

George Town Council
COUNCIL MEETING – 20TH MAY 2015
CONFIRMED MINUTES

187/15 12.7 - LOCAL GOVERNMENT REFORM – RESOURCE SHARING, SHARED SERVICES, BENCHMARKING & VOLUNTARY AMALGAMATION

REPORT AUTHOR: General Manager – Mr John Martin

REPORT DATE: 12th May 2015

FILE NO: 14.27

ATTACHMENTS:

- (A) Agenda Item 150/15 George Town Council – 15th April 2015 – Invitation to adjoining Councils to Attend and Initiate Discussions re: Voluntary Amalgamation – Mayor, Launceston City Council
- (B) Agenda Item 109/15 George Town Council – 18th March 2015 – Voluntary Council Amalgamations
- (C) Correspondence from the Minister for Planning and Local Government – 17th April 2015 and attachment
- (D) Copy of correspondence received from the Launceston Mayor to Meander Valley Mayor Craig Perkins – 15th April 2015
- (E) Correspondence from Northern Midlands Council – 28th April 2015
- (F) Correspondence from Meander Valley Council – 28th April 2015

SUMMARY

Information is provided to Councillors on the State Government’s program of Voluntary Council Amalgamations/Shared Services/Resource Sharing for Councillors’ information and consideration.

BACKGROUND

At the 18th March 2015 ordinary Council meeting, the following motion (109/15) was moved and seconded:

Moved: Cr Burt
Seconded: Cr Dawson

1. That the George Town Council inform the Minister for Local Government that they indicate their agreement to participate in exploring options of feasibility studies for voluntary amalgamation/shared services models/standalone Councils with their adjacent neighbouring Councils, ie. Dorset, Flinders, Launceston City Council and West Tamar Council, subject to the following:
 - (i) That neighbouring Councils agree to participating;
 - (ii) That the State Government fund the costs of the feasibility studies/modelling that is undertaken including any facilitation and community consultation costs that occur.
 - (iii) That Council’s contribution be of an “in-kind” nature through their officers participation and associated expenses costs.

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- (iv) That Council and participating Councils agree to any protocols and Terms of Reference prior to feasibility studies/modelling takes place.
 - (v) That consideration of employee related issues be considered and referenced in any protocols and Terms of Reference.
 - (vi) That any other feasibility/modelling options of additional Councils on a shared services/voluntary amalgamation be considered by George Town Council and other Councils involved, prior to agreement on possible options.
 - (vii) That Council further consider these matters at their ordinary meeting of Council in May 2015.
2. That Motion 341/14 (15th October 2014) as follows, be rescinded:

“Resource Sharing

- That no further discussions take place or meetings are held with any parties with regard to resource sharing or potential for amalgamations until such times as the Council is provided with the following information:
 1. the objectives of the discussion or meeting
 2. the parties to the discussion
 3. the expected impact on service levels to the community
 4. the potential estimated costs
 5. the potential estimated savings
 6. the expected impact on the Councils employment levels, and
 7. a community consultation plan relevant to associated issues

And Council approves the meeting or discussions and the community consultation plan

- That this motion be read in conjunction with 241/14.”

A **Procedural Motion** was resolved as follows:

That Agenda Item 12.5 Voluntary Council Amalgamations be deferred until a special workshop of this Council.

At the 15th April 2015 ordinary meeting, the following resolution (150/15) was passed by Council:

- a) That Council authorises the Mayor and General Manager to attend on the 23rd April 2015 a meeting with the Mayor of Launceston City Council to seek information in regards to resource sharing and service sharing.

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- b) That Council instructs the General Manager to write to West Tamar Council, Meander Valley Council and Northern Midlands Council requesting a collective meeting of the Mayors and General Managers of those councils to discuss resource sharing and service sharing opportunities by the end of business 17th April 2015.

A special workshop of Council has been held on the 13th May 2015 and these matters also received discussion at the Council workshop of the 6th May 2015.

Four Councillors and the General Manager also attended the LGAT General Meeting of the 30th April 2015 at the Derwent Entertainment Centre where various presentations were made as follows:

1. Amalgamations, Where to Begin? What to Do? (*Professor Graham Sansom, Director Australian Centre for Excellence in Local Government*)
2. Lean Thinking in Local Government (*Rose Bruhn, Team Leader, Planning and Performance City of Melbourne*)
3. A Private Sector Perspective on Mergers, Growing Businesses and Reducing Costs (*Mark Ryan, Chief Executive Officer Tassal*)
4. What Do Strategic Shared Services Look Like (*Steve Crowe and Brent Reeman, Local Government Association of Queensland*)

The meeting with the Mayor of Launceston has not yet progressed any further.

No proposals for undertaking feasibility studies from neighbouring Councils, as outlined by the Minister, have been received at this time.

Investigation of Shared Services Model

In response to Council's Resolution 150/15, 18th April 2015 and the supportive responses received from West Tamar, Northern Midlands and the Meander Valley Council, the General Manager has met with those General Managers to discuss progress around the four Councils participating in a benchmarking exercise of financial and service delivery measures using an independent consultant with local government experience.

Benchmarking of each Council's KPI's as per the Auditor General's report and any other relevant KPI's would be the first step in this process.

This would enable a base line and individual council profile to be established for any comparison to be undertaken towards possible considerations of shared services options.

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Benchmarking comparison for each council could include:

- Financial Management
- Asset Management
- Demographics
- Service and staff delivery efficiency ratios

A second phase of the process would be to identify the services provided by each council, and the extent of services and service levels provided.

It is anticipated that the benchmarking, service identification and service level audit could be finalised by June/July 2015 with identification of opportunities for resource/shared services being finalised by August/September 2015.

Correspondence received from the Minister for Planning and Local Government, the Hon. Peter Gutwein MP (17th April) included the following:

“I would like to inform you of the process and timeframe for voluntary amalgamation proposals and strategic resource sharing initiatives.

You may recall that I wrote to you on 19 February 2015 regarding feasibility studies for voluntary amalgamation proposals and strategic resource sharing initiatives. In that letter, I asked councils to advise me by the end of March, whether they intended to explore the option of voluntary amalgamations and/or shared service arrangements.

I understand that the Local Government Association of Tasmania (LGAT) has arranged for a forum to be held later this month to discuss these matters. I fully support LGAT holding the forum as it will give councils the opportunity to be better informed about options for voluntary amalgamations or strategic shared service initiatives. Whilst the vast majority of councils have already indicated a willingness to consider a range of options, in the spirit of goodwill that has so far been achieved, I am comfortable with extending the timeline for councils to inform me of any proposals to Monday 1 June 2015.

With regard to feasibility studies for shared services initiatives you will recall from the regional forums that I indicated I would only support initiatives with State Government funding that are both significant in size and strategic in nature.

As a guide to councils I have attached criteria that should be applied to determine whether a resource sharing initiative is both significant and strategic enough to attract State Government support. Additionally, I consider that it would be appropriate for a feasibility study for a strategic shared service initiative to also include an assessment of the improvement to the ongoing financial viability of the councils involved, should such an initiative be implemented. Such an assessment will provide support for the long term

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viability of a strategic shared service initiative and also provide valuable benchmarking data for any future evaluation of the success of the strategic shared service initiative.

Once I have received Council proposals, I will ask the Local Government Division to work with participating councils to develop Memorandums of Understanding (MOU). The MOUs will outline the roles and responsibilities of councils and the State Government as well as detailing the terms of reference for the feasibility studies and appropriate timeframes.

The Government will soon conduct a Request for Quotation process and establish a list of consultants to undertake the feasibility studies. Councils will be able to select the consultant that undertakes their study from the list. This will mean work can begin on the feasibility studies as soon as the MOUs are signed.”

Community Consultation

Community consultation would be integral in determining an outcome from the service review and benchmarking project. Outcomes from this project will be utilised to inform future strategic discussion with the community.

Local government faces increasingly demanding and complex community expectations with limited resources and competing demands.

It is critical that councils find new ways to plan and deliver services so that local government is sustainable and able to flourish. Strategic collaboration and partnerships are ways that councils can respond to these challenges.

Council will also be able to hear their community's views on resource sharing/shared services and voluntary amalgamation during their upcoming Strategic Planning Forums in May 2015.

FINANCIAL IMPLICATIONS

The project would be completed using an independent consultant with local government experience.

At the time of writing this report, costs are being sought from consultants to undertake this work.

It is recommended that the initial work and its associated costs are met by the respective councils and that the funding on offer by the State Government may be utilised to implement a possible outcome from the benchmarking project for a potential agreed shared service delivery model.

The State Government will provide financial assistance towards the development of feasibility studies: funding of up to \$25,000 for an amalgamation/shared services proposal involving two

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councils, or up to \$50,000 for a proposal involving three or more councils. It is understood that initially the State Government funding would only be provided on the basis that it is matched dollar for dollar by the participating councils. It is understood that this may be negotiable.

STATUTORY REQUIREMENTS

It is considered that any participation in feasibility studies as requested by the Minister would be in accordance with Councils Functions and Powers (S.20) and Functions of Councillors (S.28) of the Local Government Act 1993.

RISK CONSIDERATIONS

No significant risks are recognised.

OFFICER'S COMMENTS

The potential opportunity from a Council services review and benchmarking project is the delivery of a strategic collaborative arrangement that uses resources wisely to meet the long-term needs of the community.

Strategic collaboration takes many forms including alliances, partnerships and business clusters, with a purpose to reduce duplication of services, provide cost savings, access innovation, enhance skills development and open the way for local communities to share ideas and connect with others. Strategic collaboration offers participating councils a way to achieve their goals and objectives in cost effective and innovative ways. Strategic collaboration is not about reducing staff numbers or council autonomy.

The benchmarking project is the first step towards council considering the appropriateness of entering into a collaborative arrangement with an agreed long-term strategic relationship and a shared common future that is mutually beneficial.

The outcomes of this project will determine the future direction as regards to shared services with participating councils and/or facilitate identification of other possible partner councils.

Voluntary Amalgamations

As per their April agenda reports the Meander Valley Council, West Tamar Council and Northern Midlands Council have indicated that it was unlikely that their Councils would support voluntary amalgamations.

The Minister has consistently stated in earlier correspondence that any voluntary amalgamations must:

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- Be in the interest of rate payers;
- Improve the level of services for communities;
- Preserve and maintain local representation; and
- Ensure that the financial status of the entities is strengthened.

George Town Council has received a considerable amount of information on Local Government Reform issues over the last 6 to 12 months including:

1. Information from the Minister for Planning & Local Government, Local Government Division – George Town Profile – 19th January 2015 which includes selected information from the Auditor General’s Report 2013-2014 on Council’s finances and other reports on Principles for Voluntary Merger and “Amalgamation – Is it a Dirty Word” from the 2010 LGMA Emerging Leaders Presentation (South Australia).
2. Auditor General’s Report from 2013/2014 – George Town Council

“Conclusion as to financial sustainability

From a financial operating perspective, Council’s Operating surplus ratio was above benchmark in three of the four years under review.

Its Asset sustainability ratio averaged 94%, which was slightly below our benchmark and indicated Council was close to maintaining necessary investment in existing assets. The Road asset consumption ratio showed road assets had sufficient capacity to continue to provide services to ratepayers. In addition, Council’s Asset renewal funding ratio met our minimum benchmark of 90%.

Council’s Net financial liabilities ratio was negative, but within our nil to negative 50% benchmark.

From a governance perspective, Council did not have an audit panel or internal audit function, but had long-term asset and financial management plans.

Based on these ratios and governance arrangements we concluded that at 30 June 2014, Council was at moderate sustainability risk from financial operating, governance and asset management perspectives, but low sustainability risk from a net financial liabilities perspective.”

Note: Council now have an Audit Panel and will be further reviewing their long term asset and financial management plans on a continual basis, but particularly after their current community consultation process for the delivery of a new Strategic Plan 2015 – 2025.

3. “Misconceiving Regional/Local Tensions: Two Case Studies from Tasmania”, Brian Dollery, Michael Kortt and Albert Wijeweera, Public Policy Volume 7 Number 1, 2012.

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This is a review of two reports - The Southern Tasmania Council Association (STCA) "Munro Report and the Property Council's (Tasmania Division) Deloitte Access Economics Report 2011."

Selected comments from Dollery et al are as follows:

"It is argued that both documents err poorly in both conceptual and empirical terms and this renders their recommendations for radical local government amalgamation fatally flawed."

"...these arguments ignore the empirical evidence on size and efficiency in local government, as well as critical elements of 'community of interest' and their importance in the exercise of 'local voice' and 'local choice'."

".....primarily in the form of regional governance structures which can co-exist with local government, it is depressing that some special interest groups and state policy makers remain oblivious to these complexities."

"If the Munro Report had bothered to examine post-amalgamation Queensland local government, it would have learned the costs of merging small local authorities into larger councils were prohibitive. The Queensland Corporation (QTC) (2009) observed that affected local governments' estimates of the costs of amalgamation had amounted to a net cost of amalgamation of \$184.71 million."

"Efficiency and cost savings

The most controversial and ill-founded aspect of the Munro Report (2011, 23) surrounds its exaggerated claims that significant cost savings and efficiency gains would flow from a Greater Hobart Council."

"It is worth stressing that a wealth of evidence exists which demonstrates that the doctrine that 'bigger is better' in Australian local government has been eroded in large part as a consequence of deep disenchantment with the outcomes of actual amalgamation programs."

"Moreover, it was emphasized that these realized savings did not take into account the indirect costs of council consolidations, such as lower economic activity and falling employment in rural and regional areas. Set against this evidence, the extravagant and unsubstantiated claims made in the Munro Report simply cannot be taken seriously."

"Indeed, if local autonomy over local 'place-shaping' (Dollery, Grant and O'Keefe, 2008) is to have any meaning, then the retention of existing small councils is essential."

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The summary of the Dollery report basically concludes that the recommendations around amalgamations raises serious questions as to the so called benefits of amalgamation of Councils and also examines the quite complex areas of criteria that would need to be examined in any amalgamation proposals.

4. 30th April 2015 LGAT Forum - Graham Samson outlined the need for collecting, examining and comparing consistent data and benchmarking, but also warned of the difficulties in “comparing apples with apples”.
 - Look at all options including a “no change” option
 - Tasmanian process a bit loose, needs more criteria, needs additional objective setting and consultation processes
 - Requires an independent body to make recommendations
 - Other comments made and more recent information shows that the cost of the Queensland amalgamation is an extra \$9m per Council and rising.

Whilst the preceding information is selective it clearly raises doubts as to the benefits of amalgamations and meeting the requirements outlined by the Minister.

There is a wealth of additional information and reports that clearly raise doubts as to many of the unsubstantiated and unjustified claims made by some, that further amalgamations of Tasmanian Councils is warranted.

Based on the evidence available, George Town Council could therefore be justified in not supporting voluntary amalgamations at this point in time.

Undertaking the benchmarking exercise with the Meander Valley Council, West Tamar Council and Northern Midlands Council, with an examination of resource sharing/shared services and any feasibility studies that may be contemplated would provide further additional information for Council and the community to consider.

RECOMMENDATION

That Council:

1. Agrees to collaborate with West Tamar Council, Meander Valley Council and the Northern Midlands Council in a benchmarking exercise of financial and other service delivery measures utilising the services of an independent consultant.
2. Authorises the General Manager to engage a project consultant with local government experience.

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3. Writes to the Minister for Planning and Local Government the Hon. Peter Gutwein MP and outlines the George Town Council's intentions in regards to participating with the West Tamar Council, Meander Valley Council and the Northern Midlands Council in undertaking this benchmarking and service delivery review project.
4. That the George Town Council also inform the Minister for Local Government that they indicate their willingness to participate in exploring options of feasibility studies for voluntary amalgamation/shared services models/standalone Councils with their adjacent neighbouring Councils, ie. Dorset, Flinders, Launceston City Council and West Tamar Council, subject to the following:
 - (i) Informing and requesting support from the State Government of the staged benchmarking and shared services modelling being undertaken by George Town Council, Meander Valley Council, West Tamar Council and Northern Midlands Council.
 - (ii) That neighbouring Councils agree to participating in other feasibility studies;
 - (iii) That the State Government fund the costs of other feasibility studies/modelling that is undertaken including any facilitation and community consultation costs that occur;
 - (iv) That Council's contribution be of an "in-kind" nature through their officers participation and associated expenses.
 - (v) That Council and participating Councils, prior to any other feasibility studies/modelling taking place, agree to any protocols and Terms of Reference;
 - (vi) That consideration of employee related issues be considered and referenced in any protocols and Terms of Reference.
5. That Motion 341/14 (15th October 2014) as follows, be rescinded:

“Resource Sharing

- That no further discussions take place or meetings are held with any parties with regard to resource sharing or potential for amalgamations until such times as the Council is provided with the following information:
 1. the objectives of the discussion or meeting
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6. the expected impact on the Councils employment levels, and
7. a community consultation plan relevant to associated issues

And Council approves the meeting or discussions and the community consultation plan

- That this motion be read in conjunction with 241/14.”

DECISION

Moved: Cr Harris

Seconded: Cr Burt

That Council:

1. Agrees to collaborate with West Tamar Council, Meander Valley Council and the Northern Midlands Council in a benchmarking exercise of financial and other service delivery measures utilising the services of an independent consultant.
2. Authorises the General Manager to engage a project consultant with local government experience.
3. Writes to the Minister for Planning and Local Government the Hon. Peter Gutwein MP and outlines the George Town Council’s intentions in regards to participating with the West Tamar Council, Meander Valley Council and the Northern Midlands Council in undertaking this benchmarking and service delivery review project.
4. That the George Town Council also inform the Minister for Local Government that they indicate their willingness to participate in exploring options of feasibility studies for voluntary amalgamation/shared services models/standalone Councils with their adjacent neighbouring Councils, ie. Dorset, Flinders, Launceston City Council and West Tamar Council, subject to the following:
 - (vii) Informing and requesting support from the State Government of the staged benchmarking and shared services modelling being undertaken by George Town Council, Meander Valley Council, West Tamar Council and Northern Midlands Council.
 - (viii) That neighbouring Councils agree to participating in other feasibility studies;
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- (x) That Council’s contribution be of an “in-kind” nature through their officers participation and associated expenses.
 - (xi) That Council and participating Councils, prior to any other feasibility studies/modelling taking place, agree to any protocols and Terms of Reference;
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 7. a community consultation plan relevant to associated issues

And Council approves the meeting or discussions and the community consultation plan

- That this motion be read in conjunction with 241/14.”

	For	Against		For	Against
Cr Archer	✓		Cr Glisson	✓	
Cr Harris	✓		Cr Nicholls	✓	
Cr Burt	✓		Cr Parish	✓	
Cr Dawson	✓		Cr Parkes	✓	

CARRIED