

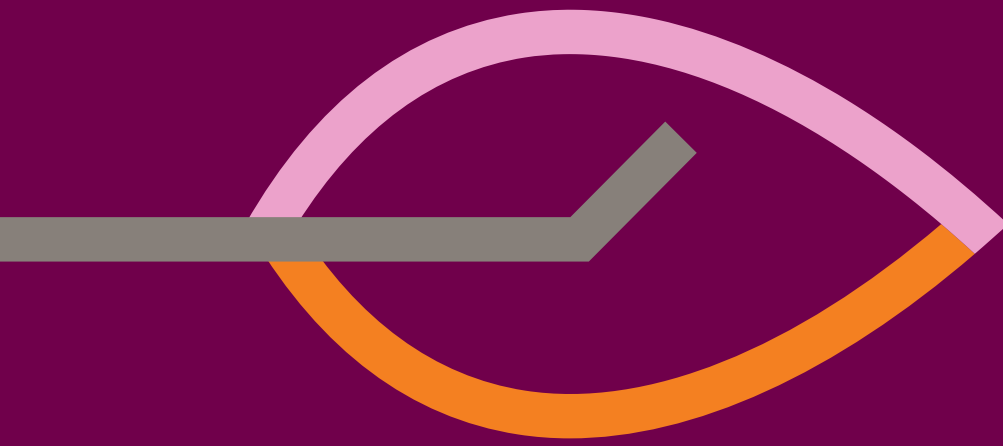
The future of local government review

Options Paper

Review Stage 2 – December 2022



**Let's All Shape the Future
of Local Government.**



The Local Government Board is seeking feedback on the Consultation Questions in the Options Paper until 19 February 2023.

Please visit www.engage.futurelocal.tas.gov.au to respond to the questions online.

Alternatively, you can provide a written submission to:

Submissions.LGBoard@dpac.tas.gov.au or
Future of Local Government Review
GPO Box 123, HOBART, TASMANIA 7001

Executive summary	4
Section 1: The journey so far	9
Section 2: The enduring importance of local communities	13
Section 3: The future role of local government	15
3.1 Breaking down councils' role and functions	19
3.2 Supporting wellbeing – 'core business' for local government	20
3.3 Strategic, structured, and sustainable partnerships	22
Section 4: Reform outcomes	24
Section 5: Building local government capability and capacity now and for the future	28
5.1 Anticipating future needs	30
5.2 Emerging capability gaps	31
5.3 Building capability – the benefits of consolidation and scale	32
Section 6: Structural reform – three potential pathways	34
Section 7: Having your say and the road ahead	42
Section 8: References	44



Executive summary

Over the past 11 months, the Board has heard from Tasmanians how important strong, sustainable, local communities are for the future wellbeing and prosperity of our State.

Local government – alongside our other levels of government, volunteers, community organisations, and local businesses – will play an increasingly important role in shaping and supporting our communities. To do this well, local government needs to have both the capacity and capability to provide the high-quality representation, services, and infrastructure that Tasmanians need and deserve.

This Review is a once-in-a-generation opportunity to design a local government system that can respond to the growing demands and changing needs of our communities, now and in the decades ahead. Tasmania is a small state, and while we must celebrate and support our diverse local communities, we should also harness the collective strength that comes from working together to address the big challenges on the horizon. These challenges include tackling entrenched intergenerational disadvantage, managing the impacts of climate change, and supporting communities through any number of other technological, economic, and demographic transitions the 21st century will bring.

The future role of local government

Understanding the role of local government in the 21st century is at the core of this Review. We know that a lack of clarity regarding the current role of local government has created uncertainty about what councils can or should be doing. This can result in some councils feeling pressure to provide services they might not be well placed to deliver. Sometimes this expansion can be detrimental to some of local government's traditional core services, infrastructure, and functions.

During the Review, we have heard there is generally broad support for councils continuing to deliver the core functions and services they currently provide, while also expanding their offerings to further enhance the wellbeing of Tasmanians. We have also heard there is a need to ensure that councils retain the flexibility to tailor services (where appropriate) to meet the particular needs of their communities.

There appears to be broad agreement that the Tasmanian local government sector needs to have the capacity, capability, and frameworks if it is to evolve and adequately meet the future needs of Tasmanian communities. While councils need to maintain strong connections with their communities, they also need to have the ability to adapt as their role continues to expand from 'services to properties,' through 'services to people' and, eventually, to 'services to support the wellbeing of communities.'

Developing reform outcomes

Through its broad inquiry in Stage 2 of the Review, the Board has identified eight reform outcomes which the Review aims to deliver for the local government sector. These are the things we believe are essential if Tasmania's system of local government is to deliver the services and support the community needs.

There is significant scope for improvement in local government across each of these outcomes. Capability and capacity are highly uneven from council to council. The sector itself agrees with us on these points. In many ways, the sector's capability challenges are unsurprising given councils' workforce constraints. In 2018, 69 per cent of Tasmanian councils were experiencing a skill shortage and 50 per cent were experiencing skills gaps. In 2022 this had deteriorated, with [86 per cent of the responding Tasmanian councils experiencing a skill shortage](#).

The purpose of this Options Paper is to set out a range of specific ideas the Board believes have the potential to get the sector where it needs to be in terms of addressing these challenges and delivering reform outcomes.

The Future of Local Government Review reform outcomes

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

Enhancing capability and capacity for the future

In exploring how we deliver these Outcomes, we have concluded that specific reform initiatives can only achieve so much in delivering a local government sector that is in the best possible position to meet Tasmania's future needs and challenges. We must address the fundamental problems with the current structure and design of Tasmania's existing local government system.

There is broad agreement from the sector that:

- The status quo is not an optimal or sustainable model for the sector as a whole, given growing demands, complexity, and sustainability challenges;
- Some form of consolidation is necessary to deliver greater economies of scale and scope, at least for some services; and
- The scale and extent of the consolidation needed to deliver significantly better services will, unfortunately, not occur on a purely voluntary basis within the current framework.

The Board accepts, through its engagement with the sector and the information it has considered, that a critical part of the solution for local government reform is finding scale in key areas. We know enough to conclude that having 29 organisational boundaries can be detrimental on, for example, the ability of councils to attract and retain key skills, to uniformly manage assets well, and to deliver important regulatory functions.

We also know that the competition, fragmentation, and duplication of effort across 29 councils can hinder collaborative effort and outcomes when it comes to managing regional and state-wide challenges which inevitably transcend our current LGA (local government area) boundaries.

We do not know everything about how scale is impacting on the operations of councils, or what the exact solutions should be in terms of future structural models. Further work will need to be done as we move towards framing final reform recommendations in Stage 3 of the Review. It is clear, however, that we cannot deliver a meaningful set of reform recommendations without an open, objective, and purposeful discussion on how to access the capability benefits that greater economies of scale and scope can provide.

It is also the Board's view, and the majority view among experts and sector stakeholders, that the solution to addressing the issues of scale is unlikely to be found through minor modifications to the current model of local government. It is almost certain that system-wide reform will be required. This means redesigning Tasmania's system of local government to ensure councils in the future have the requisite scale, resources, capability, and capacity to deliver on their critical functions.

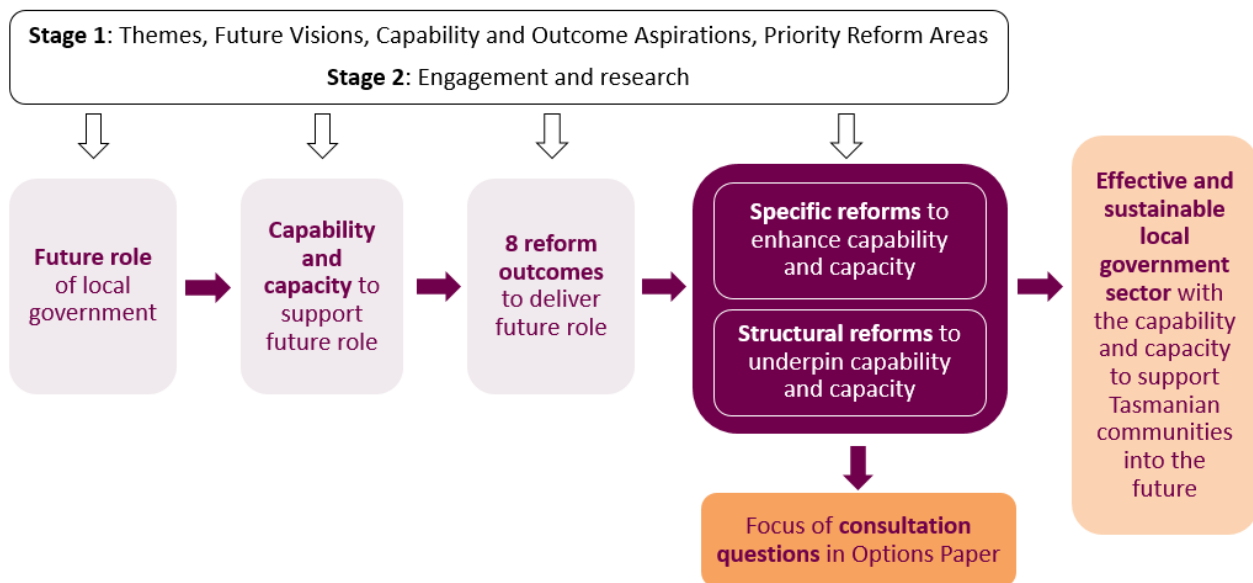
If this 'joining up' is well planned and properly supported by the State Government, we think the sector can improve the overall quality and range of services it provides to all Tasmanians and better support a range of important social, economic, and environmental outcomes. We also think this could

make local government a better place to work and help attract and retain talented workers.

If the status quo continues, and there is no meaningful reform of the sector, it is our view that significant challenges will continue to emerge. Without substantive and well-planned reform, we think there will, inevitably, come a ‘tipping point’ at which services suffer, and some of our 29 existing councils will not be able to afford to function effectively. When we put it in these terms, the Board believes the opportunity cost of inaction is too great to ignore.

We cannot deliver a meaningful set of reform recommendations without an open, objective, and purposeful discussion

Developing the reforms



Pathways for structural reform

Some form of ‘scaling up’ is critical to delivering the capability that is needed for 21st century local government service delivery. The broad approaches to achieving consolidation being considered are:

1. **Significant (mandated) sharing and consolidation of services**

Under this pathway, certain local government functions and services would be consolidated

and centralised at the sub-regional, regional, or state-wide scale, where there are clear efficiency and effectiveness benefits in doing so. Current local government areas would be largely – if not entirely – preserved, but councils would be required to participate in formalised and consistent shared services arrangements for identified functions.

2. Boundary consolidation to achieve fewer, larger councils

Under this pathway, the administrative boundaries of Tasmania's current 29 LGAs would be 'redrawn', and a series of new, larger LGAs established. New councils would be established to represent and deliver services to these LGAs.

3. A 'hybrid model' combining both targeted sharing of services and targeted boundary consolidation

This would involve some boundary changes (though less than under option two), and some service consolidation where clear benefits can be identified.

There are already many good examples of councils working together to provide services in different ways, including by sharing staff and other resources. In some cases, councils have created joint authorities to manage specific functions or facilities, like Dulverton Waste and Southern Waste Solutions. There is further potential for this way of working, but it is likely the State Government will need to provide leadership and support to the sector to make it happen at the required scale. There are simply too many barriers right now to expect councils to 'go it alone.'

The Board understands that Tasmania's system of local government is complex, and that reform is challenging. We also appreciate that larger urban councils – who are in a relatively strong position in terms of their current scale and organisational capability – may not see why they need to be part of a wholesale restructuring of local government.

The Board's view is all stakeholders will need to elevate their thinking beyond the interests of individual councils if Tasmania is to have a system of local government which best meets the future needs of the overall Tasmanian community.

Bearing in mind the current council boundaries were drawn 30 years ago, and these were adapted from boundaries which were set in the early 20th century, it is hard to argue they will be relevant today, let alone in 30 years' time. No doubt, ideas of place and connection to community remain central to the Tasmanian way of life. With the technological innovations of the past 20 years, people are living more flexible and mobile lives. Many Tasmanians can now work remotely online for at least part of their week, while others are happy to commute from outlying areas into urban centres because they value the lifestyle benefits of smaller communities.

In other words, our perception of 'local' has changed and is more complex and nuanced than it was 30 years ago. Our local government boundaries need to better reflect these realities, so there is a strength, fairness, and logic in how communities collectively help shape, pay for, and access crucial services and infrastructure. We must all remember that ultimately, councils exist to play a vital role in serving communities, but they do not necessarily define them.

The Board wants to know how people feel about the way councils work and to understand their views about which ideas and options we are putting forward that could make the most practical and positive difference for local communities.

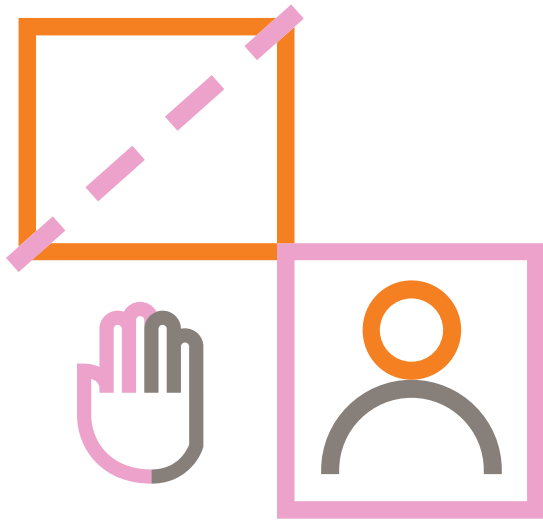
The Future of Local Government Review is at a critical juncture, and Tasmania has an opportunity to be bold. We should not rule out big ideas because we think they will be hard to implement. As the Review nears its final stage, the Board wants to hear your feedback – both on the specific reform options we have identified and on the 'big picture' structural reform pathways. The Board does not think the status quo is an option, and would like to better understand where the community sees the future of local government.

Finally, the options and models discussed in this paper do not reflect the Board's final views on any preferred reform pathway – they reflect the information and evidence received and considered to date.



Section 1: The journey so far

At the end of 2021, the State Government established the Local Government Board and asked us to review the way Tasmanian councils work. Importantly we have been asked to make recommendations about how the current system needs to change so that councils are ready and able to meet the challenges and opportunities the community will face over the next 30-40 years.



The Board's [Terms of Reference](#) provide broad scope to review all aspects of local government, including its role, functions, and design. We are looking at the effectiveness of services and support councils currently provide Tasmanian communities as well as changes that may have to be considered to ensure local government can continue to support communities in the years ahead.

The future role, size, structure, and funding of councils, as well as how they work with other levels of government, are all part of this important conversation.

The Review commenced in January 2022 and is structured in three main stages:

- 1. Stage 1** involved community consultation and evidence-gathering. It concluded in June, when the Board provided an [Interim Report](#) to the Minister for Local Government. This engagement highlighted the key role played by local government in Tasmania as well as current and emerging challenges, opportunities, and priorities for reform.
- 2. Stage 2** (the current stage) is concerned with developing and testing a broad range of possible reform options to address the issues, challenges and opportunities identified in Stage 1. The Board is to provide a further interim report to the Minister with a refined set of options by the end of March 2023.

- 3. Stage 3** will see the delivery of a specific set of reform recommendations to the State Government, supported by a clear and practical implementation plan. The *Final Report* is scheduled to be delivered to the Minister by 30 June 2023.

At the end of the formal Review process, the Government will consider the Board's recommendations and decide how it wants to respond. It will be up to the Government to decide whether it agrees with all, some, or none of what the Board recommends.

Stage 2 – Developing reform ideas and options

Since the release of the Stage 1 [Interim Report](#) in July 2022, the Board has undertaken a comprehensive program of stakeholder consultation and has commissioned and conducted research and analysis on local government in Tasmania. We have also received detailed submissions which we have used to further develop and refine our current thinking.

This *Options Paper* outlines what we have identified so far from research, talking to the sector, and engaging with the community and other stakeholders. Focus groups were established which allowed the Board to test a range of ideas and options that we think have the potential to improve how local government in Tasmania works. As a result, the Board believes we now have a strong sense of the core outcomes we should focus on for the remainder of the Review. We are now at the stage where we want to understand what the broader community views are about those options.

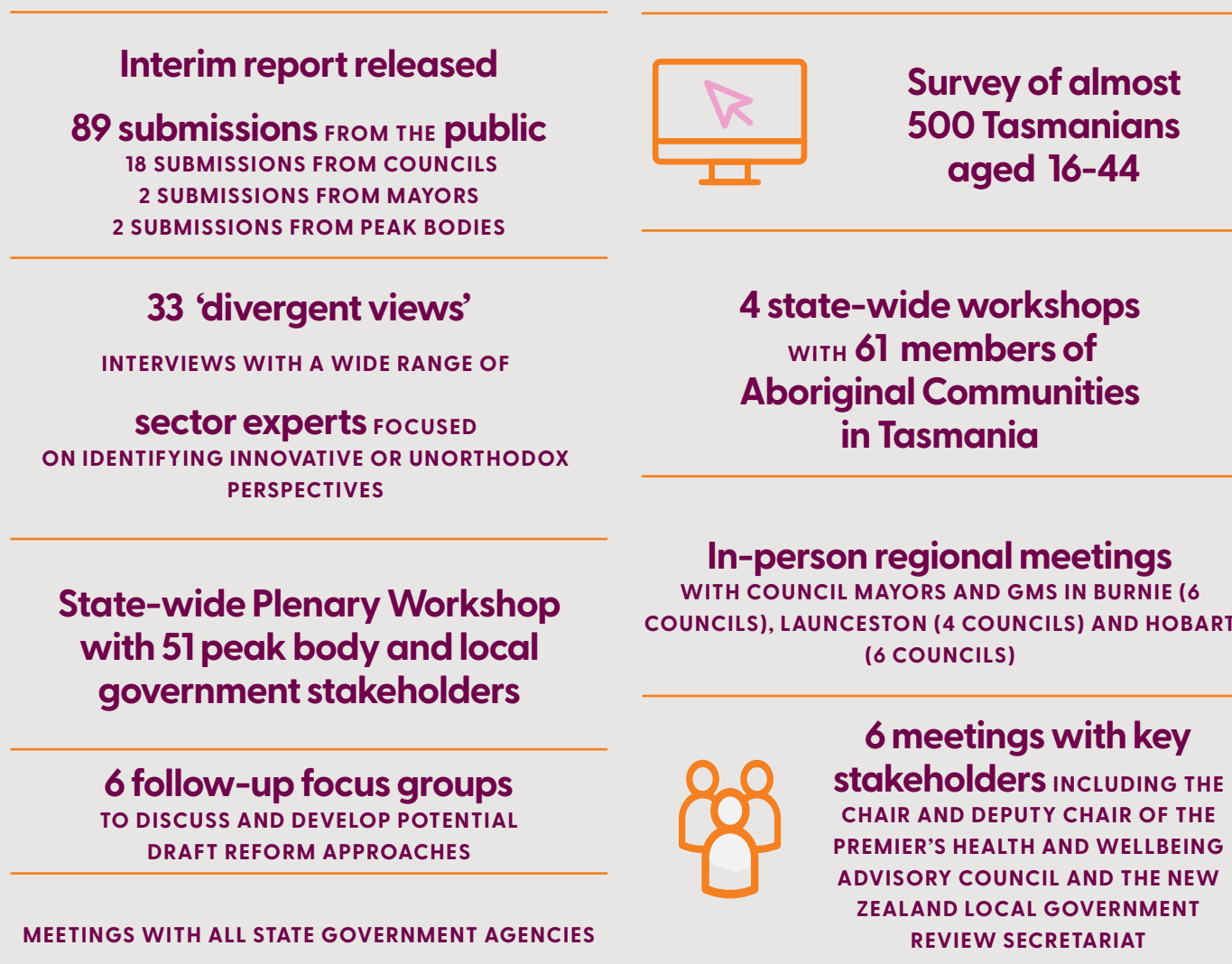


Figure 1 – Summary of Stage 2 engagement

Options Paper structure

This Paper is divided into seven sections.

The next section, **Section two**, focusses on the enduring importance of place-shaping and local communities. We identify the existing and emerging challenges Tasmanians are facing and briefly explore how councils – through their proximity to local communities and local knowledge – will have a growing leadership role in addressing these issues and promoting broader community prosperity and wellbeing.

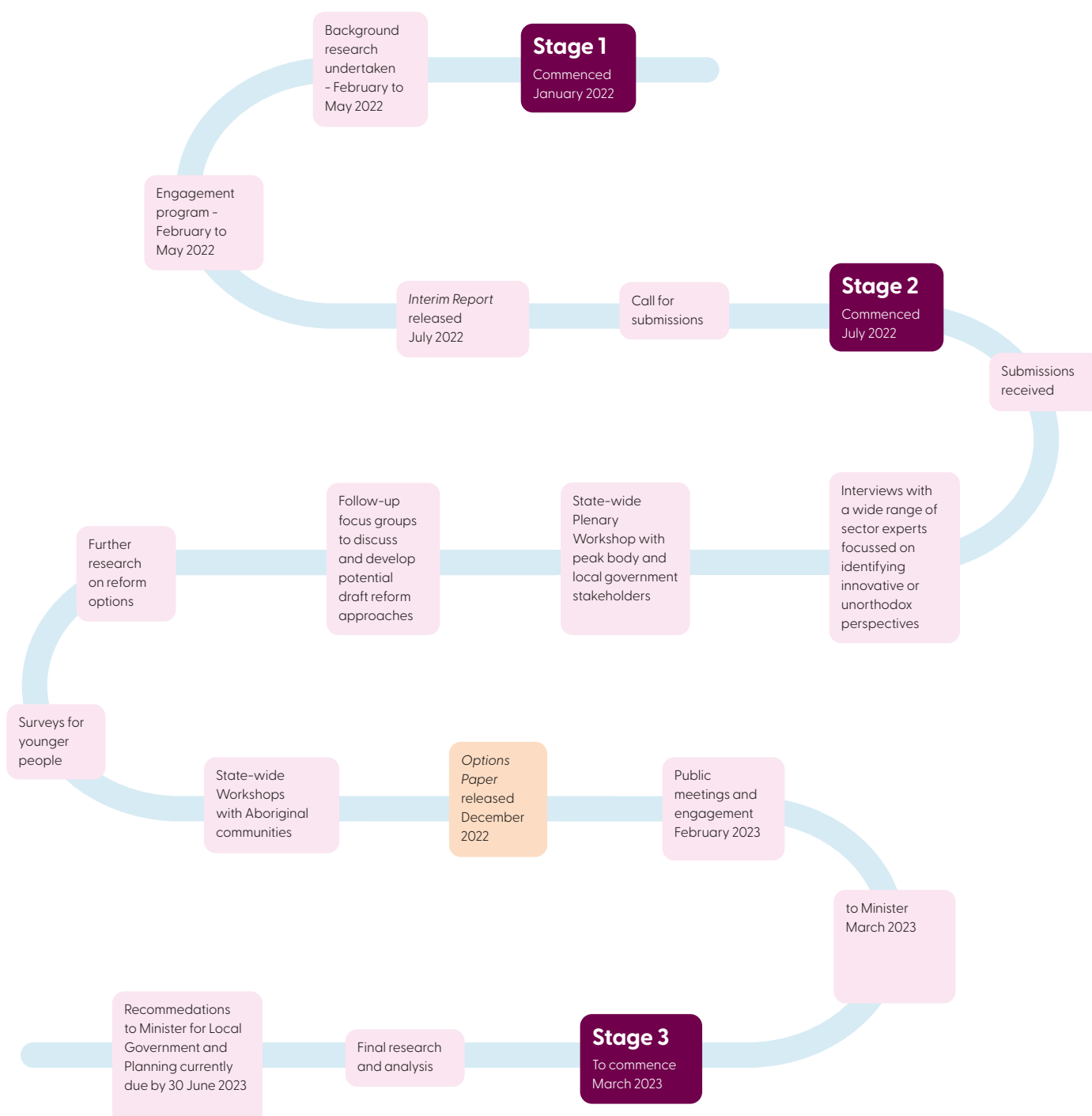
Section three explores the role of local government, including how it has naturally evolved and expanded over time, and – through what we have heard throughout our research and engagement – what we think this role should look like into the future. We have heard that the gradual expansion and evolution of councils’ role is broadly accepted by communities and the sector. However,

councils’ capacity, as well as broader supporting mechanisms, have not kept pace. We look at how establishing a clearer and more formal role for local government can support councils and ensure they have the capacity to deliver high quality services and functions to communities.

In **Section four** we identify eight reform outcomes and the related options for delivering a local government sector that can successfully fulfil its future role. We have developed these outcomes through our research and consultation undertaken during Stage 2 of the Review. Further details on reform outcomes and specific reform options can be found in [Appendix A](#).

Section five explores current and emerging capability gaps within the local government sector, and the risks and challenges they pose to communities. We examine future challenges, such as demographic shifts, health, housing, and climate change and how these challenges will exacerbate existing capability gaps within the sector. We also consider the discussion surrounding the benefits of scale, and how some form of consolidation will help councils to build the capability and capacity to meet the future needs of communities.

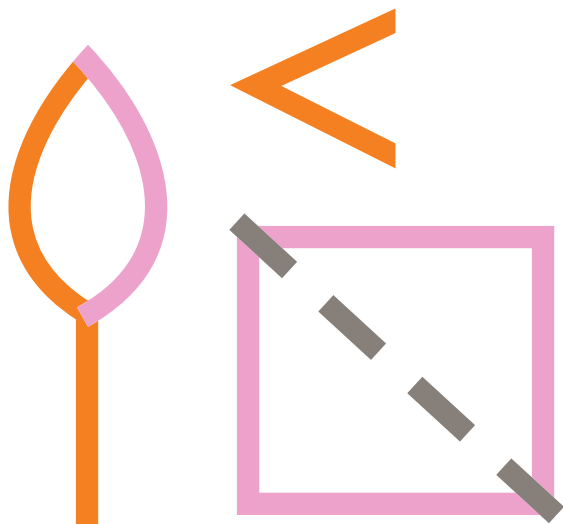
In **Section six**, we outline the high-level reform pathways that we believe have the potential to build the capability and capacity of our local government system to provide better quality services and representation and enable councils to be more responsive to future community needs. Finally, **Section seven** provides details on how you can contribute to the Review process and have your say on the future shape and direction of our system of local government.





Section 2: The enduring importance of local communities

The future prosperity of Tasmania relies on the strength and resilience of its local communities and, by extension, its councils. Despite the growing use of technology and the emergence of ‘virtual communities’, Tasmanians retain strong local networks and value their local sense of place. Evidence shows that people’s personal wellbeing is strongly related to the strength of their local community. High satisfaction and engagement with neighbourhoods has been linked to better health outcomes, higher subjective wellbeing, and lower levels of anxiety.



Strong social connections empower individuals, benefit communities, and reduce the need for some public services. Local community infrastructure, services, cultural institutions, and other place-based assets are key drivers of economic development and resilience and are central to a community's sense of belonging and identity.

Tasmanian communities, like many around the world, are facing a range of challenges now and into the future – from ageing populations, climate change, and associated natural disasters to increased cost of living pressures, growing social inequality, and unexpected crises such as the COVID-19 pandemic. These challenges can provide opportunities to strengthen local communities so they can respond more effectively. They can also put extra pressure on community wellbeing and amenity. For example, levels of volunteering decline as communities age, and population growth can result in unplanned urban sprawl.

The importance of local government has long been recognised, and its role has evolved over time. An increasingly uncertain future also highlights the need for a flexible and responsive system of local government that can address changing community needs. Councils can and should play a vital role within their local communities and Tasmania's broader system of government.

Our current council boundaries were drawn almost 30 years ago and were adapted from boundaries set in the early 20th century. The technological and digital revolution of the past 20 years has led to people living more flexible and mobile lives. Many Tasmanians can now work remotely online for at least part of their week, while others are happy to commute into urban centres because they value

the lifestyle benefits and connectedness of smaller communities.

Contemporary local government boundaries need to be informed by a clear understanding of how communities shape, pay for, and access crucial services and infrastructure. We must remember that, ultimately, councils exist to serve communities, but they do not define them. The adaptation and evolution of local government to meet changing community needs is not just desirable, it is essential.

The Board recognises that effective and capable local government is a key enabler of community prosperity and wellbeing. Indeed, based on the evidence collected and consultation conducted during the Review process, the Board believes that if councils lack the capability to support their local communities then the State's future prosperity will be compromised.

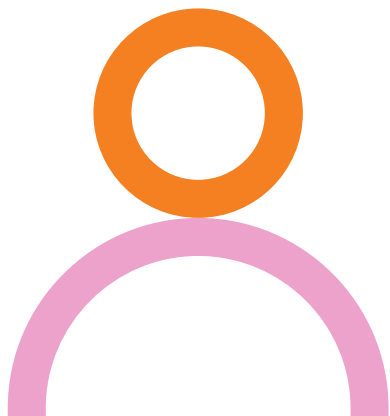
The adaptation of local government to meet changing community needs is not just desirable, it is essential.

The Board has developed its understanding of the growing challenges and capability gaps across the local government sector. In the absence of reform, these challenges will only increase over time. Therefore, a critical objective of the Board's approach is to develop a model for the future of local government in Tasmania and reforms which will enable councils to support and empower their communities in a more sustainable and effective way.



Section 3: The future role for local government

The Review has been considering the future role of local government so it can best meet the changing needs of the Tasmanian community into the future. In its Stage 1 Interim Report, the Board published a draft role statement to promote discussion, which proposed a core focus on supporting and improving the social, economic, and environmental wellbeing of Tasmanian communities.



Through its extensive engagement, the Board has heard that a lack of clarity surrounding the current role of local government can result in unrealistic or confused expectations from communities – and at times from elected representatives – about what councils can or should be doing. This has created gradual ‘scope creep’ in the range of functions some councils perform. This Options Paper presents an opportunity to clarify the future role of local government, so we can move forward on the best ways of supporting it through practical reform.

We also recognise that local government has changed considerably in recent decades and will continue to do so as community needs evolve. In furthering our understanding of role, the Board’s engagement and research suggests:

- There is support for local government to play a carefully defined ‘place-shaping’ role. This includes providing high quality and increasingly sophisticated representation, engagement, and community advocacy, as well as facilitating and coordinating programs and projects at a community level. Place-shaping also includes vital economic and community development functions, strategic land-use planning, and targeted place-based wellbeing initiatives in response to distinctive community needs or preferences.

We have heard support for councils continuing to deliver the core functions and services they currently provide, and we do not think there is a convincing case to radically change local government’s role in these areas.

- There is support for the idea that councils should have flexibility to provide ‘optional’ services (in addition to those statutory functions they should be prioritising) in response to clear community needs or demands. When councils do this, however, it should be with the support of their communities via a transparent and accountable process. Councils should explain why they are proposing to provide a new service and how much it will cost ratepayers.
- There is a clear need to develop robust and properly supported frameworks and processes for more effective strategic partnerships between local, state, and federal governments, enabling better coordination of effort between neighbouring councils and among spheres of government.

We discuss some of the reform options the Board is considering to address these issues in Section 4 below.

Our engagement has also revealed growing concerns about councils’ variable – and in some cases, highly constrained – capacity and capability to deliver key functions and services to a high standard. There are clear examples of where councils are not able to support local communities because they lack capability in key areas, or where their capability is vulnerable due to staffing challenges or funding changes. We discuss these capability and capacity challenges in Section 5 below.



A proposed role statement for local government in Tasmania

To support and improve the social, economic, and environmental wellbeing of Tasmanian communities by:

1. **Harnessing and building on the unique strengths and capabilities of local communities**

This means local government is a crucial 'grassroots' democratic space where – through discussion, debate, and agreed collective action – local communities are empowered to draw on networks, build social capital, and forge cultural identities.

2. **Providing infrastructure and services that, to be effective, require local approaches**

This means local government directs its resources to delivering those things that are

shown to work best when designed and delivered at the 'sub-regional' scale. It also means that infrastructure and services should be delivered at a regional or statewide level if it is more effective and efficient to do so.

3. **Representing and advocating for the specific needs and interests of local communities in regional, statewide, and national decision-making**

This means local government is an effective local advocate in those areas where it does not have direct service delivery responsibility and works with other levels of government to facilitate and deliver the things their communities need most. Local government becomes a broker and delivery partner in a range of areas, in varying capacities.

What we heard: Further community engagement with Tasmanians under 45 and Aboriginal communities

During Stage 2 of the Review, the Board got in touch with two groups we had not heard much from in Stage 1: Tasmanians under 45 and Aboriginal communities.

Tasmanians under 45

We surveyed almost 500 Tasmanians aged 16 – 44, to hear their greatest concerns for the future of their local area, as well as the role they think local government should play in addressing those issues.

What we heard: Further community engagement with Tasmanians under 45 and Aboriginal communities (continued)

A core set of concerns for the future kept appearing in submissions from across the state. These issues were:

- Climate change and other environmental issues
- Cost of living
- Housing and homelessness
- Impacts of poorly managed population growth, including lack of transport options and green space, congestion and poor urban planning
- Jobs, training and educational opportunities
- Access to quality local services
- Equality and inclusion

Many respondents believe local government should play a strong role in addressing these issues, while also observing that the current system may constrain or limit the sectors' response. For example, many respondents noted the inherent competition between councils is stifling regional cooperation on key issues like public transport, addressing climate change, and efficient urban planning.

Many Tasmanians in this cohort also noted that councils have a strong role to play in environmental leadership and stewardship in their communities. Suggestions included providing greater education on waste and biodiversity management, incentives for business and communities to undertake better waste and recycling practices, and greater access to recycling and waste management services.

77 per cent of respondents feel underrepresented and 'not heard' by their councils. Many respondents noted their councils fail to listen to or engage with younger voices, particularly when making service or infrastructure decisions, or addressing local challenges and issues. We heard broadly that councils should be engaging with all their residents so they can effectively support their communities, or advocate for action on local issues to other levels of government.

Aboriginal communities

We spoke with 61 members of Aboriginal communities across the State, and heard similar messages about feeling underrepresented and unheard by their councils. We heard that Aboriginal perspectives were not being listened to and considered in decision-making. Participants said they often felt unwelcome, anonymous, or overlooked in council work. They felt that council structures did not meet their needs, and councils did not make any attempt to understand them.

We heard that local government could improve relations with Aboriginal people by proactively coming to them, meeting them on Country, providing an informal atmosphere for communication, and genuinely seeking to build ongoing relationships. Councils also need to allow people to identify and address the feelings that can arise when considering the colonial past.

There was a strong desire to see more Aboriginal people represented in local government positions, such as council staff or as councillors. This would allow for greater diversity in the views and priorities considered within councils, and lead to more effective services. There was a strong desire to see well-supported Aboriginal Liaison Officers employed within local government, both to educate others within government and to improve consultation and communication with the Aboriginal community. Mentoring programs were also mentioned as an opportunity to get younger Aboriginal people involved in local government.

Symbolic and practical recognition of Aboriginal culture and history were seen as important. Examples included prioritising acknowledgements of Country, dual place names, flying the Aboriginal flag, and investing in infrastructure that facilitates Aboriginal cultural activities, such as fire pits. Cultural awareness training for councillors and staff was also seen as important to improve local government interactions with Aboriginal people.

3.1 Breaking down councils' role and functions

The Board recognises that guidance is needed on how the role outlined above translates to the practical delivery of services to communities. Councils play different roles depending on the situation and community need. While councils and their communities need clarity about who is responsible and accountable for what, local

government must also be able to respond with flexible solutions to meet the needs of communities. We believe that, rather than a single role, councils should play different roles depending on the situation, issue, and community need.

The model adapted from [Brighton Council's 2050 Vision](#) neatly summarises some of these key roles (see Table 1 below).

Role	Description	Example(s) of function
Service Provider (or Purchaser)	Responsible and accountable for the delivery of a specific function and associated services	Waste collection, construction and maintenance of local roads and footpaths
Regulator	Enforce their own regulatory controls (by-laws) and enforce regulatory provisions under State legislative frameworks	Building control, food safety inspections, environmental health regulation, local by-laws
Facilitator, Coordinator, or Partner	Working with others to arrange and support the delivery of a particular function, service, or outcome	Emergency response and natural disaster management, economic development including City Deals, natural resource management
Advocate	Lobby on behalf of their constituencies to other levels of government responsible for services in their communities	Pushing for state or Commonwealth action on climate change or health services

Table 1: Brighton Council's 2050 Vision's key roles

In some areas, councils will have multiple responsibilities. Climate change is one key emerging example where councils need to play multiple roles simultaneously. Specifically, councils play the roles of:

- A **service provider**, notably via their asset management responsibilities
- A **regulator**, enacted through local building codes and strategic land-use planning
- A **facilitator, coordinator, and partner**, including in disaster relief or emergency management situations, and
- An **advocate**, through lobbying or representation on emissions reduction initiatives at other levels of government.

To support councils in performing their role, we believe it will be essential to distil the different council roles and functions into a clear framework for councillors, council staff, and communities alike. Feedback from submissions and consultation conducted for the Review has suggested that a Local Government Charter may be the best way to achieve this (see 'What we heard' text box below).

What we heard: a Tasmanian Local Government Charter

- There is support for developing a clear and concise Charter for local government. The document would include a summary of councils' role, as well as outlining the role and responsibilities of elected representatives and council staff, similar to how the role is legislated in Victoria.
- A Charter should be included within the Local Government Act, the key guiding document for Council executives and councillors.
- It must be designed to clarify and raise awareness of the role and responsibility of local government for communities.
- A Charter should summarise a council's core statutory roles and functions.
- A Charter should not add unnecessary complexity. It should also allow councils the flexibility they need to respond to changing circumstances and their communities' unique needs.
- A Charter could clarify the relationship, roles, and responsibilities of local government in relation to, and in collaboration with, other spheres of governments, particularly around funding.

3.2 Supporting wellbeing – 'core business' for local government

In simple terms, the concept of wellbeing captures a range of factors and circumstances that enable us to live a 'good life'. It includes things like physical and mental good health, financial resources, and social connections. The COVID-19 pandemic has shown us that wellbeing challenges cannot be tackled by state and federal governments alone. They will increasingly require partnerships with a strong and capable local government sector, service providers, and communities themselves.

In May 2022, the Tasmanian Premier, the Hon. Jeremy Rockliff MP, announced the development of Tasmania's first [Wellbeing Framework](#), noting that the concept includes a number of aspects:

- Economy
- Health
- Education
- Safety
- Housing
- Living standards
- Environment and climate
- Social inclusion and connection

- Identity and belonging
- Good governance and access to services.

Local government has been influencing all these areas for decades, and clearly has a key role in the development and delivery of the Tasmanian Wellbeing Framework. This broad role for councils in wellbeing is set out in the proposed role statement (section 3 above): "To support and improve the social, economic and environmental wellbeing of Tasmanian communities".

Consultation and research undertaken by Local Government Association Tasmania (LGAT) and the Review has revealed strong support for councils' role in supporting community wellbeing if it is clearly defined, carefully integrated into state and national policies, and appropriately resourced. At this stage, the Board acknowledges there is an absence of any clear legislative framework or overarching state policy to align the various efforts of councils and other spheres of Government more effectively.

The development of Tasmania's Wellbeing Framework will help to refine local government's role in promoting wellbeing and how it complements that of the State Government. A robust set of indicators for tracking progress on

The concept of wellbeing captures a range of factors and circumstances that enable us to live a ‘good life’.

community wellbeing priorities will also help clarify roles and measure progress over time.

[A Queensland framework for wellbeing](#) indicators breaks down local government’s role into five areas. Applying this framework helps to identify the specific role councils can play to improve community wellbeing:

1. Healthy, safe, and inclusive communities
2. Culturally rich and vibrant communities
3. Dynamic resilient local economies
4. Sustainable built and natural environments
5. Democratic and engaged communities.

For example, councils can create ‘culturally rich and vibrant communities’ by providing the service of a community hall where people get together and enjoy music or a celebration. When it comes to creating ‘dynamic resilient local economies,’ councils can act as facilitator, encouraging investment and employment in their area by governments and businesses.

Councils also play a range of roles in creating ‘healthy, safe, and inclusive communities,’ from lobbying other spheres of government for better GP services, through to regulating local food businesses to ensure their food is safe. Given State and Commonwealth Government responsibilities for health, local government’s most important and complementary focus should be in the areas of preventive health and wellbeing promotion. This encompasses councils’ direct responsibilities for planning, urban design, liveability, and environmental health, as well as partnering with others to provide health programs, and social and community services.

Other examples of how councils’ role may vary across wellbeing domains are shown in Table 2, below.

Specific options the Board is exploring in relation to how councils can support community wellbeing are provided in Section 4 below.

	Healthy, safe, and inclusive communities	Culturally rich and vibrant communities	Dynamic resilient local economies	Sustainable built and natural environments	Democratic and engaged communities
Service provider	Waste management	Recreation facilities		Roads, cycle paths, parks	Community engagement on council plans
Regulator	Food safety			Land-use zoning, building and plumbing permits	
Facilitator or partner	Recovery from natural disasters, preventative health programs	Supporting visiting arts and culture programs	Encouraging investment and jobs	Climate action (including sustainable energy use and renewables)	Acting as an ‘anchor’ to support collaborative projects and programs
Advocate	Lobbying for better GP services		Advocating for local vocational training support	Seeking investment in affordable housing	Representing local priorities to State and Federal Governments

Table 2: Examples of council roles in community wellbeing

‘Government is becoming more like a network supported by strategic partnerships between the Commonwealth, state and local government and the communities they serve.’

The Independent Review of the Australian Public Service, 2019

3.3 Strategic, structured, and sustainable partnerships

The need to support strategic collaboration and partnerships among councils, as well as between local, State, and Federal Governments, has been a consistent theme of the Review. Improving strategic collaboration between different spheres of government is becoming more urgent given growing recognition that complex social, environmental, and economic challenges, such as climate change, can only be addressed through collaboration across all levels of government, industry, and the community.

Many other areas of government activity could also benefit from greater collaboration between local and state authorities, including through:

- Sharing technical expertise between State and local government professionals;
- Expanding the integration of Service Tasmania and council front office functions;
- State agencies providing more detailed advice and guidance on legislation/regulation

implemented by local government;

- Greater commitment to co-regulation; and
- Integration of workforce planning and training strategies.

The Board believes more effective collaboration can take many forms and has clear potential to improve outcomes for Tasmanian communities. Successful and sustained collaboration requires trust, commitment, and transparency about the role and responsibilities of different actors in key partnerships.

Critically, the Board has heard voluntary approaches to regional or intergovernmental partnerships are difficult to sustain and vulnerable to councils opting in or out based on changing priorities. For this reason, the Board will need to consider whether there are areas in which collaboration between councils, and between the State and local government, should be made mandatory. **Specific options we are exploring in relation to strategic partnerships are provided in Section 4 below.**

Consultation questions

- Which of the four core roles (see Table 2) of councils needs more emphasis in the future? Why?
- Do you agree that there is general community support for councils continuing to deliver their current range of functions and services? Are there any functions and services councils deliver now that they shouldn't? Why?
- Assuming they have access to the right resources and capability, are there services or functions you think councils could be more involved in? Why?
- Where do councils currently make the biggest contribution to community wellbeing? What wellbeing functions and services should they provide in the future and how can they be supported to do that?

Local government's role in responding to climate change

Climate change is a global issue and arguably the greatest challenge facing humanity, but its effects are felt by communities at the local level. There is recognition that effective climate action will require concerted and coordinated effort from all levels of government, business and society, from international agreements to grass-roots community action. All Tasmanian councils are responding to climate change either directly or indirectly. The Board has heard that strong, capable, and adaptive local governments are required to tackle climate change proactively at a community level, highlighting the need to build capability and coordination across councils.

The Review has identified at least four specific ways in which local government can help communities respond to climate change.

Mitigation and emissions reduction

All organisations and individuals have a role to play in emissions reduction and local government has a particular opportunity to contribute to this effort through innovative waste management and planning more compact and liveable cities and settlements to reduce transport emissions.

Engagement and advocacy

As the closest level of government to the community, councils are uniquely positioned to help citizens navigate the challenges of climate change and to highlight the impacts of climate emergencies at the local level. Climate change was the biggest concern for the future identified

by almost 500 younger Tasmanians surveyed for the Future of Local Government Review.

Adaptation

Local government's most important role is in ensuring communities are prepared to the greatest extent possible for the consequences of unavoidable climate change. This includes upgrading infrastructure to cope with extreme weather events, building community resilience and emergency response and disaster recovery capacity at a local level. It is widely recognised that adaptation planning is best undertaken with communities at a local level although in many cases the resources are provided by state and federal governments.

Coordination and collaboration

To ensure we are well placed to meet the challenge, local governments need to coordinate with state and national governments to align with and contribute to broader regional and national agendas and endeavors. Tasmania's recently legislated [Climate Change \(State Action\) Act 2022](#) includes a commitment to produce a Climate Change Action Plan, and Emissions Reduction and Resilience Plans. The State and local governments will need to work collaboratively to align plans with specific community needs at a local level.



Section 4: Reform outcomes

The Stage 1 *Interim Report* established six reform areas for the Review to explore with a view to establishing a local government system with the right capability to meet the future needs of the Tasmanian community. As the Board addressed these reform areas, and discussed them with experts and the community, it became apparent there were significant interrelationships – and common underlying drivers – between all the reform areas.

Common themes across these reform areas include the need for a skilled and capable workforce, the challenges in recruiting this workforce across the State, and the need to increase the scale of council operations to improve local government's strategic capacity and capability to deliver services.

Having considered these broad themes and feedback from councils and the wider community, the Board has identified eight reform outcomes for the Tasmanian local government sector. These are the things the Board believes are essential if our system of local government is to deliver the services and support the Tasmanian community needs.

In consultation with our expert focus groups, the Board has developed a suite of specific, targeted options that we think have the potential to improve

the local government sector's performance in delivering against these eight outcomes.

Fundamentally, all these options are aimed at improving the capability of councils to deliver for their communities, based on the Board's emerging understanding of where the key pressure points are for the sector now, and in the future.

The eight reform outcomes and the specific reform options are summarised at a high level in (Table 3) below. The Appendix provides more details about the individual reform outcomes and explains how and why we think our specific reform options will help deliver them. The Appendix also poses a range of consultation questions on the options that we'd like to hear from the community about.

Reform outcomes	Options
Councils are clear on their role, focussed on the wellbeing of their communities and prioritising their statutory functions	<ul style="list-style-type: none"> Establish a Tasmanian Local Government Charter which summarises councils' role and obligations, and establishes a practical set of decision-making principles for councils Embed community wellbeing considerations into key council strategic planning and service delivery processes Require councils to undertake Community Impact Assessments (CIAs) for significant new services or infrastructure
Councillors are capable, conduct themselves in a professional manner, and reflect the diversity of their communities	<ul style="list-style-type: none"> Develop an improved councillor training framework which will require participation in candidate pre-election sessions and, if elected, ongoing councillor professional development Review the number of councillors representing a council area and the remuneration provided Review statutory sanctions and dismissal powers Establish systems and methods to support equitable and comprehensive representation of communities
The community is engaged in local decisions that affect them	<ul style="list-style-type: none"> Require consistent, contemporary community engagement strategies Establish a public-facing performance reporting, monitoring and management framework Establish clear performance-based benchmarks and review 'triggers' based on the public-facing performance reporting, monitoring and management framework
Councils have a sustainable and skilled future workforce	<ul style="list-style-type: none"> Implement a shared State and local government workforce development strategy Target key skills shortages, such as planners, in a sector-wide or shared State/local government workforce plan Establish 'virtual' regional teams of regulatory staff to provide a shared regulatory capability

Reform outcomes	Options
Regulatory frameworks, systems and processes are streamlined, simplified, and standardised	<ul style="list-style-type: none"> Deconflict the role of councillors and planning authorities Refer complex planning development applications to independent assessment panels appointed by the Tasmanian Government Remove councillors' responsibility for determining development applications Develop guidelines for the consistent delegation of development applications to council staff Greater transparency and consistency of councils' resourcing and implementation of regulatory functions Increase support for the implementation of regulatory processes, including support provided by the State Government Strengthen connections between councils' strategic planning and strategic land-use planning by working with State and Commonwealth Governments
Councils collaborate with other councils and State Government to deliver more effective and efficient services to their communities	<ul style="list-style-type: none"> Require councils to collaborate with others in their region, and with State Government, on regional strategies for specific agreed issues Establish stronger, formalised partnerships between State and local government on long-term regional, place-based wellbeing and economic development programs Introduce regional collaboration frameworks for planning and designing grant-dependent regional priorities Support increased integration (including co-location) of 'front desk' services between local and state governments at the community level
The revenue and rating system efficiently and effectively funds council services	<ul style="list-style-type: none"> Explore how councils are utilising sound taxation principles in the distribution of the overall rating requirement across their communities Enhance public transparency of rating policy changes Examine opportunities for improving councils' use of cost-reflective user charges to reduce the incidence of ratepayers' subsidising services available to all ratepayers, but not used by them all Consider options for increasing awareness and understanding of the methodology and impacts of the State Grants Commission's distribution of Federal Assistance Grants Investigate possible alternative approaches to current rating models, which might better support councils to respond to Tasmania's changing demographic profile
Councils plan for and provide sustainable public assets and services	<ul style="list-style-type: none"> Standardise asset life ranges for major asset classes and increase transparency and oversight of changes to asset lives Introduce requirement for councils to undertake and publish 'full life-cycle' cost estimates of new infrastructure projects Introduce a requirement for councils to undertake regular service reviews for existing services Support councils to standardise core asset management systems, processes, and software across councils

Table 3: Future of Local Government Review reform outcomes and options

While we think these options provide a range of opportunities to significantly improve the way our local government system works, targeted or specific reform initiatives can only take us so far in delivering a local government sector that is in the best possible position to meet our future needs and challenges. The Board believes we must also address the fundamental problems with the structure and design of the current Tasmanian local government system.

The next Section of this Paper outlines the issues we think the community needs to consider about the future scale and model of local government representation and service delivery in Tasmania. The three structural reform ‘pathways’ the Board is considering are then discussed in more detail in Section 6.





Section 5: Building local government capability and capacity now and for the future

The Board has gathered information and listened to a wide range of Tasmanians' views on what councils do well, what can be improved, and how we can design the local government sector to best serve the next generation. The Review has highlighted councils' key role in supporting the future wellbeing and prosperity of Tasmanian communities and has heard that this will require more effective systems and approaches, as well as investment in additional capability and capacity.

As the Review nears its final stage, the Board has been assessing whether local government has the capability and capacity to deliver its important mission, and how the system might be improved to better meet the needs of the whole Tasmanian community.

Some councils have argued significant local government reform is unnecessary and believe they are already well equipped to meet future community needs, perhaps with some adjustments at the margin. Most, however, acknowledge that more fundamental change is necessary and that this has been known for some time. Specifically, in the Board's discussions with councils we have heard broad agreement from the sector that:

- The status quo is not an optimal or a sustainable model for the sector as a whole given the growing demands, complexity, and sustainability challenges local government is facing;
- Some form of consolidation is necessary to deliver greater economies of scale and scope, at least for some services; and
- The scale and extent of the consolidation needed to deliver materially better services is significant and, unfortunately, this will not occur on a purely voluntary basis within the current framework.

The Board's considered view, developed through its engagement with the sector and the research it has undertaken, is that a critical part of the solution for local government reform is increasing scale in key areas. We know enough to accept that having 29 organisational boundaries is having a significant and detrimental impact on, for example, the ability of councils to attract and retain key skills, to uniformly manage assets well, and to deliver important regulatory functions.

We also know that the competition, fragmentation, and duplication of effort that naturally occurs across 29 councils can and does hinder collaborative effort and outcomes when it comes to managing regional and state-wide challenges that transcend our current LGA boundaries.

We do not know everything about how scale is impacting on the operations of councils, or what the precise solution to this problem should be. Further work will need to be done as we move towards framing up final reform recommendations in Stage 3. However, it is clear that we cannot deliver a meaningful set of reform recommendations without an open, objective, and purposeful discussion on how to give Tasmanian communities access to the benefits that larger economies of scale and scope could provide.

It is also the Board's view, and the majority view among experts and sector stakeholders we have consulted, that the solution to addressing the issues of scale is unlikely to be found with minor modifications to the current form of local government. It is almost certain system-wide reform will be required. This means redesigning our system of local government to ensure councils have the requisite scale, resources, capability, and capacity to deliver on their critical mandate in the coming decades.

5.1 Anticipating future needs

The Review has heard that councils will face growing demands on their resources in the years ahead due to a combination of new and expanded roles and growing community needs. Councils will also need the capability to support communities through emergencies and unexpected crises, such as the COVID-19 pandemic and extreme weather events. These challenges will likely be felt most acutely in our more regional and remote communities, many of which have councils with the lowest levels of structural sustainability, capacity, and capability (see Table 4 below).

Demographics	<ul style="list-style-type: none"> Tasmania's population is the <u>oldest in the country</u>. Despite predicted population growth (mostly in and around the major population centres in the south) a majority of Tasmanian councils (52%) is forecast to experience population decline over the next 20 years. Demographic pressures are especially acute in regional Tasmania; <u>92 per cent of rural and remote councils</u> are set to experience population decline or stagnation. By 2042, <u>Treasury projections indicated</u> that the median age of over half of Tasmania's LGAs will be 50 or higher. 94 per cent of these LGAs are rural.
Health and wellbeing	<ul style="list-style-type: none"> Tasmanians are <u>more likely to experience disability or mobility challenges than the national average</u>, and a sizeable proportion require assistance with daily activities. Disability and mobility challenges are especially acute in regional Tasmania as many residents with elevated levels of need live a significant distance from vital services.
Housing and workforce	<ul style="list-style-type: none"> Tasmania's rental market is among the <u>least affordable in the country</u>, and a high proportion of Tasmanians experience housing stress. Tasmanians also have the <u>lowest median weekly incomes in the nation</u>. Growth in rents and property prices for regional areas is outstripping growth in cities, and income disparity is stark in regional Tasmania.
Geographic scale, climate change	<ul style="list-style-type: none"> Tasmania has <u>more councils for its land area than any other Australian state or territory</u> (six times the national average), creating coordination and management challenges in emergency or disaster situations. Tasmanian communities are facing <u>increased risk of extreme weather events</u>. Growing bushfire risk in regional areas poses an especially dire threat.

Table 4: Tasmania's future needs and challenges – key dimensions

5.2 Emerging capability gaps

Beyond establishing the future needs of the local government sector, the Review has also assessed the current activities and functions of Tasmanian councils. This assessment has identified capability gaps which, in the absence of reform, are likely to grow over time.

There is growing evidence that many councils are unable to fulfil their statutory obligations across a range of functions, including food safety and building and plumbing inspections (see Table 5 below). These statutory functions are critical to the health and safety of Tasmanians. While performance varies widely between councils, overall, these issues were identified as more acute in smaller councils, particularly in rural and remote areas.

The explanation most commonly offered for these compliance failures is persistent and growing workforce shortages across the sector (see table below). The 2018 [LGAT Local Government Workforce and Future Skills Report](#) found these shortages were due to: the rural and regional locations of the work; inability to compete with private sector pay rates; lack of suitably qualified candidates; the reputation and public image of councils; and the lack of training providers in Tasmania. The Board has heard that workforce shortages have intensified significantly over the four years since the LGAT study.

Capability gap	Evidence
Workforce shortages	In 2018, 69 per cent of councils were experiencing a skills shortage and 50 per cent were experiencing skills gaps. In 2022 this had deteriorated, with 86 per cent of Tasmanian councils experiencing a skills shortage. Engineers, town planners, environmental health officers, and building surveyors were in the top five areas of shortages.
Gaps in public health monitoring and reporting	62 per cent of councils are failing to carry out all the food safety inspections recommended to protect the public from dangerous food poisoning risks like Salmonella. 72 per cent of councils are failing some of their responsibilities for monitoring that the water in pools and outdoor sites is safe for swimming. Smaller councils were more likely to be failing in these responsibilities than larger councils.
Uneven enforcement of building and plumbing regulations	69 per cent of councils are failing to perform the plumbing inspections required to ensure public safety and prevent risks like waterborne illness. 31 per cent issued some plumbing permits without site inspections. When building orders were not complied with, councils failed to take follow up action in 79 per cent of cases. On these plumbing and building measures, larger councils were more likely to be fulfilling their responsibilities than smaller councils.
Planning to maintain roads and other council assets	A review of asset management plans has found high levels of non-compliance with minimum statutory requirements. Only 42 per cent of rural councils were compliant in 2020–21, compared with 60 per cent of urban councils. Many councils used longer-than-recommended useful lifespans when valuing their assets. There are instances where major asset classes like stormwater infrastructure have not been accounted for at all.

Table 5: Emerging capability gaps and supporting evidence

5.3 Building capability – the benefits of consolidation and scale

In addition to sector-wide workforce shortages, the ability of councils to deliver effective and consistent services is hampered by fragmented and inefficient administrative systems and processes and competition between councils for investment, funding, and staff.

More broadly, while most councils are financially sustainable in the short term, many are concerned about their ability to meet their statutory obligations and provide the services their communities need and expect in the future.

The Board believes it is necessary to reform Tasmania's local government system to enhance capability and capacity across the sector so that councils can either provide or advocate for the quality services and facilities communities need, expect, and deserve.

For example, as noted in Section 5.2:

- Only 37 per cent of rural councils had compliant asset management plans, whereas 60 per cent of urban councils were compliant;
- While there are examples of high-performing small councils, overall compliance with critical key building and health regulations is higher among larger councils; and
- Larger urban councils are better able to plan for and manage roads and other council infrastructure than small rural councils.

Review Submissions on the challenges facing rural councils

- In rural and remote locations, councils feel compelled to act as the service 'provider of last resort' when State or Federal Governments, or private markets fail to meet community needs.
- This is because people living in rural areas do not have access to the range of services available to those living in cities, including services provided by not-for-profits and by State Government departments.
- Councils need to be supported to build their responsiveness to climate change risks with adequate funding and technical capacity.
- Accessing adequate and affordable healthcare is becoming a growing challenge in many rural communities. While direct health and aged care are the responsibilities of State and Commonwealth Governments, councils feel compelled to address this challenge, particularly in rural communities with a high proportion of elderly and lower-income residents.
- Housing challenges are another major concern in rural communities. Some councils would like to provide more housing and services, but consider it beyond their remit and financial means.

The problem is not with individual councils, but the structure of the local government system itself. The Board believes the only appropriate response to structural constraints is structural reform.

The benefits of increasing scale across the Tasmanian local government sector have also been highlighted in submissions to the Review. The Board received 18 submissions from councils during its Stage 2 consultation, of which 13 (72 per cent) agreed increased scale through either council or some form of service consolidation (or both) would yield benefits in terms of councils' ability to provide better services. Nine councils noted the merits of shared services, while six advocated for some form of amalgamation. Some councils supported or acknowledged the benefits of both approaches. This sentiment was further explored and tested when the Board met individual council mayors and general managers during Stage 2.

Finally, while the wider literature on local government reform draws a range of conclusions there is evidence that by increasing scale the following benefits are possible:

- **Efficiency** – delivering services at greater scale (see next section) may not necessarily flow through to 'cost savings,' but may result in more effective and/or sustainable service delivery. For example, the [SGS Greater Hobart](#) and [KPMG South-East Councils](#) feasibility studies

identified potential efficiencies of \$19 million and \$7.6 million per annum respectively from consolidation.

- **Financial resilience and sustainability** – while most councils are currently 'getting by' financially, bigger councils with larger revenue bases and resources are, if well managed, more likely to be able to expand services and withstand financial shocks.
- **Economy wide benefits** – greater coordination of investment decisions and regional land use and infrastructure planning can deliver economy-wide productivity gains.
- **Influence** – a larger organisation will be more influential as an advocate to other levels of government, more able to form productive partnerships with businesses and community organisations, and more likely to attract investors to their council area.

The Board has concluded structural reform designed to increase the scale, sustainability, and capability of Tasmania's local government system will be required to meet the future needs of the Tasmanian community. Over the course of Stage 2, we have also engaged with the sector and undertaken research on the approach and design of structural reforms required to ensure that councils are equipped to meet future challenges.

Consultation questions

- Do you agree with the Board's assessment that Tasmania's current council boundaries do not necessarily reflect how contemporary Tasmanians live, work, and connect?
- We have heard that councils need to be "big enough to be effective and small enough to care". How big is big enough to be effective? How small is small enough to care? What factors determine that? How do we strike the balance between these factors?
- Thinking about Tasmania now, and how it might change over the next 50 years, what are the most important things to consider if we were to 'redraw' our council boundaries?



Section 6: Structural reform – three potential pathways

Having considered a wide range of strategies for building capability and delivering better outcomes, the Board is now seeking feedback on three broad reform pathways. This section provides further detail on these pathways and lays out some of the arguments we have heard for and against.

Three reform pathways

1. Significant (mandated) sharing and consolidation of services
2. Significant boundary consolidation to achieve fewer larger councils
3. A 'hybrid' model combining both service and boundary consolidation

Pathway 1: Significant (mandated) sharing and consolidation of services

The first possible pathway to improve councils' capability and capacity would be an extensive program of structured service consolidation. Under this option, Tasmania would retain its current structure of 29 councils, but a range of council services would be delivered by central or regional providers. All councils would be required to participate.

The centralisation of [water and sewerage services](#) into TasWater – formerly the responsibility of individual councils – is one example of this type of model, as are joint authorities like Dulverton Waste and Southern Waste Solutions. While these examples represent two common approaches, the Review is considering a range of alternative models and innovative options. These range from joint authorities all the way to near-total

administrative integration, such as exists between Kentish and Latrobe Councils (see Figure 3 below). While more systematic service sharing and consolidation offers benefits, there are also risks and challenges (see Table 6). Although the Board has not formed a particular view on the specific services that may ultimately be consolidated in this model, various options have been raised in our engagement, including waste, regulatory and planning services, stormwater, roads and other major infrastructure maintenance, major systems procurement, and back office corporate and IT services. The greatest concern in Tasmania is that large-scale service consolidation could leave smaller councils without the critical mass of functions or resources required to fulfil their remaining mandates in a sustainable way.

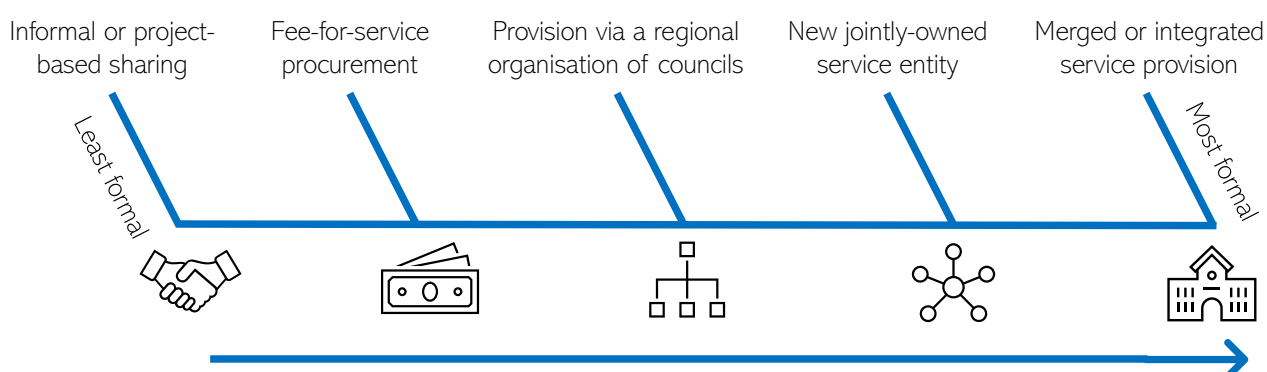


Figure 3: Range of joint authorities

Advantages	Challenges
<ul style="list-style-type: none"> Service sharing can provide all ratepayers across the State with a more consistent standard of service at an efficient cost. Service sharing can provide the scale required to justify the investment in modern systems that can support improved service delivery. Service consolidation – via sharing, centralisation, or even outsourcing – can create economies of scale by freeing up personnel and resources for other tasks. Service sharing can improve professional capabilities and career opportunities through greater and more varied experience in larger organisations. 	<ul style="list-style-type: none"> Service consolidation can be subject to considerable transition costs and often requires councils to adopt common systems and processes. Service consolidation requires councils to give up some autonomy and responsibility for service provision. Efficiency savings are often not as great as hoped due to administrative duplication, governance costs and procurement costs. Local insights may be lost, and services may not be as responsive to local needs. Mandatory state-wide service consolidation risks creating an uncompetitive monopoly provider. Stripping away core local government responsibilities in areas like stormwater or roads risks leaving councils without a sustainable critical mass of staff or resources.

Table 6: Advantages and challenges of service consolidation

The evidence: When are shared services likely to be successful?

The Board's [detailed analysis of different service consolidation arrangements](#) found the successful sharing of services at scale depends on a wide range of factors. The evidence suggests, while such arrangements can deliver considerable benefits, these do not accrue equally to all council services or all council areas.

Positive outcomes are most likely to be achieved where the services in question are capital-intensive and delivered in a relatively uniform or undifferentiated way across council areas. One example of this is how the creation of TasWater facilitated increased investment and subsequent [improvements in the delivery of water and sewerage services](#).

Further, our research suggests that service consolidation will be most effective where equitable distributions of cost and risk are maintained, and councils are equipped with streamlined and compatible ICT, back office, and HR systems to enable a smooth transition to sharing. Finally, evidence from existing shared or consolidated service initiatives highlights risks to be managed and potential pitfalls to be avoided, more often related to three key issues:

1. The first is councils' rationale for participating. In some instances, sharing arrangements have failed due to the lack of a compelling rationale or genuine desire for collaboration among the councils involved. In some cases, the development of shared services agreements has been promoted by councils as an alternative to forced amalgamations. Having overcome the threat of mergers,

however the absence of a compelling reason and commitment to resource sharing can see arrangements dissolve.

2. The second risk relates to monitoring, reporting, and evaluation. The 2018 NSW Shared Services in Local Government audit, for example, found that “councils do not always have the capacity to identify which services to share, negotiate with partner councils, or plan and evaluate shared service arrangements”. This evidence reinforces the Board’s view that any service consolidation in Tasmanian local government would need to be mandatory and led by the State Government.
3. Finally, research has highlighted the perceived loss of autonomy service consolidation can present for councils and their communities. Resident or councillor fears of losing control over local services can undermine service consolidation initiatives even in cases where the relevant authorities already have a long history of successful service sharing.

What we heard: service consolidation

Our stakeholder discussions regarding shared services revealed a wide range of perspectives and insights. For the most part, discussion focussed on the risks associated with ‘ad hoc’ or informal arrangements.

On the topic of shared services, we heard:

- Where a new centralised service corporation, regional entity, or joint authority is to be established, it must have transparent and carefully designed governance structures. Ideally, it should be subject to market competition, and accessibility and accountability to communities must be maintained.
- Some council activities, particularly tourism and local promotion or economic development functions, make more sense when organised at a regional or state-wide level than locally.
- Removing responsibility for some core services risks leaving councils without a critical mass of staff or resources threatening sustainability.
- Creating more service provision authorities or corporations could create additional bureaucracy.
- The benefits of service sharing are not necessarily enjoyed equally by all members of an arrangement. Even where the net impact is positive, some benefit more than others.
- Voluntary involvement can be problematic because individual councils may ‘freeride’ by entering and exiting arrangements.

Pathway 2: Boundary consolidation to achieve fewer, larger councils

The second reform pathway the Board is considering would involve consolidating and redrawing local government boundaries to establish a smaller number of considerably larger and more capable councils. Under this model, councils would continue to provide a similar range of services to what they do currently, but at a substantially greater scale.

Improving capacity and capability in this way requires an appropriate balance between the

need to build scale and scope, and the need to maintain adequate local representation. In other words, boundary reform should not compromise the ability of councils to be responsive, representative, and accessible to their communities. New, larger councils would need to develop consistent and comprehensive community engagement strategies and programs to enhance local and place-based representation (see reform outcome 3 in the Appendix).

Advantages	Challenges
<ul style="list-style-type: none"> Redrawing local government boundaries would enable councils to better reflect today's diverse, connected, and mobile communities. Larger councils should have increased scope to provide a wider range of higher quality services in response to community need, without compromising economies of scope. Tasmania's large number of councils creates unnecessary divisions and duplication of service provision in neighbouring regions, especially in metropolitan areas. Adjusting boundaries to better reflect communities of interest would result in more consistent strategic planning, services, and regulation. Larger councils can have greater capability and capacity, can be better at attracting and retaining skilled workforces, and can have a greater diversity and standard of elected representatives. Larger councils have greater capacity to establish strategic partnerships with other levels of government and organisations, allowing them to become more effective and successful advocates for their communities. Larger councils would either fully or partially negate the need for complex shared services arrangements. 	<ul style="list-style-type: none"> Communities place a high value on responsive councils; amalgamations can be seen as a threat to the democratic and representative function of local government. Consolidating council boundaries can cause significant transition costs and sometimes job losses. Any transition would have to be carefully managed to ensure communities are not left worse off in terms of representation, services, or employment opportunities. Attempts to reduce the number of councils in Tasmania have been politically contentious in the past. If council organisations become too large and complex, they may experience diseconomies of scale, reducing efficiency and increasing the cost of council services.

Table 7 - Advantages and challenges of boundary consolidation

The evidence: The potential benefits of a system of considerably larger councils

The Australian and international evidence concerning council consolidation has focussed on three distinct but related issues:

- Evidence of efficiency and cost savings;
- Evidence of improving economies of scope; and
- Evidence of enhancing council capacity and capability.

Most research on amalgamation focuses on the first issue – efficiency and cost savings – and has produced a complex and diverse range of findings. This analysis suggests that while efficiencies and economies of scale can sometimes follow municipal consolidation, the evidence does not support pursuing boundary reform to achieve cost savings alone.

The second and third rationales – increasing economies of scope, and capacity and capability – are the primary objective of this Review. An emerging body of evidence suggests council consolidation can be an effective way to capture economies of scope, attract and retain skilled workers, and improve councils' strategic capacity and capability.

Finally, available evidence highlights how minimum population size is not the right metric to use when deciding the size councils ought to be. Rather, boundary design should carefully consider how and at what scale councils provide services and whether their activities correspond clearly to factors such as established communities of interest or functional economic areas.

What we heard: fewer, larger councils

Increasing the size and reducing the number of councils in Tasmania has been a hotly debated topic, and throughout our engagement we have heard a wide range of strongly held views. Key insights and recurring themes in these conversations included:

- Economies of scope and council capability and capacity need to be considered, not just economies of scale and cost savings.
- There is no simple binary of large councils being effective and small ones dysfunctional – some small councils work well, and some mid-size or larger councils struggle.
- Consolidation of councils can risk losing local knowledge and diminishing local employment – rural local governments are often the largest employers in their areas – any such reform must carefully address these issues.
- A one-size-fits-all model driven by a desire to achieve a minimum population size for all councils will not work. Different areas have

different needs and priorities, which means that Tasmania will inevitably have councils of some size variation.

- Amalgamations can raise costs and service levels to that of the highest cost council.
- Larger councils tend to have more success attracting grants-based funding.
- Success is critically dependant on transition arrangements: some individuals and councils continue to “bear the scars” of poorly executed amalgamations in the past.
- Boundary changes should be informed by the needs and social and economic features of a region, rather than the pursuit of an arbitrary, pre-determined minimum size.
- Distance makes consolidation more complicated: local government is most highly valued in regional and remote communities, particularly for its accessibility and democratic function. Remote councils need a specific and tailored approach.

Pathway 3: A ‘hybrid’ model combining service consolidation with boundary reform

The third potential reform pathway combines elements from the first two. It would involve some boundary reform (though less than under option two) and some service consolidation where it would deliver clear benefits.

A key advantage of this third pathway is its recognition that neither wholesale boundary change nor substantial service consolidation will be equally appropriate in all areas of the State. Some communities will require more tailored solutions, and a hybrid strategy can be more flexible to this.

The Board also recognises that, when compared to their urban counterparts, rural communities place a higher value on their councils and have distinctive priorities.

Survey research conducted by the [Australian Centre of Excellence for Local Government \(ACELG\)](#) clearly shows that connections to their local community are strongest in rural and regional areas and are also influenced by residents’ age and time spent living within a particular place.

[Respondents living in rural and remote areas](#) are generally more concerned about the consequences of amalgamation on local representation, cost of rates and services and their sense of belonging to the local area. People who have lived in an area longer than 10 years and who are active participants in the community are also more likely to think that their feeling of belonging to the area will be negatively impacted by amalgamation.

Advantages	Challenges
<ul style="list-style-type: none">· The hybrid pathway offers a balance in which local representation and service delivery are maintained, although with narrower functional responsibilities.· While the most conceptually complex option, a hybrid pathway allows for flexibility and nuance to develop different solutions in different communities.· This pathway offers the benefits connected to both service sharing and boundary consolidation, although at different scales.	<ul style="list-style-type: none">· This pathway has inherent risks connected to boundary and service consolidation, described in the sections above.· This pathway has the potential to create a more complex and less consistent local government system.· It may require accompanying reforms to revenue and funding models to promote equity and sustainability across the system.

Table 8 – Advantages and disadvantages of a hybrid model

What we heard: A ‘hybrid’ model combining some shared services with some boundary changes

- This option is preferred by some stakeholders, who believe it offers the greatest potential to improve capability and capacity within councils while maintaining or enhancing local representation, addressing local needs and priorities, and continuing to utilise valuable local knowledge.
- Many local government stakeholders and community members have emphasised the different needs and capabilities of urban and rural councils, stressing reform needs to be ‘place-based’ and tailored to local contexts.
- Innovative models should be considered with this approach. One suggestion was that some councils, where they lacked the capacity or capability, share services with Service Tasmania.
- Another proposal is that decentralised ‘service hubs’ – whether for operational or customer service functions – could be used to address issues of distance, ensure accessibility and connectivity, and maintain local jobs.

Provisional views on structural reform

The Board understands that some members of the community and local government sector hold strong views about the merits or challenges of proposals to consolidate council boundaries or services.

This is why we clearly outlined our thinking about ‘The elephant in the room’ in the Stage 1 Interim Report. Over the course of Stage 2 of the Review, the Board has concluded that some structural reform to Tasmania’s system of local government will be necessary to ensure councils can fulfil their current obligations and meet future community needs. Incremental or marginal changes will not deliver this capability improvement.

The challenge will be to develop a model where consolidation and partnerships enhance the long-term capability of councils and the sustainability of services while strengthening local representation, governance, and democracy. The Board is also considering additional options that have been widely discussed during its engagement that will ‘future-proof’ Tasmanian local government, many of which will enhance local representation and democracy. Reflecting these priorities, the Board’s provisional view is that structural reforms combining both service consolidation and boundary consolidation could allow for a more nuanced and place-based approach to enhancing what different councils do best.

Consultation questions

- Which of the three broad reform pathways do you think has the best chance of delivering what the community needs from local government? Why?
- What would be your biggest concerns about changing the current system? How could these be addressed?
- In any structural reform process, how do we manage the very different needs and circumstances of rural and urban communities?



Image Credit: Nina Hamilton

Section 7: Having your say and the road ahead

The ideas and options the Board is considering would have a major impact on the way Tasmanian councils operate in the future. As councils provide many essential, everyday services, we think it is vital that as many people as possible understand potential changes being considered.

How to have your say

Major change will only be successful if we have broad-based support and community goodwill. The Board wants to understand your views about which of the ideas and options we are putting forward could make a practical and positive difference for local communities.

The Board wants to have an informed community discussion about possible local government reform ideas and what these might mean for individuals, families, and businesses.

If you have any views on the future of local government in Tasmania, now is your chance to be heard.

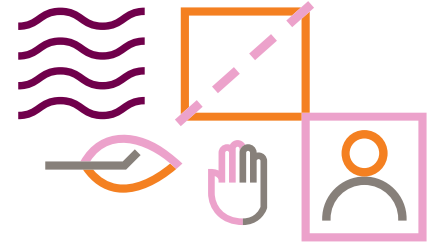
The Board is providing a few different ways for people to respond to the Options Paper

- You can go **online to the interactive version** of the *Options Paper* at www.engage.futurelocal.tas.gov.au and submit your answers to any or all the consultation questions.
- You can also make a submission in an **email or letter**. The Board's contact details are below:
 - **Email:** Submissions.LGBoard@dpac.tas.gov.au
 - **Postal address:** Future of Local Government Review GPO Box 123, HOBART, TASMANIA 7001

SUBMISSIONS FOR THE OPTIONS PAPER CLOSE 19 FEBRUARY 2023.

Regional community meetings:

- In early February 2023, the Board will be **visiting communities** all around the State to hold town hall style meetings. You can register your interest in attending one of these sessions [here](#), and we will be in touch with further updates in the near future.
- Engagement with Tasmanian councillors and council staff will also be supported through a series of meetings (LGAT and LG Pro will provide more details shortly).



Section 7: References

- Audit Office of NSW (2018). *Shared Services in Local Government: New South Wales Auditor-General's Performance Report*. Sydney: New South Wales Government. Available at <https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/FINAL%20REPORT%20-%20Shared%20services%20in%20local%20government%202018-%20web%20copy.pdf>
- Aulich, Chris, Melissa Gibbs, Alex Gooding, Peter McKinlay, Stefanie Pillora and Graham Sansom (2011). *Consolidation in Local Government: A Fresh Look – Volume One*. Sydney: Australian Centre of Excellence for Local Government. Available at <http://gsbc.tas.gov.au/wp-content/uploads/2016/07/Consolidation-In-Local-Government-Final-Report.pdf>
- Australian Local Government Association (2022). 2022 Local Government Workforce Skills and Capability Survey: Final Report. Available at <https://alga.com.au/app/uploads/LG-Workforce-Skills-and-Capability-Survey-National-Report.pdf>
- Better Health Victoria (2022). *Wellbeing Fact Sheet*. Available at <https://www.betterhealth.vic.gov.au/health/healthyliving/wellbeing>.
- Blank, Jos L. T., and Thomas K. Niaounakis (2021). "Economies of Scale and Sustainability in Local Government: A Complex Issue" *Sustainability* 13, no. 23: 13262. <https://doi.org/10.3390/su132313262>
- Bonner, Adrian (ed.) (2020). *Local Authorities and the Social Determinants of Health*. Bristol: Policy Press
- Brighton Council (2021). *Brighton Council Vision 2050*. Available at <https://www.brighton.tas.gov.au/wp-content/uploads/2021/02/Brighton-Council-2050-Vision-Summary-21-Jan-2021.pdf>
- Conway, Mary-Louise, Brian Dollery & Bligh Grant (2011). "Shared Service Models in Australian Local Government: the fragmentation of the New England Strategic Alliance 5 years on", *Australian Geographer*, 42:2, 207–223, DOI: [10.1080/00049182.2011.570232](https://doi.org/10.1080/00049182.2011.570232)
- Drew, Joseph, McQuestin, Dana, & Dollery, Brian (2022). 'Did amalgamation make local government more fit for the future?', *Australian Journal of Public Administration*: 81, pp. 383– 398. <https://doi.org/10.1111/1467-8500.12530>
- Hatley, William D., Richard C. Eling, and Jered B. Carr (2015). "Toward Interlocal Collaboration: Lessons from a Failed Attempt to Create a Fire Authority." In *Municipal Shared Services and Collaborations: A Public Solutions Handbook*, edited by Alexander C. Henderson, 123–142. New York and London: Routledge
- Javanparast, S., Baum, F., Freeman, T., Ziersch, A., Henderson, J. and Mackean, T. (2019). "Collaborative population health planning between Australian primary health care organisations and local government: lost opportunity". *Australian and New Zealand Journal of Public Health*, 43: 68–74. <https://doi.org/10.1111/1753-6405.12834>
- KPMG Enterprise Advisory (2016). *South-East Councils Feasibility Study: Final Report*. Available at <http://gsbc.tas.gov.au/wp-content/uploads/2016/12/South-East-Councils-Final-Report-0110.pdf>

Local Government Act 1993 No.30 (New South Wales). Available at <https://legislation.nsw.gov.au/view/html/inforce/current/act-1993-030>

Local Government Act 2020 (Victoria). Available at <https://www.localgovernment.vic.gov.au/council-governance/local-government-act-2020>

Local Government Association of Tasmania (2018). *Local Government Workforce and Future Skills Report*. Available at https://www.lgat.tas.gov.au/__data/assets/pdf_file/0028/662329/LG-Workforce-and-Future-Skills-Report-Tasmania-Sept-2018-FINAL.pdf

Ryan, R., Hastings, C., Woods, R., Lawrie, A., Grant, B. (2015). *Why Local Government Matters: Summary Report 2015*. Australian Centre of Excellence for Local Government, University of Technology Sydney Australia. Available at <https://www.uts.edu.au/sites/default/files/WhyLocalGovernmentMatters-FullReport.pdf>

SGS Economics and Planning (2017). *Greater Hobart Local Government Reform: Final Feasibility Report*. Available at https://www.dpac.tas.gov.au/__data/assets/pdf_file/0026/65582/SGS_Greater_Hobart_Local_Government_Reform_Final_Feasibility_Report_January_2017.pdf

Tasmanian Audit Office (2018). *Report of the Auditor-General No.2 of 2017-18: Water and Sewerage in Tasmania: Assessing the Outcomes of Industry Reform*. Hobart: Tasmanian Government. Available at <https://www.audit.tas.gov.au/wp-content/uploads/Taswater-Summary.pdf>

Tasmanian Electoral Commission (2018). *2018 Tasmanian Local Government Elections Report*. Available at https://www.tec.tas.gov.au/Info/Publications/LocalGovernmentElectionReports/Current_Reports/2018_Local_Government_Elections_State-wide_Report.pdf

Tasmanian Government (2022). *The Future of Local Government Review: Stage One Interim Report*. Hobart: Tasmanian Government. Available at <https://engage.futurelocal.tas.gov.au/>

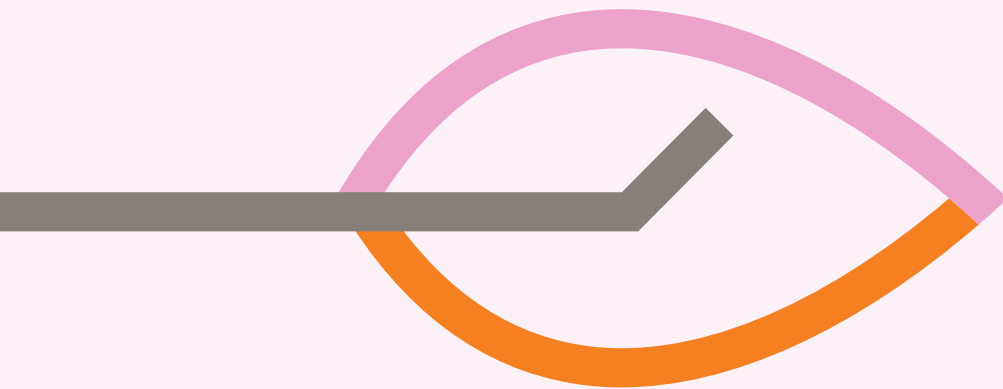
Tasmanian Policy Exchange (2022). *Options for Sharing Services in Tasmanian Local Government: Future of Local Government Review Background Research Paper No.4*. Research report prepared for the Future of Local Government Review, available at https://www.utas.edu.au/__data/assets/pdf_file/0017/1623203/FoLGR-UTas-Paper-4-Options-for-sharing-services-in-Tasmanian-Local-Government.pdf

Tasmanian Policy Exchange (2022). *Place Shaping and the Future Role of Local Government in Tasmania: Evidence and Options: Future of Local Government Review Background Research Paper No.3*. Research report prepared for the Future of Local Government Review, available at <http://www.futurelocal.tas.gov.au/wp-content/uploads/2022/06/FoLGR-UTas-Paper-3-Place-shaping-and-the-future-role-of-local-government-in-Tasmania.pdf>

Tasmanian Policy Exchange (2022). *The History of Local Government in Tasmania: Future of Local Government Review Background Research Paper No.1*. Research report prepared for the Future of Local Government Review, available at https://www.utas.edu.au/__data/assets/pdf_file/0009/1579635/Local-Govt-History-Report_final150322.pdf

World Health Organisation (2011). *Addressing the social determinants of health: the urban dimension and the role of local government. Governance for health at the local level: people, citizens and assets for health – Initial consultation with local governments on the new health policy for the WHO European Region – Health 2020*. WHO Regional Office for Europe, available at https://www.euro.who.int/__data/assets/pdf_file/0003/145686/HCP_Liege_09-SocDem_government.pdf

The future of local government review



Tasmanian
Government

Department of
Premier and Cabinet

More information?

www.futurelocal.tas.gov.au

LGBoard@dpac.tas.gov.au