Leadership for Local Government
A proposal for reform in Sydney’s Central City

June 2020
About the Committee for Sydney

The Committee for Sydney is an independent think tank and champion for the whole of Sydney, providing thought leadership beyond the electoral cycle. We bring people together to solve the problems of today and tomorrow.

About the Western Sydney Business Chamber

Western Sydney Business Chamber is the region’s peak business advocacy organisation, representing and championing the businesses operating in Australia’s third largest economy. Our focus is to champion the future vision for Western Sydney’s public and private infrastructure, to bring jobs to the region and, most importantly, to advocate for economic, social and cultural investment that will improve the quality of life for the citizens of Western Sydney.
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The City of Parramatta, at the heart of Sydney’s central city, needs strong and stable local government leadership. The City of Parramatta has a different role and future than most of the 30 odd local government areas in metropolitan Sydney. Getting the governance of Parramatta right is critical as the city grows its role as NSW’s administrative capital and as a centre for commercial investment and developing amenities for the people who call Greater Parramatta home.

The Lord Mayor, councillors and the senior executive of the council need to have effective working relationships between themselves, the broader community, the business community, and other levels of government. We believe, the role and status of these positions need to be elevated and supported to deliver great governance. The best way of doing this is to ensure consistent full-term Lord Mayors, greater longevity of Chief Executive Officers (CEOs), and making sure that talented community leaders are encouraged and have the opportunity to serve as committed local government councillors.

Parramatta is already undergoing a profound transformation of both urban identity and purpose. The Committee for Sydney and the Western Sydney Business Chamber believe that the efficient and effective governance of the City of Parramatta is absolutely vital to the development and success of Greater Sydney.

Key recommendations of this report include:

1. **Moving to a direct election model** for the position of Lord Mayor for Parramatta.

2. **Abolishing all wards in the City of Parramatta**, so that all councillors are equally focussed on the success of the metropolitan centre, and not just their own ward area.

3. **Depoliticising the hiring process for the City of Parramatta CEO** by moving to a new selection process that will including the Lord Mayor, two councillors nominated via a majority vote by the elected councillors and which cannot both be from the same party, and two independent appointees selected at random from a slate of people chosen by the Office of Local Government NSW.

4. **Increasing Lord Mayoral and councillor remuneration** by amending the NSW Local Government Act so that the NSW Local Remuneration Tribunal rulings for the City of Sydney are also extended to cover the City of Parramatta by reclassifying Parramatta as a Principal metropolitan centre, instead of its current second tier status as a major metropolitan centre.
We believe that were these changes to be introduced, the City of Parramatta would function more effectively and be able to deliver on its objectives more efficiently to the benefit of local ratepayers and the broader strategic plan for Greater Sydney.

These reforms have been considered specifically with the City of Parramatta in mind, but the recommendations of this report could one day be extended to other Greater Sydney’s local councils of significant status within the Greater Sydney Commission’s (GSC) Greater Sydney Region Plan. Our organisations do not feel that the threshold for such action has been met.
Parramatta as Sydney’s Central City

Greater Parramatta is at the core of the Greater Sydney Commission’s Central River City, encompassing Parramatta metropolitan centre, Parramatta North and the Westmead health and education precinct, connected via Parramatta Park. Today, Greater Parramatta has close to 82,000 jobs with a diversity of activities including significant government and civic administration, businesses, major health and education institutions and significant lifestyle activities such as restaurants and entertainment. It has approximately 800,000 square metres of office space in the city centre and is expected to expand significantly with the development of a new metro system connecting the Parramatta and Sydney CBDs.

The NSW Government has also flagged significant investment in the Greater Parramatta and Olympic Park (GPOP) area. The GSC has now released Australia’s first Place-based Infrastructure Compact (PIC), a new city shaping strategic planning model piloted in GPOP. Created in collaboration with 20 NSW Government agencies, the PIC model will guide the next 20 years of growth in the heart of the Central River City and will bring to life the Commission’s vision for a Metropolis of Three Cities.

The City of Parramatta also has a proposal to amend the planning controls for the Parramatta metropolitan centre. The proposal is seeking to strengthen Parramatta’s position as the dual metropolitan centre for Sydney, while increasing the capacity for new jobs and dwellings to create a dynamic and diverse city.

The quality of Parramatta’s local governance has been uneven. Some issues include a continuous turning over of Lord Mayors and senior executives, including a revolving door of CEOs. This has at times resulted in a lack of alignment between the elected officials and the staff leadership, as well as delays in the delivery of community infrastructure, such as the new Parramatta library and community Centre and a range of other projects including the Parramatta pool.

While these projects are slowly being delivered, the delays caused by governance issues can make it hard for Parramatta to undertake ambitious or difficult projects – undermining its ability to live up to the vision of Parramatta as the Central City of Sydney.

Were these governance issues to be present in the City of Sydney, there is little doubt that the NSW Government would intervene immediately to find a solution. Parramatta needs to be viewed with the same importance as the City of Sydney, and as such, intervention may be required. The fact that such issues hasn’t occurred in the City of Sydney may shed some light on a potential solution for Parramatta. Despite both being designated as core metropolitan centres within the Greater Sydney region, the two cities operate under different governance models and under different pieces of legislation.

The power of local governments is set out in the Local Government Act, though the City of Sydney is also governed by its own Act, which specifies a governance framework. Local governments are responsible for matters close to our homes, such as building regulations and development, local roads and footpaths, parks and playing fields, libraries, local environmental issues, waste disposal, and many community services. Despite a short-term slow down in growth as a result of COVID-19, over the next forty years Greater Sydney’s population will almost double to some eight million people, roughly the size that Greater London is today. The key determinant in whether Sydney will be successful or not at accommodating those higher levels of immigration will be whether the city is appropriately planning and investing in the enabling infrastructure, social services and community spaces required to make it all work. This is particularly the case for the City of Parramatta, which will play a vital role in ensuring that Sydney’s second metropolitan centre, and its surrounding suburbs, are well designed and that residents have an understanding of the vision of how those change will improve economic and social outcomes. This will require ensuring that individual developments are consistent with a broader vision that is accepted by the community. It will also require advocating to the NSW Government for the things that are necessary to make growth work. This will require an empowered and effective local government that is able to build community-support for the broader transformation of Parramatta’s urban character.

Elected councillors and mayors, as well as council officials, are uniquely placed to understand the spatial, governance and geographical challenges facing their local area city. This makes them critical to developing and articulating a vision for city-shaping that is both local but also fits within the broader vision for Greater Sydney.
The vision of a high-performing local government

Across Greater Sydney, we have witnessed different outcomes with regards to each council's strategy for accommodating population growth. Some areas have recognised the opportunities that come with urban renewal, leveraging growth to help renew their local town centres and to improve the quality of public realm. Others have embraced the growth, but have failed to bring their communities with them, in large part to an insufficient weighting being given to the importance of investing in social infrastructure and improving public spaces. Others still have simply sought to avoid growth at all costs, deeming the potential benefits as insufficient to warrant the additional development required to generate them.

One explanation for the differing outcomes with regards to the accommodation of growth can be found in the differing governance models which encompass the individual councils across Greater Sydney.

In many ways local government are structured similarly to corporate boards: the elected councillors act like a board, the Mayor takes on the role of Chair, and the Council CEO is analogous to a corporate CEO. As with corporate boards, Councillors have the responsibility of setting the strategic direction of Council as well as the hiring of the CEO. Management and operational responsibilities then flow from the CEO to council staff.

There are also important differences between corporate boards and councils. Elected officials play an essential role in translating public needs into policy, and they help resolve value conflicts among the public. Some of Sydney’s councils have proven adept at managing these competing value conflicts, while others have experienced a substantial lack of internal cohesion on both the conception and delivery of a vision for their area.

When a council is functioning well, there is typically a high degree of alignment between councils, the mayor, and CEOs around a vision for the council area.

This paper seeks to question why some councils are doing better at this than others. Does the institutional design and corporate governance structures of a council matter? Resourcing, regulation, and the capacity to collaborate with other tiers of government are also important factors in delivering effective local government, and have been the focus of earlier Committee for Sydney reports, including the report on A New Era for Local Government, and Re-balancing the City. However, without well-functioning leadership, even the best resourced and most well integrated councils can encounter serious issues, and as such, it is appropriate to consider which governance framework is most likely to deliver the combination of an effective council, an effective Mayor, and an effective CEO, all of whom are able to work in an effective partnership with one another.

In considering these questions, our organisations contend that the City of Parramatta would do well to adopt the governance framework of the City of Sydney, which stands out as an example of high-performing government, in large part due to the coherence and consistency that exists across council.
How councils are currently governed

The NSW Local Government Act is the primary legislative document which sets out the roles and responsibilities of local government as well as their governance frameworks and the way they are determined. This legislation covers all local council areas, across the State, except for the City of Sydney, which is governed by the City of Sydney Act. One critical difference between the two acts is that the City of Sydney Act specifically requires that the Lord Mayor be directly elected by the public, whereas the Local Government Act essentially provides councils with a choice between two models for mayoral selection: the directly elected model, or the council selected model.

The two options for the selection of mayors

The most common method for mayoral selection in Greater Sydney remains the model under which, following an election, the mayor is chosen by the councillors from amongst their number for a period of two years. The councillor who is chosen to take on the role of Mayor does so whilst also retaining his role as a councillor, so the total number of councillors does not change. That councillor then holds the mayoral role for a fixed two-year term, after which the councillors convene to choose who will retain the position of mayor for the second half of a council’s four-year term. The key argument in favour of this model is that it improves the level of cohesion between the mayor and councillors, by ensuring that the mayor is the preferred candidate for a majority of elected councillors. The two-year cycle then ensures that the mayor does not stray too far from the majority view of the council and ensures that any mayors who do are promptly replaceable within a short window of time.

The other method of mayoral selection is one in which the mayor is directly elected by all electors across the entire council area, regardless of whether or not that council area is divided into wards. The election process follows the same optional preferential model of voting which is applied during NSW Government elections. Under the direct election model, the position of mayor is voted on in addition to the positions of all the councillors, and as such, one does not need to be a councillor to be a mayor. Indeed, an individual can choose to run for mayor without running for council at all. Conversely, individuals can choose to run both for a council position and the position of mayor, but should they win the mayoral race, because they cannot hold both positions at once, any votes received as a candidate for council will then be distributed to other candidates in line with each voter’s nominated preferences. Mayors elected via direct election hold office for the full four-year term of council, as it is generally accepted that such an individual has been granted a mandate by a majority of voters. As such, there is no need to also seek support from a majority of elected councillors.
The two options for the selection of councillors

The *Local Government Act* also provides local councils with self-determination over whether councillors will be elected through a vote of all electors across the entire local council area, using the proportional representation model of voting, or alternatively, through a vote of all electors within an individual ward within the local council area. Most councils in Greater Sydney utilise the ward system, though there are some notable exceptions, including the City of Sydney. Unlike as is the case for mayoral selection, the *City of Sydney Act* does not specify whether that specific council should be divided up into wards, effectively deferring to the *Local Government Act* on such matters.

The *Local Government Act* specifies that whenever a council is split into wards, the wards are not allowed to vary in size across the council area by more than 10%. The *Local Government Act* also specifies that wards must have the same number of councillors to ensure roughly equal representative weighting across the council area. Supporters of the ward system argue that the existence of wards ensures that councillors are focussed more on their local area. Opponents of this system make the same point, arguing that this encourages NIMBYism while undermining the capacity to collaborate on council-wide strategic thinking.

The rules can be changed, but the process is difficult

Each council's current choices around mayoral selection and ward designation are by no means fixed, and councillors do have a mechanism for changing their electoral and governance processes, should a majority of them wish to do so. Under this mechanism, if a council decides that it wants to change either its method of electing a mayor or its method of electing councillors (i.e. wards to no wards) it needs to secure support for that change through a constitutional referendum held within the local council area. By ensuring that the framework overseeing a council can only be adjusted via referendum, the *Local Government Act* seeks to keep such decisions firmly in the hands of voters, and not in the hands of councillors who may seek to introduce change for their own electoral benefit.

However, it needs to be noted that the legislation does not contain any provisions for voters to call on a referendum in absence of support from a majority of councillors. Referendums can only be scheduled through a majority vote by the council, raising the possibility that councillors may opt to retain the existing structures for self-preservation reasons, even when the view of most electors is that the current model is no longer appropriate. It is unclear at present how this particular challenge could be addressed, but one option could be to insert a clause into the *Local Government Act* which automatically triggers a referendum once a petition passes a certain threshold for signatures or for the City of Parramatta to have its own piece of legislation. However, this could prove costly for government if the threshold is not set sufficiently high so as to avoid frivolous elections with highly predictable outcomes. A sufficiently high threshold would likely impose a barrier that would be exceptionally unlikely to ever be reached, thus making the inclusion of such a clause redundant. As such, the Committee and Chamber feel that the addition of such a clause is unwarranted at this stage.

Under the *Local Government Act*, the NSW Government also cannot act outside of the will of local councillors by adjusting the model of mayoral election through regulation, even if those instances were that the council is suspended or put into administration. However, the NSW Government could amend the *Local Government Act* to mandate directly elected mayors across NSW, which would bring the act into line with the *City of Sydney Act*. Such a change would need to be done via legislation, requiring passage through both houses of parliament, a process that would likely encounter significant political hurdles if the act of reform was undertaken through anything other than a bipartisan process.

The NSW Government could also simply try to encourage all local councils within a given area to hold a referendum on the direct election of a Mayor, though such an approach runs the risk of being ignored by the very councils which require change the most. Another alternative could be that the NSW Government holds its own state-wide plebiscite on the matter, which could provide the impetus for state-wide legislative reform, assuming majority support from the public. Such a result would not be binding on local councils though it could build a platform of support for across-the-board changes to the *Local Government Act*. 
As we learnt from previous attempts to reform the local government sector, such a move carries political risk especially if the strategy lacks bipartisan political support. There may however be unique, individual circumstances in which an exception could be made. Such interventions would have even more merit were the council in question to hold a broader significance to the Greater Sydney region, such as the City of Parramatta, which holds a unique role as Sydney’s second metropolitan centre. Were a referendum to be brought on by the council itself, then the benefit of such a vote over a state-wide plebiscite is that a council-led referendum will always be bindings, with the results only reversible through subsequent referendums.

Of the above options, none propose a clear pathway forward. As such, the Committee and Chamber feel that action at the state-wide level is a distraction from the more immediate goal of reform for the City of Parramatta. We agree the creation of a dedicated Act for the City of Parramatta should happen regardless of whether state-wide reform is pursued. This would allow the state government to side-step the above complications and deliver a governance framework similar to that which is laid out in the City of Sydney Act.
### The current election frameworks governing Greater Sydney councils

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A reform agenda for the City of Parramatta

This paper discusses which form of governance is most likely to engender better local government is more urgent for local councils which cover significant metropolitan centres, including Sydney and Parramatta. The City of Sydney already functions reasonably well, and our organisations feels that a substantial reason for this is its current governance framework. The City of Parramatta has in recent years been plagued by issues, including but not limited to, a lack of cohesion between elected representatives and the CEO. We believe that the City of Parramatta, with its enhanced importance as the metropolitan centre of the GSC’s Central River City, should have a governance framework reflective of its importance commensurate with the City of Sydney.

Specifically, we recommend that the City of Parramatta make four changes to maximise its chances of fulfilling its big city ambitions as Sydney’s second metropolitan centre:

1. **Moving to a direct election model** for the position of Lord Mayor for Parramatta

2. **Abolishing all wards** in the Parramatta region, so that all councillors are equally focussed on the success of the metropolitan centre, and not just their own ward area

3. **Depoliticise the hiring process for the Parramatta CEO** by moving to a new selection process that will including the mayor, two councillors nominated via a majority vote by the elected councillors and which cannot both be from the same party, and two independent appointees selected at random from a slate of people chosen by the Office of Local Government NSW.

4. **Increase mayoral and councillor pay** by amending the NSW Local Government Act so that the NSW Local Remuneration Tribunal rulings for the City of Sydney also be extended to cover the City of Parramatta by reclassifying Parramatta as a Principal metropolitan centre, instead of its current status as a major metropolitan centre.
The case for a directly elected Lord Mayor of Parramatta

The case for popularly elected mayors is strong. Four-year terms arguably allow for higher impact mayoral roles. This is because the current window of two years limits the capacity of a mayor to learn the job, and more importantly, time to build relationships with state/federal counterparts (and thus build the mayor’s capacity for direct advocacy). Popular elections also lead to greater legitimacy with the public. The public knows who to hold accountable, and who they can vote out if they become unhappy or feel that the promised agenda is not being delivered. Mayors arguably have a greater possibility of leading hard conversations within the community. Mayors can more easily campaign on, and gain mandates for, specific visions for the entire council area, though this point of distinction holds more relevance in local councils where the councillors are elected to represent specific individual wards.

In the case of the City of Parramatta, the necessity for an all-encompassing vision which connects the metropolitan centre and the Greater Parramatta and the Olympic Peninsula region is even stronger, and a focus on overly localised interests at the expense of a cohesive and coherent vision has the potential to seriously undermine the long-term success of Parramatta, given that many critical decisions around development and urban renewal are unable to be reversed once they have been developed. There is also less likelihood of horse trading amongst councillors on particular votes in exchange for mayoral support, thereby ensuring that individual matters are dealt with on merit and with consideration to how they fit into the broader strategy for the entire council area.

A common example of where this has proven damaging in the past has been around the delivery of a new housing supply, where ward councillors have competed to try and shift the “burden” of housing outside of their own wards. This undermines the capacity of the NSW Government to deliver on its objectives of a 30-minute city, while also potentially undermining the likelihood of delivering mixed-use precincts in town centres.

The case for the abolition of wards in the City of Parramatta

The need to focus the attention of councillors on broader council wide objectives can also be tackled through the abolition of the ward system. As with the direct election of mayors, abolishing wards would encourage elected representatives to represent the entire council area, and not just their own local area. This would reduce the relative electoral influence of very NIMBY groups which are motivated by current localised interests, and not by the need to deliver a long-term vision for the area. The necessity for local councils to develop local strategic planning statements which align with the hierarchy of district and regional plans is accepted by both major political parties at the state level, and yet the delivery of such outcomes has been made more difficult by the propensity of some councillors to remain focussed on the implications of individual developments. The need for a well-managed process during the development of strategic plans is even more critical for the City of Parramatta as the council which oversees Greater Sydney’s second metropolitan centre. This is not to say that we want a focus on the Parramatta CBD at the expense of the rest of council area, but that all areas need integrated representation.

The case for a new selection process for the City of Parramatta’s CEO

A better selection process is more likely to result in the selection of CEOs who are have the skills and knowledge to be successful in their role. An improve hiring process would also help improve the likelihood that CEO having a longer tenure, and potentially even lasting through changes to the council’s elected officials. A longer tenure would give the CEO more time to grow in the job, more time to learn the issues and more time to build important external relationships – with community leaders, business leaders, and other levels of government. Perhaps most importantly, it would also help prevent a continual changing of the guard during the delivery of longer term and more ambitious projects, or during the delivery of the longer-term strategic vision more broadly. Nowhere is this more relevant in the City of Parramatta, where the revolving door of CEOs has badly undermined the council’s capacity to deliver on their promise as Sydney’s second metropolitan centre.
We propose that instead of having the councillors select the CEO, a preferable model would involve the establishment of an independent hiring committee which would essentially operate in a similar but slightly modified format to the structure which has been adopted for state planning panels.

The proposed panel would consist of:

• The Mayor.

• Two councillors from the council area, selected by a majority of their peers, and of which, both cannot be from the same political party.

• Two independent appointees, which would be randomly selected from a slate of non-partisan individuals who have been chosen to assist in CEO selections state-wide by a government body which is granted an oversight role, with zero capacity for ministerial interference.

If the NSW Government were to adopt this approach for the City of Parramatta specifically, it would likely need to develop a dedicated piece of legislation, similar to that of the City of Sydney Act. That Act would then need to mandate that the above CEO selection process be implemented in time for the next election. If the NSW Government is already introducing a dedicated act for the City of Parramatta for the express purpose of abolishing wards and/or mandating a direct election model for the Mayor, then inserting a clause which enshrines this new selection process should be relatively simple. We argue that the optimal solution would be to enshrine this model for all councils through the amendment of the Local Government Act.

The case for increasing the salaries of the City of Parramatta’s elected representatives

With the City of Parramatta having been identified by both the NSW Government and the GSC as Sydney’s second metropolitan centre and the principal city of the new Central River City, a discussion needs to be had around whether the remuneration for Councillors and Lord Mayor at the City of Parramatta should match those Councillors and Lord Mayor at the City of Sydney.

At present, the NSW Local Government Remuneration Tribunal decides each year what councillors’ and Mayor’s annual fees, or salaries, will be. The Tribunal’s functions are shaped by the Local Government Act, which specifies that the Tribunal must provide a different quantum of funding to different councils depending on a classification system which takes into account, among other things:

• The nature and volume of business dealt with by each council.

• The nature and extent of the development of areas.

• The regional, national and international significance of the council.

In the Tribunal’s 2019 Determination, it noted that several councils had requested reclassification based on changes to the above features. At present, the Tribunal still classifies the City of Parramatta as a Major CBD, which is one rank below the City of Sydney, which has been classified as a Principal CBD.

Given Parramatta’s designation as the Principal CBD of the Central River City, we view its current classification by the Tribunal as outdated, and content that it is now appropriate to move Parramatta into the Principal CBD column. This would have the effect of raising the remuneration of councillors and CEOs in the City of Parramatta to an equal level to those which apply in the City of Sydney. In practical terms, this would roughly double the Lord Mayoral salary from a maximum of $110,310 to a maximum $222,510, which should help attract higher quality candidates for the role. We argue that such an increase in salary should only occur however in the context in which a Lord Mayor is directly elected, as is the case with the City of Sydney.

The proposed reclassification of Parramatta as a Principal CBD would also have the effect of increasing councillor salaries from $34,140 to $40,530. While such a move would be welcome, we question whether such a salary is sufficiently high as to attract high quality councillors at the Principal CBD level. Similar questions exist regarding councillor salaries at lower tiers as well.
The Committee for Sydney and the Western Sydney Business Chamber propose the following action plan for reform:

1. That the NSW Government establish a *City of Parramatta Act 2020*, that would mirror the *City of Sydney Act 1998*, enshrining the following clauses:
   - All councillors are to be elected at large, rather than by ward.
   - The Lord Mayor is to be directly elected by the electorate.

2. That the NSW Government amend the Local Government Act to insert a clause which mandates that all local councils undertake CEO appointment/re-appointment through a selection panel made up of the Lord Mayor, two councillor-representatives and two independent panel members selected by the Office of Local Government NSW.

3. That NSW Local Government Act be amended so that the NSW Local Government Remuneration Tribunal rulings for the City of Sydney be extended to cover the City of Parramatta by reclassifying Parramatta as a second Principal metropolitan centre, instead of its current status as a major metropolitan centre.