

2 August 2023

The Hon Sue Smith AM  
Chair  
Local Government Board

Via email: [Submissions.LGBoard@dpac.tas.gov.au](mailto:Submissions.LGBoard@dpac.tas.gov.au)

Dear Sue,

### **Future of Local Government Review – Stage 3**

Thank you for the opportunity to provide a submission on the Future of Local Government Review – Options Paper. This submission has been prepared by the Local Government Association of Tasmania (LGAT) in collaboration with our General Management Committee (GMC), who provide oversight of LGAT operations.

LGAT is incorporated under the *Local Government Act 1993*, and we are the representative body and advocate for local government in Tasmania. Part of our functions under the Act are to promote an efficient and effective system of local government in Tasmania. Our response seeks to balance those functions and focuses on matters that are shared across the sector and is guided by a perspective from over 110 years of being the peak body for local government.

To that end we will not be addressing the merits or otherwise of the specific structural reform scenarios presented by the Board. Rather, this submission will focus on important opportunities available to the Board to ensure a “more robust and capable system of local government.”

Please feel free to contact me if you have any questions or would like further information, at [dion.lester@lgat.tas.gov.au](mailto:dion.lester@lgat.tas.gov.au) or 6146 3742.

Yours sincerely,



Dion Lester  
**CHIEF EXECUTIVE OFFICER**

## **LGAT Submission: Future of Local Government Review, Stage 3**

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### **Introduction**

Perhaps more so than any other stakeholder, councils deliver the services and infrastructure that shape the daily experiences of Tasmanians. Councils are place shapers who drive most people's attachment to, and satisfaction with the area in which they live, making them an essential partner in working to create liveable places.

Councils – as governments of local places – are integral to facilitating and supporting the productivity of their local and regional economies.

To realise the opportunities that exist at the local level, flexible service delivery and funding models are required for effective results. State Government services directed at addressing local demand are more likely to be successful if they work closely with local government in partnership with a long-term focus and where responses are grounded in the specific local requirements.

This does not mean that each place responds in an entirely independent manner, but that the state policy is applied with recognition of the characteristics and condition of different local areas. Local government's local area knowledge and networks make it a crucial partner in economic and social development.

For councils to continue to effectively support their communities in the face of rising challenges, such as climate change and health and wellbeing, they need the right tools to support their financial sustainability alongside a fit for purpose workforce.

### **Financial Sustainability**

Local government collects only 3.5 per cent of national taxation but have custody over a significant portfolio of infrastructure. This makes councils heavily reliant on funding from other levels of government. However, many of the current arrangements create a funding environment that constrains councils' capacity to deliver on what their community tells them they need. For example, councils are experiencing pressures that include cost shifting, ad-hoc and tied grants and responsibility for the management of an increasing number of depreciating assets, with grant funding typically focused only on establishment of new assets.

Tasmanian councils also lack a number of crucial financial sustainability tools to maximise their own productivity and also that of the wider economy through regulation, infrastructure provision and a range of other activities.

### Fit for purpose funding and depreciation

Councils are doing more with less in an already reasonably efficient and effective manner, but community demands are only increasing. The State and Commonwealth governments compound this by gearing the funding environment to continuously push local governments into financial sustainability challenges. Councils are constantly enticed to accept grants for capital works that carry long-term financial and asset management commitments that are not backed by sustainable funding sources for maintenance and depreciation.

Many programs have grant application process that are onerous and time-consuming. Further, not all councils have the resourcing to apply for many of the grant-funded programs that are available.

Funding that is allocated on an assessed needs basis and aligned with the priorities set out in council's strategic and asset management plans is far more likely to contribute to equitable outcomes and is less dependent on the resources and capability within a council to prepare strong grant submissions. Ongoing funding of this nature, such as the Australian Government's Local Roads and Community Infrastructure Program, provide a degree of certainty that enable councils to build a base level of delivery capacity, establish term contracts with key suppliers to secure better value for money, and contribute to local and regional development.

*We ask that this review support funding programs that are allocated on an assessed needs basis and aligned with council priorities.*

The requirement for councils to depreciate significant externally funded assets, such as aquatic centres, is at odds with the reality of the environment councils operate under. These assets would not be built in the first place without State and / or Federal grant funding and equally will not be replaced unless central government funding is secured. Depreciation is not a saving mechanism, rather the loss of value and cost reallocation of the life of the asset. Why then should a community bear the annual depreciation costs, which can be in the hundreds of thousands of dollars per year for some of these facilities. This is not only a significant burden but is also a disincentive to accept external grants for large community infrastructure.

*We ask that this review investigate a mechanism to address this obvious practical anomaly for the classes of assets that a council will never replace unless funded externally.*

## Infrastructure contributions

Tasmanian councils do not have access to a system to properly and equitably fund infrastructure connected to demand or usage. There are good models for systems elsewhere in Australia that have been refined over several years. New South Wales, Victoria and Queensland all have advanced infrastructure charging systems that provide reliable, sustainable revenue to enable the longer-term infrastructure planning and delivery needed to sustain growth. In contrast, Tasmanian councils have a very basic and vulnerable system that forces councils to rely on general revenue, especially rates, to meet growth management needs. Relying on general revenue forces councils to choose between the needs of existing contributing ratepayers and developer needs. This leads to cross-subsidisation by ratepayers of private interests, or to delayed development as infrastructure is not provided in a timely way. This puts Tasmania at a disadvantage relative to mainland states.

*We ask that this review recommend an urgent overhaul of Tasmania's infrastructure contributions framework (including legislation and guidance) to create a clear and efficient charging system for local government that brings Tasmania in line with other states.*

## Fair road funding

In some cases, the Tasmanian or Australian governments collect sustainable demand or user-based charges that could be used to sustain the services they are charged on, but instead either will not distribute them equitably to local government or, even worse, will convert the ongoing revenue stream into short-term grants for capital works that generate a bigger infrastructure burden, rather than to sustain the existing asset load, as is intended by a user charge.

A prime example of this is the Tasmanian Government's Heavy Vehicle Motor Tax (HVMT); a charge to recover road construction and maintenance costs resulting from heavy vehicle road usage, which the government does not distribute to councils equitably to cover the costs of heavy vehicle impacts. Councils are forced to raise rates and subsidise heavy vehicle road access while the Tasmanian Government reserves the revenue that is meant to provide cost recovery.

*We ask that this review recommend that the Tasmanian Government:*

- 1. Properly recognise the valuable contribution councils make to infrastructure management and service delivery by distributing cost recovery and user charging revenue, such as the HVMT, to local government equitably, based on service usage data.*

- 2. Avoid converting sustained, long-term user charging revenue into short-term capital work grants that increase the asset burden, and instead invest in sustaining our existing asset services.*

## **Procurement**

One of the shared service opportunities identified by the Board has been the opportunity for strategic coordination and consolidation of councils' procurement. Specifically, it has identified the need for councils to:

- Consistently adopt best practice procurement and contracting practices to deliver value for money and ensure councils are financially sustainable and fiscally responsible.
- Improve procurement systems and processes, including staff skills in procurement.

LGAT Procurement is well placed to support councils achieve this and address the issue of unnecessary duplication. LGAT Procurement is currently one year into a five-year business plan. This plan is providing additional procurement products and services to councils, realising the benefits of centralised procurement expertise, whilst also enabling engagement and delivery at the local level. The funding model to deliver these services is currently subsidised by LGATs general subscriptions, but the focus is on it becoming self-sustaining. External support will expediate the delivery of the Board's vision and best practice procurement outcomes for the sector.

*We request that this review recommend:*

- 1. Additional co-funding from the State to fast track the delivery of the business plan.*
- 2. Legislative change to streamline the uptake of new and existing procurement arrangements delivered by LGAT Procurement to ensure best practice procurement in the sector.*

## **Independent living units**

The *Local Government Act 1993* prevents Tasmanian councils from applying general rates to Independent Living Units (ILUs) operated commercially by charities / not-for-profits.

What this means is that a retired person living in their family home must pay rates while a person of similar circumstances, who has sold their house to move into an ILU owned by a not-for-profit, does not pay rates.

The typical ILU resident is not a person or couple requiring charitable assistance. Residents usually have substantial assets and often do not qualify for the full age pension.

It is not fair or equitable that ILU residents effectively receive a 100 per cent concession on their rates, irrespective of their financial situation. It is only those residing in ILUs that require charitable assistance that should receive a remission on their rates.

The correct approach from an equity and tax policy perspective is that local government rates should be levied on the owners of the ILU facility, regardless of their status as a charitable organisation or not. It is the purpose to which a property is put and the status of the resident that should reflect whether it is liable for local government rates on the property, not the status of the facility owner.

*We request that this review support local government's calls for resolution of the drafting flaw in S.87(1)(d) of the Local Government Act 1993 to ensure that the rates burden is shared fairly across ratepayers and that concessions are targeted to those in genuine need.*

## **Workforce**

Local government is a major employer in Tasmania, particularly in regional and rural areas, where the local council is often the main employer. However, many councils continue to experience skills shortages, grappling with significant challenges in relation to recruitment, retention and accessing training opportunities to enhance workforce skills and capability.

This means local government is having difficulties in securing enough people and the right mix of skills required to support local service provision. This affects not only local government's productivity, but also the productivity of localities and regions.

While this workforce challenge is not limited to our sector, with a rapidly changing social and economic environment, it is now critical for State and local government to renew how we addresses the key skills shortages.

To begin to address our sectors workforce challenges we believe the following actions are required:

*Understand the local skills demand* – The Board has previously made recommendations regarding workforce planning (i.e. Options 4.1 and 4.2 in the Stage 2 Options Paper). While these recommendations are strongly supported, any workforce analysis must include a review of the regulatory and service delivery task required of the workforce. This is particularly the case for local government regulatory staff, where the main workforce demand is associated with compliance activities required by State Government legislation.

State level skills analyses do not always capture or prioritise what matters most locally. Local governments are typically in a much better position to understand, and when possible,

respond to, the immediate needs and consequences of labour market transitions for their local area.

In 2016, LGAT and Tasmanian councils worked with the University of Technology Sydney Centre for Local Government to develop *Workforce Planning Guidelines for Tasmanian Local Government*<sup>1</sup>. These guidelines were developed to build Tasmanian councils' capacity to better plan for a changing workforce. While initially very successful, in recent years the statutory and other service delivery requirements on Tasmanian councils have meant that it has been challenging for councils to resource the work involved to undertake this planning.

*Strategically tailoring needs and bridging gaps* – There is a recognition of the need for more collaborative and innovative approaches by local governments on a regional scale to address workforce challenges. The Board, through its Shared Services Models Supporting Paper, has sought feedback on the nature and extent of potential shared service arrangements. Feedback from our discussions with councils has indicated support for the “Provider council (functional leadership) model” of governance, where a statewide shared service arrangement, such as LGAT Procurement, is not appropriate. It is felt that this model offers the best opportunity to support the smaller councils with workforce challenges, while at the same leveraging and further investing in the ‘provider councils’ capacity.

In late 2020 LGAT, the Public Health Service and Environmental Protection Authority investigated the Environmental Health Officer (EHO) workforce in Tasmania. The resultant report, *‘Strengthening the front-line health protection and environmental management workforce in Tasmania’*, not only outlined a series of important recommendations to strengthen this workforce, it also provided a platform for further collaboration between the partner agencies. This existing collaboration offers an immediate opportunity for the Board to leverage in implementing a pilot “provider council” shared service arrangement.

*Supporting local career entry and progression* – Broadly speaking, there are three main sources of labour and skills: they can be brought in from overseas, drawn from other parts of the state / country or, more sustainably, grown from within. More focus is needed to ensure that young people can stay in regions and that education opportunities are provided to allow locals to develop the skills needed to fill local jobs. Typically for the critical professional skills shortages (such as Planners and EHOs), rural and regional local governments are frequently seen as stepping-stones, with staff eager to move onto larger urban centres. For many regional areas it is becoming increasingly difficult to attract and retain these key disciplines. While shared services models, such as discussed above, have the potential to mitigate this situation, it will only go part way and it will not build capacity in regional areas.

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<sup>1</sup> [https://www.uts.edu.au/sites/default/files/Final%20workforce%20planning%20guidelines\\_Guidelines\\_August%202016.pdf](https://www.uts.edu.au/sites/default/files/Final%20workforce%20planning%20guidelines_Guidelines_August%202016.pdf)

Providing regional skilling pathways for local staff to transition into para-professional roles, will enable local residents to build the skills they need to support the professional workforce and support regional local service delivery.

*We request this review:*

- 1. Broadens the scope of workforce planning recommendations to include the regulatory and other requirements on the workforce under examination. The analysis should focus on what governments are trying to achieve and then, how do they best deliver that within existing workforce constraints.*
- 2. Recommends additional resources are provided by the State to help local government undertake workforce planning at a local and sub-regional level.*
- 3. Considers implementing a pilot “provider council” shared service arrangement for the EHO workforce.*
- 4. Investigate the establishment of regional skilling pathways to build opportunities for local people to fill the critical workforce shortages.*

### **Addressing challenges for the community**

In its early stages the Review described the more recent changes in the role of local government – from a primary focus on infrastructure and services to property, towards services to people and placing more emphasis on supporting wellbeing, connectedness, identity and culture at a local level. Although this has recently received less emphasis, we consider that building community capacity, resilience and participation is an important role of local government that this review can strengthen.

There are critical issues that local government is best placed to be the primary partner with the State Government to develop and deliver solutions. Importantly, where such partnerships are built on trust, councils can be the deliverer of services to the community, with funding provided by the State Government for shared outcomes.

### **Climate change**

We are increasingly seeing the effects of a changed climate, particularly through the frequency and intensity of natural disasters, such as fire and flood. July 2023 is set to be the hottest month in the Earth’s recorded history. In Tasmania we have seen bushfire burning areas such as rainforest and ancient pines that by their nature had not seen fire for hundreds, if not thousands of years. The full extent and impacts from these events on the economy, people and the environment are significant.



Local government has a critical role in helping the community understand the changes that are underway, how to adapt to future changes, such as sea level rise and storm surge, and in reducing carbon emissions.

Councils must also understand the impacts and necessary responses to make sure their own infrastructure and services are resilient, and in reducing their greenhouse gas emissions.

Councils have already been undertaking a wide range of activities to address climate change impacts. There has also been excellent regional scale work to understand risks and opportunities, particularly in the south of the state, which is to be commended. However, to build more widespread, embedded action across local government for climate risk and emissions reduction, requires specific knowledge and skill.

LGAT have worked with council regional groupings to develop a proposal for a structured local government climate change program. The State Government has taken up this proposal, incorporating it into the *Tasmanian Climate Change Action Plan 2023–25* with supporting funding.

The focus of this partnership work will be to build the sector's capacity to respond to the impacts of a changing climate and reduce greenhouse gas emissions. This statewide local government capability will also support the sector to contribute information and insights into the State Government's climate risk assessment and planning. While the program is still under development, the intention is to provide specialist skills that councils can draw on to embed climate decision making into how they do things. This will include supporting the development of climate knowledge within existing staff, such as engineers, asset managers, land use planners and risk managers. The two-year program will test the model for potential long-term co-investment by the State Government with local government in addressing Tasmania's climate challenges.

*We request this review recognise the importance of this State – local government partnership, and explore opportunities for similar arrangements, particularly for critical, multi-faceted issues such as climate change.*

### **Emergency management and recovery**

Local government is critical in helping the community prepare for, respond to, and recover from natural disasters. We know that these events will become more challenging with a changing climate, so a closer, more collaborative approach is needed between local government and the State Government.

Local government has demonstrated the difference it can make in terms of responding and recovering from disasters. The quality of the local knowledge councils provide is critical to the effectiveness of both their plans and our states capabilities to respond to emergencies more generally.

Local government is uniquely placed to support community preparedness and resilience, in collaboration with the State Government. This mitigation, planning and preparedness work is only becoming more important as climate change increases the severity and frequency of such events. However, as recommended by the Royal Commission into Natural Disasters, the State Government needs to invest more in building local government capability and capacity. Aligned with climate risk planning, investment in disaster risk reduction to reduce recovery cost and build resilience makes good financial sense. The sector would welcome the State Government pursuing this perspective with the Federal Government, who provide the bulk of disaster funding.

Emergency management has a range of existing structures that outline the responsibilities of different government agencies through how natural disasters are managed. However, the models based on past events will become less useful for our communities into the future. This was evident in our response to COVID-19 that was fast moving and required large amounts of human and physical resources. Tasmania needs to look to the future on how it will manage local response and recovery and how this intersects with state and national support.

*We request this review emphasise the critical role that local government plays in emergency management, recognise that the sector has peer status with State Government agencies within the emergency management arrangements and recommend the State Government invest more in building local government capability in line with the Royal Commission recommendations.*

## **Health and wellbeing**

The Board has identified partnerships for supporting strong and empowered communities and shared services with the Department of Health. Partnerships and shared services that improve wellbeing and liveability outcomes and facilitate strong and empowered local communities can continue to grow independently of any decisions about the number of councils. The supporting discussion paper *Supporting Strong and Empowered Local Communities* notes “the importance of local government as a major employer, particularly in small rural communities” (p. 5). The potential of this workforce as a resource needs consideration. That community development workforce has the untapped potential to contribute to sustainable local interpretation and implementation of policies and programs.

It is a statewide workforce that provides services across Tasmania in a way that no other organisation can, if appropriately supported.

*We request this review recommends that the State Government consider and support the value of the statewide workforce across individual councils in developing high quality local partnerships.*

## **Conclusion**

Structural reform is not a panacea to financial sustainability when we haven't properly addressed the serious holes in the current system that constantly work against financial sustainability. Furthermore, structural reform might not occur either in whole or in part. It is therefore important for the Board to further interrogate the revenue streams and financial sustainability tools councils require in order to ensure long-term sustainability of the sector.

It is without doubt that efficient and financially sustainable councils can deliver social and economic productivity outcomes for their local communities. However, to do this it is critical that local government is supported to secure enough people with the right mix of skills to support local service provision. A capable and supported local government workforce will, when partnered with the State Government, build prosperity, and enable improved community outcomes at the local level.