

Western  
Sydney  
Leadership  
Dialogue

# Strengthening Local Government

June 2024

Recommendations for Building  
Stronger Local Government



# Strengthening Local Government

## INTRODUCTION

Every day Greater Western Sydney's two-and-a-half million residents rely on their local council to provide essential services. The effectiveness of these councils greatly impacts their quality of life through the delivery of local roads, parks and libraries.

Covid-19 demonstrated the importance of local government to Greater Western Sydney, showcasing some councils at their best. They were essential in communicating critical health precautions and the importance of vaccination in the region's many languages. Their facilities supported the community during tough times. A council's boundaries even determined residents' freedom of movement.

Unfortunately, Greater Western Sydney has also experienced the worst of local government, with scandals and maladministration at Auburn and Canterbury Councils among many others. When local leaders and institutions fail, the consequences for Greater Western Sydney's residents can be severe.

To unlock the region's potential over the next decade, our councils must be at their best. Like the region itself, they need to evolve and adapt to opportunities from major investments, including Western Sydney Airport and multiple Metro lines. The growing population will increase demands on social services, employment, infrastructure, leisure facilities and environmental sustainability, and the skills needed to deliver them.

## THE CHALLENGE

Local councils consistently rate as the most valued level of government for the communities they serve<sup>1</sup>. As the government closest to the community, their decision-making often directly impacts residents and neighbourhoods. Compared to state and federal agencies, elected councillors and staff are generally more accessible to resident inquiries and complaints.

Local government has evolved dramatically since it was first introduced to NSW with the establishment of the City of Sydney in 1842. Councils have evolved from providing basic services such as lighting and waste to just a few suburbs, to a sophisticated third tier of government that offers a wide range of economic, social and community services with larger bureaucracies and boundaries.

While most councils operate well and provide great services to their community, in some unfortunate instances the quality of political and bureaucratic leadership hasn't kept pace with the scope and complexity of services councils are expected to deliver.

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<sup>1</sup> 2024, Koziol, M, "[Councils are our favourite government, but hardly anyone wants more of them](#)", Sydney Morning Herald, May 5, online.

## THE NEED FOR CHANGE

Several recent inquiries by the NSW Independent Commission Against Corruption (ICAC) and NSW Office of Local Government (OLG) have highlighted critical shortcomings in local government. Examples include excessive conflict and dysfunction at North Sydney Council, grave financial mismanagement at Central Coast Council, and serious corruption at Auburn and Canterbury Councils to name a few.

Recent efforts to improve local government considered some of these issues but mainly resulted in unpopular amalgamations. Critical issues in effective and efficient local governance remain unresolved.

Where changes have been made, “reform” has often been imposed on councils by the State Government, rather than a collaborative process undertaken by equal partners.

As NSW prepares to elect new councils in 2024, it’s time to discuss how the new NSW Government can work with and empower local government to improve its governance, promote higher standards of performance and professionalism and meet community expectations.

# Recommendations

- 1** Separate politics from the recruitment and termination of CEOs and GMs
- 2** Introduce *Professional Pay for Professional Councillors*
- 3** Improve the skills of elected officials through bespoke education and training courses
- 4** Adopt NSW Government probity provisions for local government
- 5** Restore pride in local government through a new Councillor Code of Conduct
- 6** Elevate the City of Parramatta through a new Act

## ABOUT THE WESTERN SYDNEY LEADERSHIP DIALOGUE

The Western Sydney Leadership Dialogue (the Dialogue) is a regional advocacy leader and think tank dedicated to advancing the interests of Western Sydney. It facilitates collaboration between government, business and community leaders to address the region's challenges and opportunities. The Dialogue focuses on promoting sustainable development, infrastructure investment and policy innovation to enhance the quality of life for Western Sydney's residents. Through research, events and strategic partnerships, it aims to shape a prosperous future for the region.

The Dialogue believes that improvements to the local government framework are needed for both elected officials and staff, and has long advocated for policy changes to strengthen local government<sup>2</sup>.

This paper was developed in consultation with Dialogue stakeholders and local government experts and explores some of the structural, policy and regulatory changes needed to assure high levels of professionalism, integrity and public confidence in local councils.

It is not an exhaustive examination of the issues facing local government. However, we propose some measures that can enhance local councils and restore pride to this crucial tier of government.

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<sup>2</sup> Governance Reform for Growth, Western Sydney Leadership Dialogue, March 2018

## SEPARATE POLITICS FROM THE RECRUITMENT AND TERMINATION OF CEOs AND GMS

In the Westminster system, a fundamental principle of public service is the ability of public servants to serve the current government impartially and to continue that impartial service when the government changes<sup>3</sup>.

Often, a General Manager or Chief Executive Officer (GM) is terminated following a shift in the council's political balance of power, whether after a local government election or a change of mayor. This may be done using the dismissal-without-explanation provision of the General Manager's Standard Contract, known as "no reason" terminations.

The General Manager is the only employee the elected Council can appoint or terminate. A GM is responsible for the daily management of the Council, including hiring and firing senior staff. Consequently, if Council is dissatisfied with the organisation's performance, the General Manager is the only person it can terminate.

There are 128 local councils in NSW, each employing a General Manager or Chief Executive Officer to oversee operations. In 2022, the most recent year for which we have complete data, more than 20 GMs were either terminated or managed out of their positions. This was a particularly turbulent year. Slightly fewer than this were terminated in 2023, and early data for 2024 suggests that this pattern will continue, with several GMs already departing from their roles as of May 2024.

Across NSW, it's understood that more than 50 GMs have been terminated since the most recent council elections in December 2021. This impacts the effectiveness and continuity of council operations.

In 2019-2020, the average remuneration for a metropolitan NSW General Manager ranged from \$334,108 to \$633,852, depending on the council's size<sup>4</sup>. As a no-reason termination entitles a GM to at least 38 weeks' remuneration<sup>5</sup>, each no-reason termination payout costs the community hundreds of thousands of dollars.

ICAC's investigation into the conduct of councillors at the former Canterbury City Council (Operation Dasha) found that a single influential councillor can significantly impact a general manager's job security. Terminating a general manager's employment does not require a majority - a Mayor can use their casting vote in case of deadlock.

The ICAC has previously warned that insecure employment may expose senior staff to improper influence and be a corruption risk. This lack of job security can make senior staff vulnerable to improper pressure from councillors and discourage honest and fearless advice from bureaucrats.

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<sup>3</sup> 2022, Head G., [DPC Inquiry: Appointment of Senior Trade and Investment Commissioner to the Americas](#), Department of Premier and Cabinet NSW

<sup>4</sup> "Review Of General Manager and Senior Staff Remuneration" Consultation paper, Office of Local Government, June 2021

<sup>5</sup> Standard Contract of Employment for General Managers, Office of Local Government

We welcome the NSW Government's recent changes to the Local Government Act to ensure all staff other than the General Manager are employed under the relevant Award rather than individual contracts, as recommended by the ICAC.

However, we encourage the NSW Government to go further and adopt ICAC's additional recommendation to restrict the use of "no reason" termination provisions, while retaining Councils' ability to terminate a GM if the relationship deteriorates to prevent a toxic or dysfunctional environment.

**The Dialogue suggests that appointing or terminating a General Manager should require a two-thirds vote of the Council.** This balances the right of councils to terminate a GM when necessary while reducing executive churn and mitigating the risks of corruption and political influence during recruitment or termination.

## **INTRODUCE PROFESSIONAL PAY FOR PROFESSIONAL COUNCILLORS**

To attract diverse, talented professionals to stand for elected office, communities should offer appropriate compensation.

Councils, especially the larger and better-resourced ones, are sophisticated and complex organisations with thousands of employees, multi-million dollar budgets, and billions in assets.

Councils have a diverse range of regulatory, legislative, budgetary and service management responsibilities, far more than just "roads, rates and rubbish". Councils set policy and write legislation, regulate urban planning and development, build and maintain infrastructure, deliver a range of community services like libraries and childcare, monitor food safety, enforce parking restrictions and regulate companion animals.

Their oversight requires a broad range of skills.

Most councillors hold their elected role in addition to a full-time job, making the demands on their time overwhelming. They spend significant personal time reading papers, attending council and sub-committee meetings, answering constituent correspondence and attending functions hosted by the council or other civic institutions. The demands on mayors are even greater and many still serve in that role part-time.

Despite the complex issues they consider and the significant time commitment these roles entail, Sydney's councillors are paid between just \$10,220 and \$45,070, depending on the size and classification of the council.

**We recommend that Councillors are paid a stipend equivalent to a director of a major company with a similar revenue/service delivery base to reflect increased expectations of their qualification and professionalism.**

Councillors are not Board members, but their responsibilities are similar. Non-executive Directors (NEDs) in large non-listed and public companies in Australia earn an average of \$74,595 annually. Smaller listed companies pay around \$50,000 to \$60,000, with Independent Chairs earning over \$80,000. Medium-sized private/unlisted companies offer about \$41,000, while charities typically pay \$28,000 if they offer compensation at all<sup>6</sup>. These may serve as a useful guide for setting new pay scales for representatives on councils of differing sizes.

To ensure the Mayor and councillors are best positioned to respond to external shifts in policy, media inquiries and carry out their ever-increasing civic duties, the Dialogue believes that some Mayors, particularly those in major metropolitan areas, receive allocations in the Council's budget to hire their own policy and media staff. Improving compensation for time and expertise, and broadening the level of staff support provided, will attract a broader range of Councillors, and in concert with improved education and training, would lead to more skilled and dedicated local Councillors. Greater remuneration, and increased flexibility to meet responsibilities for parental or other reasons, may encourage a wider range of people to stand for election who might not otherwise be able to because of employment, study, or caring responsibilities, including women and young people.

## **IMPROVE THE SKILLS OF ELECTED OFFICIALS THROUGH BESPOKE EDUCATION AND TRAINING COURSES**

It is widely acknowledged that local government faces long-term financial viability challenges. Limited revenue growth due to state-imposed rate caps, cost shifting from other governments to councils and dependence on unpredictable state and federal grants are just some of the financial challenges councils face.

While the previous NSW Government's "Fit for the Future" program sought to address these challenges, the amalgamations that followed did little to realise savings or address underlying problems. Instead, amalgamations created larger councils – some with larger financial problems.

A wide range of skills is required to oversee large and complicated organisations, especially if they have diverse responsibilities like councils. Inquiries by the NSW Office of Local Government have repeatedly found that some elected representatives lack the capacity to understand their obligations or adequately manage the finances of a council.

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<sup>6</sup> David Schwarz, Board Direction Australia and New Zealand

Both the NSW Legislative Council and the Commonwealth Parliament are inquiring into local government's ability to fund infrastructure and services. Noting that these ongoing inquiries are best placed to make recommendations about financial sustainability, in principle the Dialogue supports policy changes to give councils greater flexibility to ensure their revenue meets their costs.

Real improvements in both these areas are required to prevent repeated errors of the kind that led to the financial collapse of Central Coast Council in 2020.

The Dialogue is concerned that without adequate training, Councils are less capable of identifying and responding to these financial risks. **The OLG should work with respected training bodies such as the Australian Institute of Company Directors to create and deliver an accredited company directors' course, or an equivalent course specifically for local government councillors.**

This was a recommendation of the OLG's inquiries into Balranald, Wingecaribee and Central Coast Councils. We recommend that Councils should be required to offer Personal Development Programs to every Councillor, with this course as a mandatory component. This should be funded by the Office of Local Government, which would publish councillor completion rates in a league table as part of the annual "Your Council Report".

## **ADOPT NSW GOVERNMENT PROBITY PROVISIONS FOR LOCAL GOVERNMENT**

The Dialogue recommends the NSW Government amend the *Lobbying of Government Officials Act 2011* to ensure all provisions apply to local government<sup>7</sup> as far as is practicable. This was also a recommendation of ICAC's Operation Dasha Report.

**The NSW Government should replicate state probity provisions for local government, including:**

- Include Local Government under the NSW Government's Lobbyist Register provisions whereby third-party operatives must register their clients' interests and make other declarations.
- Extend legislation prohibiting State political donations from individuals and companies involved in or connected to property development to include local government.
- Ban real estate industry and property developers from local government.

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<sup>7</sup> Recommendation #7 of Operation Dasha, 2021



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## RESTORE PRIDE IN LOCAL GOVERNMENT THROUGH A NEW COUNCILLOR CODE OF CONDUCT

The Office of Local Government's "Model Code of Conduct" (the Code) sets the minimum standards for local government conduct. The Code applies equally to elected officials and the council's staff. It is intended to assist officials to understand and comply with expected standards of conduct, fulfil their statutory duties and enhance public confidence in local government. It is also required to reduce corruption risk.

The Code has become a convoluted and difficult to understand set of legally enforceable rules spanning 62 pages which ICAC has described as "quite problematic." Failure to comply can result in disciplinary action, ranging from a reprimand to suspension or disqualification from office.

### **While well-intentioned, the Code of Conduct is no longer fit for purpose.**

This is evidenced by the surge in "Code of Conduct" complaints between councillors and the increase in reports prepared by external consultants. These reports can cost upwards of \$100,000 and have created a healthy "Code of Conduct economy" for the consultants who write them. Even a minor complaint can cost a council tens of thousands of dollars.

Code complaints do not need to relate to serious misconduct or corruption. They can be brought on trivial, frivolous, vexatious and even silly matters. For example, one Councillor faced a Code of Conduct complaint for rolling their eyes at the Mayor during a debate at a council. At a separate council, an investigation was launched into a councillor who questioned the accuracy of a report prepared by a member of staff. The report upheld the complaint at a cost of \$13,000 to the Council.

At worst, they are weaponised by councillors and staff<sup>8</sup>, reducing public confidence in local government. For example, Central Coast Councillors were found to have "weaponised Code of Conduct procedures in a presumed attempt to exclude, sanction or silence opponents within the governing body"<sup>9</sup>. This can have a chilling effect on the legitimate role of councillors in holding council staff to account and representing their community.

The NSW OLG received over 4,000 code of conduct complaints in the three years leading up to December 2023, costing NSW residents \$6.7 million from 2018 to 2022<sup>10</sup>. The OLG does not have the resources to investigate and conclude most of these reports.

Alternatively, Code complaints may be handled by the Council's General Manager. This practice is problematic not only because it requires significant time and internal resources, but also because the General Manager is a council employee who reports to the councillors they investigate. The power imbalance between elected representatives and staff can pressure the General Manager to either find or avoid finding misconduct.

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<sup>8</sup> Central Coast Council Public Inquiry Report, pt. 292

<sup>9</sup> s292, Central Coast Council Public Inquiry Report

<sup>10</sup> 2024, Page, D, ["Shambles: Minister to scrap controversial council code of conduct system"](#), *Newcastle Herald*, June 13, online

Local government requires a new and simplified Code of Conduct that empowers Councils to resolve their own issues and curtails the huge fees charged by unelected and unaccountable external consultants.

**The Dialogue recommends that the Office of Local Government produce a new Model Code of Conduct for councillors. This should be simple, principles-based, and easily understood by councillors and the community.**

In formulating that new Code, the OLG should also identify principles for desirable attire of both councillors and chambers.

Councils are significant civic institutions. Some of Sydney's older local governments predate Australian Federation.

At their best, they are sources of pride for the community they serve. While norms of suitable dress will differ between communities, people expect their councillors don't wear t-shirts or tracksuits, as has become the practice in some councils.

The attire of a councillor and the meeting chamber should befit the sense of occasion associated with the meeting of a chamber of government. This will help to restore civic pride and community confidence in their council.

## **ELEVATE THE CITY OF PARRAMATTA THROUGH A NEW ACT**

Parramatta is a booming city, buoyed by strong population and employment growth driven by billions of dollars of public and private investment. At the epicentre of Sydney, its success is critical to the city's prosperity, particularly its west.

Parramatta must be supported in its growth to fulfill its potential, including a local government framework that reflects its CBD status. Consequently, the City of Parramatta Act should be amended to elevate it to equal status with the City of Sydney. The *City of Parramatta Act* should include:

- A directly elected Lord Mayor with a four-year term, consistent with other Lord Mayors in NSW including the Cities of Sydney, Newcastle and Wollongong. This would work towards enabling long-term Council vision, supported by the expectation of consistent leadership.
- Abolition of Wards, so that each Councillor represents the LGA, rather than focusing on ward-specific matters.
- Parramatta to be declared a Principal CBD LGA, bringing the salaries of the Lord Mayor and Councillors in line with those from the City of Sydney.
- A City of Parramatta Planning Committee, with development consent powers shared between the City and the NSW Government, reflecting the significance and potential of development not just to the City but to the whole state's welfare.



## CONCLUSION

A local government election year is an ideal time to start a conversation about what we want our councils to do and become.

Above all, we want the new NSW Government to work with councils, not meddle with them as past governments of both persuasions have done. We believe this is the best way to empower them to meet their local community's expectations.

The Dialogue is grateful for the advice of key local government stakeholders and other experts consulted in preparing this paper.

# Western Sydney Leadership Dialogue


The Dialogue is a not-for-profit, community initiative leading a national conversation about Greater Western Sydney.


The Dialogue facilitates interaction between key opinion leaders, across industry, government, academia and the community, to inform public policy debate and to advance a Western Sydney regional agenda through research, analysis, advocacy & events.

If you would like to know about partnering with the Dialogue, please email [info@westernsydney.org.au](mailto:info@westernsydney.org.au) requesting our company credentials or an event sponsorship prospectus.

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