

**The Future of Local Government Review:
Tasman Council Response to Stage 2
and the Community Catchment Information Packs**

Submission Overview

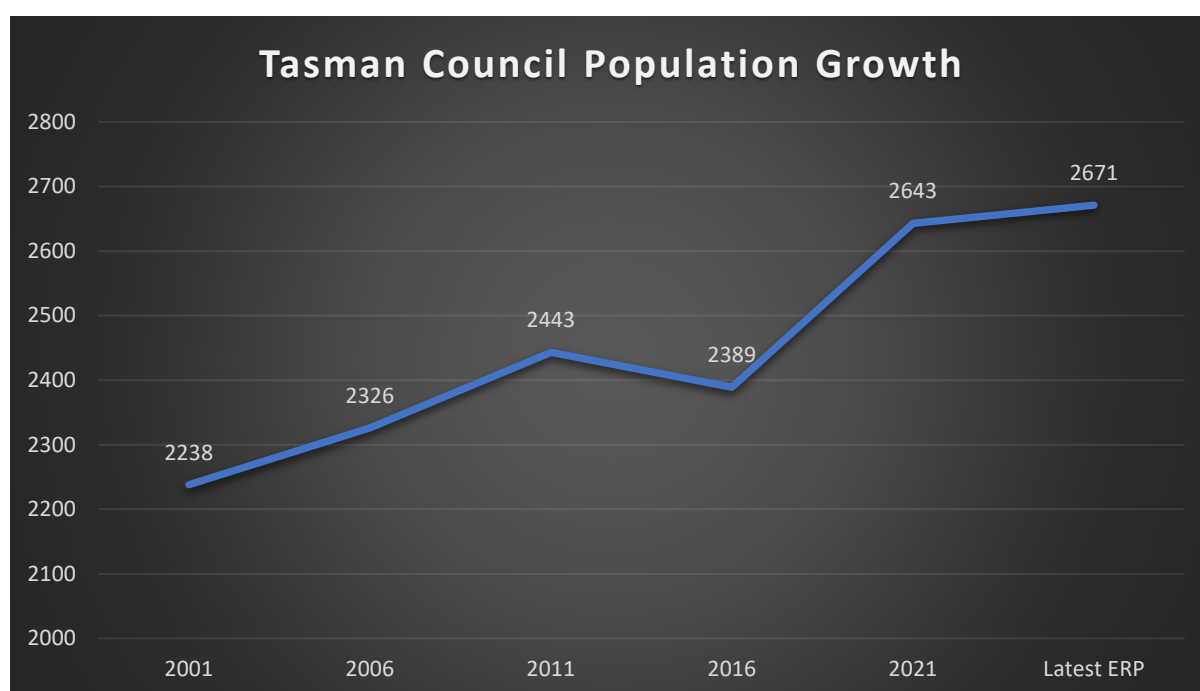
This submission provides a response to the views of the Tasman Council in relation to the Local Government Board's, Future of Local Government Review, Community Catchment Information Packs. Additionally, this paper reiterates the Council's stance on the proposed amalgamations as stated in our Stage 2 response dated 10 February 2023.

Additionally, the Tasman Council provides this response to the Local Government Board as evidence to our claim that redrawing the Council's boundaries is not the answer to reform.

Tasman – A Vibrant and Growing Community

Our long-term residents along with new arrivals are working together to contribute to the vibrancy and creativity of our community, with an ever-growing list of festivals, markets, community events and cultural groups. Evidence of this is reflected in the emergence of new festivals such as Light Wave and the continuing growth of The Feast, Koonya Garlic Festival and the Tasman Arts & Craft Exhibition. The Tasman Peninsula is a prime destination for holiday makers hosting more than a quarter of a million visitors per annum. The Tasman region is home to two of Tasmania's top 10 most visited sites in 2022, Port Arthur (no. 4) and the Tasman Arch / Blow Hole (no. 10) (Tourism Tasmania, 2022). The region is also favoured by retirees, businesses, young families and entrepreneurs who see the potential that the Peninsula offers.

While not to the same degree as localities in the immediate Hobart region, the Tasman has realised strong increases in population growth and economic activity, as noted in the tables below. Contrary to what is alluded to in the review's documents, these trends are expected to continue.



(Australian Bureau of Statistics, Population, 2001-2021)

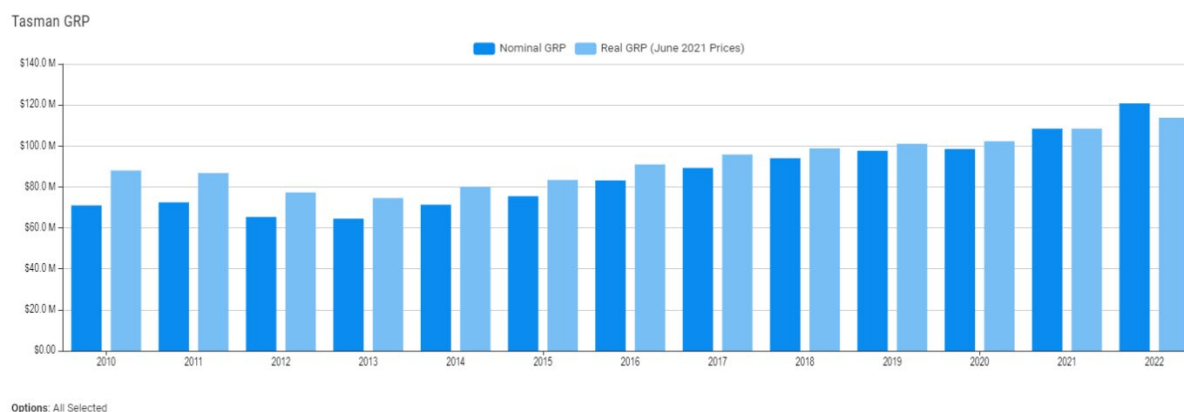
What our Average Age Really Means

In the South-East Community Catchment Information Pack, it points to the variances in the population age for the Tasman compared to those of Sorell. The Information Pack states that the median age for Sorell is 41.6 and the median age for the Tasman is 57.2. The Information Pack goes on to state that “a larger council would have greater scope and resources to address the growing needs of this community” (Tasmanian Government, 2023, p. 19). These statistics are presented in the Information Packs as a negative for our community when all it does is represent a characteristic of the two communities. Sorell is younger, working age community where the Tasman is a retirement destination with a higher number of senior aged residents. The Information Pack fails to show how or if we are struggling to meet our community’s needs in relation to this demographic.

Economically Viable Region

According to the REMPLAN data the Gross Regional Product (GRP) for the Tasman Council Region “increased 70.1% from \$70.983 million in 2010 to \$120.753 million in 2022.” (REMPLAN, 2023).

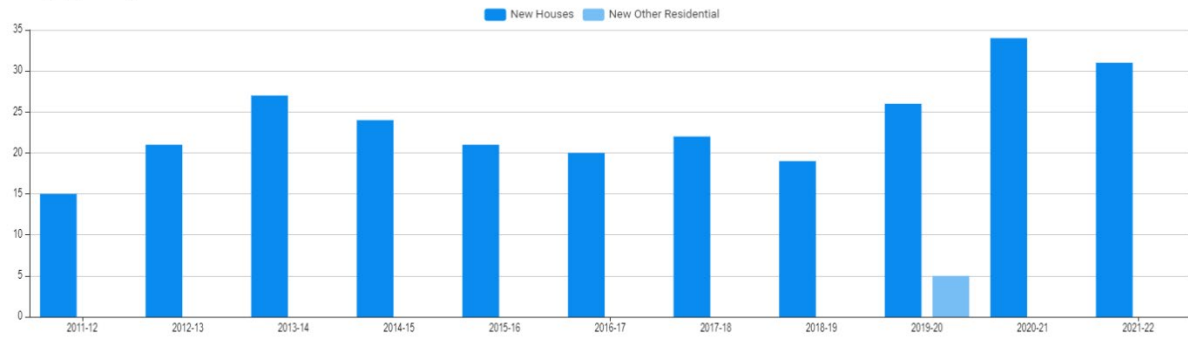
Tasman



Over the past decade, the Tasman Council has seen a steady number of building approvals. The region has seen a more recent spike in building approvals, post COVID (REMPLAN, 2023).

Tasman

Building Approvals by Count

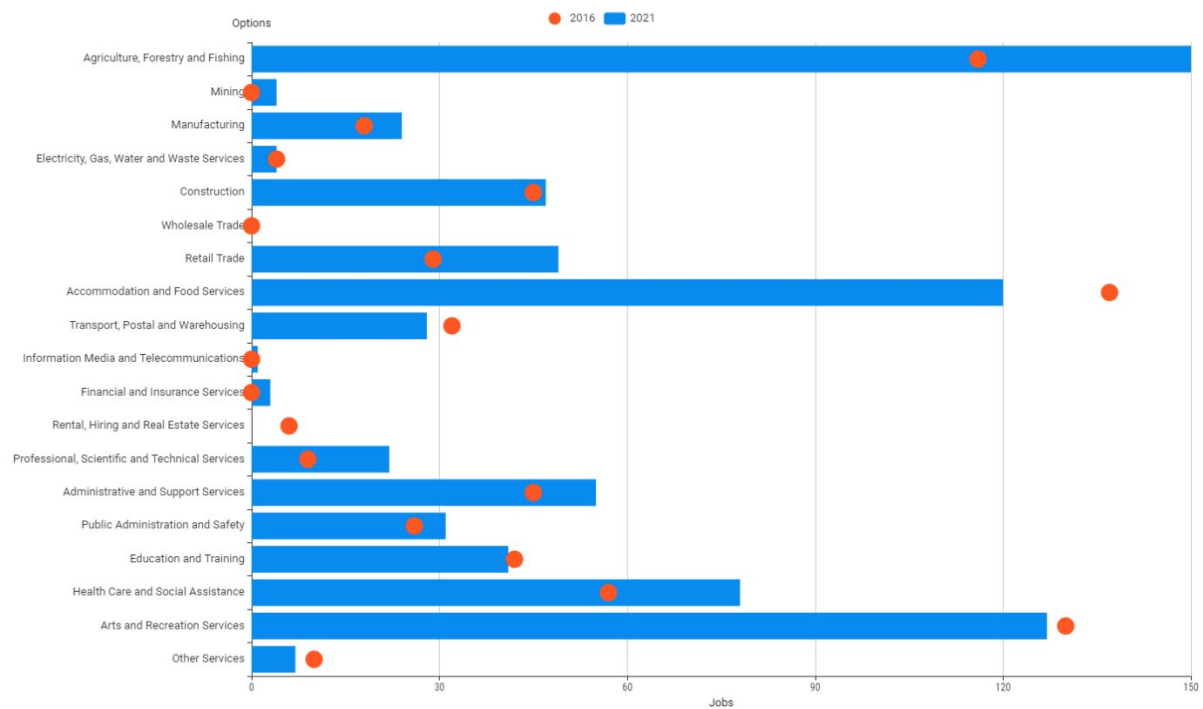


Options: All Selected

The Tasman region saw a 12% increase in jobs from the 2016 census to the 2021 census (REMPAN, 2023). Most industries saw an increase in roles, but accommodation and food services saw the largest drop. However, this statistic has been attributed to COVID and the industry is currently seeing job growth as we recover from the pandemic.

Tasman

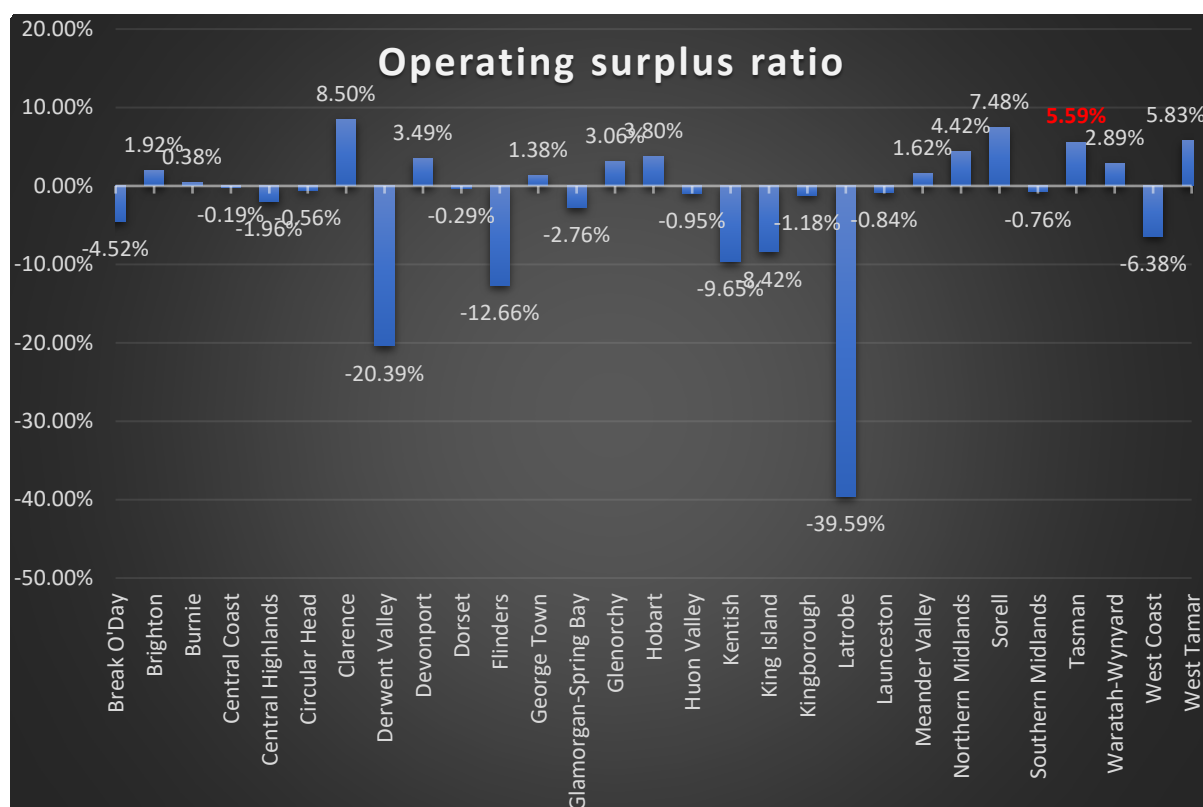
Jobs



Options: All Selected

Financially Sustainable Council

Even though the Tasman Council is small, we are financially viable and sustainable. The Tasman Council has the fourth highest operating surplus ratio in Tasmania as shown in the table below. This indicator is “by far the most important financial indicator for Councils” (Local Government Association of South Australia, 2019, p. 5) and “if a Council consistently achieves a modest positive operating surplus ratio, and has soundly based projections showing that it can continue to do so in the future, having regard to asset management and its community service level needs, then it is financially sustainable” (Local Government Association of South Australia, 2019, p. 5).



We are in this position due to good governance coupled with forward-thinking corporate management and active community engagement.

Employment Snapshot

In the Information Packs, it lists the Tasman Council as having 19 employees (Tasmanian Government, 2023, p. 28) and we question where this number was drawn from as they are not what was reported to the Board 1 May 2023. At the time of this writing, the Tasman Council employs 28 FTE and 7 specialist contract roles.

The Tasman Council questions how the Board expects to retain all these roles in the event of the creation of a new council. Additionally, we question the statements made in the Information packs such as “the integration of centralised or standard corporate ‘back-office’ systems or services for council finance and administration may reduce staff time spent on

repetitive transactional tasks, allowing them to focus on improving services to council staff and communities” (Tasmanian Government, 2023, p. 12). Can the Board show when you have reviewed the functions of our staff and show the results? Currently, we focus on automation, digitisation, and maximising asset utilisation to enable us to deliver high levels of staff and community engagement, leading to higher levels of satisfaction across both demographics.

The Information Packs claim that “in combination with the increased workforce size of these new entities, this is likely to lead to significant economies of scope” (Tasmanian Government, 2023, p. 12). This claim is not backed by any empirical evidence in the Information Packs. This assumption has been shown that “scope economies represent an *a priori* theoretical argument against many small councils each generating their own services” (Dollery & Crase, 2005, p. 12). Any significant, or meaningful, scope of economy has never been proven to have been achieved through amalgamation but rather by “several small and adjacent municipalities forming some umbrella organization, like a ROCs [Regional Organisation of Councils], in an attempt to capture scope of economies” (Dollery & Crase, 2005, p. 12). This points to a hybrid model of outsourced/shared services delivery over amalgamation.

The Costs of Doing Business

Throughout the literature produced by the Local Government Board, as a part of the Future of Local Government Review, it touts cost savings to residents through a reduction in rates. The South-East Information Pack, scenario 2, makes the statement that “establishing a consistent approach to rating across the region will be challenging given the average rates per capita in Glamorgan-Spring Bay and Tasman are significantly higher than in Sorell” (Tasmanian Government, 2023, p. 20). However, rates are not the only charges that residents must pay and when you add in all compulsory charges, Sorell cost its residents 30 percent more than Tasman and Glamorgan-Spring Bay, as noted in the Information Pack as shown below. The full facts need to be presented to the public.

5. Appendix

Analysis of existing Councils within (or partially within) community catchment⁶

Council	Population	No. of employees	Average Residential Rates & Annual Charges per Residential Property (\$)	Current ratio (10 yr average)	Cash Expense Cover Ratio	Own source revenue coverage ratio (10 yr average)	Underlying surplus ratio (10 yr average)	Debt service cover ratio (8 yr average)	Asset sustainability ratio (7 yr average)
Year	2021	2020-21	2020-21	2011-21	2011-21	2011-21	2011-21	2013-21	2014-21
Glamorgan-Spring Bay	5012	41.9	1030.31	1.13	1	85%	-2%	8.5	110%
Sorell	16734	70.4	1303.73	3.02	6	88%	4%	18.8	88%
Tasman	2593	19	1069.5	10.42	13	95%	10%	39.3	118%

(Tasmanian Government, 2023, p. 28)

Economies of Scale

After reviewing the amalgamations that occurred this century in Australia and overseas, there appeared to be a theory that amalgamating councils would lead to obtaining economies of scale. However, this theory has been proven, through peer-reviewed research, to be flawed logic. “Economies of scale do not materialize simply because an entity has increased size” (Drew, McQuestin, & Dollery, 2023, p. 5).

Simply redrawing boundaries does not change the inputs or the outputs within the economic system. It has been found that “where local government produces a range of different services, each with its own unique production characteristics, no single size of government will be able to produce all services at the minimum possible cost for each service” (Sancton, 2000, p. 74). Researchers have found that “there is a strong *a priori* presumption that that no uniform pattern of economies of scale will exist across the broad range of services offered [by councils]” (Dollery, Byrnes, & Crase, 2008, p. 174). Additionally, researchers found “that there are neither theoretical foundations nor empirical evidence to support the view that substantial scale economies exist in Australian local government service provision” (Dollery, Byrnes, & Crase, 2008, p. 174). Another journal article found that “both the international and Australian theoretical and empirical literature on the relationship between municipal size (in population terms) and efficient service delivery (measured in cost per capita) suggests precisely the opposite; smaller local councils typically produce many, but not all, services more efficiently” (Dollery & Crase, 2005, p. 5). “Almost all the international research on whether size matters in local government comes to the same conclusion – bigger councils are less economical and less locally responsive” (Allan, 2003, p. 74).

A four-year, post-amalgamation review of the NSW amalgamations found that five out of six financial ratios (own source revenue, operating performance, debt service, building and asset renewal, infrastructure backlog and asset maintenance) had eroded post amalgamation (Drew, McQuestin, & Dollery, 2022). Additionally, we met with Paul Bell AM who was the President of the Local Government Association of Queensland (LGAQ) during their amalgamations and subsequent de-amalgamations. Paul claims that the post amalgamation period cost councils far more than prior and that the costs savings and economies of scale projected have not been realised. For the Queensland de-amalgamations, “Nineteen councils submitted proposals for de-amalgamation. However, only five were examined by the Boundaries Commissioner and just four councils were allowed to proceed with de-amalgamation” (Souza, Dollery, & Kortt, 2014, p. 1410).

The Community Voice

The autonomy of the Tasman Council enables us to make decisions that are specifically tailored to the needs and aspirations of our local community. Amalgamation will dilute this autonomy, leading to decision-making processes that may not adequately consider the unique characteristics and interests of the Tasman Region. A vital aspect of the Tasman Council’s effectiveness is its close connection to the local community. The Council’s small size facilitates greater community involvement, resulting in improved representation and responsiveness. Amalgamation will lead to decreased community engagement, potentially

eroding the community's ability to influence decisions affecting their daily lives. Our community is diverse which is reflected in the recent election of diverse, inclusive, and progressive representation which enables a genuine consideration of voices across our community. As evidenced in the 2019 elector poll where 77.47% of registered voters voted against amalgamation 68.63% (No) to 31.37% (Yes) (Tasmania Electoral Commission, 2019).

In the Information Pack – Supporting Paper on Supporting Strong and Empowered Local Communities, the Board makes a broad sweeping statement that “people’s panels’ and other participatory models could lead to considerable improvements in Tasmanian local government representation” (Tasmanian Government, 2023, p. 4). Utilising the word ‘could’, demonstrates that this suggestion is not proven. Regardless, of how formal these suggested community panels are, they do not form a body with any statutory authority nor are they a part of our democratic system.

Research has shown that “smaller councils have many inherent advantages” and “residents want *local*, not regional government. Residents also want micro-solutions, not grand plans” (Allan, 2003, p. 74). The Tasman Council’s strength lies in our local knowledge and close community relationships that enable effective delivery of essential services. Amalgamation will introduce administrative complexities and hinder the Council’s ability to provide efficient and personalised services.

We have the advantage of being intimately familiar with our region's economic potential and challenges. By remaining independent, the council can focus its resources and efforts on promoting local economic development initiatives specific to the Tasman region. Amalgamation may divert attention and resources away from these region-specific priorities. We must emphasise the importance of acknowledging and valuing local decision-making, community representation, and the unique needs of the Tasman region to sustain a thriving local government and community.

The Reform Needed

The Tasman Council agrees that reform within local government is needed but redrawing Council boundaries is not required to achieve this reform.

Currently, like most industries, there is a labour shortage, which is more pronounced in specific skill areas such as planning, finance, engineering, etc. This is exacerbated by the fact that there are 29 councils competing for the same talent in a limited talent pool. This could be solved by establishing an organisation that provides these services to councils. The State has the option of establishing the organisation with a mandate that councils utilise the services for an initial minimum of three years. The organisation will utilise a fee-for-service business model, charging rates that are commercially viable. The three-year period allows time for councils to become conditioned to outsourcing services. The organisation will also provide services commercially to other, non-government, organisations at commercial rates.

There are examples of this being done successfully. Some of these include Peak Services (owned by the Local Government Association of Queensland) in Queensland which provides shared services to Queensland’s councils, councils overseas as well as private businesses.

Another is CouncilBIZ (a Local Government Subsidiary under the NT *Local Government Act 2019*) in Darwin which provides shared services to nine of Northern Territory's remote regional councils.

A model that Tasmania could emulate is one introduced in the UK. The UK's Local Government Association claims that, nationally, there are 626 shared services agreements in place which have led to taxpayer savings of £1.34bn (AUD \$2.49bn) as of 2019 (Local Government Association UK, 2023).

Another cost savings measure that the Board should look at implementing is a whole of local government enterprise bargaining agreement (EBA) that would cover all 29 councils. This would standardise conditions for staff across the local government industry in the state, allow for better portability of benefits and assist in industry retention.

Any of these options require further investigation and the Tasman Council is willing to play an active part in the development of the shared services model.

Questions Left Unanswered

There are several important questions that are left unanswered, or unexplored, from the Board's review. The questions below are a few examples that we feel need to be explored further and are by no means an exhaustive list.

1. What happens to the Council's cash reserves if the lines are redrawn?
2. What happens to the equity that the Tasman community has built in projects such as the Joint Authority – Copping?
3. Can the Board guarantee that there will be no job losses in the Tasman region due to redrawing the Council's boundary?
4. Can the Board guarantee there will be no negative flow on economic effect to industries that provide services to the Tasman Council due to redrawing boundaries?

Conclusion

By the Board's own admission, the Tasman region is unique and vital to our State's ongoing economic prosperity. Our uniqueness as a region is due to the attributes of our demographics, geography, history and natural surroundings. Through this paper we have provided evidence that we are a strong and sustainable council. We are heavily engaged with our communities and provide for and represent them well. This is our people's expectation, and we will continue to meet this expectation well into the future.

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