

WELCOME

LOCAL GOVERNMENT REGIONAL MEETINGS

MINISTER FOR PLANNING AND LOCAL GOVERNMENT
PETER GUTWEIN MP



WHERE DO WE WANT TASMANIA TO BE?

**THE MOST COMPETITIVE AND ATTRACTIVE
PLACE TO LIVE, WORK AND INVEST IN THE
ENTIRE COUNTRY**

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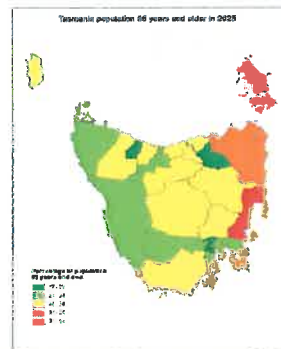
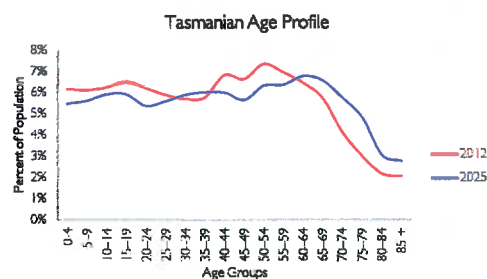
ISSUES CONFRONTING LOCAL GOVERNMENT

- 14 councils have had an average operating deficit for the 7-year period between 2007-08 and 2013-14 ranging up to \$4.6 million.
- Over two thirds of councils are not investing enough in maintaining their assets.
- Nearly half of all councils are not adequately maintaining their road system.
- Councils' net financial assets have declined over the last 3 years by 27% or \$45.5 million.
- In the last 5 years rate increases across Tasmania have well and truly exceeded CPI increases (by approx 110%) and have been significantly above the Tasmanian Council Cost Index (by approx 35%).
- Tasmanian councils have the second lowest average population per municipal area of all Australian states.

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DEMOGRAPHIC ISSUES CONFRONTING LOCAL GOVERNMENT

- Under medium series Treasury projections, Tasmania's population is forecast to rise by almost 40,000 (~7%) to just over 550,000 people by 2025.
- Significantly more of the population will be 65 years of age or older – 23% (17% in 2012)
- Significantly less of the population will be younger than 30 years of age.
- Small and medium sized rural agricultural communities will be affected most.



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ISSUES CONFRONTING LOCAL GOVERNMENT

Demographic Challenges

By the year 2025:

- A fifth of councils will have at least 30% or more of their population aged 65 years or above;
- A third of councils will experience population decline, with some experiencing a 10% total population decline ;
- A clear majority of councils will experience a decline in population of 20-40 year olds and three quarters of councils will have a decline in population of 40-65 year olds;
- Six councils will have a median age of above 50 years with the State average being 42.4.
- Major cities represent 43% of the total population responsible for 3% of the State's areas; 13 smaller councils' combined population is 13% but responsible for 60% of the State's area.

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ISSUES CONFRONTING LOCAL GOVERNMENT

Economic, Social and Environmental Challenges:

- Contracting /expanding populations.
- Ageing Population, Health and aged services.
- Transport.
- Compliance and Regulation.
- Adequate investment in infrastructure and existing assets.
- Attracting qualified personnel.
- Climate Change: hazards and environmental management on a regional scale.

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WHAT ARE THE OPTIONS AVAILABLE TO
IMPROVE OUTCOMES FOR RATEPAYERS
AND MEET THE CHALLENGES OF THE
FUTURE?

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SHARED SERVICES

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CURRENT SHARED SERVICES

- Driven by crisis not strategy (or political opportunity).
- Poor understanding of the benefits to ratepayers.
- Lack of empirical data regarding financial service delivery outcomes.
- Lots of promises but incremental progress in reality.
- Little understanding of what is "best practice" and what it would deliver.

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CURRENT SHARED SERVICES

Analysis of shared service arrangements in Tasmania*:

- 154 shared service arrangements;
- over half have no formal governance structure or had an informal management arrangement;
- only 13% had been subject to cost-benefit analysis;
- often rely on relationships rather than sound business cases; and,
- most are inadequately evaluated.

Responding councils identified a lack of political and management support and leadership in driving efficiencies and cooperation.

* *Collaborative councils: a survey of shared services in Tasmania 2015, Draft Report*

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VOLUNTARY AMALGAMATIONS

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PRINCIPLES FOR AMALGAMATIONS

Any voluntary amalgamation proposal must:

- be in the best interests of ratepayers;
- improve the level of services for communities;
- preserve and maintain local representation; and
- ensure the financial status of the entities is strengthened.

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VOLUNTARY AMALGAMATIONS

Recent Data on proposed Amalgamations:

- STCA (Munro Report, 2011)
- Question "My council should consider amalgamating with one or more of its neighbouring councils", with **68% of Hobart residents, 59% of Clarence residents, and 58% of Glenorchy residents strongly or very strongly in favour of the proposition;**
- Single Southern Council option: savings achieved would more likely be in the order of up to **15%** of the 12 councils' combined expenditure.
- **Deloitte Access Economics (2011)**: suggested the savings would be **35%**.
- There is no current modelling at a State Government level of what amalgamations would achieve in respect of price (rates) or service improvements.

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THE CASE FOR CHANGE

The "Right" Amalgamations have the potential to deliver:

- improved service delivery;
- greater opportunity to attract and retain skilled staff;
- increased capacity to comply with legislative requirements;
- improved risk management;
- improve the capacity of councils to respond to future major challenges; and
- better regional planning.

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SNAPSHOT LOCAL GOVERNMENT REFORM

- South Australia (1997) – from 119 to 68 councils. Recurrent savings estimated at \$19.4m per year.
- Victoria (1990s) – from 210 to 78 councils. Savings of approximately 10% of costs.
- Tasmania (1993) – from 46 to 29 councils. Significant reduction in administrative costs.
- Qld (2008) – from 157 to 73.
- NSW (2015) – Currently 152 with combined deficit of \$280 million. Incentives for voluntary amalgamations being offered.

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VOLUNTARY AMALGAMATIONS - LESSONS LEARNT

Local government is best placed to lead change:

- councils know where improvements are needed;
- councils know where the best opportunities are;
- councils are tuned in to communities' needs.

Research suggests that amalgamations are more successful when:

- local councils are actively engaged;
- sufficient resources and time are allocated, particularly for transitional arrangements;
- the community is encouraged to actively participate in the process;
- and,
- priority is given to 'communities of interest' in developing options.

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PROCESS AND TIMEFRAMES

Process	Timeframe
Councils indicate interest in understanding what benefits voluntary amalgamations could provide for Ratepayers.	March 2015
More detailed consideration of amalgamation proposal within and between councils. Councils advise Minister of intention to proceed to feasibility study and community consultation.	April/May 2015
Undertake feasibility study and conduct community consultations.	June-September 2015
Participating councils consider outcomes and report to Ratepayers.	October-December 2015

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PROCESS AND TIMEFRAMES

Process	Timeframe
Next Steps: Don't proceed further or request Local Government Board (LGB) to conduct Formal Review	January-March 2016
Following advice, Minister requests LGB to conduct a review of amalgamation proposals. Board reviews conducted as required under <i>Local Government Act 1993</i> .	March – September 2016
If positive recommendation is received from LGB, discussion on transitional funding – if required – and timing of amalgamation.	September-December 2016
Executive Orders are made to implement any amalgamation changes.	As Required

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STATE GOVERNMENT ASSISTANCE

Feasibility Studies

- Up to \$25 000 for an amalgamation proposal involving two councils
- Up to \$50 000 for a proposal involving three or more councils.
- State Government funding provided on a matching basis with participating councils on other modelling as agreed.

Professional Facilitation

- On a case by case basis up to \$5,000

Local Government Division/Treasury/Independent

- Financial modelling of proposals.

Local Government Board Reviews

- Funded by the State Government as required under Act.

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END OF PRESENTATION

Questions?

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