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27 February 2023

Ms S Smith AM  
Chair  
Future of Local Government Review  
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Dear Madam

**Submission on Future of Local Government Review Stage Two Options Paper**

I refer to your letter dated 14 December 2022 inviting public comment on the Future of Local Government Review Stage 2 Options Paper.

Thank you for agreeing to accept this submission after the original 19 February cutoff date so that Council could formally consider it at its meeting on 27 February 2023.

Council prepared this submission after meeting with the Minister for Local Government, Nic Street, on 1 February 2023 and carefully considering the Options Paper at workshops on 16 January and 14 February 2023.

Council unanimously resolved at its 27 February meeting to make the attached submission.

Here is a summary:

Structural reform pathways

1. Council looks forward to continuing to engage constructively with the Review process as it proceeds.
2. Council intends to remain open to potential reform opportunities while honouring its duty to look after the best interests of its community.
3. As there is not yet enough specific detail about the structural reform pathways, it would be premature of Council to form a concluded view. However, Council looks forward to exploring options and moving towards informed consent.
4. We must make sure that, if services are externalised, this is done in a way which maximises benefit to the community.

5. The Review process presents an opportunity to realign roles and functions between levels of government and the associated resources so we can move beyond cost shifting arguments.
6. Effective change management will be critical to minimise the transitional cost and trauma of reform.

#### Specific reform options

Overall, the specific reform options for each reform outcome are sound and proportionate responses to feedback. It shows the Board has been listening closely to stakeholders.

We make the following comments on some of the options:

1. The proposed renewed wellbeing focus for local government will need to be carefully co-ordinated with wellbeing services offered by other levels of government to ensure a well-resourced, joined up approach.
2. The review of elected member allowances and conditions is welcomed as a contemporary approach would serve to increase the pool of talent that is attracted to stand for local government office and more fairly compensate those elected for the demands of office.
3. Greater 'front desk' collaboration between State and local government can only be a good thing for the community. However, we want to understand the collaboration model and the associated resourcing to avoid a further cost shifting burden on councils.
4. A proposal for regular service reviews needs to be considered carefully because while it is good to consult the community regularly on services, there are potential adverse impacts on staff retention, corporate knowledge and service quality.
5. The proposal for more standardised approaches to asset management is strongly supported. However, it is important not to consider asset management software in isolation from other core technology relating to financial and customer aspects.

Council notes the Minister's observation that further local government involvement will be necessary as the reform options develop. Council looks forward to the opportunity to contribute to this process.

Thank you once again for the opportunity to comment. Please contact me if you have any questions about the submission.

Yours faithfully



Tony McMullen  
**General Manager**



# **Submission**

## **Future of Local Government Review Stage 2 Options Paper**

**February 2023**

## Introduction

Council acknowledges the continuing work of the Local Government Board in stakeholder engagement and development of the reform pathways and options and thanks it for the opportunity to comment.

This submission is in two parts – structural reforms and specific reforms.

## Structural reforms

Council makes six (6) key points about the structural reform pathways:

1. Council looks forward to continuing to engage constructively with the Review process as it proceeds.
2. Council intends to remain open to potential reform opportunities while honouring its duty to look after the best interests of its community.
3. As there is not yet enough specific detail about the structural reform pathways, it would be premature of Council to form a concluded view. However, Council looks forward to exploring options and moving towards informed consent.
4. We must make sure that, if services are externalised, this is done in a way which maximises benefit to the community
5. The Review process presents an opportunity to realign roles and functions between levels of government and the associated resources so we can move beyond cost shifting arguments
6. Effective change management will be critical to minimise the transitional cost and trauma of reform

Each key point is set out in more detail below:

### **1. Council looks forward to continuing to engage constructively with the Review process as it proceeds.**

It is clear that the Local Government Board is conducting a thorough and evidence-based Review and the Minister has confirmed that this work is being undertaken at arm's length from State government.

On this basis, Council has confidence that the Review has the best interests of the State at its heart – which enable us to engage constructively with the process as a stakeholder.

## **2. Council intends to remain open to potential reform opportunities while honouring its duty to look after the best interests of its community.**

Council's perspective in its engagement with the Review process will be through the prism of its statutory duty to its community.

Council has been elected to perform the following functions under s. 20 of the *Local Government Act 1993*:

- (a) to provide for the health, safety and welfare of the community;*
  - (b) to represent and promote the interests of the community;*
  - (c) to provide for the peace, order and good government of the municipal area.*
- (2) In performing its functions, a council is to consult, involve and be accountable to the community.*

.....

Council's perspective on the Future of Local Government Review must necessarily be consistent with those functions and promote the best interests of the Glenorchy community.

Council will support any reform that demonstrably advances those best interests. However, where a reform is not in the best interests of a council's own community, Council will be duty-bound to engage with the process to seek to improve outcomes.

This stance is not dissimilar to the duty of a board in a takeover situation, which is to make recommendations in the best interests of existing shareholders.

**3. As there is not yet enough specific detail about the structural reform pathways, it would be premature of Council to form a concluded view. However, Council looks forward to exploring options and moving towards informed consent.**

Summarising the Options Paper, the Board has formed a view that future proofing local government in Tasmania requires major changes to enhance the capability and capacity of the sector; from which no council, regardless of size, will be exempted.

The Board anticipates the scale of change required will not occur on a purely voluntary basis.

The Board expresses its preliminary support for a hybrid model comprising the following major changes to the design of local government:

- i. local government boundaries redrawn to reflect contemporary demands, determined on a basis other than population, and
- ii. scaled up service delivery beyond individual council level

It is clear from Council's discussions with the Minister for Local Government that there is further iterative work to be done with the local government sector to tease out the detailed reform options within these bounds. As with many things, the devil really is in the detail - and the detail requires significant further work to develop.

Key questions will need to be resolved as part of the forward process such as:

- What are the proposed new boundaries?
- What are the parameters that define those new boundaries?
- What are the services to be externalised?
- At what scale? Sub-regional? Regional? State-wide?
- What will the model of delivery be? Joint authority? Statutory authority? Outsourcing to private sector?
- What is the change process to get to the desired end state?

Until the process is further defined, Council is not in a position to decide whether or not the proposed structural changes to local government are in the best interests of its

community. However, we restate our commitment to participate constructively in the further work required to develop those detailed structural reform proposals to the point of informed consent.

#### **4. We must make sure that, if services are externalised, this is done in a way which maximises benefit to the community.**

The reform proposal, whether progressed through boundary redefinition or shared services (or both) would result in the externalisation of service delivery when compared to the existing council geographies.

There are a number of questions to be answered in order to assess specific boundary and service delivery proposals as to their public benefit.

- **Will remnant council functions be at a sufficient critical mass after externalisation of services?**

In this Council's situation, if infrastructure and corporate services 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.

- **What mechanisms will be put in place to ensure externalisation of services does not adversely impact on the net revenue and viability of the remnant councils?**

How would the funding model change? 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?

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.

- **Would community control over scope and level of services decisions remain?**

If the reform were to result in a reduction of the scope or level of service, it is difficult to see how a council could determine it to be in the best interests of its community. The Options Paper certainly does not point to any existing "gold plating" problem with council services across the State. To what extent would a Council's self-determination powers remain in influencing the direction of the activities of an external service provider for the benefit of their constituents?

- **Would the resource allocation priorities of the new larger entities result in fewer services or lower standard services overall to any of the former communities?**

The inevitable resource allocation priorities must be determined in a scaled-up functional service provider delivering services across multiple Council areas in such a way that none of the former communities is detrimentally affected. Perhaps a “better off overall” test or BOOT test could be applied – as used to test some industrial relations changes.

- **Would services be provided equitably across the new geographies?**

There would need to be clarity about whether services would be provided uniformly or whether there would continue to be differential service delivery depending on a (former) council area’s capacity to pay. This is raised because, in a previously modelled amalgamation scenario, differential standards of service delivery were assumed to be maintained post-amalgamation. As the saying goes, “a rising tide floats all boats”.

- **Would there be mechanisms to ensure new entities maintain scope economies?**

For 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.

- **What assurances will there be that the chain of accountability to the community is not compromised or severed by externalisation of services?**

The chain of accountability would likely be longer, more complex and at arm’s length under a decentralised model. 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.

- **What safeguards would be put in place to ensure that externalisation of services does not result in wealth transfers away from communities through cross-subsidisation of others?**

The pooling of local government assets to enable investment in system-wide water and sewer improvements elsewhere in the State was a wealth transfer from our residents to residents elsewhere in the State.

- **Will maintaining a critical mass of “in-house” client capability be recognised as necessary to the effective externalisation of services?**

Effective externalisation of services requires maintenance of professional expertise on the client side to provide properly qualified oversight of strategic objective setting, procurement, contract management and service delivery.

## **5. The Review process presents an opportunity to realign roles and functions between levels of government and the associated resources so we can move beyond cost shifting arguments.**

The Options Paper in various places points to a stronger role for future councils in community well-being, a stronger role in climate change and stronger engagement capability. Taking stronger roles in particular areas generally costs more money.

How will this additional money be generated? Scale economies?

The reform is painted as a future proofing exercise for local government. The risk is that this process might be, rather, a once in a generation opportunity for cost-shifting to local government at a scale never seen before, increasing the burden of service provision on local government.

Particularly in the wellbeing and climate change spaces, there is significant activity at all three levels of government – and a need for strong co-operation, co-ordination and clear definition of relative roles and responsibilities and associated resource flows to mitigate this risk.

With the exception of mentions of sharing opportunities with Service Tasmania for which the direction of benefit flow is unclear, and perhaps some different planning

arrangements, the Options Paper is starkly silent about any return of service responsibilities to the State government.

There is certainly an opportunity to explore the service mix between State and local government. Though, the current conversation seems to be one-sided. What is critical is that the matching resource streams are provided to fund any increases in the scope of services as a result of changes in this relative service mix.

## **6. Effective change management will be critical to minimise the transitional cost and trauma of reform.**

Given the scale of change anticipated by the Board, it is critical that effective change management measures are put in place to minimise transitional cost and trauma.

It is submitted that this requires a risk-based approach that incorporates:

- ongoing identification, assessment and management of risks relating to change management of the reform;
- documentation of those risks and treatments in a risk and issues register applicable to the reform, including responsibility and accountability for each risk; and
- reporting and escalation protocols in relation to identified risks.

Significant resources will be required to be devoted to change management including a dedicated change manager, a change management plan, development and implementation of a communications plan and training as needed to ensure a successful outcome.

Change managers must consider carefully and plan how best to take all impacted stakeholders on the change journey and engage with them at every stage.

Embedding the change is critical. Change management plans should clearly address how the changes will be embedded, how long this is likely to take, and who will do it.

## Specific Reforms

The Board has identified eight (8) reform outcomes which it considers are essential if our local government system is to deliver the services and support the community needs:

1. Councils are clear on their role, focused on the wellbeing of their communities, and prioritise their statutory functions
2. Councillors are capable, conduct themselves in a professional manner, and reflect the diversity of their communities
3. The community is engaged in local decisions that affect them
4. Councils have a sustainable and skilled workforce
5. Regulatory frameworks, systems, and processes are streamlined, simple, and standardised
6. Councils collaborate with other councils and the State Government to deliver more effective and efficient services to their communities
7. The revenue and rating system funds council services efficiently and effectively
8. Councils plan for and provide sustainable public assets and services

Council agrees with the content and scope of these reform outcomes.

On pp. 25 and 26 of the Paper, there is a range of specific reform options given against each of the 8 reform outcomes - 30 options in total. These are more fully detailed in the Appendix.

Council considers that, on the whole, the reform options for each reform outcome are sound and proportionate responses to feedback that the Board has received to date. It shows that the Board has been listening closely to stakeholders.

However, we make the following comments:

Reform outcome	Option	Comment
<p>1. Councils are clear on their role, focused on the wellbeing of their communities, and prioritise their statutory functions</p>	<p>1.1 Establish a Tasmanian Local Government Charter which summarises councils' role and obligations, and establishes a practical set of decision-making principles for councils</p>	<p>The proposed renewed wellbeing focus for local government will need to be carefully co-ordinated with wellbeing services offered by other levels of government to ensure a well-resourced, joined up approach and to ensure wellbeing does not become the sole responsibility of local government.</p> <p>A Charter is supported on the basis of the Board's claim that it would better clarify the roles of State and local government in service areas where both have responsibilities;</p> <p>It should also extend to identifying sources of funding for those respective responsibilities.</p>
<p>2. Councillors are capable, conduct themselves in a professional manner, and reflect the diversity of their communities</p>	<p>2.2 Review the number of councillors representing a council area and the remuneration provided</p>	<p>The review of elected member allowances and conditions is welcomed as a contemporary approach would serve to increase the pool of talent that is attracted to stand for local government office and more fairly compensate those elected for the demands of office.</p> <p>A remuneration review should address salary, superannuation and taxation treatment.</p>

Reform outcome	Option	Comment
<p>6. Councils collaborate with other councils and State Government to deliver more effective and efficient services to their communities</p>	<p>6.4 Support increased integration (including co-location) of 'front desk' services between local and state governments at the community level</p>	<p>Greater 'front desk' collaboration between State and local government can only be a good thing for the community.</p> <p>However, from a local government perspective, we would want to understand the model of collaboration and the associated resourcing to ensure this does not simply create a further cost shifting burden on councils.</p>
<p>8. Councils plan for and provide sustainable public assets and services</p>	<p>8.3 Introduce a requirement for councils to undertake regular service reviews for existing services</p>	<p>It is agreed that the community ought to be regularly consulted on the scope and level of services it wants.</p> <p>Regardless of how well they are undertaken, service reviews create uncertainty for staff and can destroy morale, reduce employment security and exacerbate skill shortages as staff seek greater employment security elsewhere. This in turn flows through to a reduction in corporate knowledge and an impact on service continuity and quality.</p> <p>In short, service reviews are a mixed blessing.</p> <p>In light of this, there is a need to carefully think through the methodology and frequency of service reviews - and perhaps to create a sound, widely accepted and industry-standard approach.</p>

Reform outcome	Option	Comment
<p>8. Councils plan for and provide sustainable public assets and services</p>	<p>8.4 Support councils to standardise core asset management systems, processes, and software across councils</p>	<p>The general thrust of this option is strongly supported.</p> <p>However, it is important not to consider asset management software in isolation from other core technology.</p> <p>Following an intensive, 18-month procurement process, we have just entered into a multi-million dollar, multi-year contract to replace our core technology (including our asset management software) using a “software as a service” approach.</p> <p>Asset management software needs to be considered as part of a broader core technology offering that integrates e.g. with the finance system given the criticality of asset accounting for a council’s long term financial management and with the customer interface (e.g. to enable end to end workflow of service requests from customer to capital and maintenance staff and back again).</p>