

Southern Tasmanian Councils Authority

# Towards improved local government in southern Tasmania

A review of structural reform options



October 2011

## **Introduction**

The Local Government Association of Tasmania commends the Southern Tasmanian Councils Authority (STCA) and the Panel on the work completed to date on this important matter. No detailed comment has been made in this paper on the specific options outlined in the paper. An attempt has been made to provide a range of general comments on Local Government reform that can be considered by the Panel in the context of developing its final report.

It is acknowledged that in order to generate discussion and promote debate, the Panel has placed a number of options that allow a broad cross section of the community to consider alternatives to the presently existing situation. While the Association has reservations about going straight to a discussion on structural options, it is sincerely hoped that the Panel has generated sufficient interest in the community to add real value to the overall consideration of a future for councils in the southern region of Tasmania.

The Association has attempted to raise a number of matters that it considers should be considered as part of and beyond council boundaries as well as contemplating impacts beyond the southern region.

## **The Concept of Amalgamations**

The debate around Local Government reform, resource sharing and amalgamations is one that is often ill-informed, touted as a cure for all things wrong in the community and used as a diversion to take attention away from more drastic issues at hand, generally at the State Government level. Arguments in favour of such overhauls are as broad as they are deep and everybody has a view, particularly when discussion turns to how many councils there should be in the state.

History indicates that State Governments have been the traditional catalysts for structural and associated reform and there is always contention as to whether Local Government has the will, the maturity or the capacity to lead a debate on the future of the sector. If parties outside Local Government call for action and Local Government seeks to contribute to the debate, it is labeled defensive and self interested. The opportunity to have a Local Government led review of the operations of Local Government is refreshing and the Panel is to be commended on progressing the debate on the future of Local Government, albeit from a single region perspective.

The Local Government Association of Tasmania has long been an advocate of reforming Local Government to improve the operations of councils and the delivery of services and support to communities. The Association has led a number of reform initiatives on behalf of councils and is keen to ensure that the outcomes of the present project inform a broader process that could be considered for the entire sector. It should be noted that the Association is not advocating

amalgamations but considers that any learnings from the present STCA project would be beneficial in informing a wider debate.

The emotion that the word amalgamation stirs in both those within Local Government and those outside it is significant. And when that is coupled with drawing lines on maps those emotions rise further and opinions become more diverse.

Amalgamations are held up by many as being the optimum reform model for Local Government. There is no question that reform of Local Government could have beneficial outcomes to both the sector and the community. It does depend, however, on how this process is undertaken. One of the current drivers of the debate is financial efficiency and a desire to reduce rates. Largely driven by the key building owners in the state, the community has been enlisted to support this cause on the promise of massive savings that could accrue that could be used to significantly cut rates across southern Tasmania, in particular. There has been no evidence base provided to the community upon which to make judgments in relation to an informed outcome but rather, a preference based on scant detail and the promise of efficiency and savings.

No recognition is given to the current deficiencies in the system with regard to service delivery or infrastructure backlog yet the same advocates for this drastic reform then seek to turn the savings to infrastructure items such as public rail systems despite the fact that the service is unproven in terms of viability and that public transport is presently the responsibility of State Government.

Care needs to be taken in these considerations and starting a debate simply because a particular group thinks that it is necessary is insufficient reason to rush into drastic action. It is acknowledged that the STCA process is separate from this action but the timing of both reports has inextricably linked the two concepts. It has not provided for a broad ranging and constructive debate and has seemingly instead narrowed the debate to structures rather than an improved Local Government sector overall.

## **Resourcing the Reform Task and Understanding the Full Picture**

The extent to which Local Government has faced reform in recent times is significant. While outside observers scoff at the time taken to achieve water and sewerage reform and remain dissatisfied with the outcomes, the process was a major undertaking in terms of resources, decision making, legislation and infrastructure management. Prices and cost remain the benchmark against which judgments are made on the success of this reform and the relative capability of the entities delivering the service. The reform has not been without its challenges and continues to evolve with improved knowledge of the task required, the expectation of owners and the concerns expressed by customers.

Similarly planning reform has been a major undertaking on the part of Local Government. Those that have particular requirements of the planning system are critical of the system itself, the processes associated with it and those that manage it. It needs to be remembered that Local Government administers a system of which the State Government is the architect and custodian. It is the responsibility of Local Government to respond to the requirements of the system, implement processes and achieve timeframes in accordance with the legislative framework within which that system works. Major reforms such as regional planning and shifting to a template planning scheme with a vast number of common codes has been a major task for both State and Local Government. This has had to have been achieved against a backdrop of maintaining current planning workloads in an environment where there is national recognition that there are simply inadequate planning resources to complete current workloads, let alone major reform tasks.

For those interfacing with the system, this architectural phase of the reform has delivered little other than the recognition that a more strategic framework will exist and that greater consistency should prevail in the future. It is fair to say that at present this is delivering little but will streamline processes in the future. Yet people continue to be frustrated with the “system” and the decision making processes. Time taken to achieve approvals continues to rate highly as a key frustration. Some of this relates to incomplete or inadequate applications, some of it relates to the need to satisfy particular requirements of state agencies and some of it is related to the fact that there are no time limits on consideration of such matters as threatened species and aboriginal heritage. There is a heritage system that runs parallel to but not in sync with the planning system. The nature of risk assessments has led many councils to undertake many studies in advance of lodging applications to ensure that these risks are known, treated or avoided. This comes at significant cost to developers but has become more prevalent in the planning system. Why raise these matters? Because to look at the system in its various pieces without considering the whole and what it is trying to achieve leads to dissatisfaction on many levels and less than optimum outcomes.

Another factor which appears to receive little attention in any amalgamation debate is the cost and time of transition. As with any merger in the private sector, there needs to be a sound understanding of the savings and the costs associated with any reform model. Annual savings need to have the cost of implementation built in and some understanding of how long it will take to move to a new entity. Experience from the recent water and sewerage reform shows that while economies and savings were over-estimated, the processes of establishing new entities, recruiting necessary expertise and implementing new systems was grossly underestimated. This isn't to suggest that reform should not occur, but to highlight the need for a responsible and informed judgment on the full financial and resourcing picture.

Whether considering structural changes, representation, asset management, service delivery and aggregated resources and function, it is considered that the whole picture needs to be considered rather than focusing on component pieces.

This is not said to delay any process or to make it so large that it cannot be tackled, but to ensure that any reform is comprehensive and complete. Experience shows that the opportunity to actually achieve real change does not arise often. It is, therefore, important to make sure that if the opportunity presents itself, it is grasped and every effort taken to achieve real and sustainable improvement. It is against this backdrop that the Association provides the following comments in relation to the Panel's interim report.

## **What Is Trying to be Fixed?**

Amalgamation should be considered an outcome not a goal. What are the problems we are trying to fix? What opportunities are there for us to do things better? For whose benefit are these things being contemplated?

There is significant weight given to economic development in the report and the need to have a world competitive city structure to compete on a global basis. This may provide some justification to achieve a particular end but from a broader sector perspective, the Association has an interest in achieving a strong, robust, financially sustainable Local Government that capably and efficiently responds to the needs of all communities in the state.

While the structural propositions vary considerably in the document from a single council through to a major city focus to the status quo, it is disappointing that some of the more fundamental issues are not addressed within the paper. It is likely that these matters remain firmly within the Panel's thinking but have not made it to the report at this time. The Panel has assumed that all that occurs within Local Government presently is sound and that through aggregation it can be better. Apart from efficiency, there is little consideration given to community and service delivery. Fundamentals such as whether the functions Local Government presently undertakes should continue to be within its charter or whether in terms of the plethora of one stop shops provided by each level of government across Tasmanian towns, some "trading" of services and functions between and across governments may be appropriate and in the better interests of communities. What should Local Government in the 21<sup>st</sup> century be delivering to its community and how should it be delivered? Technology continues to transform our lives. Banks, financial institutions, retailers and service providers have altered their entire interface with their customers and the community. While face to face transactions continue to be the desire of many, the opportunity for swift, economic and convenient trading and enquiry is the growing trend within the community. Councils need to continue to provide the opportunity for personal service but investments in technology are capable of providing significant efficiency to the council and convenience to the customer.

Criticism is often leveled at councils in relation to decision making processes, timeliness, accountabilities and responsibilities. It needs to be asked as to whether any or all of these specific matters require broader consideration to determine whether there may be an improved way of achieving benefit and outcomes for the community. The presumption in the document

appears to be that the current arrangements are satisfactory and this may very well be the case. However, it would seem that in terms of considering different structural models for Local Government, the opportunity should not be missed to review these propositions, assess current governance and decision making processes and contemplate refined arrangements and best practice models should they prove beneficial to the Tasmanian situation.

There also tends to be a focus on traditional communities of interest. The world is changing quickly and economic drivers are changing rapidly. Council boundaries were once developed by virtue of how far a horse could be ridden in a day. Clearly modern transport has altered that requirement and technology and economic development could be other key drivers to establish new communities of interest rather than those we have traditionally focused upon. In the event that Tasmania truly became a “food bowl” and the present efforts to intensify agricultural efforts through greater access to water becomes a reality, then a “midland” region may have far greater relevance than the present regional relationship. The Panel is limited by its requirement to focus on the southern region but an optimum outcome may see some joining of councils across boundaries to gain benefit from these new economies and communities of interest.

## **Access to Resources**

One of the significant challenges faced by councils outside the urban areas, in particular, is meeting the statutory obligations imposed by a host of legislative requirements. Environmental health, planning, engineering, building control, emergency management, animal control and public health all require specialist and expensive resourcing. While urban councils have the scale and financial resources to attract and retain the staff necessary to fulfil these obligations, non-urban councils struggle to attract or have the necessary resources to justify the full time engagement of specialist staff. Some councils have partnered in the employment of individual specialists to overcome this shortfall while several others are reliant upon the much more expensive option of engaging consulting firms to address the most fundamental of needs. This is both expensive and limiting in terms of access and control. It is these areas where councils are susceptible to financial stress and a reliance on outsourced advice which, in many cases, may not provide the optimum benefits to council due to its price based nature. This is not to say that these resources lack capability but can only provide what councils can afford to pay.

The recent experience of water and sewerage reform and the establishment of a “common services provider”, Onstream, is an interesting case study. Designed to supply a range of specialist “back office” services to the three regional operating corporations, Onstream has been abandoned in large part by the corporations due to cost and inflexible arrangements. Owner councils viewed the operation as costly and believed that it limited the operating corporations from being innovative or accessing alternative and more efficient services. Onstream continues to exist by virtue of the legislative requirements associated with its establishment but the extent of operations has been significantly streamlined.

It will be interesting to consider council responses to a similar model in the event that it is proposed that a larger urban focused council be established in the south with a role to provide professional and statutory support services to smaller councils in the event that they require them. The likely difference could be that smaller councils are not required to access these services but are provided with choice. This would allow consideration of access based on price, service levels and need.

Brighton Council already provides a contracting service to a range of councils in the southern region and across the state. More an outsourcing service than resource sharing, Brighton Council tailors services to councils ranging from the provision of systems, software, reporting requirements and professional services. Councils have the choice to access these services and enter into a contract arrangement with Brighton Council. The services can be delivered remotely or through the direct provision of staff at the council. This arrangement provides an interesting model for comparison with any other that the panel may determine to support smaller councils that do have difficulty accessing necessary skills and services.

## **What Are Communities Getting?**

The Association has been working with councils for a number of years to improve asset management practices and reporting. With up to 50% of councils revenues being allocated to asset renewals, maintenance and new works, it is imperative that the long term financial capacity of councils can be documented and understood. The further encouragement and assistance of the Association in developing long term financial plans that are supported by accurate asset data is a high priority with a key project presently being undertaken with and on behalf of councils in the state.

It is, therefore, considered that any financial analysis of councils should not only review revenue raising practices and potential but should also consider asset condition and issues associated with renewal and upgrade. While a council may look very strong on its balance sheet and profit and loss, it is important to assess and understand the physical condition of the council assets.

It is also important to understand the standard to which councils are providing their services. Is it possible for useful comparisons to be made? Does the community know or care about these standards or do the councils make these decisions for them? What is the likely scenario associated with a merged council or a number of councils?

It is this lack of information that is disconcerting when the community's attitude is sought in relation to amalgamations. In principle, most will likely say that fewer councils is better. However, if furnished with all the data and the implications on their particular situation, the responses may be very different.

It is important that when engaging the community, that it has the right information before it. There will be those within the community that will be averse to change and there will be historic and parochial considerations that will come to the fore during the consultation phase. All of these matters need to be aired and heard and should be evaluated but not be given extra weight. It is important that in addition to the community being listened to, it is provided the opportunity to have appropriate material presented before it so that it can be informed in the best possible way.

## **Representation**

Local representation is a key factor within local communities and broad options need to be canvassed that will allow communities to put relevant and constructive proposals. There are propensity/willingness to pay considerations that should also be canvassed. What would the community like/expect from a new council? Does it want savings or does it think that council should be bolstered to provide improved services at increased costs?

Rural communities become particularly concerned at the prospect of losing their local voice. Evidence shows that when a community loses an essential service or that service is placed under threat or when a tragedy occurs in the community, it turns to the local council for leadership and direction. This is not as apparent in urban areas but in small communities, is an integral part of local life. If there is a problem, then council is called upon to lead a response or recovery. Discussions around a single council would generate support from an efficiency perspective but would create significant consternation for many smaller centres where the council plays a fundamental community leadership role.

The community must be comfortable that any new council is going to have the capacity to respond to its needs. The financial health of the council will be important but it will be equally important for the council to develop and grow an identity for the “new” community. Weaving the culture of the targeted areas together will be challenging and will be dependent upon the alliances of the region to particular economic drivers.

## **Conclusion**

It is acknowledged that raising the issue of amalgamation will draw a wide range of views, perspectives and interests. If action is to occur in relation to structural reform then the associated process must be broad reaching, inclusive and take account of all the issues that need to be considered. The efforts of the Panel to date have focused on some of the possibilities that could be available to the Southern Region and this provides a basis for potential broader application across the state or may simply provide elements of a framework within which to consider a broader reform agenda. The Association looks forward to the final report of the Panel and expects that its contents will provide a useful perspective on opportunities that could be available to councils in the future.