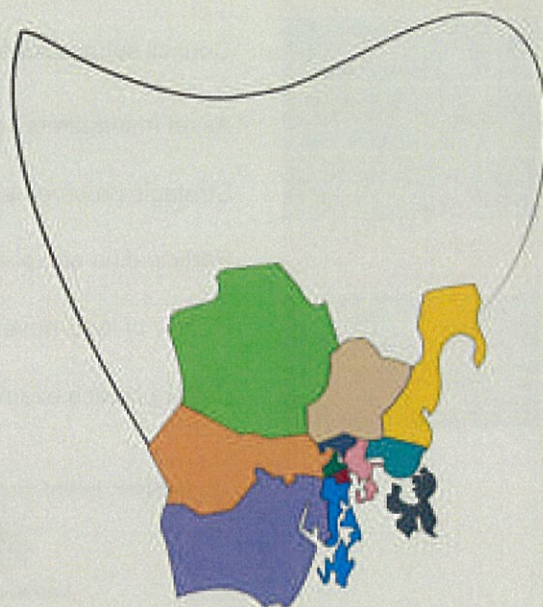


Independent Review of Structures for Local Governance & Service Delivery in Southern Tasmania

Final report of the independent panel to the Southern Tasmanian Councils Authority

October 2011



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This independent review has been funded by the Australian Government & the Southern Tasmanian Councils Authority

Context

It is widely acknowledged that reform of local government in Southern Tasmania is long overdue. Recent surveys of residents, community consultation, interviews with councillors, local government managers and other stakeholders confirm the desire for reform of local government. It is generally accepted that significant benefits can be achieved through the reform process, including greater influence, improved community engagement, operational efficiencies, cost savings and improved economic returns for the region.

With the assistance provided by a Commonwealth grant under the Local Government Reform Fund, the STCA, through a steering committee, appointed an independent expert review panel to review the local government structure in the region. The independent panel considered the results of a community survey, councillor and general manager survey, other research and submissions, and developed four options for community consultation.

Four options

The four options for community consultation were advertised in *The Mercury* and shared direct with citizens. As a result, nearly 260 submissions were received, commenting on these alternatives:

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| Option 1 | Maintaining the status quo in relation to the number of local governments and their current boundaries, but seeking to improve performance through a concentration on the formation of stronger regional bodies and shared services. |
| Option 2 | Forming a single local council for the whole of the region, by merging the existing twelve councils |
| Option 3 | Amalgamating all of the urban parts of Hobart into a single Greater Hobart Council, while leaving the rural councils largely untouched. |
| Option 4 | Creating Eastern Shore and Western Shore Councils in Hobart, and merging rural councils into three new local government areas. |

Findings and recommendations

This report outlines the findings of the review, including the community response to the four options described above, and it provides a clear sense of direction for the STCA and its member councils by way of 10 recommendations:

Recommendation 1 – Greater Hobart

That the present cities of Hobart, Glenorchy and urban Clarence (with Richmond and surrounds moving into the Sorell Council area), the urban part Kingborough excluding the Channel and Bruny Island (which would be incorporated into Huon Valley) be merged with Brighton to form a single council, to be named the City of Greater Hobart.

That wards be introduced at least for the first term of the Greater Hobart Council.

Further, that the STCA should call a meeting of two representatives of each council in metropolitan Hobart to discuss the core recommendations of this report and the transition towards a Greater Hobart Council.

Recommendation 2 – City of Greater Hobart Act

That a City of Greater Hobart Act be developed that recognises the city as a capital city, identifies the powers of the mayor and council, and the obligations the city has to support rural councils through its resources and contracts.

Recommendation 3 – Non-metropolitan councils

That, apart from consequential boundary adjustments as a result of the formation of a Greater Hobart Council, no further boundary adjustments or amalgamations are promoted in the non-metropolitan area at this stage, but that a review of the special needs of these councils and appropriate reform options be undertaken.

The panel further recommends that the distribution of Financial Assistance Grants (FAGs) within the region be considered to assist these councils towards long-term reform and greater sustainability (see recommendation 12).

Recommendation 4 – Timing of amalgamations and boundary changes

That, if adopted, the structural changes proposed in this report are implemented as from the commencement of the new council terms following the next local government elections in October 2013, with those elections to be based on the newly structured councils.

Recommendation 5 – Transition committee

That a transition committee, comprising two councillors from each of Brighton, Clarence, Glenorchy, Hobart and Kingborough Councils, be established to oversee the transition to the new Greater Hobart Council.

Recommendation 6 – Committee for Hobart

That a Committee for Hobart be established from the business, environment, social, arts, tourism sectors to build a vision for the Greater Hobart area.

Recommendation 7 – Three year reform program

That Southern Tasmanian councils work with the State Government on implementing a three-year reform program. The reform program would include reform in:

- governance,
- community and customer engagement,
- planning,
- asset management and capital works,
- strategic procurement and
- service delivery

Recommendation 8 – Financial management and sustainability

That a review of the distribution of Financial Assistance Grants and roads funding be undertaken in the light of the special needs of non-metropolitan councils.

Further, that a review of financial management policies of Southern Tasmanian councils be undertaken with a view to appropriate financial management principles and practices being adopted.

Recommendation 9 – Period of office for mayors and councillors

That the Local Government Act be changed to provide for the popular election of mayors for a four-year term, for full council elections every four years, and a removal of the requirement for mayors to have previously served in local government.

Recommendation 10 – Compulsory voting

That the State Government introduce compulsory voting for local government elections.

Recommendation 11 – Local government skills

That the STCA develop a skills development strategy for staff and elected members of Southern Tasmanian councils.

Recommendation 12 – Community engagement

That the STCA take steps to introduce a training program for elected officials and council staff in community engagement strategies as a basis for continued improvement in this regard in the newly structured councils.

Recommendation 13 – STCA responsibilities

That the STCA take on the responsibility for formulating and coordinating strategies for the region as a whole, that focus on the Greater Hobart and rural hinterland relationships in areas such as economic development, tourism, niche production and marketing.

This report is the outcome of a review commissioned by the Southern Tasmanian Councils Authority, which is a joint authority of twelve councils, formed under the Local Government Act.

Independent panel

On 12 April 2011, a specially-formed Southern Tasmanian Councils Authority (STCA) steering committee appointed an independent panel of experts to develop options for local government reform in the region. This was an initiative funded by the Australian Government's Local Government Reform Fund.

The panel comprised:



Ms Jude Munro AO (chair)

Former CEO of the City of Brisbane, the City of Adelaide, the City of Moreland, and the City of St Kilda



Mr Saul Eslake

Program Director, Productivity Growth, Grattan Institute; and former Chief Economist with the ANZ Banking Group



Mr Stephen Hains

Former CEO of the City of Salisbury (SA), and City of Unley (SA); former CEO of the SA Department of Business Manufacturing and Trade, and former SA Director of Planning

The steering committee also appointed Professor Graham Sansom, Director of the University of Technology, Sydney, Centre for Local Government Excellence as advisor to the project and the panel.

This document is the final report of the panel after four months of research, investigation and consultation, involving a wide range of stakeholders, most particularly the member councils of the STCA and the communities they serve. This research has included an international scan of local government reform.

Context

Currently Tasmania, and in particular Southern Tasmania, does not have a compelling vision for the future of local government. The State Government has removed the control of water and sewerage assets from individual councils. Individual councils are jockeying for position with respect to service delivery for other, usually smaller, councils, and there appears to be an ongoing rumble of dissatisfaction from the community about the number of councils and the level of service they provide.

In November 2008 the STCA board considered a paper entitled *The future shape of local government in Southern Tasmania. A proposal for reform*. A few months later, former Prime Minister Kevin Rudd announced the Local Government Reform Fund, which was introduced to improve the asset and financial management capabilities of councils around Australia, as well as to encourage greater collaboration between councils. These two facts coincided to provide an opportunity for a Commonwealth-funded project examining the opportunities for local government reform in Southern Tasmania.

Only states and territories were eligible to submit project proposals under the Local Government Reform Fund and so the STCA contracted with the Commonwealth Government to undertake the project.

STCA considerations

In initiating this review, the STCA indicated that it was motivated by the following considerations:

- There has effectively been a long standing stalemate in respect to local government reform.
- The extent of the community debate has been largely limited to 'there are too many councils' and 'there should be amalgamations', options had not been provided.
- Tasmania's economic position is not strong, but there are significant, dormant opportunities.

Approach

The recommended approach was to:

- Appoint an independent expert panel with knowledge, not only of local government but also an understanding of the needs of Tasmania.
- For the panel to develop clear, realistic and well articulated options that could form the basis of on-going discussion between councils, the community and State and Federal Governments.
- For the panel to provide a 'road map' that could be followed to improve and strengthen local government in Southern Tasmania.

Objectives

The objectives, as agreed by the Commonwealth Government, were to:

- Maximise the financial sustainability of the Southern Tasmanian local government sector to support continued provision of services to its communities over the long term by promoting more effective service delivery and increasing collaboration within the sector.
- Develop viable, sustainable models for future local government reform in Australian jurisdictions.

Outputs

- Discussion papers on the key issues confronting local government in Southern Tasmania, including community and economic development, public and community health, and sustainable infrastructure provision.
- Clearly articulated, practical, sustainable options for local government in Southern Tasmania, including, but not limited to, amalgamation and resource sharing, to be used for consultation with the community, State and Commonwealth Governments.
- A final report outlining the issues, strengths and weaknesses of each model and the panel's opinion on the most suitable option for Southern Tasmania.
- A national reference resource for local government, particularly for those other regions in Australia facing the same range of issues, setting out the options developed, the process undertaken, and the proposed future steps to be taken.

Governance

In December 2010, Minister Crean notified the STCA that it had been successful in obtaining \$150,000 to implement the project. A steering committee was appointed, comprising:

- Mayor Adriana Taylor, Glenorchy City Council (chair)
- Lord Mayor Rob Valentine, Hobart City Council,
- Mr Greg Brown, Department of Premier and Cabinet, Local Government Division
- Mr Stephen Mackey, Derwent Valley Council and representative of general managers of the regional councils
- Mr David Lovell, STCA
- Mr David Hunn, STCA

The steering committee's terms of reference were:

- Taking on responsibility for the project's business plan and achievement of outputs.
- Ensuring the project's scope aligned with the agreed requirements of the STCA, State and Commonwealth Governments and key stakeholder groups.
- Providing those directly involved in the project with guidance on project issues.
- Ensuring effort and expenditure were appropriate to stakeholder expectations.
- Ensuring that strategies to address potential threats to the project's success had been identified, costed and approved, and that the threats were regularly re-assessed.
- Addressing any issue which had major implications for the project.
- Keeping the project scope under control as emergent issues forced changes to be considered.
- Reconciling differences in opinion and approach, and resolving disputes arising from them.
- Reporting or ensuring that reporting was undertaken on project progress to the STCA board.
- Progressing any issues with their own stakeholder organisations.

Completion of the project in a manner that was consistent with the project plan agreed with the Australian Government was included as a key objective in the STCA annual plan for the current 2011/12 year.

For further information, visit the STCA website <http://stca.tas.gov.au/future/>.

Local government in Southern Tasmania has to operate in the context of the economic conditions in the region and the profile of the population it serves. This chapter is an edited version of the paper entitled *Towards improved local government in Southern Tasmania – the Southern Tasmanian economy and local government reform*, which can be found in full on the STCA website (<http://stca.tas.gov.au/future/>), together with references and links to other sources.

The Tasmanian economy

Eighty-five years ago, an inquiry commissioned by the Federal Government reported that 'Tasmania ... not only has been unable to share in the remarkable prosperity which has been so marked a feature in regard to Australia generally during the period covered by Federation but to an increasing extent each year she lags behind her more fortunate sister States'. Thirty-four years ago, another inquiry commissioned by the Federal Government began with the observation that 'Tasmania is economically vulnerable'. Fourteen years ago yet another inquiry, this one jointly commissioned by the then Federal and State Governments, concluded that Tasmania 'had an economy with serious problems and an overwhelming inertia against taking the actions needed to achieve the opportunities which would turn the State around'.

Tasmania's economic situation has shown some improvement in recent times. Between June 2008 and November 2009, Tasmania's trend unemployment rate was below the national average for the first time since 1980. Between 2000/2001 and 2008/2009, Tasmania's economy grew at a faster rate than any other part of Australia except for the resource-rich jurisdictions of Queensland, Western Australia and the Northern Territory. Indeed, in per capita terms, Tasmania's economic growth over this interval was second only to Western Australia's.

Yet the improvements in Tasmania's relative economic performance during the past decade appear to have had unsustainable foundations. Tasmania's economy was harder hit by the global financial crisis (GFC) than that of the rest of Australia. It is the only state or territory where the job losses sustained after the onset of the GFC have yet to be regained; and the proportion of adult Tasmanians who are in employment is more than five percentage points below the corresponding figure for the rest of Australia.

There are fundamental weaknesses in the Tasmanian economy which can be encapsulated in the observation that Tasmania's per capita gross state product is nearly 21% below the national average, reflecting a combination of lower rates of labour force participation, fewer average hours worked, and lower levels of labour productivity than in other parts of Australia.

This weaker economic capacity and performance is reflected in the disposable incomes of Tasmanians which, even after adjusting for differences in housing costs, are on average more than 14% below the corresponding figure for Australia as a whole. Significantly, this is *not* because the poorest households in Tasmania have significantly lower incomes than their counterparts on the mainland (in fact, the average income of the poorest one-fifth of Tasmanian households is only 3% lower than the average income of the poorest fifth of households across the whole of Australia), but rather because higher-income households in Tasmania earn significantly less (23% less in the case of the most affluent fifth of Tasmanian households) than their counterparts on the mainland.

The absence of a significant number of high-income earners in Tasmania makes it more difficult for local charities, arts and sports organizations and other community groups to attract financial support, and indirectly contributes to greater demands for financial support from State and local governments.

Official forecasts suggest that Tasmania's economy will continue to lag behind that of the rest of Australia over the medium term, and based on Commonwealth Treasury projections of population growth, this would imply Tasmania's per capita gross product falling a further 2.5 percentage points below the national average over the next few years.

Southern Tasmanian industry sectors

Relative to the whole of Tasmania, the economy of Southern Tasmania is much more dependent on government, with government administration and defence accounting for around 11% of total employment,

compared with about 6.5% for the State as a whole. The government-dominated education and health and community services sectors together account for nearly 23% of employment in the region, compared with 19% for the State.

Other key sectors:

- The forestry industry, currently experiencing particularly severe structural adjustment pressures, is important in the Huon Valley region.
- Tourism and transport accounted for a slightly smaller proportion of employment in the region compared with the rest of Tasmania in 2006, but the opening of MONA in January 2011 may well change that.
- The wine industry in Southern Tasmania has shown greater growth than the wine industry in the north in recent years.

Looking ahead, tourism, especially arts and adventure tourism, has the potential to flourish. Other sectors with potential include horticulture and viticulture, information technology and communications (with the arrival of the National Broadband Network), marine engineering, Antarctic and meteorological sciences, design and other creative industries.

Educational attainment

In general, Tasmanians are less well-educated than other Australians. They are significantly less likely to have a university degree, and considerably more likely to have left school before or at Year 10, than residents of other States and Territories, and in general have lower levels of literacy and life skills than those living in other parts of Australia.

Compared with other parts of Tasmania, residents of Southern Tasmania are more likely to have completed their secondary education up to Year 12, and are considerably more likely to possess post-secondary qualifications, although there is a significant gap between residents of Hobart and Kingborough and other areas of Southern Tasmania in this regard.

Demographics

Tasmania's population is on average older than that of any other State except South Australia, and is ageing more rapidly than that of any other State or Territory, in large part because of patterns of interstate migration (with a long-standing outflow of young adults numerically offset by inflows of people aged 55 and over). According to the most recent ABS projections, by 2030 almost 25% of Tasmania's population will be aged 65 or over, compared with less than 20% of that of Australia as a whole.

The educational attainment levels described above are, in part, a reflection of the differences in age structure, both between Tasmania and other States, and between Southern Tasmania and the rest of the State. Within Southern Tasmania, Glamorgan-Spring Bay, Tasman and Central Highlands have substantially higher median ages than the rest of the southern region, while the median age in Brighton – with a high concentration of public housing – is well below that for the region as a whole.

Twenty-eight per cent of Greater Hobart residents derive more than half their income from government pensions and benefits, a substantially higher proportion than in any other capital city, while almost 38% of Tasmanian households outside the city derive more than half their income from these sources.

Potential economic growth opportunities for the Southern Tasmanian economy in the years ahead could lie in areas such as health and aged care, given that the region will have one of the fastest ageing populations of any region in Australia.

Employment

Labour force participation in Greater Hobart was 62% in 2010/2011, substantially higher than that of the rest of Southern Tasmania (55.4%). Greater Hobart's unemployment rate of 4.7% in the same period was lower than any other state capital except for Perth.

Household disposable income

Residents of Greater Hobart typically have higher incomes than residents of other parts of Tasmania. Median household disposable income in 2009-10 was \$1,120 per week in Greater Hobart, lower than in any other capital city, and some 23% below the average for all capital cities, but 19% higher than for households in the rest of Tasmania.

Local government

Tasmanian local governments are smaller, on average, than anywhere else in Australia except Western Australia and the Northern Territory. Tasmania's 29 councils have an average of almost 17,500 residents compared with the Australia-wide average of approximately 40,300. In Tasmania the average ranges from more than 65,000 in the City of Launceston to fewer than 900 on Flinders Island. In Southern Tasmania, the population of local government areas ranges from over 52,000 in Clarence to just over 2,300 in both Tasman and Central Highlands.

Table 1: Local government areas by population, council operating expenses and employment 2009-10

Council	Population	Operating expenses \$000	Employment (FTEs)	Operating expenses per capita	FTE employment per 1000 people
Clarence	52,935	\$53,253	240	\$1,006	4.5
Hobart	50,078	\$98,138	584	\$1,960	11.7
Glenorchy	44,716	\$61,908	324	\$1,384	7.2
Kingborough	34,171	\$33,236	181	\$973	5.3
Brighton	16,358	\$11,555	61	\$706	3.7
Huon Valley	15,372	\$16,470	152	\$1,071	9.9
Sorell	13,407	\$15,365	86	\$1,146	6.4
Derwent Valley	10,118	\$10,190	54	\$1,007	5.3
Southern Midlands	6,146	\$7,997	45	\$1,301	7.3
Glamorgan-Spring Bay	4,507	\$9,813	43	\$2,177	9.5
Tasman	2,413	\$6,812	20	\$2,823	8.3
Central Highlands	2,322	\$6,664	37	\$2,870	15.9
Total	252,543	\$331,401	1,827	\$1,312	7.2
Sources: Local Government Division, Tasmanian Department of Premier & Cabinet, <i>Measuring Council Performance in Tasmania 2007-2008</i> ; State Grants Commission, <i>Annual Report 2009-2010</i> ; ABS <i>Estimated Resident Population, Statistical Local Areas, Tasmania March 2011</i> (Note-FTEs per council were not available past 2007-2008)					

Table 1 shows that, broadly speaking, smaller councils cost more to operate in the sense that they have higher operating expenses and more staff per resident than councils serving larger populations. There are nonetheless some exceptions to this generalisation:

- Hobart City Council has higher operating expenses and higher staff numbers per head than other large urban councils, at least in part because of the expenditure it incurs on cultural and recreational facilities and on roads and footpaths that are used by citizens from across the metropolitan area and beyond.
- Huon Valley Council has relatively high staffing levels for a medium-sized council, although this is not reflected in relatively high operating expenses per capita.

- Brighton Council has very low staffing and operating expenses per capita, reflecting particularly low levels of spending on social and community services, recreation and community amenities, and roads.

Table 2 indicates that, broadly speaking, smaller councils are more reliant on rates for their revenue, and, partly in consequence, have higher rates per head of population than larger councils. As with expenditures, there are some exceptions to this generalisation:

- Hobart City Council has higher rates per capita than the other city councils, reflecting the fact that (as noted earlier) it has higher operating expenses per capita, and also a larger concentration of more valuable commercial property within its jurisdiction.
- Brighton Council has very low rates per capita, reflecting its parsimonious operating expenses and the fact that it has an above-average proportion of lower-valued residential properties within its boundaries.
- Glamorgan-Spring Bay Council is less reliant on rates than other small councils (although its per capita rates are second highest in Southern Tasmania), in large part because it generates more revenue from user fees and charges than any other small council in Tasmania except Circular Head.

Table 2: Local government areas by population, rates and total revenues 2009-10

Council	Population	Rates revenue \$000	Total revenue excluding water and sewerage rates \$000	Rates revenue per capita \$	Rates revenue as a % of total
Clarence	52,935	\$35,120,044	\$60,389,722	\$663.46	58%
Hobart	50,078	\$55,051,368	\$96,909,104	\$1,099.31	57%
Glenorchy	44,716	\$21,390,514	\$53,973,994	\$478.36	40%
Kingborough	34,171	\$17,413,568	\$37,215,882	\$509.60	47%
Brighton	16,358	\$6,094,723	\$13,804,230	\$372.58	44%
Huon Valley	15,372	\$7,698,015	\$20,084,113	\$500.78	38%
Sorell	13,407	\$8,672,657	\$16,359,304	\$646.88	53%
Derwent Valley	10,118	\$4,838,622	\$9,523,970	\$478.22	51%
Southern Midlands	6,146	\$3,421,997	\$8,939,053	\$556.78	38%
Glamorgan-Spring Bay	4,507	\$5,273,000	\$9,708,388	\$1,169.96	54%
Tasman	2,413	\$3,346,701	\$5,633,876	\$1,386.95	59%
Central Highlands	2,322	\$2,531,230	\$6,233,109	\$1,090.11	41%
Total	252,543	\$170,852,439	\$338,774,745	\$676.53	50%
Note: Rates revenue includes general, special and garbage rates. Water and sewerage rates are excluded because of the subsequent transfer of water and sewerage operations to the three Corporations. Sources: Local Government Division, Tasmanian Department of Premier & Cabinet; State Grants Commission, <i>Annual Report 2009-2010</i> ; ABS <i>Estimated Resident Population, Statistical Local Areas, Tasmania March 2011</i>					

Local government taxation revenue (overwhelmingly in the form of rates) was equivalent to \$548 per head of population in Tasmania in 2009/2010, higher than in any state except South Australia, and about 5% above the national average. This partly reflects the fact that Tasmanian councils raise about 22% less per head from user charges for goods and services than the Australia-wide average. On the other hand, Tasmanian local governments received an average of \$210 per head in grants and subsidies from other levels of government in 2009/2010, some 60% above the national average.

In his 2009/10 report, the Auditor General noted that no single Southern Tasmanian council was financially unsustainable, however, five councils (Hobart, Glenorchy, Kingborough, Southern Midlands and Central Highlands) were assessed as at 'moderate risk', based on their operating performance; and eight councils (Clarence, Hobart, Glenorchy, Kingborough, Derwent Valley, Southern Midlands, Tasman, and Central Highlands) were assessed as at 'moderate risk' for asset management.

Unlocking the potential

Together, State and local governments, businesses, employees and communities could lift the proportion of the State's population who participate in employment and improve the productivity of those who have jobs. They could enhance Tasmania's attractiveness as a desirable place to live (retaining more of its young people and drawing people from other places) and as a destination for investment. They could provide Tasmania with a more authentic, more audible, and a more credible voice in national and international fora, heightening awareness of the State's strengths and the ways in which it is working to overcome its weaknesses.

A combined and concerted effort towards these goals would include a determined push to lift both the amount and quality of education received by Tasmanian students, and the skills possessed by Tasmanian workers; to upgrade and extend Tasmania's infrastructure, particularly in the areas of health care, transport and water supply; to improve the efficiency with which government services are provided and lower the cost of providing them; and to create an attractive environment for business investment – which doesn't mean simply having the lowest taxes and the least regulation of any state, but which does mean having taxes and charges which are below the national average, and regulations which are logically related to meaningful economic or social goals, and which are administered consistently and with an eye to minimising unnecessary costs.

Local government reform

Local government reform could make an important contribution to achieving outcomes such as these for Southern Tasmania. Cost savings arising from the formation of stronger and larger local government units are a part of that, but only a part. Cost savings could arise from economies of scale in administration and governance, in the use of capital equipment, and in financing, and form a much more strategic approach to management. These savings could be passed on in the form of lower rates. Alternatively, they could be used to employ people with skills that are beyond the resources of individual councils as presently structured.

It is highly likely that more unified local government for the Greater Hobart region in particular would result in more efficient and effective strategic and land-use planning, more effective coordination and promotion of economic and community development strategies, better coordination of infrastructure usage and planning, and more effective tourism promotion and marketing efforts.

From the outset, the panel has had access to a considerable body of information about the views of the Southern Tasmanian community on the future structure and role of their councils. The panel has been considerably assisted by the significant contribution of a large number of people throughout the community to the project. It is clear from the quantity and diversity of the responses that there is a real appetite for change for the role and structure of local government.

Councillor and community survey

Prior to the commencement of work by the panel, the STCA had initiated two important surveys, a survey of all elected councillors in the region and a comprehensive random telephone survey of the community, including at least 100 participants in every local council area. These surveys were conducted by independent company Myriad Research. The panel was given access to the results of these surveys.

Key points of relevance from the survey of all elected councillors included (see graphical results in Appendix A):

- The view that the most desirable future option, from an elected member perspective, was a smaller number of councils by some combination of urban and rural councils and the least desirable option was for a single Southern Tasmanian Regional Council. This contrasted with the general manager view that indicated a preference for a Greater Hobart Council.
- 57.8% of the elected members surveyed believed that it would be desirable if there were fewer than the current 120 local government elected members to serve the people of Southern Tasmania in 20 years' time.
- The view that the creation of wards would be desirable if there were to be amalgamation of councils resulting in larger municipal areas.
- 65% of elected members surveyed believed that it would be desirable for councils to have more ways of obtaining community input such as community, locality, township and area committees.
- In respect to functions that local government provided, there appeared to be a consensus that the current functions were broadly appropriate.

There were four key questions of relevance to the review in the broader telephone survey of 1,200 adult members of the Southern Tasmanian community, the results of which showed that (see graphical results in Appendix B):

- Over 80% of the community agreed with their local council sharing resources with other councils.
- 52% agreed that their local council should consider amalgamating with one or more neighbouring councils (53% urban; 47% rural).
- 38% believed the 12 southern councils should combine into one regional council (40% urban; 32% rural).
- Just 18% would like to see the State Government look at taking over the role of local government.

These results were issued in a press release and canvassed in a lead item in *The Mercury*, leading to follow-up correspondence and further articles on the topic in subsequent days. The results for each council were not publicly reported, but were provided to individual councils for their own information (see Appendix B).

The panel was particularly struck by the strength of community response to the question "My council should consider amalgamating with one or more of its neighbouring councils", **with 68% of Hobart residents, 59% of Clarence residents, and 58% of Glenorchy residents strongly or very strongly in favour of the proposition**; and little more than one fifth indicating opposition to the question.

Mayors and general managers

From the outset of the review, members of the panel sought to have direct discussions with all mayors and general managers of councils within the region. It would not be fair to try to generalise these discussions, which were primarily aimed at familiarising the panel with the characteristics of, and issues within, each local government area. The panel was, however, and without exception, impressed by the commitment of these officials and by their evident desire for continuing improvements in the coordination of local government and the on-going search for greater efficiency and effectiveness in service delivery.

Political parties

The panel met with the leaders of and local government spokespeople for the ALP, the Greens and the Liberal Party. Without compromising the nature of those discussions, it was clear that in all cases, each of the major political parties represented in the State Parliament was supportive of the process that was being undertaken, very supportive of local government reform, and indicated that they would have a keen interest in the outcomes.

Interest groups

Early in the review, the STCA advertised the project in *The Mercury* on two occasions, seeking input to the study. A number of key interest groups and individuals in the region accordingly lodged submissions at that early stage of the review. The panel then met with a number of people and groups, including:

- The Property Council of Australia
- The Tasmanian Chamber of Commerce and Industry
- The Chair of the Local Government Board at the time of the most recent proposal for amalgamations in the late '90s
- The Tasmanian Council of Social Service
- The President of the Council of Hobart Community Associations and founder of the Hobart Ratepayers' Association.

Background papers

To assist its own considerations, and to further aid community discussion, the panel prepared a number of 'thought pieces' on what were seen to be key issues for the review. These papers, which are all available on the STCA website (<http://stca.tas.gov.au/future/>) and in most cases included as appendices, cover:

- The history of local government reform in Tasmania
- The Southern Tasmanian economy and local government reform
- Strategic procurement
- Asset management
- Better practice examples of governance in local government
- Community engagement

These papers identify a number of challenges and opportunities that the panel believes are faced by the community and councils of Southern Tasmania.

Options paper

Late in August 2011, the panel prepared an options paper (reproduced in Appendix C) designed to stimulate further discussion in the community about the choices that the panel believed the region faces. Four options were presented, representing a wide range and mix of alternatives. They were:

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| Option 1 | Maintaining the status quo in relation to the number of local governments and their current boundaries, but seeking to improve performance through a concentration on the formation of stronger regional bodies and shared services. |
| Option 2 | Forming a single local council for the whole of the region. |
| Option 3 | Amalgamating all metropolitan councils into a single Greater Hobart Council, while leaving the rural councils largely untouched. |
| Option 4 | Creating Eastern Shore and Western Shore Councils in Hobart, and merging rural councils into three new local government areas. |

The options report was summarised and placed as an advertisement in *The Mercury*, including a link to the full report and back-up documentation on the STCA website. It also received considerable editorial coverage. Feedback was encouraged through the website or by post. A second advertisement was placed to encourage further responses and to advise of a deadline for submissions of the end of September.

On 14 September, a letter was sent to 350 community groups, ratepayer and resident associations, precinct committees, service clubs etc. to encourage further feedback on the options paper and the deadline for receipt of submissions was extended to the end of the first week in October¹.

The panel was surprised by the number of responses – almost 260 – and the quality of the submissions received through this process. It was clear that the submissions came from a wide range of individuals, associations and organisations, widely dispersed geographically, and with no discernible categorisation or campaign evident. There were some 42 major themes evident in the submissions (see Appendix D), with these themes expressed by from one to 72 people, all in different forms. Many who responded went out of their way to congratulate the STCA for the process and for the opportunity to make submissions during the review.

While the panel was principally concerned with the individual views expressed, and carefully reviewed every submission for the ideas that they contained, there were some general findings:

- Very few submissions (just 24 or 9.4%) expressed a preference for the maintenance of the status quo, or for the first option outlined in the options paper. Ten, or 9.7%, of submissions known to have been urban, and six, or 12%, of rural submissions preferred the status quo.
- 67.5% (173 by number) of submissions indicated a preference for either a single regional council (option 2), or for the Greater Hobart option (option 3), with many preferring to see some attempt at rural amalgamations as identified in option 4 as well. 73, or 70.9%, of submissions known to have been from urban areas expressed such preferences, compared with 29 or 58% of submissions from known rural areas preferring these options.

All submissions were published and are available on the STCA website (<http://stca.tas.gov.au/future/>).

Appendix D provides a summary of some of the key themes of the individual submissions, together with the panel's comments on each theme.

¹ The panel recognises that the community survey referred to above results in statistically significant conclusions. It does not make the same claim for the submissions that have been received. These, on the other hand, add qualitative insights and, to a large degree, support the results of the community survey.

Councillor workshops

Following the release of the options paper, the panel arranged three workshops for all elected members and general managers of regional councils to discuss the report and its implications. With some 70 participants, these workshops were well attended, and 11 of the 12 councils were represented in some way.

Workshops took the following form:

- An outline of the process of the review by the chair of the STCA steering committee and the chair of the panel.
- A presentation from the panel on what it believed was the case for change in the region.
- A SWOT (strengths, weaknesses, opportunities and threats) analysis of the future of Southern Tasmania in small groups.
- A similar small group discussion on the positive and the negative aspects of each of the options presented in the options paper.

The outcomes of each workshop were then documented, circulated to all councils, and reviewed by the panel. This summary of outcomes, and the panel's views on those outcomes, can be found in Appendix E.

Conclusions

Early in this review, the panel developed the following objectives in approaching the overall goals of improving local government in Southern Tasmania:

- A more resilient and productive Tasmanian economy
- Improved advocacy and representation of the region
- A simple and clear system of governance
- Improving efficiency
- Eliminating duplication
- Saving money
- Improved community engagement.

The panel's views on all the submissions received, and its conclusions drawn from this process, have all been considered against the framework of these objectives.

From the extensive comment that the panel has received, the following general conclusions have been drawn:

An appetite for change

There is a clear mood in the community that the status quo is no longer appropriate for the local government system in Southern Tasmania. This is partly connected to a concern about costs, but there is also a strong feeling that the region is over-governed, expressed in terms of too many authorities and layers of government.

Coupled with this view is a strong sense of frustration that little has happened to bring about the change that many see as necessary; and a degree of cynicism that the present structures of government will take such action.

Local government amalgamation

While the panel was surprised by the extent of support expressed for the option of a single local authority for the region, it was very clear that a strong body of community support exists for larger local government units. Of all the submissions received, 213 (approximately 83%) supported amalgamations, either for the whole of the region; for Greater Hobart; for the eastern and western shores option; or for rural amalgamations². Twenty-five, or 9.8%, did not support council mergers. The remaining 18 submissions (7%), while not expressing an opinion specifically about there being fewer councils, nevertheless supported reform of local government.

² Refer to footnote 1

Policy integration

Many submissions identified the real strengths and potential of the region, and sought improved coordination of policy and development issues between local governments as a key driver for reform. Instances were cited of duplication and varying standards for the provision of services that seemed unnecessary and expensive.

Efficiency and the cost of local government

As may be expected, the cost of local government was a constant theme of concern to people, and many submissions sought improvements that would potentially reduce rates and improve services and asset maintenance through greater efficiencies.

Elected councillors

The summary of the outcomes of the three workshops for elected councillors and senior local government managers demonstrates a sophisticated understanding of the strengths and weaknesses of each of the four options for reform (Appendix E). It shows a balance in views and a greater depth of understanding than the survey of councillors initially revealed. The panel recognises the admirable commitment councillors have to the future welfare of their communities and the strong desire that they have to improve the performance of their councils. There is evidence of some difference of opinion between existing councillors about the potential of amalgamations as a component of local government reform. The panel noted the apparent dissonance between the views of those councillors opposed to structural change and the opinions of the community as expressed in the community survey and the many submissions received.

Resource sharing

The concept of resource sharing was strongly supported in the community survey. It was a key feature of option 1, which relied on resource sharing through new regional structures, while leaving existing council structures unchanged. However, arising out of concern with it the additional bureaucratic structures that would be required, it received very little support in submissions on this option.. The panel congratulates those councils that have managed to provide services through joint arrangements with other councils or the STCA itself, and anticipates that such arrangements will always be a useful tool for councils in seeking to provide more efficient and effective services. But the panel does not believe that such arrangements alone provide a long term, sustainable model for the future pattern of local governance in the region. More appropriate changes to the structures of governance are required. The panel also believes that for such arrangements, which would oblige a larger urban council to support rural councils through its resources and contracts, to be effective, they need to be mandated.

Acknowledgement

The panel takes this opportunity to acknowledge and thank the huge number of citizens of the region who have taken the trouble to provide their always thoughtful and helpful views on the future pattern of local government in Southern Tasmania. These views have had a significant influence on the work of the panel and on the recommendations made in chapter 8.

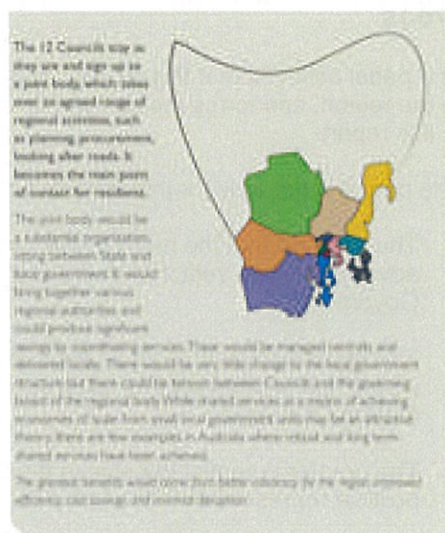
As noted in the previous chapter, the panel was greatly impressed by the quality and range of comments received on the four options published in late August. The following brief evaluation outlines the panel's general comments on each of the options, which underlie the recommendations of this report.

Option 1 – Status quo with shared services

This option sought to respond to the views, often expressed in local government, that a more coherent framework of shared services between councils would avoid the need for amalgamation, as it would achieve the economies of scale of shared service provision, while maintaining the local diversity of smaller scale elected councils.

While congratulating the many councils that have, to some degree, developed shared service models between council areas, and while encouraging their continued efforts in this regard, the panel does not believe that this model offers a solution to the long term needs of local government in Southern Tasmania, for the following primary reasons:

- The real opportunities for Southern Tasmanian councils lie in stronger integrated governance and strategic planning, which require much more than just a cooperative framework between councils.
- Long term and sustainable models of service provision are unlikely to be possible, especially for more complex and politically sensitive areas, through agreements across councils.
- Cooperative arrangements across council boundaries inevitably require the establishment of administrative arrangements that develop their own bureaucracies that are not directly accountable to the community, which is not a principle of strong long term democratic accountability.
- On the other hand, resource sharing that operates on a contractual basis can be effective (that is, where a council is able to piggy back off existing contracts, or staffing resources, in other councils). The panel sees rural councils being able to do this with urban councils in particular, but only if it is financially advantageous to do so. The panel also believes that for such arrangements, which would oblige a larger urban councils to support rural councils through its resources and contracts, to be effective, they need to be mandated.

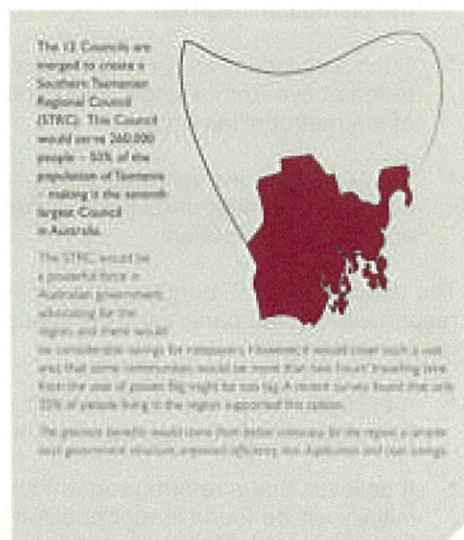


Option 2 – Single Southern Tasmanian Council

This option was put forward for the sake of showing a full range of possibilities in the options report, and the panel was surprised by the amount of support that it attracted from community submissions.

The panel nonetheless does not believe that this is the most appropriate arrangement for local government in the region, for a number of reasons:

- It is an inappropriate attempt to combine council areas with little real community of interest. The panel strongly believes that effective amalgamations can only proceed on a 'like with like' basis that distinguishes between urban and rural areas.
- Such a council would be of a size in the context of Tasmania that would rival the State Government, and would be unlikely to be considered appropriate by Parliament.



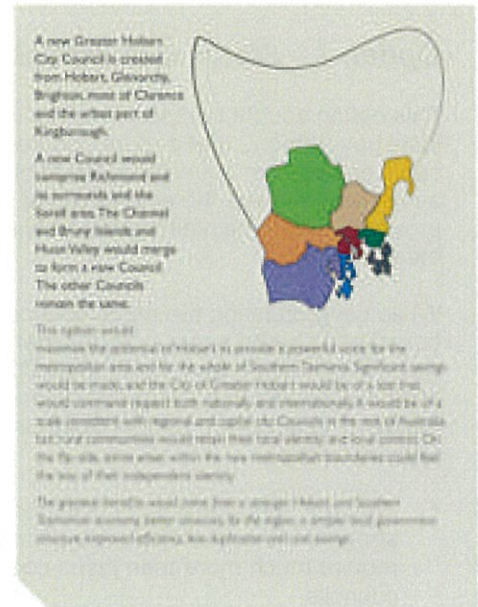
- The issues of communication and travel in rural areas for such a council would be significant, and it would add considerably to the costs of governance.
- There are few perceived benefits that would not also accrue under a less radical proposal such as option 3.

Option 3 – Greater Hobart and no change in rural areas

The panel believes that this model offers the most significant benefits to the region, and forms the basis of the recommendations contained in this report.

The principal grounds for this view include:

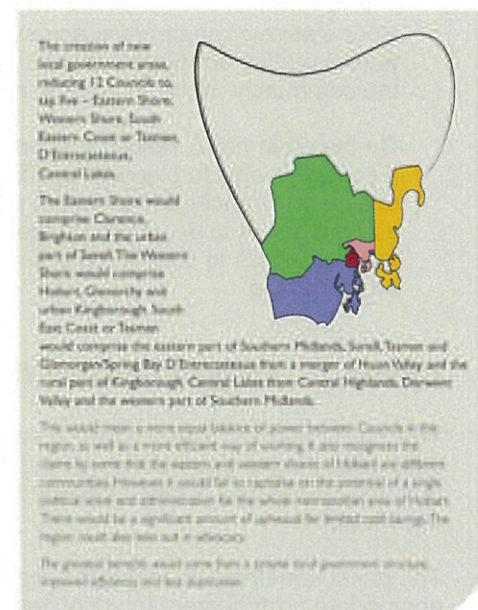
- The strength that the metropolitan area of Hobart would gain in advocacy for the region with the State and Commonwealth Governments.
- The opportunities that would flow from the better strategic planning and integration of projects and services across the metropolitan area.
- The greater potential to achieve the very best professional and political representation to service the needs of Hobart.
- The cost and efficiency gains that would accrue from more professional council administration and an increase in the skills of local politicians.



Option 4 – Eastern and western shores and rural mergers

This option picks up on a traditional perceived divide between the eastern and western shores of Hobart. On balance, the panel did not support this divide as a basis for local government restructuring in Hobart for at least three reasons:

- A merger between Clarence and Brighton on the eastern shore and Hobart, Glenorchy and Kingborough on the western shore, would not achieve a great deal in terms of financial benefits for the disruption involved.
- Such a divide in Hobart would miss out on the many benefits noted above from a single metropolitan perspective for the whole of the metropolitan area.
- There was surprisingly little public support for such a divide and a significant number of responses that suggested it was no longer appropriate for Hobart.



The concept of rural mergers was relatively popular in community responses, but the panel remains cautious and has not recommended such mergers at this stage for the following reasons:

- It believes that there needs to be a separate and targeted review of the special needs of rural councils, as simple mergers may not solve their longer term needs, and may even exacerbate them.
- It believes that a reform program should be considered in stages, and that the most significant gains initially will be found in metropolitan Hobart, with potential flow-on opportunities for rural councils becoming evident as a consequence of this change.

This chapter outlines the case for change and the opportunity to make improvements to local government in Southern Tasmania in the areas of corporate governance, community engagement, planning, asset management, capital works, strategic procurement and service delivery. It complements the chapter of the same name contained in the options report (Appendix C).

Lessons of the past

It is crucial that lessons from history are learnt or, as the adage says, those who embark on change will be destined to repeat the mistakes of the past. There have been failures, but also great successes, in local government reform in Tasmania, and across Australia.

- Council leaders will be opposed to change unless they feel that the community supports change, and that it is in the interest of their community.
- They are more likely to support change if they have a chance to control it, for example being in control of transition committees that manage the initial stage of council amalgamations, in the 12 months prior to a new, merged council being elected.
- A partnership between the State and local governments is vital. Where this breaks down, there can be years of resentment and bitterness between the two spheres of government. Where possible, councils should initiate change themselves and be supported by the State Government in doing so. Councils run the risk of change being forced upon them by a State Government at some stage; it is better to be in control, or a partner in change, rather than being controlled. This is likely to occur where community pressure to change becomes evident and it is resisted by councillors. If there is a sense in the community that councillors are acting solely in self interest in resisting change, the worst outcome is local residents and businesses will lose interest and commitment to being active in their local community and in their local government. This can prove disastrous where resources and effort need to be marshalled for the community's greater good.
- Where amalgamations occur there should be every attempt made to keep local democracy operating and to avoid the appointment by a State Government of commissioners or other unelected administrators.

Economic opportunities

Tasmania is a small isolated island, with a small population, and an economy with special challenges. There are opportunities arising from its climate, natural beauty, heritage, niche products, water and energy, but the challenges facing it are also daunting. Its population is ageing, and younger people are not as well educated as those in the rest of Australia. Tasmania needs the support of the Federal Government for levels of funding that are large compared with Tasmania's population size. This makes Tasmania vulnerable to changing Federal Government agendas and pressure from all the other states and territories competing for Federal funds.

The Tasmanian Government is trying to lead an economic reform agenda to make Tasmania more competitive, but there is an urgent need for more to be done. Reform in Tasmania will mean lifting education levels and conducting more industry training and lifelong learning to match the skills available with the needs of industry and emerging businesses. It will mean encouraging greater levels of innovation and putting in place regulatory reform.

Local government has to be a partner in this reform, and this requires a local government system that is as strong as possible. Economic reform led by government in Tasmania, including local government, is essential.

It is not that the system of local government is totally broken but rather it could be much improved.

Strengths and weaknesses

The panel conducted three workshops for the mayors, aldermen and councillors of Southern Tasmanian Councils, and during these, the strengths and weaknesses of local government in the region were discussed (Appendix E).

In essence the strengths were seen as:

- Councils represent their communities' interests.
- There is an ease of contacting councillors.
- There is a high level of engagement by some councils with their communities.
- There is a variety of councils.
- Councillors do not have to be paid full-time wages in rural areas.

The weaknesses were seen as:

- Southern Tasmania is over-governed, with too much bureaucracy – what is the value and cost of this governance?
- Some councils appear to have inadequate finances to fully cover depreciation of their asset base.
- Rates have been kept low because of community concerns over cost of living pressures.
- Smaller councils do not have facilities or the funds to build them.
- Lack of funds from Federal and State Governments to councils.
- The water reforms have cut the revenue base of many councils.
- Part-time elected members and poor remuneration of councillors.
- Lack of capacity in some councils to develop strategies on the big issues.

Other stakeholders see the strengths and weaknesses of local government in Southern Tasmania in the following way. Some would like to see greater strategic capacity in local government, strengthened consultation with the community; more specialised staff; lower input costs to business and speedier decision-making. Quite a number of stakeholders have referred pointedly to the apparent failure of councils in metropolitan Hobart to develop a coordinated position on the attraction of an AFL team to play in the city, as evidence of a lack of unity amongst these councils on the big issues confronting Hobart.

Greater Hobart and the rural hinterland

The initiative to create the STCA is to be applauded. It has achieved much, particularly in creating regional planning strategies. However, additional work is required around the relationship between the Greater Hobart metropolitan area and the rural hinterland. The Hobart metropolitan area requires a vision, plans and the key projects that arise from these plans. The region requires a similar vision, plans and key projects – and a framework for coordination.

At a simple level this can be seen in tourism. There is a symbiotic relationship between the success of Port Arthur, Freycinet or Tahune Air Walk and hotel stays in Hobart. The factors for success in each are made more successful by the successes of the others. A Hobart expo centre for produce, or covered Hobart central market, or a Hobart international culinary school would be enhanced by niche food products grown or produced in the Southern Tasmanian rural regions and vice versa. Wineries are also an example of a tourism and economic opportunity. There are opportunities to be nurtured and grown but they will require strong councils working co-operatively with business and the State Government.

Example of strong local government

A strong local government system is required in Tasmania and it would look very different to the system that is in place now. It would look more like the Queensland local government system, which is arguably the strongest in Australia. In spite of the obvious difference in size, Queensland, like Tasmania is largely decentralised. It has also been the subject of the most recently round of local government restructuring that was particularly respectful of the needs of rural areas and set out deliberately to strengthen local government in that State.

Queensland now has 73 Councils for a population of 4.55 million people, or an average of 62,000 people per council. In Southern Tasmania there are 12 councils for 265,000 residents or 21,000 residents on average per council. Queensland local councils are characterised by large urban councils serving between 150,000 and 1.2 million people. There are also large rural regional councils in areas that have a major service hub or centre, such as Cairns, Townsville, Mackay or Gladstone, surrounded by a hinterland. Then there are small,

dispersed rural councils that service large western parts of Queensland, where distance precludes larger units of local government. From a Queensland State Government perspective, the urban and regional councils are able to be financially independent and cross-subsidise the smaller rural councils through the Financial Assistance Grants system.

The Queensland councils all have directly-elected mayors and a four-year term. Such a system in Tasmania would allow the State Government to get on with its task of planning and managing the significant economic, environmental and social agendas for Tasmania. It could rely on local government as a partner, with its own roles and responsibilities. The State Government could have high expectations of the performance of local government in planning, governance and community engagement, asset management and service delivery. Where local government is strong, other functions are able to be shifted from the State Government to local government for management. This is not an argument that supports cost-shifting but rather one of services being best managed closest to the people using those services.

Efficiency and cost savings

Every aspect of Tasmanian society needs to be as efficient as possible in order for Tasmania to be as competitive as possible. Right across Australia, people are concerned about the cost of living. This is also the case in Southern Tasmania. As well as being of benefit to its community, local government is also an input cost to business.

Larger local government units can be run more efficiently than smaller local government units. Some 165,000 people live in metropolitan Hobart, out of 265,000 in the whole of Southern Tasmania, so it is not surprising that most cost savings would be made in the councils that serve the community of metropolitan Hobart. This is also where most infrastructure is developed, and where most council employees are based.

While the consultancy firm Deloitte predicts savings of up to 35% from creating a single Southern Tasmanian Regional Council³, the independent panel believes that savings achieved would more likely be in the order of up to 15% of the 12 councils' combined expenditure. This would be in areas such as governance, senior management, asset management, capital expenditure and procurement of goods and services.

With an estimated \$48 million expenditure on asset maintenance by the metropolitan Hobart councils, a progressive 10% to 30% saving per year, arising from a shift from reactive maintenance to scheduled maintenance, would be worth \$5 million to \$15 million, which could be spent on other necessary council costs, including infrastructure. Another way of looking at these savings is that they would be equivalent to between \$60 and \$175 per ratepayer in the Greater Hobart area.

By bundling up capital works across Southern Tasmania, or offering a longer term, rolling program of works, and using specialist negotiators, savings of the order of 10% would be achievable.

In the 2010/2011 financial year, the total Southern Tasmanian councils' expenditure was estimated by the State Grants Commission to be \$235.4 million. Some 30% to 40%, equating to between \$71 million and \$94 million, would be spent on materials and services. Savings in the order of \$7 million to \$9 million would thus be achievable over an 18-month period by adopting strategic procurement for the Southern Tasmanian councils.

Savings in governance, that is direct councillor costs and senior administration, would also be achievable.

All these savings would be significant and could be directed to infrastructure and key projects, economic development initiatives, specialist services, improved communication and community engagement, improved services and/or reduced rate increases.

The fact that cost savings from merging councils in Southern Tasmania would be larger and proportionately greater in urban areas, led the panel to the view that the greater imperative for change, and imminent change, lay in the urban areas of Southern Tasmania, rather than in the outlying rural areas.

Greater Hobart Council

A Greater Hobart Council, covering the whole metropolitan area of Hobart, would lead to the city having one mayor and one council. This would also mean that, over a period of time, there would be one set of policies, regulations, and service delivery standards.

³ Deloitte Access Economics, "Local Government Structural Reform in Tasmania", Property Council of Tasmania, August 2011

One mayor speaking for the whole of Hobart would be a powerful advocate for the city and for Southern Tasmania. He or she could set out an agenda for expenditure, for example on infrastructure and key projects that would underpin economic growth. Indeed, the freeing up of funds would allow for some projects to be funded without State and Federal assistance. In other words, Hobart would be more in control of its own destiny. It would also enable a stronger partnership between local, State and Federal governments on key infrastructure projects and programs.

Having one mayor and a Greater Hobart Council is crucial. There is evidence from around the world that higher levels of government, businesses, investors, journalists and other stakeholders are increasingly wanting to deal with one leader for a city, not a multiplicity of leaders. The media also seeks this outcome; they want one spokesperson not many voices. Perhaps even more importantly, a mayor for Greater Hobart would be able to marshal people and resources for the common good. The mayor would be able to ask the public for volunteers at crucial times, bring key stakeholders together on particular projects, set up taskforces of prominent or highly skilled residents, academics, business people and community groups to solve problems or work on projects

The fear that a Greater Hobart Council would lead to more involvement of political parties in local government is an unwarranted one. Evidence from around the world is that there is a greater professionalism and skills base in larger councils. This is a good thing. It means that the council becomes more skilled as a whole, more strategic in developing a vision for the city and provides more of a balance to its administration. Currently, this is not the case. The evidence is also that even where party politics becomes involved, the mayor tends to rise above party politics and not be beholden to party politics. The people soon know if a mayor and other councillors are acting purely 'politically' and they receive short shrift, being voted out at the first opportunity. In the view of the panel, a mayor of Hobart would advocate for Hobart and its interests above all else.

Finally, the creation of a City of Greater Hobart should be accompanied by its own legislation, the City of Greater Hobart Act. This Act would spell out the powers of the council and the mayor. The Act would require the Greater Hobart Council to establish a vision for the city, work efficiently, develop a metropolitan Hobart plan and participate in regional planning. It could allow, as of right, access to its contracts for goods and services to the other councils in Southern Tasmania, and allow, as of right, access to its council officer services such as town planning, engineering and internal auditing services on a cost-only or cost-plus basis.

Mandate to govern

It is the panel's view that the mayor and councillors of Tasmanian councils should serve a four-year term. This would enable the candidates for office to stand on a policy platform and be voted in with a mandate to govern. The council would have sufficient time to deliver a program of policies, projects and services and the mayor and councillors would stand for re-election based on their record of achievements.

This would best be accompanied by all-in/all-out council elections, where all positions would be declared vacant at the end of the council term. This is because the community may want a total change in policy – or not. The current half-in/half-out arrangement promotes the status quo and continuity, which may be suitable for a house of review such as the Australian Parliamentary Senate, but not for a democratic body directly elected by the population, which is charged with the full responsibility of initiating policy.

Voluntary voting does local communities a disservice as it promotes candidates for political office who are beholden to narrow-minded, sectional interest groups. Mandatory voting encourages more mainstream candidates who are interested in acting for the whole of the ratepayer base, not just a small group of individuals.

The requirement for any candidate for the office of mayor of a council to have previously served as an alderman has arisen from a desire to ensure that future mayors have an understanding of council processes. This appears to be an unnecessary restriction. It is not required in any other sphere of government in Australia. For instance, a newly elected Federal or State Government MP can be elected as Prime Minister or Premier. The current requirement unnecessarily restricts the pool of candidates for the office of mayor.

Consideration also needs to be given to making it easier for younger and professional residents and ratepayers to stand for council. Modern communication technology, such as teleconferences and video-conferencing for normal (not budget-setting) council meetings could open the opportunity for greater diversity. These practices have been allowed for in the Local Government Act in other jurisdictions. Some mayors, in interviews with the panel, expressed concern about the average age of councillors being over 60,

and that the distances travelled to meetings precluded residents and ratepayers who were younger, and working, from standing for council.

Community-driven change

The Southern Tasmanian community has made it clear it wants to see change in local government, as evidenced by the results from the recent, statistically robust survey of more than 1200 people in Southern Tasmania, undertaken by a research company on behalf of the STCA.

On the question of amalgamations, rural people generally were only marginally less supportive than those living in urban areas. The strongest response to the question 'My council should consider amalgamating with one or more of its neighbouring councils' came from Hobart, Clarence and Glenorchy residents. A massive 68% of Hobart respondents, 59% of Clarence respondents, and 58% of Glenorchy respondents were very strongly or strongly in favour, with only 21%, 20% and 23% for the respective council areas very strongly or strongly opposed.

In answer to the quite radical question of whether the 12 Southern Tasmanian councils should look at combining into a single Southern Tasmanian Regional Council, the urban respondents were evenly spread, with 40% for and 39% against. Rural respondents were 32% in favour and 46% against. The rest were non-committal in their response.

The Southern Tasmanian community does not support the State Government taking over the role of local government with 63% opposed, 18% in favour, and the rest neither in favour nor opposed.

In reply to the panel's request for on-line feedback to its options paper, a very small number of respondents supported the status quo or even the option that promoted resource sharing alone.

The very strong message coming through the feedback from survey respondents, major stakeholders and the media, was that Southern Tasmanians feel they are over-governed.

Conclusion

There is a clear case for improvements that can be made in local government in Southern Tasmania which will be of major benefit to the residents, businesses and economy of the region. All signs suggest that change is now required.

At the commencement of this review, the panel expected it to be based on a research and theoretical perspective. However, the panel has been particularly struck by the strong community support and the momentum for change, and by the fact that this support has been so broadly based, rather than coming primarily from groups which have been very vocal about local government reform over a long period of time. The community, evidenced by the results of the STCA community survey, clearly supports change, particularly in metropolitan Hobart. Other major stakeholders and all political parties represented in the State Parliament express support for change. Individual political parties are reluctant to speak publicly in support of change but all are keen for councils to initiate the change themselves.

There is a great opportunity for local government in Southern Tasmania to seize the day, and to lead the change.

A three-year program of local government reform is required, through a partnership between local and State Governments. The program should begin immediately. The goal is for a stronger local government system that can stand as a partner with the State Government in planning and service delivery.

- Planning and the relationship between metropolitan Hobart and its rural hinterland must be strengthened.
- Greater Hobart requires a vision, a strategic plan and a council to present a unifying leadership for the city.
- Most efficiencies are to be made in the urban areas of Southern Tasmania.
- Through a combination of legislation and goodwill, rural councils should be able to piggy back on the specialist skills and contracts achieved by a Greater Hobart Council.

The benefits from these reforms will be stronger councils, improved corporate governance, streamlined decision-making, a stronger economy and more competitive businesses, more local work opportunities, local specialist skills, speedier and better quality decision-making, lower cost services, lesser rate rises, lower cost of living costs arising from local government, improved infrastructure planning, more timely capital works, common policies and local laws, improved services and improved communication with stakeholders and residents.

A three-year program of reform is required in local government in Southern Tasmania. This could be led by local government in partnership with the State Government. This program would have six streams:

1. Governance

The Tasmanian State Government, through the Minister for Local Government would refer the amalgamations of Southern Tasmanian councils, as agreed by the councils, to the Local Government Board. The first of these would be the creation of a City for Greater Hobart. A transition committee of councillors would be appointed from the merging councils. The committee would appoint an interim CEO.

Other than changes to rural councils arising from the creation of a Greater Hobart Council, the rural councils would remain as they are, at least in a first wave of mergers. This should not, however, mean that nothing is done, as the panel notes both the difficult resourcing and sustainability issues for these councils, and the strong community desire for reform. For these reasons, the panel recommends that there be a separate review of the special long term needs of the non-metropolitan councils in the light of the changes in Greater Hobart, considering the most appropriate structure of local government to achieve the best outcome for these diverse communities.

Changes to the Local Government Act would allow for all-in/all-out elections, four-year terms, removal of the requirement to serve as an alderman before standing for election as a mayor, and mandatory voting (see below) would be systematically introduced over the three-year period. Training in the principles of corporate governance would be provided to all councillors once elected.

There is evidence that councillors in Southern Tasmania would generally benefit from a greater understanding of the role of the council as a board and the separation of the roles of councillor as a representative and advocate on an individual level, and as part of the professional administration of the council as an organisation. Consideration would be given to appointing a full-time mayor for a City of Greater Hobart, with the potential for this to extend to councillors. This increased professionalism would act as both an impetus for high quality, and improved checks and balances, in regard to the council's professional administration.

2. Community and customer engagement

Improvements could be made to the ways in which all councils in Southern Tasmania engage with their community, including businesses and community organisations. Evidence has been provided to the panel on examples of better practice in community engagement, such as the township committee model practised by the Huon Valley Council, the precinct model in Glenorchy Council and the community planning model in Kingborough Council, to name a few. The best of these models should be adopted by councils across the

region, recognising that they enhance but cannot replace good quality policy and decision-making by the elected representatives of councils.

The 12 Southern Tasmanian councils should consider creating a common customer contact system across the region. This would enable improved management of customer relationships, and more efficient scheduling and dispatch of work orders.

3. Planning

The STCA manages the Southern Tasmania Regional Planning Project, which was established as a joint initiative between the State Government and local government through a Memorandum of Understanding in early 2009. The first major output of this project has been the preparation of a Regional Land Use Strategy for Southern Tasmania. The STCA and its member councils have shown great leadership in developing and endorsing the regional strategy. It has a number of background information papers on transport, population trends, housing, environment and other areas. It describes where development should happen, and why. It sets an urban growth boundary for Greater Hobart and details a number of other policies for cohesively managing growth across the region.

The regional strategy will give greater certainty to developers and communities, once the strategy is declared a statutory document and given effect through new planning schemes. It will also give greater certainty to applicants who are embarking on applications to amend current planning schemes. Current work on drafting the new planning schemes is also being coordinated by the STCA.

According to the STCA, the regional strategy is consistent with the Southern Integrated Transport Plan that has been jointly developed by the STCA and the Department of Infrastructure, Energy and Resources and will be consistent with the soon-to-be-developed Regional Tourism Plan.

Prior to this work there was no metropolitan planning for Greater Hobart. This was widely seen by planning experts in Australia as a significant issue. The STCA is now also working with the State Government to progress a more detailed Capital City Plan that will sit under the regional strategy.

Whilst principal funding for the Regional Planning Project of \$936,000 has been provided by State Government, Southern Tasmanian councils have contributed significant in kind resources towards its development. The cost to councils arising from their participation in the Regional Planning Project is in the order of \$4 million.

Part of the local government reform program could include a target to reduce the amount of time currently taken to consider and decide on development applications, and the modelling of best practice management to achieve such improvements. Delays by State Government departments in providing their advice on applications could be dealt with by deeming such delays in providing advice after a given period as support for the application.

4. Asset management and capital works

In interviews with the panel, some general managers of Southern Tasmanian councils volunteered or conceded that assets were inadequately planned, funded and managed in their council. This occurs because skilled staff are not available, or asset maintenance funding is not budgeted because of competing priorities. Asset management is a fundamental responsibility of councils. There are significant savings to be made from moving from mostly reactive maintenance to proactive and scheduled maintenance (see Appendix G). In the area of capital works planning and expenditure, efficiencies can be gained from putting in place rolling programs of works, bundling of capital works and strategic procurement of capital works.

Part of the local government reform program would include targets for completion of asset management plans, cost savings from asset maintenance and capital works bundling and procurement. The State Government should not require these all to be completed in Southern Tasmania by a certain date. This would lead to a drawdown on specialist services at the same time and drive up the cost of such services. Rather, the urban areas should constitute a first wave and then be followed by the rural areas.

5. Strategic procurement

Part of the reform of Southern Tasmanian local government would be a regional adoption of strategic procurement. Savings of up to 15% could be achievable from such an initiative (see Appendix H). This would

best be achieved through a Greater Hobart Council appointing a strategic procurement specialist, systematically driving better pricing through tendering and negotiations on categories of goods and services. The resulting contracts would also be available, as of right, to surrounding councils.

Recognition of the importance of local buying would be part of the scheme. This could be run in a way so as to increase competitiveness of local businesses without driving them out of business where local government is their major customer.

6. Service delivery

Standards for service delivery do not need to be uniform across the 12 Southern Tasmanian councils. There would not be an expectation that rural councils can provide the same range of services that urban councils do, or to the same standard. However, efficiencies in policy making, local laws (regulations), and service delivery could be achieved through improved coordination and resource sharing in its broadest sense, particularly in the rural areas.

In considering the objectives set for this review by the STCA and the extensive community and council comment that has been received, the panel makes the following general recommendations, noting that this chapter summarises some of the actions that must be taken to implement such recommendations.

Recommendation 1 – Greater Hobart

That the present cities of Hobart, Glenorchy and urban Clarence (with Richmond and surrounds moving into the Sorell Council area), the urban part Kingborough excluding the Channel and Bruny Island (which would be incorporated into Huon Valley) be merged with Brighton to form a single council, to be named the City of Greater Hobart.

That wards be introduced at least for the first term of the Greater Hobart Council.

Further, that the STCA should call a meeting of two representatives of each council in metropolitan Hobart to discuss the core recommendations of this report and the transition towards a Greater Hobart Council.

The panel believes the advantages that would accrue to Hobart in the long term from such a larger grouping would significantly outweigh any disadvantages (largely short term) from the changes. These advantages would include:

- Better integration of service provision across the metropolitan area.
- Improved capacity for metropolitan-scale strategic planning.
- A greater capacity to negotiate with State and Commonwealth Governments on behalf of the metropolitan community.
- Significant opportunity for more efficient and effective provision of services and internal management of council operations.
- The capacity to develop strong council management and community leadership.

The Panel sees a benefit in the introduction of Wards if this recommendation is adopted, at least in the first few years of the transition to a Greater Hobart.

Concerns about this model may include:

- A fear that local community identity, especially on the eastern and western shores, may be lost.

The panel is not convinced that these differences are as pronounced within Hobart as they may once have been, but recommends in this regard that a ward structure be considered, at least on a transitional basis, to ensure that local representation is guaranteed.

- A concern that a larger bureaucracy may limit customer responsiveness.

This has not been the case in similar circumstances elsewhere in Australia. The new council (as the 28th largest in the nation) would not be large by Australian standards, and there is evidence that bigger councils are able to devote more resources to a higher quality of customer service than smaller councils.

- Issues relating to the compatibility of rating levels and debt structures across present metropolitan councils.

While there would be equity issues across the metropolitan area, these already exist, and the larger council would provide an opportunity to deal with these over time. It is recommended that an initial strategy on these questions be considered by the transition committee established for Greater Hobart (see recommendation below).

It would be important that there were efficiency targets built into the model and it is recommended that for the first two years rates increases be capped at CPI or frozen.

- The large Greater Hobart Council would swamp the interests of non-metropolitan councils.

The panel takes a different view. It believes that the strategic perspective the Greater Hobart Council would need to take on key issues affecting the growth of the region would enhance the strong linkages that exist between the city and the surrounding region. A stronger metropolitan council would provide greater opportunities for support of the wider region (see recommendations below).

Recommendation 2 – City of Greater Hobart Act

That a City of Greater Hobart Act be developed that recognises the city as a capital city, identifies the powers of the mayor and council, and the obligations the city has to support rural councils through its resources and contracts.

The creation of special legislation for the capital city would offer some opportunities to make special provisions for the structure, functions and role of the Greater Hobart City.

The scale of the new Greater Hobart City Council would mean that it would be in a position to have competency powers allocated to it to perform a range of functions in line with its central role as the capital city of Tasmania. This is in line with similar legislation elsewhere in Australia and internationally.

Such legislation would also ensure guaranteed support for regional structures and an enshrined responsibility to, and support for, the wider region. In particular, the legislation could mandate the ability for a non-metropolitan council to join in regional management initiatives, procurement contracts and the like.

Recommendation 3 – Non-metropolitan councils

That, apart from consequential boundary adjustments as a result of the formation of a Greater Hobart Council, no further boundary adjustments or amalgamations are promoted in the non-metropolitan area at this stage, but that a review of the special needs of these councils and appropriate reform options be undertaken.

The panel further recommends that the distribution of Financial Assistance Grants (FAGs) within the region be considered to assist these councils towards long-term reform and greater sustainability (see recommendation 12).

In making this recommendation, the panel is aware of the considerable body of public support for council amalgamations in rural areas, but believes that a consideration of such changes should be left to a later stage, after the impact of the Greater Hobart amalgamation has been assessed. The panel recognises that rural communities probably place more weight on non-economic values, such as the township that they come from, than urban areas. In the panel's experience when you ask someone who lives in Taroona, Bellerive or Rosetta where they come from, they say Hobart, but someone from Oatlands, Nubeena or Bicheno will answer with the name of that township.

While the panel believes that there is scope for some rationalisation of boundaries and amalgamations to occur in rural areas, it believes that such changes are not urgent, and that much will be learnt from the implementation of other recommendations in this report that will inform and potentially guide a rational response to this question in years to come. It is the panel's view that the greatest benefits – advocacy, strategic planning, leadership and cost savings – would come from a merger of councils in the metropolitan area.

Nonetheless, there are clearly pressing issues regarding sustainability, services and asset management in non-metropolitan areas that require attention. In that regard, the panel recommends that further consideration be given to the special needs of these councils, and that consideration be given to their special needs in the distribution of FAGs, at least in the first few years.

Recommendation 4 – Timing of amalgamations and boundary changes

That, if adopted, the structural changes proposed in this report are implemented as from the commencement of the new council terms following the next local government elections in October 2013, with those elections to be based on the newly structured councils.

This should provide sufficient time for the outcomes of this report to be considered and determined by the Local Government Board, and for all necessary legal changes to be made. It also ensures there is ample time to make preparation for the new councils to take office after the 2013 elections.

Council elections should not be in the same year as State Government elections and ideally they should be midway between.

Recommendation 5 – Transition committee

That a transition committee, comprising two councillors from each of Brighton, Clarence, Glenorchy, Hobart and Kingborough Councils, be established to oversee the transition to the new Greater Hobart Council.

It is recommended that, as occurred with the recent amalgamations of local government in Queensland (and previously in Tasmania), transition committees be established as soon as possible between councils that would be the subject of amalgamation. Comprising elected officials of those councils, the transition committees would be supported by appropriate specialist sub-committees, and would oversee the many questions that arose out of the amalgamations, including (but not limited to) the following:

- The proposed structure of the council, including numbers of elected members, whether wards will be used, and the configuration of those wards.
- Appointment of an interim CEO of the new council no later than six months before the formation of that council, recognising that an appointment into the longer term role will be undertaken by the new council on taking office.
- Freezing of the appointment of new senior staff.
- Administrative issues, including the merging of IT and HR systems, the organisation structure of the new council, the migration of current staff into that structure, the location of the council's administrative centre and the distribution of customer service centres.
- Liaison around the process and on-going decisions with staff and unions, with local communities and with key stakeholders in the new council.
- Formulation of recommendations to the new council on a process for the levying of council rates, recognising the disparities that will exist, and a long term strategy for the possible equalisation of impacts on different sections of the community.
- Consideration of techniques for the on-going engagement of local communities within the new council structure as a basis for advice to the incoming council.

It is possible that transition committees would need independent support to project manage these many tasks. The panel therefore recommends that the State or Commonwealth Governments consider the possibility of financial assistance to transition committees to assist with these tasks so as not to distort the normal expenditure pattern of existing councils, and to avoid the need to seek special assistance from existing councils that may not support the process.

Recommendation 6 – Committee for Hobart

That a Committee for Hobart be established from the business, environment, social, arts, tourism sectors to build a vision for the Greater Hobart area.

This Committee for Hobart would identify the broad vision for Hobart and key projects. It would be similar to the Committees for Melbourne, Sydney and Perth.

The panel believes that this initiative would be an important part of the transition to a Greater Hobart Council, which should also be accompanied by the merging of relevant organisations so that Greater Hobart business, social, arts and environment merged entities would be formed from existing groups.

Recommendation 7 – Three year reform program

That Southern Tasmanian councils work with the State Government on implementing a three-year reform program. The reform program would include reform in:

- ***governance,***
- ***community and customer engagement,***
- ***planning,***
- ***asset management and capital works,***
- ***strategic procurement and***
- ***service delivery***

A framework for these reforms would be set up as soon as the transition committee for the Greater Hobart Council was established. Rural councils would be able to benefit from these reforms. There would be a first wave of reform in Greater Hobart, then a second wave in the rural areas that benefit from the Greater Hobart initiatives.

Recommendation 8 – Financial management and sustainability

That a review of the distribution of Financial Assistance Grants and roads funding be undertaken in the light of the special needs of non-metropolitan councils.

Further, that a review of financial management policies of Southern Tasmanian councils be undertaken with a view to appropriate financial management principles and practices being adopted.

As noted in recommendation 2 above, the panel considers that there is a need for the special needs of rural councils to be considered in the on-going program for reform. The panel is not convinced that mergers would necessarily provide the long term answer in such cases, and that all of the available tools – including the distribution of Federal grants – should be considered in developing a long term reform strategy for non-metropolitan councils.

Discussions with the Tasmanian and Federal Governments should take place so that, for no less than the first three years, the following actions are considered:

1. Any Financial Assistance Grants (FAGs) that would have otherwise have come to the councils in the Southern Tasmanian region would continue to do so. So, irrespective of efficiencies that were made from the mergers, this funding stream would remain for a period. The panel considers that it would be unfair for the councils in the rest of Tasmania to benefit from these reforms until they have undertaken a similar process. So there would be a time-limited quarantining of these funds.
2. In the panel's deliberations, the possibility of FAGs going to the new Greater Hobart Council being frozen at the 2011/2012 levels has been considered. Under such a proposal, any increases that would have been due to the Greater Hobart Council from overall growth in the total pool of funds going to Tasmania, would be redirected to the other councils in Southern Tasmania. This would act as a further efficiency dividend and incentive for reform and would increase the financial viability of the rural councils for a limited period. The concern of the panel is that such a proposal might undermine support for the creation of a Greater Hobart Council from within the metropolitan area of Hobart. This proposal warrants further scrutiny.

In discussions about financial management in local government in the region, the panel has noted that some councils have an attitude that it is inappropriate to carry debt. It is not wrong to carry a certain amount of debt for long-lived assets where future generations will benefit from the asset, but councils should not run operating deficits. Operating expenses, including interest on debt, should be covered by operating revenues.

Recommendation 9 – Period of office for mayors and councillors

That the Local Government Act be changed to provide for the popular election of mayors for a four-year term, for full council elections every four years, and a removal of the requirement for mayors to have previously served in local government.

The panel believes that the present cycle of staggered two-year elections for half of councils, with mayors elected every two years, mitigates against councils taking a strategic, long term view of their responsibilities and effectively places the council on an election footing on a continuous basis. This can lead to short term, reactive policy making and be very unsettling to stable council processes.

The panel also believes that the restriction on eligibility for citizens to stand for the office of mayor to those with prior council experience unnecessarily restricts the pool of potential leadership in local government, and is fundamentally undemocratic in its effect.

Recommendation 10 – Compulsory voting

That the State Government introduce compulsory voting for local government elections.

The panel considers that there are very strong arguments in favour of consistency between local government elections and those of other spheres of government in relation to compulsory voting, and that such an initiative would only improve the democratic accountability of local councils in Tasmania.

Recommendation 11 – Local government skills

That the STCA develop a skills development strategy for staff and elected members of Southern Tasmanian councils.

The panel considers that training in good corporate governance, strategic planning and community engagement practices should be encouraged for all new councillors, with expenditure on such training seen as reasonable and necessary. Similarly, the panel recognises the potential for serious skills shortages within council administrations in the coming years, and recommends that the STCA coordinate the development of a Workforce Development Strategy for the region.

Recommendation 12 – Community engagement

That the STCA take steps to introduce a training program for elected officials and council staff in community engagement strategies as a basis for continued improvement in this regard in the newly structured councils.

As indicated in this report, there are many strategies that can be employed to ensure the on-going engagement of small communities in the decision-making processes of large councils. The panel considers these to be particularly important in counteracting any sense of a loss of local identity in small communities affected by the changes recommended in this report.

Recommendation 13 – STCA responsibilities

That the STCA take on the responsibility for formulating and coordinating strategies for the region as a whole, that focus on the Greater Hobart and rural hinterland relationships in areas such as economic development, tourism, niche production and marketing.