KINGBOROUGH RATEPAYERS ASSOCIATION INC.

11th May 2022

Chair and members of the Local Government Board
c/- Division of Local Government
Department of Premier and Cabinet
GPO Box 123, HOBART
Tasmania 7001
email: lgboard@dpac.tas.gov.au

Dear Ms Smith and members of the Board,

KRAI Submission to the Future of LG Review 2022
Ref: *The History of LG in Tasmania*, University of Tasmania, 2022

Thank you for the opportunity of providing this submission with respect to the current review.

The Association is pleased the University of Tasmania has been commissioned to inform the Board about changing roles and responsibilities associated with local government (LG) in this state.

The University's first paper highlights matters of particular interest:

a) "A more detailed exploration of general council governance is beyond the scope of this paper." (p.26);
b) Trust in public institutions is in serious decline (p.31);
c) An important function of LG is to support grassroots democratic engagement through local representation and community-level decision making; and
d) Place-based governance to be analysed in Research Papers 2 and 3 may highlight how greater LG involvement in the design and delivery of social and economic development policies and programs has potential to improve community-level outcomes (p.32).

Social and economic development are not the only issues of interest to the Tasmanian ratepaying community. Given the recent history of misfeasance, and even malfeasance by council officers, would it not be appropriate for the University's research to include a detailed exploration of general council governance in Tasmania?

The Association makes a number of other observations for consideration by the Board and the University in its future research:

1. In 1993, Tasmania introduced LG legislation enabling the sector to self-regulate. Since then widespread community dissatisfaction relating to the LG sector has been experienced.[1]

2. Community dissatisfaction is widely recognised in the Australian deregulated service sector environment. In 2019, the Royal Commission into the financial sector exposed the serious, long-term and systemic issues associated with service-industry self-regulation and noted: "... conduct has

[1] Including but not exclusive to governance problems associated with the following councils: Break O'Day, Derwent Valley, Devonport, George Town, Glamorgan/Spring Bay, Glenorchy, Launceston and Huon Valley.

fallen short of the kind of behaviour the community not only expects of ... services entities but is also entitled to expect of them."[2]

3. Contrary to the Local Government Association of Tasmania's (LGAT) assessment of 'isolated incidents' associated with self-regulation, evidence suggests serious and systemic governance issues are experienced at the individual council level.[3] Exposure of the true extent of the problem is limited by scant ratepayer resources, but is evidenced almost daily in print, electronic and social media content.

4. Inferior governance associated with LG employee conduct and actions is a roadblock to the realisation of people's aspirations in the 21st century.

5. Tasmanian ratepayers contribute approximately $600 million per annum to the LG sector. Of that amount, approximately $1.5 million is paid in subscriptions to LGAT by member councils. Ratepayer financial contributions are not producing governance outcomes the community is entitled to expect.

6. Why is there not a ratepayer equivalent to LGAT?

7. Place-based governance as a tool may offer some level of base-line community satisfaction with respect to grass-roots democracy and community engagement.[4] It's success, or otherwise, will largely depend on how it is defined and understood,[5] and to what extent it is resourced.

8. In New Zealand, where place-based governance (through Community Boards) was first introduced in 1989, ratepayer dissatisfaction continues to exist. The New Zealand model does not provide the scope for LG community groups to counter grave concerns about rate increases, the extent of council business conducted in closed workshops, and the quality of advice from council officers deemed politically oriented rather than neutral.[6]

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2 "The central task of the Commission has been to inquire into, and report on, whether any conduct of financial services entities might have amounted to misconduct and whether any conduct, practices, behaviour or business activities by those entities fell below community standards and expectations. The conduct identified and described in the Commission's *Interim Report* and the further conduct identified and described in this Report includes conduct by many entities that has taken place over many years causing substantial loss to many customers but yielding substantial profit to the entities concerned. Very often, the conduct has broken the law. And if it has not broken the law, the conduct has fallen short of the kind of behaviour the community not only expects of financial services entities but is also entitled to expect of them." *The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry: Final Report*, 2019, p.1

3 For example: KRAI's *Oversight: Governance and Accountability* Submission to Kingborough Council, 2020 highlighted the need for improved governance and oversight by exposing examples of actions and conduct contrary to required standards that current mechanisms at Kingborough Council were unable to resolve. Of the extensive allegations of poor governance exposed in the OGA submission, Kingborough Council's administration has subsequently neither denied nor disputed any of the claims.

4 Such as Wynyard Council's Waratah Board established in 1992.

5 *Community-Level Governance: What provision should be made in local government legislation?* McKinlay Douglas Ltd, NZ, 2014 https://www.lgnz.co.nz/assets/In-ackground/bf38e040f4/Community-Governance-Report-.pdf

6 In 2018 ratepayer and community groups in NZ met to confront these issues. The federation 'Ratepayers and Residents of New Zealand' was subsequently formed in 2021 to raise awareness of common problems and to share resources. https://www.stuff.co.nz/national/politics/108204909/ratepayer-resident-groups-across-new-zealand-to-set-up-national-organisation

9. Place-based governance cannot address the scope of community dissatisfaction associated with self-regulation within the LG sector that causes considerable community unrest.

10. If place-based governance is implemented, so too should mechanisms to underpin good governance - ethical conduct, practices and decision-making - in the LG sector.

11. Transforming policy, to facilitate the range of governance standards to meet current and future community needs, requires a quantum leap forward. At the very least:

    a) LG employees should abide by the same legislative codes of conduct as the State public service;
    b) reforms to define and direct good governance principles need to be traceable through performance and conformance evidence;[7] and
    c) transparent, over-arching, and effective oversight of performance and conformance should be managed by State Government.

In summary, if State and LGs continue to work collegiately to do things in future as they have in the past, inferior governance standards will prevail. Public trust in both sectors will be further eroded.

Place-based governance is an idealistic tool that may provide improved community consultation. It will not provide solutions to widespread community disquiet caused by self-regulation. At the very best it will play a modest role.

Complementary reforms to implement good governance throughout the LG sector are highly desirable to meet current and future community standards; irrespective of the challenges and demands they will impose on State and LGs.

Whatever the future changes to roles and responsibilities for the LG sector, financial impacts will be an important consideration. Ratepayers are already sensitive to annual rates and charges increases imposed by Local and State Government enterprises and authorities. Push-back will occur if the community is expected to bear additional costs.

Community disquiet and potential costs associated with poor governance within the deregulated LG sector is best minimised by a policy environment that restricts their ability to occur in the first instance.

Yours faithfully,

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[redacted]
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[7] An example of this concept is embodied in Kingborough Council's recently implemented Complaints Management Policy. It is based on Australian best-practice, contains full guidance for staff, and provides an excellent vehicle for ratepayers to have confidence that their concerns are being properly addressed.