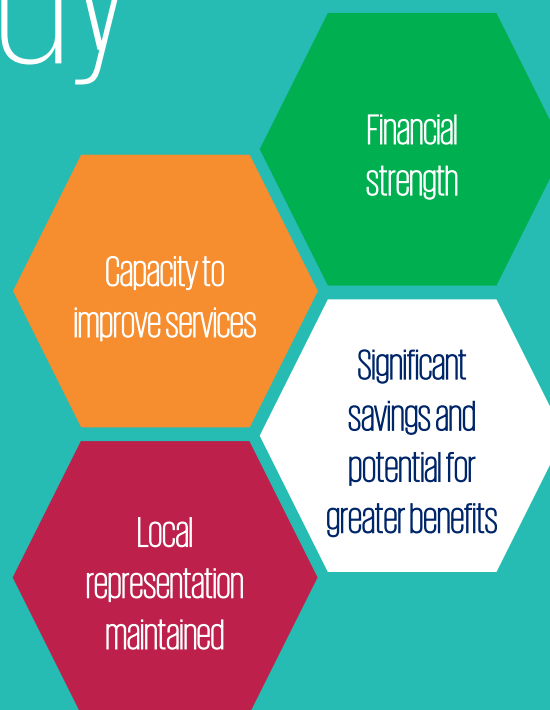




# South East Councils Feasibility Study

**Final Report**

30 September 2016



**Private and confidential**

**The Mayors and General Managers,  
Clarence City Council, Sorell Council, Glamorgan Spring Bay Council and Tasman Council**

**South East Councils Feasibility Study**

KPMG is pleased to present our Final Report into options for enhanced shared services and potential boundary reforms for the four participating councils in the south east region of Tasmania.

Our study has found all councils are in a reasonable financial position, living within their means and delivering a range of services at various levels reflecting their financial/ resource base and community expectations. The viability of the rural/ remote councils in the region has been aided by resource sharing initiatives, though there are limits to the potential for further efficiencies to be realised that would materially improve services to ratepayers.

Four boundary reform options have been analysed, Option 1 (the merger of the four councils) has emerged as a viable option. It reflects the strong alignment of the councils in relation to their strategic plans, risk management frameworks and commonality in their communities of interest, whilst acknowledging those elements of each council that are unique.

Option 1 offers the potential to yield savings of around \$7.6m p.a. across the region, principally through the alignment of back-office function and other process and contracting efficiencies. This assumes no change to existing service levels. Naturally, a new council would be able to apply those savings to a range of policy choices such as improved services or additional investment in existing and new assets. Option 1 will see a reduction in the current number of elected members in the region from 36 down to 15 for a period of transition. In the longer run, the more contemporary 'election at large' model with approximately 12 elected members would appear to be appropriate.

The estimated cost to implement Option 1 is in the order the order of \$6.3m. Any potential State Government contribution to these implementation costs only further amplifies the conclusion that a merger of the four councils meets the test of being "in the best interests of ratepayers".

The other options all have merit compared to doing nothing. For example, Option 3, which brings together Sorell, Tasman and Glamorgan Spring Bay offers the potential to yield savings of \$2.5m p.a., which is not materially less than Option 1 on a per rateable property basis, but may be seen by some communities as more attractive in terms of access to representation.

We thank you for the opportunity to have undertaken this study.



Paul Green  
Partner



**Important Notice**

**Inherent Limitations**

This report is given subject to the written terms of KPMG's engagement. This report has been prepared as outlined in Scope Section. The services provided in connection with this engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the South East Councils consulted as part of the process.

KPMG have indicated within this presentation the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the presentation.

No reliance should be placed by the Councils or Department of Premier and Cabinet on additional oral remarks provided during the presentation, unless these are confirmed in writing by KPMG. KPMG is under no obligation in any circumstance to update this presentation, in either oral or written form, for events occurring after the presentation has been issued in final form.

The findings in this presentation have been formed on the above basis.

**Third Party Reliance**

This presentation has been prepared at the request of Department of Premier and Cabinet and the South East Councils in accordance with the terms of KPMG's engagement letter/contract dated 19 August 2015. Other than our responsibility to the Department of Premier and Cabinet neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this presentation. Any reliance placed is that party's sole responsibility.

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# Section 1

## Introduction



# Background

### Introduction

The Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay have come together with the support of the Department of Premier and Cabinet (Local Government Division) to explore the merits of shared services and four amalgamation options as follows:

- Option 1: Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 2: Clarence City Council, Sorell Council and Tasman Council
- Option 3: Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 4: Sorell Council and Tasman Council

KPMG was selected by the four participating councils to undertake the study, from a panel of potential service providers appointed by the Tasmanian State Government, Department of Premier and Cabinet, Local Government Division.

The study was guided by a Steering Committee comprising the Mayors and General Managers of the participating councils.

The study was facilitated by the formation and effective engagement of a Working Group comprising members of KPMG and representatives of the participating councils. This group provided access to the data held by each of the councils and assisted in the compilation and analysis of the data and the solicitation of feedback from the participating councils on all draft deliverables.

The study was undertaken in five phases over a six month period from March to September 2016. The five phase approach included the documentation of interim deliverables for consideration by the Steering Committee at intervals throughout the engagement. This approach ensured that the research, analysis and conclusions presented in this Final Report have been tested, refined, validated and understood by the Steering Committee over the course of the engagement.

### Structure of this report

In light of the scale, scope and approach to this engagement, the deliverables arising have been structured such that the Final Report provides a stand-alone summary of the interim reports that have been presented throughout the engagement.

The Final Report is structured as follows

- Section 1 presents this introduction to the report
- Section 2 presents the Executive Summary to the report
- Section 3 presents the situation of the councils as they currently stand
- Section 4 provides a profile of the options under consideration
- Section 5 presents assessment of the options in terms of strategic considerations, service considerations, financial considerations and community and governance considerations
- Section 6 presents the impact of the options for the south east region, and for each council, using the decision making criteria that were established to underpin this study
- Section 7 outlines key implementation considerations

Addendums 1 and 2 provide the detailed analysis undertaken throughout the study.

An Abridged Report has also been prepared, which has been tailored and further summarised to assist the participating councils to engage with their councillors and communities.

## Introduction

# Scope and summary of requirements

### Scope

The complete Terms of Reference are presented in Appendix 1 and we would summarise key aspects of these as set out below.

The Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council have come together with the support of the Department of Premier and Cabinet (Local Government Division) to explore shared services and four amalgamation scenarios:

- Clarence Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Clarence Council, Sorell Council and Tasman Council
- Sorell Council and Tasman Council
- Sorell Council, Tasman Council and Glamorgan Spring Bay Council

The following principles must be applied when considering all options as they relate to local government reform:

- ***Be in the best interests of ratepayers***
- ***Improve the level of services for communities***
- ***Preserve and maintain local representation, and***
- ***Ensure that the financial status of the entities is strengthened.***

The study was required look at all reform options, including the status quo.

### Deliverables

The Request for Quote specifies that the deliverables for the study are to be:

- A feasibility study (report) into Local Government Reform options including voluntary amalgamation, potential for shared services, fee for service and any other model considered appropriate (including the status quo), along with the possible savings from such activities
- An abridged version of the report which will be suitable for any community consultation to be undertaken by one or more of the participating Councils, and.
- A presentation to the State Government

### Summary of requirements

#### Financial requirements

- a) The current financial sustainability of each Council;
- b) The projected long term (10 or 20 years) financial sustainability of each Council
- c) The projected long term (10 or 20 years) financial sustainability of the voluntarily amalgamated Council, having regard to asset management plans and key financial indicators
- d) The financial impacts of amalgamation in terms of both costs of integration and savings benefits from economies of scale

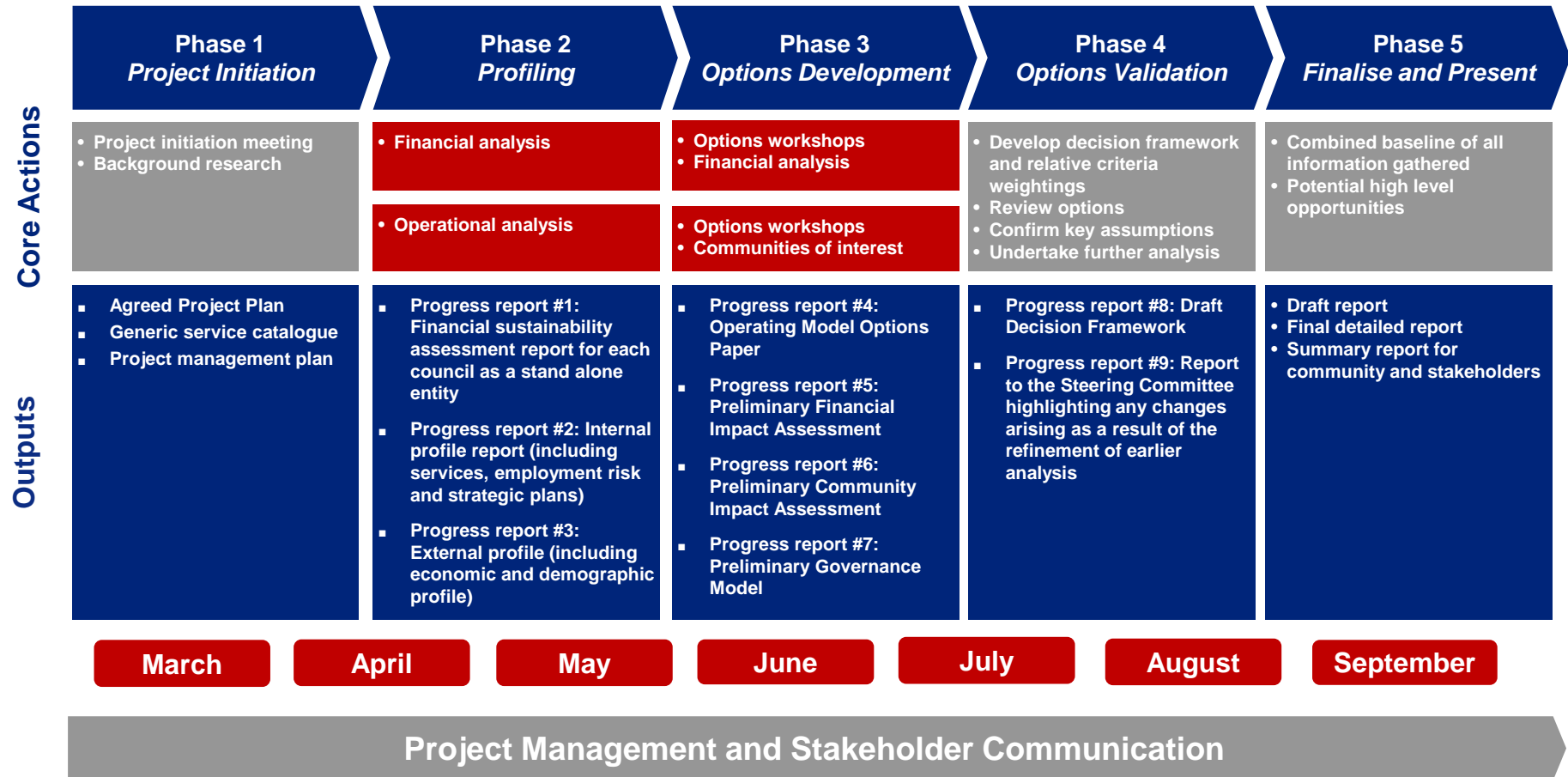
#### Operational requirements

- a) a service profile of each Council
- b) an employment profile of each Council
- c) assumed service standards and employment profiles of the voluntarily amalgamated Council
- d) an analysis of the Strategic Plans of each council and any visioning plans the councils may have
- e) an understanding of the different communities of interest each Council serves and their shared values
- f) any significant risks that exist in each Council and whether those risks would be mitigated or managed under an amalgamated Council
- g) the economic and demographic profiles of each council projected to 2025
- h) a prospective governance model that provides for the transition to amalgamation
- i) any other boundaries (not necessarily just physical) under this process

# Introduction

## Approach

The study was undertaken over five phases as summarised in the figure below.





# Section 2 Executive Summary





# Introduction

The Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council have come together with the support of the Department of Premier and Cabinet (Local Government Division) to explore the merits of shared services and four amalgamation options:

- Option 1: Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 2: Clarence City Council, Sorell Council and Tasman Council
- Option 3: Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 4: Sorell Council and Tasman Council

KPMG was selected by the four participating councils to undertake the study, from a panel of potential service providers appointed by the Tasmanian State Government, Department of Premier and Cabinet, Local Government Division.

The study was guided by a Steering Committee comprising the Mayors and General Managers of the participating councils.

The study and the ultimate assessment of the options has been guided by the following principles that must be applied when considering all options as they relate to local government reform:

- ***Be in the best interests of ratepayers***
- ***Improve the level of services for communities***
- ***Preserve and maintain local representation, and***
- ***Ensure that the financial status of the entities is strengthened.***

The study was required look at all reform options, including the status quo.

This Executive Summary compiles the key analysis and conclusions presented in further detail in the body of this report, which broadly falls into two categories - current situation and options assessment.

### Current situation

1. We outline the current community profiles, including population projections and the characteristics of the communities
2. We map the current service profiles to illustrate the comparable/ complementary services and those services that are more unique and tailored to each of the councils
3. We outline the current financial position of each council and the 10 year financial forecasts

### Options assessment

1. We define the options and their key service and demographic characteristics
2. We present key considerations for each of the options, having regard to strategic capacity, impacts on services, financial outcomes and community/ governance
3. We apply the decision making framework, built around the four key guiding principles to rank the performance of the options against those principles
4. We outline key considerations in moving towards the implementation of any amalgamation option

# The south east councils – the story so far....

## The Current Situation

- There are fundamental differences in the profile, size and scale of the councils, but these do not preclude amalgamation
- Diverse communities exist within and across current council boundaries
- Forecast population growth is concentrated in Clarence and Sorell, with low growth in Tasman and decline in Glamorgan Spring Bay
- The councils have many similar strategic goals and offer the same core services to their communities
- Each council is currently living within their means and face long term challenges



## The Options

- There is one status quo option and four amalgamation options
- Conservative assumptions have been used in assessing the options
- All options provide a positive financial return for the councils and their community
- Local representation can be maintained through wards with fewer elected members
- On balance, ratepayers are no worse off under any option, but the impacts vary
- There is still work to be done if councils decide to move ahead with one of the amalgamation options

## Executive Summary

# Community profile

There are fundamental differences in the profile, size and scale of the councils but these do not preclude amalgamation

### There are significant differences in the size and scale of the councils:

- Clarence's councillor-voter ratio is ten times that of Tasman
- The total length of managed roads is not vastly dissimilar, though the mix of roads is more variable
- Clarence's parks, gardens and reserves are over ten times that of Tasman despite being a little over half the size of Tasman
- Clarence processes almost ten times the number of building application to that of Tasman, but only twice that of the rejuvenated Glamorgan Spring Bay
- Clarence's population is 22 times larger than Tasman, 12 times larger than Glamorgan Spring Bay and almost 4 times the size of Sorell
- Glamorgan Spring Bay's geographic area is almost 7 times larger than Clarence, 4.5 times bigger than Sorell and 4 times bigger than Tasman
- Clarence's average income is 30% higher than Tasman, 25% higher than Glamorgan Spring Bay and 15% higher than Sorell

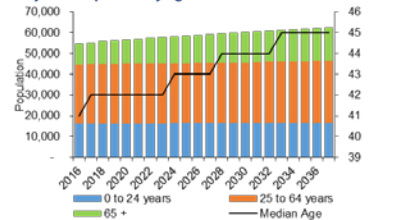
The overall profiles of the municipal areas shows some similarities between the economically stronger regions of Clarence and Sorell and the more economically challenged regions of Tasman and Glamorgan Spring Bay.

	Clarence	Glamorgan Spring Bay	Sorell	Tasman
<b>Representation Profile</b>				
<b>Voter Enrolment (2014)</b>	<b>39,902</b>	<b>4,406</b>	<b>10,164</b>	<b>2,340</b>
<b>Councillors</b>	<b>12</b>	<b>8</b>	<b>9</b>	<b>7</b>
<b>Councillor-Voter Ratio</b>	<b>3,325.17</b>	<b>550.75</b>	<b>1,129.33</b>	<b>334.29</b>
<b>Service Profile</b>				
<b>Roads (KM)</b>				
- Managed urban sealed roads	252	78	88	40
- Managed rural sealed roads	160	91	147	31
- Managed urban unsealed roads	3	13	23	18
- Managed rural unsealed roads	54	175	153	107
<b>Total</b>	<b>469</b>	<b>357</b>	<b>411</b>	<b>196</b>
<b>Parks, Gardens and Reserves (Ha)</b>	<b>1,051</b>	<b>245</b>	<b>155</b>	<b>97</b>
<b>Planning Applications</b>				
- Discretionary	492	307	151	54
- Permitted applications	54	25	62	46
- Permit not required		106	37	13
<b>Total</b>	<b>546</b>	<b>438</b>	<b>250</b>	<b>113</b>
<b>Building Applications</b>	<b>738</b>	<b>483</b>	<b>195</b>	<b>86</b>
<b>Demographic Profile</b>				
<b>Population</b>	<b>54,674</b>	<b>4,493</b>	<b>13,955</b>	<b>2,405</b>
<b>Area (Sq KM)</b>	<b>378</b>	<b>2,591</b>	<b>584</b>	<b>661</b>
<b>Population Density (per Sq Km)</b>	<b>144.64</b>	<b>1.73</b>	<b>23.91</b>	<b>3.64</b>
<b>Average Income (\$)</b>	<b>51,893</b>	<b>39,104</b>	<b>44,062</b>	<b>37,154</b>

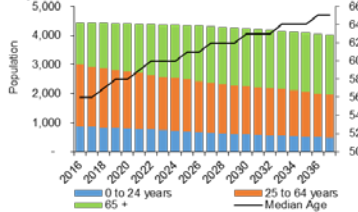
# Community profile

Forecast growth is concentrated in Clarence and Sorell, with low growth in Tasman and decline in Glamorgan Spring Bay

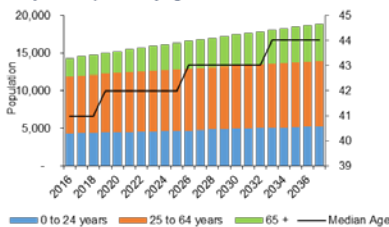
Projected Population by Age: Clarence



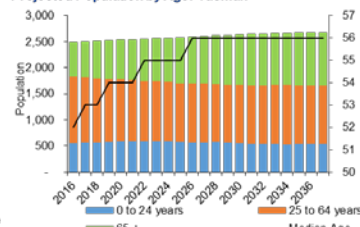
Projected Population by Age: Glamorgan Spring Bay



Projected Population by Age: Sorell



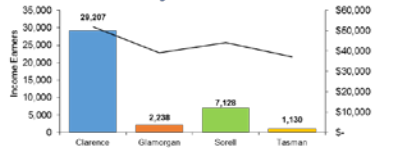
Projected Population by Age: Tasman



Tasmanian Population Projections 2014, Department of Treasury and Finance

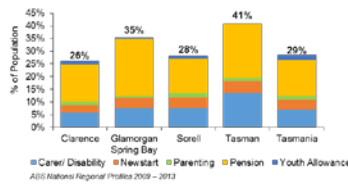
Glamorgan Spring Bay and Tasman have small numbers of income earners and lower incomes with very high rates of government support.....

Total Income Earners and Average Income



ABS: 5524.0 55.002 Estimates of Personal Income for Small Areas, 2012-13

Population receiving Government Support



ABS: National Regional Profiles 2013 - 2013

...and historically higher rates of unemployment...

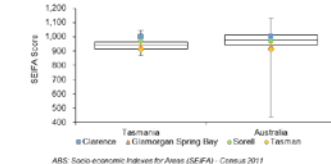
Unemployment Rates by Municipalities



Small Area Labour Markets Publication - December Quarter 2015, Department of Employment Labour Force Region (SAA) - Labour Market Data - March 2016, Department of Employment

...with lower rates of advantage and higher rates of disadvantage.

SEIFA Index of Relative Socio-economic Disadvantage



ABS: Socio-economic Indexes for Areas (SEIFA) - Census 2011

**The cost of servicing communities will rise as they age and the capacity for the resident communities to pay rates will decline in Tasman and Glamorgan Spring Bay**

- Forecast population growth is concentrated in Clarence and Sorell
  - Whilst the population is ageing there is still growth in the core 25-64 year age bracket
- The population is forecast to age significantly in Glamorgan Spring Bay, Tasman and Sorell with a net reduction in the 25-64 year age bracket
  - When combined, a net reduction in the 25-64 year age bracket will reduce the proportion of the wage earning population in those municipalities
  - The average annual income will reduce as this occurs (on a CPI adjusted basis)
  - This reduces the capacity for the population to pay council rates
- A large proportion of the Tasman and Glamorgan Spring Bay residents receive government support payments
- The council areas have seen some improvements in some of the key economic measures, as the overall state of the Tasmanian economy has improved, though unemployment remains higher in Tasman and Glamorgan Spring Bay.
- All municipalities have proportionately higher health risks and a larger proportion of their populations suffering from chronic disease, which increases the load on the council to provide services for an aged population in those locations
- The SEIFA indexes indicate that Clarence and Sorell are within the top 25% of Tasmania across the indexes and within the midrange in Australia. In contrast, Glamorgan Spring Bay and Tasman are within the bottom 30% of Australia and Tasman also falls within the bottom 30% of Tasmania in relation to socio-economic conditions

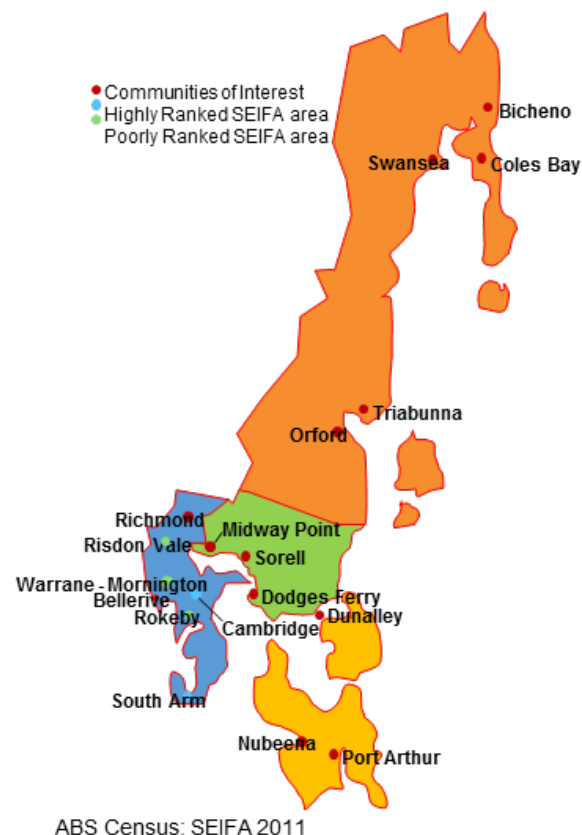
## Executive Summary

# Community profile

Diverse communities exist within and across current councils boundaries

**There are many shared characteristics between the potential municipal areas and therefore communities of interest factors should not prevent the amalgamations.**

- The concept of 'communities of interest' has been widely adopted as part of the discussion around local government and local government reform.
- Many definitions have been proposed, but in simple terms, a community of interest is "essentially a group of people with similar traits – social, economic, language, culture, race etc., and a similar set of interests. It is not uncommon for there to be potential tension between different sub-communities within a council area.
- There have been divergent views about the relevance of communities of interest to boundary reform deliberations, but in the context of the current voluntary reform process in Tasmania, consideration of communities of interest is part of the scope and therefore requires exploration
- In the south-east region, the existing council areas show broad communities of interest, for example, Clarence has a vastly different community profile to Tasman. Within each of the existing south east council areas, there are a range of more 'micro' communities within the current local government areas. For example:
  - **Clarence** - possess both economically advantaged (e.g. Bellerive and Lindisfarne) and disadvantaged suburbs (e.g. Risdon Vale and Clarendon Vale)
  - **Sorell** - has a growing urban commuter community that is different from its rural communities
  - **Glamorgan Spring Bay** - communities in the north are claimed to feel some disconnection from the communities to the south of the council area
  - **Tasman** - The shack owning communities of Nubeena and Dunalley are distinguishable from the more visitor-support orientated community surrounding and supporting Port Arthur
- This suggests that while the current boundaries are somewhat reflective of communities of interest, the prevalence of "communities within communities" is common, suggesting that the current boundaries are not a firm delineation of materially different communities.



## Executive Summary

# Services profile

The councils have many similar strategic goals and offer the same core services to their communities

### Services Provision

- In broad terms, all councils offer the same core services to their communities, noting that there is some disparity in the scale and scope of services.
  - Some areas of more obvious difference in service levels include child care, health services, visitor infrastructure, frequency of cleaning public toilets, green waste and hard rubbish collection, marine infrastructure development and maintenance.
- Analysis of comparative operating expenditure by function/ service has been undertaken to assess service levels. This suggests:
  - Clarence has the lowest cost per capita and per rateable property across all service areas, but has significantly higher cost per square kilometre, reflecting its much higher population density.
  - Sorell has the highest cost per rateable property for civil works/engineering services, and corporate services. Clarence has the highest cost per rateable property for regulatory services. Glamorgan Spring Bay has the highest cost per rateable property for community services, reflecting its greater involvement in healthcare and visitor services.

### Strategic planning and risk management

- In accordance with the Local Government Act, the councils have all embraced the need to develop a strategic plan, incorporating key elements such as a vision, mission, guiding principles and key focus areas. A comparison of those plans suggests that there are many areas of common interest for all councils include financial and environmental sustainability, community engagement, infrastructure/ asset management, environmental management, provision of recreational facilities and local leadership.
- The councils have all put in place risk management policies and undertaken a detailed assessment of risks across a range of council functions. A comparison of the risk management frameworks suggests that Sorell, Tasman and Glamorgan Spring Bay have adopted broadly similar approaches, whilst Clarence has a more sophisticated risk management 'tool' to record and report on risks. Clarence has more detailed risks assessed as 'high'.

Service	Clarence	Glamorgan Spring Bay	Sorell	Tasman
<b>Corporate Services</b>				
Administrative Support				
Human Resources				
Financial management				
Information Technology				
Asset Management				
Risk management				
Marketing				
<b>Governance</b>				
Elected member support				
<b>Regulatory Services</b>				
Animal Control				
Natural resource management				
Building Control				
Building Services- Surveying				
Planning				
Parking				
<b>Community Services</b>				
Community Participation				
Community Grants				
Events				
Volunteer programs				
Economic Development				
Tourism				
Emergency services				
Childcare				
Health Services				
Youth Services				
Customer Service Centres				
<b>Parks and Recreation</b>				
Parks				
Community Halls/civic centres				
Sports Facilities & other facilities				
Shelters/ monuments				
Barbeques				
Public toilets				
<b>Engineering Services</b>				
<b>Civil Works</b>				
Design				
Roads & Bridges				
Building Infrastructure & maintenance				
Stormwater & drainage				
Waste Management- garbage collection				
Waste Management- recycling collection				
Waste Management- green waste collection				
Waste Management- hard rubbish				
Waste Management- Public bins				
Marine Infrastructure- number of boat ramps and jetties				
Marine Infrastructure – number of berths maintained				

Comparable services      More tailored services      Service not relevant/ provided



## Executive Summary

# Financial Profile

Each council is currently living within their means and face long term challenges

### All councils have made progress in their financial performance

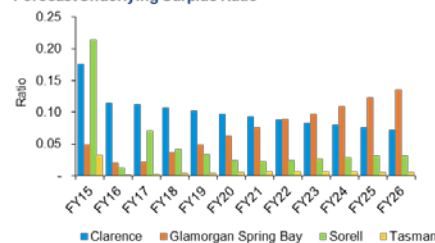
- In the Auditor General's view, all four councils have come a long way over the last 10 years in terms of implementing long term financial and asset management planning.
- There are significant differences in the Auditor General's 2014/15 snapshot of the councils. This highlights the comparative financial strength and higher service levels of Clarence and the generally lower service levels able to be afforded by the smaller, rural remote less densely populated councils.

### Yet all councils have challenges

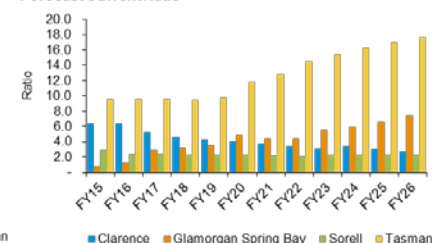
- KPMG has combined the councils' 10 Year Financial Strategies and extended the modelling period in order to present a consistent and coherent set of financial statements and key ratios for analysis. All inputs and assumptions have been provided by the councils, however there are variations in assumptions such as CPI increases, which impacts significantly on comparability. These differences in assumptions and methodologies of preparation place some limitations on the extent to which definitive conclusions can be drawn from the long term projections
- Notwithstanding those differences, the long term projections prepared by the councils point to:
  - A positive underlying surplus for all the councils
  - A positive net cash position for all councils over the forecast period (with Clarence drawing down on its accumulated cash reserves for asset and infrastructure investment)
  - Tasman is not currently meeting the Auditor General's asset sustainability target by a considerable amount
  - A positive current ratio for all councils, showing a surplus of current assets over current liabilities
  - Favourable self-financing and indebtedness ratios for all councils, reflecting a conservative policy by all councils to not borrow over the forecast period
  - Comparatively higher rates per rateable property for Clarence
  - Higher reliance on grants and contributions in Tasman

Management Indicators: 2014-15 Auditor General Report Local Government Comparative Analysis	Clarence	Glamorgan Spring Bay	Sorell	Tasman	South East Council Average	Tasmanian Councils Average
<b>Financial Results</b>						
Net Surplus to Revenue	66.7%	48.9%	28.6%	17.2%	40.4%	27.1%
Operating Surplus Ratio	7.1%	(1.4%)	16.5%	12.4%	8.7%	1.1%
<b>Assets and Infrastructure</b>						
PPE per square kilometre	\$1,314,728	\$34,346	\$334,900	\$70,845	438,705	811,951
PPE per head of population	\$19,861	\$15,829	\$22,547	\$13,442	17,920	25,295
<b>Servicing</b>						
Net Cost to Serve per Rateable Property	\$475	\$949	\$397	\$326	509	1,095
Net Cost to Serve Ratio	1.27	1.82	1.31	1.28	1.33	1.78
FTE per 1000 Population	4.4	13.6	4.9	8.3	7.8	8
Operating Grants per rateable property	\$241	\$306	\$400	\$266	\$303	\$344
<b>Employment</b>						
Employee Costs per FTE	\$70,869	\$70,000	\$77,912	\$68,950	71,933	79,000
Total Labour Costs to Operating Revenue	27.8%	36.4%	30.4%	23.3%	29.5%	35.1%
Total Labour Costs to Operating Expenditure	29.9%	35.9%	36.4%	26.6%	32.2%	35.5%
Employee Entitlements per FTE	\$19,081	\$13,889	\$15,467	\$14,850	15,817	18,892

Forecast Underlying Surplus Ratio



Forecast Current Ratio

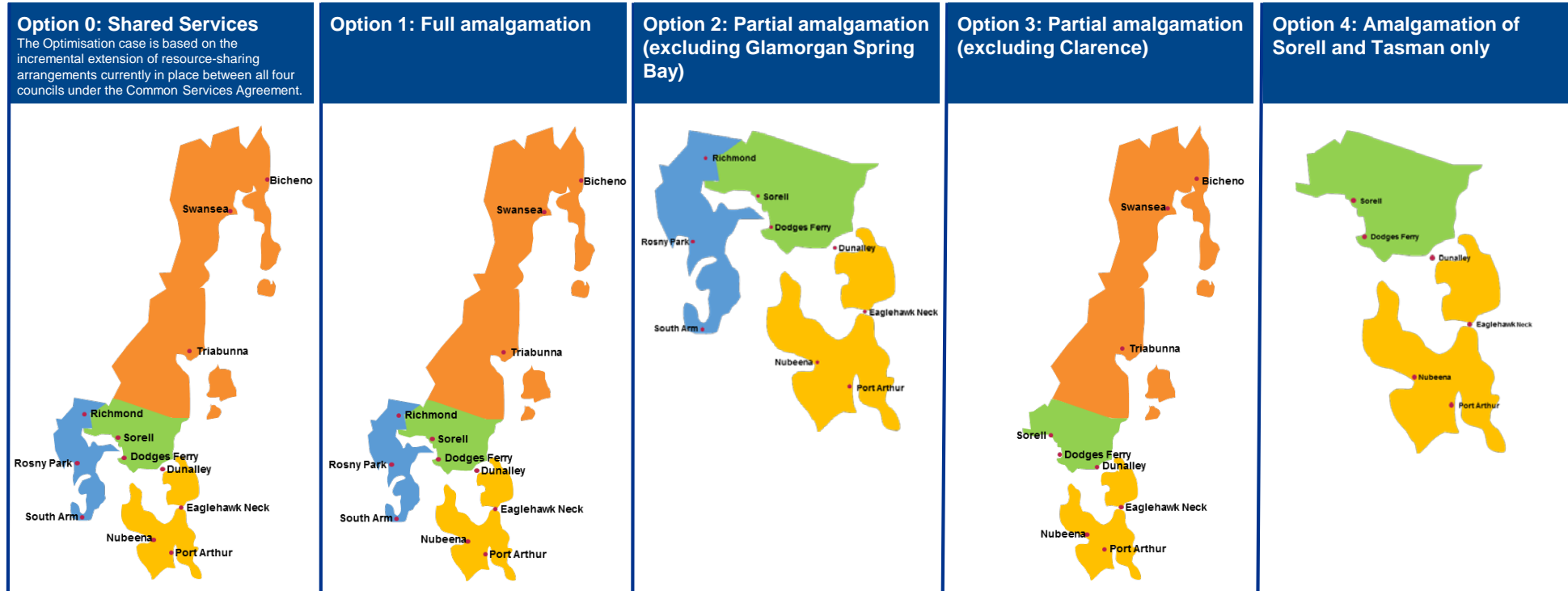




## Executive Summary

# The five options available and core modelling assumptions

There is one status quo option (Option 0 – Shared Services) and four amalgamation options



## Executive Summary

# Options assessment

Although there are differences in size and scale between councils all options are positive

Governance & Community Considerations	Option 0	Option 1	Option 2	Option 3	Option 4
• Population	75,527	75,527	71,034	20,853	16,360
• Current councillors	36	36	28	24	16
• Proposed councillors	36	15	15	13	9
• Average income	\$49,347 p.a.	\$49,347 p.a.	\$49,958 p.a.	\$42,261 p.a.	\$43,116 p.a.
Service Considerations	Option 0	Option 1	Option 2	Option 3	Option 4
• Population density (per sq km)	17.92	17.92	43.79	5.44	13.15
• Geographic area (sq km)	4,214	4,214	1,622	3,836	1,244
• Roads (km)	1,433	1,433	1,076	964	607
• Planning applications per year	1,347	1,347	909	801	363
• Building applications per year	1,502	1,502	1,019	764	281
• Parks & gardens (hectares)	1,548	1,548	1,303	497	252
Financial Considerations	Option 0	Option 1	Option 2	Option 3	Option 4
• Year 1 additional annual surplus	\$0.9m p.a.	\$7.6m p.a.	\$6.3m p.a.	\$2.5m p.a.	\$1.3m p.a.
• Notional additional surplus per rateable property	\$21 p.a.	\$174 p.a.	\$167 p.a.	\$141 p.a.	\$104 p.a.
• Net present value (NPV) of additional surplus	\$9.0m	\$49.8m	\$42.1m	\$21.3m	\$10.8m
• Year 1 additional surplus as percentage of operating expenses	1.1%	9.2%	8.9%	8.4%	6.7%
• Estimated transition costs	\$0.3m	\$6.3m	\$4.1m	\$1.8m	\$1.1m

## Executive Summary

# Financial considerations

All options provide a positive financial return for the councils and their community

**All options provide a positive financial return for the councils and their communities including the generation of:**

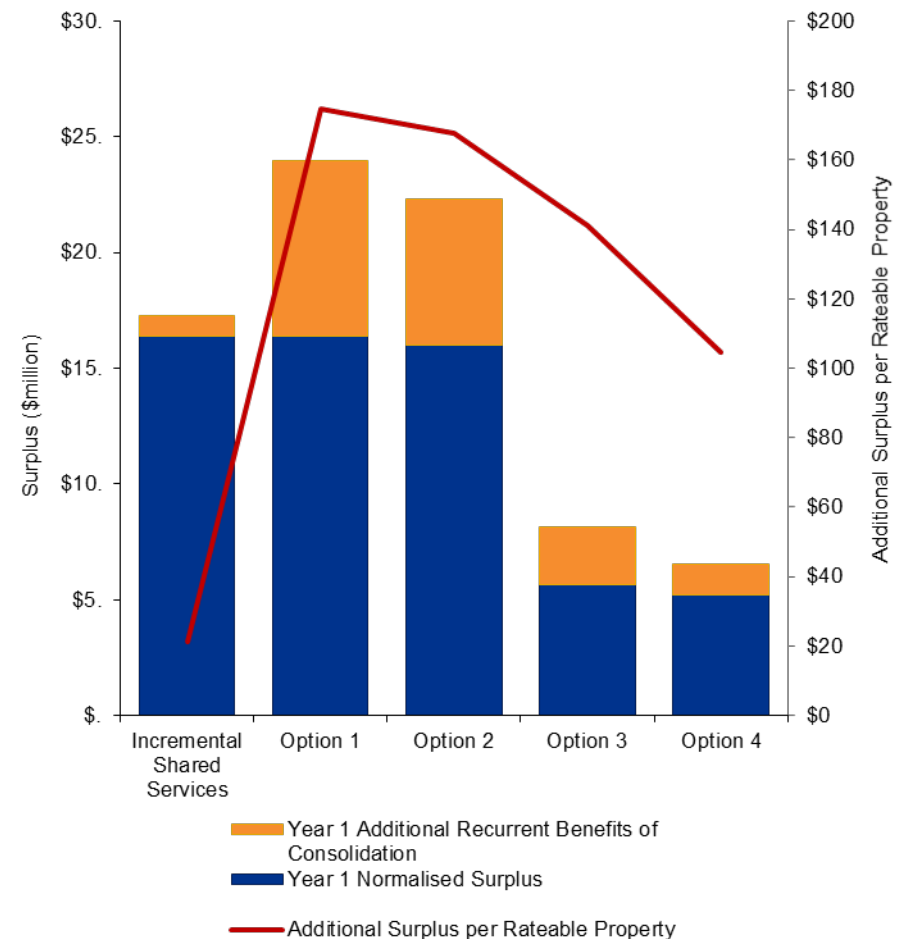
- **Positive operating surpluses** under all options ranging from ranging from \$0.9m p.a. (Option 0) to \$7.6m p.a. (Option 1) in the first year
- **Positive net present values** of all options, ranging from \$9m (Option 0) to \$49m (Option 1) over 10 years
- **Savings in total operating expenses** ranging from 1.1% under the Option 0 to 9.2% under Option 1.

Whilst the modelling identifies savings, it is reasonable to expect that those savings will be allocated to policy options such as:

- Building some cash reserves
- Improving service levels
- Investing in assets and infrastructure
- Reducing growth in rates payable
- Leveraging scale to take on additional debt for major projects

Therefore, the modelling should be interpreted as presenting a range of scenarios that indicate the scale of efficiency gains from each of the amalgamation options.

**Comparison of Surplus- Normalised versus Consolidated**

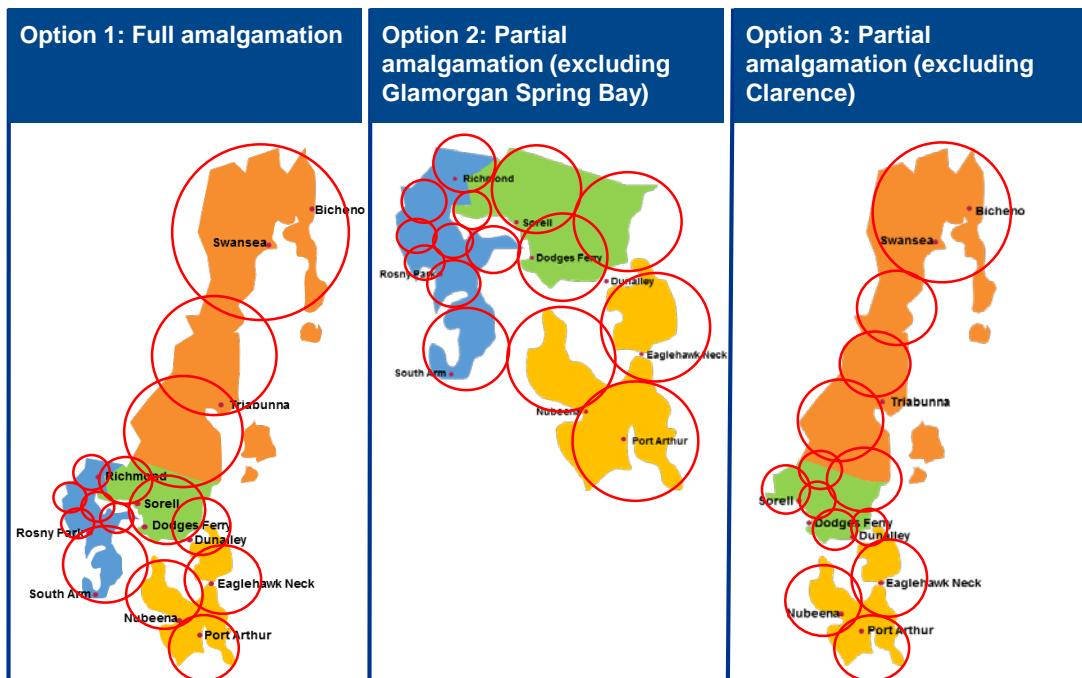


## Executive Summary

# Governance and community considerations

Local representation can be maintained through wards with fewer elected members

- A number of representation options are available to a newly formed merged council, but there are two broad categories:
  - Election at large, where councillors stand for the entire region
  - Election through districts (or wards), which divides up the municipal area into sectors
- Electoral districts can be designed using two broad approaches. The approach that designs electoral districts around smaller, discernible communities of interest would appear to have merit in the south-east. This model is more likely to address community concerns about loss of representation arising from boundary reform
- Local government legislation in Tasmania and other jurisdictions permits the formation of wards. Though some case studies of wards have been found, they remain relatively uncommon across Australia and were last seen in Tasmania in 1996. However, wards have been employed as part of local government structural reform processes, most recently in New South Wales
- Our review of literature and case studies from elsewhere suggests that in the long run, a consolidated electorate with no voting wards possesses more benefits than risks of the alternative ward based structures
- However, the formation of wards for a transition period (with the first electoral cycle as a minimum) is not unreasonable in order to mitigate community concerns about loss of representation under an amalgamated model.



\* These maps and ward boundaries are for illustrative purposes only. These are not intended to depict the location of potential wards.

- Setting aside Option 0 (no change to current representation) and Option 4 (which may not warrant wards), Options 1 – 3 may have a representation model designed around smaller communities of interest. The detailed design of a transitional ward model is not in scope, but may be as follows:
  - Option 1 – 15 single member wards
  - Option 2 – 15 single member wards
  - Option 3 – 13 single member wards

## Executive Summary

# Assessment of the options

On balance, ratepayers are no worse off under any option, but the impacts vary

The Terms of Reference for the study require an evaluation framework to be developed, and performance indicators to be defined for evaluating the success of the amalgamation.

The proposed evaluation framework aligns specifically with the four principles underpinning the study that must be applied when considering all options:

1. Be in the best interest of ratepayers
2. Improve the level of services for communities
3. Preserve and maintain local representation
4. Ensure that the financial status of the entities is strengthened

In the course of considering these principles, it became apparent principles 2, 3 and 4 can be more objectively assessed and supported by research, analysis and future model design, whereas principle 1 is more subjective and open to judgement. We have therefore developed an approach that proposes that principle 1 may be best considered as a product or consequence of the assessments made in respect to principles 2, 3 and 4.

The conclusions illustrate that all of the councils are better off by reform in any of then options in which they feature, but there are variations in financial impact. In all options involving amalgamation, there will be a reduction in the number of elected members, and this is the trade off for improved financial strength. The creation of electoral districts is a mechanism that can be employed to lessen any real or perceived loss in access to local representation.

Clarence						Sorell						Glamorgan Spring Bay						Tasman					
Clarence impact assessment						Sorell impact assessment						Glamorgan Spring Bay impact assessment						Tasman impact assessment					
Option 0	Option 1	Option 2	Option 3	Option 4		Option 0	Option 1	Option 2	Option 3	Option 4		Option 0	Option 1	Option 2	Option 3	Option 4		Option 0	Option 1	Option 2	Option 3	Option 4	
Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman		Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman		Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman		Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman	
Improved service levels						Improved service levels						Improved service levels						Improved service levels					
Maintained local governance/representation						Maintained local governance/representation						Maintained local governance/representation						Maintained local governance/representation					
Strengthened financial status						Strengthened financial status						Strengthened financial status						Strengthened financial status					
Best interests						Best interests						Best interests						Best interests					

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable

## Executive Summary

# Transition planning and potential transition schedule

There is still work to be done if councils decide to move ahead with one of the amalgamation options

**The capacity to achieve the potential financial advantages of council mergers is a direct function of the effectiveness of the merger implementation plans and strategies in place.**

**Potential merger benefits can be quickly eroded by:**

- poor leadership
- insufficient oversight of transition
- incompatibility of IT and record-keeping systems
- delays to implementation and lost productivity
- differences in work culture and practices
- not managing community expectations
- perceived loss of local identity.

The Local Government Board in its 1997 review recommended the establishment of Local Transition Committees (LTC). Should any of the amalgamations proceed, the formation of an LTC with representatives of the merging councils would appear to be appropriate. The LTC would oversee the range of tasks to be undertaken over 12-24 month period. The existing councils would remain in place until such time as the new council is formed and the LTC wound up. A high-level implementation plan for the merger of two or more councils is illustrated below.

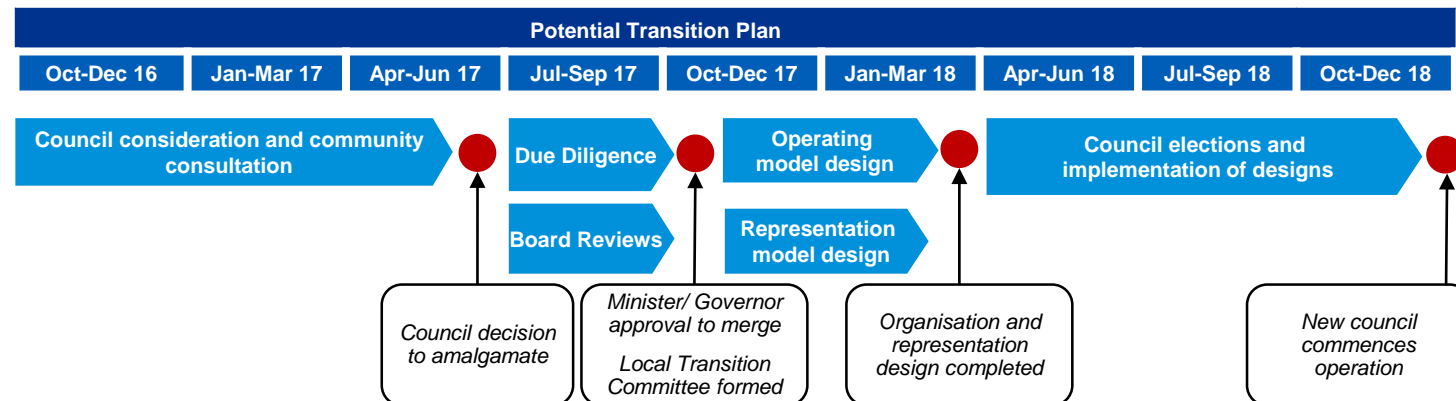
The process for each council and its community to determine a position in respect to the options available has been determined by the participating councils. That process will extend through to June 2017.

Beyond that, an indicative implementation schedule at this stage would propose that a new council could commence operations later in 2018, having regard to the next round of local government elections in October 2018.

### Short term implementation priorities (next 6-12 months)



### Longer term implementation priorities (next 12-24 months)





# Section 3 Current State Assessment





# Introduction and Summary Insights

**This section provides insights into the current situation of the four south east councils.**

### **Financial profile**

- All four councils have come a long way over the last 10 years in terms of implementing long term financial and asset management planning. However, there are significant differences in the Auditor General's 2014/15 snapshot of the councils, which point to the comparative financial strength and higher service levels of Clarence and the generally lower service levels able to be afforded by the smaller, rural remote less densely populated councils
- Notwithstanding those differences in the 'snapshot', the long term projections point to a positive underlying surplus for all the councils and a positive net cash position for all councils over the forecast period (with Clarence drawing down on its accumulated cash reserves for asset and infrastructure investment)

### **Strategic, service, risk and employment profiles**

- Many areas of common interest for all councils include financial and environmental sustainability, community engagement, infrastructure/ asset management, environmental management, provision of recreational facilities and local leadership as a provider, facilitator and advocate
- There are also a number of areas of more unique interest, reflecting the diversity of each council's community profile and service level expectations/ capabilities (key examples include the different focus given to tourism, youth affairs and regional development)
- There is some disparity in the scale and scope of services, albeit that the councils all broadly offer most of the range of potential services to some degree. Some areas of more obvious difference in service levels include maintenance of marine infrastructure, child care, health services, visitor infrastructure, frequency of cleaning of public toilets, green waste and hard rubbish collection
- The councils have all put in place risk management policies and undertake a detailed assessment of risks across a range of council functions. Many of the more highly rated risks are common to many of the councils and would appear to have appropriate mitigation strategies
- The employment profiles of the councils show FTEs ranging from 20 at Tasman to 251 at Clarence, highlighting the vast difference in scale and scope of service level capability. This is also reflected in the comparison of the salary profiles for each council

### **Community profile**

- The overall external profiles of the municipal areas shows some similarities between the economically stronger regions of Clarence and Sorell and the more economically challenged regions of Tasman and Glamorgan Spring Bay. All of the council areas have seen some improvements in some of the key measures, as the overall state of the Tasmanian economy has improved
- However, the longer term population projections for Tasman and Glamorgan Spring Bay point to flat or declining populations and a higher proportion of people over 65, which would impact on the overall economic prosperity of these regions, all else being equal. It is noted that rateable property growth is still assumed.
- The SEIFA indexes indicate that Clarence and Sorell are within the top 25% of Tasmania across the indexes and within the midrange in Australia. In contrast, Glamorgan Spring Bay and Tasman are within the bottom 30% of Australia and Tasman also falls within the bottom 30% of Tasmania in relation to socio-economic conditions



# 3.1 Financial Profile

# Recent financial performance

## Historical financial results indicate:

- All the south east councils reported reasonable financial results although the results vary

## Asset results indicate:

- Only Clarence has PPE per square kilometre above the state average
- All councils are below the state average of PPE per head of population

## Servicing results indicate:

- Significant variance on net cost to serve basis
- Glamorgan Spring Bay employs 13.6 FTE per 1000 population due to its low population and diverse service mix

## Employment results indicate:

- All councils have a lower cost per FTE than the state average
- Glamorgan Spring Bay's employment costs are comparatively high

## Management Indicators: 2014-15 Auditor General Report Local Government Comparative Analysis

	Clarence	Glamorgan Spring Bay	Sorell	Tasman	South East Council Average	Tasmanian Councils Average
<b>Financial Results</b>						
Net Surplus to Revenue	66.7%	48.9%	28.6%	17.2%	40.4%	27.1%
Operating Surplus Ratio	7.1%	(1.4%)	16.5%	12.4%	8.7%	1.1%
<b>Assets and Infrastructure</b>						
PPE per square kilometre	\$1,314,728	\$34,346	\$334,900	\$70,845	438,705	811,951
PPE per head of population	\$19,861	\$15,829	\$22,547	\$13,442	17,920	25,295
<b>Servicing</b>						
Net Cost to Serve per Rateable Property	\$475	\$949	\$397	\$326	509	1,095
Net Cost to Serve Ratio	1.27	1.82	1.31	1.28	1.33	1.78
FTE per 1000 Population	4.4	13.6	4.9	8.3	7.8	8
Operating Grants per rateable property	\$241	\$306	\$400	\$266	\$303	\$344
<b>Employment</b>						
Employee Costs per FTE	\$70,869	\$70,000	\$77,912	\$68,950	71,933	79,000
Total Labour Costs to Operating Revenue	27.8%	36.4%	30.4%	23.3%	29.5%	35.1%
Total Labour Costs to Operating Expenditure	29.9%	35.9%	36.4%	26.6%	32.2%	35.5%
Employee Entitlements per FTE	\$19,081	\$13,869	\$15,467	\$14,850	15,817	18,892

2014-15 management indicators as reported by the Tasmanian Audit Office. Green shading indicates the lowest/more favourable comparable result to the other Councils, whilst red shading indicates a higher/poorer comparable result.

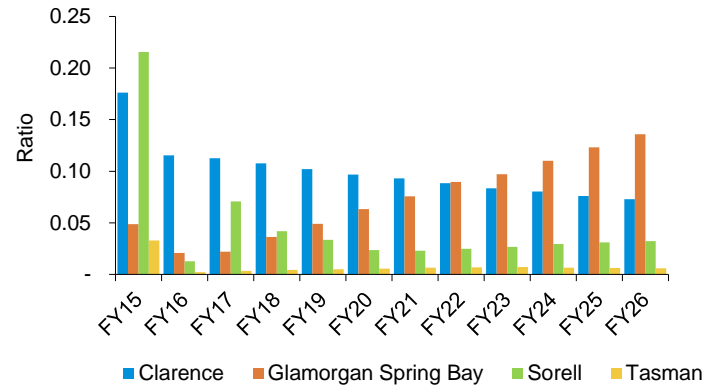
# Financial projections

According to the 10 year financial strategy models prepared by each of the councils:

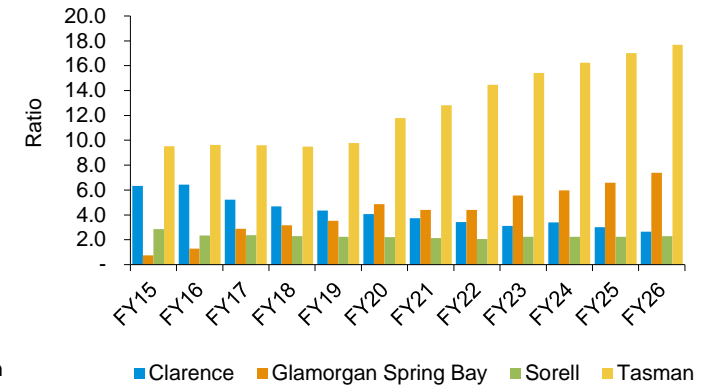
- All councils are projecting an underlying surplus (operating revenue exceeding operating costs)
- Liquidity is generally trending upwards (current assets exceeding current liabilities)

Further analysis also finds there is a material variance in rates charged compared to property values.

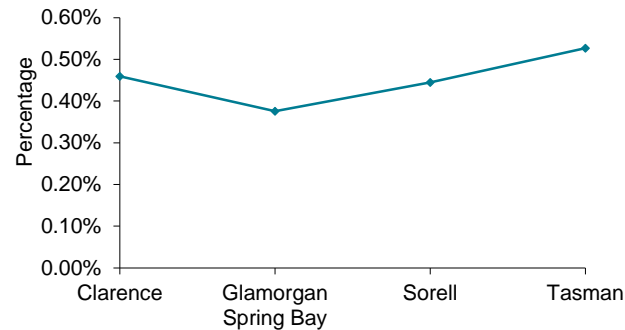
**Forecast Underlying Surplus Ratio**



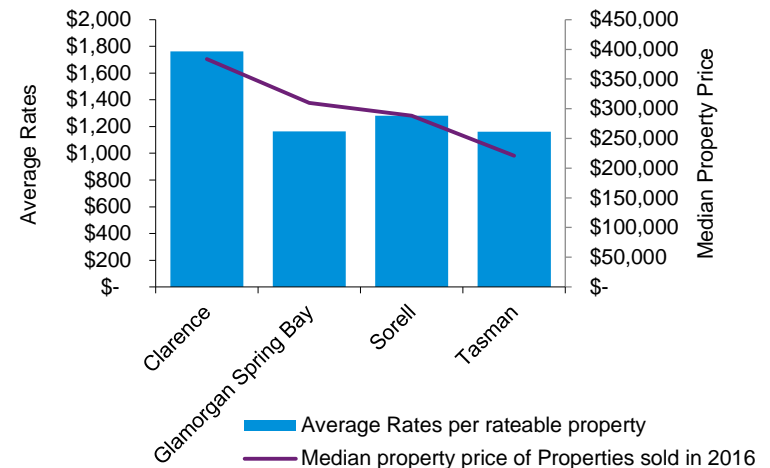
**Forecast Current Ratio**



**Average Rate per Rateable Property as a Percentage of 2016 Median House Price**



**Rate Revenue to Median Property Prices**





# 3.2 Service Profile

# Service profiles

In the corporate, governance and regulatory functions, there is very little disparity in the scale and scope of services, as that the councils all broadly offer most of the range of potential services to some degree.

Some areas of more obvious differences in these functions are in the services of:

- Marketing
- Parking

Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman	Remarks
Corporate Services	Administrative Support					Significant commonality
	Human Resources					Tasman outsource HR to Sorell
	Financial management					End of year processing outsourced to Brighton for Tasman
	Information Technology					Tasman IT and strategy outsourced to Sorell
	Asset Management					End of year processing outsourced to Brighton
	Risk management					Clarence on different risk management platform
	Marketing					Each council adopts own approach
Governance	Elected member support					Significant commonality
Regulatory Services	Animal Control					Sorell runs own dog pound and services Tasman
	Natural resource management					Additional NRM funding provided to Glamorgan Spring Bay
	Building Control					Significant commonality
	Building Services- Surveying					Outsourced at Glamorgan Spring Bay and Tasman
	Planning					Shared services arrangements in place for Glamorgan Spring Bay and Sorell
	Parking					No parking services in regional councils

Refer to Appendix 4 for further detail

Comparable services

More tailored services

Service not relevant/ provided

# Service profiles

In Community Services and Parks and Recreation functions, there is greater disparity in the scale and scope of services, albeit that the councils all broadly offer most of the range of potential services to some degree.

Some areas of more obvious differences in service levels include:

- Events
- Tourism services
- Childcare
- Health services
- Youth services
- Sports facilities

Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman	Remarks
Community Services	Community Participation					Variation in approach
	Community Grants					Variation in budget
	Events					Variation in approach
	Volunteer programs					Variation in approach
	Economic Development					Shared SERDA membership and Clarence has dedicated resources
	Tourism					Shared Destination South Membership with other unique arrangements
	Emergency services					Some similar SES arrangements
	Childcare					Just sold in Sorell and provided in Clarence and Glamorgan Spring Bay
	Health Services					Variation in approach
	Youth Services					Variation in approach
Parks and Recreation	Customer Service Centres					Variation in approach
	Parks					Variation in hectares maintained
	Community Halls/civic centres					Variation in number of facilities
	Sports Facilities & other facilities					Significant variation in services
	Shelters/ monuments					Variation in number of facilities
	Barbeques					Variation in number of facilities
	Public toilets					Some variation in cleaning etc

Refer to Appendix 4 for further detail

Comparable services

More tailored services

Service not relevant/ provided



# Service profiles

In the Engineering and Civil Works functions, there is some comparability in the services albeit that the scale and scope vary across the councils.

Some areas of more obvious differences in service levels include:

- Green waste collection
- Hard rubbish collection
- Public bin cleansing, and
- Maintenance of marine infrastructure

Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman	Remarks
Engineering Services	Design					Some variation in approach
Civil Works	Roads & Bridges					Broadly comparable maintenance
	Building Infrastructure & maintenance					Broadly comparable maintenance
	Stormwater & drainage					Broadly comparable maintenance
	Waste Management- garbage collection					Fortnightly collection in Tasman
	Waste Management- recycling collection					Fortnightly collection in all councils
	Waste Management- green waste collection					Annual collections or not at all
	Waste Management- hard rubbish					Annual collections at Clarence and Tasman and quarterly at Sorell
	Waste Management- Public bins					Some variation in collection frequency
	Marine Infrastructure- number of boat ramps and jetties					Variation in number of ramps/ jetties
	Marine Infrastructure – number of berths maintained					Glamorgan Spring Bay maintains 59 berths in its marina

Refer to Appendix 4 for further detail

Comparable services

More tailored services

Service not relevant/ provided

# Strategic profile

The councils have all embraced the need to develop a strategic plan, incorporating key elements such as a vision, mission, guiding principles and key focus areas.

There are many areas of common interest for all councils including financial and environmental sustainability, community engagement, infrastructure/ asset management, environmental management, provision of recreational facilities and local leadership as a provider, facilitator and advocate.

The table on the right outlines the areas of more unique interest to the councils, reflecting the diversity of each council's community profile and service level expectations/ capabilities. Key examples include the different focus given to tourism, youth affairs and regional development.

Council	Clarence	Glamorgan Spring Bay	Sorell	Tasman
Community engagement	<ul style="list-style-type: none"> <li>Arts and cultural activities, to celebrate diversity</li> <li>Community Safety</li> <li>Leadership and advocacy</li> </ul>	<ul style="list-style-type: none"> <li>Focus on ageing well in the community</li> <li>Being visitor friendly</li> </ul>		<ul style="list-style-type: none"> <li>Development of a communication engagement strategy</li> <li>Providing for the ageing population</li> </ul>
Economic development	<ul style="list-style-type: none"> <li>Building Economic and regional partnerships</li> <li>Encourage development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Focus on Tourism whilst balancing the need to preserve the natural environment</li> <li>The need to create employment, and retaining youth</li> <li>Diversifying local economy and creating scale</li> </ul>	<ul style="list-style-type: none"> <li>Increasing rate base through building population (fastest growth area in Tasmania)</li> <li>Attracting new industry and businesses to Sorell, whilst balancing environmental sustainability</li> <li>The development/ facilitation of partnerships to foster regional growth and employment opportunities</li> <li>Promoting and marketing the region, and use of the coastline</li> </ul>	<ul style="list-style-type: none"> <li>Focus on Tourism</li> <li>Retention of youth in the region and increasing working population</li> <li>Growing funding base</li> <li>Attracting investment</li> </ul>
Services	<ul style="list-style-type: none"> <li>Public spaces and recreational facilities</li> <li>Health services and childcare</li> <li>Health and well-being, supporting youth and volunteers</li> <li>Energy management</li> </ul>	<ul style="list-style-type: none"> <li>Building infrastructure</li> <li>Ensuring access to health and education services</li> <li>Aged Care</li> <li>Focus on the Arts</li> </ul>		
Council Administration	<ul style="list-style-type: none"> <li>Administrative rigour</li> <li>Professional development for staff</li> </ul>		<ul style="list-style-type: none"> <li>Develop a consumer-focused culture</li> <li>Align Council's plans, budgets and targets with key focus areas</li> <li>Develop a land acquisition strategy</li> </ul>	<ul style="list-style-type: none"> <li>Finding practical solutions with constrained resources</li> </ul>

# Risk profile

The councils have all put in place risk management policies and undertaken a detailed assessment of risks across a range of council functions. A comparison of the risk management frameworks suggests that:		Council	Clarence	Glamorgan Spring Bay	Sorell	Tasman
<ul style="list-style-type: none"> <li>— Sorell, Tasman and Glamorgan Spring Bay have adopted broadly similar approaches to consolidating and assessing risks</li> <li>— Clarence has a more sophisticated risk management 'tool' to record and report on risks</li> <li>— Clarence has a much greater number of risks that have been assessed as 'high'</li> </ul>		High rated risks	<ul style="list-style-type: none"> <li>■ Council may be unable to respond to an internal emergency</li> <li>■ Protect the community from fire</li> <li>■ Risk to life and property from falling limbs/branches</li> <li>■ Failure to deliver services at acceptable levels</li> <li>■ Council unable to respond to a major emergency and subsequent recovery</li> <li>■ Breach of duty of care/statutory duty/failure to identify and remedy hazards</li> <li>■ Playground/parks not adequately maintained &amp; works not completed</li> <li>■ Inadequate public and traffic safety measures, insufficient inter-agency communication</li> <li>■ Poor financial management, risk of fraud or theft</li> <li>■ LUPAA- failure to enforce Planning Scheme</li> <li>■ Immunization clinics- failure to meet legislative and Council requirements</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental mishap, severe storm, transport incident, bushfire</li> <li>■ Back-up of records system &amp; GIS</li> <li>■ Provision of wrong planning advice to customer</li> <li>■ Complaints about building safety</li> </ul>	<ul style="list-style-type: none"> <li>■ Threat to health/ life, damage to private and public infrastructure</li> <li>■ Sewage pollution incident</li> <li>■ Back-up of records system &amp; GIS</li> <li>■ Buildings have lease agreements in place</li> </ul>	<ul style="list-style-type: none"> <li>■ Access to Council bank accounts, bank authorization, breach of confidentiality, outstanding rates, all contractors have insurance and relevant tickets, appropriate insurance for all council assets</li> <li>■ Develop and formally adopt a policy to manage Council's Food Safety functions</li> <li>■ Litigation associated with planning</li> <li>■ Complaints about building safety</li> <li>■ Outstanding rates and lost revenue</li> </ul>

# Employment profile

The employment profiles of the councils show FTEs ranging from 20 at Tasman to 251 at Clarence, highlighting the vast difference in scale and scope of service level capability.

This is also reflected in the comparison of the salaries profiles for each council.

The councils have vastly different organisational structures, reflecting the scale of staffing resources and services, and approaches to embracing shared service arrangements.

Comparison of Employment	Clarence	Glamorgan Spring Bay	Sorell	Tasman
Total Employees	312	75	81**	24
Total FTE	251	54	67**	20
Population of Area*	54,040	4,492	13,779	2,398
Rateable Properties 2015	25,386	5,669	8,741	3,544
FTE per 1000 Residents^	4.4	13.6	4.9	8.3
Average Salary	\$64,203	\$41,024	\$50,098	\$47,809
Average Salary + On Costs	\$75,622	\$ 59,485	\$69,866	\$59,776
Average On costs as a % of Salary	23%	45%	39%	28.4%
Average Length of Employment (years)	10.3	7.8	9.01	5.85
Average Leave balance per FTE (2014-15)^	\$19,081	\$13,869	\$15,467	\$14,850
Total 2014-15 Spend on Employment Costs	\$15.7 m	\$3.9 m	\$5.0 m	\$1.4 m

\* ABS Regional Population Growth 2015

^ Information from Auditor General – Report on Local Government

All other information sourced from each Council's internal data

\*\* Note that at the time of analysis, Sorell's employee data included around 13 FTE at Malunna Childcare, which has since been sold.



# 3.3 Demographic Profile

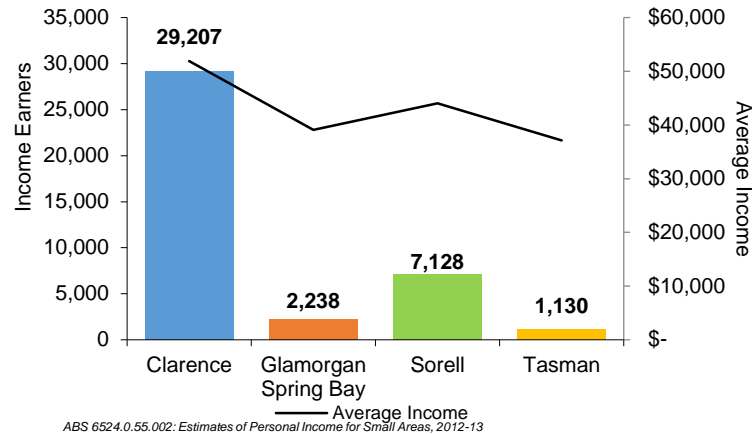
# External profile

Glamorgan Spring Bay and Tasman have smaller numbers of income earners and lower incomes with very high rates of government support.

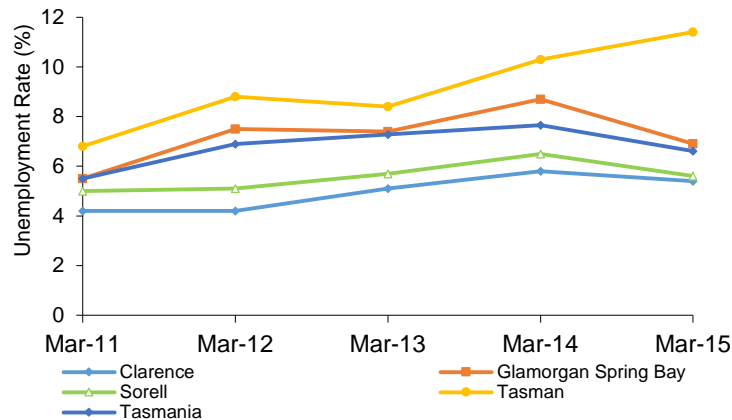
These municipal areas have also typically experienced higher levels of unemployment and relative disadvantage.

In contrast, Clarence and Sorell have fewer people on income support and have typically reported unemployment levels lower than the Tasmanian average, which contribute to their higher relative socio-economic advantage.

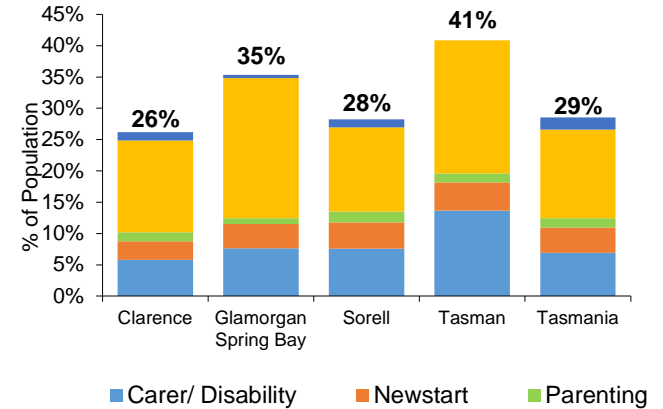
Total Income Earners and Average Income



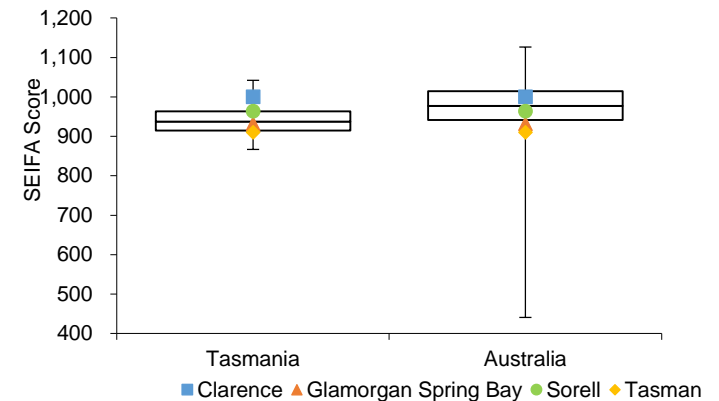
Unemployment Rates by Municipalities



Population receiving Government Support



SEIFA Index of Relative Socio-economic Disadvantage

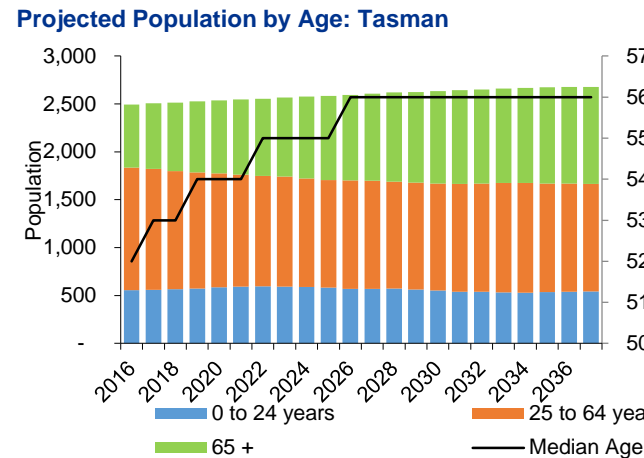
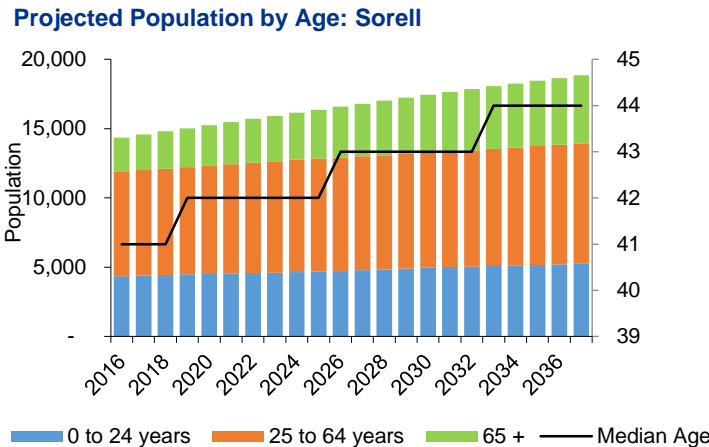
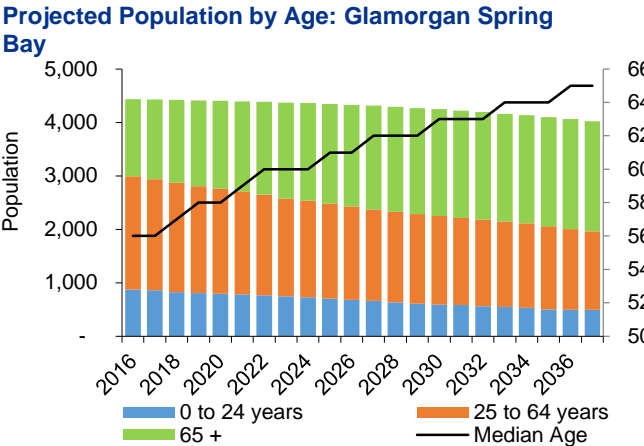
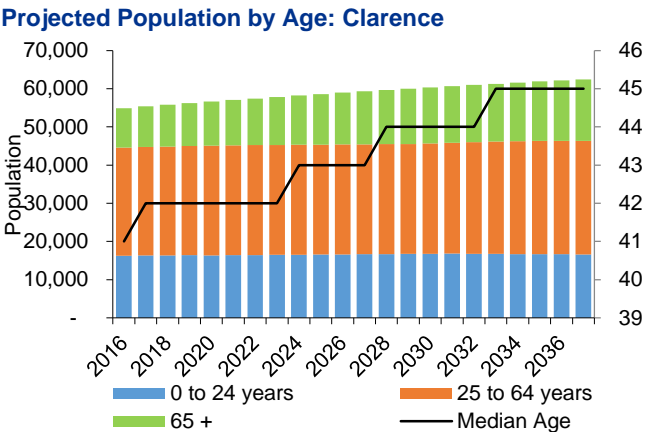


# Population projections

Sorell is projected to experience the highest growth in its population with the lowest median age.

Clarence and Tasman are projected to experience modest population growth, though Tasman will have a much older population.

Glamorgan Spring Bay is projected to have a declining and rapidly ageing population, all things being equal.





# Section 4

## The options



# Introduction and Summary Insights

### **This section presents a summary profile of each of the options under consideration:**

- Option 0 - incremental shared services: Ongoing and incremental extension of the current shared services arrangements currently in place for Sorell, Tasman and Glamorgan Spring Bay, to also include Clarence where practicable
- Option 1: Merger of Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 2: Merger of Clarence City Council, Sorell Council and Tasman Council
- Option 3: Merger of Sorell Council, Tasman Council and Glamorgan Spring Bay Council
- Option 4: Merger of Sorell Council and Tasman Council

### **In presenting these options, several key points become apparent:**

1. The Incremental shared services option builds on the current arrangements, which have already yielded considerable gains to the participating councils and contributed to their current financial viability
2. Options 1 and 2 are the options that involve Clarence, the largest and most advantaged council area by population and the wealthiest council in terms of expenditure on services
3. Options 3 and 4 are the options that only involve the more rural councils, contrasting Sorell as the fastest growing council in the region with Glamorgan Spring Bay and Tasman that have older and more disadvantaged communities and comparatively leaner service profiles

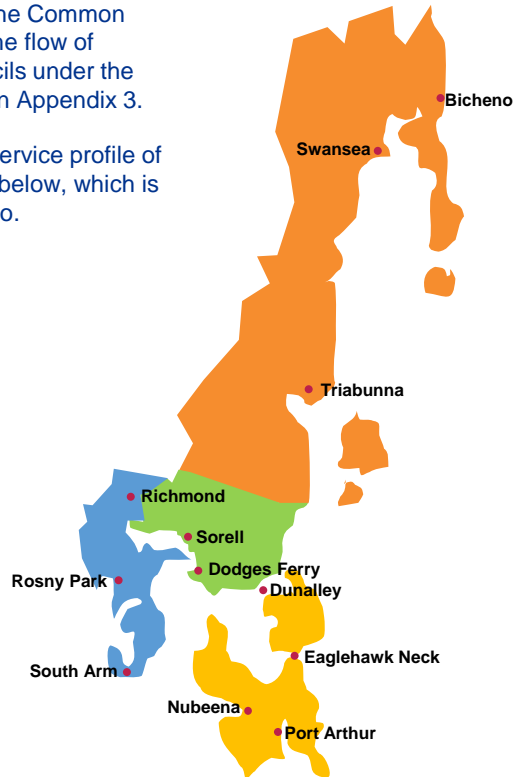
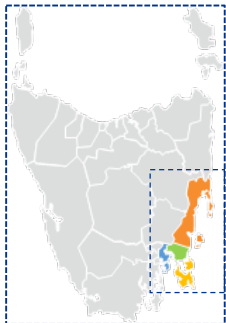
The inherent attributes of the councils contribute in a significant way to the financial analysis of the options in the next section.

## The Options

# Option 0 - incremental shared services

This option is based on the incremental extension of resource-sharing arrangements currently in place between all four councils under the Common Services Agreement. The flow of services between councils under the Agreement are set out in Appendix 3.

The demographic and service profile of the councils are shown below, which is effectively the status-quo.



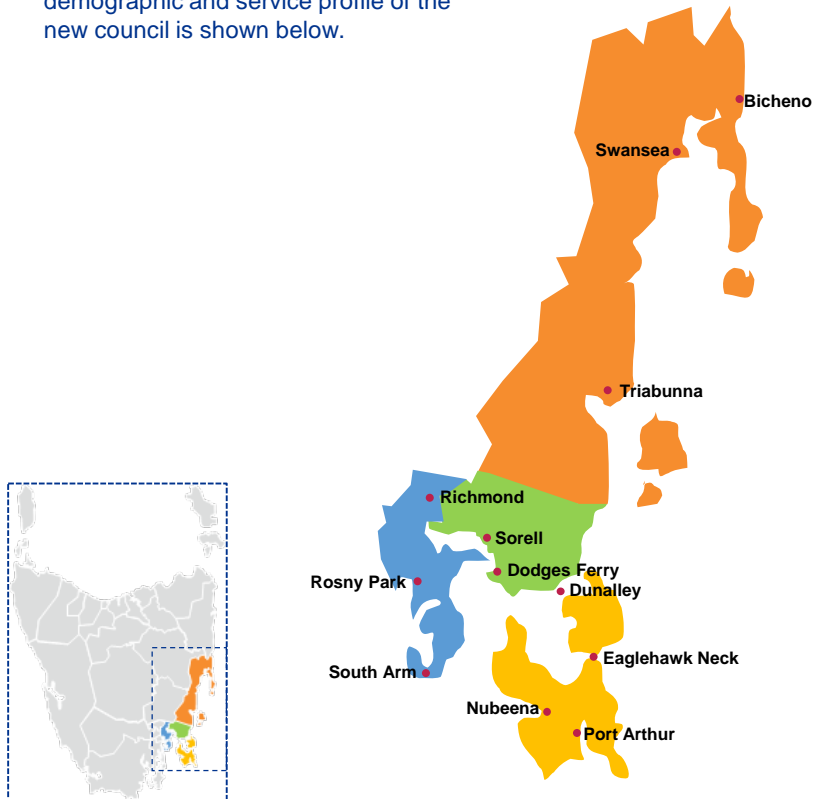
	Clarence	Glamorgan Spring Bay	Sorell	Tasman
<b>Representation Profile</b>				
<b>Voter Enrolment (2014)</b>	<b>39,902</b>	<b>4,406</b>	<b>10,164</b>	<b>2,340</b>
<b>Councillors</b>	<b>12</b>	<b>8</b>	<b>9</b>	<b>7</b>
<b>Councillor-Voter Ratio</b>	<b>3,325.17</b>	<b>550.75</b>	<b>1,129.33</b>	<b>334.29</b>
<b>Service Profile</b>				
<b>Roads (KM)</b>				
- Managed urban sealed roads	252	78	88	40
- Managed rural sealed roads	160	91	147	31
- Managed urban unsealed roads	3	13	23	18
- Managed rural unsealed roads	54	175	153	107
<b>Total</b>	<b>469</b>	<b>357</b>	<b>411</b>	<b>196</b>
<b>Parks, Gardens and Reserves (Ha)</b>	<b>1,051</b>	<b>245</b>	<b>155</b>	<b>97</b>
<b>Planning Applications</b>				
- Discretionary	492	307	151	54
- Permitted applications	54	25	62	46
- Permit not required		106	37	13
<b>Total</b>	<b>546</b>	<b>438</b>	<b>250</b>	<b>113</b>
<b>Building Applications</b>	<b>738</b>	<b>483</b>	<b>195</b>	<b>86</b>
<b>Demographic Profile</b>				
<b>Population</b>	<b>54,674</b>	<b>4,493</b>	<b>13,955</b>	<b>2,405</b>
<b>Area (Sq KM)</b>	<b>378</b>	<b>2,591</b>	<b>584</b>	<b>661</b>
<b>Population Density (per Sq Km)</b>	<b>144.64</b>	<b>1.73</b>	<b>23.91</b>	<b>3.64</b>
<b>Average Income (\$)</b>	<b>51,893</b>	<b>39,104</b>	<b>44,062</b>	<b>37,154</b>

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ABS: 6524.0.55.002: Estimates of Personal Income for Small Areas, 2012-13

## The Options

# Option 1 snapshot

Option 1 is amalgamating all four councils into one south-east council. The demographic and service profile of the new council is shown below.



	Clarence	Glamorgan Spring Bay	Sorell	Tasman	Combined Total
<b>Representation Profile</b>					
<b>Voter Enrolment (2014)</b>	39,902	4,406	10,164	2,340	56,812
<b>Councillors</b>	12	8	9	7	15
<b>Councillor-Voter Ratio</b>	3,325.17	550.75	1,129.33	334.29	5,164.73
<b>Service Profile</b>					
<b>Roads (KM)</b>					
- Managed urban sealed roads	252	78	88	40	458
- Managed rural sealed roads	160	91	147	31	429
- Managed urban unsealed roads	3	13	23	18	57
- Managed rural unsealed roads	54	175	153	107	489
<b>Total</b>	<b>469</b>	<b>357</b>	<b>411</b>	<b>196</b>	<b>1,433</b>
<b>Parks, Gardens and Reserves (Ha)</b>	<b>1,051</b>	<b>245</b>	<b>155</b>	<b>97</b>	<b>1,548</b>
<b>Planning Applications</b>					
- Discretionary	492	307	151	54	1,004
- Permitted applications	54	25	62	46	187
- Permit not required		106	37	13	156
<b>Total</b>	<b>546</b>	<b>438</b>	<b>250</b>	<b>113</b>	<b>1,347</b>
<b>Building Applications</b>	<b>738</b>	<b>483</b>	<b>195</b>	<b>86</b>	<b>1,502</b>
<b>Demographic Profile</b>					
<b>Population</b>	<b>54,674</b>	<b>4,493</b>	<b>13,955</b>	<b>2,405</b>	<b>75,527</b>
<b>Area (Sq KM)</b>	<b>378</b>	<b>2,591</b>	<b>584</b>	<b>661</b>	<b>4,214</b>
<b>Population Density (per Sq Km)</b>	<b>144.64</b>	<b>1.73</b>	<b>23.91</b>	<b>3.64</b>	<b>17.92</b>
<b>Average Income (\$)</b>	<b>51,893</b>	<b>39,104</b>	<b>44,062</b>	<b>37,154</b>	<b>49,347</b>

ABS: 6524.0.55.002: Estimates of Personal Income for Small Areas, 2012-13

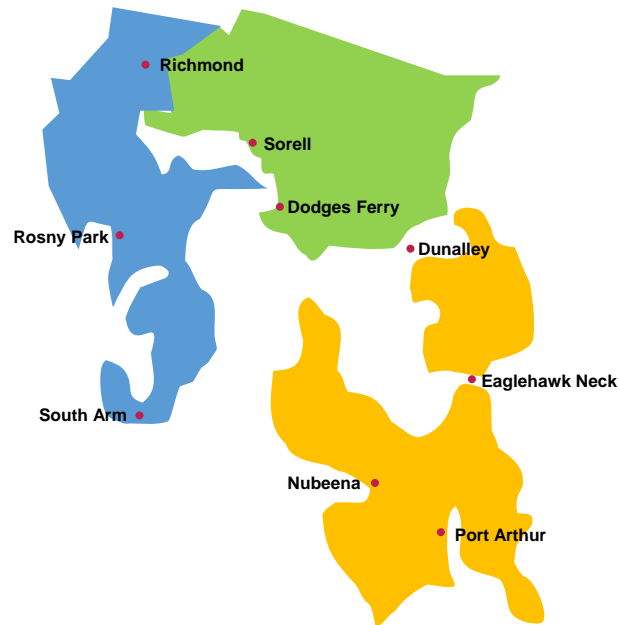
ABS: 3218.0: Regional Population Growth Australia 2015

## The Options

# Option 2 snapshot

Option 2 is amalgamating Clarence, Sorell and Tasman Councils into one south-east council.

The demographic and service profile of the new council is shown below.



	Clarence	Sorell	Tasman	Combined Total
<b>Representation Profile</b>				
<b>Voter Enrolment (2014)</b>	39,902	10,164	2,340	52,406
<b>Councillors</b>	12	9	7	15
<b>Councillor-Voter Ratio</b>	3,325.17	1,129.33	334.29	4,764.18
<b>Service Profile</b>				
<b>Roads (KM)</b>				
- Managed urban sealed roads	252	88	40	380
- Managed rural sealed roads	160	147	31	338
- Managed urban unsealed roads	3	23	18	44
- Managed rural unsealed roads	54	153	107	314
<b>Total</b>	<b>469</b>	<b>411</b>	<b>196</b>	<b>1,076</b>
<b>Parks, Gardens and Reserves (Ha)</b>	<b>1,051</b>	<b>155</b>	<b>97</b>	<b>1,303</b>
<b>Planning Applications</b>				
- Discretionary	492	151	54	697
- Permitted applications	54	62	46	162
- Permit not required		37	13	50
<b>Total</b>	<b>546</b>	<b>250</b>	<b>113</b>	<b>909</b>
<b>Building Applications</b>	<b>738</b>	<b>195</b>	<b>86</b>	<b>1,019</b>
<b>Demographic Profile</b>				
<b>Population</b>	<b>54,674</b>	<b>13,955</b>	<b>2,405</b>	<b>71,034</b>
<b>Area (Sq KM)</b>	<b>378</b>	<b>584</b>	<b>661</b>	<b>1,622</b>
<b>Population Density (per Sq Km)</b>	<b>144.64</b>	<b>23.91</b>	<b>3.64</b>	<b>43.79</b>
<b>Average Income (\$)</b>	<b>51,893</b>	<b>44,062</b>	<b>37,154</b>	<b>49,958</b>

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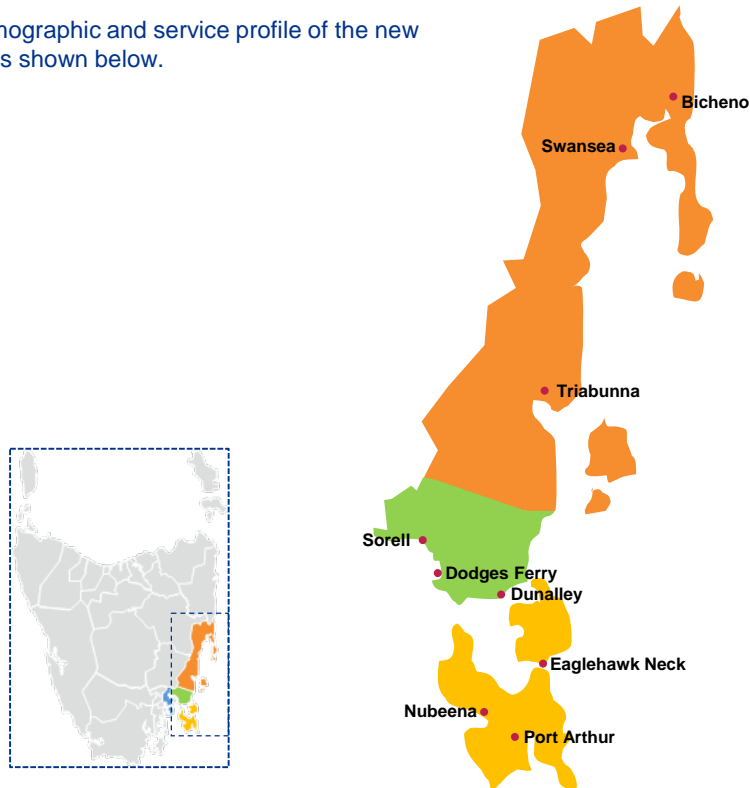
ABS: 6524.0.55.002: Estimates of Personal Income for Small Areas, 2012-13

## The Options

# Option 3 snapshot

Option 3 is amalgamating Glamorgan Spring Bay, Sorell and Tasman Councils into one south-east council.

The demographic and service profile of the new council is shown below.



	Glamorgan Spring Bay	Sorell	Tasman	Combined Total
<b>Representation Profile</b>				
<b>Voter Enrolment (2014)</b>	4,406	10,164	2,340	16,910
<b>Councillors</b>	8	9	7	13
<b>Councillor-Voter Ratio</b>	550.75	1,129.33	334.29	1,300.76
<b>Service Profile</b>				
<b>Roads (KM)</b>				
- Managed urban sealed roads	78	88	40	206
- Managed rural sealed roads	91	147	31	269
- Managed urban unsealed roads	13	23	18	54
- Managed rural unsealed roads	175	153	107	435
<b>Total</b>	<b>357</b>	<b>411</b>	<b>196</b>	<b>964</b>
<b>Parks, Gardens and Reserves (Ha)</b>	245	155	97	497
<b>Planning Applications</b>				
- Discretionary	307	151	54	512
- Permitted applications	25	62	46	133
- Permit not required	106	37	13	156
<b>Total</b>	<b>438</b>	<b>250</b>	<b>113</b>	<b>801</b>
<b>Building Applications</b>	483	195	86	764
<b>Demographic Profile</b>				
<b>Population</b>	4,493	13,955	2,405	20,853
<b>Area (Sq KM)</b>	2,591	584	661	3,836
<b>Population Density (per Sq Km)</b>	1.73	23.91	3.64	5.44
<b>Average Income (\$)</b>	39,104	44,062	37,154	42,261

ABS: 3218.0: Regional Population Growth Australia 2015

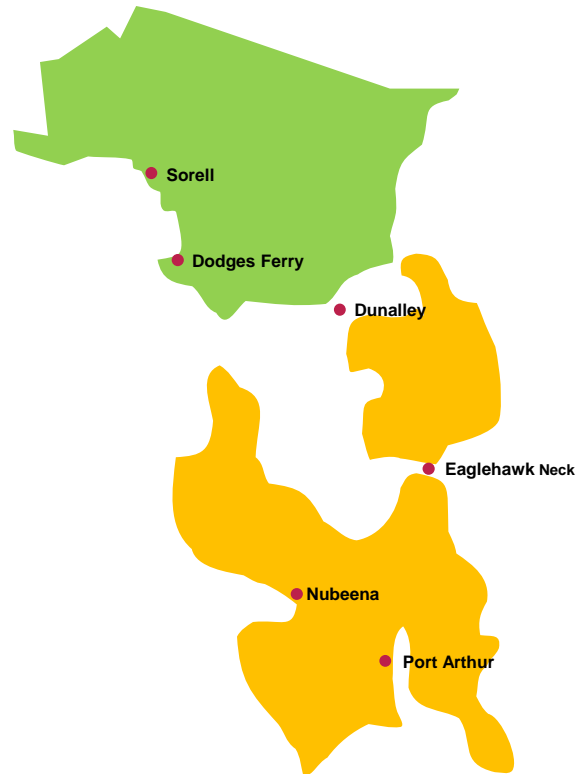
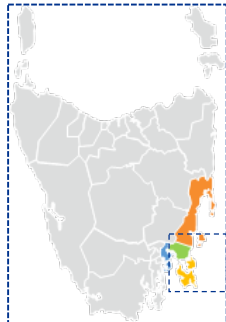
ABS: 6524.0.55.002: Estimates of Personal Income for Small Areas, 2012-13

## The Options

# Option 4 snapshot

Option 4 is amalgamating Sorell and Tasman Councils into one south-east council.

The demographic and service profile of the new council is shown below.



	Sorell	Tasman	Combined Total
<b>Representation Profile</b>			
<b>Voter Enrolment (2014)</b>	<b>10,164</b>	<b>2,340</b>	<b>12,504</b>
<b>Councillors</b>	<b>9</b>	<b>7</b>	<b>9</b>
<b>Councillor-Voter Ratio</b>	<b>1,129.33</b>	<b>334.29</b>	<b>1,389.33</b>
<b>Service Profile</b>			
<b>Roads (KM)</b>			
- Managed urban sealed roads	88	40	128
- Managed rural sealed roads	147	31	178
- Managed urban unsealed roads	23	18	41
- Managed rural unsealed roads	153	107	260
<b>Total</b>	<b>411</b>	<b>196</b>	<b>607</b>
<b>Parks, Gardens and Reserves (Ha)</b>	<b>155</b>	<b>97</b>	<b>252</b>
<b>Planning Applications</b>			
- Discretionary	151	54	205
- Permitted applications	62	46	108
- Permit not required	37	13	50
<b>Total</b>	<b>250</b>	<b>113</b>	<b>363</b>
<b>Building Applications</b>	<b>195</b>	<b>86</b>	<b>281</b>
<b>Demographic Profile</b>			
<b>Population</b>	<b>13,955</b>	<b>2,405</b>	<b>16,360</b>
<b>Area (Sq KM)</b>	<b>584</b>	<b>661</b>	<b>1,244</b>
<b>Population Density (per Sq Km)</b>	<b>23.91</b>	<b>3.64</b>	<b>13.15</b>
<b>Average Income (\$)</b>	<b>44,062</b>	<b>37,154</b>	<b>43,116</b>

ABS: 3218.0: Regional Population Growth Australia 2015

ABS: 6524.0.55.002: Estimates of Personal Income for Small Areas, 2012-13



# Section 5 Options assessment



# Introduction and Summary Insights

**This section presents a summary of the potential impacts on services for each of the options.**

**Section 5.1 outlines a range of strategic considerations.** These matters point to reform as being able to drive efficiency through economies of scale and build the strategic capacity of councils in areas such as innovation, skill attraction/ retention and financial sustainability

**Section 5.2 outlines the service related considerations.** This is founded on the recognition that the councils deliver many common services as well as some more unique/ tailored services. This section also outlines the nexus between service levels and rates, recognising that service and rating levels currently vary across the region.

The south east councils currently levy different average rates per rateable property. This is broadly reflective of the different breadth and depth of services provided and the capacity/ willingness of communities to pay. Should the councils merge under any of the options, it necessarily follows that there would continue to be variations in services and service levels across a broader region, unless the council and its communities decides otherwise. That scenario can be accommodated through the differential rating provisions of the Local Government Act.

**Section 5.3 details the financial considerations.** The study has assumed no changes to service levels or rates as a result of any reform. The financial modelling does not incorporate any savings that may arise from sales of assets, centralisation of council offices or rationalisation of major plant. This study assumes that those issues would be a matter for a new council to determine as part of shaping its target operating model under any of the options. All assumptions have been conservative, so as to not create expectations of financial benefits that may not materialise.

- Our analysis of the potential financial impact is undertaken from the starting point that service levels are assumed to be unchanged under all options, but where duplication exists, or synergies can be found, those savings should be realised from a combination of sources - FTE reduction, process efficiency, materials and contracts savings and asset sales/ rationalisation. In order to yield such financial benefits, costs will need to be incurred including payment of redundancies, reduced Financial Assistance Grants, ICT integration and start-up costs such as rebranding etc
- The financial modelling generates a range of beneficial outcomes depending on the option. These improved operating results can be applied by the newly formed councils in many ways including additional funds for capital expenditure - for both new and renewal/ upgrades of assets and additional funds to provide higher service levels to communities in line with core strategic objectives of the new council. The modelling scenarios indicate that there are opportunities for the councils to secure a stronger financial position through consolidation

**Section 5.4 sets out the community and governance considerations.** The analysis has found that there is a close relationship between the two and that conclusions formed in relation to communities of interest in turn guide the design of the most appropriate governance model. This section finds that the south east region has a mix of many small communities of interest that are not necessarily clearly aligned to the existing municipal areas. Given that, and depending on the amalgamation option adopted (if any) the current 36 elected members across the region would reduce. In a transition period, it would be reasonable for a ward model to comprise up to 15 single member members wards for the first electoral cycle for some of the options. This could then be evaluated and either extended, modified or transitioned to an election at large model.



# 5.1 Strategic considerations

# Financial sustainability is the common driver for change

In light of the contextual challenges facing local government in Tasmania and recent reform, it is likely that more emphasis will be given to financial sustainability in the foreseeable future, while finding ways to maximise local governance.

The lessons from council reform interstate illustrates that local government has rarely been in a 'steady-state'.

The current push to explore resource sharing and amalgamation in Tasmania is part of a continual process of reform, usually with a weighted focus on financial efficiency.

## Previous reforms and issues now facing councils in Tasmania

History shows that reform of local government in Tasmania has been an ongoing process for over 100 years. Appendix 2 outlines some of the key events in local government reform in Tasmania that have led to a reduction in councils from 149 to the 29 councils now in place.

Since the failed reform process of 1997, which aimed to reduce the 29 councils down to 11, local government in Tasmania has come under pressure to be more efficient and fiscally responsible. Since 2013, the Local Government Act now requires councils to develop long term financial plans and asset management plan to augment the strategic plans that were mandated in 1993. Councils have generally responded to this challenge. In the 2013/14 Local Government Performance Report, it was reported that the underlying surplus/ deficit of the sector was the best for seven years, and much closer to 'break-even' with 17 councils reporting an underlying surplus. These results have been aided by many councils implementing resource sharing arrangements with other councils. The Brighton-led Common Services Model and the Cradle Coast Authority are seen as good example of councils sharing resources.

The water and sewerage reforms that commenced in 2008, have also contributed to financial reforms within the sector as a whole by transferring those assets and the associated revenues, capital works and maintenance requirements to TasWater. Since then, TasWater, wholly owned by the councils, has developed a clearer appreciation of the scale of the backlog works that councils, as a whole, were unable to fund. Most recently, this has resulted in TasWater needing to suspend the payment of dividends to its council owners in order to reinvest in urgent water and sewerage works. This is said to create another \$150M 'black hole' in dividend income to the local government sector and will impact larger councils such as Clarence by around \$1 m p.a.

In addition, councils have been led by the state government to implement reforms to planning schemes and invest in the implementation of I-Plan, the Tasmanian Government's on-line planning resource, which in time will centralise all planning schemes, and development and building applications.

## Lessons from council reform interstate

Reform of local government in other Australian jurisdictions has also been a continual process. Appendix 2 provides insights into some of the key milestones in reforms that have all generally led to a reduction in the number of local government entities in order to drive efficiency in the sector. In summary:

- NSW is currently well advanced in progressing 35 amalgamation proposals under the 'Fit for the Future' initiative, driven by analysis that found many councils were not likely to meet target financial benchmarks as 'stand-alone' entities
- WA has encouraged voluntary amalgamations, but limited progress has been made due to a general resistance to change from the current structures
- SA reduced the number of councils from 118 to 68 in the 1990s, but by 2005, reviews found that 26 of the 68 were still not financially sustainable. Since then, the focus has been on improving the financial performance of those councils without further amalgamation
- The Victorian government led reforms of the 1990's saw the forced amalgamation of 210 councils down to 78, along with complementary compulsory competitive tendering and rate-capping reforms. One council has since de-amalgamated
- In 2007, the Queensland government forced the amalgamation of 157 councils down to 73. Since then, the communities in 4 councils have voted to de-amalgamated back to 8

These reforms have more generally held together, though there have been a limited number of de-amalgamations. The reforms have typically generated strong opposing views about amalgamation versus other reforms such as resource sharing as the best method to drive efficiency.

These reforms also point to a tension between a focus on financial sustainability versus access to local governance.

# Reforms can drive economies of scale and scope

The concepts of economies of scope and scale are often referred to as drivers for local government amalgamations.

Economies of scale can be achieved through amalgamation/consolidation of local government, including reductions from duplicate activities or functions, particularly for back office staff.

Economies of scope allows organisations to undertake more value-adding activities, and enhance service provision.

These concepts need to be considered in evaluating the options presented, in addition to the concept of representation and governance arrangements, and communities of interest.

## Economies of Scale

**Economies of scale refers to the principle that total costs of performing various activities is decreased as a result of increasing the number of activities performed.**

One of the most central concepts in considering economies of scale is the distinction between labour-intensive and capital intensive services.

- Labour-intensive services generally do not produce economies of scale because as the volume of services increases, consequently more employees are required.
- Capital-intensive services such as sewerage, stormwater and infrastructure, can more likely achieve economies of scale as these are fixed costs which can be spread over a greater population.

Over the last few decades, the service provision of local government has gradually shifted from traditional capital-intensive services, to more labour-intensive services (Dollery, Byrnes & Crase, 2008).

Whilst the concept of economies of scale has dominated the thought in local government reforms across Australia since the 1990s, there is a lack of empirical support for the relationship between increasing population and reaching economies of scale (Byrnes, Dollery 2002). Local government reforms in South Australia only realised 12% of the original savings estimated, and in Victoria, savings only amounted to 8.5%, which is argued to have been a result of introducing competitive tendering (Allan, 2003).

The general opinion as a result of this research is that councils should be selected for mergers based on current performance rather than size (Dollery, Crase 2004).

## Economies of Scope

**Economies of scope refers to the principal of the economic advantages that arise from providing a range of services in the one organisation, as opposed to separate organisations each providing their own set of services.**

This concept is related to the premise that in a larger organisation, the costs are shared across a greater base. The benefits of economies of scope include the following:

- existing resources are able to undertake more value-adding or enhanced services, so overall there is a possibility of increasing levels of services.
- Strategy is focused towards a more strategic perspective, as it encourages organisations to operate in a broader context
- the pooling of knowledge and expertise, through combining resources.

Economies of scope is also reliant on political leadership, good governance, and effective management arrangements. It is also reliant on the compatibility of councils in relation to their scope of services and strategic direction.

# Potential for greater strategic capacity

One of the benefits of amalgamation or shared services arrangements is the opportunity to enhance strategic capacity.

Some of the various benefits of enhancing strategic capacity includes advancing the culture, leadership and skills of the people in the organisation, as well as enhancing credibility and building stronger relationships with stakeholders and other partners.

Another important amalgamation consideration is the opportunity to achieve enhanced strategic capacity (Aulich et al, 2011). This includes the following benefits.

### **Robust revenue base and increased discretionary spending**

It is the desire of several of the Councils to increase revenue base to support jobs growth and employment and living standards in the region. By having a larger revenue base, the Councils consequently have a greater and more stable revenue base, which also minimises the impact of any adverse growth effects.

### **Scope to undertake new functions and major projects to enhance regional collaboration**

The four councils being considered already have taken steps to enhance regional collaboration, such as through SERDA and other economic, tourism, and community projects. A merged council would therefore have the ability to directly increase this regional collaboration.

### **Ability to employ a wider range of skilled staff, and potential for up skilling of existing staff**

A larger council has the requirement to recruit skilled staff, as there is a greater population to serve and greater asset base to maintain. This provides opportunities for existing staff to up skill, as well as for new staff to bring in a more diverse range of professional skills and qualities.

### **Fostering creativity and innovation**

New staff and increased collaboration can foster a culture of creativity and increased innovation. In the current rapidly changing technology-led era, contemporary service delivery models, especially to remote areas can improve services to communities.

### **Advancing skills in strategic planning and policy development**

These higher order conceptual skills increasingly demand well developed research, analysis and community engagement. Well resourced councils are better able to invest in staff and advisors and build the engagement of councillors and communities in these processes

### **Enhancing credibility for more effective advocacy**

A larger, stronger council can have a louder voice, when it comes to dealings with other spheres and government, investors, industry leaders and major employers. This can help to influence outcomes and bring about change that may otherwise be lost against competing demands from other regions.

### **Stronger partner for state and federal agencies**

Other spheres of government will often look to councils to assist in the delivery of services, respond to grant programs and more generally seek to meet common goals for communities.

### **Better equipped to cope with complex and unexpected changes**

A larger council with a more robust and stable revenue base can more easily absorb any unexpected financial impacts than smaller councils. Unforeseen 'shocks', such as potential changes to water and sewerage dividend distributions can be more diluted across a broader financial base.

### **Potential for higher quality political and managerial leadership**

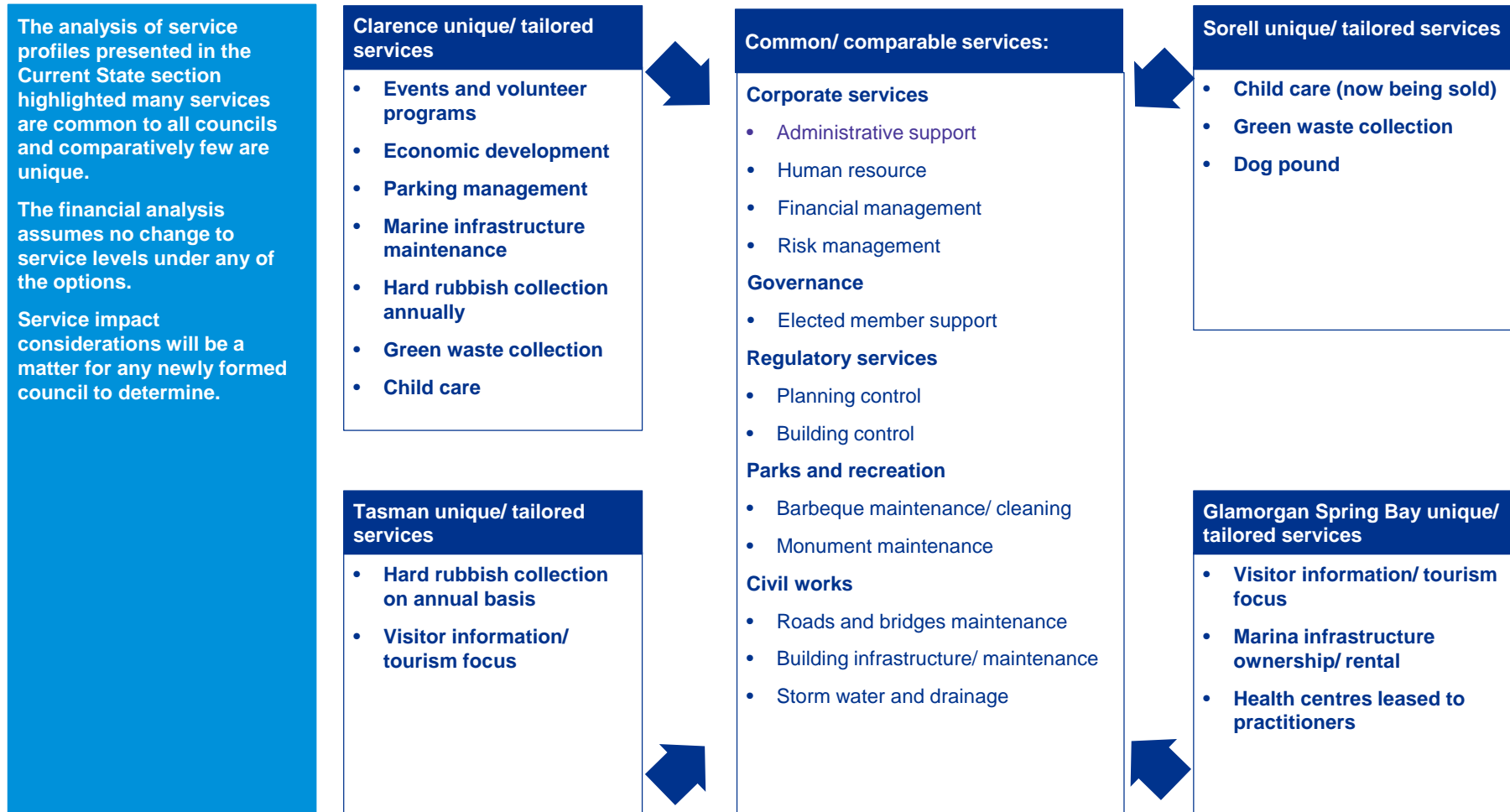
Larger, stronger councils have a greater ability to attract, remunerate and retain more highly skilled and experienced leaders, both at the political and executive management levels.



# 5.2 Service considerations



# Service profile recap





# Services and rating options

The south east councils currently levy different average rates per rateable property. This is broadly reflective of the different breadth and depth of services provided and the capacity/ willingness of communities to pay.

The study has assumed no changes to service levels or rates as a result of any reform. Should the councils merge, it necessarily follows that there would continue to be variations in services and service levels across a broader region, unless the council and its communities decides otherwise

That scenario can be accommodated through the differential rating provisions of the Local Government Act.

### Services and rates relationship

This study has found that there are different rating policies and average rates levied per rateable property across the four council areas.

The disparity in rates levied per rateable property may be broadly explained by the breadth and depth/ quality of services provided by each of the councils.

This study has assumed, for financial modelling purposes, that there would be no changes to services under any of the reform options.

This in turn suggests that any variations in service levels that may exist now, would not necessarily change, for better or worse, under any of the reform options.

This could conceivably mean that any new council may not move to harmonise service levels, but rather recognise that the current levels may be reflective of the needs and wants of the ratepayers.

Therefore there would need to be a mechanism for a newly formed amalgamated council to provide some services at different levels and levy rates accordingly. That mechanism is differential rating.

### Differential rating

Differential rating recognises that a council may apply a higher rating differential to communities/ area that have higher demands/ expectations and receive higher services accordingly. Equally, communities/ areas that lower service demands/ expectations may attract a lower rating differential.

Differential rating is not uncommon. In Victoria in 2011/12, 80% of councils used up to five differential rates. In Auckland, there are 9 differential rating categories ranging from urban residential that attracts a factor of 1, urban business (2.76 x the residential rate), (rural business 2.68 times) through to farm and lifestyle (0.8 times the residential rate), sea only access properties (0.25 times) and so on.

### The Local Government Act

Section 107 of the Act allows a council to declare that the general rate, service rate or service charge may vary with the municipal area, having regard to any or all of a range of factors including the use/ non-use of the land, the locality of the land, any planning zone and any other prescribed factor.

This power would allow any newly formed council to develop rating policies that are reflective of variations in services across a broader geographical area, where that is appropriate and in line with the service demands and expectations on the different communities of interest.

Naturally, any newly formed council may seek to apply any saving from amalgamation to generally raise service levels. However, this study has made no assumptions in that regard, instead believing that to be a policy decision for a new council.



# 5.3 Financial considerations

# Financial modelling approach, risks and conservative assumptions

### In order to undertake this financial modelling, a number of complementary approaches have been taken:

- Normalisation of the councils' current 10-year financial plans. This involved standardising the key assumptions around CPI increases, population growth, and the receipt of grants and other income to ensure consistency in the impact of growth in population, revenues and expenses. This has provided a consistent and comparable base in order to overlay the savings and costs of amalgamation.
- A top-down approach based on case studies was adopted as a starting point for analysing the financial impacts of the amalgamation options
- A bottom-up approach was then employed, which involved consultation with the councils' General Managers and their nominated support staff and analysis of data provided. This includes a bottom-up calculation of councillor expenditure as well as the backing out of recurrent employee savings for each option, and one-off amalgamation costs
- Benchmark staffing structures for comparable sized councils across Tasmania and Australia were then used to cross-check the assumptions derived from the above steps
- All assumptions were then overlaid with KPMG's industry experience and general assessment of 'reasonableness'

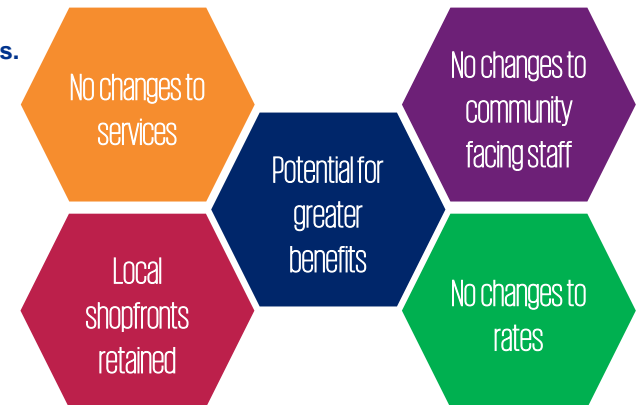
### Notwithstanding, there are several risks and limitations associated with the assumptions:

- Transitional and implementation costs may differ from the assumptions used, and a contingency of 20% has been added to reflect the risks of variation
- The financial performance of the options are dependent on decisions being made and implemented by a future council
- The final governance model that represents the communities of interest across the proposed merger area may impact on the assumed governance costs

### In order to minimise these risks, the financial modelling has been conservative, in terms of forecasting the projected financial benefits at the lower end of a range and adopting realistic implementation and change costs.

- There is no change to the existing service levels that are provided to the community within each of the council catchments
- There are no changes to customer-facing staff
- Shop fronts will be retained in all current locations for the provision of face to face services
- There are no changes to the rates that the community currently pays (i.e. there is a continuation of current rate payments adjusted for CPI over the forecast period)
- There is no sale of assets such as council chambers, land and buildings, plant and equipment
- There is no revaluation of assets at the point of merger between councils in any of the options

### The effect of the consolidation of these conservative assumptions means that there may be additional financial benefits depending on the decisions that a future council may wish to make.



# Amalgamation benefits and costs

Amalgamation of councils can give rise to a range of financial benefits and costs.

Benefits can arise from savings in:

- materials and contracts
- process efficiency
- councillor costs
- staffing costs
- rationalising assets

Costs can arise from:

- payment of redundancies
- reduced Financial Assistance Grants
- ICT integration
- start-up costs such as rebranding

## Amalgamation benefits

**Reduction in materials and contracts expenses:** Savings from materials and contracts can arise through the greater buying power of a larger entity. Such saving have already been substantially achieved since the councils currently purchase and procure nearly all plant, equipment, leasing through shared arrangements or through state or industry aggregated contracts. However, under all the options being considered, further savings can arise from having increased purchasing power due to size and the ability to negotiate on key contracts.

**Reduction in councillor expenditure:** A lower number of Councillors is expected to represent the population in any amalgamated model, under the current arrangements. For the purposes of the modelling, the average councillor allowances paid by each council in 2015 form the average councillor allowances used in the modelling.

**Reduction in employment costs:** Efficiency gains can be realised from reduced employee costs, through the reduction of staff performing duplicated activities, as well as from redeploying staff from back-office to front-line positions. Corporate Services, Works and Planning are functions that are common across the councils, and could provide process efficiencies as well as reduction in FTEs. Community and economic development functions are less able to yield savings through reduction in employment due to the greater diversity of services. The average of the highest 20% of salaries has been used to estimate savings.

**Asset rationalisation:** There may be scope for asset sales (land and buildings, plant and equipment) which also contributes to a reduction in the operating costs of assets (for example the reduction in the number of council chambers). These have not been incorporated into the modelling.

## Amalgamation costs

**Redundancies:** Redundancy costs arise from the reduction in staff who would be performing duplicate activities and functions under an amalgamated model.

**Financial Assistance Grants reduction:** The principles for determining the distribution of grant funding are set by the Commonwealth Government, and are consequently determined and administered by the State Grants Commission.

The base grant for councils are made up of a per capita component, and a relative needs component, as well as a roads component. In considering amalgamation alternatives, it is acknowledged that the per capita and roads components do not change under each scenario. Therefore, the only component of the grants distribution that will likely change as a result of a council amalgamation, is the relative needs component. The relative needs component may reduce if the financial performance of an amalgamated council is superior to the individual performance of the stand-alone councils.

**ICT integration:** ICT integration costs may include the licensing and implementation of organisational-wide IT systems and applications, which would be a one-off cost.

**Start up costs:** Start up costs covers the wide range of implementation costs for a new council; amalgamation costs such as relocation, rebranding. This is anticipated to be a one-off item, incurred in the first phase of implementation (currently the first year).

# Summary of amalgamation assumptions

The range of potential financial costs and benefits of amalgamation have been quantified in order to develop financial projections.

These assumptions are based on case studies, benchmarks and discussion with the General Manager from each of the councils.

The financial assumptions assume:

- No change to service levels
- No assets rationalisation

The analysis assumes that decisions in respect to these matters would be a matter for the new councils to determine.

In addition, a contingency of 20% has been applied to the transition costs for each option.

The assumptions are therefore conservative and this is reflected in the range of range of projected financial results.

	Incremental Shared Services	Option 1 - Four Council Merger	Option 2 - Clarence, Sorell and Tasman	Option 3 - Glamorgan Spring Bay, Sorell and Tasman	Option 4 - Sorell and Tasman
<b>Costs</b>					
Transition Costs- including ICT, relocation, rebranding etc.	\$250,000	\$2.6 m	\$1.2 m	\$0.5 m	\$0.5 m
Redundancy Costs	-	\$ 2.7 m	\$2.3 m	\$0.9 m	\$0.4 m
Contingency (20% of One-off amalgamation costs)	\$50,000	\$1.06 m	\$0.7 M	\$0.3 m	\$0.19 m
<b>Total One-off Costs</b>	<b>\$300,000</b>	<b>\$6.3 m</b>	<b>\$4.2 m</b>	<b>\$1.8 m</b>	<b>\$1.1 m</b>
Reduced Grant Funding From Year 5	-	\$1.35 m	\$1.11 m	-	-
<b>Savings</b>					
Materials & Contracts Saving	1%	1%	1%	1%	1%
Reduction of Councillors	-	21	13	15	7
Reduction in Employment Costs (Year 1) per annum	2.5%, (\$0.68 m)	\$5.68 m	\$4.7 m	\$1.97 m	\$0.94 m

## Summary results

The financial analysis indicate:

- Option 1 delivers the strongest financial gains from amalgamation, yielding an additional recurrent surplus at a steady state of around \$7.6m p.a.
- Option 2 also provides significant financial benefits with an additional recurrent surplus of \$6.3 m p.a.
- Option 3 delivers less than half of the financial gains under Options 1 and 2, due mainly to the exclusion of Clarence from this option.
- The Incremental Shared Services option and Option 4 deliver comparatively smaller potential gains due to the limited scope for addition savings to be made given existing shared services arrangements already in place.

Summary of Financial Results	Incremental Shared Services Model	Option 1- Four Council Merger- Full scope reduction	Option 2- Merger of Clarence, Sorell and Tasman Councils	Option 3- Merger of Glamorgan Spring Bay, Sorell and Tasman Councils	Option 4- Merger of Sorell and Tasman Councils
Financial results					
Net Present Value of Costs & Benefits*	\$9,003,286	\$49,815,849	\$42,089,065	\$21,267,907	\$10,835,386
Year 1 Surplus	\$19,472,039	\$23,952,017	\$22,290,428	\$8,163,160	\$6,511,631
Year 1 Savings in Employment Costs	\$675,119	\$5,678,540	\$4,759,491	\$1,971,153	\$944,423
Average savings in employment costs	2.5%	21.0%	20.7%	18.5%	14.3%
Year 1 Savings in Materials and Contracts	\$244,956	\$244,956	\$186,000	\$125,925	\$67,052
Year 1 Savings in Councillor Expenditure	\$0	\$417,673	\$262,702	\$214,341	\$185,226
Year 1 Costs of Amalgamation	\$300,000	\$6,343,584	\$4,155,665	\$1,782,578	\$1,112,659
Average Cost to Income Ratio	81.2%	77.4%	75.7%	78.9%	73.9%
Additional Year 1 Surplus	\$920,074	\$7,578,628	\$6,315,100	\$2,536,869	\$1,283,401
Organisational profile					
Total FTEs	383	337	293	120	77
FTE per 1000 Rateable Properties	8.84	7.79	7.79	6.68	6.29
Service Profile					
Rateable Properties	43,340	43,340	37,671	17,954	12,285
Average Rateable Property Growth	1.27%	1.27%	1.34%	1.01%	1.10%
Operating Costs Per Rateable Property (Year 1)	(\$2,001)	(\$1,897)	(\$1,887)	(\$1,686)	(\$1,555)
PPE (\$'000) Per Square Kilometre	\$200	\$200	\$464	\$88	\$197

\* Net present value is calculated as the total cash inflows and outflows discounted back to present value terms.

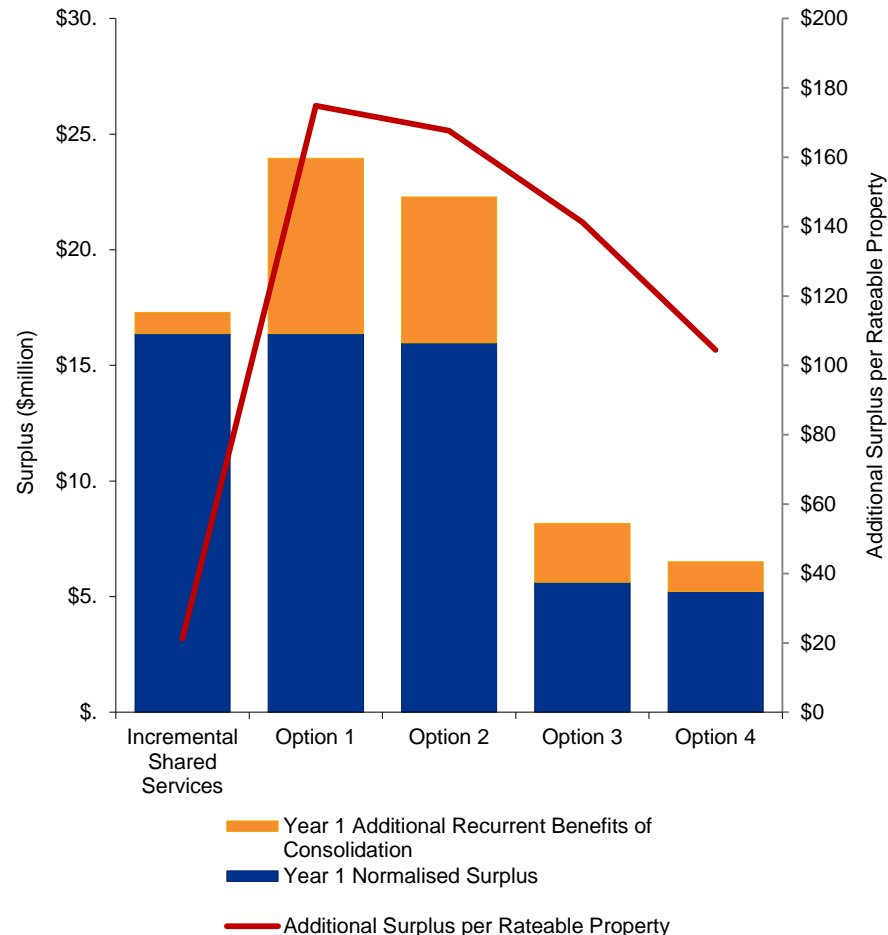
# Normalised financial results

As a core part of the modelling, the councils' 2015 results have been combined and normalised using a set of assumptions, as well as key assumptions around amalgamation. This allows the councils to be assessed on a comparative basis - both pre and post amalgamation.

Under all of the options, the additional savings represent a very large proportion of the normalised surplus.

Note that this does not include one-off amalgamation costs, and it only reflects recurrent savings (also noting that reductions in grant funding only occurs from year 5).

Comparison of Surplus- Normalised versus Consolidated



The graph on the left indicates the breakdown of the year 1 operating surplus, into the normalised surplus (pre-amalgamation) and the additional benefits of consolidation from savings in the way of reduced costs from employment and councillor expenditure, and small savings on materials and contracts.

The red line on the secondary axis represents the notional benefit of the additional surplus on a per rateable property basis. This shows:

- Option 1 has the highest benefit per rateable property of \$174 p.a.
- Option 2 has a benefit per rateable property of \$167 p.a.
- Option 3 has a benefit per rateable property of \$141 p.a.
- Option 4 has a benefit per rateable property of \$104 p.a.
- Incremental expansion of shared services arrangements may generate an additional surplus of \$21 per rateable property

# Opportunities with additional surplus

The additional surplus generated under each of the options provides a range of opportunities for the councils in terms of how that reinvest that in their community.

In broad terms those opportunities are:

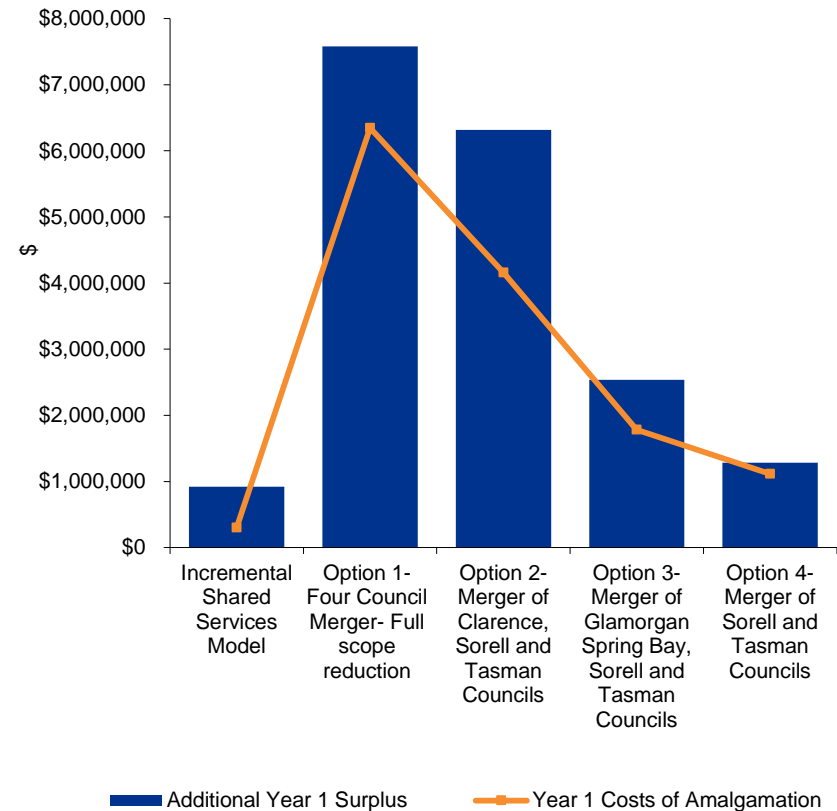
- Investment in the services provided to the community
- Investment in assets and infrastructure for community use (on either an annual basis or leveraged through utilisation of debt facilities to fund major works)
- Reduced growth in rates paid by the community

The additional operating surplus generated under the options can be conceptualised as follows:

- Under the shared services option, the gains are equivalent to the revenue of 2,031 rateable properties and creates borrowing capacity of \$13 m
- Under Option 1, the gains are equivalent to the revenue of 4,967 rateable properties and creates borrowing capacity of \$105 m
- Under Option 2, the gains are equivalent to the revenue of 4,008 rateable properties and creates borrowing capacity of \$88 m
- Under Option 3, the gains are equivalent to revenue of 2,253 rateable properties and creates borrowing capacity of \$35 m
- Under Option 4, the gains are equivalent to revenue of 1,172 rateable properties and creates borrowing capacity of \$18 m

The graph on the right indicates that the year one amalgamation costs (representing the cash outlay for redundancies and other transition costs) are covered by the additional surplus generated from operations, under each of the scenarios modelled.

**Additional Year 1 Surplus and Year 1 One-off amalgamation costs**





# Underlying surplus

It is noted that there are **positive operating surplus' and positive operating surplus ratios across all of the options, across all years.** The slight fluctuations in year 5 are mainly due to changes in Federal Assistant Grants as detailed in the assumptions.

Under all the options, Option 1 makes the greater operating surplus, largely as a result of the additional savings from employee reductions, whilst Option 4 has the lowest cost to income ratio.

One of the core assumptions of the financial modelling is that under each of the options modelled, individual rate payers in each municipal area will pay the same rates as their 2015 rates, escalated at CPI.

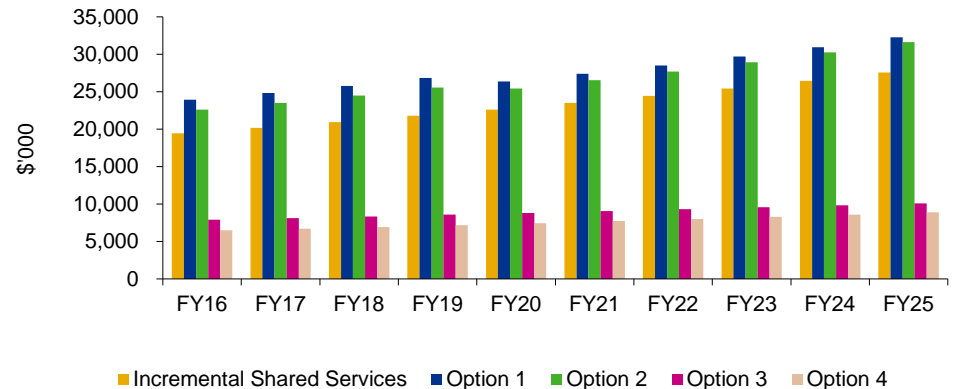
This is therefore conservatively assuming no change in rates for any council areas, across any of the amalgamation options.

This provides a consistent basis for comparison, and removes the need for any assumptions around potential rating policies of the new council.

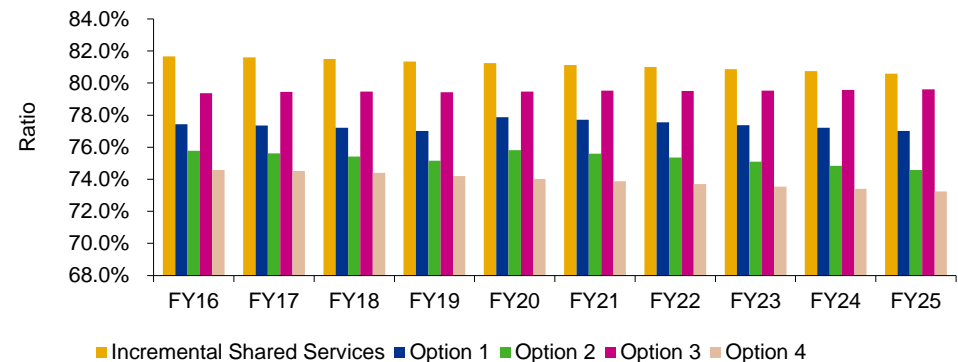
Under this assumption, all of the options going forward have positive operating surpluses.

Option 2 and Option 4 have the lowest cost to income ratio of all options considered. This is largely due to the omission of Glamorgan Spring Bay, which has the least positive operating results from the normalised modelling.

### Underlying Surplus



### Cost to Income Ratio





# 5.4 Community and governance considerations

# Introduction and key messages

**This section outlines the key community and governance/ representation consideration. The analysis has found that there is a close relationship between the two concepts and that conclusions formed in relation to communities of interest in turn guide the design of the most appropriate governance model.**

**In respect to the key considerations associated with communities of the interest, this study has found:**

- The concept of ‘communities of interest’ has been widely adopted as part of the discussion around local government and local government reform. Many definitions have been proposed, but in simple terms, a community of interest is “essentially a group of people with similar traits – social, economic, language, culture, race etc., and a similar set of interests”. It is not uncommon for there to be potential tension between different sub-communities within a council area.
- There have been divergent views about the relevance of communities of interest to boundary reform deliberations, but in the context of the current voluntary reform process in Tasmania, consideration of communities of interest is part of the scope and therefore requires exploration
- In the south-east region, the existing council areas show broad communities of interest, for example, Clarence has a vastly different community profile to Tasman. Within each of the existing south east council areas, there are a range of more ‘micro’ communities within the current local government areas
- This suggests that while the current boundaries are somewhat reflective of communities of interest, the prevalence of “communities within communities” is common, and therefore the current boundaries are not a firm delineation of communities.

**In respect to the key considerations associated with representation, this study has found:**

- There are two broad representation options available to councils - ward based structures or election at large for an entire region. The model of representation should be reflective of the community of interest
- In the south east region, there are multiple minority communities of interest, and all else being equal, that would tend to support an election at large model of representation as the preferred long term option. However, a ward based structure is not unreasonable as an interim representation model during a period of amalgamation
- Electoral districts (wards) were phased out in Tasmania as part of the local government reforms in the early-mid 1990s. However, the Local Government Act has provisions for the Minister to establish and abolish electoral districts
- Electoral districts can be designed using two broad approaches. The approach that designs electoral districts around smaller, discernible communities of interest would appear to have merit. This model is more likely to address community concerns about loss of representation arising from boundary reform
- On the basis of previous studies into boundary reform in the south east region, variations to the current council boundaries have been proposed. Most recently, a potential separation of Glamorgan Spring Bay into two parts has been suggested as a better reflection of communities of interest in that area of the east coast

**In light of these insights, and depending on the amalgamation option adopted (if any) it would be conceivable for the ward model to comprise up to 15 single member members wards for Options 1 and 2, and 13 for Option 3, for the first electoral cycle. This could then be evaluated and either extended, modified or transitioned to an election at large model.**

# Communities of interest

### Communities of interest defined

The concept 'communities of interest' has been widely adopted and formed part of the discourse around local government and local government reform. Many definitions have been proposed.

More recently, Jaensch (2008) described a community of interest as "essentially a group of people with similar traits – social, economic, language, culture, race etc., and a similar set of interests." Jaensch also states that in nearly every case, there is a potential tension between different sub-communities within a council area.

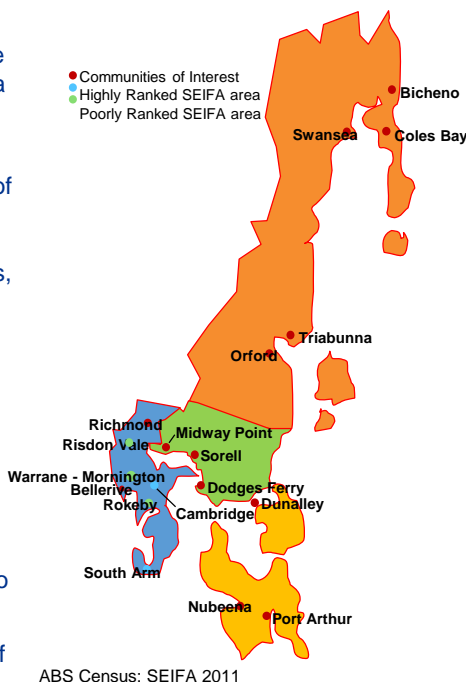
Janesch acknowledges that whilst there are often clear and quantifiable opportunities to realise efficiencies and economies of scale and scope through local government amalgamation, the more complex challenge can be articulating, defining and managing a sense of local identity. This is a core role of councils, and therefore is an important consideration in amalgamation.

### Communities of interest and amalgamations

Communities of interest is an important concept in considering structural boundaries of electorates. However, there is no strict methodology for defining which areas are communities of interest.

Communities of interest are important when considering representation, because councillors are more likely to be representative of the population if the electorates are divided into areas which represent common interests.

Recent historical experience suggest that maintaining a sense of local representation is critical in any local council amalgamation. However, strong communities of interest is not necessarily a barrier to reform if representative structures remain in place at the local level.



### Communities of interest in practice

This study has found that each of the council areas possess their own unique characteristics that could support the proposition that each existing municipal area may be a community of interest. However, our analysis indicates that there are many shared characteristics between the municipal areas. At a high level, Clarence and Sorell have generally high level of socio-economic advantage, in contrast to Glamorgan Spring Bay and Tasman. This tends to 'blur the lines' of the existing municipal areas to some degree.

Furthermore, in prior council amalgamation work in Tasmania and elsewhere, communities of interest have been regarded as primarily based around townships and villages, rather than municipal areas. In the south east of Tasmania for example:

- Clarence possess both economically advantaged (e.g. Bellerive and Lindisfarne) and disadvantaged suburbs (e.g. Risdon Vale and Clarendon Vale)
- Sorell has a growing urban commuter community that is different from the rural communities
- Communities in the north of Glamorgan Spring Bay are claimed to feel some disconnection from the communities to the south
- The shack owning communities of Nubeena and Dunalley are distinguishable from the more visitor-support orientated community surrounding and supporting Port Arthur.

The existence of 'communities within communities' tends to further cast into question, the proposition that the existing local government areas are representative of communities of interest and therefore immune to boundary reform.

# Representation

There are two broad representation options available to councils:

- Ward based structures
- Election at large for an entire region

The model of representation should be reflective of the community of interest

In the south east region, there are multiple minority communities of interest .

All else being equal, that would tend to support an election at large model of representation.

However, ward based structures may be not unreasonable as an interim representation model during a period of amalgamation.

### Representation options

Our review of the literature in relation to options for representation in the event of a merging of two or more of the south east councils suggests there are a range of options and the ACELG and Jaensch (2008) have provided an assessment of benefits and risks of the various options.

#### Ward based structures

- Key benefit is the potential to emphasise the interests of the 'local'
- Key risk is the potential under-representation of the interests of the whole council population

Wards may then be either single member wards or multi-member wards, which each possess benefits and risks.

#### Election at large

- Key benefits are the potential for council-wide issues to be recognised, as well as providing multiple channels for community views to be expressed and capacity to vote for all vacant positions
- Key risk is for some diminution of voice being given to truly local issues

Having regard to the benefits and risks of the various options, the ACELG and Jaensch are inclined to favour the election at large model.

This has also been accepted in principle in Tasmanian local government, where there are no longer any wards in existence.

### Combined community of interest and representation

The concept of communities of interest also plays into the consideration of options in relation to representation. The VEC (2009) as cited by the ACELG matched representative models to various community of interest profiles. These guidelines are summarised below.

VEC Guidelines	
If a community of interest is...	An appropriate representation structure would be...
Compact geographically	A ward structure, with boundaries reflecting each community of interest
Widespread minority	Multi-councillor wards with proportional representation.
Numerous minority communities within a municipality.	Combining the communities of interest, so any elected councillor is responsible for all groups.

In applying those guidelines, it is apparent that the south east region could be characterised as possessing "numerous minority communities of interest within each municipality".

This leads to the conclusion that election at large should be the target representation model in the long term.

However, it may be not unreasonable for ward based structures to be considered as an interim representation model in order to mitigate risks of community concerns that may arise from feelings of loss of engagement and access to representation.

# Representation

Electoral districts (wards) were phased out in Tasmania as part of the local government reforms in the early-mid 1990s.

The Local Government Act has provisions for the Minister to establish and abolish electoral districts.

Electoral districts can be designed using two broad approaches.

The approach that designs electoral districts around smaller, discernible communities of interest would appear to have merit. This model is more likely to address community concerns about loss of representation arising from boundary reform.

### Electoral districts

In the past before the large-scale amalgamations of the 1990s, 42 of the 46 councils that existed had wards. On the establishment of the Local Government Act 1993, wards were effectively relabelled electoral districts.

The Kentish Council was the last council in Tasmania to have wards. The council had five wards - Barrington, Railton, Roland, Sheffield and Wilmot, represented by 15 elected members 3 elected members per ward. The Council was 1187 square kilometres and had a population of 5,500. The representation ratio of the council was 550 heads per councillor. In 1996, the electoral districts were abolished and the number of elected members was reduced to 10. Currently in Tasmania, no existing council has electoral districts.

### Legislation in Tasmania

Section 17 of the Local Government Act 1993 allows for a municipal area to be divided into two or more electoral districts. Section 214E of the Act states that as a result of any review, the governor, by order and on the recommendation of the Minister may do any of the following in relation to electoral districts:

- Determine the number of persons to be elected in respect of each electoral district
- Divide a municipal area into 2 or more electoral districts
- Abolish the division of a municipal area into electoral districts
- Alter the boundaries of an electoral district
- Combine 2 or more electoral districts in a municipal area to form one electoral district
- Name or change the name of an electoral district.

### Electoral districts for the south east

Research shows there are two broad methods to establish ward boundaries.

Method 1 is to reflect a dominant community of interest. Dominant communities of interests may include:

1. the more urban industrial, commercial and residential groups
2. the satellite major townships/ commuter communities such as Sorell, Richmond, South Arm, Dodges Ferry, and
3. the more rural regions/ townships such as Nubeena, Orford/ Swansea/ Triabunna, Coles Bay/ Bicheno.

A method such as this may allow wards to represent each community of interest but may reduce focus on council wide issues.

Method 2 is to deliberately include a mix of communities of interest within the wards. That is, each ward would comprise a combination of urban, satellite and rural elements.

This would encourage representatives from each of the wards to consider council wide issues but may have the potential to overlook narrower, economic and sector interests.

In the context of local government reform, and having regard to potential community anxiety about the risk of loss of access to representation, Method 1 would appear to have merit.

The final design of the model would be a matter for the councils to determine in consultation with their communities and State Government. However, by way of illustration, up to 15 single member ward (depending on the option supported, if any) for one electoral cycle may be not unreasonable, before moving to the election at large model.

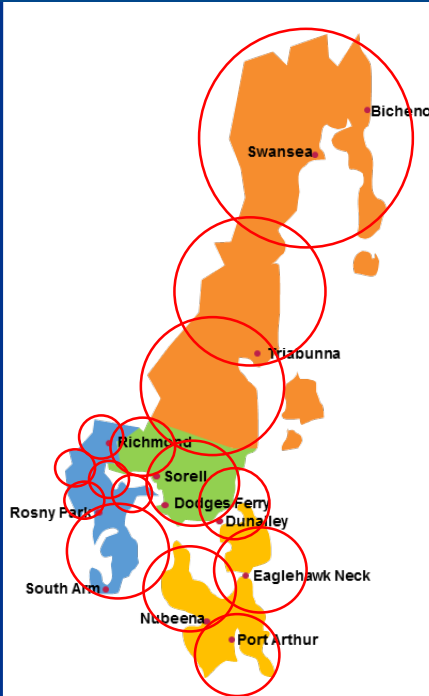
# Conceptual ward based models\*

Setting aside Option 0 (no change to current representation) and Option 4 (may not warrant wards), Options 1 – 3 may have a representation model designed around dominant communities of interest (Method 1).

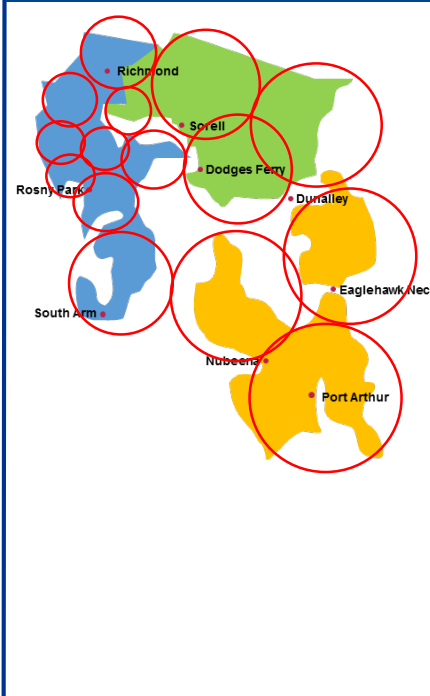
The detailed design of a transitional ward model is not in scope, but may be along the lines of the following:

- Option 1 – 15 single member wards
- Option 2 – 15 single member wards
- Option 3 – 13 single member wards

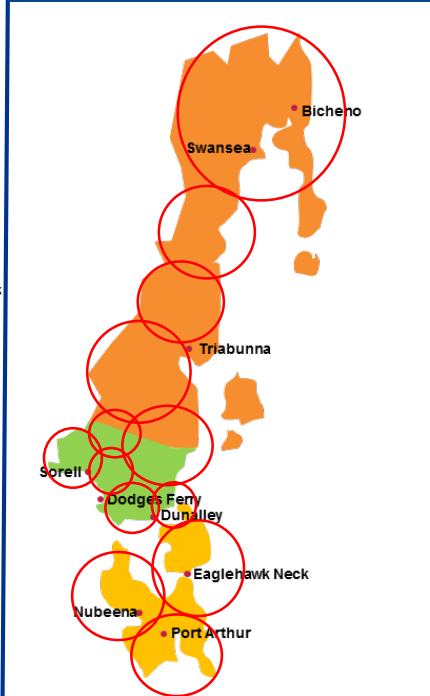
Option 1: Full amalgamation



Option 2: Partial amalgamation (excluding Glamorgan Spring Bay)



Option 3: Partial amalgamation (excluding Clarence)



\* These maps and ward boundaries are for illustrative purposes only. These are not intended to depict the location of potential wards.



# Other boundary considerations

In 1997, the then Local Government Board proposed the formation of a South East Council that possesses some elements of the Option 1 currently under consideration.

Other boundary options that have been identified include:

- The potential amalgamation of Glamorgan Spring Bay with Break O'Day. The then Local Government Board did not support this option.
- The potential 'split' of Glamorgan Spring Bay, into two parts has been suggested as a better reflection of communities of interest on the east coast.

### Local Government Review

A review undertaken by the Local Government Board in 1997 proposed boundary alterations to the councils considered in this study. The two councils were referred to as the South East Council and the Greater Hobart Council. The South East Council would have included:

- The whole of the municipal area of the Sorell Council
- The whole of the municipal area of the Tasman Council
- The whole of the municipal area of the Glamorgan Spring Bay Council
- Parts of the Central Highland Council
- A minimal amount of the Clarence City Council, with the larger remainder forming part of the Greater Hobart Council.

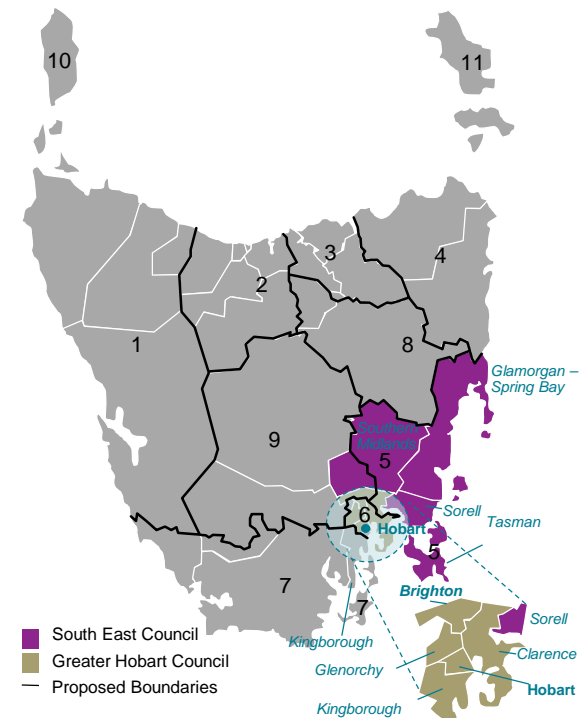
### Other options

In 2009, the Local Government Board considered a proposal for a voluntary amalgamation of the Break O'Day Council and the Glamorgan Spring Bay Council. The amalgamation did not proceed as the Board was unable to identify any substantial and long-term rationale for the amalgamation of the two entities.

More recently, the Glamorgan Spring Bay and Break O'Day Councils have identified an option to 'split' Glamorgan Spring Bay.

The boundary line which has been suggested is in the vicinity of Cherry Tree Hill, located on the Tasman Highway between Cranbrook and Apslawn. This would transfer the Bicheno/Coles Bay area to Break O'Day with the balance forming part of the South-East Council options.

Some believe the communities around Coles Bay and Bicheno feel more strongly aligned to the northern townships than those to the south given the range of connections which exist through education, sporting and other service deliveries. This also provides a natural divide in water catchments and is a logical split on a geographic basis given the limited local government service and infrastructure responsibilities around this boundary.





# Section 6

## Impact of the options for each council



# Introduction and Summary Insights

**This section develops and applies a decision making framework built upon the four core principles that MUST be considered as part of any potential reforms, these being:**

1. Be in the best interest of ratepayers
2. Improve the level of services for communities
3. Preserve and maintain local representation
4. Ensure that the financial status of the entities is strengthened

**When applied, the decision framework shows all councils stand to benefit from any option, since reform in any shape should yield financial benefits that can be channelled into strategies such as but not limited to improved services, additional asset renewal, new asset creation and new debt to fund new works and services**

- Option 0 can generate a financial benefit of around \$920k p.a.
- Option 1 can generate the highest financial benefit of around \$7.6m p.a.
- Option 2 can generate a financial benefit of around \$6.3m p.a.
- Option 3 can generate a financial benefit of around \$2.5m p.a.
- Option 4 can generate the highest financial benefit of around \$1.3m p.a.

The incremental improvement to existing shared services arrangements and Option 4, build on the good work already undertaken by the councils to strengthen their financial sustainability as stand-alone councils. However, the conclusions show that the financial gains to be made are far less than Options 1 and 2. Option 3 offers the potential to yield savings of \$2.5m p.a., which is not materially less than Option 1 on a per capita basis, but may be seen by some communities as more attractive in terms of access to representation.

The risk of reduction in access to representation can be mitigated to some degree by the formation of up to 15 single member wards for one term, which can then be assessed to determine if that model should be extended or transitioned to the more generally favoured election at large model in the long run.

The conclusions illustrate that all of the councils are better off by reform in any of the options in which they feature, but there are variations in financial impact. In all options involving amalgamation, there will be a reduction in the number of elected members, and this is the trade off for improved financial strength. The creation of electoral districts is a mechanism that can be employed to lessen any real or perceived loss in access to local representation.

# Headline criteria

The Terms of Reference for the study require an evaluation framework to be developed, and performance indicators defined for evaluating the success of the amalgamation.

In responding to this element of Terms of Reference, KPMG committed to provide a decision making framework that would allow both financial and non-financial considerations to be assessed for each of the options.

The proposed framework aligns specifically with the four principles underpinning the study that **MUST** be applied when considering all options:

1. **Be in the best interest of ratepayers**
2. **Improve the level of services for communities**
3. **Preserve and maintain local representation**
4. **Ensure that the financial status of the entities is strengthened**

In the course of considering these principles, it became apparent principles 2, 3 and 4 can be more objectively assessed and supported by research, analysis and future model design, whereas principle 1 is more subjective and open to judgement. We have therefore developed an approach that proposes that principle 1 may be best considered as a product or consequence of the assessments made in respect to principles 2, 3 and 4.

*The best interests of ratepayers = Improved services +/- maintained representation +/- strengthened financial status*



This judgement may then be overlaid with an assessment of the other considerations that have formed part of this study – alignment of strategic plans, risk management and communities of interest.

In applying this framework to multiple options, it became apparent that a grading system was needed to reflect performance of each option against each of these principles. This suggests that each of the potential reform options all offer the potential to improve services, maintain representation and strength the financial status of the council, (and so be in the best interests of ratepayers) but to varying degrees. Accordingly, a simple 'traffic light' rating system has been applied:

 = significant positive outcome    = some positive outcome    = neutral outcome    = limited negative outcome    = significant negative outcome    = not applicable

This decision making framework is applied on the following pages.


## Whole of region assessment

### On balance, the decision making framework points to:

- Options 1 followed by Option 2 as being in the overall best interests of the south-east community as a whole
- Option 3 delivers some positive outcomes, but less than Options 1 and 2.
- Options 0 and 4 provide limited positive outcomes, but are still preferable to no reform at all

The decision framework indicates that ratepayers in all councils should be better off under Option 1, through the equitable reinvestment of financial gains across the region.

Providing that the risk of any loss in access to representation can be mitigated through the creation of electoral districts, this study points to Option 1 as being in the best interests of ratepayers in all existing council areas and for the south east region as a whole.

Principles	Option 0 <i>Shared Services</i>	Option 1 <i>Four council merger</i>	Option 2 <i>Clarence, Sorell and Tasman</i>	Option 3 <i>Glamorgan Spring Bay, Sorell and Tasman</i>	Option 4 <i>Sorell and Tasman</i>	Comment
<b>Improved service levels</b> 						<b>Service levels are not adversely impacted under any option, but the scope for improvement varies</b> <ul style="list-style-type: none"> <li>Option 1 and Option 2 provide <u>significant</u> additional financial capacity for efficiency gains to be reinvested into improved services</li> <li>Option 3 provides <u>some</u> additional financial capacity for efficiency savings to be reinvested into improved services</li> <li>Options 0 and 4 provide <u>limited</u> additional financial capacity for efficiency savings to be reinvested into improved services</li> </ul>
<b>Maintained local governance/ representation</b> 						<b>Local representation is maintained under any option, but the impacts vary by option</b> <ul style="list-style-type: none"> <li>Options 0 maintains the current level local governance/ representation</li> <li>Options 1, 2 and 3 could maintain local governance by the creation of voting wards but councillor to population ratios increase</li> <li>Option 4 may not warrant the creation of wards</li> </ul>
<b>Strengthened financial status</b> 						<b>Financial status is strengthened under al any option, but the results vary by option</b> <ul style="list-style-type: none"> <li>Option 0 delivers a combined additional surplus of \$0.9m p.a.</li> <li>Option 1 delivers a combined addition surplus of \$7.6m p.a.</li> <li>Option 2 delivers a combined addition surplus of \$6.3m p.a.</li> <li>Option 3 delivers a combined addition surplus of \$2.5m p.a.</li> <li>Option 4 delivers a combined addition surplus of \$1.3m p.a.</li> </ul>
<b>Best interests</b> 						<b>The best of interests of ratepayers are well served by all options but the impacts vary.</b>  <b>No major risk impediments, many common strategic directions, complimentary communities of interest</b>  <b>On balance, options 1 and 2 may be in the overall best interests of the region</b>

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable

## Impact of the options for each council





# Clarence impact assessment

Clarence is the largest and strongest council in this study. Clarence features in Options 1 and 2 only.

The inclusion of Clarence to the options contributes significantly to the attractiveness of those options for the region as a whole and can also lead to potential gains for Clarence ratepayers.

### In summary:

- Service levels for Clarence ratepayers are at least maintained, with scope for improvement with any reinvestment of financial gains
- The notional financial status for ratepayers in Clarence in year 1 will be strengthened by \$4,439,112 in year 1 and of \$4,255,682 in year 1 under Option 2
- Ratepayer access to representation deteriorates under Option 1 but by less under Option 2. Electoral districts facilitate access to representation over an agreed transition period

Principles	Option 0	Option 1	Option 2	Option 3	Option 4	Comment
	Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman	
<b>Improved service levels</b> 						<ul style="list-style-type: none"> <li>— No risk of any reduction in current service levels</li> <li>— Clarence currently offers a comprehensive suits of core services and a wide range of targeted community services</li> <li>— Scope for financial benefits of Options 1 and 2 to be reinvested into improved services</li> <li>— Stable workforce of 251 FTE</li> <li>— Incoming new ICT platform with added capacity and longevity</li> </ul>
<b>Maintained local governance/representation</b> 						<ul style="list-style-type: none"> <li>— 12 current elected members with a ratio of councillor to population of 1: 4,503</li> <li>— Councillor to population ratio increases to 1: 4,981 under Option 1, and to 1: 4,681 under Option 2</li> <li>— Electoral districts should preserve higher representation in Clarence over an agreed transition period</li> </ul>
<b>Strengthened financial status</b> 						<ul style="list-style-type: none"> <li>— Good current financial position and projected long term financial position</li> <li>— Notional additional financial benefit under Option 1 of \$4,439,112 in year 1 and of \$4,255,682 in year 1 under Option 2</li> </ul>
<b>Best interests</b> 						<p><b>Some positive financial outcomes for Clarence that can be reinvested to improve service levels</b></p> <p><b>Some trade-off in access to representation to be mitigated by electoral districts</b></p>

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable

## Impact of the options for each council

# Glamorgan Spring Bay

Glamorgan Spring Bay has come through a period of economic stagnation with renewed optimism. Treasury population are not favourable and highlight an ageing population. Recent growth in rateable properties and values is more positive.

### In summary:

- Service levels for Glamorgan Spring Bay ratepayers are at least maintained, with scope for improvement from any reinvestment of financial gains
- The notional financial status for ratepayers in Glamorgan Spring Bay will be strengthened in year 1 by \$991,333 under Option 1 and \$801,042 under Option 3
- Ratepayer access to representation deteriorates under Option 1 with less impact under Option 3. Electoral districts facilitate access to representation over an agreed transition period

Principles	Option 0	Option 1	Option 2	Option 3	Option 4	Comment
	Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman	
<b>Improved service levels</b> 						<ul style="list-style-type: none"> <li>— Glamorgan Spring Bay currently offers most of the core services and many targeted community services that are unique to the region – health centres, marinas, contract highway maintenance</li> <li>— Workforce of 54 FTE using shared service arrangements with neighbouring councils to optimise efficiency</li> <li>— Scope for financial benefits of Options 1 and 3 to be reinvested into improved services</li> <li>— Well developed risk management framework developed in conjunction with Sorell and Tasman with few high risks</li> </ul>
<b>Maintained local governance/representation</b> 						<ul style="list-style-type: none"> <li>— 8 current elected members with a ratio of councillor to population of 1: 561</li> <li>— Councillor to population ratio increases to 1: 4,981 voters under Option 1, and 1:1,590 under Option 3</li> <li>— Electoral districts should preserve higher representation in Glamorgan Spring Bay under Options 1 and 3 over an agreed transition period</li> </ul>
<b>Strengthened financial status</b> 						<ul style="list-style-type: none"> <li>— Reasonable financial position due to current shared service arrangements</li> <li>— Sustainable projected long term financial position, but little spare financial capacity</li> <li>— Notional financial benefit in year 1 of \$991,333 under Option 1 and \$801,042 under Option 3</li> </ul>
<b>Best interests</b> 						<p><b>Some significant financial outcomes for Glamorgan Spring Bay that can be reinvested to improve service levels</b></p> <p><b>Some trade-off in access to representation, mainly in Option 1</b></p>

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable




## Sorell impact assessment

Sorell is a rapidly growing municipal area in the 'hub' of the south east region. Sorell features in all of the options.

It is already closely aligned to Tasman through many shared services, which have yielded gains in efficiency.

### In summary:

- Service levels for Sorell ratepayers are at least maintained, with scope for improvement from any reinvestment of financial gains
- The notional financial status for ratepayers in Sorell will be strengthen in year 1 by \$1,528,518 under Option 1, \$1,465,358 under Option 2, \$1,235,111 under Option 3 and \$913,191 under Option 4
- Ratepayer access to representation deteriorates under Option 1 with less of an impact under the other options. Electoral districts facilitate access to representation under Options 1-3 over an agreed transition period



Principles	Option 0	Option 1	Option 2	Option 3	Option 4	Comment
	Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman	
<b>Improved service levels</b> 						<ul style="list-style-type: none"> <li>The study assumes no change to service levels under all options. Sorell currently offers most of the core services and many targeted community services</li> <li>Workforce of 67 FTE using shared service arrangements with neighbouring councils to optimise efficiency</li> <li>Well developed risk management framework developed in conjunction with Glamorgan Spring Bay and Tasman with few high risks,</li> <li>Scope for financial benefits of Options 1, 2 and 3 to be reinvested into improved services, but limited scope for improved services in Option 4</li> </ul>
<b>Maintained local governance/representation</b> 						<ul style="list-style-type: none"> <li>9 current elected members with a ratio of councillor to population of 1: 1,531</li> <li>Councillor to population ratio increases to 1: 4,981 voters under Option 1, 1: 4,681 voters under Option 2, 1:1,590 under Option 3 and 1:1,797 under Option 4</li> <li>Electoral districts should preserve higher representation in Sorell under Options 1-3 over an agreed transition period</li> </ul>
<b>Strengthened financial status</b> 						<ul style="list-style-type: none"> <li>Good current financial position driven by growth in rateable properties</li> <li>Sustainable projected long term financial position</li> <li>Notional financial benefit in year 1 of \$1,528,518 under Option 1, \$1,465,358 under Option 2, \$1,235,111 under Option 3 and \$913,191 under Option 4</li> </ul>
<b>Best interests</b> 						<p><b>Some significant financial outcomes for Sorell that can be reinvested to improve service levels,</b></p> <p><b>Some trade-off in access to representation, particularly in Options 1 and 2</b></p>

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable

# Tasman impact assessment

Tasman is the smallest and most vulnerable council with a more challenged socio-economic profile. Resource sharing initiatives with Sorell and other councils have shored up financial position but there is little scope for material improvement under the current arrangements. In summary:

- Service levels for Tasman ratepayers are at least maintained, with scope for improvement from any reinvestment of financial gains
- The notional financial status for ratepayers in Tasman will be strengthen in year 1 by year 1 of \$619,665 under Option 1, \$594,059 under Option 2, \$500,717 under Option 3 and \$370,210 under Option 4
- Ratepayer access to representation deteriorates under Options 1 to 3, with less impact under Option 4. Electoral districts facilitate access to representation over an agreed transition period

Principles	Option 0	Option 1	Option 2	Option 3	Option 4	Comment
	Shared Services	Four council merger	Clarence, Sorell and Tasman	Glamorgan Spring Bay, Sorell and Tasman	Sorell and Tasman	
<b>Improved service levels</b> 						<ul style="list-style-type: none"> <li>— Tasman currently offers most of the core services but fewer targeted community services due to resource constraints</li> <li>— Workforce of 20 FTE using shared service arrangements with neighbouring councils to optimise efficiency</li> <li>— Well developed risk management framework developed in conjunction with Sorell and Glamorgan Spring with few high risks</li> <li>— Scope for financial benefits of Options 1, 2 and 3 to be reinvested into improved services and limited scope for improved services in Option 4</li> </ul>
<b>Maintained local governance/representation</b> 						<ul style="list-style-type: none"> <li>— 7 current elected members with a ratio of councillor to population of 1: 343.</li> <li>— Councillor to population ratio increases to 1: 4,981 voters under Option 1, 1: 4,681 voters under Option 2, 1:1,590 under Option 3 and 1:1,797 under Option 4</li> <li>— Electoral districts should preserve higher representation in Tasman under Options 1-3 over an agreed transition period</li> </ul>
<b>Strengthened financial status</b> 						<ul style="list-style-type: none"> <li>— Sustainable projected long term financial position, but little spare financial capacity</li> <li>— Notional financial benefit in year 1 of \$619,665 under Option 1, \$594,059 under Option 2, \$500,717 under Option 3 and \$370,210 under Option 4</li> </ul>
<b>Best interests</b> 						<b>Some significant financial outcomes for Tasman that can be reinvested to improve service levels, with some trade-off in access to representation</b>

= significant positive outcome
  = some positive outcome
  = neutral outcome
  = limited negative outcome
  = significant negative outcome
  = not applicable



# Section 7

## Next steps



# Introduction and Summary Insights

**The process for each council and its community to determine a position in respect to the options available has been considered by the participating councils. According to the councils, that process will entail:**

- Briefings by KPMG to the participating councils in October 2016
- Councils to formally consider and receive/ accept the study for the purposes of commencing public consultation in late October/ early November 2016
- Public consultation to commence in November 2016 and continue through to February 2016
- Compilation of community submissions and formal consideration of same by each council to determine if they are to proceed with an amalgamation prior to June 2017

**Having regard to that timeline, this section provides some high level insights into several key implementation considerations, if the councils and their communities decide to progress with one of the amalgamation options.**

In terms of the transitional body, the Local Government Board has previously considered a range of options available to facilitate any structural reform. It has come to the view that the establishment of a Local Transition Committee may be an appropriate body to manage the range of implementation tasks.

In terms implementation tasks to be addressed, the range of matters will include six broad elements, within which there are a range of sub-elements:

1. Undertaking a detailed due diligence process (Financial, Infrastructure Technology, Human Resource, Legal etc.)
2. Firming up the target operating model design
3. Implementing an effective communications strategy
4. Developing and aligning new key strategic documentation and systems (strategic plan, long term financial plan, asset management plan etc.)
5. Designing ward boundaries and the representation model
6. Addressing any legislative obligations e.g. statutory planning, by-laws

**An indicative implementation schedule at this stage would propose that a newly merged council could commence operations by the end of 2018. A range of ongoing transitional activities would extend beyond that timeframe as a newly formed council beds down.**

**The success of any reform can be assessed by reference to a range of performance indicators for which baseline data exists for each council now and for which targets/ benchmarks are available.**

# Transitional body

Local Transitional Committees were formed in 1993 to facilitate the amalgamations of that time.

The Local Government Board in its 1997 review recommended the establishment of Local Transition Committees.

Should any of the amalgamations proceed, the formation of an LTC with representatives of the merging councils would appear to be prudent.

The LTC would oversee the range of tasks to be undertaken over 6-12 month period.

The existing councils would remain in place until such time as the new council is formed and the LTC wound up.

In its report, Principles for Voluntary mergers (February 2010) the then Tasmanian Local Government Board proposed a nine stage, 16 step process to systematically work through a voluntary amalgamation process. While the process underpinning this review does not strictly align with the steps, it is clear that this report forms a significant element of what was Step 12.

Steps 13-15 would then need to be followed before moving through to Step 16, which is one of the focus areas for this section of the report.

The Board noted the Local Government Act 1993 does not provide for any transitional body or other arrangements. The transitional arrangements appropriate for a merger will vary depending on the particular circumstances of the councils involved. The Board went on to identify six potential options that emerged from the 1997 review:

1. Provide, by agreement with LGAT, for the establishment of Local Transition Committee (LTCs), which would have the role of planning for, and working towards the establishment of new councils, with or without specific authority
2. Legislate to require that an LTC be established for each new council
3. Encourage related councils to voluntarily establish a coordinating governance body
4. Establish an Interim Council
5. Take no action to implement governance with the new council beginning that role after establishment
6. Appointing a Commissioner

In commenting on these options the Board noted:

- Commissioners or Administrators could be appointed under the savings and transitional arrangements provisions in 214E (5) of the Act. This would remove councillors from the transition process.
- Interim Councils could be established under the savings and transitional arrangements provisions in 214E (5) of the Act and comprise councillors elected or appointed by the existing councils to represent them through the transition process.
- Local Transition Committees (LTC's) have no legal standing but were successfully used in the 1993 reforms. The powers of an LTC would be limited. They would have only such powers as were delegated by the relevant councils (this could require constitution in the form of a special committee to extend the potential scope of delegated powers).
- Alternatively LTCs could make recommendations subject to endorsement by the relevant councils. Importantly any such delegations or endorsements would be limited to the scope of the existing councils' powers which do not extend to determining the policies and structures of a new council. They would however harness valuable input from existing councils and undertake preparatory work including potentially, new recommendations to be put before a new council.
- Joint Authorities are comparable to the LTC option but have the status of a separate legal entity. A joint authority established for this purpose would continue to receive its strategic direction from the two or more member councils (via representatives).

# Transition planning

If the councils and their communities support one of the amalgamation options, there is significant work in the planning and implementation of any structural reform.

These need to be addressed in a coherent and consistent manner in order for the full benefits of any changes to be realized appropriately.

The capacity to achieve the potential financial advantages of council mergers is a direct function of the effectiveness of the merger implementation plans and strategies. Potential merger benefits can be quickly eroded by poor leadership, insufficient oversight of transition, incompatibility of IT and record-keeping systems, delays to implementation and lost productivity stemming from differences in work culture and practice that come to the fore in a newly merged council entity.

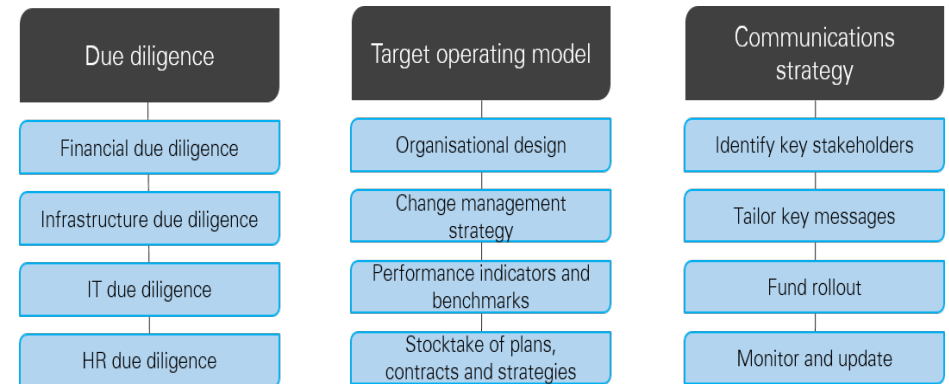
These challenges and risks to reform success were highlighted in a 2009 survey of newly merged councils in South East Queensland <sup>(1)</sup>. The findings of the survey concluded the main difficulties encountered following implementation were:

- Organisational and cultural work practice issues associated with merged council entities
- Managing community expectations, and
- Perceived loss of local identity.

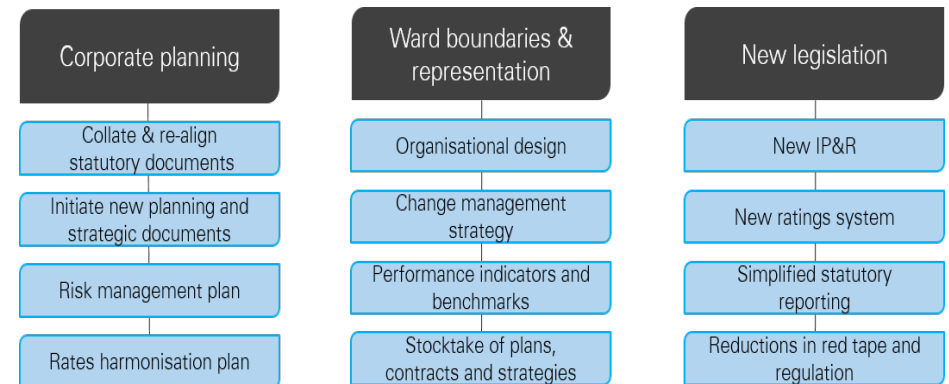
A high-level implementation plan for the merger of two or more councils is illustrated in the charts below and discussed over page.

Importantly, this analysis does not ignore the need for a detailed implementation plan to be developed following any agreement on council mergers in the south east region. Such a plan will need to be tailored to the specific structural option adopted by each council and endorsed by the Government.

### Short term implementation priorities (next 6-12 months)



### Longer term implementation priorities (next 12-24 four months)



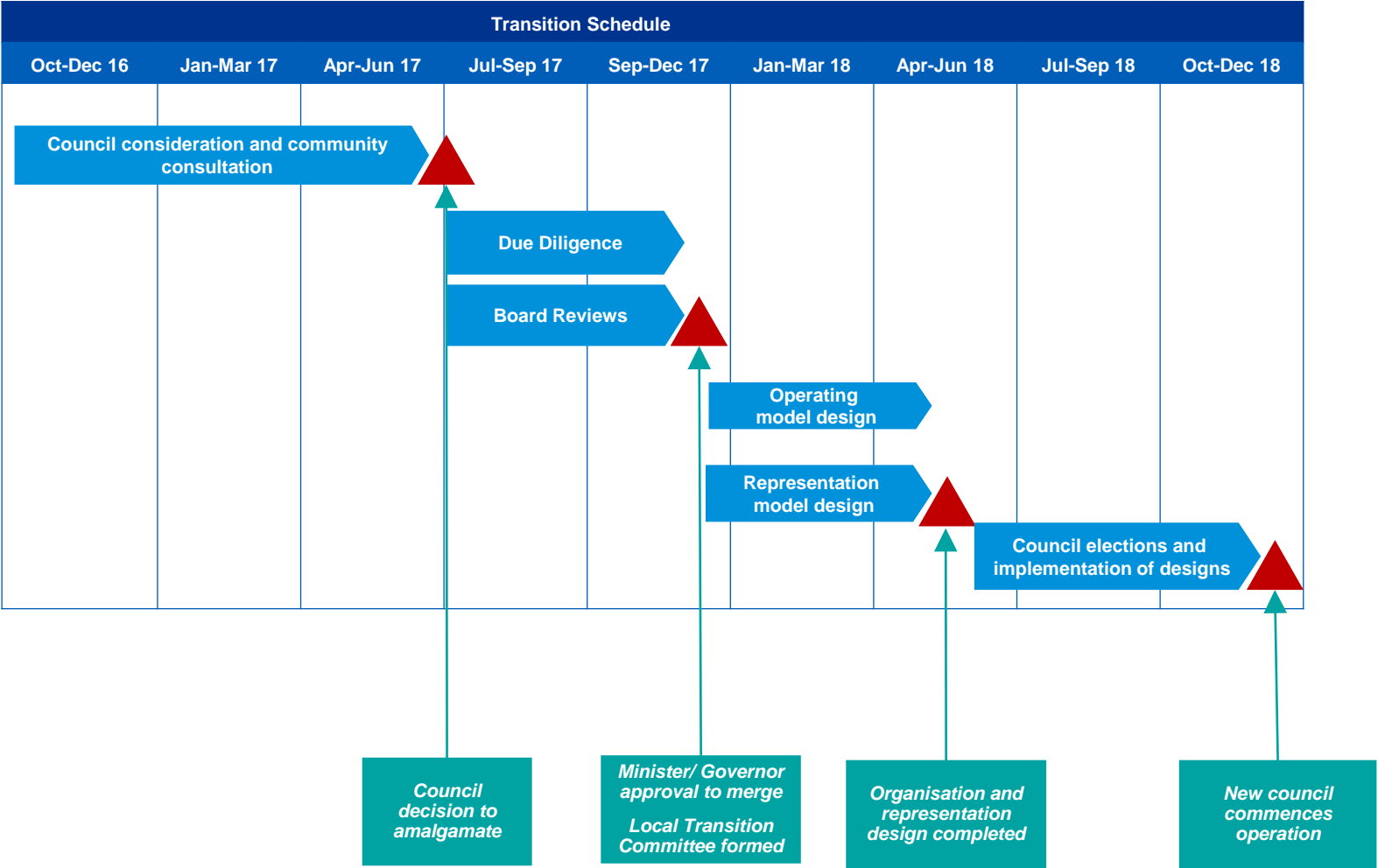
<sup>(1)</sup> Survey conducted by the Local Government Association of Queensland (LGAQ) and referenced in: Ian Tiley and Brian Dollery (2010), *Historical Evolution of Local Government Amalgamation in Queensland*, Centre for Local Government – University of New England.

Next steps

Potential transition schedule

The process for each council and its community to determine a position in respect to the options available has been determined by the participating councils. That process will extend through to June 2017.

Beyond that, an indicative implementation schedule at this stage would propose that a new council could commence operations later in 2018, having regard to the next round of local government elections in October 2018.



## Next steps

# Performance indicators to evaluate success

A range of suggested performance indicators have been identified that can be applied to monitor the performance of any newly formed council and evaluate the success of the amalgamation.

Many have been drawn from the Department of Premier and Cabinet's Local Government Performance Report, which uses established data collection mechanisms such as the Auditor's General's financial analysis of councils and the LGAT Survey of Community Satisfaction

Indicator	Description/ calculation	Benchmark/ target	Data source
<b>Financial and asset management</b>			
1. Underlying surplus	Operating income less recurrent expenses	Positive	Statutory accounts
2. Underlying surplus ratio	Operating surplus divided by operating income (rates, grants etc.)	Positive	Statutory accounts
3. Net financial liabilities	Financial assets less total liabilities	Zero	Statutory accounts
4. Asset sustainability ratio	Asset replacement expenditure as percentage of depreciation	100%	Statutory accounts
<b>Planning and development</b>			
5. DAs completed in statutory timeframe	Percentage completed within the target 42 day target	100%	Council data
6. Average days to process permitted DAs	Average processing days	18 days*	Council data
7. Average days to process discretionary DAs	Average processing days	33 days*	Council data
<b>Community engagement and satisfaction</b>			
8. Voter turnout	First councillor vote divided by number of enrolled voters	60%^	State Electoral Commission
9. Community satisfaction by function	Average satisfaction across all functions	70%**	LGAT Survey

\* Based on average for all councils in 2013/14

^ Based on average across the south east councils in 2011

\*\* Based on average across all Tasmanian councils for 2001-2013

# Appendices





# Appendix 1

## Terms of Reference



# Terms of Reference

## INTRODUCTION

In considering local government reform and the various options and opportunities available to Councils, the best interests of the ratepayer should be uppermost.

and participating councils on the outcomes of the feasibility study. The following principles should be applied when considering all options as they relate to local government reform:

- **Be in the best interests of ratepayers;**
- **Improve the level of services for communities;**
- **Preserve and maintain local representation, and**
- **Ensure that the financial status of the entities is strengthened.**

Given the above, the consultancy must look at all reform options, including the status quo.

## SERVICES TO BE SUPPLIED

A feasibility study (report) into Local Government Reform options including voluntary amalgamation, potential for shared services, fee for service and any other model considered appropriate (including the status quo), along with the possible savings from such activities.

An abridged version of the report which will be suitable for any community consultation to be undertaken by one or more of the participating Councils.

A presentation to the State Government

## SPECIFICATIONS APPLICABLE TO THE SERVICES TO BE SUPPLIED

The areas to be modelled are the municipal areas of Clarence City Council, Sorell Council, Tasman Council and Glamorgan Spring Bay and a subset of this:

- Clarence Council, Sorell Council and Tasman Council
- Sorell Council and Tasman Council
- Sorell Council, Tasman Council and Glamorgan Spring Bay

The project is expected to be a new and stand-alone analysis and should not seek to duplicate any existing material or reports.

## ISSUES TO BE MODELLED

- 1 a) The current financial sustainability of each Council;
- b) The projected long term (10 or 20 years) financial sustainability of each Council; and
- c) The projected long term (10 or 20 years) financial sustainability of the voluntarily amalgamated Council.
- 2 a) Non-financial information, including a service profile of each Council;
- b) non-financial information, including an employment profile of each Council;
- c) non-financial information, including assumed service standards and employment profiles of the voluntarily amalgamated Council; and
- d) non- financial information, including an analysis of the Strategic Plans of each council and any visioning plans the councils may have.
- 3 a) The identification of any expected benefits that cannot be accurately quantified of a voluntary amalgamation including the rationale for assumptions made.
- b) The identification of any expected dis-benefits that cannot be accurately quantified of a voluntary amalgamation, including the rationale for any assumptions made.
- c) Demonstrates the delivery of services efficiently and effectively to meet our different communities' values.
- 4 An understanding of the different communities of interest each Council serves and their shared values. The ability to be flexible in responding to each of our communities' changing demands for services over time.
- 5 a) The risk profile of each council;
- b) The identification of any significant risks that exist in each Council; and
- c) Whether those risks would be mitigated or managed under an amalgamated Council. Such risks may include (but not be limited to) legal actions, contractual commitments, superannuation liabilities.

# Terms of Reference

## THE FEASIBILITY STUDY INTO THIS PROPOSAL MUST AS A MINIMUM IDENTIFY THE FOLLOWING MATTERS:

- 1 a) assumptions underlying the analysis and any notes associated with these assumptions;
- b) viability of the Councils including:
  - an analysis of each Councils long-term financial management and asset management plans;
  - as identified in each Councils long-term financial management and asset management plans, an analysis of the Councils long-term projected asset consumption ratio, asset renewal funding ratio, asset sustainability ratio, underlying surplus (deficit) and underlying surplus ratio; (including source of base data relied upon, including asset lives and unit rates);
  - reliance on grants (grants and contributions revenue as a percentage of total revenue);
  - any impact on Financial Assistance Grants;
- c) measures of operational efficiency including operating costs to operating revenue, employee costs to operating revenue, staff per rateable properties, key service efficiencies (ie, development applications approvals);
- d) demographic profiles of the municipal areas (current and projected to 2025) including age, population, population density;
- e) savings and efficiency improvements (and the converse) from the amalgamation (both within Council operations, to ratepayers and business);
- f) potential economies of scale (and the converse) through:
  - cost savings (population size versus expenditure on general operations);
  - integration of technology systems such as human resources, payroll, financial management and asset management;
- g) summary (including costs) of existing major services provided including potential improvements to the quality, cost, range and mode of delivery of services in an amalgamated Council;

- h) impacts on employment numbers, potential improvements in staff skills and potential impacts from integration of Enterprise Agreements;
- i) other potential financial and service benefits or impact identified.

- 2 The degree of strategic fit, or diversity, between the respective Councils' economic and financial activity areas that contribute to distinctive local identity, wealth creation and contribution to municipal rates and charges.
- 3 The inclusion of the economic profile of the municipal areas, both current and projected to 2025, including major areas of economic and financial activity that contribute directly and indirectly to municipal rates and charges
- 4 An evaluation framework which includes baseline data, benchmarks (identified under 1a) and performance indicators for evaluating the success of the amalgamation.
- 5 The projected costs of an amalgamation including restructuring costs for human resources, integration of information technology systems and data migration, land and building (including accommodation) rationalisation, plant and equipment rationalisation.
- 6 A prospective governance model that provides for the transition to amalgamation and ensures fairness and equity in regard to representation and protecting the interests of local communities.
- 7 Exploring the nature of boundaries (not necessarily just physical) under this process provided each Council's other guiding principles are met.

## OTHER CONSIDERATIONS

The feasibility must consider relevant learnings from other jurisdictions, including the recent reform process in Western Australia and the current 'Fit for the Future' process being undertaken in New South Wales.

The Councils will compile any information required by the consultants in order for the consultants to undertake the study.



# Appendix 2

Local government reform insights

### Brief Overview

- Early in Tasmania's history there were 149 local government municipalities within the state. A working paper entitled *Historical Evolution of Local Government Amalgamation in Victoria, Tasmania and South Australia* has provided insight on the process of reform and has described how reform had been implemented. As early as 1907, Tasmania had begun the process of reform to reduce the number of municipalities through the use of a royal commission. The result of these actions had resulted in 149 local government units being condensed to 53.
- From 1907 until 1992, the State had only seen the number of municipalities decline to 46. From 1993, state government reform had been responsible for the reduction in the number of councils to 29. At this time there was little resistance to merger as there was bipartisan support
- The key success factor to the state wide reduction of councils in the 1990s was the consultative approach. This approach had effectively engaged local government and communities. The approach had highlighted the crucial importance of participative planning and extensive community consultation. History suggests this approach had not been employed in the attempted reforms in the late 1990s.

### Modernisation of Local Government

- The working paper continues by detailing the process of local government amalgamation in 1993. The Tasmanian Local Government Advisory Board (LGAB) had issued an inquiry into the modernisation of local government which has resulted in the recommendation of reducing the number of council from 46 to 29. The LGAB attempted to amalgamate whole councils wherever possible in order to minimise dislocation through splitting staff, assets and finance.
- The state government paid for costs of transition, demonstrated commitment to local government, and facilitated vital local ownership and acceptance, which all contributed to the success of the reform process. At this time of amalgamation there was bi-partisan support even though there was resistance from some communities.
- During this time of local government structural reform, the LGAB consulted with each local government in the state to develop recommendations for changes to the local government act. The act was considered unrepresentative of local government. In 1993 a new Local Government Act was legislated and a formal agreement was reached between the council and the state government.

### Tasmanian Amalgamation Outcomes

A research and evaluation article named *Local Government in Tasmania: Reform and Restructuring* had outlined some outcomes as a result of the 1993 amalgamations, which included:

- Economies of scale, particular in the manner of administration costs;

- A greater capacity to provide better services to the community, particular in the area of sewerage and water treatment; and
- A greater range of professional staff to be employed.

The article went on to state that the local government amalgamations had provided generally positive outcomes. It also stated that the driving force behind the amalgamation was the attainment of greater efficiency through economies of scale whilst maintaining the community of interest.

### Potential Reforms of 1997

In 1997 there was a joint Commonwealth-State government assessment of the Tasmanian Economy which has resulted in the recommendation in further amalgamation. Unlike the 1993 reform, local government involvement was much less and was driven by the Premier's direction statement (*Local Government in Tasmania: Reform and Restructuring*).

The Local Government Board was established by the minority government to carry out further amalgamations. The timeframe set for the Board to make recommendations impeded the ability of the Board to widely consult with local government councils, which limited community acceptance and was at odds with the more consultative approach taken in the 1993 reforms. In addition, the Board challenged the relationship between community and locality and suggested that its meaning was uncertain.

Ultimately, three councils successfully challenged the restructure proposals and a change of state government led the proposed reforms to be shelved.

### Potential Future Reforms

Whilst amalgamation had failed to occur in 1997, the working paper *Historical Evolution of Local Government Amalgamation in Victoria, Tasmania and South Australia* has suggested that arguments for amalgamation may continue. An example is a report from the Tasmanian Auditor-General which released a report (2009) that found that almost two-thirds of councils were economically unsustainable. The state government acknowledged that changes would need to be made. Since then councils have adopted some resource sharing arrangements and worked hard to improve their financial sustainability.

From 2015, the Tasmanian Government has encouraged councils to explore amalgamation and resource sharing as options to continue to improve their services and financial viability in the face of increasing pressures on local government

**Brief Overview**

The working paper *Local Government Amalgamation in New South Wales* written by Ian Tiley and Brian Dollery outlines the history of reform in New South Wales. Key points in history are listed below;

- Between 1973 and 1978, three scholarly papers were produced which spoke about the first municipal legislations and the proclamation of district councils.
- The Local Government Act of 1906 had reformed the municipal system in NSW but was later revised by the 1919 act.
- In 1973 to 1974, a major review was undertaken, referred to as the '*Barnett*' *Committee Inquiry into Local Government Areas and Administration*. Whilst in favour of retention of small councils for the sake of keeping community interest, the Barnett Committee sought reduction in the number of councils via forced amalgamation.
- In 1978 the Bains Report strongly influenced the adoption of corporate management in councils where by council affairs were dealt with as a whole with co-ordinated forward planning, comprehensive distribution of resources and proper performance handling. The Bains Report had significant influence on the Local Government Act of 1993.
- In 1984, reviews were undertaken on the council amalgamations that had taken place from 1976. The reviews found that councils had experienced problems such as the non-delivery of the anticipated economies of scale in service provision.
- The Local Government Act of 1993 introduced and mandated a major overhaul of previous legislation. The Act gave a more precise definition of the role of local government. The Act gave municipalities general competency powers aimed at avoiding unnecessary state government intervention and accountability.
- Since the 1990s there have been various reviews and reports issued that resulted in either forced or voluntary amalgamation. The reviews and reports have also outlined the concepts of resource sharing and shared services arrangements.
- In 1906 there were 327 councils which had been reduced to 324 in 1910. By 1991 the number of councils had reduced to 176. In 2010, the number of councils remaining amounted to 152.

**Amalgamations of 2016**

In 2016 the NSW Government created thirty-five proposals for council amalgamations and ten proposals were put forward by a number of councils. Twelve proposals are pending and fourteen are not proceeding. The following amalgamations are proceeding:

- The merger of Armidale Dumaresq and Guyra Shire councils
- The merger of Bankstown City and Canterbury City councils
- The merger of Gosford City and Wyong Shire councils
- The merger of Parramatta City, The Hills Shire, Auburn City, Holroyd City and Hornsby Shire councils
- The merger of Parramatta City, Auburn City and Holroyd City councils
- The merger of Conargo Shire and Deniliquin councils
- The merger of Corowa Shire and Urana Shire councils
- The merger of Hurstville City and Kogarah City councils
- The merger of Cootamundra Shire and Gundagai Shire councils
- The merger of Boorowa, Harden Shire and Young Shire councils
- The merger of Ashfield, Leichhardt Municipal and Marrickville councils
- The merger of Gloucester Shire, Great Lakes and Greater Taree City councils
- The merger of Murray Shire and Wakool Shire councils
- The merger of Jerilderie Shire and Murrumbidgee Shire councils
- The merger of Manly, Pittwater and Warringah councils
- The merger of Palerang and Queanbeyan City councils
- merger of Bombala, Cooma-Monaro Shire and Snowy River Shire councils
- The merger of Tumbarumba Shire and Tumut Shire councils
- The merger of Dubbo City and Wellington councils

# Western Australia

### Brief Overview

The working paper entitled *Historical Evolution of Local Government Amalgamation in Queensland, the Northern Territory and Western* by Ian Tiley and Brian Dollery has indicated the council mergers in Western Australia have only recently become a political consideration. Council amalgamations had been relatively inactive up until the 1990s. The state has yet to have a forced amalgamation even though commission of inquiries show potentially favourable financial outcomes. In 2009/10, the Western Australian indicated that amalgamations may be imminent.

#### 1960s to the 1990s

Over this period there had been many attempts to look at the possibility of amalgamations, however, at the end of this period there were still 138 councils in the state. The following are examples of events that unfolded despite having no effect on the number of councils within Western Australia;

- In the late 1960s the municipal boundaries were examined in Western Australia. A local government assessment committee had produced a report that had sought to reduce the number of municipalities within the state. The report recommended the number of councils be reduced from 144 to 89. However, the report was only partially acted upon and the number of councils only reduced down to 139.
- In 1972 the metropolitan council boundaries were assessed and recommendations sought to reduce 26 councils to 18.
- In 1974 a Royal Commission on the metropolitan council boundaries also recommended a reduction to 18 councils.
- In the 1980s, more local government assessment committee reports were issued and again no amalgamations occurred.

#### Structural Reform in the 1990s

- The City of Perth was dissected into three smaller population town entities via legislation. It is now referred to as a central business district (CBD) and the Town and Shire of Albany entities were amalgamated.

The 1960 Local Government Act was repealed and replaced by the 1996 Act which was considered more understandable. It gave the councils general competence powers, greater autonomy and more accountability.

State-Local Partnership agreements were introduced in the late 1990's which allowed the state government and local councils to work with one another on joint initiatives. The state-local partnership agreements are based upon agreed upon procedures. Examples of what partnership agreements were based on include:

- Consultation and communication
- Public library services; and
- A protocol on major developments.

#### Systemic Sustainability Study

The Systemic Sustainability Study final report was issued in August 2008 for the state government. The report found that forced amalgamations were not necessarily the best option. However, it advised that other options such as shared services arrangements could result in similar benefits. It also suggested the regional model, which proposed that councils should work together through a regional model to deliver services without reducing council numbers. This model allows councils to maintain focus on their communities of interest.

#### State Government Involvement

From 2009 onwards, the government has given the councils the choice to voluntarily amalgamate. By September of 2009 four Western Australian shires had amalgamated into one entity and in December nine councils had agreed to amalgamated into three entities.

The government has pushed for further reform to reduce the number of councils in Perth from 30 to 16 councils. However, when faced with after resistance was by various communities, these plans were put on hold in 2015.

### Brief Overview

The working paper entitled *Historical Evolution of Local Government Amalgamation in Victoria, Tasmania and South Australia* by Ian Tiley and Brian Dollery narrates the history of reform in South Australia. In 1890, there were 170 councils in South Australia which decline to 140 in the 1930s. In 1974 the number of councils was reduced to 137, at which time, a Royal Commission recommended that the number of councils should be reduced to 72. Even though the recommendation had not been immediately acted upon, the number of councils eventually reduced down to 129.

### Structural Reforms in the 1990s

From 1994 to 1998 there was a substantial restructuring of local government, which was considered as a generally cooperative reform process. In 1994, the South Australian Local Government Minister agreed to form a Ministerial Advisory Group (MAG). MAG viewed the structural reform as an essential catalyst to functional and financial reform for local government.

MAG also made a recommendation that the number of councils should be reduced to 34 from 118. The 34 councils would be made up of 11 metropolitan councils and 23 rural/regional councils. Ultimately, the recommendation to reduce the number of councils were unsuccessful.

The MAG report led to a three phase reform program which comprised reform of council boundaries, a comprehensive review and revision of the Local Government Act and the development of a program for functional and financial reform.

In 1995, the state government legislated to establish the Local Government Boundary Reform Board (LGBRB) which was assigned the task to facilitate the structural reform of local government. The reform process encouraged local councils to develop amalgamation proposals using knowledge derived from their locality. The Board made a recommendation that was accepted by the government to reduce the number of councils from 118 to 68.

The rationale for amalgamations during the structural reform was for the benefit of improved efficiency and effectiveness of local councils. The approach taken by the state government was similar to the Tasmanian approach at that time, which was the highly consultative. Similarly, this approach in South Australia was built on a high level of community acceptance.

### Structural Reform Outcomes

Success factors that contributed to the structural reform of the 1990s included;

- An open, transparent and consistent process applied throughout the Board's operations;
- Considerable power was given to existing councils to determine the future governance of their areas in concert with their neighbours;
- High levels of communication between the LGBRB and the councils;
- Conduct of the reform program at a time when the community was prepared to take boundary reform seriously; and
- High levels of team work by the LGBRB, its staff and the councils working together.

The main gains that were produced by the councils at the time of amalgamation were based on efficiency and the annual savings which were estimated between \$19 million and \$33 million. The annual saving made up roughly 3 – 5% of councils expenditure on a continuing annual basis.

### Financial Sustainability Review Board

In 2005, the Local Government Association of South Australia created another reform initiative. The Local Government Association had established a three person independent financial sustainability Board. The Board was responsible for assessing the financial position and prospects of councils in South Australia.

The Board found that 26 out of 68 councils appeared unsustainable over the medium to long term. The 26 councils were of various sizes and the Board found that amalgamation would not resolve the issues. As a result, the Local Government Association created a financial sustainability program which was responsible for achieving and maintaining the financial sustainability of councils within South Australia.

Tiley and Dollery (2010) go on by stating that the Financial Sustainability Review Board found that the size of a council didn't necessarily correlated to a stronger financial position. The Board also stated that amalgamations can bring considerable costs and over exaggerated benefits. Tiley and Dollery (2010) further state that there is no indication that the government may impose further amalgamations.

### Brief Overview

A working paper written by Ian Tiley and Brian Dollery entitled *Historical Evolution of Local Government Amalgamation in Victoria, Tasmania and South Australia* comprehensively outlines the history of reform within Victoria.

In the 1960s, Victoria had 210 councils within the state. An inquiry in 1962 recommended reducing the number of councils to 42, but this recommendation was not acted upon. Legitimate attempts at reform for municipal entities had occurred in the mid 1980s, however, reform didn't progress until the 1990s.

### Government Reforms

In the mid 1980s, the Cain government attempted to initiate reform with no success. The failure for the reform was due to a combination of community resistance, the attempt to bypass the local governments power structures, the failure to establish majority support, conflicting aims and a lack of restriction in scope. One of the major contributing factors to the failure of reform was that the Cain government didn't have a majority in the legislative council.

The Kennett government's local government reform in the 1990's had three distinct features;

- Councils were effectively suspended and commissioners were appointed for administrative responsibilities, oversighted by the Local Government Board;
- Reducing the number of councils from 210 to 78; and
- Outsourcing local government services via compulsory competitive tendering

The Kennett government introduced a revised Local Government Act (1993) which enabled the transformation of the local government system. The legislation gave the local government minister a wide range of unrestricted powers. These powers include:

- Divide municipal districts into wards;
- Alter the boundaries of wards; and
- Decrease the number of wards.

### Other Structural Reform

The Kennett government implemented other local government reform including:

- Legislation giving councils more accountability and auditing requirements;
- Freedom of information laws;
- Statutory requirements to produce corporate plans and annual reports
- Rate capping and a one-off reduction in rates of twenty percent.

### Outcomes of Reform

The reforms produced real savings of roughly eight to nine percent. The Kennett government had claimed higher savings, however, the Australian Bureau of Statistics (ABS) compared operational expenditure from before and after amalgamations. The ABS found that operational costs increased significantly to the point of which it can be argued that economic gains were not substantial.

The reform had additional cost implications which included the distraction of staff, inefficient use of staff, complicating the establishment of new service levels and further diminishing council resources.

### De-amalgamation of Delatite Shire

In 2002 the then recently amalgamated Delatite Shire de-amalgamated, which resulted in the two new councils. Rates had increased by 12% and 16.8% in the newly created council areas and would need to rely extensively on resource sharing.

The de-amalgamation of the Delatite Shire has been the only de-amalgamation since the large scale reforms of the 1990s.



### Brief Overview

The working paper entitled *Historical Evolution of Local Government Amalgamation in Queensland, the Northern Territory and Western Australia* written by Ian Tiley and Brian Dollery provides insight to recent local government reform in Queensland and its history.

In 2007, the Premier of Queensland announced that there would be large-scale local government reform. This reform would reduce the number councils from 152 to 73 councils. In 1916 Queensland had a total of 442 councils which had been made up of 149 shires and the remaining were known as financial divisions. By 1993, the number of councils had declined to 152 which was made up of:

- 23 financial divisions
- 105 shires
- 23 undivided cities and towns; and
- The Brisbane City Council.

### Early Reform

- In 1925, 19 councils amalgamated into the Brisbane City Council, which is the largest local government entity in Australia.
- In 1928 a Royal Commission on local government boundaries recommended amalgamation of councils which reduced the number of councils from 152 to 86. However, this was not acted upon.
- In 1992 the government accepted the recommendation from the Electoral and Administration Review Commission (EARC) to appoint the CEO of the Local Government Association as the Local Government Commissioner.
- In 1993 the combination of the EARC and the Criminal Justice Commission resulted in a new Local Government Act (1993) which removed provisions for financial divisions. The work of the Commissioner had resulted in forced mergers that reduced the number of councils to 124.
- In 2005 the Local Government Association of Queensland (LGAQ) commenced a program named the Size, Shape and Sustainability (SSS) program. The program was initiated to promote voluntary reform between councils such as resource sharing.

### Queensland Government Forced Amalgamations

In 2007 the Queensland Government imposed forced mergers due to various reasons such as:

- The SSS program had establish little reform initiatives;

- A financial sustainability review performed by the Queensland Treasury Corporation on a 105 Queensland councils had found that 40% of them were financially 'weak';
- The Premier stated that 88 councils of 157 had serviced populations less than 5,000 which appeared to be struggling and unsustainable; and
- Other reviews and reports by the Queensland Auditor General, Price Waterhouse Coopers and McGrath Nichol had also come to conclusions in regard to financial stress within councils.

As a result, the Queensland Government established the Local Government Reform Commission (LGRC) which made recommendations for council amalgamations to be undertaken to reduce the number of councils from 157 to 73.

The recommendations of the LGRC had been opposed by the LGAQ which had led to a plebiscite of some 697,000 ballot papers- 77% of the responding ballots (55% response rate) had been opposed to the amalgamations. Regardless, the Queensland Government accepted the recommendations and passed enabling legislation.

### Outcomes of Reform

The Queensland Government was heavily criticised due to its method of reform, which effectively illustrated the ability of one level of government to abolish parts of another tier of government. As part of the reform process, 724 elected councillors were sacked and the state government provided \$27.1 million towards amalgamation transition costs.

Due to ongoing public concerns about the reform process, on 9 March 2013 citizens of the former shires of Douglas, Livingstone, Mareeba and Noosa voted in favour of de-amalgamation and the Queensland Government enacted legislation to implement the de-amalgamations, which separated the four councils back to eight councils.

The lessons learnt from the amalgamations in Queensland as documented by Dollery and Tindale (2014) include:

1. The forced amalgamation was much more costly than expected, particularly given that the cost of demergers were unanticipated
2. There are still opportunities for significant reform through extensive regional collaboration and shared services, without the need for widespread amalgamation
3. Public consultation is critical for the success of amalgamations
4. Ad hoc policy for de-amalgamation can cause irreversible community agitation at the amalgamation process, reducing the chances of successful reform in the future.

### Brief Overview

KPMG's report *'Independent review of structural options for Manly Council & Pittwater Council'* provided a case study based on the Auckland council amalgamation in 2009. The amalgamation was initiated on the back of a Royal Commission recommendation. The amalgamation involved eight city, regional, and district councils with the intent to enable Auckland to perform optimally as a key driver of national economic growth.

The Royal Commission's recommendations were based on four guiding principles:

- Common identity and purpose through governance arrangements should encompass the interests of the region;
- Effectiveness of costs, service delivery, local democracy and community engagement;
- Transparency and accountability of governance structures; and
- Responsiveness to respect and accommodate diversity.

### Governance Structure

The governance structure of the Auckland council is a two tiered structure comprising of;

- The Governing Body which consists of the mayor who is elected by all Auckland voters and 20 governing body members elected by voters from the 13 wards they represent. The governing body is responsible for management of strategic and regional issues;
- 21 Local Boards with members elected by the registered voters within the geographic boundaries of each local board area. The boards are responsible for community engagement; shaping and monitoring local service, and bringing local perspectives to region-wide policies and plans.

### Impacts of the Auckland Council Amalgamation

- There were efficiency based savings of NZD \$81 million in the first year of transition, which is equivalent to 3% of operating expenditure. The amalgamated council had forecasted efficiency savings of NZD \$1.7 billion over the first ten years of operating.

- The efficiency savings were achieved by condensing the number of contracts such as park contracts. There were 78 park contracts pre-amalgamation and now there are 12. Savings were also made due to consolidation of service and delivery channels and through enhanced business information system integration.
- The new organisation structure of the amalgamated council had resulted in a 16 per cent reduction in staff. The result of this staff reduction was an annual saving of over 3% of expenditure.
- The 2013-14 annual plan of the council stated that the cost of the amalgamation was NZD \$78 million. However, this cost was not disaggregated into upfront and recurrent costs.
- A report by the Controller and Auditor General of New Zealand found that two years after the transition that in most cases, service delivery standards had been maintained or improved.
- Key improvement to service delivery was achieved through the use of a new planning system that enabled an integrated planning framework.
- There was a standardisation of services and a lowering of fees and charges to the minimum rate of the previous eight entities.

### Other Reform in New Zealand

In late 2014 the Local Government Commission proposed the establishment of a unitary authority for the Greater Wellington region with eight local boards, which three would be located in Wellington City.

The proposed authority would take over the functions of nine pre-existing councils and would have a shared decision making structure.

The structure would include a governing body that would include a mayor and 21 councillors and a local board with 60 members. The governing body would be responsible for high level decision making that affects the region. The local boards would be similar to the Auckland Council arrangement, however, the boards will have greater and broader functions.

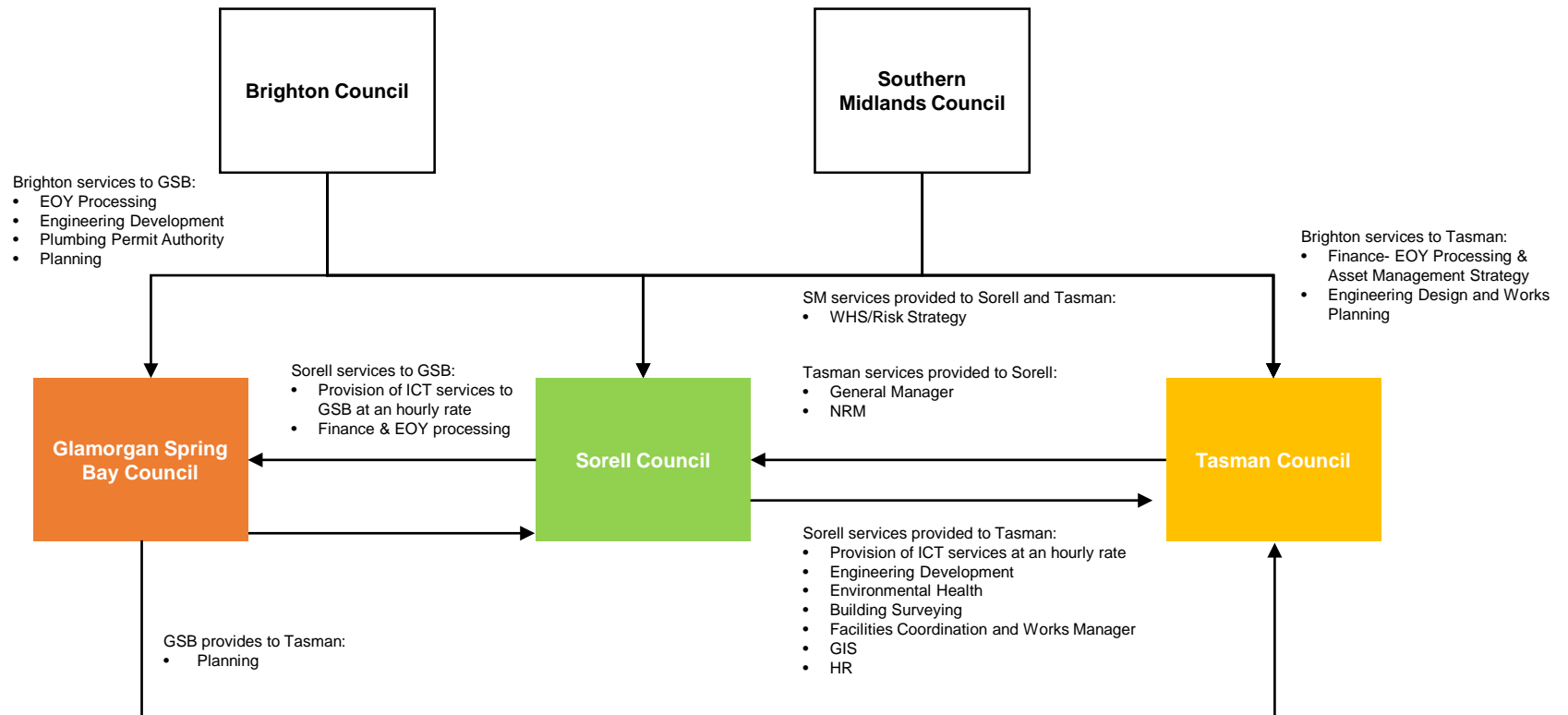


# Appendix 3

## Shared services model

# Current Shared Services arrangements

On April 1 2015, Sorell Council, Brighton Council, Southern Midlands Council, Huon Council, Glenorchy Council, Central Highlands Council and Tasman Council signed a Common Services Agreement which provided a foundation for the four Councils to arrange separate shared services agreements. A depiction of the current services provided by and to the relevant Councils is displayed below.





# Appendix 4

## Service catalogue

# Services Catalogue

In order to provide a comparative analysis of Council expenditure across the core functions of each Council. KPMG developed a tool to calculate the cost of each service provided, on a per capita, per square kilometre, and per rateable property basis. Seven key service areas were chosen as the basis of the analysis, and these consist of the following types of services:

- Corporate Services - finance, information technology, human resources, administrative support, risk management, asset management
- Governance - including member support
- Regulatory Services - animal control, natural resource management, environmental/public health, building/plumbing control and planning, and parking
- Community Services - community and economic development, tourism, emergency services, health and youth services, customer service
- Parks and Recreation - parks and other recreational facilities
- Engineering Services - engineering services to Councils
- Civil Works - roads/bridges, building infrastructure and maintenance, stormwater and drainage, waste management, marine infrastructure maintenance

A summary of the primary services of the Councils are explored below, followed by a high-level comparison of services and functions of the councils.

## Governance

The core function of councils is to provide governance across the local government area.

The table to the right outlines the number of Councillors in each municipal area, and the turnout results of the 2011 council elections.

The voter turnout varies significantly across the councils. Interestingly, the areas of Tasman and Glamorgan Spring Bay, which have high absentee rate due to the high proportion of holiday homes, had the higher voter turnout.

Governance of the four Councils				
	Councillors	Voter Enrolment	First Councillor Vote	Voter Turnout
Clarence	12	39,902	17,703	44%
Glamorgan Spring Bay	8	4,406	3,224	73%
Sorell	9	10,164	5,371	52%
Tasman	7	2,340	1,615	69%

# Services Catalogue

## Roads and Infrastructure

One of the largest expenditure items for the councils is the maintenance of roads, bridges, and other public infrastructure.

As the table to the right indicates, over half of the roads across the four councils are unsealed. Tasman have the least amount of total roads to maintain, whilst Clarence has the highest.

## Parks, gardens and reserves

Councils are responsible for the maintenance of public spaces such as parks, gardens and reserves. A summary of the nature and scale of these services are outlined below.

**Summary of Roads Maintained by the four Councils**

	Clarence	Glamorgan Spring Bay	Sorell	Tasman	Total
Kms of managed urban sealed roads	252	78	88	40	<b>458</b>
Kms of managed rural sealed roads	160	91	147	31	<b>429</b>
Kms of managed urban unsealed roads	3	13	23	18	<b>57</b>
Kms of managed rural unsealed roads	54	175	153	107	<b>489</b>
<b>Total</b>	<b>469</b>	<b>357</b>	<b>411</b>	<b>196</b>	<b>1,433</b>

**Summary of Parks and Gardens maintained by the Council**

Hectares maintained	Clarence	Glamorgan Spring Bay	Sorell	Tasman	Total
Neighbourhood parks	46	14	18	0.4	<b>78.4</b>
Land Maintenance	103	226	84	38	<b>451</b>
Fire Reduction areas	188				<b>188</b>
Regional Parks	40				<b>40</b>
Sports grounds	43		33	31	<b>107</b>
Natural Areas	578	6	20	28	<b>632</b>
Horse Trails	53				<b>53</b>

# Services Catalogue

## Planning and Building

One of the other core services of the councils is to provide planning and regulatory services.

A summary of the 2014-15 Auditor General collated data is displayed on the right, and indicates the number of applications that are currently processed by each of the councils, for Development Applications and Building Applications.

This indicates:

- all the councils have met the statutory turnaround times for deliberations on planning applications
- the significant variation in the volumes of applications being considered by the four councils

Summary of Planning and Building Services by the four Councils				
Number of planning applications	Clarence	Glamorgan Spring Bay	Sorell	Tasman
Discretionary	492	307	151	54
Permitted applications	54	25	62	46
Permit not required		106	37	13
Total	546	438	250	113
Average days to assess applications	Clarence	Glamorgan Spring Bay	Sorell	Tasman
Discretionary	35	18	37	32
Permitted applications	21	21	17	12
Total number of building applications	738	483	195	86



# Comparison of Services

Services Catalogue					
Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman
Corporate Services	Administrative Support	✓ □	✓ □	✓ □	✓ □
	Human Resources	✓ □	✓ □	✓ □	✓ Payroll outsourced to Sorell
	Financial management	✓ □	✓ □	✓ EOY Processing outsourced to Brighton Council□	✓ EOY Processing outsourced to Brighton Council□
	Information Technology	✓ □	✓ □	✓ □	✓ IT admin & strategy outsourced to Sorell
	Asset Management	✓ □	✓ EOY Processing - Brighton	✓ □	✓ EOY Processing - Brighton
	Risk management	✓ □	✓ □	✓ □	✓ □
	Marketing	✓ □	✓ □	✓ □	✓ □
Governance	Governance/Member Support	✓ □	✓ □	✓ □	✓ □
Regulatory Services	Animal Control	Ranger patrol	Rangers	Dog Pound	Managed by Sorell Council
	Natural resource management	✓ □	NRM funding \$300,000	NRM funding \$48,000	NRM funding \$40,000
	Building Control	✓ □	✓ □	✓ □	✓ □
	Building Services- Surveying	Council has engineering surveyors in house however Council does procure external consultants on an as needs basis.	Outsourced	In-house	Outsourced- Sorell
	Planning	✓ □	✓ Also have shared service arrangement with Brighton Council for Plumbing PA□	✓ Also have shared service arrangement with Tasman Council for Building PA□	✓ □
	Parking	✓ □	Not provided	✓ □	Not provided
			Comparable services	More tailored services	Service not relevant/ provided

Comparable services

More tailored services

Service not relevant/ provided

# Comparison of Services

Services Catalogue					
Service	Clarence		Glamorgan Spring Bay	Sorell	Tasman
Community Services	Community Participation	Community Participation Policy- particular emphasis around access, diversity, and social inclusion. The Council is a Refugee Welcome zone, and holds a range of multicultural activities.	Annual Community Conversation Program	Annual Community Conversation Program	Less structured program
	Community Grants	2014-15: \$27,888	Budget of \$40,000 per annum.	Budget of \$64,000 per annum.	Budget of \$30,000 per annum.
	Events	Festival of Voices, Annual Seafarer's festival, Clarence Carols by Candlelight, Australia Day, Clarence Jazz Festival, Boardwalk Cricket Fiesta, World Games Day (Cricket Tasmania).	Annual Seafest, Australia Day Awards, Annual Art Prize, Annual Photography Prize, Produce Annual calendar, Festival of voices - Buckland, Christmas Carols, Seniors events approx-12, Performing Arts -4 Other Support: Bicheno food and wine festival, Ten Days on the Island, Orienteering, Coles Bay Triathlon, Stompin, Three Peaks Race	Australia Day Awards, Annual Art Exhibition prize, Volunteer Recognition Week, Seniors Week, Youth Week.	Australia Day Awards; Annual Art Exhibition prize; support Tasman Regatta; facilitate and fund Tasman Feast; support Garlic Festival; support Eaglehawk Neck Fair
	Volunteer programs	Clarence Community Volunteer Service Mon-Fri 9.30am - 3.00 pm.	Volunteer Policy - Council pays out of pocket expenses, insurance etc for some 20-25 volunteers. Swansea Heritage Museum + 3 Visitor Centres are staffed by volunteers + a paid coordinator in each.	Volunteer Policy - Council pays out of pocket expenses, insurance etc for some 20-25 volunteers. The Visitor Centre is also staffed by volunteers + a paid coordinator.	Group insurance cover provided for Council's volunteers
	Economic Development	Facilitator and advocate role for economic development. Number of initiatives, including rate break incentives.	SERDA Membership	SERDA Membership	SERDA Membership
	Tourism	Partnerships with Cricket Tasmania and Coal River Valley- advocate role.	East Coast Regional Tourism Organisation - funding of \$60,000 per annum	Destination Southern Tasmania	Destination Southern Tasmania and Port Arthur Tasman Tourism Association subsidies and individual project funding.
	Emergency services	Emergency Planning framework, including dedicated fire management strategy.	Provide building at Swansea and \$660,000 for related emergency services- incl Coastguard, SES, fire, ambulance services.	Shared SES agreement between Sorell, Clarence, Hobart, Glenorchy. Contribute \$10,000 p.a.	Council provides facility for SES and Tas Fire Service at Nubeena. Under a formal cost sharing agreement, Council contributes approx \$15,000 p.a. + capital as needed for equipment/plant replacements etc.

Comparable services

More tailored services

Service not relevant/ provided

# Comparison of Services

Services Catalogue					
Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman
Community Services	Childcare	Rosny Child care centre, Family Day Care Scheme, Holiday Care Program and After School Care Program.	Own two buildings currently operated as Child Care Centres. No rent charged.	Until recently, Council provides 38 place child care at Midway Point. After school care (30 place) + holiday care (40 place) is also provided at Sorell school.	Not provided
	Health Services	LIVE hub- information and health promotion. Council has a Health and Wellbeing Plan 2013-18.	Rural primary health service (Commonwealth funded). Doctors operated at Bicheno, Swansea and Triabunna. Provide premises for HACC providers	Not provided	Provide residence for HACC providers.
	Youth Services	Youth Assist, Youth Network Advisory Committee	Youth Council (provide \$20,000 per annum)	Volunteer program- Council provides administration support as required.	Support a Volunteer program - run by Hobart District Nurses
	Customer Service Centres	Opening Hours (Rosny Park): 8.45 - 5.00 pm. Building/planning services from 8.00am - 5.15pm.	Opening Hours (Triabunna)- Mon - Fri: 8.30-5.00 Business Centres and Visitor Centre 7 days per week in Triabunna, Swansea, Bicheno.	Opening Hours (Sorell) Mon - Fri 8.00-4.45 One Visitor Information Centre in Sorell: 10.00-4.00	Opening hours (Nubeena) Mon - Fri 8.30-4.45

Comparable services

More tailored services

Service not relevant/ provided

# Comparison of Services

Services Catalogue					
Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman
Parks and Recreation	Parks	✓ □	✓ □	✓ □	✓ □
	Community Halls/civic centres	7 Community Centres, 14 Community halls	9	Not stated	Not stated
	Sports Facilities & other facilities	21 Ovals 17 Sporting facilities 11 Sporting facilities change rooms. There are also 280 playground structures on the asset register.	12	2 x ovals, 1 x soccer field, 2 x cricket nets, 1 x skate park, 1 x BMX jump track, 2 x amenities, 1 x club rooms, 1 x multi use building. Other rec sports grounds x 4. Other facilities 2 x skate parks, 1 x rec ground, 5 x playgrounds and parks.	3 x ovals, rec ground x 1, club rooms x 2, multi use civic centres x 2, tennis court x 1, skate park x 1, cricket nets x 2, playgrounds x 3, walking tracks x 2.
	Shelters/monuments	48 Other structures	13	4	2
	BBQs	18 Cleaning contracted externally.	21	3	2
	Public toilets	34 Cleaning contracted externally	17 Cleaned Daily	8	6. Cleaned weekly during winter (6 months) and twice weekly during summer (6 months)

Comparable services

More tailored services

Service not relevant/ provided

# Comparison of Services

Services Catalogue					
Service		Clarence	Glamorgan Spring Bay	Sorell	Tasman
Civil Works	Design	Council has internal resources and contracts externally as and when required.	Some external clients, mostly internal. Development services outsourced to Brighton Council.	Some external clients, mostly internal.	Some external clients, mostly internal. Development services outsourced to Brighton Council, and Development/Works planning services outsourced to Sorell.
	Roads & Bridges	✓ □	✓ □	✓ □	✓ □
	Building Infrastructure & maintenance	✓ □	✓ □	✓ □	✓ □
	Stormwater & drainage	✓ □	✓ □	✓ □	✓ □
	Waste Management- garbage collection	Weekly	Weekly	Weekly	Fortnightly
	Waste Management- recycling collection	Fortnightly	Fortnightly	Fortnightly	Fortnightly
	Waste Management- green waste collection	Monthly	Not provided	Monthly	Not provided
	Waste Management- hard rubbish	Annually	Not provided	Quarterly	Annual
	Waste Management- Public bins	Council collects general waste in CBD daily, sports areas 3 times a week, and other areas weekly.	As required	Daily	Once a week, three times a week through summer
	Marine Infrastructure- No. of boat ramps and jetties	11	14	5	15
	Marine Infrastructure- No. of berths maintained	Not provided	59	Not provided	Not provided

Comparable services

More tailored services

Service not relevant/ provided



# Appendix 5

Demographic profiles of the options

# Incremental Shared Services

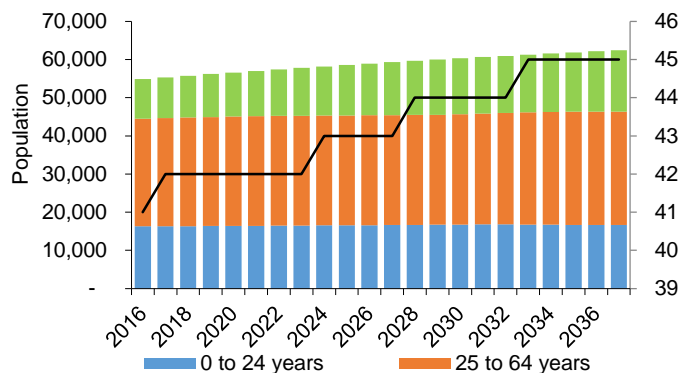
## Key Points

The projected population data produced by the Department of Treasury and Finance have indicated:

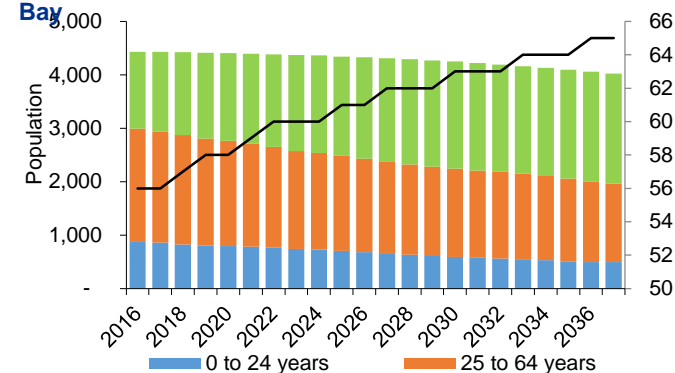
- Clarence's population will increase by 13.7% from 2016 to 2037. The median age will increase from 41 to 45 years of age.
- Glamorgan Spring Bay's population will decline by 9% from 2016 to 2037. The median age of the population will increase from 56 to 65 years of age. Out of the four municipalities, the Glamorgan Spring Bay will have the oldest population.
- Sorell will incur the largest growth in population at 31.4% from 2016 to 2037. The median age will increase from 41 to 44 years of age. This indicates that Sorell has the youngest population.
- The Tasman population will also experience growth from 2016 to 2037. Tasman will experience growth of 7.3% and the median will increase from 52 to 56 years of age. The median age will peak to 56 in 2026 and will remain the same through to 2037.
- Overall, all four councils will experience large growth in the 65+ age bracket. The growth in the 65+ bracket is higher than the other brackets and will result in a higher proportion of the populations being within the 65+ age bracket.

Population Projections 2014, Department of Treasury and Finance.

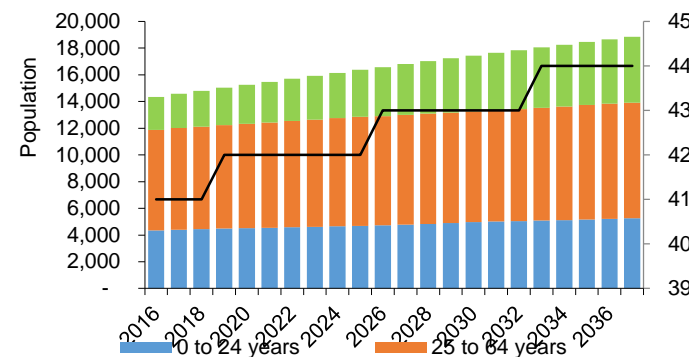
**Projected Population by Age: Clarence**



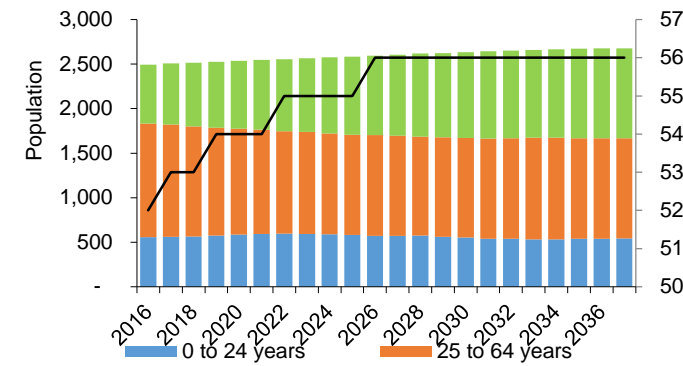
**Projected Population by Age: Glamorgan Spring Bay**



**Projected Population by Age: Sorell**



**Projected Population by Age: Tasman**



## Appendix 5

# Option 1 Demographic Profile

### Key Points

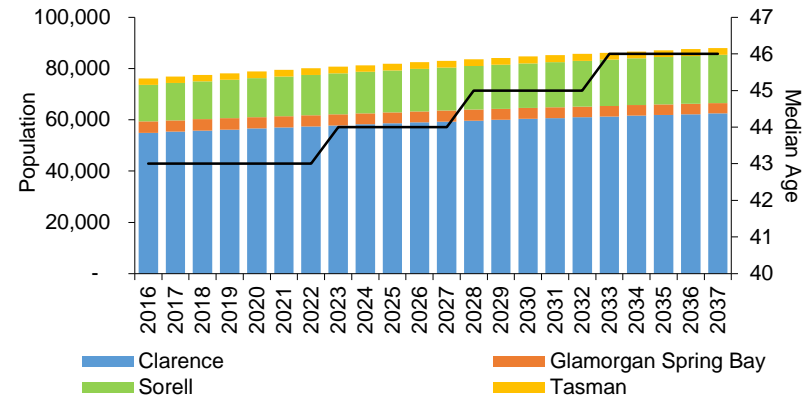
The projected population data and the Australian Bureau of Statistics (ABS) data indicate:

- From 2016 to 2037, the population of the potential amalgamated council is forecast to grow by 16%. The Clarence population will make up 71% of the population in 2037, whilst Glamorgan Spring Bay, Sorell and Tasman will make up 5%, 21% and 3% of the population respectively.
- The median age of the population will increase from 43 to 46 years of age. This indicates a broad ageing of the population. The age composition will show a lesser proportion of the population being within the 0 to 24 years and 25 to 64 years age brackets., and the 65+ age bracket will consumer a higher proportion of the population, increasing from 20% to 27%.
- The weighted average of the SEIFA Scores for the index of relative socio-economic advantage and disadvantage (IRAD) would place the council within the top 25% of Tasmania, and the around the Australian median.

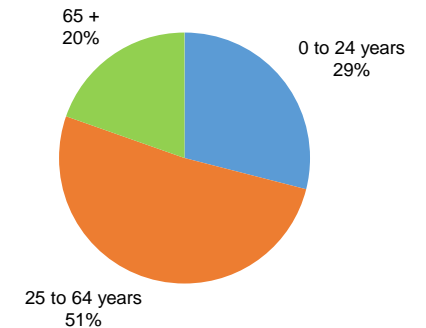
Population Projections 2014, Department of Treasury and Finance.

ABS Census, SEIFA 2011

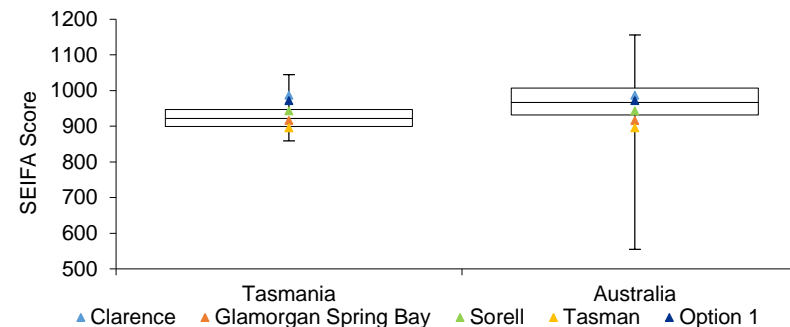
### Projected Population



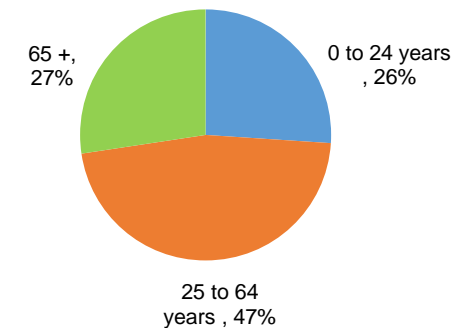
### Population Composition 2016



### SEIFA Index of Relative Socio-economic Advantage and Disadvantage



### Population Composition 2037





# Option 2 Demographic Profile

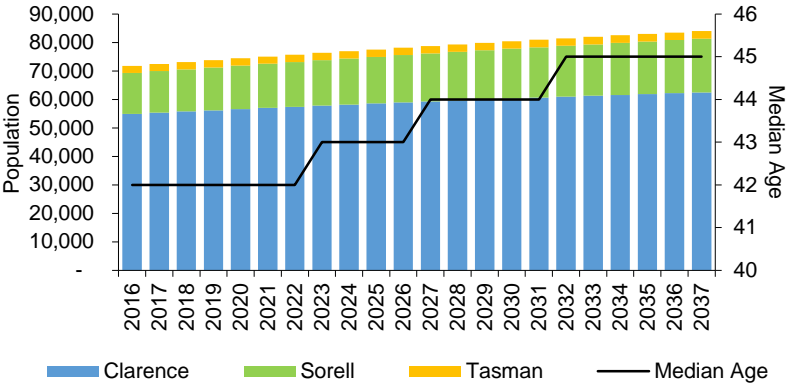
Key Points

The projected population data and the ABS data indicate:

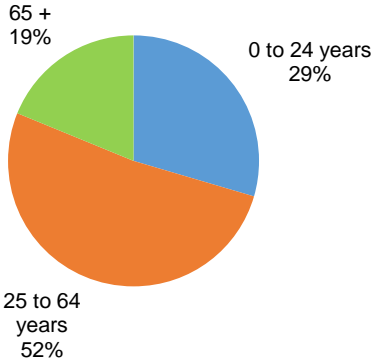
- From 2016 to 2037 the Option 2 amalgamated council would experience growth of 17%. In absolute terms the council population will increase to 83,968 from 68,928.
- Similarly to Option 1, the Clarence population will consume the largest proportion of the amalgamated municipality at 74.4%. The Sorell and Tasman municipalities will makeup 22.4% and 3.2% of the remaining population respectively.
- The median age of the council will increase from 42 to 45 years of age from 2016 to 2037.
- The 0 to 24 years age bracket will be proportionately less as it will decrease from 29% to 27%. The 25 to 64 years bracket will show larger decline as it will decrease from 52% to 47%.
- The 65+ age bracket will experience growth and represent a larger proportion of the population. The proportion will grow from 19% to 26%.
- The SEIFA IRAD data indicates that the Option 2 council amalgamation would rank the council in the top 25% of Tasmania and is slightly above the Australian median scores.

Population Projections 2014, Department of Treasury and Finance.  
ABS Census, SEIFA 2011

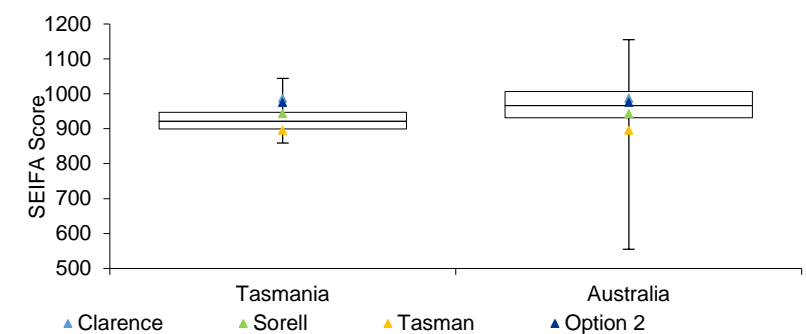
Projected Population



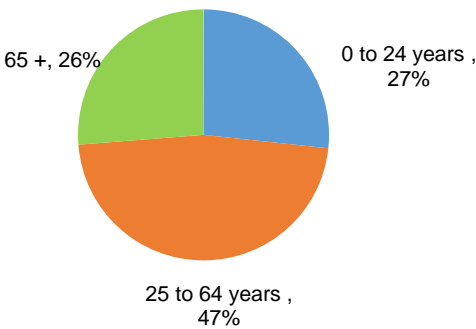
Population Composition 2016



SEIFA Index of Relative Socio-economic Advantage and Disadvantage



Population Composition 2037



## Appendix 5

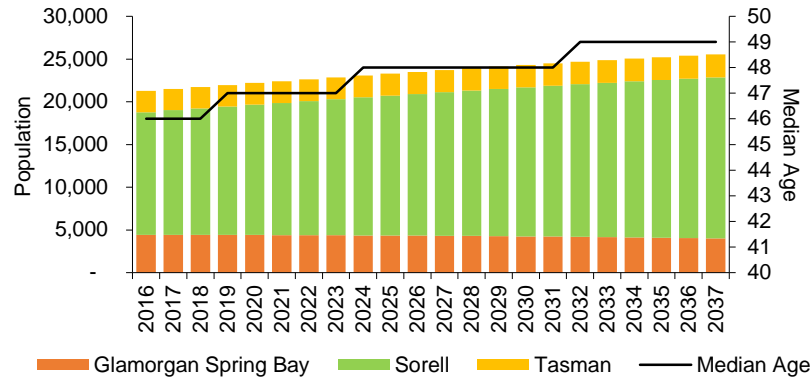
# Option 3 Demographic Profile

### Key Points:

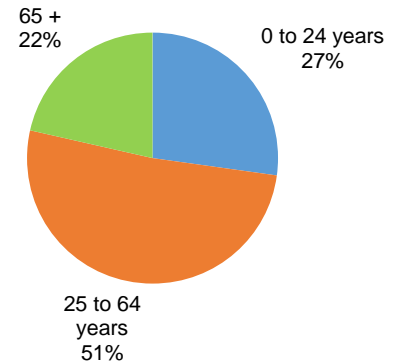
The projected population data and the ABS data indicate:

- The Option 3 amalgamated council will experience the second largest growth in population out of the four options. The population is projected to increase from 20,279 to 25,540 which is at a growth rate of 20%.
- The Sorell region will produce the largest proportion of the population at 74% whilst Glamorgan Spring Bay and Tasman will makeup 16% and 10% of the population.
- The median age of the municipalities population will increase from 46 to 49 years of age from 2016 to 2037. This option will produce the oldest population out of the four options.
- The 0 to 24 years age bracket will show a slight decrease as the proportion of the population will decrease from 27% to 25%.
- The 25 to 64 years bracket will decrease from 51% to 44% over 2016 to 2037.
- The 65+ age bracket will increase and represent 31% of the population in 2037. The 65+ age bracket was 22% in 2016. The 65+ age bracket for this Option is the highest out of any of the options.
- The weighted average SEIFA IRAD score shows that the amalgamation would be slightly above the Tasmanian median and within the bottom 25% of Australia.

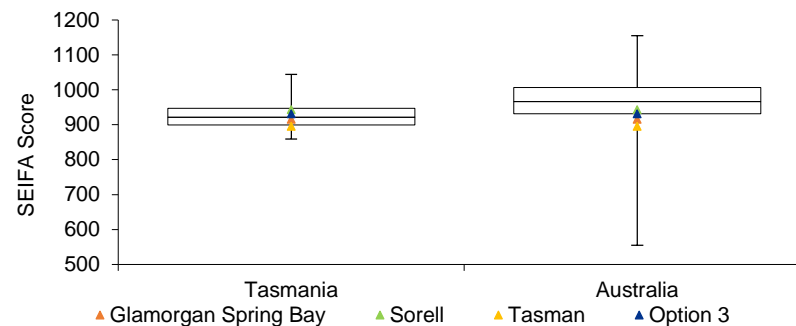
### Projected Population



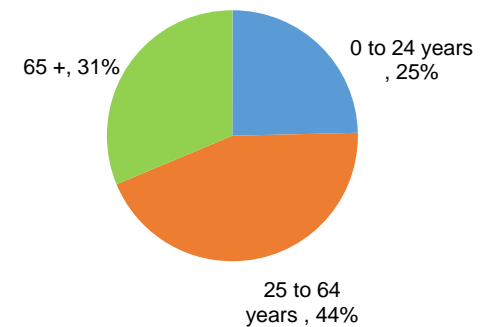
### Population Composition 2016



### SEIFA Index of Relative Socio-economic Advantage and Disadvantage



### Population Composition 2037



Population Projections 2014, Department of Treasury and Finance.

ABS Census, SEIFA 2011



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## Appendix 5

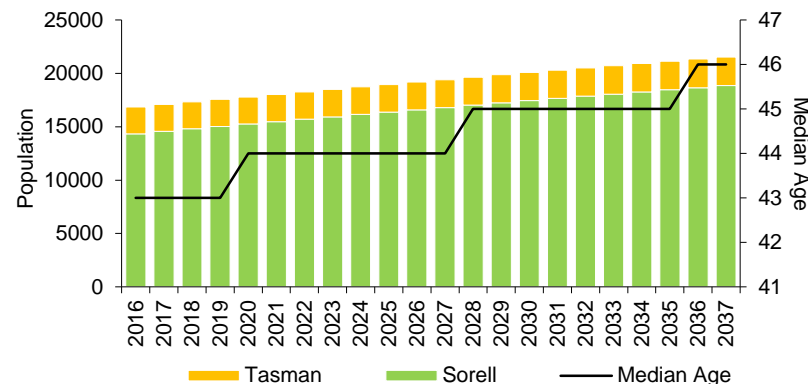
# Option 4 Demographic Profile

### Key Points:

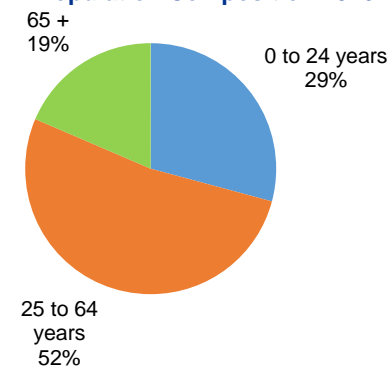
The projected population data and the ABS data indicate:

- The Option 4 amalgamated council will experience the largest growth in population out of the four options. The population is projected to increase from 15,847 to 21,518 at a growth rate of 28% from 2016 to 2037.
- The Sorell region will equate to 88% of the population and Tasman will makeup the remaining 12%.
- The median age of the municipalities population will increase from 43 to 46 years of age from 2016 to 2037.
- The 0 to 24 years age bracket will show a slight decrease as the proportion of the population will decrease from 29% to 27%.
- The 25 to 64 years bracket will decrease from 52% to 45% over 2016 to 2037.
- The 65+ age bracket will increase from 19% to 28%.
- The weighted average SEIFA IRAD score shows that the amalgamated council would be slightly above the Tasmanian median and will be within the lower end of the second quartile.

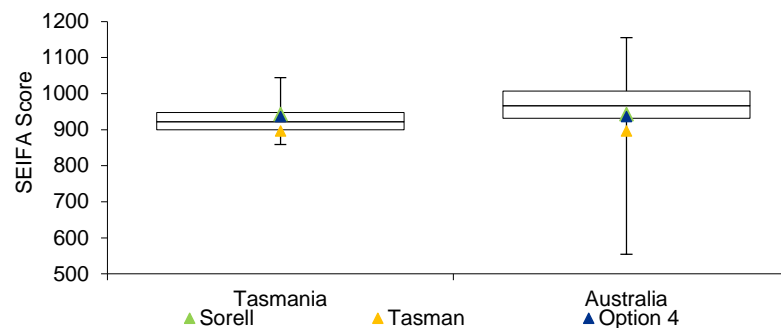
### Projected Population



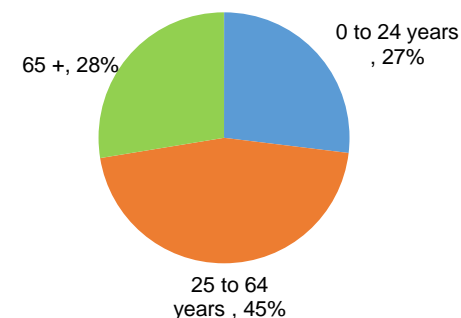
### Population Composition 2016



### SEIFA Index of Relative Socio-economic Advantage and Disadvantage



### Population Composition 2037



Population Projections 2014, Department of Treasury and Finance.

ABS Census, SEIFA 2011



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# Appendix 6

Financial assumptions for modelling purposes

## Appendix 6

# Financial modelling assumptions

Base Assumptions of Financial modelling for both normalisation and consolidation.	
Assumption	Explanation
CPI	2.63%. This is the 10 year historical ABS figure.
Interest Rate	This effects the interest paid on long term and short term borrowings. This is assumed to be 3% over the period.
Discount Rate	For the purposes of discounting to present value terms, a 3% nominal interest rate has been use (reflecting the cost of capital).
Base Year Financials	The base financials used for the modelling are the 2015 actual, audited financial results. The first year of the modelling therefore is FY16. The model spans a 10 year period. Unless otherwise stated, the base financials have been combined for each of the Councils considered under each option, and escalated accordingly.
Rate Revenue	Rate revenue is calculated by taking the 5 year average organic rate growth for each council, in addition to CPI (four year average for Tasman given the fall in properties in 2012). The rate growth factors were utilised: - Clarence: 1.5% - Glamorgan Spring Bay: 0.8% - Sorell: 0.8% - Tasman: 1.8%
User fees, charges and statutory fees	These are escalated annually at CPI plus the organic rate base growth factor.
Grants and Subsidies revenue	FAG grants are assumed to be held flat over the period, whilst operating grants are forecast to increase at CPI. Any changes to State Grants Commission payments are not expected to change for 4 years upon amalgamation.
Dividends	Due to the potential freeze on TasWater dividends, it has been assumed for modelling purposes that dividends are held flat over the modelling period.
Depreciation	Depreciation is assumed to reflect the asset base of each option, and given that revaluing assets and changing the useful lives of these assets is beyond the scope of this financial modelling the depreciation policy will be a decision for the new council. Depreciation under the normalisation is calculated as the average 2014 and 2015 depreciation expenses divided by the total asset base. This is then multiplied by asset base going forward. Depreciation under the consolidated options utilises the average combined 2015 depreciation expense, divided by the total asset base under each option.
Materials and Contracts	Materials and contracts expense are assumed to escalate annually at CPI plus the rate growth factor.
Employee Costs	Employee cost savings for the consolidation options have been backed out of the 2015 employment costs escalated at CPI plus the rate growth factor. The top 20% average salary for each department has been used as the base amount of the saving, and the number of FTE reductions have been developed with the Steering Committee. On-costs have also been included as part of the saving, as 23% of employment costs- which to be conservative, is the lowest rate of the four councils. It is noted that on costs vary significantly in theory and application between the four councils, and on-costs going forward will need to be decided by the new council.
Councillor Expenses	The savings calculated as the difference between the historical base expense escalated at CPI, and the new allowances expenses. The new allowances expense is calculated as the number of councillors multiplied by the Local Government Division allowances for each Option as follows, which are in line with comparable councils: Option 1 & 2: \$34,002 per Councillors Option 3: \$20,846 per Councillor Option 4: \$14,169 per Councillor
Other income and expenses	All other revenue and expenses are escalated at CPI.
Non-operating items and other comprehensive income	Due to the desire to present a consistent and comparable forecast, non-operating items have assumed to be zero across all options for the consolidated modelling.
Debt	No new debt has been assumed across the Councils' long term financial plans, and therefore no debt has been assumed in the modelling.
Infrastructure/PPE	No new sale of assets has been assumed. All forecast capital expenditure has been amalgamated using each of the councils' long term financial plans, and has not been normalised or adjusted due to the fact that these amounts reflect the individual asset management plans within each of the councils.



# Appendix 7

## References and Glossary

## Appendix 7

# References

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## Appendix 7

# Glossary

ABS	Australian Bureau of Statistics
ACELG	Australian Centre of Excellence for Local Government
CPI	Consumer Price Index
EARC	Electoral and Administration Review Commission
FAG	Financial Assistance Grant
FTE	Full Time Equivalent
IRAD	Index of Relative socio-economic Advantage & disadvantage
LGAB	Local Government Advisory Board
LGAQ	Local Government Association Queensland
LGAT	Local Government Association of Tasmania
LGRC	Local Government Reform Commission
LTC	Local Transition Committee
LUPAA	Land Use Planning and Approvals Act 1993
PPE	Property plant & equipment
SEIFA	Socio-Economic Indexes for Areas
SERDA	South east Regional Development Authority
VEC	Victorian Electoral Commission





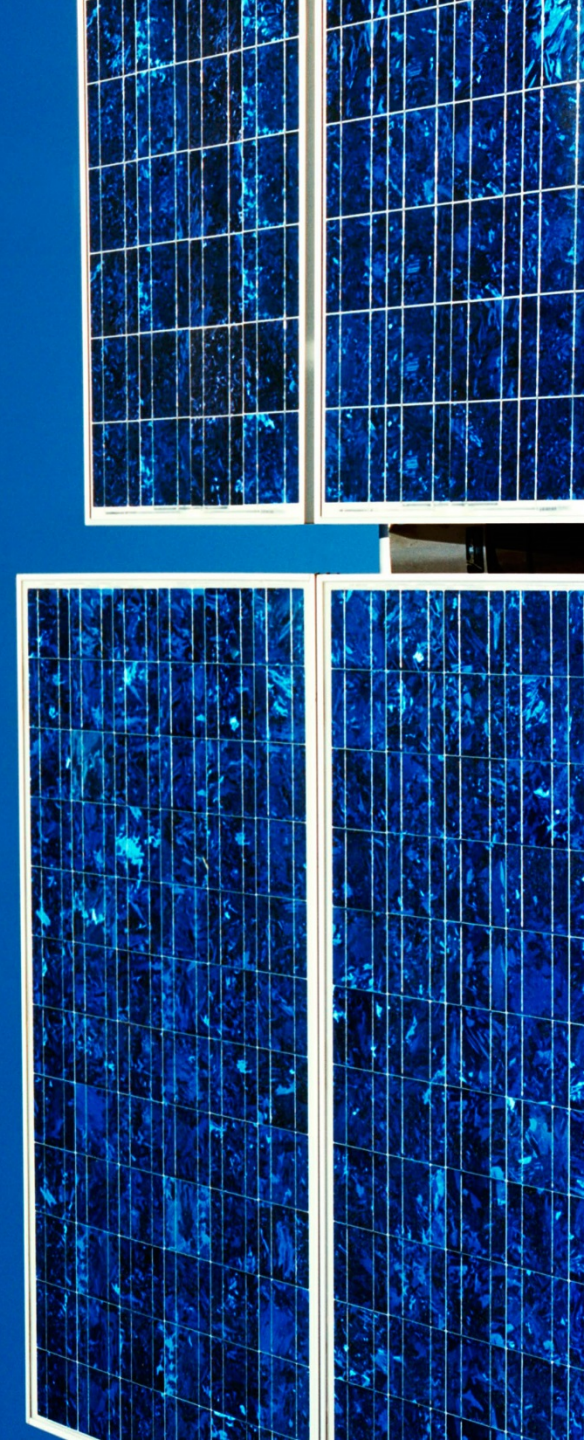
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