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Future of Local Government Review

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Dear Local Government Board

SUBMISSION ON THE INTERIM REPORT

Section 2 — The Role of Local Government in the 21st Century. There are many services that benefit from local design and/or delivery, in whole or in part. It may not be appropriate for the board to consider services in their entirety, but rather to consider how can local voices be heard in design and delivery. For example, Statutory Planning as the report highlights may benefit from regional or State-based delivery, but there is a strong role for local input and local input is valuable in that context. Therefore, the board should consider for any service, what is the most efficient way for local voices to be heard. In general, we agree with the board that services that go to place should have local input, in our submission this includes input into planning decisions, economic and community development, community and strategic planning, infrastructure planning and design (but not necessarily delivery). Service delivery can also often benefit from local input, this includes the broad range of customer or resident facing services. In many cases there are services currently delivered by the State that would benefit from local input in delivery (e.g., Service Tas, Libraries, Education, and Child and Family Centers). The question of how *local* is local enough, is not one that has a single answer, this will depend on communities and how different their needs are to their near neighbours. It is likely that *local* will have different meanings and have different scales for different communities and the Board should engage more spatial research to better understand the scale of various communities in Tasmania, including understanding the spatial distribution of economic and social links.

Section 3 — Capacity for the Future. We agree with the need to work to increase the capacity of Council's and to provide services and infrastructure at a scale that supports that Capacity. We strongly disagree with *Statement 4 – Efficiency, Effectiveness and Equity*. We welcome the view on equity but the inclusion of *communities' capacity to pay* undermines the aspiration of equity at a fundamental level. For the vast majority of services provided by local government (or envisaged to be provided) the capacity to pay of an individual community should not factor into the revenue model otherwise this reform will increase disadvantage and reduce equity. Instead, the Board should focus on the level of service desired, whether that level of service should be consistent across Tasmania or vary, and then how to best fund that level of service.

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For example, Stormwater, currently the State sets a singular standard for Stormwater provision through the *Urban Drainage Act 2013*. The requirements in this act apply equally to all Council's no matter their capacity to pay. It is a set standard that is funded by unequal revenue, leading to the situation that the requirements are easier to meet in areas with greater capacity to pay and are not met in areas with less capacity to pay. Where capacity to pay determines revenue then there also needs to be lower standards set for poorer communities. This same problem occurs in the *Local Government Act 1993* which sets the same standard for asset management across all Council's, even though the revenue to support that standard is not equal. The problem becomes even greater when considering some of the areas that the Board views Council's having a greater role.

The Board has said that wellbeing is an area where local services may be beneficial but funding these based on capacity (or even willingness) to pay, will lead to greater disadvantage and poor outcomes for Tasmania. The areas with the poorest health outcomes are also the areas with the lowest capacity to pay. Therefore, if organisations funded, based on capacity to pay, are charged with improving wellbeing, the poorest areas, with the poorest outcomes will go backwards, leading to greater health inequality in Tasmania. The same is true for economic development, if this is funded through capacity to pay, the poorest areas in Tasmania will have the least ability to fund economic development and therefore the system created will increase the divergence between rich and poor communities.

If equality is the aim, then further work needs to be done to design a revenue system that provides the greatest funding to the communities with the greatest needs in the areas local government is to be responsibility for. It is likely that that will require redistribution.

Section 4 — Opportunities, Issues, and Challenges.

The primary issue is the mismatch between service levels and revenue models described above. Current funding for local government is linked to capacity of communities to pay but the service standards expected (largely set in State legislation) does not similarly vary, based on capacity to pay. The revenue models should align to the costs of service delivery. There are significant opportunities to move some of these expensive service or infrastructure provisions to State or regional models where these costs could be better equalized between communities. This makes sense where the desired outcome is an equal level of service across Tasmania. This could include asset management and capital project delivery; it could also include better integration of land-use planning and infrastructure planning. Importantly this will not be effective if only local government functions are considered. State Government functions in infrastructure planning and delivery should also be considered as they are intrinsically linked.

In relation to finance and administration the Board has correctly identified the increasing pressure on small Council's but has then focused on the costs side. It is our submission that more emphasis needs to be placed on reviewing the revenue and funding models for Council to ensure they are appropriate to deliver services equally across Tasmania. Importantly the financial sustainability of Council's should not be

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considered isolated from their communities. In many smaller communities Councils have a significant role in the economic sustainability of the area and this should be considered as the modeling progresses. We strongly disagree with including capacity to fund (p.42) as a revenue factor for the majority of services local government deliveries or will deliver in the future.

We agree that sharing resources can lead to increased efficiencies, but we have some concerns with the current approach of the board. Resource sharing at a regional or State level must not be opt in, if it is to occur it should be mandatory and services should be provided to Council at an equitable rate. The West Coast should not pay a higher rate for back-office support for example, than other Councils. We also believe that the review can not only consider local government resources, but State resources must also be considered. If it makes sense for Council to share IT systems, it also makes sense to do so including the State Government. Similarly for procurement, if road civil works procurement is to be combined for Local Government, it would also make sense to do so with the State Government. We agree there is significant merit in create a State or regional organisation with a pool that provide service to State Government and Council at a consistent price. We do not agree that economic development should be included in this as it benefits from greater connection to place.

We support the idea of resource sharing or removing statutory planning from Council's with some reservations. The planning system as it currently exists provides little opportunity to understand and mitigate the community impact of projects. This should be addressed if planning decisions are moved further from local communities. If planning decisions are made by a State or regional body, then there must also be a mechanism for Councils and community to have input and put in place, conditions to mitigate community impacts. For larger projects this must include a requirement for Community Impact Assessment and the inclusion of conditions to mitigate these impacts. We also support the consolidation of regulatory functions, particularly building regulatory functions. These are currently guided by CBOS giving Council's little control or discretion; therefore, they are better conducted by CBOS directly.

It is our view that economic development in remote communities is best if connected to place. If the State or region was to take on more of this function the State (or region) would need to ensure they had physical presences in remote communities, something that has been problematic for State departments to date. While this review is considering local economic development and we agree there is often a disconnect between State, regional and local approaches, it is not true to say this is due to local economic development initiatives. Often it is due to a lack of State or regional strategies to guide, for example infrastructure development. In other cases, it is because those strategies do not have sufficient detail to guide local planning. We certainly agree that sharing officers would be a good way to build understanding and could be used to support capacity in remote areas. For example, providing State economic development staff (e.g., from Tourism Tas or State Growth) on long secondments to remote Councils would overtime increase the understanding between levels of Government and at the same time address resource constraints in smaller communities.

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In relation to the environment, we have no concerns with the future role for Council but again emphasis that currently the revenue model is broken for this task. Council funding is in no way connected to their land area or the need for environment management. In fact, Council's with the least revenue capacity such as the West Coast, often have the largest environmental management responsibility, in our case much of the World Heritage Area and the largest land area of any Council. The best way to improve outcomes here is to create a funding model that better aligns to the expected costs. If Councils are going to be funded based on local communities and capacities to pay, they should only be providing services that are also variable based on community size and capacity to pay. If we are expected to deliver services that increase with increasing land area, then funding should be linked to that.

We agree that community wellbeing, and wellbeing service delivery are services that local government could deliver effectively and with improved results if appropriate frameworks were in place. In addition to providing clarity, it will be important to determine an appropriate funding model as the communities with the lowest capacity to pay have the poorest health and wellbeing outcomes, therefore existing funding models will lead to increasing disadvantage and inequality.

Section 5 – Priority Reform Areas

Stage 2 of the reform process will need to expand beyond local government. In many of these areas including service delivery, and resource sharing, the State Government and State organisations also need to be considered. If resource sharing will work for Council's, it will be better if including the State Government. In looking at areas Council's should focus on; it is also important to consider where the State should focus or where its functions may be better delivered locally. For example, it may be that roads should all be managed by State Roads, and stormwater by TasWater, but that libraries or child and family centers would be better managed by Local Government. It could be that the best resource sharing would be for all State Government and Local Governments to share a procurement office, or HR software. Our submission is considering further State Government services and the interface with local communities will be a key part of Stage 2.

We also believe that more work is required to understand the needs of different communities. The question of how *local* is local enough will vary between communities and it is unlikely that the services to be delivered in a remote community like the West Coast are the same as those in Hobart. Understanding these differences and designing a system that can support them are important. To do this our submission is that the Board needs to conduct work to better understand community similarities and economic connections to be able to define communities of similar needs and connections.

Finally, we submit the board must do much more on identifying appropriate funding models for local government. There is currently no connection between the service level required and the funding available and this must change. Funding must be more closely linked to the required outcomes and less linked to individual communities' capacity to pay. While funding is based on community prosperity, poorest communities will have less services from local government and will go backwards.

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This will be a terrible outcome if Council's are to take a greater role in wellbeing and economic development. The current system of cross subsidies and grants is ineffective and expensive, and the board should review the funding model from the ground up. Importantly even within the current model there are measures that disadvantage remote communities and put remote and rural Tasmania further behind, at the very least these should be removed. There is currently an exemption from rates for Hydro Tasmania dams and national parks which clearly disadvantage remote Tasmania. There is an exemption for on-water aquaculture infrastructure, another disadvantage to remote Tasmania. Finally, many windfarms are not valued, a further disadvantage. It is no surprise with rating and exemptions disadvantaging remote Tasmania our outcomes are worse, and this will not change if the funding models are not fixed.

Yours Sincerely



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