TASMAN COUNCIL
'of Natural Escape'

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6th April 2018

Mr Greg Preece
Local Government Board
GPO Box 123
HOBART TAS 7001

Dear Sir,

RE: Local Government Board Review – Sorell & Tasman Councils

I refer to the above matter and provide for the Board's consideration the Tasman Council submission on the Voluntary Amalgamation and Shared Services Options Review.

Four mandatory thresholds from Minister:

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

Introductory Comments:

Consultation Paper ("the Paper") has used 15/16 data when 16/17 audited financial and asset data was available. This created an unrealistic and outdated basis for the public 'snapshot' position of both Councils and may weaken the review process and public consultation. This is particularly with regard to:

- *references and assumptions based on outdated 10 year long term financial plans;*
- *the operating revenue for Sorell inflated for one year by approximately $19m due to recognizing land under roads which had no cash/revenue value (also with inflated expenditure that year);*
- *Tasman inflation rate for expenditure shown as 0.9% when LTFP is modelled on 2.5%;*
- *Asset values and management/sustainability ratios not accurate or representative.*

Council acknowledges the financial gap analysis being prepared by an independent consulting firm based on the audited 16/17 financial statements, revised 17/18 operating and capital budgets and current 20 year long term financial plans. And that this current data is being used to verify the modelling assumptions made by the prior feasibility study that was based on 14/15 financial data and assumptions which have changed considerably since that time including:

- *Transparent asset condition and valuation assessments and associated methodologies.*
- *Establishing and quantifying asset maintenance, renewal and replacement costs, associated FTE servicing requirements and determining required revenue.*

Consideration of Local Government Reform Matters:

Without increased revenue generated from rates, fees / charges, State and Federal grants, Council property sales and / or combined with increased borrowings, are the public going to be content with the current expenditure forecasts on asset maintenance, asset renewal, new / upgraded assets and services if the status quo is retained?

It is the provision of new / upgraded assets that both Councils have the least capacity to deliver in a financially sustainable way with an increasing number of ratepayers, residents and visitors regarding this as unacceptable.

The merger will result in a comparatively large land area with dispersed assets and no change to current or medium term significant rate revenue generation (ie: commercial or industrial) that would change this situation. Also, that the ability to create rate revenue through the strategic release of land for industrial and residential growth is severely limited by the Southern Tasmania Regional Land Use Strategy, no State Policies and associated processes with State Planning Agencies to pragmatically stage a 20 year land supply.

So what is the best structure and model to address the socio-economic, demographic, investment and visitation forecasts for the south-east region as expectations of Councils increase whilst State and Federal performance, accountability and accessibility decreases?

The optimum model needs to be capable of addressing the possibility of rate capping, reduced FAG funding, mergers without transition and infrastructure funding, risks to TasWater dividends, the increasing cost and complexity of audit compliance with reducing positive returns with an ever tightening legislative framework around asset and financial transparency, sustainability and accountability.

Is the generation of sufficient revenue to provide the requisite supply of assets and services only able to be created through a boundary adjustment that provides access to more rate dense commercial and industrial land?

Should an assessment be carried out across the south-east region that identifies actual economic activity, movement and generation by industry / land value category? This is in regard to the economic 'mechanics' of residential growth, investment in the rural sector, intrastate/interstate/international visitation, employment location and movement and services availability and access.

Without a fundamental change to revenue generation for non-metropolitan Councils, it is submitted the current environment with these Councils not being able to sustainably meet expectations will not improve and may worsen.

Is genuine local government reform to achieve a more sustainable and equitable distribution of population, assets, land use and revenue generation instead a matter for the Tasmanian Electoral Commission to assess on a true regional basis rather than relying on the location of existing Councils and associated historic boundaries? Who is willing to deal with this transparently, comprehensively and with conviction to provide improved regional outcomes?

Consideration of a Merger:

Benefits of a merged Council can be:

- *financial sustainability including borrowing / gearing capacity;*
- *political influence / lobbying;*
- *reduced duplication (Council meetings, agendas, workshops, strategic and statutory reporting, policies, procedures, audit panels, compliance, EBA);*
- *efficiencies in asset maintenance and capital project delivery;*
- *increased capacity to provide wider spread of functions / services (including coordinated and strategic grant writing, economic development, community development);*
- *economies of scale through processing and procurement efficiencies including information management, ICT, finance, asset management and CRM software;*
- *strategic capacity in innovation and economic direction;*
- *employee career progression and skill attraction / retention through improved employment conditions (including leave coverage) and conversion of common service providers to employees;*
- *improved risk management and plant utilization;*
- *timing opportunity for State to meet transition costs and regional infrastructure project funding priorities.*

Merger may require the establishment of a local transition committee between when a decision to merge is made and the next election. With there being only two Council areas, the need for an initial (or any) ward system may be less.

The strategic focus of a merged entity will directly impact the structure and costs of the new organisation and required revenue in order to deliver determined levels of service.

With significantly different rates structures, a merger will likely result in changes to current rates per property with a staged implementation required to be adopted over four to five years with caps and collars and based on a review of rating methodologies.

With a merged entity, how would the new organization and elected members make better decisions about:

- *how assets are strategically planned and allocated, financed, managed, acquired and built;*
- *establishing the strategic direction and monitoring performance;*
- *representing the merged area at the Federal and State political level;*
- *being able to meet the communities expectations for services.*

Dis-benefits of a merged Council can be:

- *Loss of local representation and identity;*
- *Inadequate and unequal distribution of operational and capital expenditure;*
- *Loss of local employment and population;*
- *Loss of control / influence on operational matters and strategic direction;*
- *Risk of increased costs through rates adjustments.*
- *Large distances and travel times between population / administration centres serviced by poorer quality state tourist roads.*

Please note each Councillor may hold differing individual views and may submit these to the Board accordingly.

Please contact me as necessary if you wish to discuss this further or require further clarification.

Yours sincerely,

R. Heyward

Roseanne Heyward
Mayor