

## NSW Government’s Response to the Final Report and Recommendations of the “Independent Inquiry into the Financial Sustainability of NSW Local Government”

Recommendation	NSW Government response
<p><b>1: Constitutional Recognition</b>  <i>The LGSA seek recognition of Local Government as a separate independent tier of government in the Australian constitution through a national campaign by ALGA and the state members aimed at obtaining the signed pledge of a majority of ratepayers in a majority of states to supporting such a course of action if a constitutional referendum were held.</i></p>	<p>This matter is being considered by the Council of Australian Local Governments. The NSW Government is supportive of the consideration of Commonwealth constitutional recognition of local government and will await the recommendations of the Council of Australian Local Governments.</p> <p>Local government has constitutional recognition in NSW. Section 51 of the <i>Constitution Act 1902</i> (NSW) states, “there shall continue to be a system of local government for the State under which duly elected or duly appointed local government bodies are constituted with responsibilities for acting for the better government of those parts of the State that are from time to time subject to that system of local government”. The <i>Local Government Act 1993</i> also establishes a framework for the constitution and operations for local government.</p>
<p><b>2: Intergovernmental Agreement</b>  <i>The State Government and the NSW Local Government and Shires Associations enter into an intergovernmental agreement (IGA) that draws on both the Memorandum of Understanding in South Australian and the Local Government Policy of the New Zealand Government.</i></p>	<p>The Government has agreed in-principle to negotiate an agreement similar in scope to the <i>Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters</i> (IGA). The IGA establishes a framework for how the three tiers of government can work cooperatively to achieve the best possible outcomes for communities.</p> <p>The IGA includes principles for how services and functions between local government and the other spheres of government are funded and delivered. It emphasises a spirit of cooperation and partnership as well as promoting efficiency and transparency in financial arrangements.</p>
<p><b>3: Cost Shifting</b>  <i>The LGSA build on the work of the Inquiry and undertake an annual survey of all councils to establish the total cost to Local Government of the main regulatory and policy responsibilities imposed by other tiers of</i></p>	<p>The Government considers such surveys to be of benefit only if they are based on the definitions and principles of how services and functions between the different tiers of government are delivered, as outlined in the IGA. The Government notes that the definition used by IPART in the draft report is a functional definition of cost shifting based on compulsory transfer of assets and legislative mandates.</p>

Recommendation	NSW Government response
<i>government and any changes thereto over the previous year.</i>	
<p><b>4: Red Tape</b>  <i>The State Government undertake a review of the Commonwealth and state red tape applying to Local Government with a view to eliminating unnecessary requirements.</i></p>	<p>The Government has made a commitment to review red tape. The Government has undertaken a number of initiatives that have resulted in reductions of administrative time, effort and cost to councils. Pensioner concessions payments have been rationalised, and councils are no longer required to obtain Ministerial approval for council loans or to submit Budget Summary returns.</p> <p>On 25 June 2009, the Government introduced the <i>Local Government Amendment (Planning and Reporting) Bill 2009</i>. This legislation will provide a new framework that reduces red tape by replacing the former Management Plan and Social Plan with a new strategic planning and reporting system which reduces current planning and reporting requirements.</p> <p>The NSW Department of Planning has introduced a range of reforms to cut red tape. These include introducing a 'gateway' system for local plan-making to reduce timeframes coupled with a new online tracking system; removing regional environmental planning layer to reduce complexity; reviewing infrastructure contributions to boost housing supply; establishing the Planning and Assessment Commission and Joint Regional Planning Panels to strengthen decision making; releasing the NSW Housing Code to provide approvals in ten days or less for new homes or home alterations and additions; releasing the NSW General Commercial and Industrial Code and strengthening the rules and penalties for accredited certifiers</p>
<p><b>5: Revised Role</b>  <i>All councils with an infrastructure renewal gap and backlog voluntarily agree to restrain operating expenditure by adopting an 'optimalist' approach to new recurrent services until their physical assets are restored to a satisfactory condition.</i></p>	<p>The Government considers this a matter for individual councils.</p>
<p><b>6: Infrastructure Management</b></p>	<p>The <i>Asset Management Planning for NSW Local Government</i> paper released in May 2007,</p>

Recommendation	NSW Government response
<p><i>The State Government provide financial incentives and technical assistance to enable all councils within three years to adopt a total asset management (TAM) system with consistent asset accounting practices.</i></p>	<p>explored the development of a new asset management framework for NSW councils.</p> <p>Feedback received on the paper from councils has informed the development of the Integrated Planning and Reporting Framework for NSW Local Government (see response to Recommendation 4). The Government has also developed guidelines to support the Framework. The guidelines include information and advice to assist councils in developing asset management plans for all assets under their control and address the long term projections for asset maintenance, rehabilitation and replacement. The framework will largely benefit local government and councils may need to provide funding for the implementation of the new Framework from existing resources.</p>
<p><b>7: Infrastructure Funding</b></p> <p><i>To overcome the infrastructure crisis, increase council funding by the order of \$900 million per annum through a combination of increased Commonwealth and state grants (\$200 million), council expenditure savings (\$200 million) and higher rates, fees and charges (\$500 million).</i></p>	<p>New consistent requirements for councils to prepare Asset Management and Financial Plans, as part of the Integrated Planning and Reporting framework, will see councils better placed to make applications for Commonwealth funding under the RLCIP – Strategic Program. The NSW Government will continue to raise the issue of funding for local government with the Commonwealth Government and with the Local Government and Planning Ministers’ Council.</p> <p>The NSW Government’s 2009-10 Budget created a \$200 million <i>Local Infrastructure Fund</i> to provide councils with interest-free loans to unlock housing developments and to stimulate construction and support jobs. The 2009-10 Budget also created a new fund, the \$35 million <i>Community Building Partnership</i>, which will be open to local councils along with community and sporting groups and non-government organisations. Eligible projects include new and social infrastructure such as community halls and playgrounds, cultural and sporting facilities, and parks, cycleways and boat ramps, as well as upgrades to existing facilities.</p> <p>The Government notes that the IPART draft report concluded that, due to considerable variability in estimates of infrastructure renewals and maintenance, it is very difficult to accurately estimate the existence and size of an infrastructure backlog.</p> <p>The need to explore innovative approaches to building new infrastructure and replacing ageing assets which could supplement funding through developer contributions, private sector joint</p>

Recommendation	NSW Government response
	ventures, public private partnerships, financing techniques and the like needs further consideration.
<p><b>8: Depreciation Funding</b>  <i>Each council aim to fully cash-fund its asset depreciation within three to five years and dedicate such funds exclusively for asset renewals.</i></p>	See responses to Recommendations 6 and 7.
<p><b>9: Regional Roads</b>  <i>The NSW Government assume responsibility for all regional roads in rural shires since such councils do not have the financial capacity and asset management systems to maintain and renew them.</i></p>	<p>The Government does not support this recommendation as the Government has maintained, or exceeded, its commitment to maintain road funding in real terms.</p> <p>The Government considers that local government is in the best position to evaluate the aggregate needs, service levels and risks associated with the regional road network. The Government’s proposed Asset Management guidelines (see responses to Recommendations 6 and 7) will support councils in managing this need.</p> <p>The Government will continue to consider cases for additional funding, based on need, and will raise with the Commonwealth the issue of additional funding for the NSW road network. Council entitlements to access an annual formula based Block Grant to assist maintain regional roads will continue. Councils are also able to apply for dollar-for-dollar assistance for high priority projects under the REPAIR program.</p> <p>The Government encourages council “clustering” as a way of building efficiency through the sharing of resources, systems and expertise (see response to Recommendation 37).</p>
<p><b>10: Opinion Survey</b>  <i>Each council periodically (at least at the start of its four year term) conduct an opinion survey of its residents to find out how they</i></p>	The Integrated Planning and Reporting Framework for NSW Local Government will require councils to prepare and implement a Community Engagement Strategy for engagement with the local community in developing and reviewing the Community Strategic Plan.

Recommendation	NSW Government response
<p><i>rate the importance of each of its major services and how they rate their satisfaction with each service.</i></p>	<p>The Community Engagement Strategy must identify relevant stakeholder groups within the community and outline methods of engaging each group. Due consideration must also be given to the expected levels of service expressed by the community when preparing the Community Strategic Plan. This may be done through a survey or other means and therefore the Government does not consider it appropriate to make a survey a mandatory requirement on councils.</p>
<p><b>11: Future Needs</b>  <i>All councils should develop and adopt a long-term services plan that takes into account demographic, political, economic, environmental, social and technological trends as well as existing community's priorities based on opinion surveys and community consultations that disclose the costs and benefits of alternative scenarios.</i></p>	<p>Council planning needs are being considered as part of the Integrated Planning and Reporting Framework. As part of the Framework councils must ensure their Community Strategic Plan is adequately informed by relevant information relating to social, environmental, economic and civic leadership issues. This information must be presented to the community in an accessible format to assist its participation in the planning process. The Community Strategic Plan must also give due regard to the State Plan and other relevant state and regional plans.</p>
<p><b>12: Procurement Practices</b>  <i>The DLG permit the LGSA to undertake joint purchasing arrangements on behalf of Local Government, perhaps using a council network of commodity action teams, to identify where savings could best be made. In addition, the LGSA should develop best practice procurement guidelines to assist councils to better align and integrate their service plans and policies with their procurement processes and practices.</i></p>	<p>The Government amended the <i>Local Government (General) Regulation 2005</i> so that clause 163(1A) prescribes the Local Government Procurement Partnership for the purposes of the exemption from tendering under section 55(3) of the <i>Local Government Act 1993</i>.</p> <p>Section 55(3) of the Local Government Act provides a number of exemptions from the need for councils to call for tenders for goods and services. One of the exemptions includes council purchases from contracts put out by NSW Department of Commerce.</p>
<p><b>13: Innovative Solutions</b>  <i>Local Government pursue innovative</i></p>	<p>Expenditure savings and revenue enhancements in line with the <i>Local Government Act 1993</i> and Regulation are supported by the Government.</p>

Recommendation	NSW Government response
<p><i>solutions to expenditure saving and revenue enhancement to help boost its infrastructure funding capacity under Recommendation 7.</i></p>	<p>As councils are autonomous bodies the Government expects individual councils will undertake efficiency reviews to reduce costs and identify opportunities to increase revenue within the parameters set by the <i>Local Government Act 1993</i> and Regulation.</p>
<p><b>14: Commercialise Businesses</b>  <i>Councils further commercialise their business so that they set their prices to fully recover economic costs, including the cost of capital, and pay dividends like a normal business. Any community service obligations imposed on such a business activity by a council or another tier of government should be fully subsidised from taxpayer funds rather than commercial income.</i></p>	<p>The Government considers the commercialisation of council business as a matter for individual councils to determine in line with the <i>Local Government Act 1993</i>, including the need to consider employee protection implications. Council community service obligations required by other tiers of government are subject to the principles contained in the IGA (see response to Recommendation 2).</p> <p>The Government's policy on competitive neutrality principles to the business activities of local councils is set out in <i>NSW Government Policy Statement on the Application of National Competition Policy</i>. This policy document should be read in conjunction with the Department of Local Government's <i>Pricing and Costing for Council Businesses: A Guide for Competitive Neutrality</i>.</p>
<p><b>15: Planning Documentation</b>  <i>The State Government introduce a single planning document to apply to whatever land-use control format is adopted (e.g. land zones, land parcels or localities).</i></p>	<p>In 2006, the Government introduced a Standard Local Environment Plan (LEP) template for use by councils. Once gazetted residents and businesses can view a single plan that outlines the zoning, land uses and principle development standards for their land. Councils can use a ready-made template when creating new plans, freeing up resources to concentrate on developing long-term strategic planning policies for their areas.</p> <p>The Standard LEP has created a common structure and language for LEPs, which are the primary planning tool to shape the future of localities. However, additional planning documents may also apply to a given locality. For example, Development Control Plans, State Environmental Planning Policies, or Master Plans.</p> <p>The Integrated Planning and Reporting Framework will also establish a clear linkage between the Community Strategic Plan and the LEP.</p>

Recommendation	NSW Government response
	See responses to Recommendations 17, 18 and 20.
<p><b>16: Future Needs</b>  <i>All councils develop and adopt a long-term land usage plan that takes into account demographic, political, economic, environmental, social and technological trends as well as existing community's priorities based on opinion surveys and community consultations that disclose the costs and benefits of alternative scenarios.</i></p>	<p>The Government supports councils adopting long-term sustainable land use planning. Council land use planning should support the existing Sydney Metropolitan Strategy and should discourage development that is non-contiguous with Sydney's existing urban areas.</p> <p>Draft Local Environment Plans will be assessed against the Government's objectives to ensure they are consistent with regional or State Planning policies and any relevant infrastructure plans. This process should occur in accordance with the 'Reprioritising the Standard LEP Program' that was announced 10 August 2009, and should, along with the new Integrated Planning Framework for NSW Local Government, help ensure land use plans take account of long-term strategic priorities.</p> <p>See responses to Recommendations 10, 11, 15 and 17.</p>
<p><b>17: Council Delegations</b>  <i>Increase the number of development decisions that can be delegated by councils to certified planners or architects so as to enable faster processing times of the remaining DAs.</i></p>	<p>A major program of reforms to the NSW planning system was introduced in 2008 for exempt and complying development and a role for private certifiers to determine Construction Certificates (CC) and Complying Development Certificates (CDC). The <i>Environmental Planning and Assessment Amendment Act 2008</i>, the <i>Building Professionals Amendment Act 2008</i> and the <i>Strata Management Legislation Amendment Act 2008</i> were passed by Parliament on 18 June 2008. The Government has established an Implementation Advisory Committee, comprised of local government and industry representatives, to provide advice on the implementation of the reforms.</p> <p>Currently councils delegate the determination of 96 per cent of development applications to their planning officers. The 2008 reforms tighten the private certification provisions applying to both private certifiers and to council officers issuing CCs and CDCs. On average, private certifiers issue 31 per cent of CCs, with council officers issuing the remainder.</p> <p>Currently 11 per cent of all development applications are dealt with as complying development.</p>

Recommendation	NSW Government response
	It is intended that as a result of the introduction of the Exempt and Complying SEPP in 2009, the use of complying development will rise to 50 per cent in 4 years.
<p><b>18. Advisory Panels</b>  <i>Establish independent advisory panels to consider and advise councils on disputed DAs and to consider appeals from third parties.</i></p>	<p>The Government's planning reforms make provision for councils to appoint Independent Hearing and Assessment Panels (IHAPs) as independent advisory bodies. A provision has been made for a council to establish an IHAP to assess any aspect of a development assessment or planning matter of local significance. Regulations will prescribe the functions and other arrangements dealing with IHAPs.</p> <p>The Government notes that a number of councils have successfully used these bodies to resolve issues during the assessment process, avoiding the need for appeals after determination, and reducing their legal costs.</p> <p>See response to Recommendation 17.</p>
<p><b>19: Voting Record</b>  <i>All councils introduce a system for recording how individual councillors vote on planning policy matters and individual development applications as well as any explanations they offer for their actions. Where a council departs from a recommendation by an independent advisory panel its collective reasons for doing so should also be recorded.</i></p>	<p>The <i>Local Government and Planning Legislation Amendment (Political Donations) Act 2008</i> commenced on 1 October 2008. The Act amends the <i>Local Government Act 1993</i> to require the general manager of each council to keep a public register of all current donations and expenditure declarations lodged by councillors with the Election Funding Authority of NSW. It also requires the general manager to record which councillors vote for and against each planning decision of the council, and to make this information publicly available.</p>
<p><b>20: Planning Commission</b>  <i>The State Government establish an independent State Planning Commission to make recommendations on major projects removed from council control by the Minister for Planning with the State Cabinet deciding</i></p>	<p>The Planning Assessment Commission commenced operation on 1 October 2008, and will act as the approval authority of major project applications referred to it by the Minister including all applications in the Minister's electorate and other applications where there is the potential for conflict of interest. In addition, the Government is establishing Joint Regional Planning Panels in 6 regions across the State to provide independent decision making for all regional significant development applications, assessed by local councils.</p>

Recommendation	NSW Government response
<i>the outcome of such DAs if the Minister rejects the commission's advice.</i>	See response to Recommendation 17.
<p><b>21: Rate Pegging (1)</b></p> <p>The State Government <i>free councils to determine their own income by removing statutory limitations on their rates (i.e. rate pegging) and certain fees (e.g. development application processing fees) in return for councils adopting longer term strategic and financial planning with outcome targets.</i></p>	<p>Rate pegging has widespread support, further strengthened by the current financial strain that is being felt by most in the community. The current legislation provides councils with the opportunity to apply for special variations to their general income to enable them to increase their revenue base.</p> <p>In May 2008, the Premier commissioned the Independent Pricing and Regulatory Tribunal (IPART) to undertake a review of the revenue framework for local government, and in particular the appropriateness of current arrangements for setting rates and charges. IPART's draft report "Revenue Framework for Local Government", was released on 23 July for public comment by 18 September 2009.</p> <p>The Premier indicated at the 2008 Local Government Association Conference that the Government is prepared to consider alternatives to rate-pegging provided there is broad community support for change and that increased services and infrastructure would result.</p>
<p><b>22: Rate Pegging (2)</b></p> <p><i>If recommendation 21 is not acceptable, the State Government instead (a) permit councils whose rates were relatively low when rate pegging started or whose past rate rises have not kept pace with peg rises to bring them into line with those councils whose rates are in the top quartile; and (b) tie rate pegging to a published price or cost index such as the Sydney CPI, NSW GDP deflator index or a specifically designed Local Government cost index.</i></p>	See response to Recommendation 21.

Recommendation	NSW Government response
<p><b>23: Rate Exemptions</b>  <i>The State Government should review and remove rate exemptions for all land use for commercial or residential purposes regardless of ownership.</i></p>	<p>The Government notes the recommendation however due to the relatively small number of properties affected does not consider the removal of rate exemptions for commercial or residential land use a significant issue.</p>
<p><b>24: Pensioner Concessions</b>  <i>The NSW Government, like all other state governments, fully rebate councils for its policy of pensioner rate concessions, otherwise councils be given permission to introduce rate deferrals for the unfunded component of such concessions. Deferred rates and accrued interest thereon would be charged against a pensioner's estate.</i></p>	<p>The Government supports the existing arrangements.</p>
<p><b>25: Pricing Guidelines</b>  <i>The Department of Local Government issue best-practice guidelines on the pricing principles and key cost concepts necessary for pricing council services, especially of a commercial nature.</i></p>	<p>The Government considers the issue of guidelines a matter for the LGSA. The Government notes that section 610(D) of the <i>Local Government Act 1993</i> outlines the factors that should be considered when a council determines the amount of a fee for a service. This section enables councils to determine the cost of providing a service and to charge a fee to enable for cost recovery. Councils should have sufficient capacity to assess the cost of providing services within the context of their community.</p>
<p><b>26: Developer Contributions</b>  <i>Local councils be more accountable to property owners for the use of developer contributions derived from the development of their properties.</i></p>	<p>The Government has reviewed council's development contribution plans and State infrastructure levies. The Government will cap section 94 contribution levies for residential lots to \$20,000 (unless agreed by the Minister for Planning), reduce State levies to \$11,000 per lot and abolish water levies charged by the Sydney and Hunter Water Corporations. New provisions as part of the 2008 planning reforms will be introduced in Part 5B of the <i>Environmental Planning and Assessment Act 1979</i> with regard to matters which can be charged for in development contribution plans and the timing of the payment of levies.</p> <p>The Government has also established a \$200 million NSW Local Infrastructure Fund as an 'interest free' loan scheme to bring forward infrastructure projects that are delayed due to a</p>

Recommendation	NSW Government response
	lack of funding. Funding is provided for local projects that will support urban development and will assist in increasing the supply of serviced land for housing and employment. Typically the funding will be for projects costing at least \$1 million and include roads and related infrastructure, stormwater, water and wastewater projects.
<p><b>27: Financial Assistance Grants (1)</b>  <i>The Commonwealth Government set its financial assistance grant (FAG) to Local Government at a fixed percentage of gross domestic product (GDP) so that it is tied to the growth of the Australian economy as most Commonwealth taxes are. In addition the level of such assistance be lifted from 0.18 per cent (2003/04) to 0.22 per cent of GDP.</i></p>	<p>The State Government supports an increase in funding by the Commonwealth and will support attempts to increase the available funding to local government. The current Commonwealth-State funding arrangements are prescribed by the <i>Local Government (Financial Assistance) Act 1995</i> (Cwth). The Minister for Local Government will continue to raise this issue at the Local Government and Planning Ministers' Council.</p>
<p><b>28: Financial Assistance Grants (2)</b>  <i>Alternatively, Local Government FAGs be set at 0.86 per cent of all taxes (including GST) collected by the Commonwealth or 1.27 per cent of total income taxes, which would be equivalent to 0.22 per cent of GDP initially.</i></p>	<p>See response to Recommendation 27.</p>
<p><b>29: Financial Assistance Grants (3)</b>  <i>If FAGs were not increased as envisaged in recommendations 27 and 28, then the method of allocating them be changed to increase the relative assistance given to the most infrastructure-disadvantaged councils given that these are the least financially sustainable units of Local Government.</i></p>	<p>See response to Recommendation 27.</p>
<p><b>30: Disability Data</b></p>	<p>The disability calculations are a measure of the relative disadvantage a council faces in providing a standard service because of issues beyond its control. They are based on the</p>

Recommendation	NSW Government response
<i>The NSW Local Government Grants Commission publicly disclose its calculations of disability of each council.</i>	comparison of a broad range of socioeconomic functional data. Given there are 152 councils, the volume of material and its complexity would make this recommendation difficult to implement. The NSW Local Government Grants Commission makes data available on a case by case basis.
<b>31: State Grants</b> <i>The NSW Government publicly document its total assistance to NSW Local Government and show its breakdown by major categories of assistance.</i>	The Government notes that in the LGSA response to the Independent Inquiry into the Financial Sustainability of NSW Local Government they noted that they intend to commence discussions with NSW Treasury regarding this recommendation. The Government awaits the outcome of these discussions.
<b>32: Governance Structure</b> <i>The State Government amend the LG Act to provide for a choice of governance structures as outlined below.</i>	The NSW Government does not support this recommendation.
<b>33: Councillor Remuneration</b> <i>The State Government raise the maximum permissible remuneration level for councillors.</i>	The Local Government Remuneration Tribunal assesses and determines councillor remuneration on an annual basis. The Tribunal is an independent body established under the <i>Local Government Act 1993</i> . Councils have the opportunity to lodge submissions and meet with the Tribunal to put their case forward for increases in the level of remuneration based on councillor's and mayoral roles and responsibilities.
<b>34: Long-term plan</b> <i>All councils develop and adopt a long-term strategic and financial plan in close consultation with their communities that would be subject to annual external compliance audits and updated in the first year of each council's term.</i>	Council planning needs are being considered as part of the Integrated Planning and Reporting Framework (see response to Recommendation 4).
<b>35: Performance measures</b> <i>The DLG in conjunction with the LGSA and a representative cross section of councils</i>	The <i>A New Direction for Local Government</i> position paper included a proposal to establish benchmarks across the local government sector to enable councils to assess their performance. This issue will be further considered as part of the implementation of the

Recommendation	NSW Government response
<p><i>devise new key performance indicators (KPIs) for NSW Local Government using logics analysis to derive an outcomes hierarchy showing the causal link between core council goals, desired results, intermediate results and services.</i></p>	<p>Integrated Planning and Reporting Framework.</p>
<p><b>36: Performance benchmarking</b>  <i>Each council on a regular basis (at least once every three years) benchmark its administrative capacity and performance with the results used to identify the most pressing organisational improvements for incorporation into the management plan.</i></p>	<p>The Government considers this a decision for individual councils.</p> <p>The Government is continuing to implement its Promoting Better Practice Program. The program is designed to encourage improvement in the way councils conduct their activities and to ensure good governance in councils. A Promoting Better Practice review involves a council self-assessment followed by a review team evaluating the effectiveness and efficiency of a council's operations and providing feedback and recommendations for improvements.</p>
<p><b>37: Resource sharing</b>  <i>The DLG and the LGSA jointly undertake a functional analysis to determine which, if any, of the services that councils deliver would benefit from being provided by contractually-based resource sharing or outsourcing arrangements including jointly owned shared service centres and sizeable third party providers (e.g. regional electricity authorities).</i></p>	<p>The Government supports resource sharing. The Government has released "<i>Collaboration and Partnerships Between Councils: A Guidance Paper</i>" in 2007 and is continuing to work in partnership with local government sector representatives to develop additional resources to assist council resource sharing.</p> <p>The Government notes that under the new road maintenance contract arrangements local councils are being encouraged through peer review forums to consider resource sharing and knowledge sharing where applicable in undertaking road maintenance activities.</p>
<p><b>38: Financial data</b>  <i>The DLG amend its Code of Accounting Practice and Financial Reporting for councils to standardise key accounting and reporting policies, especially in relation to asset condition assessment, asset valuation, depreciation rates, capital expenditure</i></p>	<p>This issue is being considered as part of the Integrated Planning and Reporting Framework (see response to Recommendation 4).</p>

Recommendation	NSW Government response
<i>(including the distinction between asset maintenance, renewal and expansion), a high-level chart of accounts, a workforce profile database (each with agreed definitions of terms as exists in the NSW general government sector) and key financial indicators.</i>	
<p><b>39. Financial Benchmarks</b>  <i>The LGMA reissue its Sustainable Financial Health Check Manual with an expanded list of financial KPIs and an appropriate range of lower and upper benchmarks for each KPI along the lines shown in the table below.</i></p>	<p>The Government considers this an issue for the Local Government Managers Association to consider.</p>
<p><b>40: Infrastructure Borrowings</b>  <i>Councils increase their use of borrowing to fund necessary infrastructure spending.</i></p>	<p>While the Government considers the funding of infrastructure as a matter for individual councils, the Government does support sensible borrowing by councils for essential projects. The Government also notes that borrowings must be in accordance with the Ministerial Borrowing Order.</p>
<p><b>41: Financial Responsibility</b>  <i>The State Government amend Section 232 of the LG Act to clarify that councillors are responsible and accountable for a council's financial governance in general and its financial sustainability in particular.</i></p>	<p>The Government does not consider that such an amendment is warranted. The council's charter as outlined in section 8 of the <i>Local Government Act 1993</i> makes it clear that a council should effectively manage its assets and income in the best interests of the local community. Section 232 of the Act currently states that councillors have a role in ensuring the optimum allocation of the council's resources for the benefit of the area and to review the performance of the council and its delivery of services, and the management plans and revenue policies of the council.</p>
<p><b>42: Councillor Training</b>  <i>The DLG in conjunction with the LGSA and</i></p>	<p>The Government commenced the implementation of the Councillor Development Strategy in October 2008. The Strategy includes specific training for all councillors focusing on councillor</p>

Recommendation	NSW Government response
<p><i>relevant professional bodies provide all councillors with specific training in the tools they need to undertake the expanded financial governance role envisaged in recommendation 41.</i></p>	<p>roles, the code of conduct and meeting procedures. These seminars are supported by a resource package containing:</p> <ul style="list-style-type: none"> <li>• relevant guidelines, practice notes, and other information;</li> <li>• a guide specifically for councillors; and</li> <li>• a web-based directory of information for councillors which includes information to assist councillors undertake their financial governance role.</li> </ul> <p>Councils have also been encouraged to implement induction and ongoing professional development programs for councillors, covering financial management amongst other topics, through the release of the “Councillor Induction and Professional Development Guide.”</p>
<p><b>43: Sustainability Ratings</b></p> <p><i>The LGSA obtain the agreement of its members to appoint an independent expert organisation to regularly ‘rate’ the long-term financial situation and outlook of each council using an appropriate assessment methodology agreed in advance with the LGSA.</i></p>	<p>The Government considers this a matter for the LGSA.</p>
<p><b>44: Industry Database</b></p> <p><i>The LGSA undertake a facilitation and coordination role in improving the financial governance and management of Local Government by providing a dedicated resource library, up-to-date statistical data base, best practice manuals, case studies and registry of recognised experts working within councils and accredited external consultants with the requisite expertise.</i></p>	<p>The Government considers this a matter for the LGSA.</p>

Recommendation	NSW Government response
<p><b>45: Reform Assistance</b>  <i>The State Government provide financial incentives and professional assistance to councils to facilitate key structural, financial and administrative reforms.</i></p>	<p>The Integrated Planning and Reporting Framework will include a capacity building program to assist councils implement the new system (see response to Recommendation 4).</p> <p>When councils have the new system in place they will be better informed on the long term needs of their community and will be in a position to identify funding options, which could include seeking a special variation to their general income to deliver specific projects.</p> <p>The framework will largely benefit local government and councils may need to provide funding for the implementation of the new Framework from existing resources (see response to recommendations 4 and 6).</p>
<p><b>46: Surplus Budget</b>  <i>All councils make a concerted effort to achieve within three to five years a surplus on their operating budgets (excluding capital grants as income).</i></p>	<p>The Government considers this a matter for individual councils.</p>
<p><b>47: Financial Governance</b>  <i>Each council include in its annual report a financial governance statement as outlined in Appendix B plus a comparison of the results for its key financial ratios against the targets and upper/lower limits shown in the table in recommendation 39 above. In addition, each year the DLG or LGSA prepare and publish a consolidated version of this statement for each of the metropolitan, regional and rural categories of councils as well as for Local Government as a whole.</i></p>	<p>The Government does not support this recommendation as a mandatory requirement. The Integrated Planning and Reporting Framework includes Annual Reporting requirements.</p>
<p><b>48: Summit Conference</b></p>	<p>The Government is committed to maintaining meaningful consultation with the local</p>

Recommendation	NSW Government response
<p><i>Stage a Local Government summit to which all interested parties would be invited. The purpose of this conference would be to consider, debate and hopefully endorse all or most of the recommendations of the Inquiry.</i></p>	<p>government sector in all aspects of its reform program. The Government considers that consultation is more effectively targeted towards specific initiatives at strategically significant times.</p>
<p><b>49: Independent Commission</b>  <i>The summit consider proposing to the State Government an independent commission consisting of equal representative from the LGSA and the state to assess the gravity of the problems facing Local Government, to recommend urgent action to be undertaken, to help implement such changes in cooperation with Local Government and to monitor progress in achieving agreed outcomes.</i></p>	<p>The Government does not support this recommendation.</p>