

Our ref: Local Government reform
Enquiries Tony McMullen
Direct phone: (03) 6216 6767
Email: tony.mcmullen@gcc.tas.gov.au

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Ms S Smith
Chair
Future of Local Government Review
LGBoard@dpac.tas.gov.au

Dear Madam

SUBMISSION TO FUTURE OF LOCAL GOVERNMENT REVIEW

The following submission was endorsed by Council at its meeting on 29 August 2022.

Glenorchy City Council thanks the Local Government Board for the opportunity to make a submission to the Future of Local Government Review on the Stage 1 Interim Report following the Community Engagement Stage of the Review.

Delivery of services at scale

Council notes the Board's desire to explore whether some services, such as physical infrastructure or corporate services could be delivered more economically at a larger scale.

The potential for economies of scale to be achieved in the delivery of some Council services is certainly worthy of further exploration. On the face of it, the case for such larger service bodies is generally justified by:

1. improved economies of scale offering more efficient and effective services where local knowledge is not required
2. workforce benefits – addresses skill shortages, career opportunities, greater depth, etc
3. improved strategic planning outcomes.

To an extent this is already happening – as witnessed by the Southern Council's development of a new waste management joint authority.

A cautionary approach is necessary, though, in too hastily rushing to the externalisation of such services from Councils as the means of achieving those economies of scale until the following questions and challenges are capable of being satisfactorily addressed:

- if core infrastructure and corporate services activities are carved out, there is a risk of loss of local control. To what extent would a Council's self-determination powers remain

in influencing the direction of those activities? This will depend upon the nature of the changes wrought.

- if a scaled-up functional service provider is delivering services across multiple Council areas, how will the inevitable resource allocation priorities be determined? And what will the service standards be? Will they be made uniform or will there continue to be differential service delivery depending on a council area's capacity to pay?
- it is suggested that some form of a client-provider split would need to be retained with sufficient "in-house" capability and professional expertise to enable properly qualified oversight of strategic objective setting, procurement, contract management and service delivery. To what extent would this create a duplication in resources that frustrates any economies of scale?
- if core infrastructure and corporate services activities are carved out, there is also a question as to whether the remnant council would retain a sufficient critical mass. In this Council's situation, if both of those functions were fully externalised, that would mean nearly a two-thirds reduction in Council staff. The risk of going too far is that the viability of the remnant council is undermined - turning it into a glorified progress association.
- if core infrastructure and corporate services activities are carved out, there is a question as to the funding model. Much of Council's revenue comes from rates associated with the physical services provided to properties. If this is externalised, how is the remnant council to be sustainably resourced?
- if core infrastructure and corporate services activities are carved out, there is also the potential for a loss of the scope economies that currently exist in local government. By way of example, assessment of a subdivision proposal typically requires planning assessment, development engineering assessment, open space assessment, environmental and natural values assessment, possibly heritage assessment, inspection of progress of works, asset pickup, accounting for bond and cash-in-lieu payments and the subdivisional layout affects community connection and health outcomes. These activities all take place within this Council currently. If, for instance, planning, infrastructure, corporate services and community wellbeing activities were to take place in different organisations, there would need to be a complex set of integrations created to compensate for the loss of the current scope economies.
- if core infrastructure and corporate services activities are carved out, how will the chain of accountability to the community be maintained – given it will likely be longer, more complex and at arm's length? In the case of TasWater, for example, while there is an owners' representatives' group, ultimate responsibility rests with an independent board the first duty of which is to make decisions in the best interests of its own organisation - not of the individual council owners or their communities.
- Past experience with these models has been more mixed. This Council's experience with past water and sewer reform was to see millions of dollars in lost net revenue, which is still not compensated for by current investment earnings. Our observation is of a pooling

of local government assets to enable investment in system-wide improvements elsewhere in the State outside of this Council’s boundaries – representing a wealth transfer from our residents to residents elsewhere in the State.

A worthwhile case study to evaluate would be On Stream – the common services corporation created at the time of the first tranche of water and sewer reform. This organisation, which was created to provide common services to each of the three regional water and sewer corporations is understood to have been unsuccessful. It would be beneficial to the Future of Local Government Review process to learn from what might have occurred.

This Council embraces partnerships – and is committed to its obligations under the Greater Hobart Act, within the Greater Hobart Strategic Partnership and through the Hobart City Deal as well as its membership of and participation in the Local Government Association of Tasmania. However, necessarily, these partnerships often entail a certain ceding of control and greater organisational and political complexity in seeking to achieve common objectives.

Planning

The Board is interested in whether planning services could be done differently - to address the tensions that elected members currently face between their community representative roles and their Planning Authority roles.

Such an approach would be generally consistent with the approach of the former Development Assessment Forum - a national body under previous Federal governments of both persuasions - which advocated for the separation of strategic land use planning and development control functions.

It is important that the elected Council retains its role in strategic land use planning – as decisions made in this field affect the community’s development rights and require the political legitimacy of elected members to make those balancing decisions.

The continuing presence of the Tasmanian Planning Commission would enable wider strategic co-ordination to be managed.

However, statutory planning is a highly technical and contested space. It involves implementation of the planning scheme (which includes the local planning provisions schedule endorsed by elected members).

Elected members are placed in an unenviable position in the statutory planning domain. They are elected as community representatives by the community. However, community members rarely understand that elected members “wear a different hat” when acting as part of a planning authority. This can sometimes place elected members in a conflicted situation – between their obligations to the community and their obligations to a statutory authority.

Alternative models could include:

- to provide full delegation to accredited Council employees to make statutory planning decisions, thus removing elected members from this situation of conflict. This would

require strong statutory protection to ensure assessors and decision-makers were not exposed to undue influence or coercion.

- to set up some sort of joint or statutory authority either at local government or supra-local government level. This model would need to address the loss of scope economies identified above in terms of how to source all of the internal application referrals that take place within a Council – in terms of development engineers, traffic engineers, open space specialists, EHOs, heritage officers and the like – which might prove more difficult to externalise. Funding for such a model would need to be determined.
- to set up development assessment panels comprised of majority technical experts – possibly with the potential to include lay elected members – to provide a community perspective on decisions. Funding would need to be determined and again, the loss of scope economies would also need to be addressed.

Financial sustainability

The Board wants to look at how local governments can be better financed to deliver the required services to their communities.

Council restates its earlier submission on this aspect of the review:

The principle that the design of local government should provide for economies of scale and scope, maximising the efficient use of resources to provide an improved range and quality of services, and value for ratepayers on a sustainable basis is a more challenging proposition and further from our Council’s lived experience. Council’s daily reality is to confront the difficulty of balancing increasing expectations of ratepayers and other community members and stakeholders for increased scope and quality of services against their capacity to pay to support that service offering. On the contrary, Council is under pressure to further focus its service offerings in order to achieve financial sustainability.

It has long been recognised that local government is the closest tier of government to the community. This has made the sector an obvious past target for cost shifting from other levels of government. It is important to ensure in any future discussion about increases in the scope of local government’s responsibilities that there are additional revenue streams set aside to enable financial sustainability to be maintained.

Another area of difficulty for local government is the receipt of unsolicited capital grants – often flowing from election periods. On the face of it, these windfall cash injections appear to be a bonanza. However, grants often require a significant co-contribution which imposes further budget stress and diverts funding effort away from renewal of existing assets and towards new and upgrade works. There is also a “feedback loop” putting further pressure upon the operating budget as the stock of assets is added to, thus increasing depreciation, maintenance costs and asset write-off.

In the context of increased efficiency, there could be thought given to pooling procurement for common technologies and contracts, and pooling staff (i.e. pooling local government staff for non-location specific roles such as procurement, HR, legal, payroll).

At present, each Council seems to use different processes, structures and technologies, and there could be much gained through economies of scale – without resort to structural change.

Community wellbeing

The Board wants to make clearer Council's role in terms of the welfare of the community.

There is significant cross-over in this area with many councils delivering services that are considered State Government responsibility. This is often done to fulfil a gap of need in the community and can be viewed as a form of cost shifting where taxpayers are paying for a service and ratepayers are also paying to provide this service.

Local government has an important role in identifying the needs of its communities through social planning and advocating for the fulfilment of those needs.

The role of local government in social service provision is less well settled.

It is considered that there needs to be a functional-mapping exercise undertaken – perhaps across all 3 tiers of government - to identify service gaps that exist, to determine the best deliverer of those services – and importantly for local government, to ensure that adequate recurrent funding is made available to enable delivery – regardless of the tier of government undertaking that delivery.

Governance

The Board wants to improve the governance and reputation of the local government sector.

Council supports the principle that local government remain an independent, accountable and representative sphere of government, established under legislation to represent and serve the interests of local communities.

There would be benefit in reviewing the current roles and functions of Mayors, Aldermen and General Managers to ensure they are optimised for contemporary council operations – given it is two decades since the current arrangements were set up under the Act. In particular, there is a need to reconcile the tension between the roles of elected members as elected representatives of the community and their role as members of the “board” of multi-million enterprises making intergenerational decisions for the community's benefit. Ultimately, it is the latter role which is most critical for council and community sustainability.

In order to better support elected members in their roles of as board members, there should be access to the necessary training and development and the appropriate remuneration to compensate for the board responsibilities which would be more clearly defined in legislation.

There would also be benefit in more standardised approaches to a whole range of common local government matters, such as strategic planning, asset management, rate setting, employment conditions etc. For example, it would be useful if there was a set process/template for strategic planning/annual planning/asset management planning, set remuneration structures for local government employees, financial settings for asset renewals etc, settings for rate rise decisions etc. This could be achieved without the need for wholesale structural change.

Council reiterates its thanks for the opportunity to provide this submission, wishes the Board well in its endeavours and would welcome the opportunity to clarify any questions the Board might have in relation to this submission.

Yours faithfully,



Tony McMullen
General Manager