the Minister and two other members nominated jointly by the Minister and President of LGNSW</li> <li>• Appoint Commission members for a minimum 5 years</li> <li>• Give the Commission a small dedicated secretariat, plus funding for research</li> <li>• Require the Commission to undertake regular reviews of local government boundaries across</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<p>NSW, in accordance with a schedule to be determined by the Minister, and to initiate proposals for changes when there is evidence they are warranted</p> <ul style="list-style-type: none"> <li>• Allow the Minister, any council or public authority, or a group of electors (250 or 10%, whichever is the lesser, across the affected area/s) to submit a specific proposal to the Commission</li> <li>• Require the Commission to determine whether or not the proposal has sufficient merit to proceed, and to publish the reasons for its decision</li> <li>• If the proposal proceeds, require the Commission to prepare a public information report setting out arguments for and against</li> <li>• Retain the current provisions for inquiries, surveys and polls, but remove the Minister's power to decide whether an inquiry is warranted</li> <li>• In every case of an amalgamation, require the Commission to conduct a survey or poll of all residents and ratepayers in the area/s affected, unless two or more councils have proposed a voluntary merger and the Commission is satisfied that those councils have already undertaken adequate community consultation</li> <li>• Require the Commission at the end of its investigations to report to the Minister on whether or not the proposal should proceed and, if so, precisely what form it should take and what steps and resources are required for its effective implementation</li> <li>• Enable the Minister to request the Commission to reconsider its recommendations, but require any proposed amendments and the reasons for them to be published</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>Require the Minister to implement the Commission’s final recommendations in full unless s/he reasonably forms the opinion that the process has been flawed and/or that to proceed would be contrary to the wider public interest.</li> </ul>
<p>33. Encourage voluntary mergers of councils through measures to lower barriers and provide professional and financial support</p>	<p><b>Supported in principle</b> - but only if there were “incentives” and these incentives were clearly defined.</p> <p>SEROC supports the encouragement of voluntary mergers in lieu of forced mergers.</p>	<p><b>Incentives for Council Mergers</b></p> <ul style="list-style-type: none"> <li>Make it clear that ‘no change’ is not an option, and that Government is committed to the early establishment of statutory Joint Organisations</li> <li>Introduce the new process for considering boundary changes set out in section 10.3</li> <li>Task the Boundaries Commission with providing unbiased information for local communities about the pros and cons of mergers</li> <li>Provide professional change management support for assessing business cases and then negotiating, planning and implementing mergers</li> <li>Provide expert consultants to assist councils with the integration of rating and IT systems</li> <li>Allow up to two terms of merged councils for complete implementation of all the changes involved, especially rationalising rating systems</li> <li>Similarly, allow an increased number of councillors in the first two terms to ensure adequate local representation during the transition phase</li> <li>Introduce provisions for Community Boards as a new option to ensure democratic, community-level governance in large council areas</li> <li>Ensure that the accumulated reserves of a former council are retained or expended primarily for the benefit of its area</li> <li>Provide transitional funding through a mix of grants and low- or no-interest loans (eg for IT systems,</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<p>office improvements, signage etc), consistent with an agreed implementation plan</p> <ul style="list-style-type: none"> <li>• Focus financial support on councils with limited revenue potential and/or those merging with adjoining areas that have serious infrastructure backlogs or other liabilities</li> </ul>
<p>34. Provide and promote a range of options to maintain local identity and representation in local government areas with large populations and/or diverse localities</p>	<p><b>Supported in principle</b> - SEROC endorses the sentiment inherent in the recommendation. The concept of putting in place a new means for individual communities, within a larger Council, to have a voice in deciding what are inherently local matters seems perfectly reasonable (subject to seeing the detail which the DLG finally proposes).</p> <p>SEROC suggests that there be a flexible approach for the establishment of the proposed ‘community boards’ enabling individual councils to adopt (or communities to seek) arrangements which are ‘fit for purpose’ in terms of their own local circumstances.</p> <p>SEROC takes strong exception to the Panel’s judgement that small rural or remote councils inherently lack the capacity to undertake a full range of local government functions. SEROC see this as a judgement which overlooks the very major changes now taking place in technology, and in the way in which services can be delivered.</p>	<p>The Panel believes that as part of a wider package of structural reform, a range of methods have to be used where necessary, to keep the ‘local’ in larger local government areas. These can include:</p> <ul style="list-style-type: none"> <li>• Establishing elected Community Boards, as in New Zealand</li> <li>• ‘Place management’ approaches, with community committees, preparation and implementation with communities of suburb or townships plans and development projects, and local service centres</li> <li>• Dividing local government areas into wards, with ward councillors convening local committees or forums</li> <li>• Using new communications technologies and social media to establish closer contact between councils and their communities, to inform and engage local people, and to conduct ‘citizens panels’ or online forums to explore community views and ideas</li> <li>• Modern customer service systems that ensure swift replies to requests for information and rapid responses to problems or concerns.</li> </ul>
<p>35. Establish new Joint Organisations for each of the regions shown on Maps 2 by means of individual proclamations negotiated under new provisions of the Local Government Act that replace those for County Councils:</p>	<p><b>Not supported regarding the recommendation of two separate Tablelands JO and South East JO</b></p> <p>It should be noted that our response to Recommendation 31 should be taken into context and read in conjunction with our response to this recommendation.</p>	

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<p>a. Defer establishment of JOs in the Sydney metropolitan region, except for sub-regional strategic planning, pending further consideration of options for council mergers</p> <p>b. Enter into discussions with 2-3 regions to establish 'pilot' JOs</p> <p>c. Re-constitute existing County Councils as subsidiaries of new regional Joint Organisations, as indicated in Table 5 (page 90 of the report)</p> <p>d. Establish Regional Water Alliances in each JO along the lines proposed in the 2009 Armstrong-Gellatly report</p> <p>e. Set the core functions of Joint Organisations by means of Ministerial Guidelines</p> <p>f. Seek federal government agreement to make JOs eligible for general-purpose FAGs</p>	<p><b>Supported</b> – that the Tablelands JO, the South East JO and become one JO. In addition, the ACT be formally recognised as an integral component of the south east region.</p> <p>Since its inception in 2010, SEROC has developed strong regional collaboration with all members, including the ACT Government. A formal Memorandum of Understanding was signed by the ACT Government and SEROC members in 2012, reflecting the ACT Chief Minister's commitment in working together to achieve regional benefits.</p> <p>Many of SEROC's members have a strong affiliation with the ACT in relation to essential services, education, employment, recreation and other lifestyle aspects. Therefore, it would be detrimental to those local government areas close to the ACT if this formal alignment did not continue.</p> <p>SEROC in its current form has achieved good progress and is keen to maintain momentum in working together for the benefit of the region. For example, SEROC is currently developing a Greater Capital Region Initiative looking at economic, employment and industry development and the region has also been working collectively across waste management.</p> <p>SEROC acknowledges that Wingecarribee and Shoalhaven are not currently part of the region. However, SEROC are not opposed to this but suggest that they are best placed to make the decision on the region that suits them.</p> <p>The other Council that is not formally part of SEROC is Bega Valley. Nevertheless, they have attended SEROC meetings</p>	 <p>Many submissions to the Panel have argued that ROCs, more or less in their current form, should continue to be the primary form of regional collaboration in local government, although some have proposed that membership should become mandatory. The Panel's concern, however, is that the embedded culture of ROCs is one of voluntarism, either in membership or participation in joint activities or both. Their scope of operations and effectiveness varies too much from time to time and region to region. Without stronger, statutory regional bodies whose role and functions are fixed over the medium-long term, it is difficult to see local government as a whole being able to present itself as a reliable and capable partner of State agencies.</p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
	<p>as an observer in recent months and shown interest in becoming a member.</p> <p>In light of this response, SEROC supports the formation of a JO to include the proposed Tablelands and South East JOs while formally recognising the ACT as an integral component.</p> <p>Furthermore, and to reflect the importance of the ACT in our current region, SEROC proposes to change its name to the Capital Region of Organisation of Councils/Joint Organisation.</p>	<p><i>Figure 7: Model Structure for Joint Organisation</i></p> <p>Figure 7 depicts a model structure for a JO, but this could vary from region to region depending on the agreed terms of the proclamation.</p> <p>Funding arrangements should be resolved amongst member councils as part of the negotiations to agree the terms of the proclamation. They may well vary considerably from region to region. In general terms, however, the Panel sees five main sources of funding for JOs:</p> <ul style="list-style-type: none"> <li>• Current operating budgets of ROCs and County Councils</li> <li>• General-purpose financial contributions by member councils</li> <li>• Special-purpose contributions by member councils towards the cost of Regional Water Alliances and Regional Roads Groups (either cash or in-kind eg secondment of expert professional staff)</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• Support through LIRS, the proposed Strategic Projects Fund, and various State grants</li> <li>• General-purpose federal Financial Assistance Grants.</li> </ul> <p>The last point may be controversial, in that it could entail some redistribution of existing grant funding away from individual councils. However, the Panel notes that such funding could often be used more efficiently and to greater effect at a regional level, and that any adjustment could be made over several years, taking advantage of the annual growth in FAGs.</p>
<p>36. Identify one or more regional centres within each Joint Organisation and:</p> <ol style="list-style-type: none"> <li>Create a network of those centres to drive development across regional NSW</li> <li>Consider potential mergers of councils to consolidate regional centres, as indicated in Table 6 (page 91 of the report)</li> </ol>	<p><b>Supported in principle</b> – Councils will need to be very careful to ensure that there is equity and balance across the region. A strong region is essential for a strong regional centre and a strong regional centre adds value to the region.</p> <p>Any mergers would have to be of a voluntary nature and given the experience of New Zealand and the UK, great care and attention would need to be undertaken to ensure that the costs of any mergers may exceed their value.</p>	<p>In some non-metropolitan regions there is a well-established major regional centre that could play a leadership role and offer technical support where required to other member councils (see Box 32). The extent of the technical support role will vary within and between regions depending on the capacity of member councils: in some regions all the members of the proposed JO are substantial organisations in their own right. Financial arrangements for provision of technical support would be negotiated and set out in the JO proclamation.</p>
<p>37. Develop close working partnerships between Joint Organisations and State agencies for strategic planning, infrastructure development and regional service delivery , and</p> <ol style="list-style-type: none"> <li>Add representatives of Joint Organisations to State agency Regional Leadership Groups</li> <li>Give particular attention to cross-border issues and relationships in the operations of Joint Organisations and in future regional strategies</li> </ol>	<p><b>Supported</b> – SEROC Councils currently have a MOU in place with the ACT Government with respect maintaining a working partnerships between the SEROC Councils and the ACT with respect to strategic planning, infrastructure development and regional service delivery</p>	<p>The Panel has discussed these matters with the State’s Cross-Border Commissioner, who is formulating policy proposals and working with councils to address specific concerns. Clearly, future regional strategies (especially Regional Action Plans under the State Plan) will need to give greater attention to cross-border issues, and it will be important to ensure that local government is recognised as a key player in relevant inter-government forums and agreements. This is already a well-established principle in respect of the ACT, but seemingly less so along the Queensland and Victorian borders.</p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
<p>38. Establish a working party as part of the Ministerial Advisory Group proposed in section 18 to further develop the concept of 'Rural Councils' for inclusion in the re-written Local Government Act</p>	<p><b>Not Supported:</b> Rather than creating another category which may create additional regulations in the Local Government Act, SEROC proposes that specific mention of the relevant Councils could be included where applicable in the Act.</p>	<p><b>Proposed Features of a 'Rural Council'</b></p> <ul style="list-style-type: none"> <li>• A strong focus on maintaining local service delivery and quality of life, enabling and supporting community efforts</li> <li>• A maximum of five councillors, including the mayor</li> <li>• A reduced number of full council meetings – no more than six each year – and a very limited committee structure, if any</li> <li>• Either a fully shared administration with an adjoining council, or extensive resource-sharing as part of a Joint Organisation in order to minimise requirements for senior staff and greatly reduce administrative overheads</li> <li>• Simplified regulatory, compliance and reporting requirements under both the local Government Act and other relevant legislation (eg the new Planning Act)</li> <li>• Regulatory responsibilities handled largely by arrangement with a regional centre or other partner council having the necessary expertise</li> <li>• Modified Integrated Planning and Reporting and internal audit requirements consistent with a small population and budget.</li> </ul>
<p>39. Include provisions for <i>optional</i> Community Boards in the re-written Act, based on the New Zealand model, but also enabling the setting of a supplementary 'community rate' with the approval of the 'parent' council</p>	<p><b>Supported in principle</b> - the establishment of Community Boards is highlighted in the Report as being entirely <i>optional</i> and therefore decisions about whether or not to do so should be left to the communities and councils concerned.</p>	<p>Community Boards could be established in two situations:</p> <ul style="list-style-type: none"> <li>• To replace small or very small (in population) rural-remote councils that could appropriately amalgamate with a larger neighbour, but where it is important to maintain community identity and there is a case for an ongoing form of local self-government</li> <li>• To provide representation and some service delivery at suburb or district level within very large metropolitan councils, including following</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<p>amalgamation – perhaps as a transitional measure in the latter case.</p> <p>The <i>minimum</i> role of a Community Board is to:</p> <ul style="list-style-type: none"> <li>• represent, and act as an advocate for, the interests of the community</li> <li>• consider and report on all matters referred to it by the territorial authority (council), or any</li> <li>• matter of interest or concern to the community board</li> <li>• maintain an overview of services provided by the territorial authority within the community</li> <li>• prepare an annual submission to the territorial authority for expenditure within the community</li> <li>• communicate with community organisations and special interest groups within the community.</li> </ul>
40 to 46. Metropolitan Sydney recommendations	The Local Government reforms need to be applied to the whole sector and therefore the Metropolitan Sydney recommendations should be inclusive.	<p><b>40.</b> Strengthen arrangements within State government for coordinated metropolitan planning and governance, and to ensure more effective collaboration with local government</p> <p><b>41.</b> Seek evidence-based responses from metropolitan councils to the Panel’s proposals for mergers and major boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission</p> <p><b>42.</b> Prioritise assessments of potential changes to the boundaries of the Cities of Sydney and Parramatta, and</p> <ul style="list-style-type: none"> <li>• Retain a separate City of Sydney Act to recognise its Capital City role</li> <li>• Establish State-local City Partnership Committees for Sydney and Parramatta along the lines of Adelaide’s Capital City Committee</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<p><b>43.</b> Pending any future action on mergers, establish Joint organisations of councils for the purposes of strategic sub-regional planning</p> <p><b>44.</b> Maximise utilisation of the available local government revenue base in order to free-up State resources for support to councils in less advantaged areas</p> <p><b>45.</b> Continue to monitor the sustainability and appropriateness in their current form of the Hawkesbury, Blue Mountains and Wollondilly local government areas</p> <p><b>46.</b> Promote the establishment of a Metropolitan Council of Mayors</p>
47 to 49. Hunter, Central Coast and Illawarra recommendations	The Local Government reforms need to be applied to the whole sector and therefore the Hunter, Central Coast and Illawarra recommendations should be inclusive.	<p><b>47.</b> Seek evidence-based responses from Hunter and Central Coast councils to the Panel’s proposals for mergers and boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group (section 18.1) for review, with the possibility of subsequent referrals to the Boundaries Commission</p> <p><b>48.</b> Defer negotiations for the establishment of a Central Coast Joint Organisation pending investigation of a possible merger of Gosford and Wyong councils</p> <p><b>49.</b> Pursue the establishment of Joint Organisations for the Hunter and Illawarra in accordance with Recommendation 35</p>
50. Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16	The Local Government reforms need to be applied to the whole sector and therefore the Western Region Authority recommendations should be inclusive.	<b>50.</b> Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16
51. Refer councils in Groups B-F to the Boundaries Commission in accordance with Table 11 and the proposed timeline	<b>Not Supported</b> – There is work currently being undertaken in the SEROC region and sponsored by the State Government that examines governance models for a groups	<b>Options for Non-Metropolitan Councils in Tablelands JO:</b>

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	<p>of Councils (ie Boorowa, Young and Harden). This work should be allowed to “run its course” before any referral to the boundaries commission.</p> <p>SEROC believes that from a community perspective, any potential voluntary merger with agreed parameters is a far better outcome than an imposed boundaries commission decision.</p> <p>SEROC supports the concept of a proposed merger only if a comprehensive analysis and business case supports that approach.</p>	<p><u>Group B</u>: Projected 2031 population below 4,000; ‘High’ merger potential (2014 referrals to Boundaries Commission)</p> <ul style="list-style-type: none"> <li>• Boorowa - <b>Merge with Harden and Young</b> or Rural Council in Tablelands JO</li> <li>• Harden - <b>Merge with Boorowa and Young</b> or Rural Council in Tablelands JO</li> </ul> <p><u>Group C</u>: Projected 2031 population below 5,000; ‘Low’ or ‘Medium’ merger potential (2015-16 referrals to Boundaries Commission)</p> <ul style="list-style-type: none"> <li>• Nil</li> </ul> <p><u>Group D</u>: Potential merger partners for Groups B and C councils (2014-16 referrals to Boundaries Commission)</p> <ul style="list-style-type: none"> <li>• Young - Council in Tablelands JO or <b>merge with Boorowa/Harden</b></li> </ul> <p><u>Group E</u>: Other potential mergers to consolidate major regional centres (2017 referrals to Boundaries Commission)</p> <ul style="list-style-type: none"> <li>• Queanbeyan and Palerang</li> </ul> <p><u>Group F</u>: Current and/or projected 2031 population 5-10,000 (Review status by 2020)</p> <ul style="list-style-type: none"> <li>• Upper Lachlan - Council in Tablelands JO or merge with Goulburn-Mulwaree</li> </ul> <p><u>Group G</u>: Larger rural and regional councils (excluding Hunter, Central coast and Illawarra)</p> <ul style="list-style-type: none"> <li>• Goulburn-Mulwaree - Council in Tablelands JO</li> <li>• Wingecarribee - Council in Tablelands JO</li> <li>• Yass Valley - Council in Tablelands JO</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
52. Complete updated sustainability assessments and revised long term asset and financial plans for the 38 councils identified in Table 11 by no later than mid-2015	<b>Supported</b>	<b>Sustainability Assessments:</b> <ol style="list-style-type: none"> <li>1. <u>Boorowa</u> (TCorp FSR – <b>Moderate</b>, TCorp Outlook – <b>Negative</b>, LDG Infra Audit – <b>Strong</b>)</li> <li>2. <u>Harden</u> (TCorp FSR – <b>Moderate</b>, TCorp Outlook – <b>Negative</b>, LDG Infra Audit – <b>Strong</b>)</li> <li>3. <u>Young</u> (TCorp FSR – <b>Sound</b>, TCorp Outlook – <b>Negative</b>, LDG Infra Audit – <b>Weak</b>)</li> <li>4. <u>Upper Lachlan</u> (TCorp FSR – <b>Sound</b>, TCorp Outlook – <b>Neutral</b>, LDG Infra Audit – <b>Strong</b>)</li> <li>5. <u>Goulburn-Mulwaree</u> (TCorp FSR – <b>Moderate</b>, TCorp Outlook – <b>Negative</b>, LDG Infra Audit – <b>Very Weak</b>)</li> <li>6. <u>Wingecarribee</u> (TCorp FSR – <b>Moderate</b>, TCorp Outlook – <b>Neutral</b>, LDG Infra Audit – <b>Moderate</b>)</li> <li>7. <u>Yass Valley</u> (TCorp FSR – <b>Moderate</b>, TCorp Outlook – <b>Negative</b>, LDG Infra Audit – <b>Moderate</b>)</li> </ol>
53 to 55. Far West recommendations	The Local Government reforms need to be applied to the whole sector and therefore the Far West recommendations should be inclusive.	<p>53. Explore options for non-metropolitan councils in Group A as part of establishing the Western Region Authority proposed in section 16</p> <p>54. Agree in principle to the establishment of a Far West Regional Authority with the functions proposed in Box 39 and membership</p> <p>55. Establish a project team and reference group of key stakeholders within the DPC Regional Coordination Program to finalise proposals</p>
56. Use the State-Local Agreement as the basis and framework for a range of actions to build a lasting	<b>Supported in principle</b>	Further steps should include:

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partnership, and negotiate supplementary agreements as appropriate		<ul style="list-style-type: none"> <li>Establishing State-local relations as a key function of the Premier’s cluster of departments – led by the Division of Local Government and including other key areas of DPC, DP&amp;I and the Office of Environment and Heritage, which together could foster a new culture of cooperation with local government across all State agencies</li> <li>Including representatives of the proposed Joint Organisations on DPC’s Regional Leadership Groups, as discussed in section 11.</li> <li>Negotiating more detailed MOUs under the Agreement to foster joint initiatives (eg Regional Roads and Transport Groups) and collaborative strategic planning</li> <li>Strengthening recognition of democratic local government in the NSW Constitution</li> <li>Building a stronger local government association that can present a united view and negotiate more effectively on behalf of the sector</li> </ul>
57. Introduce new arrangements for collaborative, whole-of-government strategic planning at a regional level	<p><b>Supported in principle</b></p> <p>SEROC strongly supports a review of State Government Department boundaries to enable consistency and cohesive policy development and implementation with regard to JO boundaries.</p>	<p>The Panel’s proposal for new Joint Organisations is intended to create the right platform for effective State-local collaboration. An obvious starting point is to establish strategic planning partnerships with key State agencies. There are a number of opportunities for this:</p> <ul style="list-style-type: none"> <li>Inclusion of a regional component in councils’ Community Strategic Plans, as proposed in section 11.8, in part to provide ‘feedstock’ for the strategic plans of State agencies, as well as key inputs to the State Plan</li> <li>Formulation of the next generation of regional strategies to deliver the State Plan – local council or Joint Organisation projects could be included alongside State initiatives to enhance integration</li> </ul>

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		<p>and investment, as well as to maximise opportunities to achieve service delivery efficiencies</p> <ul style="list-style-type: none"> <li>• In the future, high performing JOs could be a vehicle for regionalised State government services, on a negotiated funding basis</li> <li>• Preparation by DP&amp;I of Regional Growth Plans and sub-regional Delivery Plans, especially in the metropolitan area and coastal regions facing intense growth pressures and infrastructure needs – local government can contribute both planning expertise and resources for implementation</li> <li>• Establishment of ‘Regional Roads Groups’ along the lines of those in Queensland, as discussed in section 7.4</li> <li>• Local Land Services – working through Joint Organisations local government can partner the new regional agencies for natural resource management</li> </ul>
<p>58. Amend the State Constitution to strengthen recognition of elected local government</p>	<p><b>Supported</b></p>	<p>Drawing further on the wording used in Queensland and Victoria, the Panel proposes that further consideration be given to amended provisions along the following lines:</p> <ol style="list-style-type: none"> <li>1. <i>There shall continue to be a system of local government for the State under which democratically elected local government bodies are constituted with responsibilities that the Parliament considers are necessary to ensure the good governance of the areas allocated to those bodies.</i></li> <li>2. <i>Parliament may make laws for or with respect to-</i> <ol style="list-style-type: none"> <li>a) <i>the areas to be allocated to local government bodies; and</i></li> <li>b) <i>suspension or dismissal of an elected local government body; and</i></li> </ol> </li> </ol>

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		<p><i>c) the administration of a local government body during a period in which it is suspended or after it has been dismissed; and</i></p> <p><i>d) the re-instatement or re-election of a local government body.</i></p> <p>3. <i>A Bill for an Act ending the system of local government may be presented for assent only if a proposal that the system of local government should end has been approved by referendum.</i></p> <p>4. <i>Notwithstanding any other provision to the contrary, the Lord Howe Island Board, and an administrator with all or any of the functions of a local government body, shall be deemed to be local government bodies.</i></p>
59. Seek advice from LGNSW on the measures it proposes to take to meet its obligations under the State-Local Agreement	<b>Supported in principle</b>	<p>Local Government NSW (LGNSW) needs to emerge as a stronger and more decisive sector leader that has the full backing of its member councils to pursue a fresh agenda of change and improvement. This approach has been followed successfully by sister organisations in other states, and adds weight to advocacy.</p> <p>In order to play a more strategic role and to meet its obligations under the State-Local Agreement, LGNSW will also need to allocate a higher priority and additional resources to capacity building programs. There will be opportunities for the association to partner with DLG and other State agencies in areas such as developing performance measures, establishment of Regional Roads Groups and Water Alliances, and regulatory reform.</p>
60. Strengthen the focus of DLG on sector development and seek to reduce its workload in regulation and compliance	<b>Supported in principle</b>	The Panel believes that a thorough, whole-of-government review of the way local government in NSW is regulated (as proposed in section 8.2) can identify opportunities to reduce the Division’s regulatory and compliance-focused workload. There may be scope, for

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		<p>example, to revisit current approaches to the regulation of swimming pools and companion animals, which are labour-intensive. Such changes would both free-up resources for the reform process and sector development and enhance perceptions of DLG's role.</p>
<p>61. Establish a Ministerial Advisory Group and Project Management Office</p>	<p><b>Supported in principle</b></p>	<p>The MAG would comprise a chair appointed by the Minister, the Chief Executives of DLG and LGNSW, and two other members appointed by the Minister in consultation with the President of LG NSW. All administration would be handled through DLG. The Panel believes that establishing such a group, including independent members, would demonstrate a collaborative, even-handed approach. Preferably, none of the members would be serving or former councillors or politicians.</p> <p>The MAG's focus should be on:</p> <ul style="list-style-type: none"> <li>• Initiating effective implementation of the package of reforms adopted by Government, and</li> <li>• providing supplementary policy advice as required</li> <li>• Promoting the establishment of the regional Joint Organisations and advising DLG and the Minister on proposals for proclamations</li> <li>• Further developing proposals for 'Rural Councils' and Community Boards</li> <li>• Reviewing the responses of Sydney region, Hunter and Central Coast councils to the Panel's proposals for boundary changes</li> <li>• Convening periodic forums or roundtables with a broader group of key stakeholders, including professional institutes, local government unions, business and community organisations</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>Monitoring progress and reporting to Government on necessary adjustments to the reform package and what further steps might be required.</li> </ul>
62. Refer outstanding elements of the Destination 2036 Action Plan to the Ministerial Advisory Group	<b>Supported in principle</b>	The great majority of actions to be undertaken as part of the <i>Destination 2036</i> Action Plan are to be completed by late 2013, and the current <i>Destination 2036</i> Implementation Steering Committee (ISC) has not met for some time. Unless the parties wish to launch a substantial new agenda under the <i>Destination 2036</i> umbrella, the Panel suggests that any outstanding matters could be handled by the MAG.
63. Adopt in principle the proposed priority initial implementation package set out in Box 42, as a basis for discussions with LGNSW under the State-Local Government Agreement	<b>Supported in principle</b>	<p><b>A Priority Implementation Package</b></p> <ol style="list-style-type: none"> <li>Establish the new regional Joint Organisations (including Regional Roads Groups, Water Alliances and sub-regional planning groups in metro Sydney): negotiations in 2-3 'pilot' regions could be launched immediately.</li> <li>Build a 3-way strategic planning process that brings together a new regional component of IPR, DP&amp;I Regional Growth Plans, and Premiers Department Regional Action Plans.</li> <li>Further upgrade asset and financial management requirements in IPR, including Delivery Programs (among other things, to provide a basis for proposed changes to rate-pegging).</li> <li>Revise current guidelines to require improved internal audit processes.</li> <li>Place local government audits under the aegis of the Auditor General.</li> <li>Initiate improvements to the rating system eg exemptions, equitable system for rating apartments, and steps to ensure a more equitable distribution of federal Financial Assistance Grants and State grants.</li> </ol>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ol style="list-style-type: none"> <li>7. Establish a state-wide local government finance facility to cut the cost of borrowing.</li> <li>8. Commission IPART to review the regulatory, compliance and reporting burdens imposed on councils.</li> <li>9. Strengthen political leadership: re-write the roles of Mayors, Councillors and General Managers</li> <li>10. Introduce minimum 2-year terms for mayors elected by the councillors.</li> <li>11. Amend the State Constitution to secure recognition of elected local government (cf Victoria, Queensland).</li> <li>12. Re-constitute the Boundaries Commission to progress evidence-based, impartial assessment of possible mergers and boundary changes.</li> </ol>
<p>64. Further develop the proposals for legislative changes detailed in Boxes 43 and 44, and seek to introduce the amendments listed in Box 43 in early 2014</p>	<p><b>Supported in principle</b> – SEROC would require further detail on how rural councils would operate before supporting this principle.</p>	<p><b>Box 43: Proposed Interim Amendments to Local Government Act, Regulations and Guidelines</b></p> <ul style="list-style-type: none"> <li>• Provisions for Joint Organisations, ‘Rural Councils’ and Community Boards</li> <li>• Reconstitution of the Boundaries Commission and amendments to the process for dealing with amalgamations and boundary changes (but defer application to Sydney metropolitan region – see section 11.4)</li> <li>• Amendments to rate-pegging provisions (and associated changes to IPR Guidelines)</li> <li>• Enabling oversight of local government audits by the Auditor General (may be handled instead through Public Finance and Audit Act)</li> </ul> <p><b>Box 44: Other Legislative Changes Required</b></p> <ul style="list-style-type: none"> <li>• Establishment of Far West Regional Authority (possibly separate Act)</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• Establishment of a local government finance facility (preferably by simply amending TCorp legislation)</li> <li>• Amendment to State Constitution to strengthen recognition of elected local government</li> <li>• New or revised provisions in the Local Government Act covering: <ul style="list-style-type: none"> <li>○ Goal of sustainable councils</li> <li>○ Concept of a system of local government</li> <li>○ Appointment of Chief Financial Officers (or equivalent)</li> <li>○ Roles of the Council (governing body), Mayors, Councillors and General Managers</li> <li>○ Direct election of Mayors</li> <li>○ Preparation of Councillor Development Plans and mandatory professional development requirements for Councillors and Mayors</li> <li>○ Holding of an Annual General Meeting</li> </ul> </li> <li>• Revised IPR Guidelines for: <ul style="list-style-type: none"> <li>○ Delivery Programs and service reviews</li> <li>○ Regional component of Community Strategic Plans</li> </ul> </li> <li>• New mandatory guidelines for internal audit and continuous improvement processes (including committees)</li> </ul>
65. Adopt in principle the proposed implementation timeline	<b>Supported in principle</b>	<p><b>Indicative Implementation Schedule</b></p> <p><b><u>By February 2014</u></b></p> <ul style="list-style-type: none"> <li>• Government to determine its response to the Panel report, including proposed priority package and short-term legislative changes</li> <li>• Commence implementation of priority package (those matters not requiring legislative change)</li> </ul> <p><b><u>By March 2014</u></b></p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• Establish the MAG and PMO</li> <li>• Refer matters as appropriate to the MAG, PMO, Boundaries Commission, Division of Local Government and other agencies</li> <li>• Confirm new arrangements for State-local cooperation at the regional level, especially in strategic planning, State Plan implementation, and through Regional Roads Groups</li> <li>• Finalise short-term changes to Local Government Act , regulations and guidelines</li> <li>• Negotiations under way to establish all non-metro JOs</li> </ul> <p><b><u>By June 2014</u></b></p> <ul style="list-style-type: none"> <li>• Commence implementation of other elements of priority package (except those requiring further legislation)</li> <li>• Complete establishment of sub-regional groups in metropolitan Sydney for strategic planning</li> <li>• Seek evidence-based responses from Sydney, Hunter and Central Coast councils to Panel’s proposals for merger</li> <li>• Establish the reconstituted Boundaries Commission</li> <li>• Commence action to establish Far West Regional Authority and review status of constituent councils</li> </ul> <p><b><u>By June 2014</u></b></p> <ul style="list-style-type: none"> <li>• Refer the Panel’s options for non-metropolitan councils in Group B to the Boundaries Commission for consideration in accordance with the new procedures</li> <li>• Boundaries Commission announces opportunity for eligible parties to submit other boundary change and/or amalgamation proposals</li> </ul>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• Finalise incentives package for voluntary mergers (2014-15 budget)</li> <li>• Extend the LIRS program (2014-15 budget)</li> <li>• Establish local government finance facility and associated advisory services through TCorp</li> </ul> <p><b><u>By end 2014</u></b></p> <ul style="list-style-type: none"> <li>• Complete initial establishment of non-metropolitan JOs</li> <li>• Introduce a modified rate-pegging system, including amended IPR guidelines</li> <li>• Amend State Constitution to strengthen recognition of elected local government</li> <li>• Refer responses from Sydney, Hunter and Central Coast councils to the MAG for review</li> </ul> <p><b><u>During 2015</u></b></p> <ul style="list-style-type: none"> <li>• Complete other required legislative changes (see Box 44)</li> <li>• Establish Far West Regional Authority and introduce new arrangements for non-metropolitan Group A councils</li> <li>• Commence new audit arrangements</li> <li>• MAG to report to Government on progress, in particular the operation of Joint Organisations and possible structural reform in metropolitan Sydney, Hunter and Central Coast</li> <li>• Government to determine further action in Sydney, Hunter and Central Coast regions, including referrals to Boundaries Commission</li> <li>• Refer non-metropolitan councils in Group C to the Boundaries Commission</li> </ul> <p><b><u>By mid 2016</u></b></p>

Panel Recommendation	Response	Further detail to inform the suggested recommendation
		<ul style="list-style-type: none"> <li>• Complete updated sustainability assessments (and revised asset and financial plans as required) for all councils with Weak/Very Weak TCorp FSRs and/or Weak/Very Weak/Distressed ratings in the DLG infrastructure audit</li> <li>• MAG to report on overall progress of the reform agenda</li> </ul> <p><b><u>During 2017</u></b></p> <ul style="list-style-type: none"> <li>• MAG wound-up unless further tasks emerge</li> <li>• Refer non-metropolitan councils in Group E to Boundaries Commission</li> <li>• Update other TCorp sustainability assessments and calculation of infrastructure backlog</li> </ul> <p><b><u>By 2020</u></b></p> <ul style="list-style-type: none"> <li>• Boundaries Commission to complete review of non-metropolitan Group F councils (Table11)</li> </ul>