

Leading Professionals in Local Government

President : Frank Pearce
Secretary: Liz Gillam



LOCAL
GOVERNMENT
MANAGERS
AUSTRALIA

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Mr Brent Armstrong
Chairperson
Local Government Board
GPO Box 123
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Dear Mr Armstrong

At its meeting on 11 December 2009, the LGMA Board considered the Local Government Board's Consultation Paper – Guiding Principles for Voluntary Mergers of Tasmanian Councils. The LGMA Board would like to offer the following comments:

General

The LGMA Board noted that the concept of voluntary mergers has been on the table for ten years with no take-up apart from the recent East Coast proposal. It is felt strongly that the situation in relation to voluntary mergers is unlikely to change in the next ten years unless there is a significant incentive (or series of incentives/assistance) from the State Government.

From the point of view of those who are responsible for the management of the resources and assets of councils, it is noted that the processes proposed in this paper will have associated costs at every stage. Past experience indicates that change processes are invariably more expensive than initially assessed, particularly in relation to unification of systems such as I T, records and asset management. Another significant factor is the impact on productivity during the period of development and implementation of change, caused by the diversion of staff resources to these tasks and also the effect of uncertainty on morale.

Chapter 4. Consultation Issues: Voluntary Merger Process

The third paragraph notes that a Board review and community consultation can impose significant costs on both the councils involved and the State Government.

The LGMA Board would like to make the point that the strategic analysis and development of a business case will also involve possible significant costs. It is acknowledged that councils must be prepared to make a financial commitment themselves. However, it would be a pity if potential proposals do not proceed further simply because the costs are prohibitive to the councils involved. The recent example of work undertaken by three northern councils under the Stronger Councils, Better Services project is a case in point – a considerable amount of resources and goodwill has been expended to apparently go no further.

It is considered that State Government assistance with funding throughout the process would not only be pragmatic but would also be a demonstration of support and encouragement. Lessons should be learnt from the past – in 1997- 98, the changes proposed did not have local government ownership, nor were they supported by the community. It is suggested that for any reform of the local government sector to be successful there must be trust and commitment demonstrated by all parties.

Some amendments to the nine stage merger process are therefore suggested:

2. Councils commit to *investigating* a merger proposal by deciding to allocate money and resources to a business case for a voluntary merger and community consultation.

2B. Councils to advise Minister of this decision and request assistance with funding where necessary.

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9. The new structures are put in place, with consideration given to change management and transitional arrangements, *in particular funding*.

4.1 Issue One: Developing merger proposals

The LGMA Board had difficulty coming to grips with how merger proposals are initiated and felt that this stage needs to be differentiated from the development of a proposal.

There needs to be recognition of the need for open consideration of the range possible alternatives. Only when a definite possibility emerges should it be necessary to consider such things as long-term financial sustainability and strategic and community benefits. This is perhaps what is intended in Stage One of the proposed nine stages, but it is not clear under 4.1.

The question was raised as to whether the voluntary merger process was seen as appropriate only to geographically co-located areas. Whilst there appears to be possibilities for the delivery of services to separate areas, it was felt that governance and community representation may be problematic.

As mentioned above, it is considered that once there has been a commitment to develop a business case, councils should advise the Minister and have an opportunity to access funding to assist in this process. It may be beneficial to develop criteria to ensure that allocation of any State funding is on a demonstrated needs basis.

It is agreed that such decisions should be made in open council with an absolute majority.

4.2 Issue Two: Strategic Analysis

The LGMA Board suggests that more detail is required about what should be included in the business case eg in relation to delivery of services, information should be provided about the diversity of services and the level of service provision. Operational efficiencies that will be achieved should also be identified.

It was felt that it would be worthwhile to develop a pro forma for a business case so there is a level of consistency in the business cases developed.

4.3 Issue Three: Community consultation

The LGMA Board agrees that consultation must be upfront and open to encourage community ownership.

However, the point is made that it is often difficult to get an even representation of views in consultation processes and also that community reaction tends to happen when the decisions are made.

4.4 Issue Four: Managing change

Given that this Paper is addressing voluntary mergers, the LGMA Board considers that transition committees are the most appropriate mechanism and should be established for the purposes of developing a transition plan in preparation for proclamation of new council areas.

Once again, the point is made that costs will be significant and there must be commitment from the State Government that assistance will be available if there is to be any real possibility of progress with voluntary mergers.

Chapter 5 Consultation Issues: Long-term Future of Local Government

The LGMA Board agrees that there are significant concerns about the voluntary merger process, particularly in the scenarios raised in the dotpoints in 5.1 - it is difficult to envisage a process that does not involve some compunction to take action in these circumstances.

However, the LGMA Board considers that no amount of geographical changes / resource sharing/ shared services, whether voluntary or forced, will address the fundamental issues facing local government nationwide, and which include:

- constraints on revenue raising;
- the reduction in real terms of Commonwealth financial assistance grants;
- cost shifting to local government by other spheres of government without commensurate revenue;
- increased community expectations; and
- lack of clarity as to the roles and functions of local government.

In relation to these broader issues, the LGMA Board has recently prepared a short paper, which is enclosed for your interest.

The question is asked whether this Review is the appropriate mechanism to tackle these issues as it is almost impossible to address them in any depth in the time available. Perhaps all the Review can achieve is to raise the limitations of the voluntary merger process and the lack of clarity about what constitutes a sustainable council as compelling reasons for further work to be undertaken.

In closing, the LGMA Board would like to express disappointment at the timeframe for responding to this Consultation Paper. Whilst appreciating the dilemma facing the Local Government Board because of the Christmas holiday period and the pending State election, LGMA considers it is unreasonable to expect the sector to respond in the time available, particularly as it is not at all clear what the impact of this review might be in the present political climate.

The LGMA Board wishes you, other members of the Local Government Board and the Local Government Division staff assisting the Board a happy and safe Christmas season.

Yours sincerely

Frank Pearce
PRESIDENT