

9.6**Submission on Destination 2036 Draft Action Plan**

REPORT

Purpose

To seek approval of the attached submission to the Division of Local Government (DLG), on the NSW government's plan for local government reform – Destination 2036 draft Action Plan.

Report

Destination 2036 is a NSW government initiative to design a 25-year plan for reform, in cooperation with the local government sector. This was initiated in 2011 by a Discussion paper, the Dubbo workshop with Mayors and General Managers, followed by the Outcomes Report and the draft Action Plan. The draft Action Plan outlines a Vision for local government, with 16 Initiatives and over 40 Activities, all encompassed by 5 Key Directions:

- Efficient & Effective Service Delivery
- Quality Governance
- Financial Sustainability
- Appropriate Structures
- Strong Relationships

The Plan was prepared by DLG and the Destination 2036 Implementation Steering Committee (ISC). Council resolved on 13 December 2011 to make a submission on the draft Action Plan, incorporating the findings of Warringah's community consultation on Local Government Reform.

Timing

The draft Action Plan was released by DLG on 3 December 2011. Submissions close on 15 February and no extensions will be granted, as the Minister intends to endorse the final version by March 2012. As such, the submission needs to be endorsed at the Council meeting of 14 February to meet the closing date.

Financial and Policy Impact

None

Group Manager Strategic Planning

**RECOMMENDATION OF ACTING DEPUTY GENERAL MANAGER
STRATEGIC AND DEVELOPMENT SERVICES**

That Council endorse the submission at the Attachment on the Destination 2036 Draft Action Plan.

Warringah Council Submission on Destination 2036 Draft Action Plan

Warringah Council Submission on Destination 2036 Draft Action Plan

General comments

Warringah Council broadly supports the elements and initiatives of the draft Action Plan, but believes it needs strengthening. Some areas need to be more robust and focussed (*shown in italics*); some need additional activities (*see boxes*).

In order to understand the rationale of Council's comments regarding Directions or Initiatives, they are provided together in this submission.

Process: Implementation

Largely the draft Plan seems to facilitate rather than drive change. We do not believe that this will be enough to implement the changes needed across the local government sector. Experience in other states has shown that where a reform agenda has been initiated with the sector, the pace of change has been slow and ultimately the respective state government has mandated change.

If real and lasting change is to be achieved and local government is to have a seat at the table the *Action Plan needs to build in more incentives or drivers so councils and ROCS implement the findings*. For example, a new Activity "*to encourage or direct councils to review the alternate models and consult with their neighbouring councils on their applicability for the region.*"

Warringah's experience in attempting to open a dialogue in 2011 with neighbouring Councils and the community about the future form of local government on the Peninsula, was met with resistance from surrounding Councils. The resistance was both at a political (Councillor) and senior officer level. Interestingly, the community feedback showed a good level of support for change, provided it would improve services and deliver a financially strong and sustainable council.

Initiatives contained in the Action Plan could have been pursued in the past by councils working together. While this document may provide pointers for the direction the sector should be heading, it will be very difficult for local government to reform itself if incentives and drivers are not in place to overcome pockets of resistance.

Process: Measuring the Success of the Action Plan

The draft Action Plan clearly assigns responsibility for oversight of the Action Plan to the Implementation Steering Committee (ISC). It appears the monitoring and reporting will be based at the level of Activities of the co-coordinating bodies. What is not clear is how the overall effectiveness of the whole Plan will be measured in meeting the goals of the reforms.

The Action Plan needs to clarify up front, how it will measure its success : overall or at the Goal, Direction and Initiative levels. It is recognised that establishing measures is challenging but we need to be able to know how far along the reform path we have traveled both from a qualitative as well as a quantitative perspective.

If this measurement framework can't be identified and in place on day one, a *key activity should be included in the Action Plan showing that this is a priority*.

Some of the Activities may be found inadequate to fulfill the stated Initiative. *The Plan needs to be able to adapt, to modify or provide new activities when it is not effectively meeting the goals*. The proposed monitoring by the ISC with the ability to make recommendations to the Minister appears to provide the required agility for the Action Plan to remain relevant and respond to issues as they arise.

Warringah Council Submission on Destination 2036 Draft Action Plan

ROCs - Regional consolidation and collaboration

Relating to: - Direction: Service Delivery - Initiative 1

- Direction: Strong Relationships – Initiative 14

- Direction: Appropriate Structures - Initiative 11

Review ROC scale and boundaries:

Linked to Activities 1b (ROC Strategy), 1c (models) and 14d (regional boundaries).

Propose a new key activity for Initiative 1 - Review ROC composition/boundaries to determine optimal arrangements for regions. A review of ROCs should look at a minimum size for a ROC to achieve strategic capability/ economies of scale; and a rational aggregation where the council can pursue common issues and interests as well. The review should also take account of regional boundaries of state agencies to improve alignment.

The draft Action Plan emphasises strengthening of ROCs as a major solution for service delivery and regional planning. The draft Action Plan omits any action focused on reviewing the current membership and functioning of ROCs in NSW. We can't assume the current structure and composition of ROCs currently meet or will continue to meet the needs of member councils and their communities. Benefits need to accrue evenly across the industry.

Recent research by the ACELG into ROCs in Western Australian and NSW suggests that there may need to be a review of ROCs. Some ROCs may be too small to be viable, are inadequately resourced or have very limited functions. Very few are involved in commercial operations. There is also a tension, if not a conflict between their two major roles to develop strategies and share services.

Warringah Council's own experience with ROCs supports the need to review their composition and size. Warringah is a member of SHOROC (total of four councils) which is the third smallest ROC in the State, with Warringah being the lead Council. Warringah is much larger than the other member councils of SHOROC in size, population and expenditure, its population being over 52% of the SHOROC group. The benefits from joint contracting accruing to Warringah are not as great (i.e. economies of scale) plus the bulk of the work in establishing these arrangements fall to Warringah in the main. Our experience is not uncommon and is supported in literature from DLG's review 'Collaborative Arrangements Between Councils' June 2011.

The Action Plan emphasises an expanded role for ROCs in regional planning through local and regional action plans. This will place greater pressure on smaller ROCs and their ability to deliver, which will be shouldered by the lead council and challenge the viability of these ROCs.

It also needs to be recognised that depending on the configuration and membership of ROCs, councils may need to deal strategically on issues with other Councils outside their ROC. For example a significant transport issue for Warringah is the East/West transport corridor which is of critical importance to Warringah, particularly in linking into the growing Macquarie Park employment and education centre. This will require working closely with our neighbours to the west. *Any review of ROCs should take this into account.*

Enable suitable ROC structures and legislation:

Need to strengthen Activity 1b and 1c. Comments also link to Initiative 11.

Councils need to be able to set up appropriate structures to work regionally, be that through ROCs or such other arrangements such as a council owned trading company (similar to the State Owned Enterprise model but in this case the owner is a local council). The function to be undertaken

Warringah Council Submission on Destination 2036 Draft Action Plan

should dictate the structure that is pursued - the structure to undertake strategic planning and advocacy will be different to that required to conduct shared services.

The two main roles of ROCS should be separated into separate entities to reduce conflict of interest. Regional strategic planning and advocacy should be conducted by the ROC body, with elected councillors involved in policy and strategic directions. On the other hand, shared service delivery should be separated from councillor involvement, with delivery by a commercialised/ corporatised body eg. council owned trading company.

More incentives or drivers are needed for member councils to participate in regional initiatives for shared services. This should draw on contemporary research since 2005 on criteria and success factors for effective shared services (Activity 1b). Warringah's experience of the local ROC is similar to many councils – there is too much resistance and opting-out of arrangements and unwarranted burden on the lead council. There needs to be more robust agreements, and the best option for achieving this is to commercialise the shared services/resources.

Legislation is needed to enable councils/ROCs to form commercial entities. The Local Government Act particularly needs to enable different models to operate, including the ability to corporatise councils and commercialise some operations.

The planned workshop (Activity 1c) needs to include working examples and case studies. Kimbriki Environmental Solutions, a company that operates Kimbriki Waste Disposal Facility is evidence of where this arrangement works well. The share holders of the company are Manly, Mosman, Pittwater and Warringah. It has an independent board made up of professional directors charged with running the business on a commercial basis.

Models

Relating to Direction: Appropriate Structures - Initiative 11

Propose a new key activity for Initiative 11: Encourage/direct councils to review the alternate models and consult with their neighbouring councils on their applicability for the region.

Council does not support the formation of a fourth tier of government ie. the Two-Tier model. Warringah instead supports the further development of these models at a minimum, both of which could operate well in our region:

Corporatised council model: with the ability to commercialise services whilst retaining local democracy.

Formal Resource Sharing model: to enable ROCs to establish subsidiary commercial entities, delivering services effectively on regional scale.

The Local Government Act particularly needs to enable different models to operate, including the ability to corporatise councils and commercialise some operations.

Additionally, further incentive is needed to encourage councils to be willing to implement such change or new models. As noted earlier, during 2011 Warringah, in consulting on its Local Government Reform Paper, wrote to the surrounding councils and offered a briefing, however the councils were reluctant to engage in a dialogue around the issue. A consensus amongst neighbouring councils on a preferred model is unlikely to be achieved and there will be very few councils volunteering. Offering incentives may provide the necessary push to move forward.

Amalgamation

Relating to Direction: Appropriate Structures - Initiative 12

Propose a new or extended key activity for Initiative 12: Councils will review amalgamation/ boundary alteration and liaise with neighbouring councils. Perhaps Councils that meet a set of criteria could be required to consult their community regarding such change.

Warringah Council Submission on Destination 2036 Draft Action Plan

Warringah supports this Initiative, but constraints to change need to be actively addressed. A consensus amongst neighbouring councils on a preferred model is unlikely to be achieved and there will be very few councils volunteering. Offering incentives may provide the necessary push to move forward.

Warringah continues to be open to the option of consolidation of 3 Councils on the northern beaches, in the medium to long term. Local barriers seem to be largely the resistance of elected Councillors and senior staff who fear the loss of local autonomy and appear unwilling to formally consult their community.

Financial Sustainability

Relating to Direction – Financial Sustainability - Initiatives 8 and 9

Propose extended key activities:

Initiative 8 - Examine the sustainability of rate capping by the State government (via IPART) and other financial mechanisms such as deregulating fees and charges, more flexible rating systems, and establishing a municipal bond bank.

Initiative 9 – Strengthen fundamental recognition of the role and services provided by local government, in meeting State and National goals, with funding made available over longer timeframes (eg. 5-10 years) to enable certainty in financial and resource planning.

It is widely recognised that local government is under-resourced and its financial sustainability is under threat. To develop a robust 10-year financial plan we need much greater certainty around the intergovernmental transfers and grant funding available now and into the future. There needs to be a more fundamental recognition of the role and services provided by local government, in meeting State and National goals, and a reliable funding source to match.

The Plan's current financial measures under these Initiatives 8 and 9 are inadequate to achieve such financial sustainability. This was a major area for reform, with consensus amongst councils - at the Dubbo workshop and the Outcomes Report - on a range of financial mechanisms i.e. to abolish rate pegging, deregulate fees and charges, enable a more flexible rating systems, and establish a municipal bond bank. Despite such broad support, it seems that many of these mechanisms have not been included in the scope of Initiative 8. *Any Working Party established under this Initiative needs to include in the scope, examining the feasibility of all the mechanisms originally identified in the Outcomes Report.* The continuation of rate pegging is one of the fundamental constraints on local government's long term financial viability. The omission of a review of rate pegging in the text of Initiative 8 sends a message in itself.

Planning and Infrastructure

Relating to: - Direction – Financial Sustainability: Initiative 10a

- Direction – Strong Relationships: Initiative 14

Initiative 10a (Infrastructure Planning) and 14b (Regional and Local Action Plans) need to be strengthened to ensure that State agencies all agree to the growth targets and infrastructure needs set in the metropolitan plans, regional and local action plans. For example the RMS and Sydney Water need to be equal partners in the Metropolitan Plan- and the plan calibrated to their delivery capacity (for budget and resources).

Strategic policies like the Metropolitan Plan and subregional plans require statutory force. There is no current statutory requirement for councils to adopt and implement growth strategies. The current situation results in the Department of Planning setting growth targets, devolving these down to Local Government level. Councils then have to work from the 'bottom up', back to state

Warringah Council Submission on Destination 2036 Draft Action Plan

agencies like the RMS to implement growth plans in terms of road network and other infrastructure capacity. This is highly inefficient, time consuming, uncertain and set within a context of there being no statutory requirement for councils to undertake these projects.

Another aspect of planning that needs addressing is rezoning. *The rezoning of land by local government should be assessed on environmental planning merit with qualified panels, to provide independent advice to councils.* If growth planning for jobs and housing is to meet community needs, a more merit-based system is needed. This reform should occur under the Planning Act review.

Innovation and Best Practice

Relating to Direction – Service delivery: Initiative 3

Decisions by local government need to be based on well-researched data and evidence. Warringah supports the inclusion in the Plan of further research into *innovation and best practice (Activity 3a), including best practice of the various professions/disciplines within local government. Council also encourages the wider adoption of Business Excellence by local government.* Warringah has been one of the first Councils to effectively implement the Business Excellence approach, which is yielding good outcomes in terms of improved performance, efficiency and staff skills.

Warringah also supports the development of a more meaningful set of performance measures for the local government (Activity 3c), which is long overdue. The current set of comparative indicators used to compare councils' performance is a blunt tool.

