

**LOCAL GOVERNMENT BOUNDARY REFORM BOARD
JANUARY 1996 – SEPTEMBER 1998**

Report



September 1998



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Report to the Hon Mark Brindal MP,
Minister for Local Government

ACKNOWLEDGEMENTS

Many Commonwealth and State Government agencies provided advice and assistance throughout the structural reform process, and the Local Government Boundary Reform Board wishes to express its appreciation of their help.

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The Local Government Association of South Australia
The Office of Local Government, Department of Industry and Trade, South Australia
The National Office of Local Government
Adelaide Hills Council
Central Local Government Region of South Australia
City of Holdfast Bay
City of Onkaparinga
Federation of North Eastern Councils
Wattle Range Council
Anderson Collins
Optimum Consulting and Training Services

Membership of the Board

Members

Annette Eiffe — Chair, Ian Dixon — Executive Director (January 1996 – August 1997), Tony Crichton , Executive Director (August 1997 – September 1998), Ray Bailey, Brian Fogarty, Malcolm Germein, Jill Parker, Alan Taylor and Cliff Walsh.

Deputy Members

Heather Ceravalo, Donald Edmonds-Wilson, Denise Grieve, Michael Perry AM, Colin Read, John Thomas and John Woodland.

Case Studies

Anderson Collins (City of Holdfast Bay and Wattle Range Council case studies); Emcorp Pty Ltd (the Federation of North Eastern Councils, Mid North and City of Onkaparinga case studies); Hassell Pty Ltd (Adelaide Hills Council case study).

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACIR	Advisory Council for Inter-Government Relations
ACLG	Australian Classification of Local Governments
AHC	Adelaide Hills Council
ASU	Australian Services Union
AWU	Australian Workers Union
CCT	Compulsory Competitive Tendering
CEO	Chief Executive Officer
CPI	Consumer Price Index
EPA	Environmental Protection Authority
FOI	Freedom of Information
GIS	Geographic Information Systems
HFZ	Hills Face Zone
ILAC	Integrated Local Area Councils
IMM	Institute of Municipal Management, South Australia
LGA	Local Government Association of South Australia
LGDP	Local Government Development Program
LGFA	Local Government Finance Authority
MAG	Ministerial Advisory Group
MAV	Municipal Association of Victoria
NCP	National Competition Policy
NHF	National Heritage Foundation
OLG	Office of Local Government, South Australia
RDB	Regional Development Board
RTIF	Regional Telecommunications Infrastructure Fund
SA	South Australia
The Act	<i>Local Government Act 1934</i>
The Board	The Local Government Boundary Reform Board
WREDP	Wattle Range (Council) Economic Development Plan

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GLOSSARY

‘Controlling authority’ (section 199 authority): defined under the Act as a controlling authority established by one Council, to carry out a project on behalf of the Council, to manage or administer any property or facilities on behalf of the Council, or to carry out any other work on the Council’s behalf.

Controlling authority’ (section 200 authority): defined under the Act as a controlling authority which may be established by two or more Councils (the ‘constituent Councils’) with the approval of the Minister, to carry out any project on behalf of the Councils, or perform any function or duty of the Councils under the Act.

‘Functional reform’: a joint process between spheres of Government (Commonwealth, State and Local), analysing current functions in which all levels of government have an interest, and reviewing opportunities for changes in the roles, responsibilities, and related funding arrangements in the future delivery of these (and other) functions.

‘ILAC Model’: the Integrated Local Area Council Model, merges the staffs of several small Councils into a single employing body for economic efficiency, while maintaining the electoral structure of the existing Councils to ensure social effectiveness (Thornton, 1995).

‘Structural reform proposal’: defined under the Act as a proposal to constitute a Council, amalgamate two or more Councils, abolish a Council and incorporate its areas into the areas of two or more areas, alter the boundaries of a Council area, or establish a cooperative scheme for the integration or sharing of staff and resources within a federation of Councils.

‘Subsidiarity’: key principle in functional reform, meaning that government functions should be performed at the ‘lowest’ level of government, consistent with achieving an appropriate balance between responsiveness to voters/taxpayers’ preferences, and effectiveness in policy-making and the management and delivery of service outcomes.

EXECUTIVE SUMMARY

The Local Government Boundary Reform Board (the Board) was established by the South Australian Government in December 1995 to facilitate the structural reform of Local Government. Amendments to the *Local Government Act 1934* (the Act), made by the *Local Government (Boundary Reform) Amendment Act 1995*, created the Board, set out its powers and procedures, and revised the process for dealing with proposals for structural change.

By amalgamations of whole Councils, the structural reform initiative facilitated the creation of Councils generally larger in size and scope, to enable them to:

- more adequately and effectively fulfil their statutory obligations
- increase their capacity to contribute to local and regional economic and community development
- expand community and service delivery provision.

The Board's original sunset date of 30 September 1997 was extended to 30 September 1998, to deal with outstanding proposals formulated by the Board, and a number of boundary alterations identified by Councils and their communities.

THE REPORT

Under section 22G of the Act, the Board is required to prepare a report to the Minister for Local Government by 30 September 1998 on:

- the extent to which the objectives set out in section 17A of the Act have been achieved under this Part
- further and future opportunities that in the opinion of the Board exist for structural reform in Local Government in the State.

Within 12 sitting days of receiving the Report, the Minister must table it in Parliament.

The Report to the Minister provides a formal means to:

- mark the end of the current phase of structural reform and allow assessment of the results
- recognise the work done by the Board and Councils and record experience accumulated in dealing with structural reform proposals and their implementation
- record the Board's assessment of the scope for further structural reform
- provide for public accountability of the Board's operations.

Although the Report makes no explicit recommendations, its conclusions may appropriately be read as pointing to some specific possibilities for the future.

PART A: BACKGROUND

Part A of this Report outlines the background to the State Government's structural reform initiative, and the rationale for its evaluation.

It also describes the history and context of structural reform of Local Government in South Australia. This covers previous attempts at structural reform, government reports on the subject, as well as the context of the State Government's broader agenda for the reform of Local Government.

PART B: ESTABLISHMENT AND OPERATIONS OF THE BOARD

Part B of this Report consists of a straightforward account of establishment and operational matters concerning the Board. It summarises issues related to the establishment of the Board, outlines the key elements of the legislation, describes how the Board operated, and what its processes were.

PART C: EVALUATION AND OPPORTUNITIES

Part C of this Report provides an evaluation of the structural reform process in South Australia, and outlines the case for further and future opportunities for reform.

The Report specifically comments on the extent to which the objectives of section 17A of the Act have been achieved, as required by legislation. These objectives were to achieve significant reductions in the number of Councils and the total costs of providing the services of Local Government authorities, and significant benefits for ratepayers. The Report's evaluation of structural reform not only includes both quantitative and qualitative measures, but also uses a range of techniques often combining these measures. The evaluation comprises the Board's perspective on critical success factors and lessons learned, individual case studies, the feedback from information sessions with Councils, invited contributions from the Local Government Association SA, and the Institute for Municipal Management (SA Division) on their perspectives, and a comparison with interstate experiences of structural reform of Local Government.

As required by legislation, the Report also specifically addresses opportunities for further and future structural reform for Local Government in this State. This assessment broadens its scope by examining a range of other reform possibilities, such as collaborative and cooperative arrangements, strategic alliances and partnerships, and functional reform. It is supplemented by a qualitative and quantitative analysis of further financial savings and other advantages that may be achieved through pursuing ongoing opportunities and other collaborative arrangements between Councils.

The Board acknowledges that its purview does not extend to matters beyond structural reform. However, the Board considers that failing to document its views on the full extent of opportunities would waste the wealth of knowledge acquired over nearly three years of active involvement with Local Government, as well as the conclusions from the qualitative and quantitative analysis undertaken by the Board for the purposes of this Report.

KEY ISSUES

The Report identifies and discusses key issues which either impacted directly on the ability of the Board to achieve its results, or which may have contributed to a more strategic outcome had they been addressed earlier.

ACHIEVEMENTS OF THE BOARD

As at September 1998, the voluntary structural reform initiative had delivered:

- a reduction in the number of proclaimed Councils from 118 to 68
- recurrent savings conservatively estimated by Councils involved in the process of \$19.4 million per annum
- one-off estimated savings of \$3.9 million
- additional capacity for improved and consistent planning decisions across the combined Council areas
- improved approaches to managing environmental issues
- greater resource bases at the disposal of amalgamated Councils
- additional capacity for Local Government to improve the range and quality of its services, and to participate in the development of the South Australian economy, particularly in regional areas.

The Board's key achievement — and its most visible — is the reduction in the number of Councils in the State. This reform initiative is historically significant as the most important structural change to Local Government since the restructuring of the 1930s, especially given that it occurred voluntarily.

The Board wishes to emphasise that the recurrent savings estimate of \$19.4 million per annum can be considered very conservative for two reasons:

- many proponents of the amalgamations told the Board during hearings that their savings proposals represented only what they could be absolutely certain to achieve and deliver as rate savings or potential service increases. Most expected to be able to significantly overachieve their savings proposals once amalgamation proceeded.

- in other cases, proponents reported that they estimated no recurrent savings essentially because they had agreed there would be no reduction in staffing levels. They did however, expect service delivery capacity to expand as a result of the amalgamation at existing staffing levels. In effect, potential savings had been pre-allocated to service increases rather than to potential rate reductions.

CRITICAL SUCCESS FACTORS

Summarised below are the critical factors which the Board considers contributed to the success of structural reform.

The philosophy: the voluntary structural reform initiative was focussed on providing the right amount of stimulus and support to Councils, so that Local Government itself could determine the best structural arrangements for its communities.

Communication: the Board placed heavy emphasis on communication in the structural reform process. This included the communication of clear and consistent messages, early direct contact with people, the use of media, and the publication of a series of guidelines and regular newsletters.

Focus on relationships: the Board believed that achieving successful outcomes would rely heavily on building and maintaining good relationships, that were based on cooperation, collaboration and trust.

The Board: structural reform was facilitated using an independent statutory body, thus removing the process from the political environment and minimising perceptions of political interference. The Board's membership had strong representation from past or current Local Government elected members and was seen as independent, given its members' wide experience.

Timing: There was a sense of urgency and inevitability in this State, that reform was going to happen. Firstly, there were catalysts such as the Victorian experience of structural reform — with compulsory amalgamations as the centrepiece — and the MAG Report. Secondly, the legislative provision for the Board to formulate its own proposals acted as a strong incentive for Councils to pursue voluntary merger discussions. Thirdly, the timeframes were tight, given the Government's clear expectation that the bulk of the Board's work should be completed in time for the May 1997 Local Government elections. And fourthly, when the legislation was first enacted, the Board had a sunset date of 30 September 1997, and there was no expectation of this being extended.

Teamwork: there was a strong emphasis on teamwork and shared learning, particularly among the staff of the Board. An important component of the teamwork approach was the good relationships that were built between Board members, Board staff, Councils and key stakeholders.

LESSONS LEARNED

Throughout 1998, Board meetings included presentations from all amalgamated Councils on structural reform. All Councils were direct with the Board in terms of the difficulties they faced. These have been documented by the Board, and complemented the Board's own 'lessons learned'. The majority of Councils described the approach to structural reform as successful, despite the inevitable frustrations, difficult issues to resolve and hard work. While the Board heard many examples of success factors, the critical contributions related to three areas.

Ownership: elected members, the staff and the community owning the process by determining their own outcomes.

Relationships: the improved relationships that came out of the team effort required between the elected members and the staff, as well as between Councils and their communities.

Leadership: when displayed to the community by supportive and united elected members in partnership with the staff, the community not only tended to 'come along' with the amalgamation process, but also subsequently, was more likely to perceive the newly merged Council as successful.

These lessons were complemented by the proceedings from the inaugural National Local Government Structural Reform Workshop, convened by the Board in April 1998. It attracted participants from all over Australia and profiled structural reform initiatives in each State, adding to the Board's insights on these changes in Local Government. It was agreed that social, political and economic considerations had all been influential in shaping the States' approaches to the task of structural reform. The various States' experiences with structural reform suggest the need to match the power to the imperative — political or economic — with the Parliamentary framework of the time. The Board found that the South Australian approach to structural reform was highly regarded and had been used as a model elsewhere. Some of the key factors identified as contributing to a successful structural reform program in Local Government were the need for adequate resources, political support, and the ability to operate at arms' length from the State Government. It was agreed these were the hallmarks of the South Australian model of structural reform.

As part of its evaluation of structural reform, the Board commissioned a series of case studies of selected Councils' amalgamation experiences.

The conclusions from the series of case studies led the Board to identify three key issues.

Structural reform's contribution to strengthening Councils: structural reform has increased Councils' capacity to play a significant role in the State's broader agenda for economic and community development.

Community access to appropriate representation: structural reform has encouraged genuine participatory democracy and increased the community's access to representation.

Short term costs balanced against long term gain: the Board acknowledges that the gains from structural reform need to be balanced against its organisational and operational impacts.

While the Board believes the achievements of the structural reform process were significant, in hindsight a more strategic result could have been achieved. However, the Board believes that this highlights the trade-off between the benefits of the voluntary approach — typically characterised by high levels of ownership and reduced community dissatisfaction — versus the benefits of the compulsory approach. The use of more powerful incentives may have allowed the Board to have the best of both worlds, a voluntary approach which produced a more logical and strategic result across Local Government, without the lack of democracy characterising compulsory models.

In the Board's experience, structural reform highlighted the importance of developing locally based solutions for local needs. The Board also believes that this reinforces the message that there is no blueprint for structural reform, and that imposed solutions risk failure. This adds to the conundrum of what an ideal structural reform process might be.

FURTHER AND FUTURE OPPORTUNITIES

It is evident to the Board that, notwithstanding the extent of structural reform already achieved, there are still wide-ranging opportunities for Local Government reform in this State.

The Board identified some key drivers for further and future change in Local Government. Councils will need to be ready to meet the challenges of these diverse, independent, yet inter-related forces.

The Board recognises that in the current climate, there are limited gains to be made from pushing structural reform. Notwithstanding this view in some parts of Local Government, the Board commissioned a study which identified significant potential benefits from further structural change, and concluded that serious consideration should be given to revisiting current thinking in respect of further structural reform. The Board emphasises that the ongoing savings estimates from this study of some \$22.1 million per annum must be regarded as illustrative, rather than definitive. Given the lessons learned from newly amalgamated Councils in the information sessions held over the last year, the Board considers that this estimate of savings from further structural reforms is feasible. The Board also concedes that much depends on Councils' and communities' motivation in trying to achieve further reforms.

The Board has formed the view that structural reform's role in further and future reform will be as a means to an end, rather than an end in itself. The Board believes that structural reform is not about drawing lines on a map, but a mechanism that can be used to create additional capacity for Councils and their communities to provide services and contribute to the development of South Australia. Structural reform is an option Councils should continue to explore in a way that involves genuine community consultation about opportunities. Communities need to be in a position to make informed choices between efficiency and maintaining existing structures.

However, without a supportive policy environment, matched by the right drivers, the Board tentatively predicts only incremental change in whole-of-Council mergers. Structural reform is an important pre-condition to realising opportunities for redefining the relationship between State and Local Government. Given that the role of government to government relationships is a key strategic issue for future reform, structural reform should remain an integral part of the agenda for change in Local Government.

The extension of the sunset date of the Board was in the main predicated on addressing some fifty boundary alterations identified during structural reform by Councils and their communities. The Board has clearly shown why it could not meet expectations in progressing these. Councils saw boundary alterations as a win/lose situation, despite the views of the communities concerned, whereas whole-of-Council amalgamations offered a win/win outcome. Financial issues became a fundamental obstacle to progressing boundary alterations. In the future, a balance needs to be found between communities of interest and financial considerations.

The Board regards the current structural reform exercise as a first phase of change in Local Government. The Board believes that a more strategic approach to reform of Local Government should be adopted in the future, an approach underpinned by:

- underlying principles of the future process which give weight to the role that Local Government should play in the future of a region in strategic terms, either as a single Council entity, or in partnership with other spheres of Government, and/or the private sector
- structural reform as a means to an end not an end in itself.

The Board believes that the strategic benefits to date of structural reform have been a consequence of the process, not the driving force.

In the Board's view, the structural reform process has sent a clear signal that regardless of the drivers of reform, a fundamental issue is that of engaging the elected members, Council staff and the community to understand the importance of these imperatives.

Some of the preconditions for maximising opportunities for further and future reform in Local Government include the right policy environment that articulates the importance of particular reforms, complemented by suitable institutional and structural support, and backed up by appropriate resources. The Board has provided ample evidence that there must be a driver for change to achieve significant results. The structural reform process in South Australia proves that if appropriate structures and processes are in place, then Local Government has the capacity and will to play an active role in implementing change.

The Board believes that the structural reform process has been undervalued in this State by those who have not embraced the need for change. It is hoped that the continued success of amalgamated Councils will act as a catalyst for ongoing change, and that the efforts of the Board and the Councils involved will be appropriately recognised.

PART A

Background





FIGURE 1: SA LOCAL GOVERNMENT BOUNDARIES — METROPOLITAN AS AT JANUARY 1996

PART A: BACKGROUND

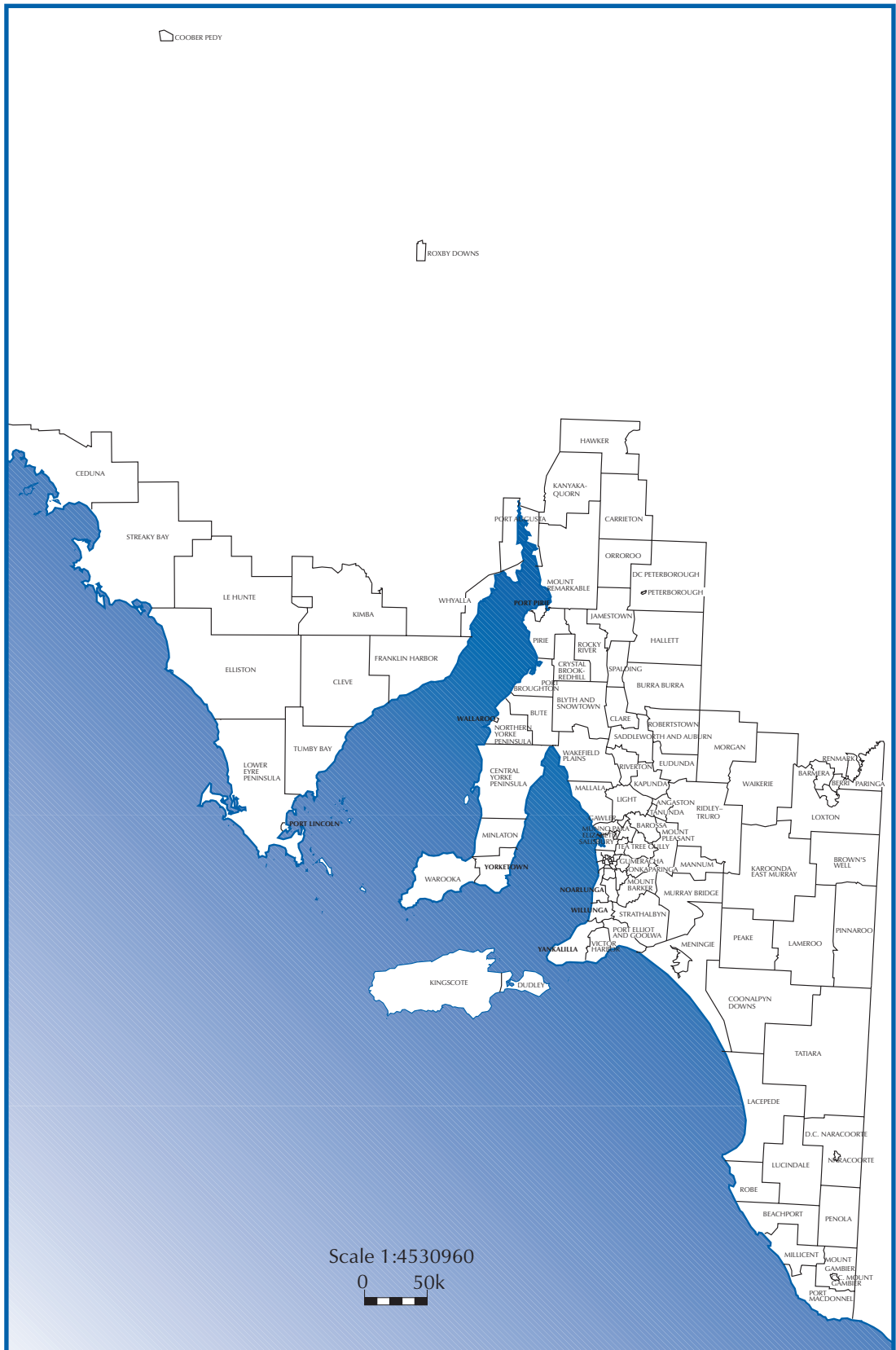


FIGURE 2: SA LOCAL GOVERNMENT BOUNDARIES — COUNTRY AS AT JANUARY 1996

1. STRUCTURAL REFORM OF LOCAL GOVERNMENT IN SOUTH AUSTRALIA

This section focuses on the rationale for structural reform, and the formation of the Board.

1.1 BACKGROUND

Under the auspices of the Local Government Boundary Reform Board (the Board), Local Government in South Australia has undergone the most significant structural change in its history. Ongoing expenditure savings, conservatively estimated at around \$19.4 million per annum to the benefit of Councils, their communities and the State as a whole have been generated in this process. Increased potential service delivery levels in many areas of the State add to the benefits.

The Board was established in December 1995 under amendments to the *Local Government Act 1934* (the Act), to facilitate the State Government's voluntary Local Government structural reform initiative. The *Local Government (Boundary Reform) Amendment Act 1995*, created the Board as an independent statutory body, set out its powers and procedures, and revised the process for dealing with proposals for structural change.

Structural reform was (then) the key initiative in the Government's objective to strengthen the capacity of Local Government in this State so that it could assume a more significant role in the operations of the South Australian public sector. In particular, the Government saw the potential in rural South Australia for Local Government to adopt a stronger, more positive regional approach to economic development.

The State Government provided significant financial support and commitment to the project, enabling the recruitment of a suitably skilled team, and the provision of various support incentives to Councils. This support was enhanced by financial assistance from the Commonwealth Government.

One of the Board's main roles was that of a catalyst and facilitator of the structural reform of Local Government. The underlying philosophy was that structural reform of Local Government in South Australia should be voluntary and that the Board should develop appropriate strategies and processes to achieve this reform. Communities were to be consulted and kept informed. The legislation also provided for the Board to formulate its own proposals in specific circumstances.

The State Government had no fixed target for the ideal number of Councils, but there was a general expectation that the number could be halved. This was based on findings from previous boundary review processes and a review conducted by a Ministerial Advisory Group in 1995, which reported to the (then) Minister for Local Government Relations.

Legislation establishing the Board included a sunset date of 30 September 1997. At that time, it was intended that the Board would have completed the bulk of its work prior to new Councils being constituted as an outcome of the Local Government elections held in May 1997.

When the Board commenced its operations in January 1996, there were a total of 118 councils in South Australia. By this time, over 100 of the 118 Councils had begun amalgamation discussions with neighbouring Councils, a response to preparatory work undertaken in the lead up to the Board's establishment.

By 30 September 1998, the voluntary structural reform initiative delivered:

- a reduction in the number of proclaimed Councils from 118 to 68
- recurrent savings conservatively estimated by Councils involved in the process of \$19.4 million per annum
- one-off estimated savings of about \$3.9 million
- additional capacity for improved and consistent planning decisions across the combined Council areas
- improved approaches to managing environmental issues
- greater resource bases at the disposal of amalgamated Councils
- additional capacity for Local Government to improve the range and quality of its services and to participate in the development of the South Australian economy, particularly in regional areas.

The quantifiable benefits of the structural reform process are documented in Appendix A.

The Board emphasises that the recurrent savings estimate of \$19.4 million per annum can be considered very conservative for two reasons:

- many proponents of amalgamations told the Board during hearings that their savings proposals represented only what they could be absolutely certain of achieving and delivering as rate savings or potential service increases. Most expected to be able to achieve significantly more than their savings targets once amalgamation proceeded
- in other cases, proponents reported that they estimated no recurrent savings because they had agreed there would be no reduction in staffing levels. As a result of the additional capacity created by amalgamation, they did, however, expect service delivery capacity to expand at existing staffing levels. In effect, potential savings had been pre-allocated to service increases rather than to potential rate reductions.

In July 1997, Parliament extended the Board's sunset date to 30 September 1998. The extension was designed to allow the Board to consolidate its work by finalising Board

formulated proposals, and to address a significant number of boundary changes identified by Councils.

1.2 RATIONALE FOR THE EVALUATION REPORT

The Board is required, under section 22G of the Act, to provide a Report to the Minister for Local Government. Section 22G states that the Reform Board must ensure a Report is prepared by 30 September 1998 on:

- the extent to which the objectives set out in section 17A of the Local Government Act have been achieved under this Part
- further and future opportunities that in the opinion of the Board exist for structural reform in Local Government in the State.

The objectives of the Act were to achieve significant reductions in the number of Councils and the total costs of the services of Local Government authorities, and significant benefits to ratepayers.

The Report must be presented to the Minister on its completion (on or before 30 September 1998), and the Minister must, within 12 sitting days after receiving a report under this section, have copies laid before both Houses of Parliament.

The Board's Report to the Minister also provides a formal means to:

- mark the end of the current phase of structural reform and allow assessment of the results
- recognise the work done by the Board and Councils and record experience accumulated in dealing with structural reform proposals and their implementation
- record the Board's assessment of the scope for further and future structural reform
- provide for public accountability of the Board's operations.

Although the Report makes no explicit recommendations, its conclusions may appropriately be read as pointing to some specific possibilities for the future. The Board acknowledges that its purview does not extend to matters beyond structural reform. However, the Board considers that to fail to document its views on the full extent of opportunities would waste the wealth of knowledge acquired over nearly three years of active involvement with Local Government, as well as the conclusions from the qualitative and quantitative analysis undertaken by the Board for the purposes of this Report.

In commenting on further and future opportunities, the Board has built on the philosophy that structural change is not about drawing lines on a map. It is a mechanism that can be

used to create additional capacity for Councils and their communities to provide services and contribute to the development of South Australia. The Board believes that structural reform is an option that Councils should continue to explore, in a way that includes the provision of objective information and genuine consultation, to give communities the ability to make informed choices between efficiency and the cost of maintaining existing structures.

In addition, as part of consolidating its activities, the Board wished to provide an objective review of the processes of structural reform. From this perspective, the Board's Report will serve as a valuable future reference in planning approaches to other large-scale and complex projects.

1.3 HISTORY AND CONTEXT

Around the turn of the century, South Australia had approximately 200 Councils, which were reduced to some 142 following the establishment of a Local Government Commission in the 1930s. From then, until recently, there has been limited restructuring, despite many attempts during the last 20 years.

THE ROYAL COMMISSION INTO LOCAL GOVERNMENT AREAS

In the 1970s, a Royal Commission into Local Government Areas was established. It produced three reports (in 1973, 1974 and 1975) and, although its recommendations for reducing the then 137 Councils to 72 were never implemented, it did renew the debate.

THE LOCAL GOVERNMENT ADVISORY COMMISSION

The Local Government Advisory Commission, established in 1984, was given responsibility for investigating and reporting on boundary and amalgamation proposals. As it was seen as imposing solutions from outside, it was disbanded in 1993.

OTHER RELATED DEVELOPMENTS

Some of these developments occurred in the context of other related changes, such as the disbanding of the Department of Local Government in 1991, as the State Government scaled down its Local Government infrastructure.

MEMORANDA OF UNDERSTANDING

In 1990, the State Government and the Local Government Association (LGA) signed the first Memorandum of Understanding, followed by a second in 1992.

The third Memorandum of Understanding, signed by the State Government and the LGA in February 1994, reaffirmed their cooperation and the commitment to reform.

THE PANEL SYSTEM

In 1992 the State Government introduced amendments to the Act providing for a new process by which Local Government would self-manage boundary change. Historically, Local Government in South Australia had resisted attempts at restructuring which appeared to be imposed from above. Under the Panel system, boundary change could be generated by Councils, or by residents or ratepayers.

For a time, the Panel system operated in parallel with the Board, as a transitional arrangement set out in the legislation. The process involved the LGA's constituting a four person Panel, including one Ministerial nominee. Under the Panel System, the following Councils amalgamated:

- The District Council of Kapunda and the District Council of Light, proclaimed by the Governor on 25 January 1996
- The Corporation of the Town of Renmark and the District Council of Paringa, proclaimed by the Governor on 27 June 1996
- The District Council of Berri and the District Council of Barmera, proclaimed by the Governor on 1 August 1996.

A Panel was also established to examine an elector initiated amalgamation proposal for Kangaroo Island, which the Board subsequently took responsibility for progressing.

Legislation required a review of the Panel process after five years, but by then the system was superseded by the Local Government Boundary Reform Board, as a result of the State Government's desire to accelerate structural reform.

THE MINISTERIAL ADVISORY GROUP

In December 1993, the election in South Australia of a Liberal Government brought to office a party whose platform included significant public sector reform. Local Government was seen as an integral part of this reform program.

In its May 1994 Financial Statement, the State Government clearly spelled out Local Government's part in its expanded reform program:

The objective will be to strengthen the capacity of Local Government in this State so that it can assume a more significant role in the operations of the South Australian public sector. A lift in the efficiency and effectiveness of Local Government can be seen as a logical and desirable extension of the major reforms being pursued by the State Government. (Financial Statement, May 1994)

Subsequently, the State Government established a Ministerial Advisory Group (MAG) in 1994, to review the status of Local Government reform, and make recommendations to accelerate reform.

The final report of the MAG was released in June 1995, and made wide ranging recommendations to Government. The Report stressed the need for reform of Local Government in three main areas:

- functions — based on Councils' present and potential future functions
- structure — size and character of the organisation
- management — by whom and how a Council is directed and structured to manage its affairs to measurable best practice performance standards.

In relation specifically to structural reform, MAG suggested the establishment of a Local Government Board, that would recommend new boundaries to the (then) Minister for Local Government Relations.

The MAG report's recommendations were not accepted by the community and other key stakeholders. Following much debate, the Government instead opted for a voluntary approach to structural reform, and an acceleration of the review of the Local Government Act to be undertaken by the end of 1997.

The estimated savings of \$150 million identified in the MAG Report were predicated on extensive concurrent functional, structural and management reform, including the introduction of compulsory competitive tendering.

THE AGENDA FOR LOCAL GOVERNMENT REFORM

Since its re-election in 1997, the State Government has continued to work towards a broad-based, Local Government reform agenda, with the following objectives:

- to develop a stronger Local Government system which is better able to deliver more efficient and effective services
- to enable Local Government to effectively participate in strategies for regional economic development in South Australia
- to facilitate the interaction of Local Government with other spheres of government.

The staged approach to achieving these objectives involves:

- reviewing the Local Government Act parallel to structural reform and the facilitation of further management reforms
- addressing functional reform after significant structural and legislative reform occurs.

PART B

Establishment and operations of the Board



2. THE LOCAL GOVERNMENT BOUNDARY REFORM BOARD

This section first discusses issues related to the establishment of the Board, follows with an outline of the legislation's key elements, and concludes with a description of the Board's operations and processes.

The intention in this section is to document process, systems, and structure, but not to interpret or analyse related issues. Thus, this section provides the basis for the Report's later analysis of 'critical success factors', and 'lessons learned' (section 3).

2.1 ESTABLISHING THE LOCAL GOVERNMENT BOUNDARY REFORM BOARD

In September 1995, prior to establishing the Board, the State Government established a team within the (then) Department of Housing and Urban Development, headed up by an Executive Director, Local Government Reform. The object was to prepare the groundwork for the structural reform process. Some of the key activities undertaken in the lead up to the Board's establishment — critical to the success of the structural reform initiative — are described in more detail below.

Concurrently, legislation was drafted to establish a Local Government Boundary Reform Board to facilitate the structural reform of Local Government. The draft legislation was circulated in September 1995, providing an opportunity to stimulate debate within Local Government. This was followed by a relatively short consultation period on the draft. The *Local Government (Boundary Reform) Amendment Bill 1995* was introduced to Parliament in November 1995.

THE STATE GOVERNMENT'S APPROACH

In introducing the legislation to Parliament, the State Government emphasised that its approach diverged from the MAG Report in two key areas:

- amalgamations were to be voluntary, meaning that a neat map with even-sized Local Government areas was not a primary prerequisite. Amalgamations were to be based on function, economy and effectiveness of local representation
- a preference was expressed for whole of Council areas to amalgamate, to avoid the division of existing community networks, although it was recognised that there may be cases where excision of part of a Council area may be sensible (Hansard, Second Reading Speech, 25 October 1995).

At the time, the Government noted the long-held view that reducing the number of Councils would make a significant contribution to the efficiency and effectiveness of service

delivery in Local Government. By reducing the number of administrative units, and combining their functions, economies of scale would result, to the benefit of all parties. The Government also recognised that both public and private sector organisations were responding and adapting to changing social and economic conditions. While there was a genuine desire in Local Government to reform, this had been frustrated in part by the process for change available through the legislation. In establishing a Board, one of the Government's intentions was to break the impasse that had developed in the structural reform of Local Government as a result of the Panel method of dealing with Council amalgamation proposals. It should be noted, however, that the Panel system was never envisaged as a vehicle to drive structural reform on a significant scale.

Key principle: voluntary amalgamations

The Government's new legislation rested on the key principle of voluntary amalgamations. This represented a departure from the prescriptive approach to structural reform adopted by the State Government in Victoria (section 6.1 includes comment from a senior Victorian Government representative on this approach). The three key elements of the Victorian State Government's structural reform program — implemented in 1993 — were forced amalgamations, compulsory competitive tendering, and the interim appointment of Commissioners to replace elected Councils. There were widespread concerns that this approach would be replicated in South Australia.

To facilitate the structural reform of Local Government in South Australia, the legislation included two processes:

- voluntary proposals submitted by Councils
- proposals formulated by the Board.

Although Councils could develop their own structural reform proposal at any time throughout the Board's life, it was only after March 1996 that the Board was able to develop its own proposals.

The Government believed this 'carrot and stick' approach was the best way to ensure the Board was able to accelerate its work. This was an important consideration given the Government's expectation that the Board would complete the bulk of its work in time for the May 1997 Local Government elections. The inclusion of a sunset clause in the legislation — whereby the Board would cease operating in September 1997 — was also regarded as a key mechanism in expediting its work.

Following an extensive Parliamentary debate, the Bill was passed in December 1995, and the Board commenced its operations in January 1996.

2.2 KEY ELEMENTS OF THE LEGISLATION

DEFINITION OF STRUCTURAL REFORM

A structural reform proposal is defined in the legislation as a proposal to:

- constitute a Council
- amalgamate two or more Councils
- abolish a Council and incorporate its area into the areas of two or more Councils
- alter the boundaries of a Council area
- establish a cooperative scheme for the integration or sharing of staff and resources within a federation of Councils.

OBJECTIVES OF THE BOARD

The objectives of the Board required it to adopt appropriate practices and procedures to enhance the ability of Local Government to provide services in an efficient, effective, fair and responsive manner. The Act outlines the Board's objectives as follows:

- a significant reduction in the number of Councils in the State
- a significant reduction in the total costs of providing the services of Local Government authorities under this Act
- significant benefits for ratepayers under this Act.

OBJECTS

The legislation establishing the Board required it to have regard to principles (listed below), and also to the following objects of Local Government:

- to provide a representative, informed and responsible decision-maker in the interests of developing the community and its resources in a socially just and environmentally sustainable manner
- to ensure a responsive and effective provider and coordinator of public services and facilities at the local level
- to provide an initiator and promoter of effort within a local community
- to represent the interests of a local community to the wider community.

PRINCIPLES

In addition to the objects of the Act, the legislation also required that the Board should, in arriving at its recommendations for structural reform proposals, have regard to the following principles:

- the desirability of achieving significant economies in the use of resources within Local Government, while avoiding significant divisions within the community

- that ratepayers should be able to receive a reduction in their Council rates through the implementation of structural reform proposals under this Part
- a Council should have a sufficient resource base to fulfil its functions fairly, effectively and efficiently
- a Council should offer its community a reasonable range of services delivered on an efficient, flexible, equitable and responsive basis
- a Council should facilitate effective planning and development within an area, and be constituted with respect to an area that can be promoted on a coherent basis
- a Council should be in a position to facilitate the management of environmental issues and the integration of land use schemes
- a Council should reflect communities of interest of an economic, recreational, social, regional or other kind, and be consistent with community structures, values, expectations and aspirations
- a Council area should incorporate or promote an accessible centre (or centres) for local administration and services
- in considering boundary reform, it is advantageous (but not essential) to amalgamate whole areas of Councils (with associated boundary changes, if necessary), and to avoid significant dislocations within the community
- if the area of a Council that is not divided into wards is to be amalgamated with the area of a Council that is divided into wards, the new area should be divided into wards
- in certain circumstances a scheme that provides for the integration or sharing of staff and resources by two or more Councils may offer a community or communities a viable and appropriate alternative to boundary reform options.

FUNCTIONS

The functions of the Board under the Act are set out below:

- to assist Councils that are working towards an amalgamation or rationalisation of areas, or towards the rationalisation, integration or sharing of works and services
- to facilitate the provision of financial incentives to Councils that are participating in significant reform proposals in order to assist in the finalisation and implementation of those proposals
- to recommend criteria, to be prescribed by regulation, against which the performance of Councils as Local Government authorities under this Act can be assessed, and then to assess the performance of Councils in the State against those prescribed criteria
- to consider proposals for the making of proclamations under this Part submitted by Councils by agreement, and to make recommendations to the Minister on the basis of those proposals

- to conduct inquiries into the efficiencies and operations of Councils which, on the basis of the Board's assessments against the prescribed performance criteria, warrant further investigation, and which have not participated in the formulation and submission of structural reform proposals
- to make recommendations to the Minister about proposals for the making of Proclamations under this Part in respect of matters that have not otherwise been dealt with by Proclamations based on proposals submitted by Councils
- to assess or develop, in consultation with the proponents, three-year financial and management plans for the 1997–98, 1998–99 and 1999–2000 financial years for Councils that are to be constituted or formed under structural reform proposals under this Part
- to provide advice to the Minister on matters referred to the Board by the Minister
- to conduct other inquiries and to consider various proposals relevant to the operation of this Part, and to the performance of other functions contemplated by this Part.

The functions of the Board required it to develop performance criteria, against which Councils could be assessed. Once developed, the performance criteria were prescribed in regulations under the Act (discussed in section 2.3).

PROCEEDINGS

The Board was legally obliged to open all meetings to the public, except when dealing with matters deemed confidential. The Board dealt with only two matters 'in camera', relating to a potential conflict of interest. The legislation also required the Board to make copies of confirmed minutes available upon request.

Early in the life of the Board, it determined a policy with respect to the release of information or documents other than the confirmed minutes. In essence, the policy was to not release other information, other than through the provisions under the Freedom of Information Act (FOI). During the life of the Board, three FOI requests were made, and the requested information provided for two of these requests.

The Board (and its Committees) maintained a policy of meeting in Council chambers across metropolitan and country South Australia, endeavouring where possible to meet in areas where amalgamation proposals or issues affecting particular communities were being discussed.

PROCEDURES AND POWERS

Hearings, inquiries and submissions

Under the Act, the Board's procedures and powers allowed it to hold hearings and inquiries, receive and consider written submissions, and conduct opinion surveys and polls.

In addition, the Board was not bound by the rules of evidence.

The Board also had certain powers to issue a summons to require a person's attendance, require a person to answer questions, and to require a person or a Council to produce books, papers or other records. These powers were not used.

Committees

The legislation required the Board to establish two committees, the Metropolitan Councils Reform Committee and the Country Councils Reform Committee. These committees were to provide the Board with advice and assistance on matters relevant to Councils within and outside metropolitan Adelaide. The Board decided that the main role of the committees was in assisting the Board in deciding whether Councils submitting a structural reform proposal had carried out a reasonable amount of community consultation. The legislation provided that the Board could decline to accept a proposal, unless or until it was satisfied that a reasonable amount of community consultation had occurred.

JUDICIAL REVIEW

The legislation provided that the Minister and the Board would not be subject to judicial review in relation to their actions in connection with structural reform inquiries and reports, provided they acted within their jurisdiction. This provision was included because the Government recognised that the tight timeframe for the structural reform process required a dynamic approach dependent upon all parties adopting procedures that were as flexible and cooperative as possible. The Government took the view that these qualities could not exist in a litigious environment (Hansard, Second Reading Speech, 25 October 1995).

SUNSET CLAUSE

The inclusion in the legislation of a 30 September 1997 sunset clause was regarded by the Government as a key element in creating a sense of urgency for voluntary structural reform. Expediting the work of the Board was critical, given the need for new Councils to be elected in time for the May 1997 Local Government elections. The sunset date also meant that the Board could not take on a role outside of amalgamations, or become some sort of 'watchdog' over Councils.

In July 1997, amendments to the Act extended the Board's life for 12 months, to 30 September 1998. The extension was intended to provide for the completion of Board formulated proposals still before the Board, and for the management of further proposals for boundary changes between 30 September 1997 and the enactment of new Government legislation.

BOARD MEMBERSHIP

The legislation provided for an eight member Board, with seven members appointed by the Governor. Of these seven:

- four were nominated by the Minister
- two were selected from a panel nominated by the Local Government Association

- one was selected from a panel nominated by the United Trades and Labor Council
- at least two were to reside in metropolitan Adelaide
- at least two were to reside outside metropolitan Adelaide
- at least one was to be a woman
- at least one was to be man.

Each of these members had a deputy, who was nominated by the same body and appointed at the same time.

The Executive Director, Local Government Reform, was also a member of the Board, and did not have a deputy. The role of the Executive Director was as principal executive of the Board and manager of its staff and resources.

Board members included people with a strong background in Local Government, as well as expertise in economic development and industrial relations at local and statewide levels.

The membership of the Board is listed at Appendix B.

VOLUNTARY STRUCTURAL REFORM PROPOSALS — DRAFT AND FINAL

The legislation provided for two types of voluntary (or Council formulated) proposals: draft and final proposals.

Draft proposals

Councils were able to submit a draft proposal or outline of a proposal to the Board at any stage. The Board's guidelines suggested that a draft proposal could be submitted for consideration after the completion of either the first or second phase of investigation. However, it was not essential to lodge a draft proposal formally with the Board prior to submitting a final structural reform proposal.

A draft proposal, by its very nature, would not be as complete as a final proposal. Its purpose was to elicit formal advice about how the proposal could be improved, or other areas that should be investigated and clarified, prior to submitting the final proposal.

Once a draft proposal was submitted, the Board was required to undertake a preliminary assessment against the criteria and principles prescribed by the legislation. Appendix C lists the key elements of this technical assessment (this procedure was consistently applied to both draft and final proposals). A report was then submitted to the Board for review. Councils were given the option to make a presentation at the draft proposal stage, to enable the Board to seek clarification where required. The next step involved the Board providing a formal response to Councils, offering its advice regarding the draft.

A diagram showing each step in the process followed by the Board in receiving a draft proposal can be found at Appendix D.

Final proposals

In this process, the onus was on Councils to review their opportunities with neighbouring Councils, and explore an option which would give the maximum benefits to their community. Once agreement had been reached with one or more Councils to pursue an amalgamation, the results of this detailed investigation formed the basis of a proposal, which was forwarded to the Board for consideration. The Board then prepared a report to the Minister, with its recommendation for approval.

Assessing a final proposal involved two concurrent processes:

- referral to the relevant Board Committee for advice regarding community consultation
- referral to the Board staff to provide a technical assessment for the Board's consideration (coinciding with the issuing of a Public Notice advising the Board's receipt of the proposal).

The detailed process followed by the Board in assessing final proposals is set out in the diagram at Appendix E.

In considering whether there had been a reasonable amount of community consultation prior to the Board receiving a final proposal, the committees referred to the Board's guidelines on 'Consulting the Community'. These guidelines outlined the purpose of consultation, and described a variety of techniques to assist in conducting community consultation. They included a checklist on the consultative process for inclusion in the final structural reform proposal. This was used by the committees as a framework for considering whether there had been a reasonable amount of community consultation in the course of the proposal's being developed by Councils. This involved reviewing the consultation process, not the adequacy of the proposal, or whether the proposal should proceed.

Assessing final proposals involved the Board considering, in the first instance, the committee's assessment of the amount of community consultation. If this process was considered to be reasonable, the Board then moved to considering the technical assessment of the proposal, so that both matters could be addressed at the same Board meeting. This process was adopted to streamline the progress of proposals, and to ensure decisions could be reached as promptly as possible.

The assessment elements used by the Board for community consultation are listed at Appendix F. As explained earlier, in assessing a final proposal, the Board used the same assessment procedure as for draft proposals (see Appendix C).

The Board had no powers to amend the proposal, or substitute an alternative proposal, without the consent of the Councils involved.

BOARD FORMULATED PROPOSALS

Although Councils could develop their own structural reform proposals at any time throughout the Board's life, it was only after March 1996 that the Board was able to develop its own proposals.

The intention was that the Board should be able to formulate proposals, 'where no satisfactory Council proposed schemes exist, or where Councils cannot agree on which one to pursue' (Hansard, Second Reading Speech, 25 October 1996).

After all attempts to facilitate a voluntary proposal failed, the Board would determine a possible grouping of Councils, and then conduct a performance assessment of these Councils against defined performance criteria (prescribed in regulation and outlined in section 2.3) to determine if there would be any community benefit in bringing them together. This would be followed by an extensive consultation and inquiry process, to allow the Board to further investigate and develop a proposal, and establish whether there was community support.

The legislation prescribed the following rigorous and lengthy process for the Board to follow when formulating a proposal, consistent with principles of natural justice:

- the terms of the Board formulated proposal are to be discussed at length with the affected Councils prior to the Board's considering whether to proceed
- when the Board formulates the proposal, public notice must be given setting out the substance of the proposal and inviting submissions in writing with at least six weeks allowed for replies
- after the time for submissions has expired, the Board must hold a hearing in relation to a proposal
- at the hearing, any person who has made a written submission is entitled to be heard
- the Board may also hear and consider other evidence and submissions and then determine if a proposal should proceed, lapse or be amended
- if Councils accept the proposal, it can be recommended to the Minister for Proclamation
- if one or more of the affected Councils rejects a Board initiated proposal, a poll must be conducted by postal voting over the whole affected area, to allow the Board to ascertain the overall result and voting according to various Council areas
- the poll requires a 40% turnout across the whole area affected by the proposal and a majority vote against the proposal to prevent a Board initiated merger from proceeding.

This process reinforced the democratic nature of structural reform, allowing local communities to have their say on their future.

This process is represented in a diagram at Appendix G.

The minimum time for this process was estimated at 34 weeks. This estimate did not factor in any additional time which might be required, for example, to encourage the Councils involved to reconsider a voluntary merger.

FINANCIAL MANAGEMENT PLANS

The legislation required proponents to include a financial and management plan in the structural reform proposal for the 1997–98, 1998–99 and 1999–2000 financial years for the proposed new Council.

In guidelines endorsed by the Board to assist Councils in understanding these requirements, it was suggested that the plan include:

- a summary financial plan (the Board’s guidelines provided a suggested standard format)
- a broad vision statement for the proposed new Council
- an outline of transition plans covering proposed implementation of a new organisation structure, a process for the selection of financial and other systems and a process for adoption of common accounting policies
- advice on the status of recognising, valuing and recording non-current assets and any planned improvements to asset management systems
- advice on any proposed plans to improve management of financial risks
- advice on any expected savings from structural reform and how they are proposed to be applied, and any material impact the reform proposal is anticipated to have on the quality and extent of Council services.

RATING PROVISIONS

To ensure that some portion of the savings resulting from amalgamations was passed on to electors, the legislation required that the revenues collected from rates set for the 1997–98, and 1998–99 financial years were to be no more than the revenues collected for the 1995–96 financial year as adjusted to reflect changes in the Adelaide Consumer Price Index between 1995 and 1997.

To encourage structural reform, this rate capping provision applied to all Councils, regardless of whether or not they amalgamated.

The legislation also contained provisions for differential rates to be used by newly-formed Councils to gradually realign rating relativities, to ease the transition for ratepayers of amalgamating Councils which might previously have had quite different rate structures.

WARD TOLERANCE

In July 1996, following suggestions made by the Board, the State Government introduced amendments to the Act, allowing for some transitional flexibility in ward quota provisions to assist with the structural reform of Councils. The amendment allowed newly formed Councils with wards to defer the need to meet the requirement of the Act that each elected member represent an equivalent number of electors within a tolerance of 10%, subject to compliance being achieved before the second general election of Councils, or by an earlier date fixed by Proclamation. The intention was to ensure that the principle of 'one vote one value' was restored within a reasonable period of time.

2.3 OPERATIONS OF THE BOARD

EARLY KEY ACTIVITIES

The first step in developing the approach to structural reform was the appointment in September 1995 of an Executive Director, Local Government Reform. Key activities took place during the first three months of the reform initiative, from October to December 1995, and early on following the establishment of the Board in January 1996. Some of these are summarised below.

Communication/liaison with Councils

Between October and December 1995, the Executive Director visited every region in the State to explain the draft legislation, the overall approach and the development of the structural reform process. This was essential for keeping Councils informed and providing input into the process.

An information brochure was distributed late in 1995 to assist Councils and the community to understand the Government's approach to structural reform, and how the process was intended to work.

In the early development of the process, considerable consultation occurred with Councils and the LGA. This was particularly the case with the development of the guidelines, and performance criteria and indicators (all described below).

Early in March 1996, the Executive Director travelled throughout the State to conduct information sessions with Councils. Held in conjunction with the LGA, these sessions were primarily about the development of performance criteria, but also provided an opportunity to promote the broader structural reform agenda. These were held in Naracoorte, Murray Bridge, Port Lincoln, Salisbury, Marion, Wallaroo and Melrose.

The Board's objectives in holding these sessions were to:

- inform Councils and communities of its activities and progress

- clarify assessment processes for draft and final proposals
- present draft performance criteria
- provide an understanding of performance criteria.

Guidelines for voluntary structural reform

The Board's functions included providing assistance to those Councils working towards an amalgamation of areas, or towards rationalisation, integration or sharing of works or services. To this end, a series of guidelines was prepared to assist Councils to develop structural reform processes and proposals in a manner consistent with the stated objects of Local Government and the principles outlined in the Act. It was emphasised that there was no requirement, legal or otherwise, to undertake every task identified in the guidelines.

In developing guidelines, it was recognised that Councils needed a process that helped them to work through the various combinations with their neighbours, and then offer practical advice for investigating specific options more fully. This was important, as previous amalgamation attempts had failed in the final stages, often because elected members had reconsidered their decisions on the basis of personal or emotional reasons rather than on objective information.

The guidelines were developed in consultation with the LGA, the Officers Network of the LGA, and the Institute of Municipal Management (IMM).

The guidelines were released in a package as *The Voluntary Structural Reform Information Kit* (initially including Series 1 – 7). Throughout the life of the Board, the guidelines were supplemented with new editions as fresh issues arose. The complete list of the guidelines is included in the references section of this Report.

The strategic approach to voluntary structural reform: three phases

The strategic approach to voluntary structural reform described in the Board's guidelines was in three phases, the timeframes for which would vary, depending on individual circumstances.

The guidelines encouraged Councils developing a major structural reform proposal to consider the largest combination of Councils in the first instance.

For each of the three phases the guidelines stipulated an expected timeframe, objectives and major tasks.

Phase one: Exploration process

The indicative timeframe for this phase was one month. Its objectives were to:

- identify, investigate and negotiate options for structural reform with neighbouring Councils

- identify the most suitable combination of Councils and determine resources and management arrangements for further investigation.

Phase two: Research and consultation

The indicative timeframe for this phase was two months. Its objectives were to:

- research and document information to explore the structural reform proposal
- provide comprehensive data to a structural reform committee for analysis of the similarities and difference between Councils
- consult with stakeholders likely to be affected by the proposal.

Phase three: Major voluntary structural reform proposal

The expected timeframe for this phase was two months. Its objective was to:

- develop and prepare a major structural reform proposal, by addressing the significant components outlined in the Voluntary Structural Reform Process Guidelines (that is, based on the research, analysis and consultation undertaken in phase 1 and phase 2).

Resourcing

The Board comprised eight members and seven deputies. The Executive Director was a Board Member and also the manager of a team of staff supporting the operations of the Board.

At the height of the Board's activity, the team totalled eleven staff: a personal assistant; four client managers who were responsible for ongoing assistance and liaison with Councils; an assessments manager, responsible for reviewing proposals submitted by Councils for compliance with the relevant legislation; an executive officer to the Board; three administrative officers; and a manager of proposals formulated by the Board. Since September 1997, its resources have been scaled down considerably.

Funding from the State Government was supplemented by a grant from the Commonwealth Government.

Commonwealth Local Government Development Program funding

In the lead up to the Board's establishment, funding was successfully sought from the Commonwealth Government's Local Government Development Program (LGDP) for facilitating structural reform (\$400 000), and undertaking a broad study of benchmarking for the performance assessment of Local Government (\$85 000).

The grant for structural reform was used to assist in meeting the cost of facilitators (\$200 000), and to assist in providing support for technical consultancies for groups of Councils (\$200 000). This money was matched dollar for dollar by the State. The grant for the benchmarking and performance assessment project (around \$85 000) extended beyond the structural reform initiative, and led to the development of performance criteria (described on the next page).

Facilitators

It was recognised that many Councils would probably need encouragement to take the first steps towards investigating structural reform options. Therefore, an early task of the Board was to establish a panel of experienced and skilled facilitators, to assist Councils in their efforts to develop and prepare voluntary structural reform proposals.

The role of the facilitators was to provide support, primarily in ensuring that appropriate forums and processes were established and effectively used by Councils in addressing the wide range of issues to be considered. The intention was that initially facilitators would focus on facilitating discussions and ensuring that effective processes were in place.

By supporting Councils in applying the Board's Voluntary Structural Reform Process guidelines, facilitators would be able to:

- assist Councils to identify, investigate and negotiate options for structural reform with neighbouring Councils and identify the most suitable combinations of Councils for further investigation
- support Councils to investigate, research and document proposals and as necessary consult with stakeholders affected
- assist in the preparation of structural reform proposals based on those guidelines.

Status Reports

A comprehensive Status Report from all Councils in the State was first considered by the Board at its April 1996 meeting, which documented each Council grouping in the State involved in amalgamation discussions. The Status Report also identified Councils not actively involved in the process, for whatever reason, and analysed the implications of the situation for progressing structural reform. The Status Report became a standing agenda item for updating at each Board meeting, and was an invaluable tool for monitoring the progress of structural reform across the State.

Performance Criteria

The Act required that the Board develop performance criteria, a subset of the benchmarking and performance assessment project, funded from the Commonwealth LGDP grant. The Board consulted extensively with Councils and the LGA in the development of the criteria, subsequently prescribed as the Local Government (Performance of Councils — Prescribed Criteria) Regulations 1996.

Performance criteria were developed to assist Councils and the Board to compare current performance or capacity with the likely situation following structural reform. It was not the Board's intention that they be used as an absolute measurement against some arbitrary benchmark. Rather, the measure would determine whether or not a local community would benefit from structural reform.

The regulations prescribed the following performance criteria:

- governance — the capacity of the Council to represent and serve the public interests of the community through its elected members and their advocacy role, and the use of community consultation and social development strategies
- financial — the current and potential viability of the Council with particular reference to growth potential, debt levels, revenue capacity, infrastructure maintenance, rating capacity, service provision costs, ability to attract and manage grant funding from State and Commonwealth agencies and appropriate administrative costs
- service provision and delivery — the capacity of the Council to meet the service provision needs of the community in an efficient and effective manner
- environment — the capacity of the Council to meet its statutory and potential community service obligations on matters relevant to the environment
- economic development — the capacity of the Council to identify and contribute to the economic development potential of the region and community expectations in the local area, including infrastructure provision and maintenance, and participation on economic development authorities
- statutory — the capacity of the Council to meet statutory responsibilities, particularly in areas such as health, development, roads and traffic management
- management — the capacity of management to efficiently and effectively support the Council in its governance role, the structures within the Council, and the capacity of management to provide leadership and to achieve agreed outcomes.

The regulations stipulated that these criteria were to be applied with due regard to the particular features of the Council, including its local demography, geography and economy.

2.4 THE PROCESS

STRUCTURAL REFORM PROPOSALS

Draft proposals

During the life of the Board, only three draft proposals were submitted:

- the City of Brighton and the City of Glenelg
- the Corporation of the City of Campbelltown and the Corporation of the City of Payneham
- the District Council of Port MacDonnell and the District Council of Mount Gambier.

Of these, the Councils of Brighton and Glenelg, and Port MacDonnell and Mount Gambier, followed the draft proposal with a final proposal. The Payneham Council later became involved in discussions resulting in the formation of the City of Norwood, Payneham, and St Peters.

Final proposals

In total, the Board approved 34 voluntary proposals involving whole-of-Council amalgamations, comprising 81 Councils. In addition, the Board processed a number of boundary alterations (identified separately below). Two other proposals were considered that related to ward boundaries (see below).

In all, 78% of South Australian Councils actively participated in the voluntary structural reform process.

Appendix H lists these new entities, as well as their former Council areas.

In one case on the Eyre Peninsula, the Councils went through the process of developing a proposal which ultimately was not lodged with the Board.

The Eyre Peninsula

Following extensive community consultation and the conduct of a poll of electors, the Councils of Port Lincoln, Lower Eyre Peninsula and Tumby Bay, advised the Board that they did not wish to pursue further structural reform. From the outset of their structural reform investigations, the three Councils followed a rigorous process to develop a proposal, in consultation with their communities and the Board's client manager.

The structural reform proposal which was developed offered modest recurrent savings of around \$400 000, no job losses, and a significant reorganisation of the Councils' internal capacity to improve the quality and range of services to their communities.

The Councils determined to follow the model of community consultation identified in the Act (section 21), as a requirement for Board formulated proposals. A summary of information outlining the 'for' and 'against' cases was referred to the State Electoral Office for review, prior to distribution to the communities of the three Councils. A poll of electors was then conducted late in 1996.

The results of the poll showed the community overwhelmingly rejected the structural reform proposal, by a ratio of 2:1.

Following the declaration of the poll, all three Councils resolved to advise the Board, that, in accordance with the wishes of their communities, they did not wish to pursue further structural reform investigations.

The Board, in accepting the resolution of the Councils, noted that:

- the Councils had conducted a comprehensive evaluation of their structural reform options
- the consultation process in developing the proposal was thorough

- the information given to the community prior to their poll was scrutinised by the State Electoral Office to ensure the 'for' and 'against' arguments were presented fairly and objectively
- the process was undertaken in close consultation with the Board.

As a consequence, the Board:

- accepted the outcome of Councils' poll as a reasonable reflection of community sentiment
- recognised that the process they went through was thorough and professional
- determined that it would not pursue further structural reform investigations.

The Report discusses this further in relation to 'lessons learned' (section 3.3).

Boundary alterations

From its inception until well into 1997, the Board concentrated on facilitating whole of Council amalgamations, with an understanding that boundary alterations would be handled when new Councils began operating.

Legislation extending the life of the Board until September 1998 enabled it to assist those Councils which wished to work through processes of identifying or implementing boundary alterations.

The Board produced a set of guidelines to assist Councils wishing to develop proposals for boundary alterations. The guidelines stressed that they could be adapted to meet specific circumstances.

Some fifty opportunities for boundary alterations were tentatively flagged during the first phase of the structural reform process. These are listed at Appendix I. The Board's view on prospects for progressing these boundary alterations is discussed in section 7.1.

To date, the Board has processed five boundary alterations, including:

- a parcel of land from the (then) City of Noarlunga to the Corporation of the City of Marion
- a realignment of the boundary between the (then) City of Happy Valley and the Corporation of the City of Marion.

The following two boundary alterations were linked directly to amalgamations:

- part of the (then) District Council of Willunga to the (then) District Council of Port Elliot and Goolwa
- part of the (then) District Council of Mount Pleasant to the Mid Murray Council.

The following two boundary alterations were rejected by their Councils, despite polls recording that a majority of the affected communities were in favour:

- the Adelaide Hills Council rejected the transfer of Skye and Auldana to the City of Burnside
- the Mid Murray Council rejected the transfer of the Hundred of Cadell to the District Council of Loxton Waikerie.

The Board also has considered and recommended that the Government approve a proposal to alter the boundaries of the City of Port Augusta, at the most southern extremity across the Spencer Gulf.

FURTHER INVESTIGATIONS

Commencing in April 1996, the Board undertook a performance criteria survey of selected Councils. The Councils surveyed were those which indicated they had no intention of merging, or had made little progress in negotiations with neighbouring Councils. The survey sought detailed responses in a broad range of areas, including the role of strategic plans, community consultation about structural reform, and rate levels.

The Board sponsored a number of investigations related to structural reform opportunities. Some of these arose from the results of performance surveys, while others arose from the perceived need to clarify or assist the voluntary investigations conducted by Councils.

Structural opportunity assessments arising from the performance surveys were commissioned by the Board for the following groupings of Councils:

- Kanyaka-Quorn and Hawker
- Yankalilla, Victor Harbor, Port Elliot and Goolwa, Strathalbyn (and part of Willunga)
- Robe and Lacepede
- Robe and Wattle Range
- Lucindale and Naracoorte
- Lucindale, Lacepede and Robe
- Prospect and Walkerville
- Mitcham and Unley
- Mitcham, Unley and Marion
- Campbelltown and Burnside.

In two of these cases, voluntary proposals resulted from some or all of the groupings. In one case, a Board formulated proposal arising from this process was accepted by the Councils, resulting in the formation of a new Council.

Two metropolitan Councils which participated in the Board's performance criteria survey and preliminary assessment decided to undertake a voluntary investigation of opportunities, rather than have the Board assume that responsibility. The Board felt obliged to support this approach, but no amalgamation resulted.

In four cases, the Board sponsored other investigations, for the purposes of clarifying opportunities:

- Cleve, Kimba, and Franklin Harbor
- Elliston, Le Hunte, and Streaky Bay
- Gawler, Playford, Mallala, Kapunda Light and Barossa
- Brown's Well.

One voluntary amalgamation occurred as a direct result of this intervention, and, in the other cases, the process has delivered comprehensive and useful information that may prove beneficial for future consideration of structural reform.

The Board also requested the City of Mount Gambier and the District Council of Grant to produce a consolidation study to further explore opportunities for resource sharing.

During 1996, the Board commenced investigating amalgamation options in the Fleurieu region. The Board initially facilitated voluntary discussions among the District Councils of Strathalbyn, Port Elliot and Goolwa, Victor Harbor, Willunga (part) and, at a later stage, the District Council of Mount Barker.

This led to a decision by the Board to undertake its own investigations of the possibility of a merger between Strathalbyn, Port Elliot and Goolwa, Victor Harbor, Willunga (part) and Yankalilla. That decision was prompted by a request from those Councils involved in the voluntary process.

One outcome of these processes has been the voluntary merger of the District Council of Strathalbyn and the District Council of Port Elliot and Goolwa to form the new Alexandrina Council on 1 July 1997. Part of the District Council of Willunga was included in that merger, under arrangements to establish the City of Onkaparinga.

In the South East of the State, when the Councils involved decided not to pursue discussions about a possible amalgamation of the District Councils of Lucindale, Lacedpede and Robe, the Board commenced investigations of a range of options including mergers of the District Council of Robe and Wattle Range Council, the District Councils of Lacedpede and Robe, and the District Councils of Lucindale and Naracoorte.

The Board assessed the performance of each Council against the performance criteria prescribed under regulations, and consulted with each Council on the terms of the proposal to amalgamate.

Of all the Council groupings further investigated during the life of the Board, the following three proceeded to the stage of Board formulated proposals:

- District Council of Victor Harbor and the District Council of Yankalilla
- District Council of Robe and the District Council of Lacepede
- District Council of Lucindale and the District Council of Naracoorte.

District Council of Victor Harbor and the District Council of Yankalilla

The first Board formulated proposal involved the District Councils of Victor Harbor and Yankalilla. In August 1997, the Board considered the terms of a proposal for an amalgamation between these two Councils, and agreed to proceed with a Board formulated proposal.

Following the completion of its inquiries and community consultation on the terms of the proposal, the Board decided in February 1998 that the proposal should lapse. In making its decision, the Board was sensitive to the fact that there was no desire, particularly from a significant majority of the Yankalilla community, to amalgamate, and that this would override the benefits. The Board's proposal was met with a strong and united stand from the Yankalilla community, and an apparent lack of interest from the Victor Harbor community. Both Councils were opposed to a merger. The Board also believed that proceeding to a poll on the proposal — as required under the legislation — may have resulted in ongoing community division. As required under the Act, the Board completed its report to the Minister for Local Government, and provided copies for both Councils.

Given that the issue of resource sharing had been raised in community consultation, the Board also determined that it should approach both Councils to convene a meeting of representatives to explore opportunities for resource sharing.

District Council of Robe and the District Council of Lacepede

At its meeting on 22 September 1997, the Board considered the terms of a proposal for an amalgamation between the District Council of Lacepede and the District Council of Robe and agreed to proceed with a Board formulated proposal.

Following the completion of its enquiries and community consultation, the Board decided at its meeting of 8 September 1998 that the proposal should lapse.

The rationale for this decision was based on the Board's recognition that there was a strong belief in the Robe community that alternative amalgamation options should be explored. The community consultation process revealed a keen interest by some for the District Council of Robe to investigate an amalgamation with the Wattle Range Council. Neither Robe nor Lacepede wished to form the District Council of Kingston and Robe. In addition, the Board thought that proceeding to a poll on either the current or an amended proposal was likely to cause significant division within the communities. Furthermore, due to the

insignificant response from the Lacepede community, it was not possible to draw substantive conclusions about their views on the amalgamation proposal. There was, however, little or no support from Lacepede for an amalgamation throughout the process.

The Board considered whether it should conduct further enquiries or continue public consultation on the proposal. The Board decided not to proceed, but resolved to commission the State Electoral Office to conduct a community survey of Robe electors on its behalf, to test the level of support for investigating a merger of Robe and Wattle Range.

District Council of Lucindale and the District Council of Naracoorte.

At its meeting on 22 September 1997, the Board considered the terms of a proposal for an amalgamation between the District Council of Lucindale and the District Council of Naracoorte and agreed to proceed with a Board formulated proposal. The Board invited written submissions and commissioned a consultant to undertake a review of the proposal.

The District Council of Lucindale had requested that an independent study be conducted into the social and economic impacts of the proposed amalgamation of the Lucindale area. The District Council of Naracoorte had requested the Board to assist with an assessment of economic and tourism opportunities which might be enhanced by an amalgamation. The review reported on these matters as well as addressing many of the community concerns raised by some Lucindale ratepayers as part of the consultation process. The review made recommendations to amend the Board proposal.

The Board subsequently convened public information sessions in each Council area on 13 May 1998, which provided residents and ratepayers with an opportunity to raise issues relevant to the proposal, and canvass matters which led to the amendments to the original proposal.

In light of extensive community consultation on the proposal, and having concluded its inquiries and consultation on the proposal, the Board determined at its meeting of 4 August 1998:

- that the proposal to give effect to an amalgamation between the District Council of Lucindale and the District Council of Naracoorte be amended
- that there had been adequate consultation on the matter
- to delegate to the Chairman of the Board authority to approve the contents of an amended terms of proposal document
- to approve the release of an information leaflet to Naracoorte and Lucindale residents and ratepayers summarising the amended proposal
- to forward the terms of the proposal to the District Council of Lucindale and the District Council of Naracoorte

- to authorise the Chairman to write to both Councils asking whether they accept or reject the Board's terms of proposal and advising of the actions that the Board could take as a result of the decision
- to forward a copy of the report to both Councils.

On 11 August 1998, the District Council of Naracoorte advised that Council had unanimously accepted the Board's terms of proposal to amalgamate. On 20 August 1998, the District Council of Lucindale advised the Board that it had accepted the Board's terms of proposal to amalgamate.

A formal Memorandum of Agreement between the two Councils — underpinning details of the Board's proposal — was then finalised. In addition, both Councils supported the option of the Board recommending to the Minister for Local Government that the amalgamation should proceed.

At its meeting of 25 August 1998, the Board supported both Councils by unanimously recommending to the Minister that the amalgamation of the District Council of Lucindale and the District Council of Naracoorte should proceed.

As required under the legislation, the Board provided a report to the Minister with its recommendation, with a copy of the report to the District Council of Lucindale and the District Council of Naracoorte. The new Council was proclaimed on 17 September 1998, and will commence operations on 1 December 1998.

STRUCTURAL REFORM PROPOSALS OUTSTANDING

Ceduna

At its meeting of 8 September 1998, the Board decided that it would accept a structural reform proposal submitted by the District Council of Ceduna to enable further investigations and consultations on the proposal. The proposal was to alter the boundaries of the Council north as far as the Transcontinental Railway Line and west to the Western Australian border, taking into the Council area a part of the Unincorporated Area of the State and the Yalata Communities.

The Board, at its final meeting of 29 September 1998, endorsed a proposed approach to further investigation of the proposal, and determined to refer the matter to the Boundary Adjustment Facilitation Panel. The Board emphasised the importance of undertaking further consultation with the communities.

Lacepede

In late August 1998, the District Council of Lacepede wrote to the Board seeking assistance in investigating options to rationalise its management, administration and operations. The Council floated the possibility of a 'Federation' with a neighbouring Council, constituted as

a Section 200 Authority under the Act. While some initial help has been provided, this matter was not finalised by 30 September 1998.

Port Augusta

The Board has also considered and recommended that the Government approve a proposal to alter the boundaries of the City of Port Augusta at the most southern extremity across the Spencer Gulf. At the time of writing this Report, the proposal was being considered by the Government.

Skye and Auldana

The boundary alteration involving the transfer of the suburbs of Skye and Auldana from the Adelaide Hills Council to the City of Burnside. Although negotiations are continuing, the issue was not resolved by 30 September 1998.

PART C

Evaluation and opportunities



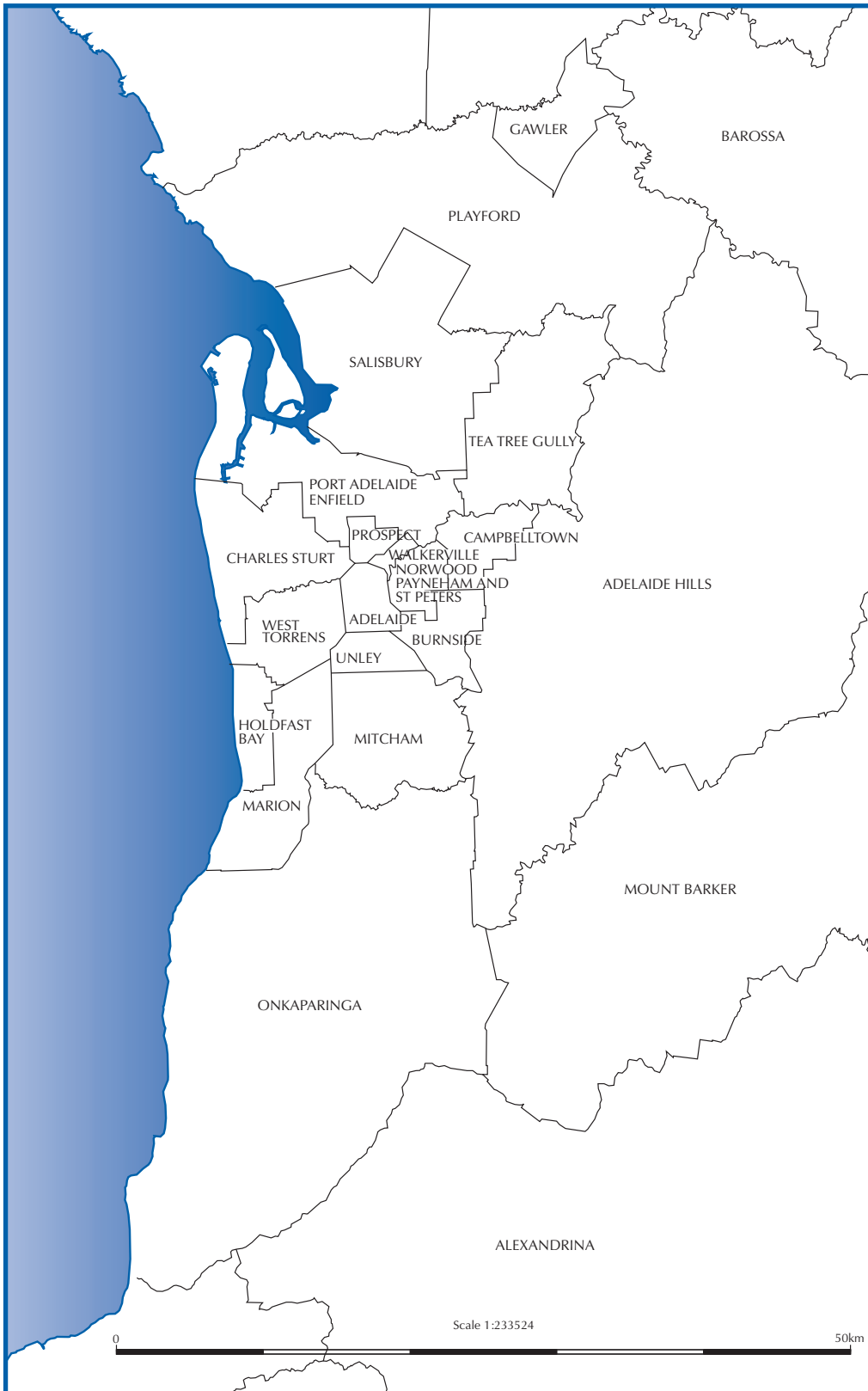


FIGURE 3: SA LOCAL GOVERNMENT BOUNDARIES — METROPOLITAN AS AS SEPTEMBER 1998

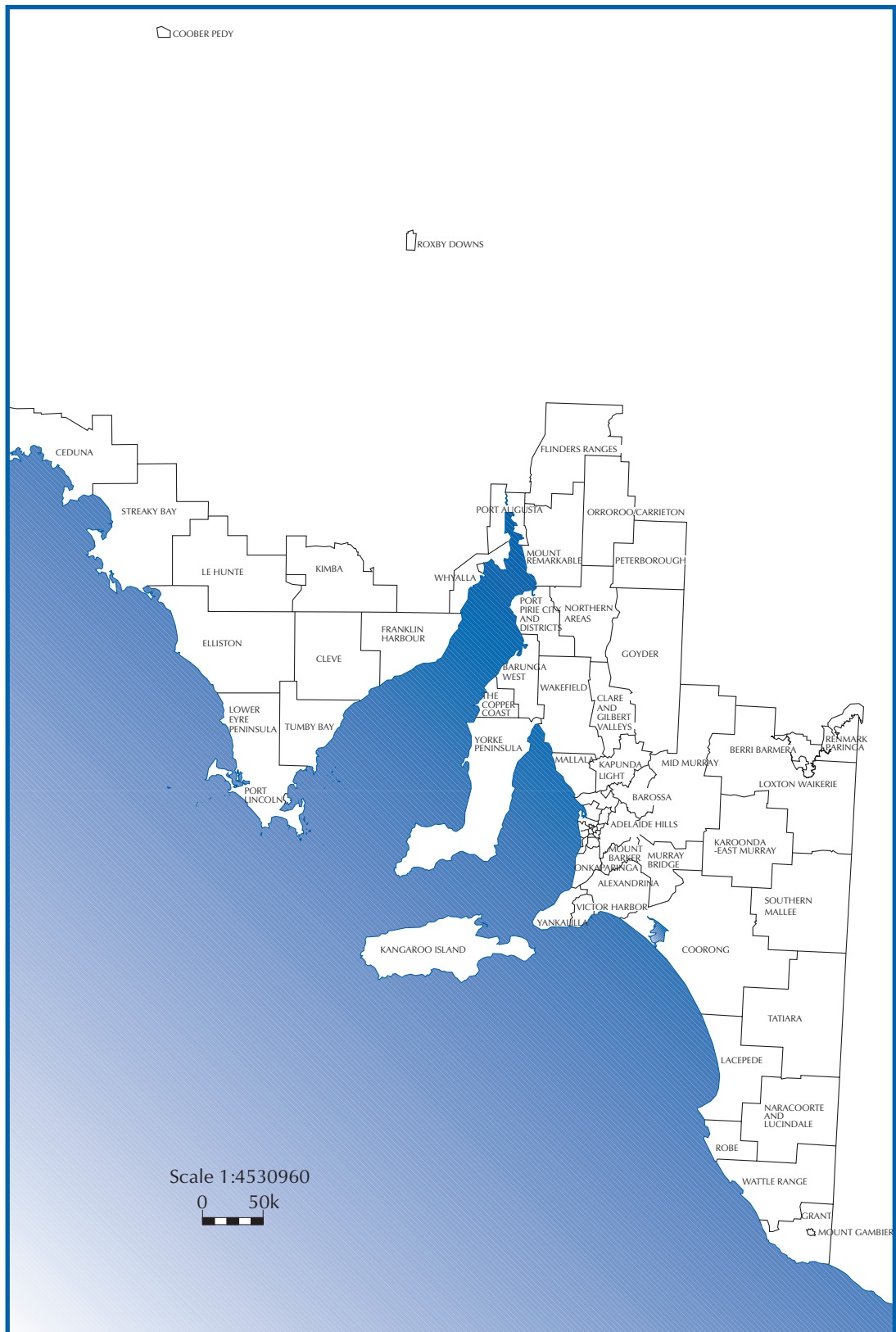


FIGURE 4: SA LOCAL GOVERNMENT BOUNDARIES — COUNTRY AS AT SEPTEMBER 1998

3. EVALUATION OF STRUCTURAL REFORM

There are both qualitative and quantitative dimensions to the evaluation undertaken by the Board. Section 3 covers:

- the extent to which the objectives set out in section 17A of the Act have been achieved
- the Board's perspective on critical success factors and lessons learned
- issues raised by Councils during the structural reform process.

Section 4 is made up of case studies, which illustrate and illuminate the impact of structural reform.

Section 5 provides the independent perspectives from the IMM and the LGA of SA on the structural reform process.

The interstate experience of Local Government structural reform is outlined in section 6. A 'compare and contrast' analysis is added.

Related issues, including outcomes and opportunities, are the subject of Section 7. Here the Board identifies further and future opportunities for Local Government reform, including structural reform.

In previous sections, this Report has focused on issues relating to history and context, including descriptions of the Board's legislation, operations and process. In order to evaluate structural reform, the following section builds on these preceding discussions, by analysing the process undertaken, especially through the identification of 'critical success factors', and 'lessons learned'.

3.1 ACHIEVEMENTS OF THE BOARD

As part of its Report to the Minister, the Board is required to comment on the extent to which the three objectives set out in section 17A of the Act have been achieved.

In summary, by 30 September 1998, the voluntary structural reform initiative had delivered:

- a reduction in the number of proclaimed Councils from 118 to 68
- recurrent savings conservatively estimated by Councils involved in the process of \$19.4 million per annum
- one-off estimated savings of about \$3.9 million
- additional capacity for improved and consistent planning decisions across the combined Council areas

- improved approaches to managing environmental issues
- greater resource bases at the disposal of amalgamated Councils
- additional capacity for Local Government to improve the range and quality of its services, and to participate in the development of the South Australian economy, particularly in regional areas.

To decide whether the objectives of the Act were achieved, the Board originally intended to conduct a Council-by-Council assessment on the impact of structural reform, in the form of a questionnaire or survey. After hearing from all Councils involved in amalgamations at the information sessions held during 1998, the Board became convinced, however, that such an exercise would be premature. The conclusions of the case studies (see section 4) confirmed the Board's view in this regard.

A SIGNIFICANT REDUCTION IN THE NUMBER OF COUNCILS

The significant reduction in the number of Councils in South Australia is a key indicator of the Board's achievements.

When the Board commenced its operations in January 1996, there were 118 Local Government authorities in the State, comprising 26 metropolitan Councils and 92 country Councils.

This number had reduced to 68 Councils by September 1998: 17 of these were metropolitan Councils and 51 were country Councils.

The 35 structural reform proposals approved by the Board involved 82 Councils. In all, 78% of Councils actively participated in the voluntary structural reform process. Participation rates were 62% for metropolitan Councils, and 72% for country Councils.

This reduction in Council numbers is historically significant. It represents the most substantial change to the structure of Local Government in South Australia since the 1930s, and was achieved either on a voluntary basis by the Councils themselves, or with the support of the Board.

Without detracting from the significance of the restructuring that has occurred in terms of fewer Councils, there are a number of issues of a more qualitative nature that are also important:

- in a large part of the State represented by the Eyre Peninsula, no amalgamations were achieved
- notwithstanding this, there was a greater proportionate drop in numbers of Councils outside, than inside, the Adelaide metropolitan area. Although this may partly reflect greater opportunities (and necessities) outside Adelaide, it also partly reflects an

unwillingness on the part of some Councils, or their communities, to pursue financial benefits for the Adelaide area, and the State as a whole, which were revealed through opportunity assessments

- some voluntary proposals received by the Board, which it felt obliged to process at face value under the terms of the Act and its own guidelines, will be judged by some as mergers of convenience, designed to preempt alternative options (potentially of greater benefit to the State, but less preferred by the communities).

These issues are revisited in some detail later when discussing 'lessons learned' (section 3.3), and further and future opportunities for reform (section 7.1).

A SIGNIFICANT REDUCTION IN TOTAL COSTS

Benefits quantified by Councils to date on structural reform proposals total \$19.4 million per annum, plus 'one-off' estimated savings of \$3.9 million. Appendix A provides a detailed breakdown of these benefits as identified in the proposals.

Compared with the estimate in the MAG Report that, theoretically, savings of some \$150 million could be made through structural reform, this may initially seem rather modest. However, there are two reasons that this is not so.

First, the MAG Report (1995) estimate was regarded throughout the Local Government community as overly optimistic, and was based on an expectation of concurrent functional and management reforms. In any event, the Board took the view that it should assess proposals on the merits of the actual case put to it, not against some theoretical benchmark for potential savings.

Second, the recurrent savings estimate of \$19.4 million per annum from voluntary structural reform can be considered as likely to be conservative for two reasons:

- during hearings, many proponents of the amalgamations told the Board that their savings proposals represented only what they could be absolutely certain to achieve and deliver as rate savings, or potential service increases. Most expected to be able to achieve significantly more than their savings proposals once amalgamation proceeded
- in other cases, proponents reported that they estimated no recurrent savings because they had agreed there would be no reduction in staffing levels. They did, however, expect service delivery capacity to expand as a result of the amalgamation at existing staffing levels. In effect, potential savings were pre-allocated to service increases rather than to potential rate reductions. Benefits valued over financial gains included retention and expansion of services to the community, the preservation and development of employment opportunities, and the containment of future rate increases rather than short term rate reductions. This was often an expression of community desires within the context of a voluntary process, and reflected the individuality of each amalgamation proposal.

On this basis, it is possible that the potential cost savings (including those converted directly into expanded services), could be as much as double those actually recorded.

At this early stage, however, there is little hard evidence in financial terms of the success or otherwise of amalgamations. In fact, this was a common theme in both the case studies undertaken for the Report and in the information sessions held by the Board with amalgamated Councils (see sections 4 and 3.4 respectively). Many Councils conceded that they had underestimated establishment costs. However, at these sessions, Councils overwhelmingly expressed optimism that the 'quantifiable' benefits of structural reform would be realised in time.

The financial plans incorporated in proposals showed that the full benefit of any financial savings may not be realised for three to five years, when implementation is complete. Financial savings may prove difficult to quantify, even over time, due to Councils' commitments to service improvements.

In any event, the Act requires amalgamated Councils to include information in their annual reports relating to savings that have been achieved, and any changes to the quality or extent of services delivered or provided. This should serve a similar purpose in terms of both accountability and qualitatively evaluating structural reform.

SIGNIFICANT BENEFITS FOR RATEPAYERS

To meet the objectives and principles of the Act, voluntary proposals identified a range of benefits to ratepayers. These included:

- delivering rate reductions
- maintaining or improving services
- expanding the resource base
- improving the capacity to develop and implement strategic/corporate plans
- increasing the capacity to engage in economic and community development, particularly on a regional basis
- improving the performance of financial management, such as tendering and contracts, and managing assets and infrastructure
- reducing duplication and achieving economies of scale, including participating in resource sharing and other cooperative ventures
- integrating and coordinating management in areas such as the environment, land management and planning
- improving work practices and employing specialised staff
- contributing to stronger, more diverse governance structures

- ensuring access to appropriate levels of representation
- increasing the potential to attract State and Commonwealth funding
- improving the capacity to advocate for the community.

Clearly, although rate reductions were a benefit in many cases, it is the important to put them into the broader perspective of strengthening the capacity of Local Government to meet its obligations, and to promote community development more generally.

Many voluntary proposals deliberately strove for improvements in service levels in areas such as:

- health and aged care
- building and planning
- environment, tourism and economic development
- protection of cultural and built heritage
- library services
- road maintenance
- waste management and recycling.

Based on the case studies and feedback from amalgamated Councils, the Board is confident that the legislation's objective to provide significant benefits to ratepayers has been met. The Board's evaluation shows a mix of direct and indirect benefits. Additionally, the results of the information sessions (reported in section 3.4), clearly demonstrate that Councils have reaped some unexpected benefits which have been passed on to communities.

In the Board's view, one of the most significant benefits to ratepayers of structural reform is the opportunity it has provided to create stronger Councils, which will not only be able to secure a better future for local communities, but will also position Local Government for the challenges of partnership in future reform.

OVERALL COSTS OF THE BOARD

These benefits to ratepayers and the wider community have not been achieved without cost, of course.

The only easily quantifiable cost is that of the Board and its operations over nearly three years to 30 September 1998, of approximately \$5.7 million. Very little of this represents the operating costs of the Board and its committees (approximately \$500 000). The vast bulk of it went into facilitation of Council-driven activities, through Board staff acting as advisers and client managers, through the provision of expert facilitators, through the funding of consultancy services, and through the provision of financial incentives. Of this \$5.7 million of readily identifiable costs, \$485 000 was funded from Commonwealth Government LGDP grants.

The Board is the first to acknowledge that its budget does not reflect anything like the full costs of the process. The time, effort, and energy that was put in by Councils and their staff across the State, in analysing and debating options, and preparing proposals, was substantial. Some — but probably only some — of this was offset by the financial incentives offered by the Board and its participants.

Although an attempt at identifying the direct (and indirect) costs of the structural reform initiative is important from the viewpoint of accountability, at the end of the day, it is not possible to come up with a meaningful benefit-to-cost ratio. Many of the benefits of structural reform, including its contribution to strengthening the capacity of Local Government to meet future challenges, are intangible. Nonetheless, the Board notes that, even if all the costs (direct and indirect) over the three years were to be estimated at two or three times the Board's budget, this would be significantly less than the conservative estimate of \$19.4 million per annum of explicit savings. This figure, moreover, understates the true value of structural reform, because it excludes estimates of the benefits from service delivery increases in many Council areas, and the more intangible benefits of reform.

A financial summary of the Board's operations can be found at Appendix J.

3.2 CRITICAL SUCCESS FACTORS

PHILOSOPHY

The underlying basis of the legislation was that structural reform in South Australia should be voluntary, and that the Board should develop appropriate strategies and processes to facilitate change on this basis. The voluntary structural reform initiative was focussed on providing the right amount of stimulus and support to Councils, so that Local Government itself could determine the best structural arrangements for its communities. In addition, it was envisaged that the provision of objective information through the consultation process would empower communities to determine their own destiny. The overall process was aimed at encouraging Local Government to review cost and service structures, as well as its capacity to meet future challenges, and to determine whether benefits could be passed on to its communities.

One of the over-riding reasons for a voluntary approach in South Australia related to the strong opposition to the coercive approach which characterised that undertaken in Victoria (the Victorian perspective of its reforms is given in section 6.1). Hence, while many people supported the need to review and reform Council boundaries in South Australia, the Government believed that the voluntary process was critical in achieving the most sustainable outcome for Local Government and the State.

The legislation's principles ensured that the Board was not focused on savings alone, but was required to examine a much broader suite of benefits and opportunities that could accrue from structural reform.

The Board believes that the main difference between this approach and those used previously, in Australia and elsewhere, was the focus on both process and content. The intention throughout was for the Board to act as a catalyst for major reform, while endeavouring to have Local Government undertake the analysis and investigations, and eventually own the outcome. The Board's approach also departed significantly from that of formal boundary review Boards or Commissions established in other Australian jurisdictions, which typically have been given the role of hearing submissions, reviewing information, and making determinations about the final structural arrangement for Councils.

In this respect, the South Australian approach to structural reform was innovative. It required the Board to facilitate change without trying to 'tell' Local Government what the final outcome should be. Therefore, fundamentally different strategies and processes were required from those implemented elsewhere. The Board believes that this approach fitted South Australia's particular social, political and economic environment. It also embraced management philosophies such as strategic analysis; empowerment; building commitment and trust between Councils' elected members, staff and communities; and a desire to achieve improved benefits for communities.

Despite a high level of opposition to the legislation in the consultation stage, the Board achieved success cooperatively with Councils around the State. There was suspicion in Local Government about the State Government's agenda, and reluctance to support it, despite the ineffectiveness of the Panel system, in which Local Government self-managed boundary change. Approaches to structural reform in this State over the last 30 years had been notably unsuccessful. Where Councils were keen to amalgamate, and where cost savings were identified, proposals often failed for cultural or personal reasons, which translated into intransigent political positions opposing change and could not be resolved.

The environment in which the Board eventually operated was not hostile. Key stakeholders, such as Councils, the LGA, the IMM, and the Unions, accepted that change had to happen. People quietly conceded that the Board was a reasonable compromise as a vehicle for change. In this sense, the time was ripe for change across the State.

Focused on process

The Board was required by statute to follow particular processes. For example, in terms of processing proposals, it was required to issue public notice, conduct a public meeting of the relevant committee to consider whether a reasonable amount of community consultation had occurred, and then assess the proposal against the principles and criteria in the legislation.

The development by the Board of a three phase approach to structural reform, which was detailed in its guidelines, assisted both the Board and Councils to focus on process.

The Board's assessment process — followed for every structural reform proposal — was published as part of the series of guidelines. The assessment of structural reform proposals

was made as clear and consistent as was feasible, with particular attention to accommodating the preferences of Councils. Consistency was strengthened by the Board's checklist of key questions, developed to assist Councils in ensuring that proposals met requirements under the Act.

The Executive Director promoted a strong project management approach among the staff of the Board. This was critical given the tight timeframes. The use of project management skills enabled the staff to work through many complex and detailed stages in the structural reform process in a methodical manner, particularly when meeting Councils' election timelines. Each group was managed as a separate project.

The Board followed due process not for its own sake, but to facilitate successful outcomes.

Open, transparent and consistent

The Board's operations were characterised by openness, transparency and, to the greatest extent possible, consistency. Adherence to agreed process helped to ensure a high level of credibility with both Councils and communities.

The Act required that the Board's meetings be open to the public, and transparent in its operations. The Board met in metropolitan and country locations across the State, using Council facilities. This approach had a twofold benefit. It took the Board to the people as an aid to promoting the voluntary process and its benefits and to demonstrate the transparent nature of the process, and it allowed the Board to hear representations from Councils and their communities, and discuss their issues in their communities.

The Board was then able to offer advice and assistance to overcome difficulties identified either as a result of the presentations or in response to direct requests from Councils or their negotiating committees. After the Board had completed processing a proposal, it was required to provide a report to the Minister. All Councils party to the merger were required, by statute, to receive a copy of this report.

The publication of comprehensive guidelines to assist Councils throughout the voluntary structural reform process also reflected the Board's commitment to openness, transparency and consistency.

The agenda for Board meetings was sent in advance to all Councils, the LGA, and other stakeholders. The Board's meetings were open to the public, and copies of confirmed minutes were available upon request.

Empowered Councils

The Board's collaborative approach was important in supporting a sense of empowerment. From the outset, the Board's philosophy was directed at having Councils take ownership of

the process and submit voluntary proposals to determine their own destiny. This not only involved elected members and staff throughout, but also ensured high levels of support.

The need for elected members to be involved and to resolve issues as they arose was a crucial element in structural reform, particularly because ongoing accountability for delivering the benefits outlined in voluntary proposals rests squarely with the new Councils and their communities.

Focused on the big picture

Councils were encouraged in the first instance to pursue amalgamation discussions with the largest possible groupings of Councils, and then to focus on smaller groupings if necessary.

No right answer

Throughout the process, structural reform was promoted as an opportunity for Local Government to determine its own destiny. No predetermined outcome was developed, and the Board was consistent in applying this principle.

There were no pre-specified targets relating to 'acceptable' geographic or population size or rate revenue, provided either in the legislation or prescribed by the Board in its guidelines. The fact that the Board did not specify maximums or minimums, or distinguish between rural and metropolitan Councils, allowed it to treat each situation individually. The key was to recognise the need for locally responsive solutions to meet local needs. In this way, the Board departed from the approach of the MAG report.

Independent facilitators

A panel of skilled process facilitators was engaged by the Board to focus on process, and assist groups to address 'people issues'. A Commonwealth LGDP grant supported this panel.

Facilitators assisted Councils to work through the phased process and to ensure that the underlying issues in each group were being addressed and resolved progressively, hence building commitment and trust throughout the process.

Using facilitators was a key element both in the short term during the development of many proposals, and in laying the foundation for the long term sustainability of the new Local Government entity.

Expert consultants

The Board used expert consultants for content where required. These external specialists were used on an 'as needs' basis, and were engaged for particular issues either by the Council direct or through the 'sponsorship' of the Board. They provided flexibility in a process characterised by tight time-frames and a small team of Board staff.

Client Managers

Client managers were appointed to work with Council groups. They acted as 'liaison officers' and provided support and assistance. To ensure a clear understanding of the Board's philosophy, a large part of the client managers' time was spent in direct contact with Councils' elected members and staff, resolving issues that were barriers to amalgamation. The role of client managers differed from that of the facilitators, in that client managers dealt with specific issues, on a 'needs' basis, while facilitators worked with Councils on a continuing basis.

Financial incentives

The Board provided financial incentives to Councils participating in significant structural reform proposals, to help defray the significant costs associated with finalising a structural reform proposal.

Financial incentives included:

- provision of facilitators to support discussions between Councils considering boundary reforms
- interest free loans to Councils committed to the reform process
- finalisation grants applying to voluntary proposals recommended for approval, available after a proposal was finally submitted to the Board.

The following finalisation grants were made available for Council groupings lodging amalgamation proposals:

- \$10 000 for a group of two Councils
- \$40 000 for three Councils
- \$80 000 for four or more Councils.

Additional financial assistance was provided in some cases where special circumstances existed, usually by way of grants to Councils to meet the cost of specialist consultancies.

As noted earlier, significant financial support was provided to the Board by the Commonwealth and State Governments. In acknowledging that support, the Board recognises that both the Commonwealth and State Government are committed to systemic change, and long lasting improvements in Local Government.

The role of the Unions

It was recognised that structural reform would have a significant impact on organisational and industrial issues, as with any major change process. Throughout, the Board was pleased with the positive roles played by the relevant unions, the Australian Services Union

(ASU), and the Australian Workers Union (AWU). Amalgamation Agreements that were put in place were never an obstacle to proclaiming Councils.

COMMUNICATION

The Board placed heavy emphasis on communication in the structural reform process. A public relations firm was engaged in October 1995, and retained throughout the initiative. Other components of the communications strategy were:

- **clear consistent, simple messages:** from the outset, the Executive Director attempted to convey information about the structural reform process to Local Government that was clear, consistent and simple as possible. This approach was also adopted by client managers and reinforced by the Board Chairman and Board Members
- **early, direct contact with people:** this started with the Executive Director's comprehensive statewide visits to Councils in the lead up to the Board's establishment. In early 1996, the Board Chairman contacted all State Members of Parliament and offered briefing sessions, which were well received, and assisted in keeping all politicians informed. In addition, the Executive Director regularly briefed officers in State Government agencies
- **use of media:** where possible, the Board made information available through radio and the print media. The media were actively monitored by the staff of the Board, to ensure they were kept informed of developments at the local level, and able to respond to issues as they arose.
- **Board spokesperson:** the Chairman acted as spokesperson for the Board and was continually accessible
- **newsletters:** the Board published its first newsletter — *Board News* — in February 1996, and by September 1998, 16 editions had been disseminated. The newsletter provided Local Government and other interested parties with a concise and up-to-date picture of the progress of structural reform across the State. It was widely circulated, not only to all Councils in the State, but also to State Members of Parliament, State and Commonwealth Government agencies, the LGA, IMM, and other stakeholders
- **guidelines:** the publication of a comprehensive set of guidelines, to assist Councils in working towards amalgamation, gave them access to a permanent resource on process and content issues. This was supplemented by advice and interpretation by the Executive Director and Board staff, and in Board meetings with Councils.

FOCUS ON RELATIONSHIPS

The Board believed that achieving successful outcomes would rely heavily on building and maintaining good relationships:

- **cooperative and collaborative:** the Board concentrated on ensuring that its relationships with all stakeholders were cooperative, collaborative and respectful. The Board followed this principle in its dealings with Councils, the community, the LGA, the Unions and other stakeholders. The Board also placed a high premium on involving stakeholders

- **emphasis on building relationships and trust:** to assist in developing relationships and establishing trust, the Chairman and Board Members visited many Councils, either as the whole Board, with client managers, or individually to support the process.

THE BOARD

The decision by the State Government to facilitate change using a Board, and later decisions about its membership, were critical in the success of voluntary structural reform:

- **statutory body:** South Australia's approach to structural reform — using an independent statutory body — removed the process from the political environment and minimised perceptions of political interference
- **the membership:** the Board's strong representation, taken from past or current Local Government elected members, assisted its credibility and acceptance within the Local Government sector
- **independent:** the independence of the Board, with its wide experience, including nominees from the United Trades and Labor Council, was important
- **activity:** the Board and its Committees met frequently, on an 'as needs' basis, particularly during the Board's first term. These meeting activities are detailed at Appendix K.
- **accessible and open:** the Board's accessibility was evident in its open meetings, and in the distribution of agendas and minutes, both of which recorded correspondence sent and received. The staff of the Board — including the Executive Director — and Board Members were at all times accessible to Local Government. In particular, client managers were available to Councils and elected members involved in developing and processing proposals, and for post-amalgamation support
- **support from Government:** there was a high level of State Government support and commitment for the structural reform initiative, and for the work of the Board. The State Government provided an appropriate level of financial support to the Board during its operations, supplemented by a Commonwealth LGDP grant.

TIMING

The question of timing worked heavily in the Board's favour in terms of progressing structural reform:

- **urgency:** there was a sense in this State that reform was going to happen. The two most powerful catalysts were the Victorian experience of structural reform — with compulsory amalgamations as the centrepiece — and the MAG Report. Many considered the MAG Report as the South Australian version of the Victorian approach, given that it drew 'lines on the map'
- **board formulated proposals:** provision in the legislation for the Board to formulate its own proposals acted as a strong incentive for Councils to seek involvement in voluntary merger discussions, particularly in the early stages

- **tight timeframes:** the Government made clear its expectation, when introducing the legislation establishing the Board, that the bulk of the Board's work should be completed in time for the May 1997 Local Government elections. The Board — and in particular its staff — were prepared to work flexibly with both Councils and State Government agencies to meet deadlines, such as Council elections
- **the sunset date:** when the legislation was first enacted, the Board had a sunset date of 30 September 1997. There was no expectation of an extension, and this gave the Board, as well as Councils, a sense of urgency.

TEAMWORK

There was a strong emphasis on teamwork and shared learning, particularly among the staff of the Board. An important component of the teamwork approach was the good relationships that were built between Board members, Board staff and Councils:

- **flexible and adaptable:** the fast pace of the structural reform process — and the fact that it was a highly-charged environment of change — meant that the staff of the Board had to be flexible and adaptable. People were prepared to take on new tasks and challenges, thus broadening their personal skills. Amendments to the Act relating to transitional flexibility in ward quotas resulted from a recommendation by the Board, and is one of many innovative proposals
- **continually learning:** the Board's culture was one of shared, continual, learning. By working together closely, and through weekly strategy meetings, staff were able to learn from others' experiences. Because the Board's staff were taking on new tasks and challenges, and learning new skills, this enhanced the flexibility and diversity of the public sector resource
- **broad range of skills:** the work of the Board benefited from the broad range of skills not only of the Board Members, but also of the staff. A multidisciplinary team, from diverse public sector backgrounds, who were recruited on the basis of their skills and abilities to contribute to the project and commitment to success, rather than on their knowledge of Local Government.

3.3 LESSONS LEARNED

The following section outlines what, in the Board's opinion, were the 'lessons learned' from the structural reform experience of the last three years.

CHANGE OF THINKING

The voluntary approach to structural reform required a change of thinking for some elected members and Council staff, and, as in any major change process of this magnitude, it was an emotional and stressful period for those involved.

For many people, there was considerable fear of the unknown, and concern about issues such as reduced representation and loss of identity for elected members and sections of the

community. There were also those who embraced change with great zeal. The Board and its staff were faced with the challenge of reconciling these positions to ensure the best possible results. The Board tried to encourage elected members to keep open minds, to ensure that they looked at all the options for their communities, and to focus on the positive aspects of change, rather than on the negatives.

The Board recognises that this State's approach to structural reform is harder and more demanding for elected members than a directive approach, as it requires them to work through the issues, gain consensus, and present proposals to both the community and the Board.

OWNERSHIP AND SELF-DETERMINATION

The State Government decided to support voluntary structural reform in a tight timeframe. Councils were encouraged to take 'ownership' of the process of examining options, and to determine the most appropriate outcome for their communities.

In this process, issues that previously were regarded as blockages to structural change were tackled and overcome. This was not without frustrations for both elected members (who sometimes wanted the Board to make decisions for them), or for the Board (which sometimes felt progress was slow).

Indeed, encouraging Councils to take the lead in determining their destinies often worked against a full exploration of merger options. Some people were frustrated that the Board either did not insist on Councils' exploring opportunities with bigger groupings, or rejecting proposals because they were opposed by groups of disaffected minorities. This, however, was the more-or-less inevitable consequence of the emphasis (both in the legislation and the Board's working philosophy), on voluntarism, and on consistency in process.

THE ROLE OF LEADERSHIP

There was pressure on those in leadership positions — especially the CEOs, Mayors, Chairmen — as they led their Councils and communities through the structural reform process. Apart from the sheer hard work involved — much of it unanticipated, despite careful planning — they were expected to fulfil a multitude of roles, satisfy a range of competing needs, and respond to the complex demands of major change. The burdens were undoubtedly magnified when people were inexperienced in managing complex change processes, or lacked appropriate training. This is not intended as a criticism, but, rather, a plain acknowledgment of the considerable challenges the process posed.

Many would concede that, while there were structures and systems to help individuals and groups work through amalgamation issues, Council leaders — given the nature of their positions — often operated in isolation from support networks. These additional pressures deserve clear recognition and acknowledgment.

TAKING PEOPLE ALONG WITH THE PROCESS

The Board believes that the structural reform process demonstrated how important it is for everyone associated with the change to be 'brought along' as the process unfolds. For example, working parties formed to research, investigate and develop proposals needed to involve other elected members, and staff (those not directly involved in working parties established by Councils for this purpose), and their communities, at the same pace. Where this did not occur, there were often delays and reopening of difficult issues, usually requiring the intervention of client managers and facilitators.

The development of locally responsive solutions played a vital role here. In some cases, Councils rushed into the first phase and decided on a preferred option to investigate, only to find out either that their views changed as more information became available, or that their communities had different views.

THE SUCCESS OF FACILITATION

Overall, the Board believes that its decision to use facilitators to assist and support Councils was of great value. Many Councils probably would not have entered into serious amalgamation discussions — or sustained them over time — without recourse to facilitation.

The key role played by facilitators was to ensure that the process 'kept moving', and that all the issues, especially the difficult ones, were dealt with.

This did not always work, however. Sometimes this was because of an imperfect brief, or a mis-match between the facilitator and the task. Some facilitators who developed a successful track-record were sought by other Councils. A number have been working in the post-implementation phase to assist those Councils further.

COMMUNITY CONSULTATION AND COMMUNICATION

Many Councils had difficulty in consulting their communities throughout the structural reform process, and needed expert assistance. The knowledge gained in developing processes and structures for consultation will be useful in the future.

Overall, the structural reform process challenged the widely held assumption in Local Government that elected members know what their communities want, and that formal consultation processes and communication mechanisms are not necessary.

RECRUITMENT AND SELECTION OF CEOs

No requirement was specified by the Board for the recruitment and selection of CEOs for newly amalgamated Councils.

Methods of recruitment and selection varied widely. Responses ranged from calling the position 'internally', across all proponent Councils, to advertising externally. There were also circumstances where, as part of a merger, CEOs retired or took packages, leaving the position to the CEO of the other Council party to the amalgamation. It is likely that such agreements were influential in many amalgamations. While there was a widely held view that the CEO positions should be filled by external call — to open up the marketplace for all CEOs and remove a difficult situation for elected members to resolve, this may have resulted in fewer successful amalgamations.

LGA and IMM Guidelines

Part way through the structural reform process, the LGA, in conjunction with the IMM, produced a document outlining a suggested process for appointing CEOs and senior officers in amalgamated Councils (May 1996). The document discussed the possible benefits of Councils appointing a transitional CEO, and recommended that, for the newly amalgamated Council, the appointment should be made by open call.

Improving the process

Upon reflection, the Board believes that it may have been preferable to specify an approach to the issue of CEO appointments, either by way of the legislation, or by prior agreement with the LGA, the IMM, and the relevant Unions. This would have enabled the Board to check that proper process were followed, and to provide for consistency across Local Government.

THE ROLE OF DRAFT PROPOSALS

The provision for draft proposals was a result of Opposition amendments to the legislation establishing the Board. The intention was for Councils 'to get a preliminary sounding from the Board on how their proposals may be interpreted', in the hope that problems would be avoided later (Hansard, Legislative Council, 28 November 1995). While it was recognised that this might be an added burden for the Board, there was agreement the process should, overall, be beneficial.

Draft proposals were helpful in the early stages of the structural reform process, providing a learning experience for everyone involved. However, they also led to a degree of frustration, especially in terms of the Councils' own timeframes for progressing matters, and placed extra pressure on the Board.

Improving the process

In hindsight, the Board would not recommend such a mechanism, given the double handling involved, and the more informal approaches preferred (and often used) to achieve the same outcome.

THE EFFECTIVENESS OF INCENTIVES

While the legislation was designed to facilitate structural reform by offering ‘carrots and sticks’, in reality, the Board had little in the way of real incentives.

The rate capping provision was a case in point. Designed to encourage amalgamations, it was not an incentive for change. Similarly, financial incentives, while useful, were not important drivers for Councils, so far as the Board can tell. That is, they probably largely helped to compensate Councils for doing what they planned to do anyway, rather than actually encouraging amalgamations that would not otherwise have occurred. This does not imply that the (modest) financial incentives were not desirable: it does, however, put them into a realistic perspective.

Improving the process

Other incentives may have been useful, and are discussed in section 7.

STRENGTHS AND WEAKNESSES OF THE VOLUNTARY PROCESS

The legislation establishing the Board rested on the key principle of voluntary amalgamations. While this Report has described the many positives associated with this approach, it is also important to concede the negatives, which centre mainly on issues relating to whole-of-council mergers. The Report separately analyses the role of boundary alterations in a voluntary structural reform process when addressing further and future opportunities for reform (section 7.1).

The perception

Despite its achievements, the structural reform process suffered from the perception that, from a statewide perspective, the outcome was less than satisfactory. In particular, there have been criticisms about the tendency for amalgamations to proceed with immediate neighbours on the basis of convenience. Discussion has also centred on why virtually no amalgamations occurred in some parts of metropolitan Adelaide and particular parts of rural South Australia.

The reality

The Board believes that these perceptions, and the realities that underlie them, are an inevitable by-product of a voluntary process. Influences readily identifiable include the historical context of structural reform in South Australia, as well as the Board’s reactions to the day-to-day practicalities faced during the structural reform process.

The Report later argues that the limited restructuring of Local Government in South Australia prior to the Board’s establishment, meant that it was unlikely that there would be a ‘quantum leap’ in the first phase of change (section 7.1). Thus, the outcomes achieved were significant, and valuable, but, in some respects, incomplete.

The results from the Board's first term of operation should also be understood in the context of its own priorities, given the (initial) sunset date of September 1997. These priorities focused on areas where most benefit could be gained (a point also relevant to the Board formulated process, discussed below). Rural areas, on the whole, appeared to embrace reform more readily than the Adelaide metropolitan area, possibly owing to greater opportunities offered by amalgamations. This remains the case even though no amalgamations have so far occurred on the Eyre Peninsula, where Councils and communities saw distance and relatively poor transport and telecommunications infrastructure as barriers to change.

In some cases, Councils keen to amalgamate simply could not find willing merger partners, an issue outside the control of the Board. This occurred in both rural and metropolitan South Australia.

The Board takes seriously the claim that a strategic approach was lacking. However, it is worth observing that, despite patterns elsewhere, the approach to structural reform in the Mid North of the State (see case study in section 4.5), indicates that a strategic outcome on a regional basis was possible. What is more puzzling is why there were not similar motivations prompting Councils in metropolitan Adelaide. A strategic approach to structural reform across metropolitan Adelaide may have overcome some of the barriers to better integration, improved coordination and planning of infrastructure (hard and soft), and more efficient and effective service delivery (Adelaide 21, 1996; Governance Review Advisory Group, 1997).

The 'no right answer' approach to structural reform was partly based on the Board's desire to avoid being seen as prescriptive, and thus permit the development of merger proposals to suit local needs, while expediting change. In this sense, it was a positive. However, it also meant that some of the Board's earlier decisions were interpreted as mergers of convenience, lacking a clear rationale, in turn, creating some confusion within some Local Government circles. There were cases in the beginning where the combined pressures for the Board to perform, and Councils' own sense of urgency, may have pushed the Board to make hasty decisions. Certain precedents set by those early decisions — involving appointments of senior staff by Councils, approving only 'modest' levels of savings, and agreeing to 'pragmatic' approaches to the distribution of benefits — locked the Board into patterns which could not be broken, without accusations of inconsistency, and loss of credibility.

Overall, this highlights the tensions between:

- a voluntary approach emphasising self-determination and local democratic rights, versus a 'rational lines on the map' approach

- the practicalities of progressing voluntary structural reform within a tight time-frame, and in an environment where the process was widely expected to deliver results, versus a process where the Board-determined outcomes were mandated.

The role of boundary alterations in the overall outcome of a voluntary process is also relevant. The Report has documented the identification by Councils of some fifty boundary alterations (section 2.4). The Board had every expectation of processing the bulk of these after its original sunset date was extended (from September 1997 to September 1998). The reasons that virtually none of these has been processed are explained in section 7.1. Boundary alterations were treated as voluntary structural reform proposals with the agreement of both Councils. Although little progress was achieved by the Board in this area, it should be conceded that the post-implementation phase of structural reform has afforded many communities the opportunity to reconsider earlier preferences for boundary alterations (noted in the case study at 4.5).

An issue seldom discussed relates to the role played by self-interest in the success or failure of voluntary merger discussions. This applied to CEOs, senior staff, Mayors, and other elected members. Issues such as retirements, leadership, the number of positions on the new Council, the availability of senior positions, the potential synergies in the proposed organisational structure: all were influential factors in Councils' final deliberations about amalgamating. Overall, the structural reform process may have benefited not so much from direction in managing these issues, but rather from some more judicious guidance.

Improving the process

It was repeatedly suggested to the Board that more logical mergers could have been proposed, by, for example, agreement between CEOs. However, the Board is sceptical about this. Inevitably, an element of subjectivity is involved in deciding what constitutes appropriate Council boundaries. Under these circumstances, consensus is unlikely.

In terms of the nexus between the approach to structural reform in the State, and the overall outcomes, partly at issue is the trade-off between the benefits of the voluntary approach — typically characterised by high levels of ownership and reduced community dissatisfaction — versus the potential benefits of the compulsory approach. Although, arguably, the outcome in the latter case may produce a more logical and strategic result across Local Government, in practice, it may be seen as undemocratic and the cause of community upheaval. There are also questions about longer term sustainability. Because these are difficult dilemmas to reconcile in a voluntary process, perhaps attention should have been given to arming the Board with more powerful incentives.

The Board believes that incentives should be considered when large scale and complex Local Government reform is contemplated in the future.

In exploring options for further and future reform (section 7.1), the Board revisits some of these issues.

STRENGTHS AND WEAKNESSES OF THE BOARD FORMULATED PROCESS

There were both positives and negatives associated with the Board's capacity to initiate and formulate proposals after 31 March 1996.

When conferring this power in the legislation, the Government expressed the preference that it not be used, but stated that the Board should be able:

... to initiate proposals where no satisfactory Council proposed schemes exist, or where the Councils cannot agree on which one to pursue. It is a prudent power to patch up the mosaic of new Councils that we confidently expect will be proposed. (Hansard, Second Reading Speech, House of Assembly, 25 October 1995)

This provision was also a key element in the Government's 'carrot and stick' approach to structural reform.

Despite the Board's capacity to formulate proposals after 31 March 1996, the Board did not rush to exercise this power, as voluntary reform was progressing satisfactorily.

The perception

One of the most valuable incentives for voluntary amalgamation throughout the structural reform process was the perceived 'threat' of the Board's initiating its own proposals. Particularly in the early days, there was an expectation that the Board formulated process would work effectively.

There was also a view that, if the combination of voluntary and Board formulated proposals did not produce a significant structural change in Local Government in South Australia, a more directive or prescriptive 'second wave' was a distinct likelihood.

As observed elsewhere in this Report, contention surrounded what many perceived as the Board's apparent willingness to process 'mergers of convenience', which were not revisited.

Furthermore, in parts of Local Government, there was a widespread perception that while many Councils participated in structural reform in good faith, others were able to 'walk away' from the exercise, and this was resented.

The reality

There is general agreement that this provision in the Act served as a powerful catalyst for progressing voluntary amalgamations, especially early on. However, the Board believes that the effectiveness of this incentive was not sustained over the long-term.

From the Board's perspective, there were several reasons why, in practice, the provision for Board formulated proposals was flawed.

In addition, the Board was frustrated in a few cases by Councils' undertaking pre-emptive community polls which were not based on a full analysis, while still being subject to further investigations. This occurred, in particular, in the metropolitan area. Where Councils politicised the issue the Board's capacity to develop cases for the community to consider was compromised.

Also at issue is the fact that, from the Board's perspective, the initiation process was bureaucratic and tedious, and therefore time and resource consuming. In three Board formulated proposals, the Board went to extraordinary lengths to facilitate a voluntary process. Of these, only one (in the South East of the State) was accepted by the Councils involved, eventually resulting in an amalgamation. The legislation restricted the Board in amending proposals in response to community views, as in the case of Robe and Wattle Range Councils.

There were also issues related to community polls. Legally a poll had to be conducted if one or more of the affected Councils rejected a Board formulated proposal. For this there was a minimum requirement of a 40% turnout of electors across the whole area, and, in that event, a majority vote could prevent the proposal from proceeding. In this process, the Board was required to have regard to a community poll in individual Council areas, which may have further weakened the Board formulated provisions. The Board also made a commitment to smaller communities in this process.

Although the Board did not conduct any polls under the Act, it recognised the potential for the process to be politicised and dominated by 'fear of change'. The Board also realised that it was poorly placed to 'market' its position to the community. It identified potential issues related to cooperation with Councils, community consultation and communication as being critical in the event that polls were undertaken.

The role of cooperation

In practice, the Board formulated process was compromised by an inability to establish areas of agreement between the Board and affected Councils.

The Board found that, without the cooperation of Councils, it was difficult, if not impossible, to convey objective information to communities about the opportunities that could be created by structural reform. This became a significant issue at two stages:

- when the Board further investigated amalgamation opportunities with several Council groupings
- when the Board formulated its own proposals.

In several cases, consultants were engaged by the Board to analyse merger options. The resulting reports were rejected by Councils as inaccurate, and, consequently, their findings unfairly criticised and disputed. Typically, the most contentious issues involved the financial implications of merger options, resulting in a simplistic focus on savings, rather than an analysis of strengthening Local Government. The Board believes that some communities were denied objective information. It concedes that the Councils concerned appear to have been motivated by the belief that they were acting in the best interests of their communities. In some cases, however, Councils were representing community views which had been shaped by information provided by the Councils.

The role of community consultation and communication

When the Board further investigated amalgamation options, Councils often responded by simply communicating information to the community without involving the Board, or the community, in debating them. This frustrated the Board's attempts to gain broader community support for the full range of possibilities, and meant there was no leverage for the Board to win Councils over to structural reform, even where it believed that clear benefits had been identified.

Suggested improvements

If 'patch[ing] up the mosaic of Councils' (Hansard, Second Reading Speech, 25 October 1995) was partly behind providing for Board formulated proposals, there is an argument that the provision was ineffectual. However, the Board recognises that suggesting improvements is complicated by the contentious nature of the process.

Clearly, the Board had to weigh up its priorities, such as the need to progress structural reform within a tight timeframe, against the likelihood of Board formulated proposals succeeding. There was also the cost-benefit issue, which came to the fore when it was apparent that a Board formulated proposal required an enormous time and resource commitment.

In terms of the polling requirement, with the benefit of hindsight, perhaps the Board should have been stronger in dealing with the complex and time-consuming community consultation process. The process may have been improved if the Board had been given strengthened powers to deal with situations where it did not believe Councils had gone through proper consultation processes. The percentage turnout requirement for a poll is also at issue here.

In formulating proposals, a more flexible and streamlined approach would have been an improvement from the Board's point of view, but one that still took into account principles of natural justice.

Future processes may benefit from an approach where there is consensus between the parties involved on the status of reports prepared by consultants, and the credibility

accorded those reports. A way needs to be found to engage Councils in a full and frank two-way communication with their communities.

In conclusion, the Board believes that the major strength of its 'reserve' power to initiate its own proposals was its role as a catalyst in voluntary approaches to structural reform. Although the Parliamentary process watered down the original power provided in the Government's Bill, the effect is a matter of speculation.

The Board's experience raises questions about trade-offs and balances. Perhaps stronger powers should have been enacted, akin to those commonly associated with the Victorian Government's approach to structural reform. However, even setting aside the South Australian Parliament's probable opposition to stronger powers, if enacted, they might have put at risk the legislation's underlying aim of achieving voluntary amalgamations through local self-determination.

The Board believes that to be successful, any similar process in the future must overcome these problems.

POLITICS AND PROCESS

As emphasised in this Report, the principal role of the Board was to facilitate voluntary structural reform. Guidelines were developed to assist Councils in examining the benefits of any proposal, including requirements for adequate consultation and communication with the community. The guidelines were not meant to be binding, but outlined a process to assist Councils to develop and prepare proposals, after they had determined whether or not their communities would benefit from structural reform.

The reality

The Board was established to limit political interference. It was not equipped to deal with situations when politics did interfere, or were seen to interfere, with the process of developing a proposal, which, in accordance with the guidelines, should form the basis for consultation and decision making. As discussed earlier, there was no objective mechanism to resolve situations where Councils and their communities disagreed with the Board on the potential benefits of amalgamation.

The approaches adopted

Such situations generally arose when Councils informed the Board that they did not see any benefits for their communities arising from structural reform. The Board, following an assessment of the performance of the Councils concerned, concluded that there were potential benefits that outweighed the disadvantages, and commenced its own investigations, with the following range of outcomes:

- a proposal formulated by the Board, which was highly unlikely to succeed without the support of at least one of the Councils

- the Councils concerned signed a Memorandum of Agreement and went through a voluntary process, including consultation with the community, with no real commitment, and concluded that there were no benefits and no community support for a merger
- voluntary proposals that cut across investigations of a larger grouping being undertaken by the Board were successfully submitted, effectively ending the chance of more strategic outcomes
- in circumstances where one Council was (or appeared to be) a willing partner, the Board went to extraordinary lengths to facilitate a voluntary outcome, and ran out of time for further action, which it knew would be futile without the cooperation of the Councils.

The key point here is that the time and effort spent on these investigations did not produce a useful benchmark for revisiting the amalgamation, or any other form of structural reform (such as resource sharing) in the future. The Board and its staff encouraged Councils to separate politics from the process to ensure that, at the very least, Councils would get some useful information for other purposes if their communities rejected a structural reform proposal.

An alternative approach

It was precisely because politics and process were separated that the Board was supportive of the Lower Eyre communities when they rejected a proposal by their Councils. The details of this case have been outlined in the discussion on structural reform proposals (section 2.4). Despite strong community and political opposition to amalgamation, the Councils agreed to a thorough process and, in conjunction with the Board, developed a proposal in consultation with their communities. The political campaign through the course of the Board's investigation did not interfere with the development of the proposal and provided information on the costs and benefits of amalgamation. This was vetted by the State Electoral Office, and provided to communities via a postal ballot conducted by the Councils, with the Board's approval. The political campaign did, however, have an impact on the poll of electors, with the results showing an overwhelming rejection of the proposal by a ratio of 2:1.

To the credit of the political opponents of amalgamation, they did not actively campaign against the proposal until it was developed and communicated to the community. As a result, the proposal, which was rejected in the poll, provides a useful starting point if ever the Councils wish to examine structural reform in the future. Further, the Board supported the wishes of the community, in the knowledge that they had been provided with balanced information.

Suggested improvements

This case illustrates two important points: the trust that the community places in their leaders, and that change is not possible without the support of Councils. It also begs the question of why some Councils went to extravagant lengths to oppose change, when they had available to them an example that had been accepted by the Board, and that offered constructive insights to both the community and their Councils.

COLLABORATION

The Board considers that one of the most important lessons to be learned from the structural reform process is that a collaborative approach — focussing on process and content — can achieve results faster and more effectively than one using power and control methodologies.

This is not to say, however, that the ‘voluntaristic’ approach is assured of success. Both within metropolitan Adelaide, and in rural areas, the Board experienced substantial frustration at its inability to encourage Councils towards what appeared to the Board (and other observers) to be both logical, and desirable, structural reforms.

As noted earlier, this probably reflects a lack of effective incentives available to Councils through the Board.

However, friction that arose was probably less frequent, and less intensive, than anticipated. Even where Councils were antagonistic to amalgamation options that the Board considered should be explored, communications remained mutually respectful.

3.4 ISSUES RAISED BY COUNCILS DURING STRUCTURAL REFORM

Working closely with Councils and their communities throughout the structural reform process gave the Board an invaluable opportunity to become well informed on issues and concerns as they arose.

Throughout 1998, moreover, all Board meetings included presentations from amalgamated Councils, to hear their views on the progress of structural reform. These meetings were intended to provide Councils with an opportunity to describe their post-implementation experiences, focus on initiatives that were successful, and identify any difficulties, benefits, and opportunities for further reform. Feedback from these sessions forms an important part of the Board’s qualitative assessment of structural reform. The Councils’ perspectives also complement (and, in some cases, overlap) the Board’s own assessment of ‘lessons learned’, in section 3.3.

Councils appearing before the Board at these meetings were asked to:

- describe the approach to implementation (for example, committees, staff participation, community involvement)

- assess the success of the approach and lessons learned
- comment on any unexpected, difficult or outstanding issues and associated approaches to resolving those issues
- compare actual changes, savings and improvements with the expectations described in the original amalgamation proposal (for example, financial position, in terms of savings, assets, rating; economic development/tourism; environmental management; service provision and delivery; representation and public perception; industrial matters; and corporate structure changes)
- outline any other issues making an impact on the new Council (for example, infrastructure, support, planning etc)
- identify future initiatives.

The sessions with Councils highlighted that many of the issues were inter-related, and the following discussion reflects this. The Board found there were themes which transcended rural and metropolitan locations. Rural Councils, however, often experienced problems peculiar to the 'distance factor' characterising newly merged entities.

In these sessions, the Board also discovered an interesting expression of the individuality of each merger. The same issues were experienced by some Councils as positives, by others as negatives. This clearly demonstrates the importance of developing locally based solutions for local needs. It also reinforces the message that there is no blueprint for structural reform, and that imposed solutions risk failure. In the Board's view, this adds to the conundrum of what an ideal structural reform process might be.

SUCCESS OF APPROACH AND LESSONS LEARNED

The majority of Councils described the approach to structural reform as successful, despite the inevitable frustrations, difficult issues to resolve and hard work involved. While the Board heard many examples of success factors, the critical contributions related to three areas.

Ownership: elected members, the staff and the community owning the process by determining their own outcomes.

Relationships: the improved relationships that came out of the team effort required between the elected members and the staff, as well as between Councils and their communities.

Leadership: when displayed to the community by supportive and united elected members in partnership with the staff, the community not only tended to 'come along' with the amalgamation process, but also subsequently was more likely to perceive the newly merged Council as successful.

Many Councils acknowledged the assistance provided by the Board at critical phases during amalgamation discussions.

The following are the most important lessons learned by Councils:

- **governance:** there were mixed experiences in this regard. Team building was cited as the key to good governance. Bringing together all the elected members at the beginning of the amalgamation discussions contributed to team building, as did holding elections as early as possible, often seen as a way to avoid problems associated with too many elected members. It was not uncommon, in transitional phases, for Councils to have over 20 elected members, an unwieldy number, making for inefficient and ineffective decision-making and contributing to tensions and parochialism, as elected members tend to focus on their own former Council areas. These difficulties were exacerbated in the early stages when people were not yet operating as a team. The membership of the merged Council — whether there was a mix of former and new elected members — also had an impact on the effective functioning of the Council itself. The positive benefits associated with Councils dominated by former elected members, in terms of continuity and experience, in some cases were outweighed by the negatives, such as parochialism and a tendency to preserve old cultures
- **building good relationships:** many Councils observed that an unexpected benefit of amalgamating was establishing good working relationships between elected members and staff
- **role clarification for elected members and staff:** redressing the current lack of clarity in terms of roles and responsibilities was identified as essential in building good relationships
- **post-implementation support:** it was suggested that the Board should have formally built into the process post-amalgamation support and advice to Councils during the transition and implementation phases. Councils experiencing difficulties following amalgamation said they would have benefited from such an arrangement, ideally based on the client manager model in operation during the amalgamation process. In many cases, the Board staff have continued to provide assistance to amalgamated Councils, and there may be a case for ongoing support in the future.
- **improved community consultation and communication:** according to many Councils, improvements in these areas were a major benefit of structural reform. The introduction of regular newsletters, convening of community forums and better use of the media were frequently cited by Councils as additions or improvements to existing processes. More collaborative relationships with the local media were frequently cited as a benefit. It was commonly the case that these new approaches had grown out of Councils' experiences in community consultation during amalgamation. Extending and improving the consultation and communication process in relation to staff was also regarded as a valuable by-product of structural reform. Those Councils which placed a premium on high profile community consultation and communication, were now experiencing strong community acceptance of the amalgamation

- **the value of facilitation:** Councils have become aware of the value of independent facilitators in resolving difficult issues. Many Councils have either used facilitators since finalising the amalgamation, or intend to utilise them in future
- **the Proclamation:** the capacity for Proclamations to be made some months prior to amalgamation helped overcome difficulties which surfaced during merger negotiations. In a sense, the Proclamation became a way of putting into formal terms the agreements between Councils wanting to merge, thus becoming an important accountability mechanism
- **the scope of the task:** Councils were almost unanimous in conceding they had underestimated the amount of work required and the difficulty involved in amalgamating, and the hard work required of elected members and staff. Sufficient lead-time between the decision to amalgamate and the date of forming the new Council was seen as important to assist in resolving both operational and political issues.

CHANGES, SAVINGS AND IMPROVEMENTS

There was widespread agreement that the structural reform process had acted as a catalyst for Councils to question 'the way they do business', to explore better ways of doing things, examine possible efficiencies, and identify the full range of community needs. In particular, the more widespread use of strategic planning which flowed from this reappraisal should assist Councils and their communities to reap long-term benefits.

Savings and assets

The majority of Councils emphasised that it was too early to quantify the benefits of structural reform accurately, particularly in terms of financial savings. Many believed that there needed to be a period where the amalgamations were 'bedded down', and that it would be several years before it was possible to gauge the level of success. For example, at the time of presenting this Report to the Minister in September 1998, it would not be uncommon for the majority of merged Councils to be operating with their first budgets. At the same time, however, most Councils conveyed an optimistic view to the Board that the 'quantifiable' benefits of amalgamation would be realised in time, thus supporting the findings from the case studies (section 4).

The most frequently raised concerns about projected financial savings identified in structural reform proposals included observations that:

- while in many cases there had not been significant direct financial benefits as a result of amalgamation, there were improvements in services
- the issue of lead time in realising savings was perceived as significant
- almost all amalgamations incurred substantial costs associated in establishing a new Council
- typically, there were additional unanticipated establishment costs which occurred immediately after the amalgamation

- the 'tyrannies of distance' experienced by some rural Councils were an impediment to achieving savings, particularly in rationalising works depots and plant
- some of the budget short-falls experienced by Councils post-amalgamation resulted from items (ranging from services to infrastructure) not being costed in the structural reform proposal, or from unbudgeted commitments made prior to amalgamation, or insufficient due diligence
- the savings identified had been based on 'best available' information at the time
- there were often budgetary implications related to rationalising plant, a process which in some cases needed to be staged, as well as to be managed politically within Councils
- in some cases Councils committed unbudgeted amounts to capital works prior to amalgamation.

Rating

Rate equalisation is a major issue for Councils, with the following significant concerns:

- problems with rate equalisation were exacerbated when combined with the rate capping requirement
- difficulties were caused when some of the new Council areas were being rated on site value, while others used capital value. The effect of this was magnified when there were differences in rating levels
- some Councils expressed the view that, in hindsight, the option of adopting a system mixing capital and site value for a transitional period should have been explored
- some Councils faced difficulties juggling the need to maintain rate reductions and provide more services
- other Councils conceded that, given the complications posed by different rate structures, they should have extended the period in which to equalise rates over the whole area
- some Councils argued that, regardless of amalgamation, the Act should provide more flexibility where a Council changes its rating system.

Service provision and delivery

According to many Councils, there were a series of inter-related issues concerning services. It was not simply a matter of upholding services and standards, but also about the signals in respect of service levels sent by maintaining a physical presence in the community.

As the following summary indicates, Councils' experiences with service provision and delivery have been both positive and negative:

- **innovative arrangements:** there were examples, particularly in rural areas, of innovative arrangements to address service delivery, involving cooperative relationships with other service providers. Rather than reducing services in particular areas, Councils have made

arrangements with organisations such as Australia Post, enabling people to conduct an array of Council-related business locally, such as rate payments and dog registrations. This has meant no loss of some essential Council services to the community, and, indeed, in some cases, has turned out to be a gain, actually increasing local access to Council services in comparison to service levels pre-amalgamation

- **improved accessibility:** the presence of senior staff at service centres was considered by some Councils as a plus for the community.
- **raising the profile of Councils:** there was a positive effect associated with the increased visibility of Council via direct service delivery improvements
- **heightened community expectations:** the community had greater expectations about service delivery from amalgamated Councils than it did of Councils prior to amalgamation. This was interpreted as a direct result of amalgamations being promoted as benefiting the community
- **raising and equalising service levels:** community expectations were seen as driving Councils to raise service levels, which often had financial consequences such as the erosion of projected savings from the amalgamation. Additionally, all amalgamated Councils appeared to be grappling with issues related to the disparity in both the style and type of services across the new entity. Where more than two Councils were merged, these difficulties were exacerbated. Addressing these issues required finding a careful balance between the capacity of the Council and the needs of the community
- **maintaining a physical presence:** this was regarded as a more significant issue for Councils in rural South Australia, given the distances involved. Responding to community wishes was an important consideration in how individual Councils treated this issue. Again, this was perceived as more critical in regional areas, where Councils felt pressured to maintain an office and depot presence in an environment where communities were feeling the impact of the loss of services across the board. Post-amalgamation, many Councils reported that they are facing challenges related to low levels of patronage at branch offices or service centres and will review the benefit of retaining them
- **new and improved services:** overall, most Councils apparently have either introduced new services or improved existing ones. The ability of amalgamated Councils to employ professional staff was influential in the delivery of better services to the community.

Representation

Throughout the structural reform process, widespread concerns were raised about the possible loss of representation. This was often described by critics of the Board as taking the 'local' out of Local Government. There were also fears that smaller Councils would be 'swamped' in amalgamations involving larger authorities. In practice, this appears not to have happened. In new structures, Councils argued that they had skewed resources, in service provision especially, towards smaller Councils.

The main issues raised by Councils about representation included the following:

- **public perception of adequate representation:** the reduced number of elected members on amalgamated Councils helped entrench the view about loss of representation, although it was often described as partly an issue of public perception. This perception was magnified in rural areas. Contrary to this view, there were instances where smaller communities increased their level of representation on new Councils under a 'no wards' scenario
- **ensuring access to representation:** responses to community concerns about representation varied, and prompted merged Councils to explore new ways to involve the community in Local Government. Community forums were regarded as appropriate in geographically large or highly populated Council areas. In Councils characterised by a high level of diversity, community consultative committees, providing two-way information exchange and feedback with Council, have enabled communities to participate in the decision making process. Council meetings held in other centres in a Council area demonstrated a commitment to being more open and accountable. Some Councils have tried a 'portfolio' approach to handling issues, assigning elected members to areas such as education, health, environment, and so on
- **electoral divisions:** each amalgamation proposal varied in its approach to electoral divisions. The choice of area-wide elections (that is, no wards) often was based on the assumption that it would assist in team building and encourage a unified area-wide view. The decision to use wards often was made to overcome community concerns regarding adequate and appropriate representation. There were examples where this happened even though prior to amalgamating the Councils involved had conducted area-wide elections. Councils which had adopted ward boundaries based on previous Council areas generally found this served to entrench divisions, impede team building, and prevent elected members seeing the new Council as one entity.

UNEXPECTED, DIFFICULT OR OUTSTANDING ISSUES

Some of the unexpected issues Councils faced as a result of amalgamating related to the following areas:

- **establishment costs:** there were usually substantial start up costs for new Councils. Additional unanticipated establishment costs immediately after the amalgamation had obvious budget implications. Costs associated with amalgamating included upgrading office accommodation, establishing and/or integrating information technology infrastructure, State Government charges (for example, transfer of ownership of motor vehicles), and streamlining administrative systems and procedures
- **telecommunications and information technology:** Councils often encountered problems in these areas when establishing network links between the main office and branch offices. Because new Council areas often crossed Telstra STD boundaries in rural areas, the cost factor associated with this often compounded budgetary difficulties

- **creating a common corporate culture:** Councils were challenged by unanticipated difficulties caused by differences in policy interpretation, financial management, information technology systems, planning practices, and staffing changes, to name but a few. To this was added a multitude of unforeseen tasks. Addressing these issues resulted in a significant increase in the commitments of elected members, as well as the workloads of staff. These demands were magnified for 'smaller' Councils, particularly in rural areas. It was suggested that insufficient attention had been given to this issue during the planning stages.

The difficult issues Councils experienced concerned:

- **elected members:** in some areas elected members failed to accept that they needed to change their roles in response to the new and different needs of a larger Council area. They wanted to continue to be involved in the day-to-day operations of the Council, and failed to move beyond what were described as 'pot-hole' type issues to policy issues. This has not been uniformly experienced by Councils, however
- **transitional arrangements:** the deferral of elections was useful, but in some cases impeded Councils from 'moving on'
- **the importance of good relationships:** there were instances where Councils experienced poor working relationships among elected members, and between elected members and staff, leaving the Council operating in an environment characterised by suspicion, mistrust and poor morale.

Councils are still dealing with a range of outstanding issues, in the following areas:

- **telecommunications and information technology:** rural Councils in need of good telecommunications infrastructure to overcome potential problems associated with distance continued to face problems related to inadequate telecommunications infrastructure. Also at issue is the added expense of crossing the various STD boundaries via modem connections. Councils affected suffer an erosion of projected savings from the amalgamation
- **representation:** many Councils felt they still had too many elected members in the new entity post-amalgamation, making a team approach difficult
- **loss of 'corporate memory':** this appears still to be an issue for some Councils, as they struggle to overcome problems resulting from an exodus of staff from key areas. There were cases where none of the senior staff made the transition to the newly merged entity. Where this affects key areas, such as financial management, it has the potential to cause significant problems.
- **time commitment:** as Councils work through post-merger implementation issues, many are having to reappraise Council structures to address the extra demands on elected members' time. The current review by the State Government of elected members' remuneration may be of assistance in this regard

- **maintaining service centres:** a number of Councils are faced with difficult decisions over maintaining service centres even though demand has declined
- **status of the structural reform proposal:** while some Councils still regarded their merger proposal as a 'bible', others continue to experience difficulty where elected members persist in viewing it as a working document in the day-to-day operational sense, or using it to make a political point. Although, overall, the quality of the proposals was sound, with hindsight, many Councils conceded that innocent mistakes were made, and that there was an element of naivety in terms of what was considered realistic. The predictive power of proposals has not always been realised. It is important to recognise that merger proposals were formulated by agreement among elected members of former Councils. This has not guaranteed agreement by those elected to the new Council. For Councils to move successfully on in the post-merger phase, and respond to present and future needs, proposals should be used flexibly, as a guide, rather than prescriptively.

CORPORATE STRUCTURE AND INDUSTRIAL RELATIONS ISSUES

The following issues indicate that the impact of organisational change on Councils was a major focus in decisions about both the new corporate structure and industrial relations:

- **united and committed leadership:** qualities which, when displayed by the elected members and the CEO, and in combination with good communication, were regarded as key to successfully overcoming barriers caused by different cultures, different practices and procedures, and different identities. One Council described the process of restructuring and welding and changing cultures as 'shattering fiefdoms'. The Board was reminded that this doesn't happen overnight, and it requires hard work, dedication and commitment
- **agreeing on an organisation structure:** regarded as vital from the perspective of both the staff and the new Council. Delays in putting the organisational structure in place often caused concern and uncertainty among staff, leading to poor morale. On the other hand, some delay in appointments gave the CEO and senior staff the opportunity to assess staff. This situation contributed to a level of unease, but was not such an issue where ongoing jobs were guaranteed. Appointing the CEO of the new organisation was singled out as an important exception. Where this did not happen expeditiously, Councils tended to resort to unsatisfactory arrangements such as using transitional Amalgamation Committees to make managerial decisions
- **employing specialised staff:** the combination of an expanded resource base and greater capacity opened the way for Councils to employ specialised, professional and technical staff, leading to improved service provision and delivery, and reduced approval times in areas such as development control (building and planning)
- **a skilled workforce:** the added confidence of a better-resourced workforce has improved its capacity to undertake bigger and more complex projects. The extra resources

available in amalgamated Councils have led to improvements in the level and consistency of training for staff, thus building skills and expertise

- **strategic planning opportunities:** by amalgamating, many Councils had their first opportunity to undertake strategic planning (includes corporate, business and financial planning). The extra resources to employ specialist staff was one reason for this, as was the increased power and capacity of the Council itself to expand its operations
- **challenges of culture and tradition:** there were examples of merger proposals involving Councils which superficially shared common features, such as strong communities of interest and similar demographics. Often the reality was of mergers occurring between Councils which were miles apart in terms of their corporate cultures. These stark differences in culture and tradition added to the challenges facing Councils during and after implementation.

Although the Board had no role in directly negotiating or being involved in negotiations between Councils and their employees in the development of amalgamation proposals, it did have a policy on Amalgamation Agreements. For voluntary proposals, the Board required evidence of an Amalgamation Agreement being in place, or evidence from relevant parties that they were developing one. This requirement formed part of the Board's checklist in assessing voluntary structural reform proposals.

Councils were assisted in managing this issue by the publication of a 'Model Amalgamation Agreement', prepared by the LGA in consultation and negotiation with industrial officers and workplace representatives of the Australian Services Union and the Australian Workers Union (LGA, October 1996). The model Agreement included a clause that there be 'no forced redundancies' as a result of amalgamation, to operate for the life of the Agreement, providing some certainty for staff. The Board noted that no amalgamation was delayed by industrial matters.

There were wide variations in how Councils approached recruitment and selection arrangements for the newly amalgamated entity. They included:

- offering all positions to existing staff first, to across-the-board offers for voluntary separation payments
- extensive and time-consuming recruitment and selection processes, involving interviews for all positions
- newly merged Councils often found themselves losing entire ranks of experienced senior staff because they did not offer targeted separation packages
- some Councils expressed frustration about no-redundancy clauses in Amalgamation Agreements
- other Councils cited their management of industrial relations prior to the commencement of the new entity as a key success factor.

FUTURE INITIATIVES

In terms of future initiatives, Councils saw the most promising opportunities for their future development arising in the areas of economic development, tourism, environmental management, and a strategic approach to regional development. More generally as a result of structural reform, many Councils now have the capacity for greater involvement in these areas, in a proactive and strategic manner. The ability to employ specialised staff has been influential in Councils taking up these opportunities. Overall, Councils have found they can tackle a broader range of issues, projects and programs through improved resourcing. A Council's ability to take a wider area view delivers clear benefits to communities, particularly in the following areas:

- **planning:** merged Councils brought together Development Plans to provide a consistent, coherent, view over the whole area. Similarly, amalgamated Councils in rural areas combined previously separate bushfire prevention plans
- **cooperation and collaboration:** there was a marked improvement in Councils' relationships with a diverse range of organisations, including Regional Development Boards and Tourism Boards. Some Councils were already exploring further opportunities for resource sharing with other Councils, as well as sharing facilities with other local service providers (such as tourist information offices and community centres)
- **capacity to engage in regional development:** in rural areas, larger, better-resourced Councils, have provided expanded opportunities for involvement in regional development
- **capacity to establish strategic alliances:** larger, better-resourced Councils have a greater capacity to establish their own partnerships or strategic alliances with other Councils, other levels of government, the private sector and the community
- **changed thinking and new strategies:** in some areas, Councils now think more like a region, or sub-region, than a traditional Council, taking a wider, more strategic approach to issues
- **improved telecommunications and technology:** access to the Regional Telecommunications Infrastructure Funding (RTIF) was identified by several Councils in rural areas as an opportunity to deliver benefits to the community and generate significant financial savings. For many Councils, access to the RTIF would not have been possible without amalgamating.

The success or otherwise of many of these initiatives may hinge on how elected members perform their roles. The majority of Councils described a positive effect, particularly in terms of a reorientation from being focused on local administration and service-outcome issues to broader strategic and policy matters. It was put to the Board that elected members in amalgamated Councils tended to look at the 'big picture', and take a more strategic view of issues. Achieving this depended, in large part, on strong leadership and the educative effect for Council members of being part of a larger, stronger, more strategically focused Council.

ISSUES IMPACTING ON COUNCILS

A key issue for amalgamated Councils is that of relationships with other spheres of government. On the one hand, Councils spoke of their frustration at dealing with Government departments which had failed to recognise and respect the change and restructuring that had occurred in Local Government. There are Councils which now cover a larger region and operate with bigger budgets than some State Government agencies. It was put to the Board that, since the State Government had made Councils bigger, then it had to listen to them. However, not all Councils had this experience. Some reported a belief that State Government agencies had an increased level of confidence in Local Government, leading to improved relationships based on mutual respect.

At this stage of the structural reform process, there appears to be an unrealised benefit of structural reform. This concerns Councils' increased capacity to wield influence, particularly in the political arena at both the State and Commonwealth levels. While several Councils have already observed that their size and critical mass has improved their ability to lobby on behalf of their communities with State and Commonwealth Governments, for other Councils this potential remains latent.

3.5 CONCLUSION

Based on an extensive evaluation of Local Government structural reform in South Australia, the Board believes it has clearly achieved the three objectives set out in section 17A of the Act.

The achievements

The Board's key achievement — and its most visible — is the reduction in the number of Councils in the State, from 118 to 68. The historical significance of this reform initiative as the most important structural change to Local Government since the restructuring of the 1930s is amplified, given that it occurred as the result of a largely voluntary process.

Savings quantified by Councils as likely to result from structural reform proposals totalled a conservative \$19.4 million per annum. The Board has argued that this recurrent savings estimate can be considered to be very conservative, and that the potential cost savings could, in fact, be double those formally identified. In addition, proposals identified 'one-off' estimated savings of around \$3.9 million. Councils involved in structural reform all expressed optimism that the quantifiable benefits would be realised in time.

The significant financial benefits achieved by structural reform in South Australia need also be considered in the context of many voluntary proposals focusing on improvements in service levels, rather than on large net financial savings and reductions in rates. Although rate reductions were a significant benefit in many cases, the Board stresses the need to put savings in the wider perspective of strengthening the capacity of Local Government, and improving service delivery, at no extra costs, in many cases.

Against these savings, are the Board's operating costs of some \$5.7 million. Although the figure compares favourably with the estimated and projected future savings, the Board is aware the figure in no way reflects the many other costs of the process, including, in particular, the immense energy and effort of many elected members and Council staff, to achieve structural reforms of benefit to their communities.

The outcomes from this initiative have resulted in significant benefits to communities by way of improved services. In many cases, rather than direct rate reductions, the savings derived from reduced duplication were transferred into either improved services or new service areas, as well as the construction of new assets and facilities for communities. In addition to the more easily quantified short-term benefits of structural reform, there are also the long-term benefits from improved capacities of Councils to meet future challenges, which will become clearly evident in time.

The Board also believes that the structural reform of Local Government has delivered other benefits to Councils, their communities, and the State. These benefits need to be seen in the wider context of meeting the challenges of the 21st century. It is already evident to most observers of the impact of globalised international competition that people will seek even greater reassurance in future from community level governments and organisations. Structural reform of Local Government in South Australia, has, over the last three years, helped to build the basis on which that reassurance can be given.

The voluntary process

The Board has commented on how the outcomes of structural reform in this State highlight the trade-off between the benefits of the voluntary approach — typically characterised by high levels of ownership and reduced community dissatisfaction — versus the benefits of the coercive approach. The use of more powerful incentives may have allowed the Board to have the best of both worlds, a voluntary approach which produced a more logical and strategic result across Local Government, without the lack of democracy characterising compulsory models.

Managing the change process

As the preceding discussion reveals, issues which have been positives for some Councils, have been negatives for others. Given this, the Board believes that, ultimately, the long-term success or otherwise of each amalgamation will depend heavily on how 'people issues' have been managed at every stage of the process: the exploration phase with possible merger partners, the development of a proposal, and the post-merger implementation stage.

Governance and representation

In terms of external benefits, structural reform was not simply an exercise of restructuring Councils into larger economic and geographic units to achieve economies of scale, but also about delivering a range of benefits to communities, including strengthened democratic systems of governance at the local level. Importantly, the outcomes of structural reform

have dispelled fears that the process would be anti-democratic and take the 'local' out of Local Government. In practice, there is no evidence that communities have suffered reduced representation; small groups have not been swamped in mergers with larger Councils, but often have increased their access to representation; and many communities are now involved in genuine participatory governance structures.

Capacity and leadership

As promised, structural reform in South Australia has facilitated the creation of Councils with increased influence and a greater capacity to provide leadership. This is not simply the opinion of the Board, but one shared by many amalgamated Councils. Structural reform has increased the potential for Local Government in this State to play a more significant and influential role in economic and community development — especially in regional areas — and not only to do this in a more innovative and creative fashion, but also while maintaining the social cohesion at the local community level expected of Councils.

Intergovernmental relations

Structural reform has highlighted the important role played by governance structures, processes and institutions in fostering cooperative and collaborative intergovernmental relations. There is already evidence that the institutional changes resulting from structural reform have facilitated improved inter-governmental relationships, particularly between the State (and its agencies) and Local Government. It will be important to consolidate and build on these gains.

Post implementation assistance

Even after this major round of restructuring, Board staff were continuing to provide assistance to amalgamated Councils. In the course of evaluating structural reform in South Australia, the Board was reminded that it is a dynamic and evolving process. In particular, the case studies and the issues raised by Councils in hearings with the Board emphasise that support mechanisms within State Government could still play a useful role in translating the benefits of this reform in the future.

4. CASE STUDIES

4.1 THE CASE STUDIES PROJECT

The Board considered that a series of in-depth assessments of Council's experiences of amalgamating would be useful in assessing the impact of structural reform, particularly over time. Undertaking the case studies also assisted the Board in meeting its obligations under the Act to report on:

- the extent to which the objectives set out in section 17A have been achieved
- further and future opportunities for structural reform in Local Government.

The case studies evaluate the outcomes of structural reform using both qualitative and quantitative data.

Participants for this study were selected to enable the overall project to meet the following criteria:

- achieving a diverse selection of Councils
- striking a balance between Councils in urban and rural areas
- striking a balance between Council size — in terms of area and population — and groupings of Councils
- including innovative structural reform arrangements
- showing how structural reform can facilitate stronger regional structures
- examining prospects for future and further reform, including structural reform.

The Board was pleased with the positive response from all those Councils approached to participate in this project. The Board is grateful for their contribution to this Report, and the opportunity it provides not only to gain a deeper understanding of how structural reform has translated 'on the ground', but also what lessons can be learned about approaching Local Government reform in the future.

The Councils and Council areas which participated in the Board's case study project were:

- Adelaide Hills Council
- Federation of North Eastern Councils (the District Councils of Peterborough and Orroroo/Carrieton)
- City of Holdfast Bay
- City of Onkaparinga
- the former Mid North Region, including the Central Region of Councils
- Wattle Range Council.

The Board felt that the case studies would benefit from an independent, 'outsiders' view. It was also the Board's view that by engaging consultants for the task, Councils may be more open about discussing their experiences of the structural reform process. The case studies were undertaken by consultants during July and August 1998. Appendix L lists the consultants and outlines the methodologies used.

In each of the case studies, the time frame for the work was relatively short, thus offering the best opportunity for the studies and conclusions reached to be as relevant and as accurate a picture as possible at the time of reporting to the Minister. It was not intended that the studies serve as a detailed 'audit' of what has, or has not, been achieved as a result of structural reform, but rather to provide a description of some of the key decisions taken in each case, the current 'state of play', and a prognosis for the future.

The Adelaide Hills study departed from this approach. The study focused initially on the issue of boundary alterations, and whether there may be strategic reasons to support boundary change. Out of this developed a case for a different approach to boundary reform.

The Board believes that it is important that all these case studies are followed-up, if possible, within the next two years, to test how things have subsequently evolved.

4.2 ADELAIDE HILLS COUNCIL



FIGURE 5: ADELAIDE HILLS COUNCIL IN THE CONTEXT OF NEIGHBOURING COUNCILS

Consultants were engaged to undertake a 'strategic opportunity assessment' of Local Government boundaries in and around the Adelaide Hills Council (AHC) area, a study commissioned jointly by the Council and the Board.

The original intention of the brief was for the consultants to engage all 'participating Councils' in the process in a collaborative way and provide an opportunity assessment, the key elements being:

- a strategic overview of the boundary of the AHC, as it relates to adjoining Councils

- assessment and consideration of a range of strategic indicators for boundary definition within the Adelaide Hills area
- identification of opportunities arising from the alteration of the AHC boundaries, together with an assessment of the impacts of these alterations.

Full details of both the reasoning behind the assessment and its elements are outlined in the methodology at Appendix L.

As the consultancy progressed, however, it became clear that the original requirements of the brief could not be delivered. Two events that were beyond the control of the consultants were responsible for this:

- early reflections by the AHC about the timeliness of the study resulted in Council's desire to 'internalise' the process. The consultants considered that many elected members believed that since the community was still in a settling down period after the recent amalgamation, further speculation about boundary reconfiguration would deflect their attention from key issues of the time.
- the decision by most of the nine adjoining Councils not to participate in the study. This emerged as a major barrier to the development and validation of boundary alteration opportunities. Any boundary initiatives that emerged from the study could not be developed in a collaborative way, either at the governance or community levels.

Notwithstanding these circumstances, work with the AHC and staff resulted in the development of ideas for future boundary configuration. However, the circumstances outlined previously, and the actual boundary initiatives that emerged, indicated to the consultants that strategic outcomes through boundary reform were not a priority in the minds of many involved in structural reform. To some extent, the Board's guidelines had encouraged the formation of such a viewpoint.

Discussions with the AHC and the Board provided a new direction to the study, after internal processes with Council and staff progressed as far as was practical. The consultants engaged in discussions with key government agencies to identify strategic planning needs of the Mount Lofty Ranges generally. Behind this approach is the notion that Local Government reform (including structural reform) should give higher priority to the ways and means of 'better doing business with government'. This is a different basis for structural reform than that which is articulated in the Board's guidelines.

The consultants' experience has been that the outcomes of Council amalgamations in South Australia have not been strategically based. By and large, reform processes have been driven by emphasis being placed on defining various 'communities of interest' and resolving service and rates differentials that have inevitably arisen. In other words, Local Government reform outcomes have been deriving their impetus from the household and community level rather than from a desire to contribute to the strategic issues in the area or region.

The outcome of the consultants' study is described in two parts:

- the first deals with the results of investigations specific to the AHC. The work has been at the overview level (in accordance with the brief), and has been largely restricted by the decision of most surrounding Councils not to participate, and by the desire of the AHC to 'internalise' its thinking about any further reform.
- the second focuses on the identification of strategic issues relevant to government-to-government relationships. These issues will point to a need to think more broadly about dealing with strategically important regions and further exploit the opportunities that exist for the re-design of the service delivery framework between governments. Boundary reforms could be an important pre-condition to realising these opportunities. In fact, boundary alteration may be one instrument of doing business both together, and better, and could well follow a redefinition of the relationship between State and Local Government.

BOUNDARY ALTERATION

Assessing the potential for strategic adjustment to the boundaries of the AHC can be gauged by two factors: the key governance issues (that are related to boundary reform); and the priorities for Council.

The key governance issues can be summarised as follows:

- focusing on the AHC as one, with its policy and services directed toward water, soil, transport and related infrastructure and land management (especially in the Hills Face Zone)
- pursuing boundary configurations which ensure cost effective service delivery, particularly infrastructure quality
- uniting 'natural' communities
- tidying up anomalies
- pursuing boundary configurations with a better alignment with 'planning regions', for example, State and Commonwealth Government agencies
- integrating local strategic directions with those of the State.

Within this general setting, Council and staff identified the following key matters to be relevant in boundary alteration considerations:

- balancing environment protection with land productivity
- creating employment opportunities
- impact on the boundaries and functions of Boards (Soils, Regional Development, and Catchments Boards)

- ensuring the economic viability of Council (a concern about revenue loss)
- ensuring community diversity and social mix
- consolidating regional development initiatives (including tourism)
- implications for health and support services boundaries.

The highest priority was given by Council and its staff to the following:

- keeping a focus on current commitments, or achieving the purpose of the study in other ways
- protecting land for agricultural production and the Hills Face Zone
- maintaining Council's economic viability
- ensuring that diversity in the community is retained.

In relation to boundary reform opportunities in the region, the consultants' work reveals some 'strategic drivers' emerging from the thinking of Council. The role of the region in primary production is clearly an important issue for Council. Based on consultation with Council, the consultants presume that soil, water and land management are key strategic issues that will drive decision making and resource allocation.

As well as the encouraging signs of strategic thinking, the Council indicated a desire to keep 'an even keel' at this point in time. Although the consultants found evidence indicating an open mind existed, Council may not be ready for the 'hurly-burly' of another round of boundary reform. Partly at issue is the pain of adjustment, post-amalgamation. The consultants observed that there appeared to be little impetus for further debate since, in many cases, there exists 'unfinished business' from the amalgamation process. An example of this is the problem of rate equalisation. This issue will continue to impede lateral thinking on the future of Local Government.

Having considered these issues in conjunction with other relevant matters, the consultants concluded that 'communities of interest' were a complex, confusing and (perhaps) less important criteria for boundary alteration. Very few areas can be regarded as totally self-contained and no matter where boundaries are placed, there will inevitably be cross associations, and therefore shared services. In the consultants' view, the capacity of boundary alteration to embrace larger and larger units of community interest will always be a matter of judgement.

However, the consultants also acknowledge that 'community identification' is an issue that will influence the direction of Local Government boundary reform. Better and more appropriate mechanisms need to be established to handle discussion where related issues and anomalies arise between concepts of community and strategic regional considerations.

FUTURE DIRECTION

The Adelaide Hills Council has indicated a desire to pursue the full range of boundary alteration opportunities at an appropriate time. However, for the ideas to be progressed more detailed investigations would need to be put in place, at an appropriate time. This may be when Council has dealt with the immediate internal issues associated with the amalgamation process.

The consultants concluded that there is a long way to go with these opportunities before Council could be confident that any or all of them have a future worth pursuing. Only one or two adjoining Councils have indicated a willingness to discuss boundary alterations. One Council, in particular, would prefer to discuss bigger regional issues in the context of whole of Council amalgamation.

Ultimately, the Adelaide Hills Council will seek a strategic approach to the future of governance in the region — not one which seeks ‘adjustment for the sake of adjustment’. Clearly, however, there needs to be a better approach to those anomalies that will be highlighted from time to time.

A DIFFERENT APPROACH

Consultation with the AHC reinforces an emerging view that voluntary amalgamations have a tendency to ‘internalise’ the benefits of boundary reform. It seems inevitable that the success or failure of boundary reform revolves around some central themes including:

- impact of a new rates regime and rates equalisation
- protection or extension of the rate base
- impact of new ward boundaries
- service delivery at the household level
- protection of community interests
- the ‘acquisition’ of important assets that exist in the adjoining community.

Clearly, the impact on family and business budgets, and the ‘value for money’ outcomes of institutional reform, are key issues that need to be addressed. The apparent pre-disposition on these ‘criteria’ has been made more certain by the terms of the Board’s guidelines and, more specifically, the underlying principles of structural reform. The Board’s guidelines give little weight to the role that Local Government can or should play in the future of an area or region in strategic terms, either as a single entity, or in partnership with other levels of government and the private sector.

In the consultants’ view, the terms of the Board’s guidelines do not recognise the importance of Local Government as a key agent in the delivery of a wide range of services that are of strategic significance to State and Commonwealth Governments.

The consultants' investigations using the AHC and region as an example, indicate some critical issues and needs of that region which will require more mature relationships between governments if the strategic directions of the region are to be successfully implemented. If, as the consultants expect, the AHC and region is an example for others to follow, then there is a case for the 'next generation' of structural reform to view the future of Local Government in different terms.

Outcome and expectations of boundary reform and related issues

In the course of conducting this study, the consultants interviewed senior people in key State Government agencies to establish the nature of the relationship that they believe is necessary to assist in delivering the strategic directions of the region. The messages received from that dialogue were consistent and supportive of the creation of stronger, smarter and well resourced local government authorities which have the capacity and expertise to develop and implement regional priorities. The essential messages are as set out below.

The resources available to State Government are declining, thereby reducing the capacity to drive and implement strategic agendas. This message was received from several quarters and is a clear signal to Local Government that its resources will inevitably be called upon to bridge the gap.

In addition, the capacity for State Government to co-ordinate and integrate their program needs is impeded by the 'silo' effect of departments, which adversely impacts on co-ordination between departments. The implications for Local Government revolve around the problems of inconsistency in policy interpretation, impediments to information flow and decision making.

The capacity of Local Government will be challenged in the future with:

- the potential re-emergence of Federal regional programs and the expectation of delivery at the local level
- a growing expectation by State Government that Local Government will develop a capacity to move from a 'regulator' role toward 'strategic planning'
- a growing expectation that Local Government will take ownership of the directions established by State Government.

Within the Mount Lofty Ranges, the consultants identified a plethora of bodies that overlap and duplicate effort. These bodies (including Soil, Animal and Plant Control Boards, LandCare Groups, Regional Economic Development Boards, Tourism Boards, Water Catchment Boards) are jointly funded and otherwise resourced by Commonwealth, State and Local Governments. There appears to be a ground swell of support for rationalisation to improve effectiveness, reduce duplication and provide clear focus on common objectives.

Local Government's contribution to broader strategic priorities is achieved by vesting in it a wider range of responsibilities and services, including:

- the preparation of a strategic/corporate planning framework that is complementary to State directions (now proposed in the Consultation Draft Bill for the Local Government Act Review)
- the development of a policy framework (land use planning, economic development, community development, environmental management) that supports State and Commonwealth plans
- establishing a budgetary framework which has the capacity to deliver on (say) catchment management, and land care needs (capital works and human resources)
- regulatory activities that complement, for example, land management policies to protect and enhance the productive capacity of the region
- the engagement and co-ordination of community resources through established and new methods
- Council's role as an advocate for general and specific issues.

State planning needs could, theoretically, be delivered more effectively if the Mount Lofty Ranges were composed of Local Government authorities that aligned with some strategically important (but somewhat differentiated) sections of the outer metropolitan region.

Some State and Commonwealth agencies see the opportunity to review the way in which their responsibilities can be discharged with a view to transferring some responsibilities to Local Government if the outcomes are more effective and efficient. As noted later, agencies see Local Government in a more positive light, post-amalgamation. The improving level of confidence in Local Government is, the consultants believe, a key indicator that a clearer redefinition of State/Local Government service responsibilities could be taken seriously.

Future Local Government boundary reform should be a consequence of taking a more strategic and unified perspective of the State's future. The starting point of the renewed debate should recognise that there is no blueprint for the 'next generation' of reform, and that it will need more than Local Government acceptance of the need for change to trigger further strategic reform. Strong underlying principles for future reform might include:

- a clear focus on strengthening the economy as the number one priority
- an acknowledgment that 'strong communities build strong economies'
- strong, smart and well resourced Local Governments have a better capacity to 'lift the sights' of their community
- reducing the impediments created by State Government 'silos', and the building of collaborative structures between State and stronger Local Government units will be necessary.

Implications

The Mount Lofty Ranges is a strategically important region, located on the doorstep of the State's largest concentration of population and economic activities. Its future will be influenced by complex government and institutional structures which have the potential (if not already) to either duplicate, or even worse, create a platform for decision making and service delivery that is both inconsistent and inefficient.

Overlaying this is the reduced capacity for State Government to resource the implementation of the policy directions that it sets.

The issues that are evident in the region invite a more collaborative approach to governance. Local Government could be a leader in triggering processes that could eventually elevate its significance as a level of government. It could do so through:

- strong and consistent leadership in land use, land management and service centre policy
- co-ordinating government and community resources to deliver State and Commonwealth Government programs
- strong and committed decisions that are consistent with the agreed strategic directions.

The consultants' discussions with key State Government agencies reveal that there are a number of services that could be either co-ordinated or delivered by Local Government. They could include:

- increased public and environmental health functions (by combining with areas currently serviced by the EPA)
- native vegetation identification and compliance functions
- management of major recreation and conservation parks
- functions currently delivered by the Soil Boards
- functions currently delivered by the Animal and Plant Control Boards
- coordination of resource management activities funded by the National Heritage Trust
- a range of functions now undertaken by the Catchment Boards
- functions now performed by regional economic development and tourism organisations.

What this list suggests, is that there is a case and capacity for re-defining the nature and structure of service responsibilities between Local and State Government. Ultimately, the list could alter. However, within the span of services noted above, there is nothing unfamiliar to Local Government. It is the view of the consultants that, given appropriate circumstances, Local Governments in the Mount Lofty Ranges region would seriously consider new levels of service delivery that seek to implement both State and Local strategic needs.

There will, of course, be some essential pre-conditions for Local Government to elevate its role. These include:

- a strengthening of the financial and human resource capacity of Local Government. This may include consideration of resource transfer from State to Local Government. It may also trigger a commitment to reduce the number of authorities which cover the region
- a willingness on the part of the Commonwealth Government to recognise the ability and capacity of Local Government to coordinate and deliver its land care (and related) programs
- the design and institution of a process to build bridges toward a clear and collective vision of achieving strategically important outcomes.

FRAMEWORK FOR A NEW DIRECTION

Essentially, the consultants argued the case that this phase of Local Government boundary reform has probably 'run its race' except for addressing anomalies. The consultants also contend that strategic benefits of amalgamation have been a consequence of the process, not the driving force. The Board's guidelines probably never intended it to be otherwise.

However, the issues in the AHC and its region indicate that the next round of institutional reform affecting Local Government must focus on the strategic planning priorities of all spheres of government.

4.2 FEDERATION OF NORTH EASTERN COUNCILS

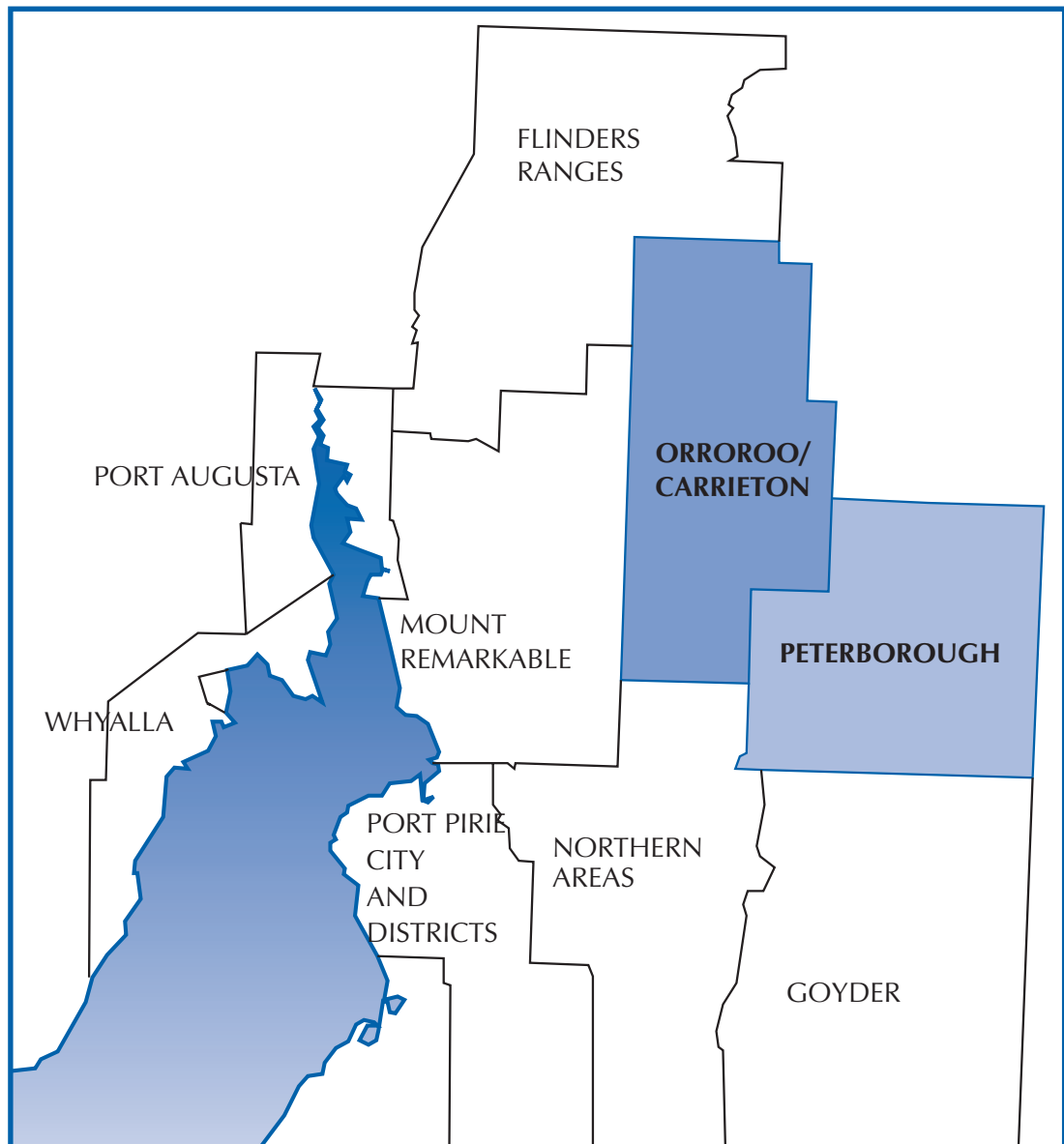


FIGURE 6: FEDERATION OF NORTH EASTERN COUNCILS IN THE CONTEXT OF NEIGHBOURING COUNCILS

The Federation of North Eastern Councils takes the form of an authority established by the District Councils of Orroroo/Carrieton and Peterborough on 1 October 1997 under section 200 of the Act, and approved by the Minister for Local Government, following support by the Board, under the terms of that section. It provides administrative services to the two Councils. The works services are still managed and operated by the two Councils. The two Councils had previously been formed by the amalgamation of the District Councils of Orroroo and Carrieton on 1 March 1997 and the District Council of Peterborough and the Corporation of the Town of Peterborough on 1 July 1997.

The Act which established the Local Government Boundary Reform Board and associated procedures, included the following in the definition of 'structural reform proposal':

... establish a cooperative scheme for the integration or sharing of staff and resources within a federation of councils.

The Federation is the only example of such a scheme in the State. It is not a Federation as understood by the 'ILAC' model (see glossary for explanation), but, rather, a more far-reaching cooperative solution to Local Government needs, especially relevant in rural areas.

FEATURES OF THE FEDERATION

Some of the key features of the Federation are as follows:

- it is a corporate body, established under, and subject to the provisions of, section 200 of the Act
- it has a straightforward governance structure; namely three representatives of each of the Councils, meeting quarterly, and with the Chairmanship to rotate annually between the two member Councils
- its objectives are defined as:
 - to provide administrative services to the constituent councils in an effective and efficient manner
 - to undertake such other services as may be agreed from time to time by the constituent Councils.
- to date, its activities have been confined to administrative services and there are no plans or expectations to change this: responsibility for employing and directing non-administrative staff (works and libraries) remains with the individual Councils
- the Federation currently employs seven staff. The Federation CEO is also CEO of each of the two Councils, and divides his time between the two Council areas. The other staff are split evenly between the two Council headquarters (Peterborough and Orroroo) and, except for temporary placement to cover absences etcetera, are located on an on-going basis in one Council headquarters or the other
- accounting arrangements have been kept very simple and practical, with only staff remuneration costs met by the Federation and only the CEO's time being apportioned between the two Councils. Complexities which could have been introduced (for example, the charging of office space owned by the Councils to the Federation and so on) have been regarded as unnecessary.

ASSESSMENT

A number of positives already have emerged and are continuing to emerge, some of which (not necessarily in order of importance) are:

- the expected achievement of overall savings from the combination of the amalgamations and the Federation of the order of \$100 000 annually, with the largest contribution to this

being the 'collapsing' of four CEO positions into one (precise figures are not available at this stage)

- the wider scope of responsibility of the CEO, with favourable implications in terms of both that person's contribution to the two Councils and the CEO's own work satisfaction (regardless of the heavy demands upon the CEO) and the capacity to retain high calibre staff in the longer run
- a high degree of cooperation at the elected level in terms of the governance of the Federation and the smooth running of its business, with quarterly meetings found to be adequate; the judgement was conveyed to the consultants that 'working together' has led to a better general understanding between the two Councils
- improvements in the efficiency and quality of advice provided by the CEO to the two Councils and their decision-making, as many issues which arise are common and there can be learning by one from the other
- opportunities to efficiently consider service-delivery mechanisms in conjunction with other Councils, the notable example (to date) being a new and much improved waste collection service operated jointly with the Northern Areas Council, covering both Council areas
- effective and cost efficient representation of both Councils by the CEO in other forums (for example, the Central Region) and in negotiations with the State Government (a current example being relating to locust and grasshopper control)
- although there has not proved to be scope for major rationalisation of plant or works depots owned by the two Councils (because of distance factors and heavy utilisation in each area), the Federation does facilitate short-term loan arrangements and Federation staff believe that opportunities for rationalisation of minor equipment will emerge
- joint purchasing is already proving valuable: the two Councils order jointly but pay separately for their purchases — again accounting simplicity is in evidence
- the opportunity has been taken to achieve a computer upgrade, with specialist assistance from the CEO of the District Council of Mount Remarkable
- a single Enterprise Bargaining Agreement has been made covering the staff of the Federation.

SUMMARY

Whatever the arguments might be in favour of a 'full' amalgamation of the four previously existing Councils, the view is firmly held in the area (and by others participating in the process) that this option would not have been feasible for distance and other reasons. In the consultants' view, the majority of benefits which might have been reasonably expected from a full amalgamation are occurring under the Federation arrangement, while retaining the benefits of more localised identity and decision-making.

There are several specific reasons, in the consultants' view, why the arrangements are working well. Three of the most important are:

- the calibre and commitment of the people involved at both the elected and staff levels
- the crucial decision to keep the administrative and accounting arrangements between the Federation and the constituent Councils very simple
- the relatively short distance (by country standards) between the two Council headquarters.

Obviously, with the short life of the Federation, these judgements must be considered highly provisional at this stage.

The consultants made the following observations about possible application of the Federation concept elsewhere in the State:

- many, much more difficult, issues would arise in any attempt to apply it in high population metropolitan Councils with large staff numbers
- it may be usefully considered in other country areas, especially those where the distance factors between Council headquarters were manageable (particularly in relation to the travel demands upon the CEO).

This conclusion is relevant to findings from a separate study on the estimated savings from further amalgamations or collaborative arrangements (see section 7.1).

4.4 CITY OF HOLDFAST BAY

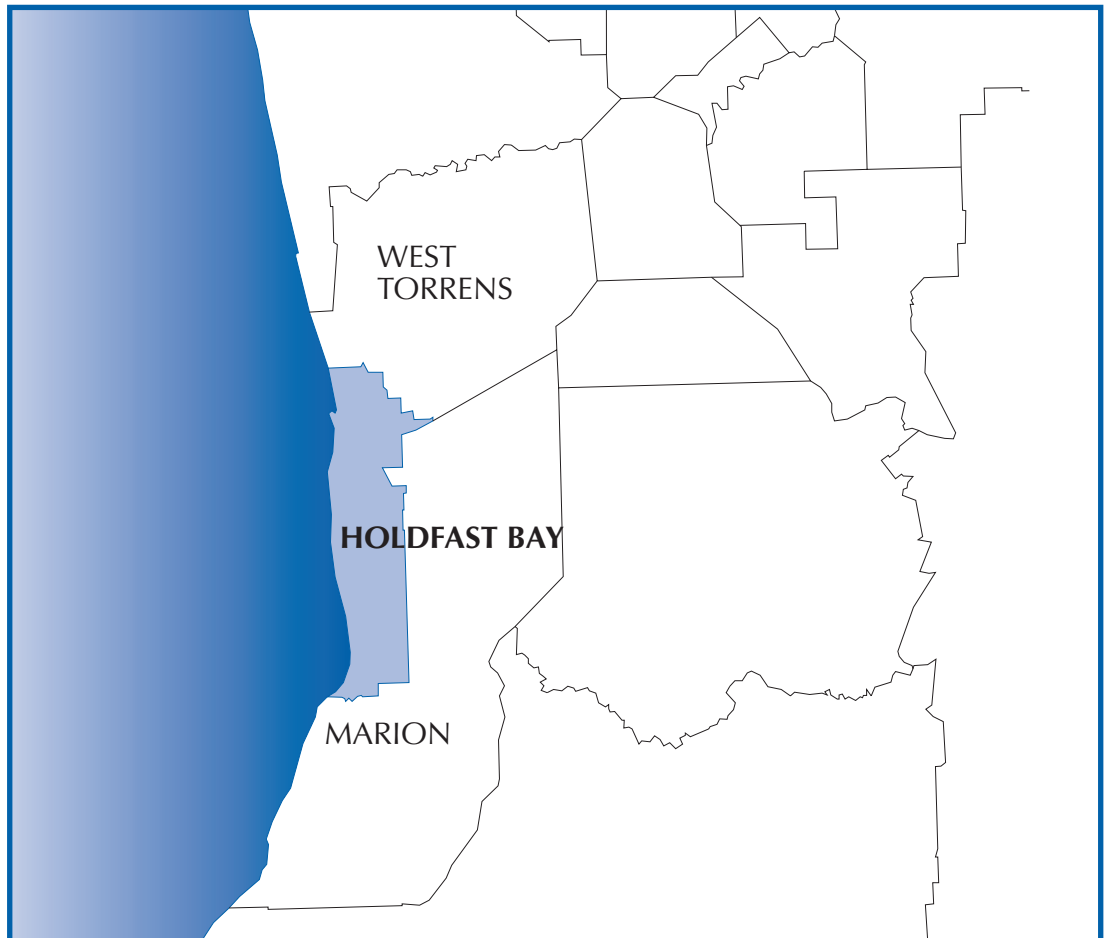


FIGURE 7: CITY OF HOLDFAST BAY IN THE CONTEXT OF NEIGHBOURING COUNCILS

The City of Holdfast Bay was formed from an amalgamation of the City of Brighton and the City of Glenelg in January 1997. The new Council now comprises 6 wards, 12 Councillors and a Mayor.

SERVICE PROVISION AND DELIVERY

Voluntary Proposal

The structural reform proposal to form the City of Holdfast Bay allocated \$648 000 of savings towards an initial expansion of services in the following areas:

- foreshore amenity
- open space, parks and streetscaping
- community services and aged care
- public safety and crime prevention.

The amalgamation of the City of Glenelg and the City of Brighton has resulted in the expansion of services in an equitable fashion. Services not previously undertaken in one area have been introduced and in many cases improved or expanded, to cover the entire area of the new Council.

An increased capacity to fund initiatives (for example, Heritage Management, Community Bus Expansion) appears to be directly related to the amalgamation and the resultant increase in Council's resource base.

The service delivery benefits described in the voluntary proposal either have been achieved, or are in the process of being implemented.

Amalgamation Achievements

Some of the Council's significant claims of post-amalgamation achievements are summarised below.

The combination of sound financial management with financial outcomes has exceeded the objectives predicted in the original voluntary proposal. These achievements include a surplus of \$1 632 000, the disposal of the former Glenelg Depot site for \$834 000, the sale of surplus plant and equipment for approximately \$200 000 and an additional income from general inspectors of \$185 000. It should be noted, however, that savings generated have been reinvested to enhance service delivery.

The development of a submission for 'Centenary of Federation' funding towards the establishment of an Interpretive Centre at Glenelg and a number of other related projects has been completed. The budget for the project is anticipated to be in the vicinity of \$4.5 million.

The Corporate Services Department has played an active part in the development of the Mawson High School site as a new Holdfast Bay Community Centre. This joint venture, costing approximately \$800 000, has provided a much needed facility for the community.

The development of activity-based costing for specified services has greatly assisted the push for greater contestability.

The new Council has achieved an increase in the capital works program and associated funding within the financial parameters set by Council, and a major consolidation of plant and equipment has resulted in greater equipment usage and the generation of considerable cash savings.

The joint work force has enabled Council to undertake a broader range of services in a more effective manner. All work practices have been critically reviewed and best practice adopted as the standard.

A complete skills analysis has been undertaken and a detailed training program formulated. This has resulted in a more versatile workforce than the one prior to the amalgamation, in the new Council's view.

Ongoing communication during the amalgamation process assisted in a smooth transition for both workforces.

There has been a substantial improvement in the development assessment process, as systems have been refined and streamlined to reduce response time and increase the quality of the service. There is now a more detailed analysis of assessments as the overall professionalism and expertise of staff increases.

A strategic approach to planning has resulted in the development of many initiatives including:

- public toilets strategy
- integrated bike plan
- underground cabling strategy.

Increased emphasis on the management of the Councils' heritage has produced a number of integrated strategies. These heritage strategies are now being incorporated into Council's policies and operations. The new Council has also introduced a budget line for heritage initiatives with \$20 000 being made available for 1997–98.

The Council has produced a 'Disability Discrimination Act Action Plan'. Consultants have been commissioned to undertake a sample audit of Council's properties. Policies, work practices and physical arrangements have been examined with a view to ensuring compliance with Disability Discrimination Act obligations. Various actions from the plan are being completed.

Library hours have been increased and a school holiday program introduced.

The Council shortly will be employing a project officer to assist in the survey of the stormwater system with a medium term view to facilitate better management of outflows. The survey will include the Somerton Park industrial area, which would not have been included prior to the amalgamation.

The Holdfast Bay Liquor Licensing Accord promotes safe consumption of alcohol within the Council area, and provides a forum to discuss matters of mutual interest between the key stakeholders.

The Community Bus service has been expanded, incorporating increased frequencies of services and expanded bus routes. There is extensive use of volunteers to operate the

service (from 8 to 32). An extensive training program has been undertaken to familiarise volunteers with the safe operation of all new equipment.

The South West Outreach Project provides street work assistance to young people identified as being at risk due to alcohol, drug abuse or homelessness. The South West Outreach Project team is currently actively involved in a youth needs assessment.

The Glenelg and Brighton Development Plans have incorporated a Plan Amendment Report incorporating crime prevention principles. Staff and committee members have undertaken training in the use of these principles, and are currently developing information brochures to be used by planners and members of the public.

Inspectorial Officers have been involved in ongoing training, to improve the productivity and level of expertise provided to the public in all aspects of inspectorial duties.

IMPACT ON COMMUNITIES OF INTEREST

The voluntary proposal to form the City of Holdfast Bay indicated a strong local social community of interest.

The consultants' study supports the considerable success of bringing the two communities of interests together. The strong communities of interest reflected in the voluntary proposal have been supported by the practicalities of amalgamation.

The new Council has maintained the local flavour, which was a corner stone of the former Councils. The community culture has been maintained through retention of existing staff, and expansion of existing community initiatives.

FINANCIAL MANAGEMENT

To analyse the financial impact of the merger, financial data for the former Councils of Glenelg and Brighton in their last year of independent operation (1995–1996) was collected. The financial year totals for both former Councils were combined and a number of ratios used to make a comparison against the performance of the City of Holdfast Bay in its first full year of operation (1997–1998).

The amalgamation has seen improvements in liquidity and debt management and the successful implementation of a two year rate equalisation strategy.

Rating

Amalgamation has resulted in a number of changes to Council's overall rate revenue and rating strategy.

The most significant has been Council’s ability to deliver a rate reduction on the 1996–97 financial year. This reduction is in excess of the requirement provided by the Rate Capping Legislation.

Council is also on target to equalise the rate differential between the former Councils by the end of the current financial year, two years ahead of the schedule outlined in the amalgamation proposal.

There also have been reductions from 1996–97 in the general rate and the minimum rate payable.

An objective in the amalgamation proposal was to decrease the general rate revenue from 1995–96 levels. This was not achieved in 1997–98 as the objective was based on considerably lower general and minimum rates and was applied to a rate equalisation strategy over a four year period.

TABLE 1: RATING PERFORMANCE OF CITY OF HOLDFAST BAY

RATIO	1995–96 GLG/BRIGH	1996–97 GLG/BRIGH/ HOLDBAY	1997–98 HOLDBAY	% VARIATION 1997–98 V 1995–96	% VARIATION 1997–98V 1996–97
Total rate revenue	\$9 998 972	\$10 466 733	\$10 213 177	2.1%	-2.4%
Average rates per capita	\$308	\$322	\$314	1.9%	-2.4%
Average rates per assessment	\$580	\$604	\$585	0.8%	-3.1%

Liquidity

With a liquidity ratio of 3.9, the City of Holdfast Bay is more liquid than the combined former Councils. The liquidity ratio is primarily a ‘risk’ indicator that specifically focuses on an organisation’s ability to meet its short term commitments and provide a margin of safety to creditors. Despite a decrease in reserve fund levels of 10% since 1995–96, the City of Holdfast Bay is in a strong financial position.

TABLE 2: LIQUIDITY RATIO OF CITY OF HOLDFAST BAY

RATIO	1995–96 GLG/BRIGH	1997–98 HOLDBAY	% IMPROVEMENT
Current assets/ current liabilities	3.1	3.9	24.5%

Gross debt position

The gross debt position of the City of Holdfast Bay since the merger has improved slightly with total loans outstanding decreasing by just over \$524 000, which has, in turn, reflected positively on loans per assessment and per capita.

Having consolidated its debt structure since the amalgamation, Council is now looking at long term debt reduction strategies in its financial planning process.

TABLE 3: GROSS DEBT POSITION OF CITY OF HOLDFAST BAY

RATIO	1995-96 GLG/BRIGH	1997-98 HOLDBAY	ACTUAL VARIANCE	% VARIANCE
Loans per assessment	\$329	\$295	\$34	-10.3%
Loans per capita	\$174	\$158	\$16	-9.1%
Loans — principal repaid	\$504 727	\$499 613	\$5 114	-10.1%
Loans — interest paid	\$588 189	\$594 282	\$6 093	10.3%
Loans as a % of community wealth	4.7%	2.7%	2.0%	- 42.5%

Productivity and capital gains

These achievements are reinforced by significant capital and productivity gains, which are now being passed on to residents through an increase in services. The major productivity gains and the major capital gains forecast in the amalgamation proposal are shown in tables 4 and 5.

There have been further areas identified for savings in the 1998-99 financial year, which will compensate for the shortfall in productivity gains in the Council’s first year.

The savings made in 1997-98 have been applied to major service initiatives, including the provision for youth employment training, the establishment of a rapid works response gang, and the creation of new positions in urban development and tourism.

TABLE 4: MAJOR PRODUCTIVITY GAINS FORECAST IN CITY OF HOLDFAST BAY PROPOSAL FOR 1997-98 FINANCIAL YEAR

AREA	ANTICIPATED GAIN	ACTUAL GAIN – 1997-98	VARIANCE
Wages and salaries	\$763 000	\$250 000	-\$513 000
Contract services & purchasing	\$224 000	0	-\$224 000
General admin & elected member cost	\$268 000	\$346 368	+\$78 368
Lease of Glenelg administration centre	\$45 000	0	-\$45 000
Total	\$1 300 000	\$596 368	-\$703 632

TABLE 5: MAJOR CAPITAL GAINS FORECAST IN CITY OF HOLDFAST BAY PROPOSAL FOR 1997-98 FINANCIAL YEAR

AREA	ANTICIPATED GAIN	ACTUAL GAIN 1997-98	VARIANCE
City of Glenelg depot site	\$473 000	\$834 000	+\$361 000
Surplus plant and machinery	\$175 000	\$220 890	+\$45 890
Total	\$648 000	\$1 054 890	+\$406 890

There has also been a marked improvement in financial control, with innovations in budgeting and reporting.

These initiatives are complemented by the development of a Financial Plan, which will concentrate on developing long-term strategies in key areas such as debt reduction, asset management and contestability.

This focus, as well as the numerous service initiatives being developed, indicate that Holdfast Bay Council is intent on consolidating the achievements it has made in its first full year of operation.

MANAGEMENT AND ADMINISTRATION

The Council has chosen, at this stage, not to pursue a business unit approach to reform as outlined in the voluntary proposal, but has introduced other reform initiatives.

A contestability policy has been approved as follows:

To deliver services reflecting the needs of the community through the most effective and efficient means available, contestability being one process through which the City plans to achieve this.

To facilitate reform, the Council commenced a pilot contestability project in February 1998 incorporating:

- public litter bin collection
- parks and gardens
- financial management services
- inspectorial.

The pilot project involves extensive activity analysis and design, including the collection of data on associated costs. Following data collection, indicators will be developed and Action Plans implemented. The Cities of Adelaide, Burnside and Unley have agreed to be benchmarking partners for the process.

The development of a Corporate Plan linked to the financial allocation process has given the organisation clear direction in the identification of key focus areas.

Regular management meetings ensure continued communication and co-operation between the various departments and there appears to be a positive team approach.

Other management achievements include:

- greater focus on training and development of staff
- development and ongoing rationalisation of Policy Manuals
- increased delegations to all levels
- achievement of a Level 3 Occupational Health and Safety classification
- development of Operational Procedures in consultation with staff.

ECONOMIC AND REGIONAL DEVELOPMENT

The proposal identified three key economic growth areas:

- retail and commercial

- tourism
- pockets of light industries.

A City of Holdfast Bay Tourism Strategy Plan has been developed and approved by Council. The Strategy Plan is a concise document, which will be used to measure performance.

Tourism development has been an integral part of the City of Glenelg's charter for many decades. This emphasis has now broadened to incorporate many of the common tourism drivers in the Brighton area, including accommodation and beaches.

Council's Tourism section, in consultation with the Brighton Historical Society has compiled information with a view to publishing a 'Brighton Historic Walk' brochure.

In accordance with the Tourism Strategy Plan, the City of Holdfast Bay attended the Gateway Holiday Expos in Sydney and Melbourne to promote Glenelg as Adelaide's premier metropolitan destination.

The new Council has expanded the use of events and festivals to bring a tourism focus to the area. The number of approved events and functions held within the City of Holdfast Bay between January 1998 and June 1998 totalled 63, with 37 events occurring over January and February.

While tourism development is a major economic driver for the new Council, the size and lack of diversity (of industry) has been a limiting factor to other economic development initiatives.

There may be an opportunity to work further with other Councils to link the assets of the City of Holdfast Bay into other Local, State and Commonwealth Government initiatives.

GOVERNANCE

Interviews with the City of Holdfast Bay Mayor (originally from the City of Glenelg) and the Deputy Mayor (originally from the City of Brighton) suggested that since the May 1997 Local Government elections, the governance of the City had been very effective.

The push for equitable service delivery across the City has minimised any perceived tension. The new Council appears to be a genuine amalgamation that has enabled the best of each to be combined and reinforced by the commonalties of the two communities.

The role of elected members has expanded as more strategic issues are being examined. Elected members have had to come to terms with each other's former Council areas as well as cope with a higher level strategy and policy focused agenda.

The increase in ward quota size apparently has not had an adverse affect on the workload of Councillors.

The Mayor and Deputy Mayor considered that the quality and performance of the staff overall had improved. The selection of executive staff from within the two Councils was not seen as a limiting factor due to the existing high level of staff expertise prior to amalgamation.

SUMMARY

The amalgamation of the City of Glenelg with the City of Brighton has enabled the enhancement of overall services as the new City of Holdfast Bay moves towards equitable service delivery for all its residents and ratepayers. While there has not been an emphasis on 'new services', existing services have been, and are being, reviewed to ensure the implementation of best practice across the whole Council area.

The merger of the workforce has resulted in measurable productivity gains, though at this stage, less than anticipated in the amalgamation proposal.

Financially, there have been significant surpluses created through rationalisation of assets and services. These savings, however, have been largely used in the provision of enhanced services, rather than originally predicted reductions of rates (although rates have not increased and rate capping requirements have been exceeded).

The governance of the new Council is strong and the management team is focused on meeting the needs of the community.

In summary, the amalgamation has measured up successfully against the principles under section 17B of the Act.

4.5 THE MID NORTH: '17 INTO 7'

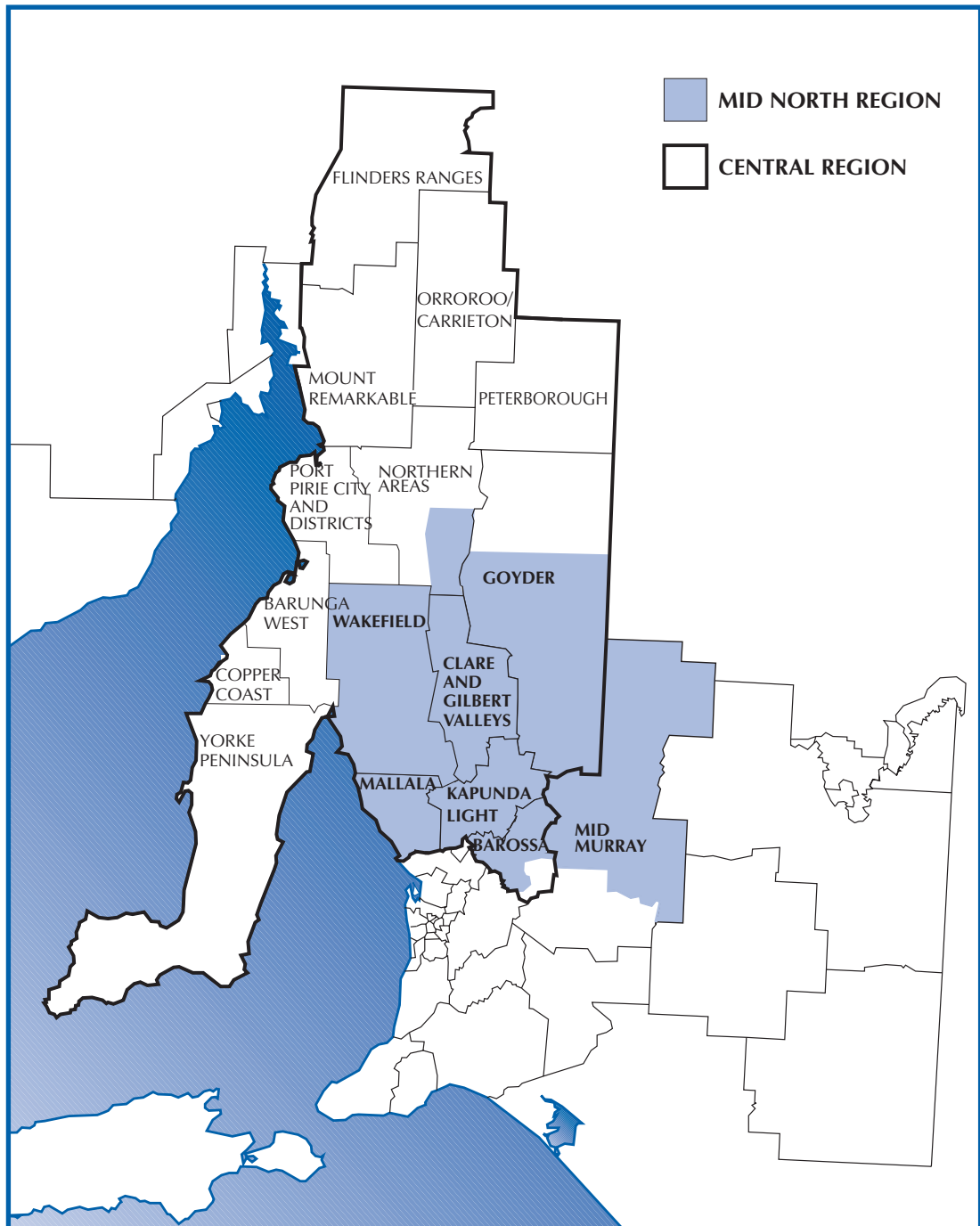


FIGURE 8: THE FORMER MID NORTH REGION OF COUNCILS AND THE NEW CENTRAL REGION OF COUNCILS

The emphasis in this case study is on the overall approach to structural reform rather than details of specific amalgamations.

In most parts of the State, voluntary amalgamations arose out of discussions between two or more neighbouring Councils. In some cases, Councils were involved in discussions with more than one potential grouping and, in some cases this led to no amalgamations or different combinations than originally envisaged.

By contrast, in the Mid North of the State, the issues were addressed on a whole-of-State, regional basis, largely through the auspices of the Mid North Local Government Region. There was significant overlap with a somewhat similar process in the Northern Local Government Association area.

The Mid North Local Government Region was one of the more formally structured and operationally active regional Local Government organisations in South Australia. At the time that the structural reform initiative commenced, the Region represented seventeen District Councils.

THE PROCESS

By September 1995, the Mid North Councils had been discussing amalgamations for some time. The District Councils of Kapunda and Light were well advanced with an amalgamation proposal under the then existing legislation and the Angaston, Tanunda and Barossa Councils were considering amalgamation seriously. The remaining Mid North Councils had not advanced much beyond a general conclusion that the Ministerial Advisory Group Report (June 1995), in proposing an 'east-west' grouping of Councils, was not an appropriate model to follow.

Funds were obtained under the Commonwealth's Local Government Development Program (LGDP) to help the Region to consider how amalgamations might best proceed, having regard to both a number of community concerns and the desirability of achieving an integrated set of amalgamations which made sense for the Region as a whole. It was also recognised that the project should consider the impact of structural reform on relationships within the Region itself.

The Mid North Project was not constrained by the boundaries of the Mid North Local Government Region. In fact, the outcome – 17 former members of the Mid North Region forming 6 new Councils leaving 1 unchanged – involved several mergers which crossed regional boundaries.

The initial stages involved several intensive rounds of discussion, between Councils and, as they developed, between groups of Councils. The main outcome of this stage was recognition by the Councils themselves of communities of interest which linked the Councils into potential amalgamation groupings.

By June 1996, all Councils in the Region had given indications of their intentions with regard to amalgamations, and most had established Amalgamation Committees to work through the detailed issues.

The process of identifying, discussing and documenting these issues assisted Councils to consider ways in which community concerns might most effectively be addressed.

INDIVIDUAL AMALGAMATION PROPOSALS PUT TO THE BOARD

The submissions put to the Board by different sub-regions differed considerably in detail and emphasis. However, as a general statement, it would be fair to say that they were modest in expectations about the speed and extent of change which would arise from amalgamation, in particular, in relation to staffing levels, financial changes and service levels. Radical change was not envisaged.

In what follows, the consultants' views are offered about amalgamation outcomes in terms of those expectations which are relevant to an assessment in terms of the principles laid down in section 17 B of the Act.

Staffing

In contrast to some of the larger metropolitan Councils, where substantial organisational changes occurred, the staff of the new Councils in the Mid North were selected from existing personnel. In all of the new Councils, for example, the CEO was the CEO of one of the amalgamating Councils. In a number of Amalgamation Committees, the view was expressed that the value of local knowledge of the existing staff far outweighed the potential (if any) to obtain a higher level of professionalism by opening up the positions to outside applicants. The internal competition has resulted, at the very least, in the best of the existing staff being appointed to the more senior positions.

A policy of no forced redundancies and no general offer of separation packages was universally adopted, and expectations with regard to staff reductions were limited. These expectations reflected the recognition that staff released by the amalgamation probably could be better used in improving performance than in reducing costs and the fact that redundancies can be costly. Generally speaking, the expectations have been realised, although, in some cases, there are reports of a slower freeing up of resources than was anticipated, due to the complexities of post amalgamation processes.

It seems likely that, if and when aggregate data are available on a comparable basis, overall changes in staff numbers in these Councils will be quite small.

Finances

In most of the Mid North Councils, particularly the smaller Councils, there was a clear indication from elected members, at the time the proposals were submitted, that their communities were concerned about improvements in service levels rather than in large net financial savings and reductions in rates.

Most of the Councils concerned have not yet completed their financial reports for 1997–98 so, one year on, there is little hard evidence, in financial terms, of the success or otherwise of the amalgamations. Overall comparisons with the financial results expected at the time the amalgamation proposals were prepared are not yet possible.

The budgets of Councils in the Region were, and remain, quite small. There were not the opportunities for very large reductions in costs which were achievable through elimination of duplicated effort in some of the metropolitan amalgamation proposals.

Within these limits, most of the new Councils have reported at least some reductions in staff and other savings, such as:

- rationalisation of office use
- audit fees
- insurance premiums.

Although small in terms of absolute dollar numbers, net savings may prove to be quite large relative to the size of Council budgets in some cases.

Rate policies have tended to be dominated by the need to achieve rate equalisation between the parts of the new Councils on a phased basis.

It is the consultants' view that, when aggregate data are available, they will show significant restraint in operational expenditures and rate revenue.

Services

As noted above, the emphasis in the Mid North Proposals tended to be on maintenance and extension of services and on better performance in some areas of statutory obligation (occupational health, safety, and welfare, for example) rather than on overall financial savings and rate reductions.

The broad impression obtained from CEO's and elected members is that these expectations are being achieved, albeit, in some cases, more slowly than they might have hoped because of the pressure of work associated with the amalgamations themselves. Expectations of the communities are clearly high, and some CEO's and Councillors are concerned that they may be unrealistic.

The service delivery responses to the opportunities created by amalgamation include:

- restructuring of service areas to provide improved responses and standards of service
- higher service levels in terms of the availability of specialist officers at various locations
- consistency in service standards and regulatory functions.

Some closures of smaller offices have occurred and others are planned. Less access to Council staff in the affected communities may be regarded as a negative aspect of the amalgamations but, as noted elsewhere, the smaller communities tend to obtain advantages in other ways.

The 'Whole of Council' Amalgamation Issue

One of the principles set out in section 17 B of the Act is that:

in considering boundary reform, it is advantageous (but not essential) to amalgamate whole areas of councils (with associated boundary changes, if necessary), and to avoid significant dislocations within the community.

With the exception of the late stage Mount Pleasant arrangements, the Mid North amalgamations were all on a 'whole of Council' basis. A Workshop for Chief Executive Officers in the Mid North was convened to discuss the potential for relatively minor boundary alterations as an adjunct to amalgamations. The important conclusion reached was that boundary alterations would be better left until after the more substantial work of whole of Councils amalgamations had been completed.

Some community views in relation to boundary adjustments appear to have changed since the amalgamations took place. Some Stockport residents, for example, who were previously in favour of a transfer to Kapunda and Light Council are reported to have expressed the view that they would now prefer to remain in the Clare and Gilbert Valleys Council area. This appears to be a reflection of the efforts of the new Councils to ensure equitable levels of service across the whole of their Council areas.

The Interests of Smaller and Outlying Communities

This issue is illustrated by the fact that, in this Region, eleven towns which were previously Council headquarters no longer have that status. As was to be expected, these are the smaller townships.

Despite this, it could be argued that, at least in some cases, the 'winners' from the amalgamation process have particularly included the smaller Councils in the partnerships. Contrary to fears expressed (or perhaps because of them), the new Councils appear to have gone out of their way in some cases to ensure equitable treatment of their smaller communities. In others, the initiative has come from the communities themselves.

Spalding is a good example. From being very close to the smallest Council in the State (114th of 118) in terms of population it is now part of a Council (Northern Areas) which is 45th of 68. Community concerns about a reduction in representation have been largely overcome by the establishment of the Spalding Community Management Committee. The Committee's Chairman commented to the consultants that, in relation to Spalding and the outlying towns, the Committee operates virtually along the same lines as the District

Council of Spalding previously did, although it does not have responsibility for roads. It is formally constituted as a section 199 authority and is recognised by its parent Council as a responsible body. It is consulted on issues related to the Spalding District, and is allocated funds by the Council to carry out works. In some cases, for specific projects (a recent example is the oval watering system), the Council supplements community fundraising efforts.

Hallett, Robertstown and Eudunda, all formerly Council headquarters, have also established Community Management Committees. These Committees are section 199 authorities of the Regional Council of Goyder. In addition to being a means of consultation, they have direct responsibility for certain local community assets (for example, halls and sporting facilities).

In addition to funds allocations from their parent Councils, some of these Community Management Committees control other funding sources. In Hallett, for example, the Committee has been granted rights to roadside cropping, which were previously granted piecemeal to community organisations. Some, but not all, of the groups which were formerly section 199 authorities, have sought to become sub-groups of the Community Management Committee.

Other Amalgamation Aspects

The impression should not be left that all has gone smoothly. A number of Councils have reported difficulties in terms of identification of some elected members and members of the public with the new Councils, the management of staff and other internal changes, reactions to the closure of offices and so on. There is, however, optimism that these problems will prove to be transitional.

OVERALL OUTCOMES

The results of the amalgamation process are depicted in figure 9. The addition of parts of Mount Pleasant to the Barossa Council and the Mid Murray Council occurred after the mainstream amalgamations of the Mid North Councils and were arranged through separate negotiations amongst the Councils concerned.

Mallala did not amalgamate, although it stood ready throughout the project to enter into discussions with its neighbours. It is noted that Mallala was and is a substantial Council by comparison with many other non-metropolitan Councils.

In terms of the structural reform objectives set out in the Act, the Mid North amalgamations have achieved the following.

A significant reduction in the number of Councils in the State

The seventeen Mid North Councils became seven. The process took account of the views and aspirations of all Councils in the Region and arrived at a sensible set of groupings for the area as a whole which left all Councils with a future direction.

The potential for a significant reduction in the total costs of providing services of Local Government authorities

Significant savings have been achieved in some Councils. Barossa Council at 10 per cent of the operational budget compared with the individual budgets of the three separate Councils and Clare and Gilbert Valleys Council with savings of about 16 per cent, are examples. Others report some savings with further potential as the work associated with amalgamation is completed.

Significant benefits for ratepayers

In most of the Mid North Councils, particularly the smaller Councils, there was a clear indication from elected members at the time their amalgamation Proposals were submitted, that their communities were concerned about improvements in service levels rather than in large net financial savings and reductions in rates. Benefits to ratepayers have come in a variety of ways including the effects of rate equalisation over time, restraint in rate levels and the extension of Council services across the new Councils on a consistent basis.

Councils have made particular efforts to look after the smaller communities within their boundaries. Service levels in their areas have tended to improve as a result of the determination of the new Council to achieve equity for all of its ratepayers, but assisted by strong representation, in some cases, from the communities concerned. Several Councils have established Community Management Committees as section 199 authorities under the Act as forums for information exchange and consultation and to be responsible for localised services in the communities which were formerly served by a separate Council.

Councils in the Region recognised that, even with substantial amalgamations, they would remain relatively small measured in terms of population and finance. This can be seen from Table 6. However, while small in population terms compared with metropolitan Councils, the Mid North Councils have 'improved' their position relative to all non-metropolitan Councils. Measured in these terms, the Mid North Councils prior to amalgamation 'ranked' between 40th and 114th out of 118 in the State, whereas they now 'rank' between 20th and 46th out of 69 (since preparing this case study the number of Councils in the State has decreased to 68).

The strengthening of Regional arrangements to alleviate some of the disadvantages of small size was thus early seen as a priority. The formation of the Central Local Government Region in response to this issue is discussed next.

TABLE 6: MID NORTH COUNCILS MEASURED BY POPULATION, AREA AND REVENUE*

COUNCIL	POPULATION	AREA HECTARES THOUSANDS	REVENUE \$ MILLION
The Barossa			
Angaston	7 060	21	4.7
Barossa	5 335	38	2.6
Tanunda	4 170	5	2.1
Total	16 565	64	9.4
Mid-Murray			
Mannum	3 105	68	2.1
Morgan	1 157	215	1.2
Ridley-Truro	2 936	309	1.8
Total	7 198	592	5.1
Kapunda and Light			
Kapunda	3 391	60	1.4
Light	5 893	66	2.6
Total	9 284	126	4.0
Clare and Gilbert Valleys			
Clare	4 235	62	3.3
Riverton	1 643	44	1.3
Saddleworth and Auburn	2 294	77	1.3
Total	8 172	183	5.9
Regional Council of Goyder			
Burra Burra	1 971	222	2.5
Eudunda	1 362	75	0.7
Robertstown	812	133	0.6
Hallett	567	235	0.6
Total	4 712	665	4.4
Wakefield Regional Council			
Blyth Snowtown	2 107	174	1.8
Wakefield Plains	4 805	166	3.0
Total	6 912	340	4.8
Mallala	7 159	93	3.0
Grand totals	50 718	1 937	32.6

* As at 30 June 1995

FORMATION OF THE CENTRAL LOCAL GOVERNMENT REGION

Consistent with this objective, the former Mid North Local Government Region has joined with the Northern Local Government Association and the Yorke Peninsula Local Government Association to form the Central Local Government Region of South Australia. Established as a section 200 authority under the Act, the Central Region was proclaimed in April 1998. The area covered by this new Regional body comprises more than 25 per cent of the incorporated area of South Australia, and its constituent Councils represent well in excess of 25 per cent of the non-metropolitan population.

There are fifteen constituent Councils: namely, The Barossa, Barunga West, Clare and Gilbert Valleys, Copper Coast, Flinders Ranges, Goyder, Kapunda and Light, Mallala, Mount Remarkable, Northern Areas, Orroroo/Carrieton, Peterborough, Port Pirie City and Districts, Wakefield Regional and Yorke Peninsula.

The Region is structured so that it can accommodate the different interests which might arise among its widespread membership and, at the same time, take advantage of the strengths which result from that diversity. The Region has a clear vision of its potential to provide services to its members in areas such as advocacy, resource sharing, relationships with other levels of government and integrated local area planning. A CEO's Forum has been established, which first met in July 1998. The immediate concerns identified related to external funding (grants) issues, and action teams were put in place to begin work in some of these areas. The establishment of action teams recognised the potential advantages of regional approaches to the identification of sources of grant funds and to submissions to grant providers. This is regarded as an important ongoing role of the regional organisation.

Another major opportunity for the Region is to take, on behalf of its members, a more proactive stance with regard to relationships with other spheres of Government and other external organisations. The grant issues represent one example of this. Others include negotiations in connection with the provision of services to or on behalf of State or Commonwealth agencies; responses to initiatives in functional reform proposals; responses to issues such as the reduction of banking services in rural communities; and so on.

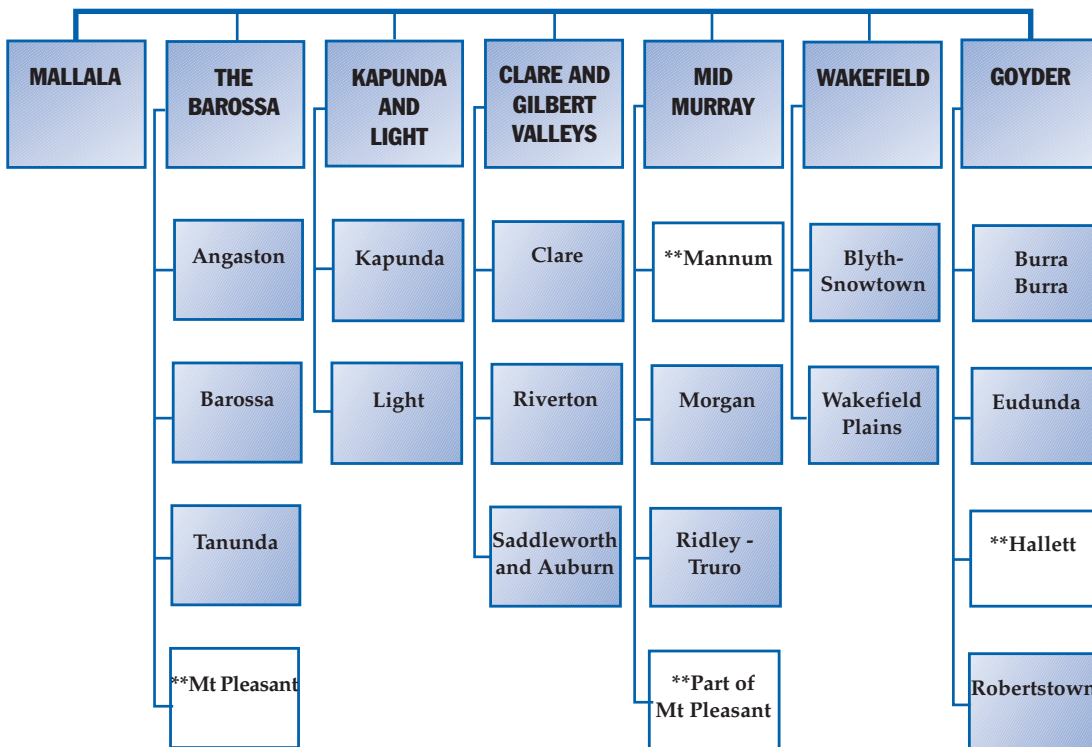
Like many of its constituent members, the regional body's opportunities to serve its constituency will be enhanced by the larger pool of financial resources it will now command and the commonality of purpose those resources will support. The budget for the Central Region for 1998–99 is just about double that of the former Mid North Region.

SUMMARY

The consultants have concluded as follows:

- a higher degree of Council amalgamation has been achieved in the Mid North than elsewhere in the State

- this has been achieved quite smoothly, in a coordinated way, and at relatively low cost to the State Government and the Councils concerned
- there is no reason to believe that the improvements in Council efficiency and effectiveness which were generally envisaged to occur in a relatively modest and evolutionary way will not be achieved — indications to date are to the contrary
- of equal or potentially greater importance are the arrangements which have been set in place for a enlarged, strengthened and active Regional body.



**Not part of the Mid-North Region

FIGURE 9: MID NORTH REGION — RESULTS OF AMALGAMATION

4.6 CITY OF ONKAPARINGA



FIGURE 10: CITY OF ONKAPARINGA IN THE CONTEXT OF NEIGHBOURING COUNCILS

The formation of the City of Happy Valley, Noarlunga and Willunga, from the amalgamation of the Cities of Happy Valley and Noarlunga and the District Council of Willunga, was proclaimed in the South Australian Gazette of 6 March 1997 and commenced operation on 1 July 1997. Prior to the amalgamation, a part of the District Council of Willunga was transferred to the District Council of Port Elliot and Goolwa.

On 22 December 1997, the name of the Council was changed to the City of Onkaparinga.

THE PROCESS

The decision to amalgamate and the progress towards the submission of a structural reform proposal was driven by a working party of representatives of the three Councils. The proposal outlined the savings and benefits that were considered likely to result from the amalgamation. In summary they were:

- a reduction in the number of Councils in the State by two
- savings estimated at over \$7 million in the first three years and at \$4.5 million in the third year
- benefits arising from
 - maintenance of service levels across the Council
 - rate reductions for all ratepayers
 - improved responsiveness to the community
 - greater coordination and integration of land use planning
 - improved environmental protection
 - enhanced economic development activity
 - greater influence with other spheres of government
 - improved work practices.

The area of the new Council includes the southern outer metropolitan suburbs and a large rural hinterland. It comprises sections of a newly developing urban area, a large section of metropolitan coast, and discrete hills and small rural communities.

The formation of this Council saw the creation of the largest Local Government entity in the State. The City of Onkaparinga has an area of approximately 518 square kilometres and an estimated population (at 30 June 1997), in excess of 145 000 people. It is significant to note that this amalgamation occurred between three Councils which were already relatively large. The amalgamation brought together the Councils ranked fourth, eleventh and twenty-fourth largest on a population basis to form, by some margin, the largest Council in this State — an organisation which financially (and with regard to other resources), rivals many State agencies in size.

A further notable aspect of the amalgamation process pursued was the aim to create a completely new organisation in all aspects, rather than a marriage of the former structures or an 'absorption' of the smaller Councils into the larger.

As a result, the operational processes that have occurred over the first twelve months to establish the new organisation have been of a scale not previously seen in this State. Indeed, the organisation's senior staff stated that it was only now, and with the benefit of hindsight, that they realised the enormity of the task they had undertaken during the post-

amalgamation phase. Nevertheless, the organisation considers that the challenges of the first twelve months have been satisfactorily met.

Governance

The City of Onkaparinga was established with nine wards and a Mayor plus twenty Councillors. Of the 21 current elected representatives, 15 had previously been elected representatives within the former Councils. Table 7 shows a comparison of the representation before and after the amalgamation.

TABLE 7: COMPARISON OF REPRESENTATION RATIOS FOR THE CITY OF ONKAPARINGA AND FORMER COUNCIL AREAS

	FORMER CITY OF HAPPY VALLEY	FORMER CITY OF NOARLUNGA	FORMER DISTRICT COUNCIL OF WILLUNGA	CITY OF ONKAPARINGA
Estimated population	38 565	94 127	14 766	145 429
Wards	5	8	4	9
Elected representatives	13	15	10	21
Average population per ward	7 713	11 766	3 692	16 159
Average population per elected representative	2 967	6 275	1 477	6 925

In the early life of this new Council, it is clear that the elected representatives have undertaken a high workload, not only among their constituents but also through their involvement with senior staff in setting the strategic framework and directions of the Council.

Since July 1997 up to the present, elected representatives have been meeting on almost a weekly basis for workshops and general meetings in addition to the formal Council meetings.

Elected members have made considerable use of the opportunity presented by conducting the Community Forums, held in seven locations around the Council’s area, to learn from community members about issues of concern and to provide information on policies and programs being implemented by Council. Feedback obtained from discussions with community leaders indicates that the community is generally quite satisfied with their representation through the elected members. There were no concerns expressed about reduced representation due to the new Council having fewer elected members than the ‘old’ Councils.

Staffing

The amalgamation proposal identified that the majority of the financial savings for the new Council would arise from reduction in staff numbers. The following table shows staff numbers for the City of Onkaparinga at 30 June 1998 compared with figures for the three former Councils. Clearly, the new Council has achieved considerable savings in this area.

TABLE 8: STAFF NUMBERS FOR CITY OF ONKAPARINGA AS AT 30 JUNE 1998

STAFF	BEFORE AMALGAMATION	AS AT 30 JUNE 1998
Management	33	21
Admin/Operational	365	326
Field staff	209	189
Total staff numbers	607	536
Total FTE's	550	515

In establishing its new staffing structure, the new Council sought to minimise disruption to services by implementing a new structure quickly. The majority of positions were filled on merit, while others were filled on a 'best fit' basis. By the end of December 1997 (after six months of operation), the staffing structure of the organisation was complete.

There were difficulties in attracting experienced professional people in some cases because of factors such as travel time. However, in other situations, people saw greater career possibilities in a larger organisation. In total, around 70 per cent of employees are residents of the Council.

In order to facilitate the downsizing from three organisations to one, separation packages were offered, with around 60 being taken up by staff of the former Councils at a total cost of approximately \$3 million.

Salaries have been equalised to the highest level in place in the pre-amalgamation Councils. However, conditions of employment have been equalised to levels which are not necessarily the highest of those in place previously.

It is inevitable that, during a period of significant organisational change and staff disruption, there will be some effect on the morale of staff.

At the end of its first twelve months of operation, the new Council has appropriate staffing arrangements in place to support its future operations.

Strategic directions and policy

Strategic planning has been one of the areas of immediate priority for the new Council in its first year of operation. The three amalgamated Councils had each operated under diverse approaches to strategies and policy and these systems were not mutually compatible. Upon amalgamation, a new strategic framework was developed.

The Council has set in place an overarching strategic planning framework, which provides a mechanism for the development of integrated strategies and policies for the organisation. The framework covers social, economic and environmental dimensions and encompasses the Council's strategic directions, business plans, financial plans, policies and procedures. In particular, the linkage of the organisation's financial and strategic plans represents a significant advance on the situations in the former Councils and provides a sound footing for the management of future operations.

While the council believes that it may take up to two to three years to complete all of the strategic and business plans, together with introducing new policies and procedures for the organisation, it is clear that the City of Onkaparinga is well advanced in the systematic development of an appropriate strategic framework to govern its ongoing operations.

Service provision

In the period of the work leading up to the amalgamation, discussion in relation to service delivery had focussed around the concept 'the best of the best', in the sense that the new organisation would seek to equalise services to the standard of at least the best that was provided previously in the three Councils. This approach would lead to increased levels and standards of services in some parts of the Council area — the other side of the coin being that in other areas, service provision would remain the same as previously, that is, the particular service deliverer was already 'the best of the best'.

Since the amalgamation, it has been recognised that strict adherence to this approach would lead to increases in the cost of service delivery to an extent which had not been budgeted for in the amalgamation proposal. The financial constraints arising from the need to deliver rate cuts to residents as outlined in the proposal have, to date, prevented the Council from implementing this 'best of the best' philosophy as fully as it would have wished. In general, however, there has been a significant increase in provision of services to the community and, in particular, in areas such as:

- infrastructure provision
- inspectorial services
- library services
- economic development
- environmental services.

The benefits of amalgamation in terms of service provision have been achieved through a number of factors including:

- the ability to capitalise on the strengths of the previous Councils
- the ability to employ specialist expertise has enhanced the skill base available to the whole area
- improved productivity has been achieved through the ability to reallocate staff between areas, and offers opportunity for support and backup
- access has been available to a larger pool of assets and resources and a better standard of equipment
- economies of scale have been reaped
- the opportunity to take a fresh look at the methods of service delivery — the amalgamation provided a circuit breaker to facilitate change
- greater capacity to influence other organisations
- ability to take on roles not previously considered.

Some specific examples of increased service provision in the Council area, include:

- infrastructure management — improvements include a higher standard of professionalism now available in terms of both people and equipment, for example, employment of two specialist landscape design people are now employed, CAD programs
- graffiti management in the Noarlunga area — Happy Valley had an excellent policy which has now been adopted over the whole Council
- aged and youth services — these have been extended across the whole area, covering areas previously under-serviced
- library services across all areas — for example, Happy Valley's mobile library service has been reconstructed to cover areas previously missed and all residents now have access to the whole collection (450 000 items)
- economic development across all areas (also covered later in this study)
- environmental and waste management across all areas — productivity has improved as a result of taking a fresh look at the issues
- regulatory services — a significant reconstruction has occurred, resulting in expanded services (including after hours) with positive feedback from the community
- achieving the balance between increased service delivery and reduced costs for ratepayers.

Finances

As noted earlier, financial issues loomed large in the proposal put forward by the three Councils concerned prior to amalgamation.

The issues can usefully be discussed under the following headings:

- rating
- expenditure savings
- borrowings and debt levels
- transitional and operational issues
- fiscal equalisation.

These issues are addressed in turn below.

Rating

The following table shows the rates determined by the new Council for 1997–98 and 1998–99, compared with those applying previously in the constituent Councils.

TABLE 9: RATES FOR CITY OF ONKAPARINGA FOR 1997–98 & 1998–99 COMPARED WITH THOSE FORMERLY APPLYING IN CONSTITUENT COUNCILS*

	1996–97 FORMER COUNCILS \$	1997–98 NEW COUNCIL \$	1998–99 NEW COUNCIL \$	% CHANGE '96–97to '98–99**
Noarlunga Area				
General rate	0.62	0.61	0.60	- 4.1
Primary production rate	0.59	0.55	0.48	- 18.7
Minimum rate	422.00	412.00	412.00	- 2.4
Willunga Area				
General rate	0.60	0.59	0.58	- 4.1
Primary production rate	0.42	0.41	0.40	- 4.1
Minimum rate	422.00	412	412	- 2.4
Happy Valley Area				
General rate	0.56	0.55	0.55	- 1.3
Primary production rate	0.50	0.49	0.44	- 12.3
Minimum rate	427.00	412.00	412.00	- 3.5

* Cents in the dollar of capital value rounded to two decimal places

** Calculated on data before rounding

From Table 9 it can be seen that:

- rating levels have reduced in each of the three areas, in terms of the general rate and the special rate for primary production properties, as well as the minimum rate
- there has been a particularly marked reduction for primary production property in the Noarlunga and Happy Valley areas
- ‘equalisation’ between the three areas is occurring quite rapidly.

The Council has made no decisions on future rate levels, beyond an intention to fully equalise between the three areas by not later than 2002–03 as originally planned. The position will be different for individual ratepayers or categories of ratepayers depending on changes in land values, a notable example being owners of grape-growing properties, where values have been increasing significantly. It seems likely that these aspects will remain an issue for the Council for some time.

The broad conclusion to be reached is that a modest, but by no means insignificant, start has been made in the direction of reduced rates.

Expenditure Savings and the funding of initiatives and improved services

The Council has advised that it is not possible to analyse its financial data to produce a reliable estimate of savings in a gross sense or to identify what amount of those savings has been spent on new or additional services and how much has ‘gone to the bottom line’.

However, the following table, based on data provided to the consultants by the Council, illustrates developments to date in relation to aggregate operating payments.

TABLE 10: AGGREGATE OPERATING PAYMENTS FOR THE CITY OF ONKAPARINGA

	1996–97 (a) \$MILLION	1997–98 (b) \$MILLION	1998–99 (c) \$MILLION
Total operating payments (d)	46.3	51.3	48.9
Less			
Interest payments	1.0	2.1	2.3
Redundancy payments and other 'abnormal' items (e)	-	3.6	2.0
Leaving	45.3	45.6	44.7

(a) Three Councils combined.

(b) Near-final estimates.

(c) Budget estimates.

(d) Not including depreciation and losses on sale of assets.

(e) Includes water catchment levy and expenditure from 'once off' grants.

After excluding interest and 'abnormal' items, operating payments are budgeted to be slightly lower in nominal terms in 1998–99 than the total for the three Councils pre-amalgamation. After allowing for inflation, this represents a real terms reduction of the order of 4 to 5 per cent.

One of the significant contributions to savings has come from staff reductions (about 35 FTE's to date), which are estimated to have an annual value of \$1.8 million.

The expenditure data quoted above incorporate the effects of improved service levels or new initiatives. Some examples referred to by the Council include increased graffiti program service levels (\$200 000 per annum), subsidies to the McLaren Wine Centre (\$75 000), improvements in cleaning public toilets and street sweeping, major economic development initiatives (\$380 000), improved arrangements for quarterly rating and post office rate collection. As mentioned earlier, the level of expenditure on improved service levels or new initiatives has exceeded that anticipated in the amalgamation proposal, a point which has placed some pressure on the new Council's budget.

In summary, there is evidence that significant savings in operating expenses have been made, some of which have been allocated to higher priority expenditures.

Borrowing and Debt Levels

The Council's net borrowing in a year is equal to the difference between cash receipts and cash expenditures, and may be positive or negative. In the former case, net debt will be increasing and, in the latter case, reducing.

Aggregate net borrowings by the three Councils concerned in 1994–95 and 1995–96 were low and, hence, there was a quite stable level of net debt over those years. Net borrowings in 1996–97 by the three Councils combined were relatively large (\$11 million) and this continued in 1997–98 (\$9 million). This has led to a large proportionate increase in the net debt level at June 1998 compared with June 1997 (about a 60 per cent increase). The Council's budget for 1998–99 is, however, based on low net negative borrowing and, hence, little change in the net debt level over the year.

However, the point to be emphasised is that, even after the large increase, in proportionate terms, the Council's debt level at June 1998 is certainly well within the acceptable range. To illustrate the point, Onkaparinga's estimated net debt at June 1998 works out at about \$190 per head of population. For all metropolitan Councils, combined net debt at June 1997 was about \$150 per head, with the highest (leaving aside Adelaide City Council as a special case), about \$300 per capita (the lowest being negative). These figures compare with the State Government's debt per capita of about \$5 000.

Net interest payments in 1998–99 are estimated at \$2.0 million, which represents about 2.8 per cent of the Council’s estimated revenue in that year — clearly a sustainable position.

It should also be noted that both the City of Happy Valley and the District Council of Willunga had budgeted for deficits in future years which would have led to an increase in debt levels for these Councils had the amalgamation not gone ahead.

One of the favourable aspects of the Council’s position reflects the structure of Noarlunga’s debt (the largest component of the new Council’s debt) prior to the amalgamation. It had wisely done two things — namely, borrow some of its funds in inflation-linked form (leading to low interest costs with CPI increases now so low) and repaid some long term fixed rate debt rather than hold large cash balances and investments, as is the practice in many other Councils in the State.

In the consultants’ view, there is no reason for concern in relation to the Council’s debt levels.

Transitional and Operational Issues

The new Council has met a number of financial challenges since amalgamation.

The most important, in policy terms, has been the extent of community expectations about the magnitude of the financial resources released by the amalgamation. The practical outcome has been an enormous expansion in requests from the community for services which, to be satisfied, would require significant budget allocations.

On the operational side, a substantially new finance staff has had to cope with a new computer system, a new and developing strategic planning process, a steep learning curve with regard to the volume and size of financial transactions and staffing levels designed to cope with an environment which has been anything but stable.

In the circumstances, the achievements have been substantial.

Fiscal Equalisation

One of the principles embedded in Australia’s system of public finance is fiscal equalisation — the notion (briefly stated) that residents in one State or Local Government area should be able to enjoy similar standards of services to those in other areas without having to pay higher rates of taxes or charges. Unfortunately, the arrangements in place at the Local Government level are imperfect because of an inadequacy of funds available, meaning that the equalisation objective has not been fully achieved.

One of the benefits of this amalgamation is that it has combined areas with differing levels of fiscal capacity and need, for example that property values per capita are about 15–20 per

cent higher in the Happy Valley area than the Noarlunga area. As rates and services are brought into line across the whole of the new Council area fiscal equalisation objectives are advanced and equity enhanced.

This represents a favourable feature of amalgamations not often discussed, but nonetheless significant.

Community Relations

Another of the early priorities for the new Council was to pay particular attention to its community relations. The management of the organisation has recognised that the process of amalgamation can alienate some sections of the community and that the earliest period of the new Council would be the most critical, for establishing good relations across the whole Council area.

Comments received during the course of this study indicate that, in general, the community recognises that the Council has 'worked very hard' during its first year to adopt an inclusive approach with its community.

The City of Onkaparinga has implemented a number of initiatives aimed at providing information to, and gaining feedback from, their community.

Community Forums

The City of Onkaparinga has established seven Community Forums, spread across its area, aiming to provide an opportunity for a two-way exchange of information between the Council and its community.

The forums were established, in part, to address potential community concerns about loss of representation resulting from the lower ratio of elected members to the community, and they have attracted good support and attendance from the Council's elected members.

The forums have been established as resident groups independent of Council, and they are managed by organising committees which set the venue, and the agenda. The forums, to date, have been supported by a considerable level of resourcing, from across the whole Council, to assist in their operation and to provide a high level of information.

Each forum has been different in its operation but, in general, they have gained good community acceptance. The initiative is currently in a pilot stage and will be subject to review early in 1999.

The consultants' discussions with the convenors of each of the forums indicated that, in general the community feels that they have, been a successful means of establishing a community voice to the Council.

Media Relations

The new Council has adopted a very open approach with the media to establish the image of being an organisation which is 'accessible'. Senior managers are all available to the media and provide information and comment on issues as required. Not surprisingly, in the case of the formation of the largest Council in the State, there have been, during the first twelve months of operation, a number of issues concerning the new Council that have been taken up by the media. The Council has worked through these issues and provided access to information and comment. The organisation believes that it has established the basis of a good ongoing relationship with the media.

Southern Partnership

The Southern Partnership is a forum comprising all local Members of Parliament (Commonwealth and State), the Minister for Local Government, the Council's Mayor and City Manager, and an independent Chairman. The forum brings together the three spheres of government for the purpose of advancing the economic, social and environmental future of the southern region of Adelaide.

The Southern Partnership is in its early days of operation and has identified a number of priority areas for action, including:

- tourism
- economic development and industry plans
- employment
- environment (including water and coastal management)
- urban design
- education.

The significance of this initiative relates to the impact that such a large Council has in being able to draw together political support at all levels of government to advance its programs and initiatives.

Economic Development

One significant area of initiative in the new Council is worthy of specific mention. The City of Onkaparinga has placed considerable emphasis on economic development programs and has sought to take advantage of its size to take on a higher level of responsibility for them.

Business Enterprise Centre

In parallel with the formation of the City of Onkaparinga has been the rationalisation of economic development activities in the southern region of Adelaide. The former Southern Development Board, which covered the areas of the Noarlunga, Willunga, Happy Valley, Brighton (all now part of amalgamated Councils) and Marion Councils, has now ceased to

operate and the City of Onkaparinga has taken up the provision of business advisory services to enterprises, through the establishment of a Business Advisory Centre, previously provided by the Board.

The State Government, which previously provided funding to the Southern Development Board, now provides some funding support to the Council, effectively creating a State/Local Government partnership for the provision of economic and business services. In the first two years of the partnership, the total level of State funding to the Council (for both the Business Advisory Centre and an Export Extension Service) will be higher than previously provided. However, it is expected that this funding will reduce in the medium term.

It is significant that this partnership has come about as a direct consequence of the Council amalgamation and the fact that the City of Onkaparinga is now an entity of a size that rivals many State agencies. Both the Council and the State Government are keen to monitor the progress of this relationship as a model for the provision of economic development services in other areas.

Export Extension Service

The Council is in the process of establishing an Export Extension Service, partly funded by the State Government, as a means of assisting local businesses in the area to reach export markets. Once again, this initiative is an example of State/Local Government cooperation in an area where they have joint objectives and is a direct consequence of the amalgamation of three large Councils to form the largest Council in the State.

Enhanced Major Projects Activity

While each of the former Councils, and indeed many other Councils in the State, devoted resources to facilitating major projects, the larger size of the new Council has provided more opportunity to devote resources to these projects. The larger Council has been able to set up a team of appropriately qualified and experienced staff to provide professional assistance in working with the private sector and the State Government on major projects.

Relationships with Other Organisations

One of the areas where the City of Onkaparinga recognises its potential but acknowledges that it has a lot further to go yet, is in its relationships with other organisations. Earlier in this study, it was noted that the new Council rivals many State agencies in its size and resourcing and so has the potential to exert quite a deal of influence over the various programs delivered in its area. Furthermore, as the State's largest Council, it would be expected to assume a position of leadership generally in the local government community.

This clearly is an area in which it is too early to judge the Council. In its first year of operation, the organisation has adopted a focus on 'getting its house in order' and this is clearly an appropriate priority. As the organisation settles down, however, and its

programs become well established, the Council should be expected to play a bigger role in Local Government, other regional and government activities. Certainly, its size and status positions it well to do this and its senior managers and elected members have a good understanding of this. In this regard, the Council considers it more likely that it will forge its own relations and partnerships with State agencies and it is currently pursuing these. On the other side of the relationship, it should be expected that other organisations will change their approach to the City of Onkaparinga — comments received from senior staff suggest that this is already happening.

As stated earlier, it is too early to determine any significant changes in the relationships between the City of Onkaparinga and other organisations, but it can be asserted with confidence that the Council is well placed to adopt a very influential position in terms of services and programs in the southern areas of Adelaide.

OVERALL OUTCOMES

In examining the current 'state of play' with respect to this amalgamation, it is important to recognise that it is 'early days yet' for the City of Onkaparinga. The information contained in this case study is, therefore, necessarily of a descriptive nature. It is, however, appropriate to examine the processes that are in place and their likelihood of producing outcomes, in lieu of measuring actual outcomes. In the case of the City of Onkaparinga, it may be several years before some of the important changes that have been introduced as a result of the amalgamation are able to be concretely measured or definitively assessed.

It is clear, however, from a number of indications to date, that the amalgamation has been, and will continue to be, a success. The new Council:

- has successfully faced many challenges in its first year of operation while still maintaining effective services
- has achieved significant savings in staff levels
- has successfully embraced both elected member and senior management inputs in establishing its strategic directions
- has satisfied its community that it can provide good representation with fewer elected members and larger wards
- has set in place an appropriate organisational structure with dedicated staff
- shows enthusiasm for, and an understanding of, the task of establishing a new organisation
- has an appropriate strategic planning framework in place, laying the foundations for sound operations in future years

- has integrated its strategic, business and financial plans
- has established high standards against many of its operational requirements, for example, top rating in the October 1997 WorkCover audit and continuing downward trends in accident frequencies and lost time due to accidents
- has increased the level and standard of service provision
- has taken on a significant involvement in new areas which would not previously have been possible, to the same extent, such as economic development
- has delivered some rate reductions in each of the three former Councils areas
- has recognised the importance of, and allocated a priority to, fostering good relations with its community
- has established an open approach and good relations with the media
- is financially sound — in particular (and contrary to some publicity which the issue has received), it has a low level of net debt and a low proportion of its revenues that need to be dedicated to interest costs; rates have been reduced and the real level of aggregate operational expenditure reduced
- understands the need for balance between the provision of increased services and reducing or maintaining rates in the immediate future
- recognises its potential as a leader in the Local Government community
- recognises its potential to redefine its relationships with other agencies, in particular, with the State Government. In this context, the City of Onkaparinga is well placed to take a leading role in the discussions and consideration of functional reform.

Notwithstanding these achievements the City of Onkaparinga faces a number of challenges in the immediate future including:

- 'living up to' community expectations as a result of the amalgamation
- the establishment of a long term financial plan for the Council
- the need for sensitivity in the distribution of service improvements across the Council area
- achieving balance between increased service delivery and reduced costs for ratepayers
- dealing with the effects of high unemployment in the Council area
- servicing an area for which the previously high rate of population growth is slowing significantly
- achieving a balance between economic growth and population growth
- blending diverse elements of the community into one regional entity.

SUMMARY

The formation of the City of Onkaparinga establishes a case study for the operation of large metropolitan Councils in this State. In time, there exists the opportunity for the City of Onkaparinga to position itself as an organisation that:

- achieves a balance between the economic, social and environmental needs of its community
- is receptive to the localised needs of its people
- provides value for money
- makes a very strong contribution to debate about, and the successful resolution of, issues in the State's public sector broadly defined.

It will be some time before it is possible to truly assess the extent of the success of this amalgamation, but at this stage there is every reason for confidence.

4.7 WATTLE RANGE COUNCIL

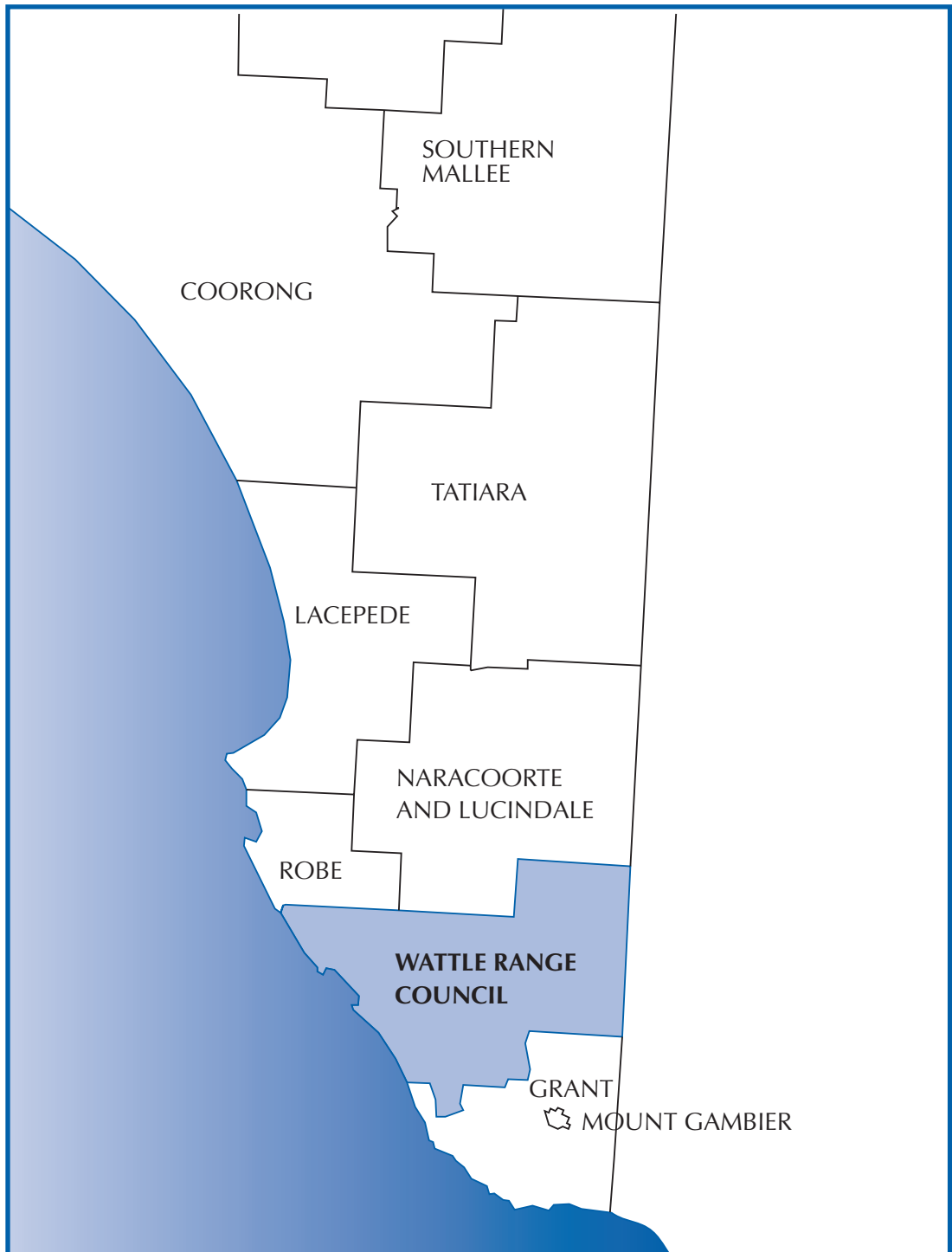


FIGURE 11: WATTLE RANGE COUNCIL IN THE CONTEXT OF NEIGHBOURING COUNCILS

The Wattle Range Council was formed from an amalgamation of the District Council of Beachport, the District Council of Millicent and the District Council of Penola in July 1997. The new Council comprises 4 Wards, 11 Councillors and a Mayor.

SERVICE PROVISION AND DELIVERY

The amalgamation proposal identified a number of service areas that would benefit from an expansion of service delivery. The three principal areas identified were:

- environmental services
- corporate services
- economic and community development.

Major Service Delivery Advances

The development of information technology connections across the Council area has been a major achievement resulting from the amalgamation. The development of a wide area network has enabled internet and e-mail access for the whole organisation, with linkages to all customer service centres. Extensively utilised 'public use terminals' in the library network, and the formulation of a strategy for the Council to facilitate the establishment of an internet service provider, are excellent examples of technological initiatives facilitated by the new Council. With an initial implementation cost of approximately \$170 000, it is unlikely that the three previous Councils would have had the internal resources and funding capability to implement the recent and future actions planned by the larger authority.

The Corporate Services Department has reduced its workforce by 6.7 FTE, through natural attrition. The savings generated have largely been attributed to the reduction of duplication and the centralisation of administrative functions.

The addition of a full time professional accountant has enabled increased financial management and control. The introduction of responsibility accounting and monthly reporting are two positive initiatives.

The advantages of a merged outside workforce have become apparent and include:

- increased resources have enabled greater specialisation in particular activities while maintaining the opportunity to multi skill as required
- rationalisation of the plant has meant greater outputs and returns from high cost capital equipment
- the best work practices from the individual workforces have been incorporated into the larger unit
- the workforce is better resourced to undertake the work and can perform activities more confidently

- the workforce can have the confidence to take on 'bigger' jobs not previously undertaken
- the use of technology has increased the standard and quality of service, including Civil CAD, Auto CAD and Para Map
- more effective work planning
- increased customer focus
- greater focus on relevant training for the workforce. Smaller Councils traditionally could not allocate time and resources to cover the workforce whilst in training.

Specialist staff have been appointed to the building, health and planning functions and early advances have been made in a number of areas, including upgrading the Effluent Disposal Schemes in three towns to recognised standards, better integration of waste management, and development of Local Agenda 21 initiatives.

Consultations with senior management and elected members indicate that the above initiatives would not have been achieved prior to amalgamation and that overall service levels have increased.

IMPACT ON COMMUNITIES OF INTEREST

While there are commonalities between the three main towns, all agree they each have a unique emphasis. This diversity has encouraged the new Council to address community needs in a broad but integrated fashion.

There is clear acceptance and ownership from the Beachport, Penola and Millicent communities of the Wattle Range Council and this supports the theory that larger Councils can reflect the needs of diverse communities provided that adequate communication mechanisms are introduced.

While supporting and enhancing the individuality of its communities, the Council has been successful in 'overlapping its corporate and total community image' across all communities.

The introduction of Community Consultative Advisory Committees under section 39 of the Act has proven successful in ensuring local input. Initially introduced to wards covering the former Penola Council and the former Beachport Council areas, an additional Committee has been established covering the Millicent town and surrounds.

FINANCIAL MANAGEMENT

The amalgamation of the former Councils has led to improvements in liquidity and debt management and the successful implementation of a new rating strategy. These achievements have been reinforced in the current financial year by Council's further commitment to asset rationalisation, in order to maintain low levels of debt and continue the process of consolidation.

There has also been a marked improvement in financial control and accountability with the development of a new departmental budget structure and better financial reporting methods.

Although these achievements are significant, there will still have to be careful management control of the 1998–99 budget to meet the unforeseen increases in expenditure arising in the previous financial year.

To analyse the financial impact of the merger, financial data were collected for the former District Councils of Beachport, Millicent and Penola in the 1996–97 financial year and current financial data on the Wattle Range Council in the 1997–98 financial year. The 1996–1997 financial year totals for each of the former Councils have been combined and a number of ratios have been used to make a comparison against performance of the Wattle Range Council in its first year of operation.

Rates

The amalgamation has resulted in significant rate reductions, as indicated in Table 11. Rate revenue decreased overall by 5.6% between 1996–1997 and 1997–1998. The reductions in rate revenue were due to rate capping in the 1997–1998 financial year and the adoption of the first phase of a three-year strategy to equalise rates.

TABLE 11: RATING PERFORMANCE OF WATTLE RANGE COUNCIL

RATIO	1996–97 MILL/BCH/ PEN	1997–98 WATTLE RANGE	ACTUAL VARIANCE	% CHANGE
Total Rate Revenue	\$5 514 182	\$5 202 013	\$312 169	- 5.6%
Average rates per capita	\$430	\$410	\$20	- 4.6%
Average rates per assessment	\$710	\$671	\$39	- 5.4%

In line with this strategy, overall rate revenue in the 1998–99 financial year has increased by the following percentages indicated in Table 12, with Penola residents taking on a significant increase in rates. This is particularly relevant for rural properties of Penola which have had their rates increased by 15.5%.

TABLE 12: PERCENTAGE INCREASE OF RATES FOR WATTLE RANGE COUNCIL

RATIO	FORMER DC BEACHPORT	FORMER DC MILLICENT	FORMER DC PENOLA	TOTAL DC WATTLE RANGE
Rate revenue for a 1998–99	\$1 008 422	\$2 033 184	\$2 243 388	\$5 284 994
% Rate increase from a 1997–98	0.5%	0.5%	10.9%	1.5%

Liquidity

The new Council has slightly more liquidity than the combined former Councils with a 7% improvement in its liquidity ratio from 1.198 in 1996–97 to 1.291 in 1997–98.

The liquidity ratio is primarily a ‘risk’ indicator that focuses on an entity’s ability to satisfy its short term obligations. Though it is not uncommon for Councils’ liquidity ratios to measure between 2.5 and 3.5, the liquidity of the new Council is still quite manageable, particularly as it has significant cash reserves.

TABLE 13: LIQUIDITY RATIO FOR WATTLE RANGE COUNCIL

RATIO	1996–97 MIL/BCH/PEN	1997–98 WATTLE RANGE	% IMPROVEMENT
Current Assets/Current Liabilities	1.198	1.291	7%

Gross debt position

Total loans outstanding have decreased significantly since the amalgamation. The new Council has consolidated after the merger and taken a responsible view to debt reduction. This is demonstrated by the fact that the principal paid on debt (excluding self servicing debt) was \$604 000, as compared with new borrowings of \$272 000.

The Council also demonstrated its commitment to debt reduction with the sale of a number of Council houses which realised approximately \$400 000, all of which was used to offset a budget deficit brought forward from the combined Councils. Furthermore, Wattle Range Council is now considering several commercial asset sales to further reduce debt.

TABLE 14: GROSS DEBT POSITION OF WATTLE RANGE COUNCIL

RATIO	1996–97 MILL/BCH/PEN	1997–98 WATTLE RANGE	ACTUAL VARIANCE	% CHANGE
Loans outstanding end of financial year	\$4 488 514	\$4 245 100	\$243 414	- 5.4%
Loans per assessment	\$578	\$547	\$31	-5.3%
Loans per capita	\$349	\$334	\$15	- 4.2%
Finance charges as a % of rates	6.4%	0.4%	6.0%	- 93.7%

Amalgamation Savings

During the 1997–98 financial year, Wattle Range Council was unable to meet the financial savings that were projected in the amalgamation proposal. The savings that were made in governance costs and staff reductions have been largely offset by a corresponding increase in services. This has led to higher expenditures, including new computer systems, the employment of a full-time accountant, the establishment of a new office for the engineering group and the leasing of eight new vehicles.

MANAGEMENT AND ADMINISTRATION

The development of a sophisticated Corporate Plan that is linked into a total planning process is a major achievement of the new Council. The Corporate Plan identifies the vision, mission, objectives and strategies for the new Council. It also incorporates detailed action plans that state responsibilities, timeframes and resource requirements.

A proactive management team is clearly supported by a high level of delegation from the elected members. This is enabling much quicker response times to the community and creating a ‘can do’ culture for the new Council.

Essential management policies, procedures and internal controls have been formulated.

Council executives are on term contracts, which incorporate annual performance reviews.

Management skills and expertise have improved along with the capacity for the Council to achieve more.

The economies provided by a larger unit have enabled management to specialise in the area of greatest expertise, for example, in Corporate Services. The new Chief Executive Officer has been able to devote more time and energy on strategic issues such as regional development and employment creation.

ECONOMIC AND REGIONAL DEVELOPMENT

It is the consultant's view that one of the greatest single benefits to the community from the creation of Wattle Range Council has been the emphasis placed on economic development. Employment creation is a corner stone to the vision of the new Council. The Council has engaged consultants, at a cost of \$75 000, to undertake the development of the Wattle Range Council Economic Development Plan (WREDP).

The merger of the three Councils has provided the impetus for this integrated approach to economic development and employment creation. The WREDP will incorporate strategies to work with existing local groups to initiate actions, while ensuring linkages to a regional approach.

While the development of the WREDP will provide the framework for economic development in the future, there are already examples of Council's positive approach including:

- the Council is proactively assisting the development of a hydroponic and mushroom processing plant at a site made vacant through relocation of an existing business six years ago
- facilitation of a local business partnership to reopen a vacant pulp mill as a timber processing plant, potentially creating 60 jobs
- identification of land and creating financial incentives to promote the development of 'Teletrak' (straight-line racing) in Millicent
- applied for \$500 000 grant funding for a new boat ramp at Beachport.

GOVERNANCE

There is a general perception among elected members that an increased elector per Councillor quota (851) has not had an adverse affect on the new Council or elected member workload.

Elected members, however, indicated that their overall workload had increased as the Council became more proactive over a number of areas (for example, regional development). Increased travel and requirements to attend more meetings was becoming a significant issue.

Most elected members indicated that their role was changing, as the new Council had become more sophisticated. Increased delegations to expert staff have resulted in less time spent on 'small issues' with more emphasis on policy and higher level issues and objectives.

Elected members reinforced the view that the increase in expertise of the new Council resulted in them being better informed. However, more complex information has placed an increased responsibility on elected members to improve personal knowledge on a broader range of issues.

Councillors from the previous 'smaller Councils' of Beachport and Penola felt that less representation (in comparison with Millicent) had not affected their communities adversely. Indeed, it was stated that the additional resources and expertise enabled more to be achieved.

Independent and objective debate and input to decisions in relation to other towns or areas were cited as a major benefit to good governance.

Benefits of the amalgamation identified by the elected members included:

- more specialised staff
- greater capacity to fund large projects over time
- increased ability to react to opportunities quickly
- increased support to community groups
- greater focus on employment creation.

Issues of concern included:

- some new staff took time to get the 'feel' of the community
- inconsistent policies between the three previous Councils caused problems. This is particularly the case for sporting clubs which were used to different levels of Council support.

SUMMARY

The Wattle Range Council has provided real benefits to its communities that would not have been achieved without amalgamation. A strategic approach to information technology and regional economic development are a direct result of the merger of the District Council of Beachport, District Council of Penola and the District Council of Millicent.

The many governance issues identified prior to amalgamation have turned out to be non-issues in practice. The diversity of the Council area is proving to be a bonus, and actually is strengthening Council.

Good management, strong political leadership and more specialised resources have provided the mechanism for the ongoing provision of increased and improved services.

4.8 CONCLUSION

Each of the above case studies are interesting, but for different reasons:

- **Federation of North Eastern Councils:** a corporate body formed to provide administrative services to two low population rural Councils (Orroroo-Carrieton and Peterborough) is the only arrangement of this kind in the State
- **City of Holdfast Bay:** a merger firmly based on a strong communities of interest yielding what is still a relatively small Council in terms of size and population, achieving significant capital and productivity gains, and could be regarded as a quiet success story
- **the Mid North Region:** here structural reform was approached on a regional basis, leading to a high degree of amalgamation ('17 into 7'), in a coordinated fashion and relatively smoothly. After amalgamation, these Councils remain quite small (measured by population) compared with Councils in the metropolitan area; this and other factors have led to a decision to strengthen regional arrangements
- **City of Onkaparinga:** three Councils, already relatively large in population terms, combined to form what is easily the most populous Council in the State (30 per cent more so than the next largest), thus providing a model for the operation of large metropolitan Councils in South Australia
- **Wattle Range Council:** acknowledges very different communities of interest between the three main towns, but has turned the diversity into a strength, and shown that larger Councils can reflect the diversity of communities provided that appropriate communication mechanisms are in place
- **Adelaide Hills Council:** a Council expecting to participate in further boundary change but thwarted by various factors operating in the post-amalgamation climate, thus reinforcing the need for the next round of Local Government reform (including structural reform) to be based on a broader, more strategic approach.

The case studies selected by the Board illustrate a variety of approaches to structural reform, and accordingly, different outcomes. The following discussion assesses these outcomes in terms of the Board's overall evaluation of structural reform, and specifically its legal requirement to report on:

- the extent to which the objectives set out in section 17A of the Act have been achieved
- further and future opportunities for structural reform.

THE EXTENT TO WHICH THE OBJECTIVES HAVE BEEN ACHIEVED

A frequent theme in the work undertaken by the consultants to produce these case studies was that it was 'early days yet' for the amalgamated Councils. For example, the City of Onkaparinga was formed on 1 July 1997, the Federation of North Eastern Councils in October 1997, the City of Holdfast Bay commenced in January 1997, and Wattle Range in July 1997. In some cases, Financial Statements for 1997-98 were not available and in most instances, budgets for 1998-99 had not been brought down. This is reflected by much of the material in the case studies being of a general or qualitative nature.

There was a view by the consultants that it may be several years before some of the important changes coming out of these amalgamations and other arrangements are able to be measured or assessed in a more definitive way. This has certainly been confirmed in the information sessions the Board held during 1998 with amalgamated Councils (covered in section 3.4). The Board agrees with the view expressed by one of the consultants that one of the most important questions at this stage is, perhaps, not so much how new arrangements compare in precise terms with the old ones or how results to date compare with what was predicted — especially financial savings — but how well they are positioned to deal effectively with the future. This unavoidably involves some degree of subjective judgement.

As suggested earlier, the Board believes that it is important that all these case studies are followed-up in the future, to test how things have subsequently evolved.

Rather than repeat the main conclusions from these case studies, the Board wishes to focus on three key issues.

The first issue relates to structural reform's contribution to strengthening Councils. The Board believes that these case studies add further weight to the argument that structural reform has increased Councils' capacity to play a significant role in the State's broader agenda for economic and community development, particularly in the regions. Both Wattle Range and Onkaparinga are notable examples. Clearly, better resourced, larger Councils have the capacity and clout to take the initiative, and are able to exercise greater influence and power in their relations with other spheres of Government. As stated in the case study of Onkaparinga, the new entity is of a size that rivals many State agencies, and it is this size and resource base that offers the potential for the Council to exert influence over the various programs delivered in its area. In recognition of these changes, the State Government has responded by directly funding the Onkaparinga Council to provide economic and business services. This State/Local Government partnership replaces the State Government's former Southern Development Board, and provides a model for the provision of economic development services for other Councils. Potentially, forays into economic development by other powerful regional Councils, such as Wattle Range, can further transform the State's structures and service delivery mechanisms in this area.

The second issue concerns community access to appropriate representation. Importantly, the findings from these case studies have not supported the traditional view that structural reform would create Councils which were anti-democratic and with reduced access to representation. Against all expectations, the City of Onkaparinga and Wattle Range Council have proved that Councils challenged by diversity, size and distance can devise structures to encourage genuine participatory democracy and actually increase the community's access to representation.

Finally, the Board acknowledges these gains need to be balanced against personal, organisational and operational impacts of structural reform. As expected, none of the Councils studied for this project escaped the inevitable disruption, hard work and expense associated with the amalgamation process. Indeed, some are still adjusting to a range of post-implementation issues.

In summary, the Board believes the case studies provide additional evidence that structural reform has achieved the objectives set out in section 17A of the Act:

- a significant reduction in the number of Councils in the State
- a significant reduction in the total costs of providing the services of Local Government authorities
- significant benefits to ratepayers.

FURTHER AND FUTURE OPPORTUNITIES FOR REFORM

In the Board's view, the case studies highlight some real tensions in terms of further and future opportunities for reform of Local Government. Commenting specifically on structural reform, these opportunities relate to boundary alterations, as well as more substantial changes involving whole-of-Council mergers.

On the one hand, the strengthened regional arrangements in the Mid North of the State are the direct consequence of structural reform, pointing to prospects for ongoing change. Likewise in the South-East, where Wattle Range Council has flagged its intention to explore opportunities not only for resource sharing with adjoining Councils, but also to merge with service delivery agencies, in areas such as community services. Clearly, there are Councils taking the initiative to build on gains made to date under structural reform, by pursuing new opportunities.

On the other hand, the Adelaide Hills Council case study uncovered some of the impediments to progressing boundary alterations, leading to conclusions with implications not only for possible further and future structural reform, but Local Government Reform generally. In particular, the findings conveyed the message that structural reform should be seen as a means to an end rather than an end in itself, a theme developed further in section 7.

Finally, there is the issue of what the case studies tell us about prospects for further and future structural reform of Local Government of a more substantial nature. The Board fully supports the consultants' conclusion from the Onkaparinga case study that it potentially stands as a model for the operation of large metropolitan Councils in this State. However, the findings from the Adelaide Hills case study cast doubt on whether the strategic benefits of Councils like Onkaparinga will be seen to have wider application in the short term. The successful operation of the new Councils will play a key role as a catalyst for future change.

5. PERSPECTIVES ON STRUCTURAL REFORM

The Board agreed that both the LGA and the IMM could offer valuable, independent perspectives, on structural reform of Local Government in this State. Accordingly, both organisations were invited to contribute to the Board's Report. As agreed, these contributions, which follow, are unedited.

5.1 LOCAL GOVERNMENT ASSOCIATION, SOUTH AUSTRALIA

The LGA's response to the Ministerial Advisory Group into Local Government Reform (MAG) in April 1995 sought Local and State Governments to consider the roles and responsibilities of the two spheres of government prior to embarking on a State-wide approach to facilitating amalgamation or boundary adjustments of Councils. It was felt by the LGA State Executive of the day that unless this issue was adequately addressed the amalgamation and boundary adjustment process would not achieve well considered outcomes for Local Government and the communities of South Australia.

In 1995 legislation was passed forming the Local Government Boundary Reform Board enabling both voluntary and Board initiated amalgamation and boundary adjustment to proceed without addressing roles and responsibilities of State and Local Governments.

It will continue to be the position of the LGA that functional reform approaches between Local and State Governments be explored. It is our view that the new Local Government Act must include processes for the two spheres of Government to achieve functional reform without compromising State/Local Government relationships and services to the community.

The LGA's position is that the new Local Government Act should provide for voluntary amalgamation and boundary adjustment processes. It will be necessary to build upon what has occurred to date without compromising gains that have been made.

The achievements of the Local Government Sector and the Boundary Reform Board during the amalgamation processes are to be highly commended. However, there are some views expressed by Councils, individual Elected Members and Senior Staff that:

- the processes did not adequately address all possibilities for amalgamation or boundary adjustment across the whole State
- Councils felt compelled to consider opportunities for amalgamation as they were concerned that boundaries suggested by the MAG may result if they didn't take responsibility for local decisions
- the views of individual Elected Members and Senior Staff played a strong role in achieving boundary change or preventing boundary change which constrained or enhanced local discussions.

Tremendous financial and human resources were consumed to achieve amalgamations. These resources came from Councils and the Boundary Reform Board. Financial resources provided by the Board were used to facilitate research into opportunities and constraints of various options for amalgamation and boundary adjustment. Councils provided substantial resources to undertake research, develop proposals and to implement new structures and approaches to governance and service provision. The amalgamation process was a costly exercise for the Government and Councils with the benefits to be realised in time.

There is a view that small community groups within current Council boundaries must be able to express their desire for boundary adjustment. This matter is subject to debate by Councils during the review of the Act where the manner in which the community ought to be involved will be explored. Whatever the outcome of this matter it will be necessary to ensure that investments (financial, infrastructure, etc.) made by Councils who have recently amalgamated be recognised.

The structure ought to be put in place to facilitate voluntary amalgamation and boundary adjustments is also under scrutiny. The draft consultation Local Government Bills propose an Areas Commissioner. Local Government supports the formation of a panel of persons. Local Government also believes that the new panel ought to comprise a group of persons who have the background and experience in Local Government as elected members and practitioners to take the sector through the next phase of its responses to voluntary boundary adjustment and amalgamations. It must be recognised that the new phase of reform will require new experiences with amalgamation and boundary adjustment different to that required in the last 18 months.

The LGA and Councils look forward to reaping the benefits that have derived from the amalgamation process and to ensuring that constraints experienced during the recent round of amalgamations are addressed appropriately in the new Local Government Act.

5.2 INSTITUTE OF MUNICIPAL MANAGEMENT, SOUTH AUSTRALIAN DIVISION

The reduction in the number of Councils from 118 to 69 achieved during 1997 will go into the history books of South Australia as the most significant change to Local Government for sixty years and clearly meets the primary objective set for the Local Government Boundary Reform Board.

Equally significant was the self determination model in which Councils were provided with a process and support structures, where reluctant Councils were strongly encouraged to participate, but more importantly, where groups of Councils could manage the change process themselves as opposed to the more traditional Royal Commission Report or the less democratic Victorian model of recent years, to achieve the desired changes.

What was evident from the outset was that a number of the larger Councils believed they already complied with the principles of the Act and served their communities in an efficient, effective, fair and responsive way.

Like most change, the opportunities were embraced by the people with vision and opposed by others for a range of reasons, some for the right reason where changes were not supported by their communities. Some observations of these changes follow.

The need for change would have been more clearly understood if the State Government had put a package of functional reform issues on the table as part of the vision and need for boundary reform.

The promotion of potential savings that could be achieved through amalgamation, while achievable in most cases, had little regard for the costs of restructuring, capital and equipment rationalisation necessary to create the new organisations.

The benefits of change could have included a range of examples of best practice in this and other States of standards and levels of service that were being achieved by well-resourced and managed Councils.

The imposition of the rate cap was opposed by most Councils as it was seen to undermine the sovereignty of Local Government. It proved to be a clumsy mechanism to ensure that part of the savings made by Councils were passed on to ratepayers and was unfair to those Councils which had no opportunity to participate in an amalgamation, or which actively participated in the process but for whatever reason were unsuccessful. The recent exemptions to the rate cap vindicates Local Government's stand.

Despite the changes, the State is still left with a number of very small Councils in both a metropolitan and rural context. In retrospect these Councils should have received a higher level of focus and support to achieve structures that will best suit the needs of the future, as it is particularly these small Councils which may impact on their communities' ability to participate equitably in functional reform.

While some Councils which have been formed may have the capacity to deliver benefits due to economies of scale, these benefits may be offset by the challenges they now face in addressing responsibilities regarding communities of interest.

Some Senior Officers who played a strong leadership role in bringing about change in their communities, themselves became casualties in the process and as a result faced unexpected and unplanned career changes and redundancy.

The most successful amalgamations, as with a successful Council, are those that have a clear, articulated vision, are delivering services valued by their communities, and have a strong leadership team of members and officers built on mutual respect and trust.

In conclusion, whether it is boundary reform, legislative change, or functional reform, at the end of the day it will be the officers of the Council who have the responsibility to advise and show leadership in these changing times.

6. THE INTERSTATE EXPERIENCE OF STRUCTURAL REFORM

The following section of the Report draws on material from the inaugural National Local Government Structural Reform Workshop in April 1998. The Workshop was convened by the Board and held in Adelaide. This section briefly describes the status of structural reform in each State or Territory (at that time), summarises the opportunities identified for future reform, and concludes with a 'compare and contrast' analysis.

By comparing and contrasting interstate experiences of structural reform, this section of the Report also contributes to the qualitative evaluation of the process of structural reform of Local Government in South Australia. The Board hopes that, by providing an insight into the effectiveness of the various options used by other States to progress structural reform, this may inform considerations about the possible replacement mechanism for the Board.

6.1 NATIONAL LOCAL GOVERNMENT STRUCTURAL REFORM WORKSHOP

The inaugural National Local Government Structural Reform Workshop attracted participants from all over Australia, and the interest of the Commonwealth National Office of Local Government. The workshop profiled structural reform initiatives in each State and the Northern Territory, and explored the advantages and disadvantages of each approach. It concluded with a general discussion on future reform initiatives.

A list of participants at the workshop can be found at Appendix M.

Some of the main themes that emerged during the workshop were:

- Local Government's role as an agent for change
- drivers for change
- preserving a sense of community in change processes
- financial reform
- roles and responsibilities between spheres of Government
- future role of Local Government.

NEW SOUTH WALES

New South Wales drew attention to the different pattern of Local Government development in that State, highlighting an approach to reforming the legislation rather than the boundaries.

In 1906, New South Wales had 328 Councils, but this figure has since been reduced to 177.

Presenters highlighted the size of Councils, with 19 exceeding a population of 100 000, and, of those, two exceeding 200 000. The average population per Council area is around 35 000.

New South Wales has a Boundaries Commission with the power to review and recommend changes to Council boundaries in accordance with a reference from the Minister. It does not have the power to initiate its own inquiries.

Current voluntary structural reform is aimed at minimising community disruption. It recognises the benefits of Councils themselves addressing structural reform, rather than relying on another sphere of Government to intervene. The Local Government Association of New South Wales is actively exploring the issue of voluntary structural reform with Councils by encouraging:

- workshops
- discussion papers
- seminars
- providing facilitators to assist Councils engage in broad discussions with their neighbours on ways to work together more effectively to provide better services to their communities.

About 100 Councils have been involved in this process, with four groups of Councils currently involved in substantial projects.

There is no legislative or financial support from the NSW Government, and the process is purely voluntary. New South Wales acknowledged, and gave particular recognition to, the progress of reform in South Australia and Queensland.

NORTHERN TERRITORY

The Northern Territory, which covers one sixth of Australia's land area, has a population of 180 000.

Only five per cent of Territory land is incorporated into Local Government areas, but that land carries about 90 per cent of the population.

About 40 000 Aboriginal people live on Aboriginal land. The Aboriginal communities have small Local Government units, mainly constituted as 'Associations', rather than formally incorporated.

The Northern Territory LGA has issued a comprehensive Local Government reform agenda with plans to establish a joint Territory/LGA Steering Committee to oversee the process of implementation.

QUEENSLAND

Queensland presenters outlined how voluntary structural reform proposals had been examined and assessed by departmental officers prior to the establishment of the Electoral and Administrative Review Commission in 1989.

The establishment and work of the 1992 Office of the Local Government Commissioner, and its demise in 1996, received considerable attention. Under the process, the Commissioner accepted references from the Minister and 34 reviews were conducted, resulting in seven newly amalgamated Councils. Queensland now has 125 Councils and 31 Aboriginal and Islander Councils.

Currently, the reform process involves the Electoral Commissioner and allows for the establishment of panels to deal with proposals submitted. The future of Local Government structural reform is likely to be more about self-help and cooperating, similar to the process in South Australia and New South Wales.

VICTORIA

The Victorian experience has been widely discussed in Local Government circles throughout Australia.

Attempts at structural reform were made in the 1980s, but they were unsuccessful, with Local Government in Victoria remaining virtually unchanged until 1993. Since then, the number of Victorian Councils has dropped from 210 to 78.

The representative from the Department of Infrastructure said reforms were directed 'towards improving sector performance by providing opportunities for economies of scale, by achieving operating efficiencies, and by enhancing accountability of Local Government to its communities'. Boundary reform, compulsory competitive tendering and accountability mechanisms (corporate planning, business planning, service charters and the introduction of performance indicators) were instrumental in achieving these objectives.

Victoria has begun to introduce comparative performance indicators across Councils and a survey of 30 000 Victorians had recently been undertaken to gauge perceptions of the performance of Councils.

The process allows the Minister to determine minor boundary variations. The legislation also has the capacity to establish a Local Government Panel for any purpose, including significant boundary changes.

Local Government in Victoria was identified at the workshop as a much more powerful environmental advocate than it was as 210 individual organisations.

TASMANIA

The Local Government Advisory Board was established in the late 1980s and has a more formal relationship with Councils than the South Australian Local Government Boundary Reform Board. The consultation process is predominantly in the form of public reviews of Councils, as referred by the Minister.

Boundary changes can only occur on the recommendation of the Board, and, since the early 1990s, it has had considerable success in reducing the number of Councils from 46 to the current number of 29. In June 1997, the Commonwealth's 'Nixon Report', recommended that there should be eight mainland Councils, plus King Island and Flinders Island.

Two months earlier, the Tasmanian Government's 'Direction Statement' was released proposing wide-ranging public sector reform. For Local Government, this included a reduction in the number of planning schemes and financial reform. Terms of reference were established for structural reform, with suggestions including that there be no more than 15 Councils. Natural catchment boundaries were proposed, with common links of interest and economies of scale.

Following the workshop, the Tasmanian Government announced, in June 1998, that Local Government amalgamations will proceed, reducing the States' 29 Councils to 14. The new boundaries will be effective from 1 September 1998.

WESTERN AUSTRALIA

The Local Government Advisory Board was established under the Local Government Act in 1995. The Board's functions include consideration of structural reform proposals and it advises the Minister for Local Government. It is also involved in reviewing ward boundaries and representation. Proposals can come from the Minister, Local Government itself or the community, but cannot be initiated by the Board.

The Board can conduct informal inquiries, receive public submissions and convene public meetings and forums. It assesses the merits of a proposal against prescribed criteria which include community of interest, physical features, demographic trends, and economic factors.

6.2 COMPARE AND CONTRAST

The workshop highlighted the considerable variation among jurisdictions in Australia in approaching structural reform, as well as their relationship to the broader agenda for Local Government reform. Although both similarities and differences in approach were evident, they can be interpreted in the context of two 'partly overlapping' waves of Local Government reform:

- 'first wave innovation' in the period from the early to mid-1970s to the mid 1990s, in structure, powers and responsibilities; in changing patterns of public participation; the organisation of the local financial system; in occupational structure and workforce management
- 'second wave innovation' in the period from the mid-1980s into the next century, in strategic capacity building; regionalisation; and renewing governance. (Gerritson & Osborn, 1997)

LOCAL GOVERNMENT'S ROLE AS A CHANGE AGENT

A central theme in the workshop's keynote speech, the question of Local Government's leadership role in reforming itself, also fed into the plenary session's discussion about the future role of Local Government.

While there was recognition that in some areas Local Government had been at the forefront of management reform, in general it was not driving reform, but being reformed. Although internal and some external reform had been achieved, this related largely to management. It was not about the big picture, including the structural and functional context within which Local Government operates. There was also a perception that, while Local Government was not driving the reform agenda, it often assumed the mantle of change once it was clear there were no alternatives.

It was suggested that Local Government needed to 'put itself back on the agenda', not by attempting to defeat changes that governments are trying to make, or to fight the trends that are driving other governments to reform Local Government, because that would be futile. Rather, Local Government needed to demonstrate it had the ability to change itself, jointly with others, rather than have change imposed on it.

THE RIGHT MECHANISM

It was evident from the workshop that the success of the Board in South Australia had generated a great deal of interest in Local Government across Australia. There was general agreement that South Australia's innovative approach to voluntary structural reform — based on facilitation and cooperation, and encouraging leadership by Local Government and its communities — was regarded as a best-practice model for change.

There were doubts, however, about whether South Australia's voluntary model could be applied universally. For example, representatives from one State believed that using a voluntary process would produce some strange outcomes, hence their 'plain map' approach of determining a set number and configuration of Councils. It was observed that in South Australia the voluntary process did not lead to uniformly optimum arrangements. While the Board concedes this point, it believes that imposing solutions by drawing lines on maps is problematic, given that it involves judgements that are necessarily subjective. In other words, there is no right answer that will satisfy everybody.

The success of the single Commissioner model used in Queensland was also noted. Its effectiveness was derived from power and personality. The Commissioner was independent, exercised a great deal of power and was supported by an appropriate level of resources. Appointing the 'right' person provided the opportunity for dynamism. However, investing a great deal of power in one person — especially one who was a dynamic and forceful operator — eventually became a source of political conflict. This was instrumental in the eventual demise of the model. By contrast, the South Australian Board

model has the advantages of ‘safety in numbers’, thus diffusing political conflict. The risk of political conflict aside, the single Commissioner model was judged to have merit mainly for its ability to deliver.

The need for adequate resources, political support, and the ability to operate at arms length from State Governments, were all identified as factors contributing to a successful structural reform program. Where these were lacking, bodies with carriage of structural reform experienced frustration and had difficulty in achieving their objectives. One of the key differences of the South Australian model — one which made a significant contribution to its success — was the level of resources supplied by government.

It was agreed that social, political and, economic considerations have all been influential in shaping the States’ approaches to the task of structural reform. An important observation about the structural reform process in Australia was that, in three States where structural reform occurred, each had major economic imperatives to embark on wholesale reform which were not concentrated solely on Local Government. The various States’ experiences with structural reform imply the need to match the power to the imperative — political or economic — with the Parliamentary framework of the time. A highly interventionist model may be appropriate where political considerations are not such an issue, a voluntary model preferable in a more politically complex environment. To sum up, this equates to what one participant at the Workshop described as the ‘horses for courses’ approach.

In conclusion, the message seemed to be that each process used for structural reform involved trade-offs. The interventionist approach used in Victoria was widely perceived as being undemocratic, yet in the aftermath many conceded that by its swift, decisive actions, results were achieved. In contrast, South Australia’s comparatively low-key and more labour-intensive voluntary approach using the Board in a facilitative role, and involving the elected members and community in the process, attracted criticisms in some quarters for patchy results perceived to be lacking in strategic direction.

There was general agreement that whatever mechanism is put in place to facilitate structural reform in Local Government — or indeed any significant reform — it needs to be participatory and cooperative, and if Local Government is allowed to take ownership and thus have influence over the outcome, there is likely to be a better result.

KEEPING IT SIMPLE

Keeping the process simple was regarded as a critical success factor in structural reform. Concentrating on amalgamations that were easy and manageable is one way to achieve this. For example, it was suggested that where two Councils were discussing an amalgamation option, involving surrounding neighbours tended to increase the number of personalities and add unnecessarily to the complexities of the merger, thereby increasing the chances of failure.

The message seemed to be that structural reform is an evolving process, and people need to feel comfortable about it. Given the massive changes to culture and thinking required, the demonstrated effect of more modest, incremental successes is often powerful.

OVEREMPHASISING EFFICIENCY AND EFFECTIVENESS

Criticism was also expressed that, generally, the case for structural reform across Australia has placed undue emphasis on economic arguments, particularly about efficiencies in service delivery. This fails to reflect the most important issues of many communities and their Councils, such as governance and urban management. It was also pointed out that for Councils already heavily involved in contracting out, the efficiency and effectiveness gains are not an issue, suggesting that a narrowly-defined agenda for change may fail to gain broad support.

Arguments were also put forward that over-emphasis on driving down the cost of service delivery — through, for example, implementing purchaser-provider models — runs the risk of weakening the institutional capacity of Councils to redefine and reinvent their role in community well-being. Given the focus on cost savings, it was possible that Councils excelling at the purchaser function may not be taking a more strategic longer term view.

OUTCOMES

The outcomes of structural reform — how they impact and on whom — play an influential role in shaping community perceptions about the success of the structural reform process.

There was agreement that when the benefits of structural reform were diffused, no one feels they will be better off. Under these circumstances, even though people were likely to be marginally better off, they did not feel this way, and therefore failed to lobby and organise support for amalgamation. Often this vacuum is filled by vocal minority groups opposed to amalgamation opportunities.

Unless tackled, this issue will challenge future Local Government reform programs which are based on a more strategic approach and promote region-wide benefits not only for local communities but also for the benefit of the State as a whole.

THE IMPETUS FOR CHANGE

The imperatives driving structural reform at the local level ranged across the spectrum from sheer survival, to economies of scale, to better resources and increased political power. Queensland was raised as a case, where the main drivers for change were the broader issues of planning for future development in the context of rapid growth and of providing a powerful political institution to handle complex issues of urban management in fast growing communities.

As a powerful force for change, globalisation was seen as creating threats and opportunities for Local Government:

- threats were those common to governments, including pressures to reduce costs,

improve flexibility, and increase the capacity to respond to community demands as other levels of government retreat

- opportunities revolved around community perceptions that Local Government was more important in people's lives than before, that the community was looking to Local Government to take on more, and the prospect that Local Government would benefit from likely future changes in areas of demand and patterns of service delivery.

It was agreed that, regardless of what was driving reform, a fundamental issue is that of engaging the elected members, Council staff and the community in understanding the importance of these imperatives. In other words, how to find the right levers to generate support to proceed with necessary reforms is a critical issue.

FUTURE ROLE OF LOCAL GOVERNMENT

Much of the workshop's discussion on the future role of Local Government concerned the necessity for it to be responsive to the changing needs of the community, and issues involving inter-government relations.

It was agreed that all democratic institutions must change in response to changing community expectations. Local Government's future role depends heavily on realising this. As the needs of citizens in a democracy wax and wane over time, so, too, Local Government should move in cycles by responding to these needs. A topical example is that of current community concerns with a range of environmental issues, in natural resource management, land care, catchment management and native vegetation. It was argued that the best vehicle to tackle these issues is Local Government. The view was that even though Local Government probably will not drive the policy debate in these areas, it needed to be a part of the process, so the policies are practical and can be implemented.

In addressing issues about relationships between the spheres of government, there was general agreement that large scale reviews of roles and responsibilities 'starting with a blank piece of paper' do not work. This implies that so-called functional reform as currently conceptualised in some quarters, will not work. A suggested alternative involves identifying specific areas where Local Government is well placed to demonstrate its capacity to expand its role. However, to be regarded as a legitimate sphere of government, one of the most crucial issues for Local Government in negotiating changes in roles and responsibilities is to ensure it is seen as more than just a service delivery agency.

The financial position of the States — and the fact that their areas of policy discretion are diminishing — were also identified as major threats facing Local Government. In this environment, it was recognised that the States may be reluctant to relinquish control over regulatory matters in areas such as land management, building control and planning control.

In summary, there was a view that Local Government needs to engage especially with State Governments to explore opportunities for Councils in service delivery and in policy

formulation. Partnerships between these two spheres of government could flow from the recognition by State Governments that Local Government can assist them in achieving their own objectives. The important thing here will be for Local Government to respond proactively, on the basis of its broader governance role.

One of the main conclusions drawn from the workshop's plenary session is that the structural reform agenda needs to be linked into the longer term agenda, which is about placing Local Government in a better position to pursue its future role.

6.3 CONCLUSION

The Board believes the workshop made a valuable contribution to understanding how structural reform has worked in Local Government across Australia, and the lessons that might be transferable to other change processes involving Councils. It also stimulated debate about the future for Local Government, and how it can take a firmer grip on its future.

In terms of contributing to the Report's qualitative analysis of structural reform, the workshop provided the Board with an opportunity to hear that, in Local Government around Australia, the South Australian approach is regarded as a successful model, though it was also noted that it produced somewhat 'patchy' outcomes. Some of the structural reform programs developed interstate since the Board was established have sought to adopt, or refine, many of the innovative practices and procedures used in South Australia. Furthermore, the lessons learned by Local Government representative organisations interstate from watching progress in South Australia, in turn have benefited their members involved in similar reform processes.

7. OUTCOMES AND OPPORTUNITIES

This section of the Report describes the outcomes of Local Government structural reform in South Australia, and discusses opportunities for further and future Local Government reform, thus fulfilling the Board's legal obligation to comment specifically on structural reform.

7.1 FURTHER AND FUTURE OPPORTUNITIES FOR REFORM

The decision to extend the Reform Board until September 1998 — with no capacity during this period to initiate its own proposals — was made to ensure that structural reform proposals still under consideration could be processed, and to address boundary changes. The Board also provided ongoing support for amalgamated Councils.

This Report to the Minister coincides with the State Government's wide-ranging community consultation as part of the Local Government Act Review.

The replacement process for the Board

The Draft Consultation Bill proposes a replacement for the Board, in the form of a 'Commissioner for Local Government Areas'. The Consultation Guide prepared for the Local Government Act Review explains that the Commissioner's functions are 'generally consistent' with those performed by the Board. The Board recognises that the proposal in the Bill for an Areas Commissioner may change as a result of either the public consultation process or the Bill's subsequent passage through Parliament.

In meeting its obligations to comment on further and future opportunities for structural reform the Board will, where it considers it appropriate, also discuss the desirable features of replacement mechanisms, to progress future reform.

A Local Government (Miscellaneous Amendments) Act passed by Parliament in August 1998 provides for an interim mechanism to deal with any structural reform proposals to process between 30 September 1998 and the commencement of a new Act. The Act provides for the operation of a Boundary Adjustment Facilitation Panel (which can be constituted, if necessary) with streamlined administration and restricted powers. The functions of the Panel are limited to completing any remaining work associated with Board-formulated proposals and processing any voluntary proposals lodged by Councils.

DRIVERS FOR FUTURE REFORM

The Board recognises that opportunities for further and future reform will be influenced by a range of factors. A significant outcome of the transformed political environment in which Local Government now operates is the shift in Councils' attitude to reform, including perceptions about the nature and extent of possible change. Following the first intensive period of structural reform, Councils which participated actively are now turning their

attention to implementation and consolidation. In parallel, the State Government has clearly signalled the end of large-scale restructuring. The State Government intends that the current phase of reform — comprehensive legislative review — should complement, and build on, structural reform, as a lead into the next reform agenda, functional reform.

However, it is evident to the Board that, notwithstanding the extent of structural reform already achieved, there are still wide-ranging opportunities for Local Government reform in this State. Clearly, the Board's purview does not extend beyond structural reform, but failing to document its views would waste the wealth of knowledge acquired by the Board in nearly three years of active involvement with Local Government, as well as the conclusions from the qualitative and quantitative analysis undertaken for this Report.

Many opportunities for further and future reform set out below are not necessarily dependent on restructured Councils. Nevertheless, the Board believes that the outcome of structural reform in this State confirms some of its widely accepted theoretical benefits. The added capacity and expanded resource base of amalgamated Councils undoubtedly positions them to take further advantage of other reform opportunities — especially those resulting from any realignment of roles and responsibilities between spheres of government — and the promising area of alliances or partnerships with other levels of government, the community and the private sector. The amalgamation process appears to have prompted Councils to question their systems and structures, and to explore further opportunities for change. This need to pursue strategic advantage was strongly conveyed to the Board by Councils during the information sessions held throughout the State during 1998. The case studies undertaken for this Report present similar evidence (section 4).

The Board has identified some key drivers for change. Councils will need to be ready to meet the challenges of these diverse, independent, yet inter-related forces. At the same time, Councils must maintain democratic, accountable and locally responsive governance structures and continue to deliver high quality, effective and efficient services to their communities. As many Councils have pointed out to the Board, the amalgamation process has raised community expectations about the performance of Local Government, in some cases unrealistically so, suggesting that Councils should be aiming to prosper rather than simply survive.

The Report classifies the key drivers for change according to whether they are local, national or international. Some overlap is evident (for example, the micro-economic reform agenda of government). It was clear to the Board from the debate at the National Structural Reform Workshop in April 1998 that some of these same concerns are already firmly on the agenda of Local Government across the nation (section 6.1). How Councils in this State may choose to respond to these forces will vary.

Local drivers

The Board has identified four local drivers for further and future reform in this State.

The first of these involves those proactive Councils which will provide the leadership to drive further change, and may provoke others to think about opportunities for reform. Prominent among these may be Councils which have amalgamated, and have also taken advantage of the expanded capacity made possible by structural reform. The City of Onkaparinga provides one example of this, particularly in terms of its Southern Partnership (see case study in section 4.6), which brings together all spheres of government, as well as business.

The second will be the outcome of the Local Government Act Review. The Consultation Guide for the draft Bill sets the reform of Local Government squarely in the context of the State Government's vision for South Australia as a 'competitive State with a sound and diverse regional economy'. Public sector reform and accountability are integral to this vision, which requires a 'customer focused, efficient public sector' (Office of Local Government, 1998).

The Consultation Guide outlines the State Government's objectives for Local Government reform applying to the Local Government Act Review as:

- to develop a stronger Local Government system which is better able to deliver more efficient and effective services
- to enable Local Government to participate effectively in strategies for regional economic development as well as to provide services to local communities in South Australia
- to encourage improved interaction between Local Government and other spheres of Government.

The third impetus for change at the local level is the functional reform strategy being developed by State and Local Governments. Consistent with the phased approach to Local Government reform, its impact on Councils will probably be medium to long-term. Key proposals in the Consultation Draft Local Government Bill are designed to facilitate this agenda.

The fourth local driver for change is the State Government's broader policy environment, which clearly has the capacity to encourage Local Government to actively consider its part in the competitive positioning of the State. This could be facilitated by the development of a strategic framework encompassing the State Government's social and economic policies and which:

- uses an integrated, 'whole of government' and 'whole of State' approach
- articulates a sustainable role for Local Government
- acknowledges the need to engage Local Government in collaborative, cooperative and mutually respectful relationships.

In part, this is addressed by proposals in the Consultation Draft Local Government Bill, requiring Councils *inter alia* to give due weight to regional, State and national objectives and strategies. In presentations to the Board, Councils have articulated the need for an overarching framework to ensure Local Government is better integrated into a broader social and economic strategic policy framework. Such a move would also signal to Local Government the importance of its role in helping to realise the State Government's vision for the future of South Australia. This implies long-term change.

National drivers

Nationally, there are two issues influencing the potential for further and future change of Local Government in South Australia.

The first is National Competition Policy, which has the potential to 'have a considerable impact on the way local authorities will conduct their service delivery in the future' (Aulich, 1997), and may also 'accelerate practices' such as Compulsory Competitive Tendering (CCT) (Felmingham and Page, 1996). Competition Policy requires that Local Government conducts its business activity in fair competition with the private sector. The effect may be to price Local Government out of the delivery of some services which Councils do not regard as socially obligatory.

Although South Australia is unlikely to emulate the Victorian State Government's approach of introducing CCT in Local Government, there will be pressure on Councils to measure the contestability of service delivery. Councils either not well-enough resourced or lacking the economies of scale to reduce unit costs of service delivery at agreed standards risk falling behind industry standards.

The second impetus for change is the Federal Government's broader micro-economic reform agenda. Globally, there has been an historic redefinition of public and private sector roles in response to diverse and interacting forces. Governments everywhere have grappled with questions about the appropriate roles and responsibilities of the State, involving a reappraisal of the rationale for government intervention and a re-examination of the cost-effectiveness of public institutions and their programs. In Australia, first the Commonwealth, and then State Governments, have responded similarly to these pressures, introducing sweeping reforms to public institutions, often involving a devolution of programs and functions to other levels of government. While it is almost certain that reform will continue, it is more difficult to predict its extent, and how it may impact on Local Government. The Productivity Commission has recently established an enquiry into these issues.

International drivers

'Globalisation' (here meant as the intensification of global competition, the deepening of international economic and social interrelationships, and the internationalisation of many social and environmental policy issues), is the international change-agent affecting

governments everywhere, at all levels. In a sense, by transcending national borders, globalisation and its associated changes (for example, in telecommunications, transport, patterns of living and working) make traditional geographic and territorial boundaries, including those of Local Government, less relevant.

Globalisation highlights the tension between the need for Local Government areas that are small enough to maintain a sense of community involvement, while accommodating the increasing pressure on governments to integrate planning decisions about key infrastructure and service delivery issues (for example, transport, telecommunications, land use, water, electricity, gas and so on) across both metropolitan and regional areas.

Because globalisation tends to 'by-pass national governments, and impact directly on local and regional communities' (Salvaris, 1996), the structural reforms aimed at strengthening both the capacity and autonomy of Councils can be interpreted as mechanisms to blunt the possible adverse impacts of globalisation on their communities.

Undoubtedly, globalisation has been a decisive factor in renewing the current debate about democracy, citizenship, and civil society. Much of this debate, both internationally and nationally, has been concerned with perceptions of 'crisis' in our democratic systems of government, characterised by a lack of confidence in and cynicism about political institutions and politicians (Saul, 1997; Mackay, 1993). Many would argue that the rapid pace of change and community anxieties which have accompanied globalisation offer opportunities for Local Government to play a pivotal role in restoring leadership, certainty, and a sense of community. According to this view, globalism can enhance localism. This is exemplified in the catch-cry of the environmental movement in the 1980s, 'think globally, act locally'.

In a world where Governments 'tend to define themselves more formally in terms of their geographic and policy boundaries', forms of institutional innovation are often viable options to address the increasingly complex economic and social changes wrought by globalisation (Sturgess, 1996). Sturgess predicts that in the future Local Government will be compelled to explore innovations relating to restructuring and boundary changes 'as economic and social space changes with globalisation, technological change and the shifting role of government in society'.

There is a recognised link between economic prosperity and community well-being (Putnam, 1993). This highlights the need for a clear recognition by all spheres of government that the economic resilience and prosperity of communities and regions is highly dependent on the strength of all of the institutions and networks which underpin their sense of community. This embraces the social, cultural, political, and administrative institutions and networks, as well as the community's human and economic resources, and its physical infrastructure. Local Government is uniquely well-placed to ensure the integration of economic and social needs, in ways which reflect the often significant differences in the 'resources' available to communities, and in how communities 'work'.

In devising strategies to respond to globalisation, it will be important to acknowledge the lessons from international experiences which demonstrate that those cities and regions which concentrate exclusively on economic issues fail (Borja and Castells, 1997; Castells, 1997; Putnam, 1993).

STRUCTURAL REFORM

The Board believes that notwithstanding its specific requirement to address further and future opportunities for structural reform, a more integrated approach encompassing functional and managerial reform is necessary.

Further change versus consolidation

Many people believe that the current phase of consolidation, following significant restructuring, rules out a second round of major structural reform in the near future. However, there are also views that the momentum for change should not be lost. Still others consider 'continuous' reform to be unfair to Local Government, creating an environment of uncertainty, placing Councils on a constant change footing, and distracting them from 'getting on with business'.

Strategic boundary reform

This Report has noted criticisms about perceived shortcomings in the structural reform process, including 'mergers of convenience', the apparent lack of a strategic approach, and lost opportunities.

In relation to the latter, there were expanses of regional South Australia untouched by structural reform, partly owing to distance, but also to an apparent lack of identifiable net benefits.

As for metropolitan Adelaide, in some quarters it was regarded as a disappointment both in proportional terms (the number of amalgamations), and the loss of what were perceived as obvious amalgamations or even logical extensions of amalgamations. The Board has explored these issues in some detail in describing the 'lessons learned' from the structural reform process (section 3.3).

These outcomes seem less surprising in light of conclusions from a consultants' study of the Adelaide Hills Council (see detailed discussion in section 4.2). Briefly, the key observations were that:

- the Board's guidelines and the underlying principles of structural reform gave relatively little weight to the role Local Government can, or should, play in the future of an area or region in strategic terms, either as a single entity, or in partnership with other levels of government
- boundary reform, could, or should, be a consequence of taking a more strategic and unified perspective of the State's future

- the strategic benefit of amalgamation to date had been a consequence of the process, not the driving force.

The Mid North is a clear exception to this, being the one area of the State where structural reform took a strategic approach on a regional basis. The outcome of this approach — ‘17 Councils into 7’ — is the subject of a case study in section 4.5. To summarise the key points relevant to this discussion:

- unlike most parts of the State, where Council initiated amalgamations arose out of discussions between two or more neighbouring Councils, the issues were addressed in the Mid North of the State on a whole-of-region basis
- several amalgamations that eventually occurred crossed regional boundaries
- the regional context encouraged and enabled an approach which took account of the views and aspirations of all member Councils
- it was considered essential to arrive at a sensible set of groupings for the area as a whole, which left all Councils with a future direction
- the coordinated approach delivered an outcome at relatively low cost both to the Councils involved and to the State, in contrast with the costs of the amalgamation process elsewhere in the State
- the final outcome clearly met the objective, set out in section 17A of the Act, that there be ‘a significant reduction in the number of Councils in the State’
- this approach facilitated further regional change, with the formation (in April 1998) of the Central Local Government Region of South Australia, thus further strengthening the regional capacity of the Councils involved.

With regard to these wider strategic considerations, the Board points out that it often attempted to encourage Councils to adopt a more ‘regional’ (and even statewide), perspective on the potential benefits of alternative structural reform options. The principles contained in the legislation establishing the Board also implied that proposals should have at least some regard to strategic considerations, the most relevant being:

- a Council should facilitate effective planning and development within an area, and be constituted with respect to an area that can be promoted on a coherent basis
- a Council should be in a position to facilitate the management of environmental issues and the integration of land use schemes
- a Council should reflect communities of interest of an economic, recreational, social, regional or other kind.

However, with the benefit of hindsight, the Board generally agrees with the consultants’ view that neither the legislation, nor the Board’s own guidelines, gave sufficient emphasis to these wider potential strategic benefits to Local Government and to the State. This was the

case, especially when compared to the more immediate, but inherently narrower-focused, potential for rate-reduction or service delivery expansion.

As discussed earlier, in relation to ‘lessons learned’ (section 3.3), a number of ‘practical’ issues contributed to the lack of a greater strategic emphasis in the outcomes of South Australia’s structural reforms. In particular, there was the fear of both Councils and their communities that amalgamations, especially big amalgamations, would inevitably lead to a loss of local identity, local representation, and local services. This promoted a preference for ‘minimal change’ in many areas of the State. Again, hindsight (and evidence from the case studies in section 4), suggest that this fear, in fact, was largely unfounded. But it was a reality at the time that proposals were being prepared, and, possibly, was magnified by not only the lack of experience of Council amalgamations in South Australia over the previous 60 years, but also a ‘backlash’ against the amalgamation process occurring in Victoria. This was compounded for Councils by the lack of explicit incentives, making it too difficult to convince themselves, and their communities, that broader amalgamations were likely to provide — and soon — better results for everyone.

Overall, the Board believes that this structural reform exercise in South Australia should be regarded as a first phase. Its approach suited the political environment of the day, taking into account the previous lack of structural change in Local Government which, in the minds of many participants, ruled out a ‘quantum leap’. As argued elsewhere in this Report, depending on historical, social, political and economic circumstances, some incremental structural change can be a precondition for moving to the next level of reform. This is also reflected more generally in the State Government’s phased approach to Local Government reform.

Further and future opportunities for structural reform

In summary, it is the Board’s view that significant further opportunities for structural reform in South Australia remain. In particular, wider regional groupings with arrangements (such as those described in the case studies) to keep local interests fully represented are achievable. These would ensure that, across the State, Local Government develops and strengthens its capacity to play a key role in local and regional economic and community development. In saying this, the Board does not intend to be in any way critical of the efforts of the many elected members and Council staff, and members of their communities, who put their hearts and souls, and sometimes their jobs and wider interests, on the line, to promote voluntary structural reform in South Australia over the last three years. On the contrary, in light of the history of Local Government structural reform in South Australia since the 1930s, the achievements of Councils, their staff, and their communities, since 1996, have been beyond the expectations of most.

Nor, in saying that further structural reform is necessary and desirable, is the Board suggesting that an environment of ‘continuous change’ is desirable. The Board was assured by some amalgamating Councils that they intended to revisit the strategic issues from a position of ‘partnership’, rather than ‘takeover’, as a basis for negotiation. It is the potential

for establishing a nexus between ‘capacity building’ for structural reform, and developing opportunities for policy and service delivery devolution and functional reform that the Board believes will encourage further structural reform in South Australia, still on a largely voluntary basis.

In the next section this *a priori* conclusion is reinforced with some estimates of further ‘cost saving’ potentials from the promotion of additional opportunities for structural reforms.

Progress in the short to medium-term may be slow, however, and characterised by only incremental movement. In making this assessment, the Board cannot predict how quickly Councils may respond to the key strategic drivers for change identified in this Report, and what form their responses may take.

However, in the Board’s view, the lessons of Local Government reform across Australia, and the experience of structural reform in South Australia, show that Local Government, for many complex reasons, has a poor track record in initiating and leading reform . This points to the need for an ongoing and active role for the State Government as catalyst. Clearly, this recognition was uppermost in the Government’s mind when it created the Board:

A deliberate process towards an agreed goal needs someone with the responsibility to drive it. In this case, the Government proposes a Board, the Local Government Boundary Reform Board, to take that responsibility. (Hansard, Second Reading Speech, House of Assembly, 25 October 1995)

Ultimately, the continuing capacity of structural reform to shape significant change will rely heavily upon the status it is accorded within the broader program for public sector reform, and the supporting structures and mechanisms in place. The Board’s key success factors and the ‘lessons learned’ from structural reform (sections 3.2 and 3.3 respectively), provide a check list of what might be appropriate for these circumstances. One of the key lessons of the Board is that, if the processes and structures are right, then Local Government has the capacity to take ownership and lead reform.

ESTIMATED FURTHER SAVINGS

Future structural reform in South Australia must be more strategic in its focus, as well as in the incentives it offers. In the Board’s view, structural reform is not to be valued for its own sake, but rather for what it can bring to communities by way of influencing the State’s agenda for local and regional economic and community development. Judged by these criteria, the achievements of the last three years are only the beginning of reform.

As part of its review of possibilities for further structural reform, the Board sought advice from consultants about the likely level of savings from other opportunities for amalgamations, or other forms of collaboration (Appendix N outlines the methodology used by the consultants).

The evidence was, inevitably, somewhat speculative. Even setting aside the fact that Councils which chose to engage in further structural reform may opt to use the benefits to increase service provision, rather than to reduce rates, the level of savings actually achieved will be highly dependent on the precise reform options Councils and their communities support, on a voluntary basis.

The lessons to be learned from the Board's recent meetings with newly amalgamated Councils, and from the case studies reported earlier may provide models that would overcome some of the concerns (especially about loss of local identity, local representation, and local services), that blocked some potentially beneficial structural reforms over the last three years. Nevertheless, in many Councils and communities, resistance to change was sufficiently intense, that it may require very hard work, strong guidance from experts and facilitators, and the provision of significantly more strategic incentives than the Board had available to it, to unlock the savings potentials suggested by the consultants' work.

The Board emphasises, that savings estimates from this consultancy must be regarded as illustrative, rather than definitive. In-depth studies of specific reform proposals are equally likely to suggest that either greater or lesser savings would eventuate from 'acceptable' proposals, than those suggested below. Much depends on the nature of the reform proposals put forward, and on the vigour with which proponents sought to unlock resources from current uses, to achieve either rate reductions, or service delivery improvements, or both.

The Board considers that an overall estimate of \$22.1 million per annum of potential savings from further structural reforms is feasible. It also concedes that much depends on how motivated Councils and communities are in trying to achieve further reforms.

The study's overall approach

The study drew heavily on comparisons across Councils of unit costs of undertaking particular administrative functions or of providing selected services, supplemented by reviews of amalgamation proposals, and other studies (for example, of resource sharing possibilities), to obtain information on estimated financial and non-financial benefits from formal studies. Data from the SA Local Government Grants Commission for 1996–97 was the principal unit cost data source, although, for non-metropolitan areas, 1998–99 budget data from a number of recently amalgamated Councils was used instead to reflect the financial effects of achieving greater scale economies.

Some Councils, most notably Adelaide City Council, were excluded from the database and comparisons, because they would distort the calculations (see Appendix N).

From an initial review of the data, the consultants concluded that in metropolitan Adelaide economies of scale could be expected in a number of functions, up to a population size of

about 80 000. Councils already above this size were excluded from the calculation. Outside metropolitan Adelaide the data suggested that substantial economies of scale could be reaped by Councils with less than 10 000 people, but also that significant economies could still be made by Councils with larger populations. Councils with populations above 10 000 were therefore included in the savings calculations, but at a reduced anticipated savings rate.

Metropolitan Adelaide Councils — 80 000 population

For these Councils, a number of functions were identified as having sufficient similarity of effort and scope to allow comparison through unit cost data. These were:

- administration
- public and environmental health
- development management.

As indicated in table 15, in the case of development management, a significant reduction (of \$7 per capita, approaching half of the current average unit costs), was estimated to be feasible if Councils with populations currently less than 80 000, achieved a population scale of 80 000 or more, in this function.

In the case of administration and environmental health, on the other hand, the data suggested that on average negligible savings were likely. However, there were significant variations in unit costs between individual Councils and some groupings of Councils, to suggest added savings from economies in these functions.

TABLE 15: SAVINGS LIKELY TO BE ACHIEVED FROM LOWER UNIT COSTS — METROPOLITAN AREA (COUNCILS LESS THAN 80 000)

FUNCTION	METROPOLITAN AREA		
Functions comparable by unit cost	Estimated achievable cost per capita \$	Present average cost per capita \$	Estimated reduction \$
Administration	Similar to present	80.10	No significant reduction
Environmental health	Similar to present	3.40	No significant reduction
Development management	9.00	16.00	7.00

Comparisons of unit cost data for other functions of metropolitan Adelaide Councils were considered unreliable because of significant differences in the scope or effort applied to those functions. This reflected variations in policy decisions, delivery standards, and geographic and other local conditions between different councils.

In these cases, reviews of amalgamation studies, and of other studies of collaborative arrangements, were drawn on, to provide estimates of potential cost savings.

For metropolitan Councils with populations of less than 80 000 it was estimated that, on average, savings of about 9% of total expenditures were possible, from either amalgamations, or resource sharing, for the functions listed in table 16.

TABLE 16: FUNCTIONS WITH SAVINGS BASED ON TOTAL EXPENDITURE — METROPOLITAN AREA (COUNCILS OVER 80 000)

METROPOLITAN AREA	
Function	Estimated level of savings achievable. Councils over 80 000
Waste management Sport and recreation Road maintenance Footway maintenance Stormwater drainage maintenance Road and footpath construction	Average 9% of total expenditure
Other functional areas	Savings unlikely to be of a significant level

Other functions not listed here include many considered of significance, either to all Councils, or at least to some:

- fire prevention
- library services
- public order and safety
- aged and disabled services
- family, children and other welfare related services
- housing
- environmental protection
- aerodromes
- parking
- community buses
- economic development.

In these cases, it was not possible to identify potential cost reductions with a reasonable degree of accuracy. In some groupings of Councils, they could be significant, but in some of them population size and unit costs are unlikely to be related.

Overall, the consultants concluded that cost savings of around \$10 million could be made available for rate reductions or service delivery expansion, in metropolitan Adelaide, from readily identifiable sources. This excludes extra savings, that could arise from specific groupings of Councils where cost differences between potential partners are greater than the average. It also excludes the wider, but less easily measured, potential benefits of amalgamations and collaborations mentioned elsewhere in this Report, including from better coordinated and more strategic approaches to economic development, community planning, development planning, and environmental management.

Councils outside metropolitan Adelaide

Outside metropolitan Adelaide, data suggested that particularly significant benefits accrue from achieving population bases of greater than 10 000, but with further benefits available from achieving sizes up to, and beyond, 20 000.

Table 17 indicates that in non-metropolitan areas, including provincial cities, towns and rural Councils, unit cost data suggested that lower costs of delivery are possible for Councils which move from below, to above, a 10 000 population base in both:

- administration
- development management.

TABLE 17: SAVINGS LIKELY TO BE ACHIEVED FROM LOWER UNIT COSTS — NON METROPOLITAN AREA

FUNCTION	NON METROPOLITAN AREA		
	Estimated achievable cost per capita \$	Present average cost per capita \$	Estimated reduction \$
Administration	104.50	107.20	2.70
Development management	13.40	14.90	1.50

Public and environmental health in non-metropolitan South Australia proved impossible to evaluate from unit cost data because of significant differences between Councils in the scope and effort associated with this function. In some specific groupings, savings may be feasible, but these would have been identified on a case-by-case basis.

As with the metropolitan area, other important functions of Councils had to be evaluated from reviews of amalgamation and other collaborative proposals, rather than directly from unit cost data. As indicated in table 18, for non-Adelaide Councils with populations below 10 000, the average 9% of total expenditure savings figure estimated for the metropolitan area is also expected to apply to a specific range of functions. For non-metropolitan Councils with populations above 10 000, about half of this rate (4.5% of total expenditures),

is estimated to be available as savings from increasing the population bases for service delivery.

TABLE 18: FUNCTIONS WITH SAVINGS BASED ON TOTAL EXPENDITURE — NON-METROPOLITAN AREA

	OVER 10 000 POPULATION	UNDER 10 000 POPULATION
Function	Estimated level of savings achievable	Estimated level of savings achievable
Waste management	Average 4.5% of total expenditure	Average 9% of total expenditure
Sport and recreation		
Road maintenance		
Footway maintenance		
Stormwater drainage maintenance		
Road and footpath construction		
Other functional areas	Savings unlikely to be of a significant level	Savings unlikely to be of a significant level

Overall, for areas outside metropolitan Adelaide, the consultants estimate potential savings of over \$11 million from further amalgamations, or other collaborative arrangements, that increase the size of the population bases served by administrative or service delivery arrangements.

This, of course, does not include estimates of the value of wider benefits to Councils, that can arise from strengthened capacity in many different dimensions.

Across South Australia

Table 19 summarises the estimated savings for both metropolitan Adelaide, and non-Adelaide areas of South Australia, and for the State as a whole, from further potential amalgamations or collaborative arrangements. Overall, the consultants suggest that the potential exists for some \$21.1 million per annum of further savings to be made available, either as rate reductions, or as funding sources for increased service delivery, or both.

TABLE 19: SUMMARY OF LIKELY SAVINGS

FUNCTION	METRO AREA FURTHER POSSIBLE SAVINGS \$ 000	NON METRO AREA FURTHER POSSIBLE SAVINGS \$ 000
Savings based on unit costs		
Administration	No significant saving	1 089
Environmental health	No significant saving	Unable to be calculated
Development management	2 868	608
Savings based on total expenditure		
Waste management	1 272	771
Sport and recreation	1 577	1 247
Road maintenance	1 902	4 679
Footway maintenance	623	125
Stormwater drainage	469	163
Road and footpath construction	1 332	2 379
Totals	\$10 043	\$11 061
Estimated total further savings	\$21 104	

The Board emphasises that these estimates must be regarded as illustrative, and that they are system-wide averages, rather than the result of detailed studies of specific proposals. At the end of the day, both the overall legislative framework, and what Councils and their communities find possible to take up as voluntary arrangements, will determine the actual savings outcomes.

The central message, however, is reasonably clear. Notwithstanding the important achievements over the last three years, significant financial benefits are still available from structural reform in South Australia, if the will exists to pursue them.

BOUNDARY ALTERATIONS

The Board's sunset date was extended, in particular, to deal with the significant number of boundary alterations identified by Councils during the initial structural reform process. Although some fifty boundary alterations were identified (Appendix I), the Board successfully processed only one of these in the period from September 1997 to September 1998 (section 2.4), and this did not involve negotiations with another Council.

Impediments to progressing boundary alterations

When the Board was extended it was expected that boundary alterations would generate a high level of activity and contribute to a further transformation of Local Government boundaries. The Board assumed that the energy which characterised the first phase of voluntary structural reform would continue. However, it soon became evident that for a range of reasons, this expectation would not be met.

Firstly, financial issues became paramount. These related to loss of rate revenue, and the impact on Councils' potential to attract grants. The Board's guidelines for boundary alterations proposed financial neutrality. They stated that both Councils must be satisfied with the financial aspects of any boundary alteration proposal, and in particular that:

There are many ways to achieve this and it will depend on the circumstances. The Board believes that, as far as practicable, neither Council should be financially disadvantaged as a result of boundary alteration. Taking into account the nature of the proposal, financial arrangements between Councils involved in a boundary alteration should aim to ensure that neither Council will experience any significant ongoing financial disadvantage as a result of the alteration. Such negotiated agreements should be identified in the proposal although a full three year financial plan is not required. (Local Government Boundary Reform Board, Series 10 Guidelines, 1997)

Secondly, a 'win-lose' situation developed. Unlike the 'win-win' result involving whole of Council mergers, boundary alterations were typically 'win-lose'. This involved issues such as rate revenue, and the reduction of critical mass, where even the loss of a ward could impact on the viability of a new or existing Council.

Thirdly, there was no fast-track. The same rigorous process for whole of Council mergers also applied to boundary alterations, instead of a flexible, fast-track system more appropriate to minor change. This occurred despite the Board's publishing more flexible guidelines for developing boundary alteration proposals.

Fourthly, the democratic right of communities also became an issue. Following consultation, communities often expressed their democratic wish to be part of another Council, and equally often Councils determined that such a change would have a deleterious impact on operations, and exercised their rights under legislation to reject it. Residents and ratepayers currently do not have any redress in the matter, although this is currently being considered in the Draft Consultation Bill for the new Local Government Act. In several cases (both metropolitan and rural), communities have sought boundary change but Councils have either not pursued it, or struggled to reach satisfactory agreement on the terms of the transfer.

Finally, there is also the influence of timing, as Councils enter the consolidation phase of structural reform. The Board is aware that, following the first intensive phase of structural reform, many Councils were 'reformed out', turning their attention to implementing change and consolidating gains.

The Board realised there were obstacles to overcoming the full range of possible impediments to progressing boundary alterations, following work by consultants on a 'strategic opportunity assessment' of Local Government boundaries in and around the environs of the Adelaide Hills Council (discussed in detail as a case study in section 4.2).

To reiterate briefly, the consultants found that voluntary amalgamations have a tendency to 'internalise' the benefits of boundary reform, with Councils operating to protect their own. In addition, there was a lack of impetus to further debate, and the need to resolve 'unfinished business' from the amalgamation. The consultants concluded that, central to the success or failure of boundary reform, were the following issues:

- impact of a new rates regime and rates equalisation
- protection or extension of the rate base
- impact of new ward boundaries
- service delivery at the household level
- protection of community interests
- the 'acquisition' of important assets that exist in the adjoining community.

Rate equalisation was singled out as likely to continue to impede lateral thinking on this issue. Although 'communities of interest' were considered likely to remain influential in terms of boundary reform, it was observed that they were complex, confusing, and (perhaps) less important criteria, for boundary alteration. During structural reform as encouraged in South Australia, many Councils placed strong emphasis on communities of interest.

With the benefit of hindsight, the Board concurs with the consultants' assessment that these limiting 'criteria' were endorsed by the Board's guidelines, as well as by the underlying principles of structural reform. To repeat the point made above in the discussion on structural reform, insufficient weight was given to Local Government's future role in an area or region in strategic terms, for several reasons:

- this approach was in keeping with the Local Government reform agenda of the time
- it was consistent with the State Government's phased approach to Local Government reform
- the sequence commenced with structural reform, followed with legislative and management reform, and is planned to conclude in the future with functional reform, thus strengthening Councils' strategic capacity is an evolving process.

Other developments in the post-amalgamation phase also provide clues about why the identified boundary alterations may not proceed. It became apparent to the Board, from the case studies, that community views on this issue can change. For example, the consultants' report on the Mid North area revealed that residents previously in favour of a transfer to another Council area now prefer to remain in the amalgamated Council area. The consultants concluded that this reflected the efforts of the new Councils to ensure equitable levels of service across the whole of their areas (section 4.5).

Further and future boundary alterations

In the Consultation Draft Local Government Bill, a Local Government Areas Commissioner replaces the Board. The Bill proposes a simple, fast, result on minor proposals. The Board agrees that this is desirable.

To manage boundary alterations in the future, other key issues for consideration should include:

- the place of boundary alterations within the context of the entire Local Government reform agenda
- the most appropriate mechanism to match this
- establishing supporting principles which balance the needs of ratepayers and residents with those of the relevant Councils, and which facilitate conciliation, and, if necessary, arbitration of boundary issues.

The Board earlier identified the 'win-lose' situation as an impediment to progressing boundary alterations. In an attempt to resolve the financial impasse over the transfer of areas from one Council to another, the Board developed a set of principles to assist in determining a transfer price, and in so doing, attempt to minimise any financial disadvantage as a result of alteration to boundaries. The Board believes that the principles could form the basis of an arbitrated solution under future legislative arrangements replacing the Board. The principles are reproduced at Appendix O.

Notwithstanding this, the Board agrees with the message from the Adelaide Hills Council study that Councils should avoid 'boundary adjustments for boundary adjustments sake', and supports the conclusion that boundary alteration has 'run its race', except for addressing anomalies.

Judging by the level of activity to date, and without addressing impediments to progressing boundary alterations identified above, the Board predicts little prospect of significant further and future change in this area. Issues relating to financial matters must also be resolved.

FUNCTIONAL REFORM

Reviewing the roles and responsibilities of government can assist in identifying duplication, overlap, poor coordination and accountability between the spheres of government. Issues related to reviewing roles and responsibilities are encompassed by the term 'functional reform'.

At the heart of many functional reform issues is the fact that Local Government in Australia is not a sovereign government and is not formally recognised in the Commonwealth constitution. Instead, constitutional responsibility lies with the States and Territories.

The *Constitution Act 1934* provides for the continuance of a system of Local Government under which elected local governing bodies are constituted with powers that the Parliament considers necessary for the better government of areas of the State.

How the various spheres of government in Australia carry out their Local Government roles can be summarised as follows:

- The Commonwealth's principal function is to provide Local Government with financial assistance aimed at fiscal equalisation and performance improvement.
- The States have the primary role in managing Local Government within their jurisdictions, legislating for and regulating Local Government, setting new policy directions and distributing Commonwealth funding to Local Government.
- Local Government has roles in relation to governance, regulation, service delivery, provision of infrastructure, planning and community development. (National Office of Local Government, 1997)

Reviewing roles and responsibilities

In the past, questions of the roles and responsibilities of the three spheres of government have tended to be addressed through large scale reviews. The most notable were the studies conducted under the auspices of the Advisory Council for Inter-government Relations (ACIR), required under its legislation to examine the relationships which should exist between Federal, State and Local Governments, and the Self Review of Local Government Finances (1985). The push for a new federalism that emerged at the federal level in Australia during the 1990s also addressed some of the issues related to roles and responsibilities between spheres of government.

More recently, Commonwealth and State Government public sector reforms have indirectly stimulated debate about relationships between levels of government. As noted previously, there is every indication that the same forces for change are still present. The ability for Local Government to take advantage of any opportunities these further changes offer may depend upon:

- the extent of further adjustments by Commonwealth and State Governments in terms of functional responsibility and service delivery
- whether adjustments happen in isolation from formally addressing the question of roles and responsibilities between the three spheres of government
- should Local Government be asked to undertake additional functions or deliver additional services, which level of government funds the delegation of activities
- in the process of any redefinition, particularly involving funder-purchaser-provider models, avoiding the risk that Local Government is seen 'as being primarily a service delivery agency with minimal role in policy formulation' (Wiltshire, 1997).

The South Australian approach

Functional reform has been on the agenda in South Australia for some time. The MAG Report (1995) dealt with the issue of functional reform of Local Government's roles and responsibilities by avoiding any prescriptive recommendations, although recognising that larger Councils were an important prerequisite for functional reform. Instead, the Report noted that 'the key is the flexibility to take up what the local community may demand and what might be effectively delivered at the local level'. This reflects the principle of subsidiarity, meaning that government functions should be performed at the 'lowest' level of government consistent with achieving an appropriate balance between, responsiveness to voters/taxpayers' preferences, and effectiveness in policy-making and the management and delivery of service outcomes. The MAG Report also stated that any functional changes 'must be accompanied by appropriate negotiations on financing'.

As stated previously, the State Government's phased approach to the reform of Local Government envisages addressing the next phase (functional reform) after structural reform and legislative and management reform. The role of new legislation for Local Government in progressing functional reform is to provide the foundation for ongoing negotiations between the State and Local Government about roles, responsibilities, functions, financing and resourcing issues (Office of Local Government, 1998).

It is clear from this Report's evaluation that structural reform has made a major contribution to providing the added capacity for some Councils to negotiate appropriate arrangements to undertake expanded roles and manage additional responsibilities. In particular, the findings from the case studies, and the Board's information sessions with amalgamated Councils, demonstrated that Councils were prepared to tackle this issue.

FINANCIAL AND MANAGEMENT IMPROVEMENTS

Both the case studies and the 'issues raised' by Councils during hearings with the Board, suggest that there is also scope for further financial and management reforms in Local Government (sections 4 and 3.4 respectively).

The role of structural reform in facilitating improvements

As intended, structural reform facilitated the introduction of some financial and management improvements in Councils, both directly and indirectly.

Councils involved in mergers were required to include a financial and management plan for the 1997–98, 1998–99, and 1999–2000 financial years for the proposed new Council, as part of their structural reform proposal presented to the Board, although it was recognised that these plans could not be regarded as binding on the new entity. The Act requires amalgamated Councils to include information in their annual reports relating to savings that have been achieved, and any changes to the quality or extent of services delivered or provided. This serves a purpose in terms of both accountability and qualitatively evaluating structural reform.

The Board's information sessions with amalgamated Councils and the results of the case studies indicated that structural reform had also indirectly facilitated financial and management improvements. In particular, the information sessions revealed wide variations in Councils' practices in this area, suggesting opportunities for further improvements.

Strategic planning is a case in point. For many Councils involved in amalgamations, it was the first time they had undertaken corporate or strategic planning, for various reasons:

- pre-amalgamation, many Councils suffered a lack of both resources and specialised staff
- the embrace of a 'big picture view' post-amalgamation inevitably led Councils to a strategic planning process, based on the clear recognition that a more sophisticated and strategic approach to financial and management issues was required to underpin the new entity.

Many Councils are now large enough to become more involved in economic development. They are more likely to be able to devote specialised resources to this area and to draw up specific strategies that fit in with an overarching strategic plan, suggesting that structural reform will continue to exert a positive influence on Councils' management practices.

The Board is aware that, at the time of preparing this Report to the Minister, the LGA is overseeing a staged project to develop a conceptual model for performance measurement and benchmarking. There are also proposals in the Local Government Act Review Consultation Draft Bills for Councils to include performance targets and performance measures.

Legislative change

As mentioned earlier, aspects of the Local Government Act Review Consultation Draft Bills have been designed to dovetail with the State Government's broader public sector reform agenda. Probably the key proposal in the Consultation Drafts to facilitate financial and management improvements is for:

- a clearly defined accountability framework and management cycle for Councils, 'to facilitate both short-term and long-term planning' for 'administrative and financial accountability'. (Office of Local Government, 1998)

The proposed accountability framework includes the following:

- Councils implement a system of coordinated planning, to enable Councils to lead, or participate in, coordinated strategic planning for their areas
- corporate plans are prepared for at least a three year period, specifying the key objectives of Councils
- an operational plan and budget consistent with the corporate plan are required for each financial year, containing Council's performance targets for the period and performance measures.

The Consultation Draft also includes a proposal for Councils 'to separate regulatory from service activities wherever possible', following the trend set by Commonwealth and State Governments. If legislated, these proposals are likely to have implications for both the organisational structure and approach of Councils. Concerns have been raised with the Board by Councils about the possibility that some may struggle to find the capacity to comply with more demanding accountability provisions.

The Consultation Draft includes a proposal for Councils 'to contract out by competitive tendering except where it is not in the interests of the area to do so'. Whether or not the new Local Government Act includes a provision in these terms, Councils will remain under pressure to make further financial and management improvements. Councils choosing competitive tendering are likely to face administrative challenges similar to those elsewhere in the public sector, where stringent requirements are involved in preparing and monitoring contracts, and which demand staff with the requisite expertise. For Councils without the capacity to make the necessary improvements, entering into resource sharing arrangements with other Councils may be one option for managing these challenges.

RESOURCE SHARING, AND OTHER COOPERATIVE ARRANGEMENTS

The Board believes there remains considerable scope for Councils to explore opportunities in resource sharing, strategic alliances and partnerships and other cooperative arrangements. This is also reported in the study on estimated savings from collaborative arrangements (referred to previously in this section), and findings from the case study on the Federation of North Eastern Councils (section 4.3).

Studies of Local Government in South Australia indicate that smaller Councils using 'traditional organisational and resource allocation solutions' risk not being able to 'keep pace with both community expectations of service delivery and financial constraints' (Thornton, 1995).

Some of the advantages associated with resource sharing or similar arrangements are:

- they may provide the ability for smaller Councils to reach the 'critical mass' to achieve economies of scale and a level of productivity comparable to larger organisations
- they may provide the potential to reduce duplication and overlap, and overcome fragmented decision-making.

There is a compelling argument that the contraction of other levels of government 'presents an opportunity, indeed a necessity, for local government to step into the vacuum' (Munro, 1997). While joint agreement about a redefinition of roles and responsibilities is one solution to this issue, there are others, such as partnerships and strategic alliances.

The Board believes that Local Government is well-positioned in its own right to act as partner, catalyst and facilitator in these arrangements, which may be entered into with other

Local Government authorities, Commonwealth and State Government agencies, business and the community. The partnership approach has broad application ranging from strategies to address economic development, to mechanisms for service delivery.

Resource sharing

Resource sharing can be defined as ‘any arrangement where a Local Government body cooperates with another body or bodies to share financial, human or physical resources to achieve an objective’.

A report prepared for the Board on resource sharing noted that its theoretical benefits are well documented, and nominated the following areas of benefit:

- achieves some of the benefits of larger Councils
- ensures maximum utilisation of a Council’s own resources
- guarantees access to all available resources in the area
- achieves savings by spreading the costs
- ensures equity in access to services for Council’s residents
- enables political independence whilst maximising benefits from different delivery mechanisms
- ensures services which could not be provided individually in a cost-effective manner. (Anderson Collins, 1998)

The Report also identified a range of structural options that could facilitate resource sharing:

- contracting/outsourcing
- business units
- regional organisations
- centres of excellence
- mutual collaboration.

The choice of resource sharing mechanisms will vary depending on the function or service in question. Resource sharing arrangements can be entered into with other levels of Government, other Councils, non-government organisations, business, the private sector or community groups. The successful implementation of resource sharing requires genuine commitment, common vision and leadership by management and elected members.

The Federation of North Eastern Councils, between the District Council of Orroroo/Carrieton and the District Council of Peterborough, is a unique example of successful resource sharing currently operating in regional South Australia (section 4.3). This provides a model for consideration elsewhere in the State.

Resource sharing also can be regarded as a tool to complement other changes, such as structural reform and functional reform. For example, smaller Councils may be able to keep pace of structural reform by implementing resource sharing. Such arrangements may also be viable options for smaller Councils to cope with influence and participate in functional reform.

Cooperative arrangements

Cooperative schemes are included in the Act's definition of a structural reform proposal, as the establishment of 'a cooperative scheme for the integration or sharing of staff and resources within a federation of councils'.

Arrangements may vary with each partnership and include:

- Councils jointly funding the provision of a service
- a Council contracting to provide a service on behalf of another Council
- Councils combining their purchasing power
- a Council leasing plant and equipment from another
- sharing staff.

Cooperative arrangements are often a viable option for Councils dealing with the impact of National Competition Policy (Wiltshire, 1997). Councils could enter a cooperative arrangement to form a consortium to tender for delivering services, or a confederation where the tender process is undertaken by this overarching body.

Strategic alliances and partnerships

Governments everywhere and of all political persuasions are paying serious attention to the 'partnership' model, based on playing an active role as 'partner, catalyst, facilitator' (World Bank, 1997). Typically this involves governments forming partnerships — either individually or in combination — with other levels of government, the private sector and the community. Closely related to this is the concept of the 'stakeholder society' (Hutton, 1997). This entails government identifying links, and then designing 'institutions, systems and wider architecture which creates a better economic and social balance', thus creating a culture of collaboration. These policy responses to contemporary challenges facing governments also open up opportunities for Local Government.

For Local Government, some of the main advantages of partnerships and alliances are that Councils can take a proactive, leadership role in setting them up. Also, because the potential is there for a shorter lead time to realise benefits and objectives, partnerships and alliances compare more favourably with other reforms, especially those based on the complex realignment of relationships involving other levels of government.

Strategic alliances or partnerships with business offer considerable scope for Councils to ensure the better use of scarce resources in serving local communities. Councils can offer

infrastructure, management skills, local knowledge and access to the community, making them attractive joint venture partners.

Already, some amalgamated Councils in this State have demonstrated the capacity to realise the potential of their expanded and better-resourced base, by directly entering into various partnerships and alliances. The case studies in this Report illustrate how larger Councils can be influential in such arrangements. The City of Onkaparinga's Southern Partnership is a forum which brings together three spheres of government for the purpose of advancing the economic, social and environmental future of the southern region of Adelaide. The forum includes all local Members of Parliament from Commonwealth and State Government, as well as the Minister for Local Government. The City of Onkaparinga has also entered into a direct partnership with the State Government to provide economic and business services, through its Business Enterprise Centre. By replacing the former Southern Development Board, this arrangement rationalises economic development activities in the southern region of Adelaide and provides a potential model for some other areas of the State (section 4.6).

Local Government has a long tradition of international links with municipal government through Sister Cities arrangements. These links have been forged without the mediation of State and Commonwealth Governments. Underpinning these arrangements is the ability of Local Government to relate, on a more informal and often more open basis, than State and Commonwealth Governments. In this regard, globalisation has added to Local Government's potential strategic advantage, in terms of further developing direct links not only with other municipalities, but also with, for example, international organisations and other levels of Government, including regional organisations. Globalisation provides positive opportunities for local and regional communities and economies:

... [globalisation] tends to spread and decentralise information and technology, and allows cities and regions (which are closer to the 'natural unit' of globalisation than nations) to deal directly with each other as partners in the global economy — hence the need for strengthened local and regional planning and greater community self-awareness. (Salvaris, 1997)

Maximising the benefits of international alliances or partnerships requires that they be fully integrated with Councils' strategic directions for community and economic development.

Regional arrangements

Renewed discussion in Australia about creating 'regional governance arrangements dealing directly with Canberra' has been influenced by several factors, the most dominant being 'an upward shift of economic space as the result of globalisation, with an accompanying loss of sovereignty for territorial states, and a growing sense about loss of community' (Sturgess, 1996).

The sudden re-emergence of regional issues at the Federal level adds to the debate. This raises the question of the potential impact on Local Government, including whether the

Commonwealth Government responds by implementing Federal regional programs and expecting delivery at the local level. Councils without the capacity to respond to these challenges may find regional arrangements the only available option.

Regional arrangements provide Councils with strong representative structures and the political clout to play a more significant role in regional issues. Just as alternative governance structures in metropolitan areas can lead to improved integration across Local Government areas, so can regional arrangements reduce overlap and contribute to better coordination. Increasingly, however, the focus of these arrangements is on their regional development role. Local Government is well-positioned to play a pivotal leadership role in regional development, for several reasons:

- it has the ability to develop competitive strengths and encourage local investment and employment growth on a regional level
- it is best placed in regional areas to develop links with business and promote export opportunities
- it can provide a critical link between the community and State and Federal Government programs to encourage regional development. (Brumby, 1996)

There is a range of options for alternative regional institutions, from informal agreements between individual Local Governments to cooperate, through to fully fledged regional government with a great deal of State or national government intervention. A selection of these is set out below:

- voluntary regional Councils are regional organisations of municipal governments which lack any formal statutory backing. They are supported by lower level governments because of their access to funding from higher levels of government and their effectiveness in negotiating common solutions.
- regional coordinating bodies consist of formally constituted regional organisations which lack authority to direct their constituent member governments. Cooperation is assured because of the reliance placed on the bodies' recommendations by State or national government.
- special purpose-regional government. With several exceptions (most notably the Brisbane City Council, established in 1924), regional Government in Australia has been special purpose in nature. The most common vehicle for regional administration was the county Council, with representatives indirectly elected by municipalities, but created under enabling State legislation.
- regional Government with limited powers. Concerned at the potential for overlap and duplication, in some cases governments have permitted the creation of a new tier of regional-level government, subject to the condition that they do not create their own bureaucracy.
- regional Government with plenary powers. This is true regional Government, as envisaged by those who would seek to replace the Australian States.

- government boards and authorities are a further step along the continuum towards complete takeover by State, provincial or national government. In these cases, board members are usually appointed by the higher level government, rather than being elected directly or indirectly from below. (Sturgess, 1996)

The Board's case study on the Mid North Region illustrates the potential of stronger regional arrangements to increase the capacity and influence of Councils in terms of their role in regional development (section 4.5). The Board acknowledges that participation in such arrangements is not an essential prerequisite for Councils to be involved in regional development. However, in contrast with larger Local Government authorities — and as the case studies indicate, Onkaparinga and Wattle Range Councils are good examples of these — smaller Councils in regional areas, particularly those also lacking links with regional associations, may struggle to play a significant role in regional development.

THE NEXT GENERATION OF LOCAL GOVERNMENT REFORM

Some of the preceding discussion raised the possibility of a 'next generation' of reform. If there is to be a next generation, what might its outcomes be? Would it involve new alliances, new institutions, and new governance structures?

To take this discussion forward, the Report now turns to identifying possible:

- principles for the next generation of reform
- preconditions for Local Government to take an elevated leadership role.

These issues are addressed by extrapolating from the consultants' findings from the case study of the Adelaide Hills Council.

Possible principles for next generation reform

While there is no blueprint for the 'next generation' of reform, it will need more than Local Government to trigger events. The following are possible underlying principles for the next generation of reform:

- a clear focus on strengthening the economy as the number one priority
- an acknowledgment that 'strong communities build strong economies'
- a recognition that the strategic advantages of strong, well resourced Councils mean that they have a greater capacity to 'lift the sights' of their communities
- a commitment to reducing the impediments created by State Government silos (agencies operating in relative isolation) and building collaborative structures between State and stronger Local Government units.

Preconditions for an elevated leadership role

Having established the need for a strategic, region-wide, approach to Local Government reform, a more collaborative approach to governance is a precondition to addressing issues

from the perspective of a region. Returning again to the lessons from the Adelaide Hills Council case study, in the next generation of reform, Local Government could be a leader and, eventually, elevate its significance, through:

- coordinating government and community resources to deliver State and Commonwealth Government programs
- strong and committed decisions that are consistent with the agreed strategic directions.

The history and patterns of Local Government reform across Australia suggest Local Government itself often struggles to assume a leadership role in change. While Local Government responds negatively to direction, with the right mechanisms, Local Government should respond positively to change. The LGA's position may have an influence on how Local Government exercises leadership in the next generation of reform. In common with all representative organisations, the LGA is challenged by the tensions of balancing the need to display leadership, while at the same time representing its members' interests.

Using the Adelaide Hills case study as an example, the consultants identified some essential preconditions for Local Government to take a leadership role:

- the design and institution of a process to 'build the bridges' toward a clear and collective vision of achieving strategically important outcomes
- a strengthening of the financial and human resource capacity of Local Government, perhaps involving resource transfer from State to Local Government, and possibly triggering a commitment to reduce the number of Councils
- a preparedness to devolve to Local Government responsibilities and authorities from State Government agencies
- a willingness of the Commonwealth Government to recognise the ability and capacity of Local Government to coordinate and deliver its land care (and related) programs.

7.2 CONCLUSION

In concluding this section of the Report, the Board summarises the key issues related to opportunities for further and future reform of Local Government, including structural reform.

The drivers for change identified earlier clearly indicate that all spheres of government have a role to play in maximising the potential benefit of Local Government reform.

THE FUTURE ROLE OF STRUCTURAL REFORM

The Board has argued in this Report that there remain many opportunities for reform, and that structural reform still has a crucial role to play. Although the Board's contribution to

voluntary structural reform in South Australia is historically significant, many claim it did not deliver perfect results. This Report has fully documented issues about the outcomes. However, the Board believes these concerns can partly be reduced to the question of trade-offs: either adopt a 'compulsory' approach, or accept the imperfections of a voluntary system.

Over time, the Board has formed the view that structural reform's role in further and future reform will be as a means to an end, rather than an end in itself. However, without a supportive policy environment, matched by the right drivers, the Board tentatively predicts only incremental change in whole-of-Council mergers. Structural reform is an important pre-condition to realising opportunities for redefining the relationship between State and Local Government. Given that the role of government to government relationships is a key strategic issue for future reform, structural reform should remain an integral part of the agenda for change in Local Government.

The Board has clearly shown why it could not meet expectations about progressing identified boundary alterations. Suggestions made for improvements in this area may be useful, should this type of change be regarded in the future as an important element in strategic Local Government reform.

THE NEXT GENERATION OF REFORM

The Board believes that the next generation of reform will not simply be based on arguments about efficiency, effectiveness, equity and communities of interest. The more important strategic issues facing the entire community concern the role of responsible governance in an environment of ever-diminishing public resources.

The key challenge facing the Commonwealth and State Governments, as well as Local Government itself, will be to more fully recognise the 'integrating role' of Local Government. Ways must be found to continue to build and strengthen the capacity of Local Government to play this role in its communities, and in the wider regions of which it is a part. The relevant 'reform' agenda is all-encompassing, involving everything that contributes to Local Government's capacity — the structural, managerial, and functional issues.

Regardless of what is driving the reform agenda, a crucial lesson from the recent structural reform experience is the need to engage the elected members, Council staff, and the community, to understand the importance of these imperatives. In other words, proceeding with necessary reforms is predicated on finding the right levers to generate support for those changes. The message for all future reform initiatives involving Local Government is that processes must be open, participatory and cooperative, and allow Local Government to take ownership to influence the outcome.

LOCAL GOVERNMENT'S ROLE

The lessons learned from this evaluation report — those from the past as well as more recent experiences of structural reform, both in South Australia and interstate — tell us that triggers for change may, in themselves, be inadequate to progressing further and future reform (including structural reform) in Local Government.

Throughout the structural reform process, the Board was often reminded that, in practice, Councils already had the latitude and the power to revisit governance and service structures by 'redrawing the map'. This proved to be an ineffective catalyst for substantial change, either for individual Councils, or more strategically across wider Local Government areas. As this Report has highlighted, there are many and complex factors militating against Local Government taking the lead in reforming itself, diminishing its capacity to shape the change process.

THE STATE GOVERNMENT'S ROLE

This points to an ongoing and active role for State Government in progressing this agenda, in the context of a cooperative and collaborative partnership with Local Government. Some of the preconditions for maximising opportunities for further and future reform include the right policy environment that articulates the importance of particular reforms, complemented by suitable institutional and structural support, and backed up by appropriate resources. The Board has provided ample evidence that there must be a driver for change to achieve significant results.

APPLYING THE BOARD MODEL TO OTHER CHANGE PROCESSES

This Report has shown that South Australia's approach to structural reform is regarded, broadly speaking, as a successful model in Local Government around Australia.

The success of the voluntary approach to structural reform utilised in South Australia suggests that there is a convincing case for applying aspects of the Board model to other complex, large-scale, change processes. The Board is hopeful that this Report has contributed to an understanding of those factors that help or hinder reform programs.

The Board also believes that an understanding of processes and facilitation skills developed by its staff will be beneficial for application in other major change programs. The structural reform process brought together a multidisciplinary team, from diverse public sector backgrounds, recruited on the basis of their skills and abilities rather than on their knowledge of Local Government. They took on new tasks and challenges, broadening their personal skills base and thereby enhancing the flexibility and diversity of the public sector resource. The knowledge and understanding of Local Government gained should ideally be utilised to benefit both Local Government and the State Government in the future.

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 - Series 5, *Communities of Interest*
 - Series 6, *Consulting the Community*
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APPENDICES



APPENDIX A

FINANCIAL BENEFITS IDENTIFIED BY COUNCILS IN STRUCTURAL REFORM PROPOSALS

NEW COUNCIL ENTITY	ANNUAL RATE REVENUE	'ONE OFF' SAVINGS	'ONE OFF' COSTS	'ONGOING ANNUAL RECURRENT SAVINGS'
City of Port Adelaide Enfield	\$35 400 000		\$1 500 000	\$2 300 000
DC Kapunda and Light	\$2 066 100			
Port Pirie City and District Council	\$4 560 000			\$100 000
The Barossa Council	\$5 860 000		\$600 000	\$540 000
DC Grant	\$3 005 000	\$240 000	\$419 000	\$500 000
DC Renmark Paringa	\$1 977 000			
The Berri Barmera Council	\$3 143 000	\$412 000	\$85 000	\$758 600
City of Holdfast Bay	\$10 290 000	\$648 000	\$1 370 000	\$1 363 000
Kangaroo Island Council	\$1 900 000		\$40 000	\$181 000
City of Charles Sturt	\$30 131 000	\$430 000	\$825 000	\$1 201 000
The Flinders Ranges Council	\$419 600			\$75 000
Southern Mallee DC	\$1 216 000		\$56 000	\$25 000
DC Orroroo/Carrieton	\$379 000			\$20 000
DC Loxton/Waikerie	\$3 078 000		\$100 000	\$160 000
Northern Areas Council	\$1 720 000		\$100 000	\$80 000
Regional Council of Goyder	\$1 884 000			\$170 000
Clare & Gilbert Valleys Council	\$2 600 000		\$200 000	\$205 000
DC Yorke Peninsula	\$4 883 114	\$250,000	\$568 500	\$700 000
DC of the Copper Coast	\$3 000 000	\$339 000	\$125 000	\$400000
DC Barunga West	\$1 048 200		\$77 500	\$200 000
Mid Murray Council	\$2 672 000	\$70,000	\$265 000	\$233 000
City of Playford	\$18 300 000	\$208,000	\$1 000 000	\$1 000 000
The Coorong District Council	\$2 700 000			modest
DC Naracoorte	\$2 970 000	\$550,000	\$286 000	\$260 000
Wattle Range Council	\$5 263 374		\$250 000	\$702 000
City of West Torrens	\$15 059 216	\$800,000	\$1 300 000	\$800 000
City of Onkaparinga	\$38 270 000			\$3 500 000
Port Pirie City & Districts Council	\$5 130 000		\$75 000	\$253 000
Wakefield Regional Council	\$2 480 000		\$145 000	\$180 000
DC Peterborough	\$565 001			\$30 000
Adelaide Hills Council	\$10 369 000		\$1 300 000	\$1 200 000
The Barossa Council (Mt Pleasant)	\$6 000 000		\$205 000	\$100 000
Alexandrina Council	\$5 884 194			\$340 000
City of Norwood, Payneham and St Peters	\$12 000 000		\$1 650 000	\$1 600 000
DC Naracoorte and Lucindale	\$4 200 000		\$135 000	\$250 000
Total	\$250 422 799	\$3 947 000	\$12 677 000	\$19 426 600

APPENDIX B

MEMBERSHIP OF THE LOCAL GOVERNMENT BOUNDARY REFORM BOARD

MEMBERS

Chairman: Annette Eiffe	nominated by the Minister
Ray Bailey	nominated by the United Trades and Labor Council
Ian Dixon	Executive Director (January 1996–August 1997) — appointed by the Minister
Tony Crichton	Executive Director (from August 1997–September 1998) — appointed by the Minister
Brian Fogarty	nominated by the Minister
Malcolm Germein	nominated by the Local Government Association of South Australia
Jill Parker	nominated by the Minister
Alan Taylor	nominated by the Local Government Association of South Australia
Professor Cliff Walsh	nominated by the Minister

DEPUTY MEMBERS

Heather Ceravalo	nominated by the Minister
Donald Edmonds-Wilson	nominated by the Local Government Association of South Australia
Denise Grieve	nominated by the Minister
Michael Perry AM	nominated by the Minister
Colin Read	nominated by the Local Government Association of South Australia
John Thomas	nominated by the United Trades and Labor Council
John Woodland	nominated by the Minister

APPENDIX C

BOARD ASSESSMENT ELEMENTS: DRAFT AND FINAL PROPOSALS

The Board developed a set of key assessment elements for use in assessing draft and final proposals.

PRIMARY ASSESSMENT ELEMENT

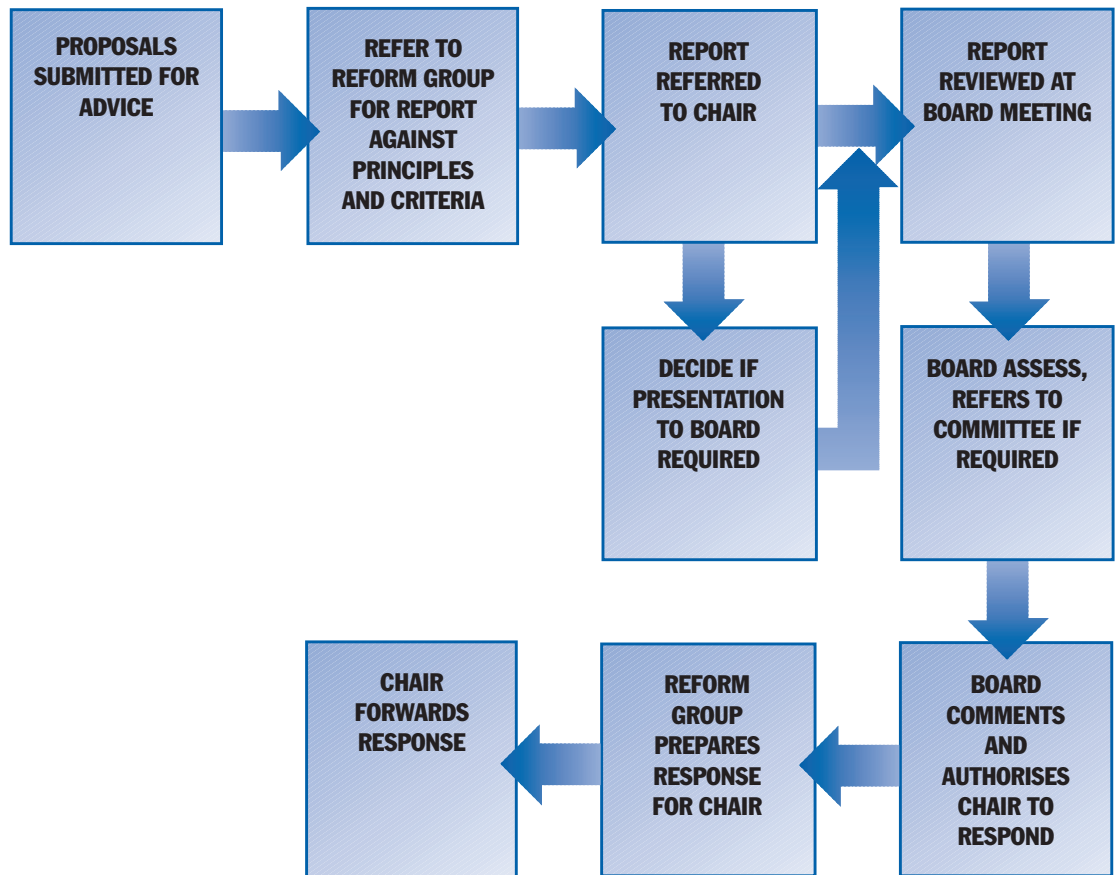
Has there been a reasonable amount of community consultation on the proposal?

OTHER ASSESSMENT ELEMENTS

1. Will the proposed amalgamation achieve the objects of Local Government?
2. Will the proposed amalgamation meet the principles in the legislation?
3. Is there adequate description of the benefits of the proposal?
4. Are comparisons with the Performance Criteria (refer Agenda Item on Performance Criteria) clearly identified?
5. Has a Three year Financial and Management Plan been prepared? Is there adequate discussion regarding the financial impact of the proposal?
6. Is there adequate discussion regarding impacts on demographics, geographic size, topography and projected future growth of the Council?
7. Is there adequate discussion regarding the impact on communities of interest (including economic, social, recreational, regional or other)?
8. Will a reasonable range of services be delivered on an efficient, flexible, equitable and responsive basis?
9. Is it clear that adequate governance/representation arrangements will be in place? Does the proposal advocate amalgamation of whole areas of Councils (with associated boundary changes if necessary)?
10. Will there be an accessible centre (or centres) for local administration and services?
11. Is there adequate discussion regarding economic viability, environmental sustainability and effective planning and development?
12. Is there adequate discussion regarding relationships with other adjoining proposals or councils?
13. Is there adequate discussion regarding legal, contractual and statutory issues?
14. Is there adequate discussion regarding industrial and employee issues?
15. Is there a suitable resource base and organisation structure described for the new entity?
16. Is there a satisfactory implementation plan?

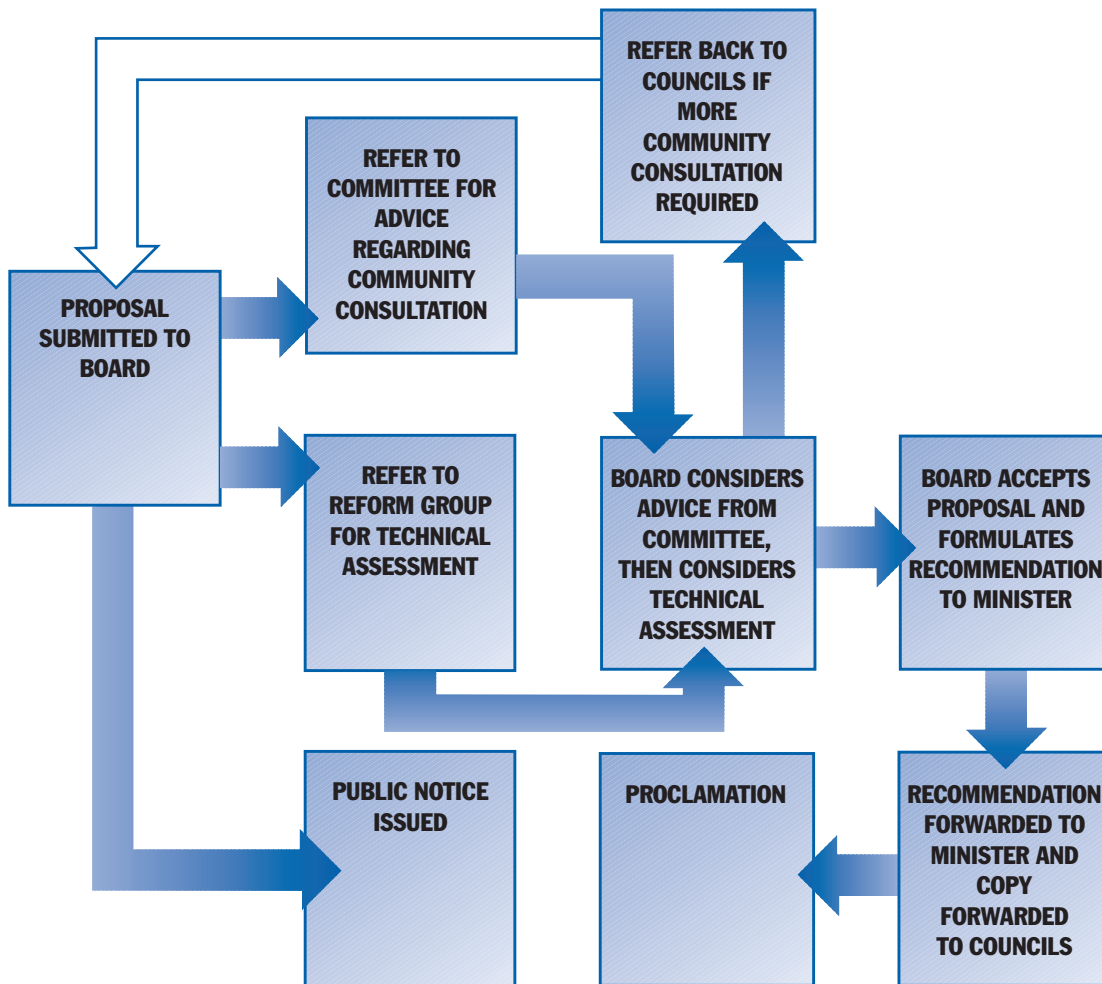
APPENDIX D

BOARD ASSESSMENT PROCESS: DRAFT PROPOSALS



APPENDIX E

BOARD ASSESSMENT PROCESS: FINAL PROPOSALS



APPENDIX F

BOARD ASSESSMENT ELEMENTS: COMMUNITY CONSULTATION

The legislation establishing the Board required that all structural reform proposals demonstrate that *a reasonable amount of community consultation has occurred*. The Board's Guidelines Series 6 — Consulting the Community — outline the purpose of consultation and describe a variety of techniques to assist in conducting relevant community consultation. The guidelines also recommend that a report on the consultative process and outcomes be included as a key part of a final structural reform proposal.

PRIMARY ASSESSMENT ELEMENT

Has a report on community consultation been included as part of the proposal?

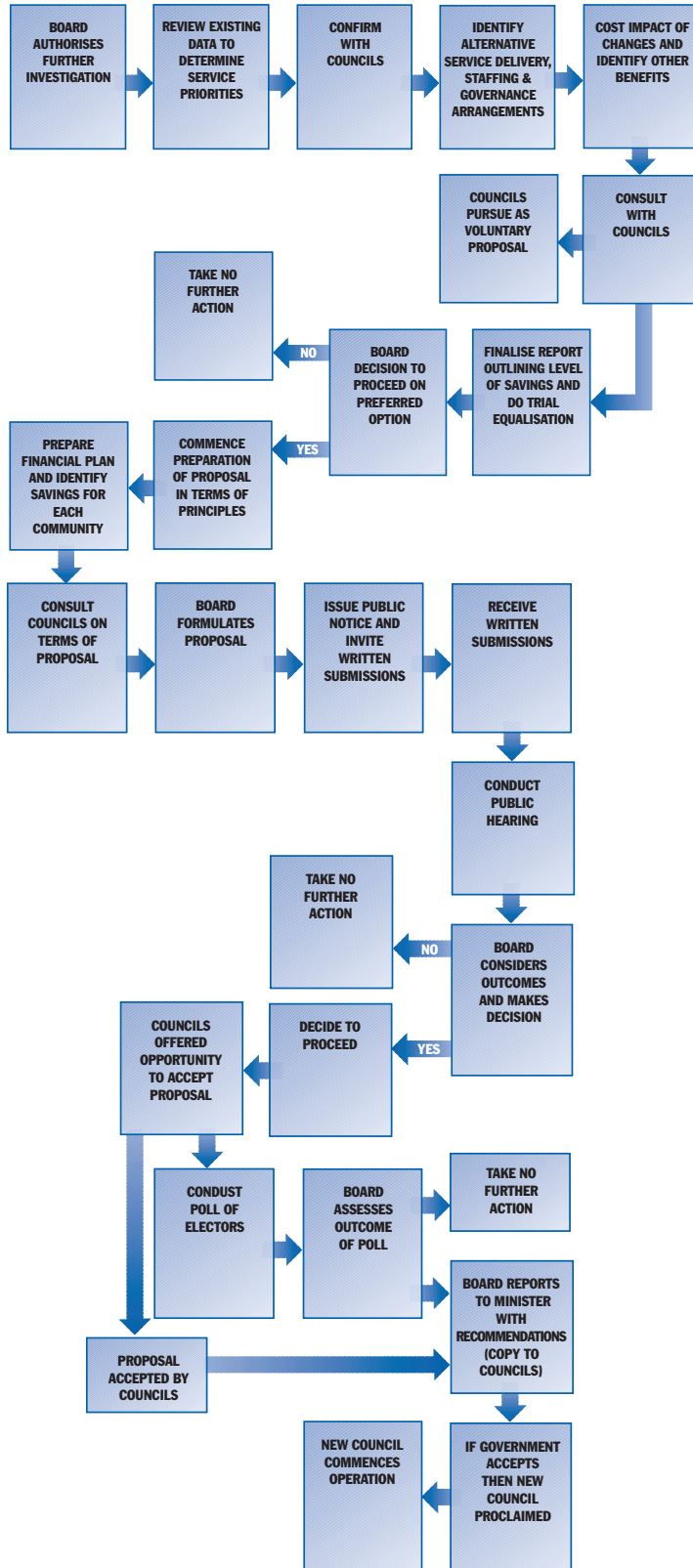
OTHER ASSESSMENT ELEMENTS

1. Has there been regular and comprehensive *communication*¹ with the communities, businesses and council staff affected by the proposal?
2. Has consultation been coordinated in a planned manner? Were outcomes clearly defined prior to each consultative event?
3. Has there been a range of consultative mechanisms used in order to maximise community participation?
4. Have all sectors of the community been provided with *comprehensive and objective* information on which to base their views, suggestions and concerns?
5. Has consultation occurred throughout the proposal development process, or only at the end?
6. Has opportunity been afforded to all sectors of the community to participate in the consultative process?
7. Has the information gathered or concerns raised been addressed and incorporated into the proposal?
8. Was there feedback to the community on the outcomes and recommendations resulting from consultative processes?
9. Has data been included to identify the extent of community consultation across the amalgamation area and across sectors of the community?

¹ Note that communication is only one element of consultation.

APPENDIX G

BOARD ASSESSMENT PROCESS: BOARD FORMULATED PROPOSALS



APPENDIX H

COUNCILS IN SOUTH AUSTRALIA AS AT SEPTEMBER 1998 INCLUDING NEW ENTITIES' FORMER COUNCIL AREAS

COUNCILS	FORMER COUNCIL AREAS
Adelaide Hills Council	District Council of East Torrens District Council of Gumeracha District Council of Onkaparinga District Council of Stirling
Alexandrina Council	District Council of Port Elliot and Goolwa; District Council of Strathalbyn, part District Council of Willunga
The City of Adelaide	unchanged
The Barossa Council	District Council of Angaston District Council of Barossa District Council of Tanunda District Council of Mount Pleasant
District Council of Barunga West	District Council of Bute District Council of Port Broughton
The Berri Barmera Council (under the Panel system)	District Council of Berri District Council of Barmera
The City of Burnside	unchanged
The City of Campbelltown	unchanged
District Council of Ceduna	unchanged
City of Charles Sturt	City of Henley and Grange City of Hindmarsh and Woodville
Clare and Gilbert Valleys Council	District Council of Clare District Council of Riverton District Council of Saddleworth and Auburn
District Council of Cleve	unchanged
District Council of Coober Pedy	unchanged
The Coorong District Council	District Council of Coonalpyn Downs District Council of Meningie District Council of Peake
District Council of the Copper Coast	District Council of Northern Yorke Peninsula Corporation of the Town of Wallaroo
District Council of Elliston	unchanged

COUNCILS	FORMER COUNCIL AREAS
The Flinders Ranges Council	District Council of Hawker District Council of Kanyaka-Quorn
District Council of Franklin Harbour	unchanged
Town of Gawler	unchanged
Regional Council of Goyder	District Council of Burra Burra District Council of Eudunda District Council of Hallett District Council of Robertstown
District Council of Grant	District Council of Mount Gambier District Council of Port MacDonnell
City of Holdfast Bay	Corporation of the City of Brighton Corporation of the City of Glenelg
Kangaroo Island Council	District Council of Dudley District Council of Kingscote
District Council of Kapunda and Light (under the Panel system)	District Council of Kapunda District Council of Light
District Council of Karoonda East Murray	unchanged
Corporation of the City of Norwood, Payneham and St Peters	City of Kensington and Norwood City of Payneham Corporation of the Town of St Peters
District Council of Kimba	unchanged
District Council of Lacepede	unchanged
District Council of Le Hunte	unchanged
District Council of Lower Eyre Peninsula	unchanged
District Council of Loxton Waikerie	District Council of Brown's Well District Council of Loxton District Council of Waikerie
District Council of Mallala	unchanged
City of Marion	unchanged
Mid Murray Council	District Council of Mannum District Council of Morgan District Council of Ridley-Truro part District Council of Mount Pleasant
City of Mitcham	unchanged
District Council of Mt Barker	unchanged
City of Mt Gambier	unchanged
District Council of Mt Remarkable	unchanged

APPENDICES

COUNCILS	FORMER COUNCIL AREAS
Rural City of Murray Bridge	unchanged
District Council of Naracoorte and Lucindale (operational from 1 December 1998)	Corporation of the Town of Naracoorte District Council of Naracoorte District Council of Lucindale
Northern Areas Council	District Council of Jamestown District Council of Rocky River District Council of Spalding
City of Onkaparinga	City of Noarlunga City of Happy Valley District Council of Willunga
District Council of Orroroo/Carrieton	District Council of Carrieton District Council of Orroroo (Federation with Peterborough)
District Council of Peterborough	Corporation of the Town of Peterborough District Council of Peterborough (Federation with Orroroo/Carrieton)
City of Playford	Corporation of the City of Elizabeth; City of Munno Para
City of Port Adelaide Enfield	Corporation of the City of Enfield; Corporation of the City of Port Adelaide
City of Port Augusta	unchanged
City of Port Lincoln	unchanged
Port Pirie City and Districts Council	District Council of Crystal Brook-Redhill District Council of Pirie Corporation of the City of Port Pirie
City of Prospect	unchanged
District Council of Renmark Paringa (under the panel system)	District Council of Paringa Corporation of the Town of Renmark
District Council of Robe	unchanged
Municipality of Roxby Downs	unchanged
City of Salisbury	unchanged
District Council of Streaky Bay	unchanged
Southern Mallee District Council	District Council of Lameroo District Council of Pinnaroo
District Council of Tatiara	unchanged
City of Tea Tree Gully	unchanged

COUNCILS	FORMER COUNCIL AREAS
District Council of Tumby Bay	unchanged
City of Unley	unchanged
District Council of Victor Harbor	unchanged
Wakefield Regional Council	District Council of Blyth-Snowtown District Council of Wakefield Plains
Corporation of the Town of Walkerville	unchanged
Wattle Range Council	District Council of Beachport District Council of Millicent District Council of Penola
City of West Torrens	Corporation of the Town of Thebarton Corporation of the City of West Torrens
City of Whyalla	unchanged
District Council of Yankalilla	unchanged
District Council of Yorke Peninsula	District Council of Central Yorke Peninsula District Council of Minlaton District Council of Warooka District Council of Yorketown



APPENDIX I

BOUNDARY ALTERATIONS IDENTIFIED DURING STRUCTURAL REFORM

This is a summary of boundary alteration possibilities identified by Councils through the consultation process.

COUNCIL	OTHER	DETAIL OF ALTERATION OPTION
The Adelaide Hills Council	The Barossa Council City of Burnside Corporation of City of Mitcham Corporation of City of Tea Tree Gully	Portion Gumeracha area Skye/Auldana hills face area Upper Sturt Catchment Hills Face (Gumeracha) Houghton (part)
The Alexandrina Council	District Council of Yankalilla	Nangkita area (part) west of freeway
The Barossa Council	Corporation of the Town of Gawler District Council of Kapunda and Light The Mid Murray Council Adelaide Hills	Sandy Creek Seppeltsfield Truro/Dutton Southern Portion DC Barossa
District Council of Bungara West	Port Pirie City and Districts Council Wakefield Regional Council	Hummock Ranges, township of Mundoora Hummock Ranges
The Berri Barmera Council	Outback Areas Community Development Trust District Council of Renmark Paringa	Gerard community and Northern Unincorporated areas Lyrup Gurra
City of Burnside	Adelaide Hills Council City of Norwood Payneham and St Peters	Skye/Auldana Heathpool Marryatville
City of Campbelltown	Adelaide Hills Council	Woodforde area
District Council of Ceduna	Unincorporated Area	North to east/west rail line and west to SA border
City of Charles Sturt	City of West Torrens City of West Torrens	West Beach area Torrens River alignment

COUNCIL	OTHER	DETAIL OF ALTERATION OPTION
Clare and Gilbert Valleys Council	District Council of Kapunda and Light	Stockport area
District Council of Coober Pedy	Unincorporated Area	Extension into mining zone/Breakaway reserve
Corporation of the Town of Gawler	The Barossa Council City of Playford District Council of Kapunda and Light	Sandy Creek/Kalbeeba Gawler Fringe Hewett area (Gawler fringe)
Regional Council of Goyder	Mid Murray Council Northern Areas Council District Council of Peterborough	Bower Township, Hundred of Dutton Hundred of Whyte Terowie Area
District Council Grant	Wattle Range Council Wattle Range Council	Millicent (part), Hundred Benara, Glencoe Penola (part), Nangwarry, Kalangadoo
City of Holdfast Bay	West Beach Reserve	West Beach Trust land
District Council of Kapunda and Light	The Barossa Council Clare and Gilbert Valleys Council Corporation of the Town of Gawler City of Playford Wakefield Regional Council	Seppeltsfield Stockport area Hewett area Gawler River horticultural area Hamley Bridge
District Council of Karoonda/ East Murray	Southern Mallee District Council	Mallee Wells proclaimed area (Marama Mindarie)
District Council of Loxton Waikerie	Mid Murray Council Southern Mallee District Council	Hundred of Cadell Mallee Wells (Brown's Well area)
District Council of Lucindale	Wattle Range Council	Hundred of Fox and Coles
District Council of Mallala	City of Playford	Gawler River horticultural area
Mid Murray Council	Barossa Council District Council of Loxton Waikerie	Truro/Dutton Hundred of Cadell

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COUNCIL	OTHER	DETAIL OF ALTERATION OPTION
	District Council of Loxton Waikerie	Hundred of Cadell
City of Mitcham	City of Onkaparinga Adelaide Hills Council	Coromandel Valley Upper Sturt Catchment
District Council of Mt Remarkable	Northern Areas Council District Council of Orroroo/Carrieton Port Pirie City and Districts	Southern Hundreds Mt Remarkable/Appila area Eastern Hundreds of DC Mt Remarkable Hundreds of Telowie and Baroota
Northern Areas Council	Regional Council of Goyder District Council of Mt Remarkable	Hundred of Whyte Southern Hundreds Mt Remarkable, Appila area
City of Norwood, Payneham and St Peters	Corporation of the City of Burnside	Heathpool and Marryatville
City of Onkaparinga	Corporation of the City of Mitcham	Coromandel Valley
District Council of Peterborough	Regional Council of Goyder	Terowie area
City of Playford	District Council of Kapunda and Light District Council of Mallala Corporation of the City of Salisbury	Gawler river area Gawler River horticultural area part DSTO site Penrice salt pans
City of Port Adelaide Enfield	Corporation of the City of Prospect Corporation of the City of Tea Tree Gully	Area bounded by Main Nth/Regency/Hampstead Roads East of Walkleys Road
City of Port Augusta		Top of Spencer Gulf
Pt Pirie City and Districts Council	District Council of Barunga West District Council of Mt Remarkable	Mundoora township Hundreds of Telowie and Baroota
City of Prospect	City of Port Adelaide & Enfield	Area bounded by Main Nth/Regency/Hampstead Roads

COUNCIL	OTHER	DETAIL OF ALTERATION OPTION
District Council of Renmark Paringa	The Berri Barmera Council	Lyrup/Gurra
City of Salisbury	City of Playford	Penrice Salt pans Part DSTO area
Southern Mallee District Council	District Council of Karoonda East Murray District Council of Loxton Waikerie	Mallee proclaimed Wells area Brown's Well (Mallee Wells proclaimed area)
City of Tea Tree Gully	City of Port Adelaide Enfield Adelaide Hills Council	East of Walkleys Road Hills face/Houghton
Unincorporated Areas (OACDT)	Berri Barmera Council District Council of Ceduna	Gerard community and Northern unincorporated areas North to East/West rail line, and west to SA border
N/A	Corporation of the City of Port Augusta City of Whyalla	Upper Spencer Gulf Iron Knob/Iron Baron area
N/A	District Council of Yankalilla	Wirrina Paradise Cove Marina
Wakefield Regional Council	District Council of Barunga West District Council of Kapunda and Light District Council of Mallala Port Pirie City and Districts	West of Hummock Ranges Hamley Bridge Koolunga and Redhill area (part) Koolunga and Redhill area (part)
Wattle Range Council	District Council of Grant District Council of Lucindale	Penola, (Nangwarry/Kalangadoo), Millicent (Hundred of Benara, Glencoe) Hundreds of Fox and Coles
City of West Torrens	West Beach Reserve	West Beach Trust land
City of Whyalla	Unincorporated Area	Iron Knob/Iron Baron area
District Council of Yankalilla	Alexandrina Council	Wirrina Paradise Cove Marina area Nangkita area (part) west of freeway

APPENDIX J

SUMMARY OF OVERALL BOARD EXPENDITURE ON STRUCTURAL REFORM

	(1) ACTUAL PAYMENTS 1995-96 \$000	(2) ACTUAL PAYMENTS 1996-97 \$000	(3) ACTUAL PAYMENTS 1997-98 \$000	(4) REVISED ESTIMATES 1998-99 \$000	(5) TOTAL (1)+(2)+(3) +(4) \$000	(6) ORIGINAL BUDGET ENDORSED BY GOVT* \$000
Boundary Reform Board and Committees	45	286	142	35	508	600
Cost of process facilitators	169	287	7	20	483	500
Consultancy and contract work	105	452	202	45	804	1 000
Financial assistance/incentives for Councils	40	1 058	107	120	1 325	1 300
Boundary Reform Board staff	304	675	466	105	1 550	1 200
Other operating and capital expenditure	287	371	259	80	997	1 100
Total	950	3 129	1 183	405	5 667	5 700

* Original budget covered the period to 30 September 1997

APPENDIX K

ACTIVITY OF THE BOARD AND ITS COMMITTEES

	BOARD	COUNTRY COMMITTEE	METRO COMMITTEE	JOINT METRO & COUNTRY COMMITTEE
1996	18	7	3	0
1997	16	7	2	2
1998	9	4	0	0

APPENDIX L

CASE STUDIES: CONSULTANTS AND METHODOLOGIES

Anderson Collins (Joe Collins) undertook the following case studies:

- City of Holdfast Bay
- Wattle Range Council

The methodology:

Extensive consultation was undertaken with elected members and senior staff and data was collected from relevant Council documents in the preparation of the reports.

Source documents were examined including financial statements, agenda items and Councils' Corporate Plans.

To effectively analyse the impact of the amalgamation the following topics were covered:

- service provision and delivery
- impact on communities of interest
- financial management
- management and administration
- economic and regional development
- governance.

Emcorp (Peter Emery, Bill Furse and Basil Kidd) undertook the following case studies:

- Federation of North Eastern Councils
- the Mid North Region
- City of Onkaparinga

The Methodology:

In each of the case studies the time-frame for the work was short, with the intention that the studies would not serve as a detailed 'audit' of what has, and has not been achieved, but rather, to provide a description of some of the key decisions taken in each case, the current 'state of play', and a prognosis for the future.

Undertaking the study for the Federation of North Eastern Councils involved examining relevant documentation, and discussions with the Chairman, Chief Executive and Manager (Finance) of the Federation.

The commission for the Mid North study was not to assess the six amalgamations in individual detail, but rather examine arrangements in this part of the State in a more general way.

For the case study on the City of Onkaparinga, information was gathered from sources, including:

- in depth interviews were undertaken with the Mayor, the City Manager and senior staff of the City of Onkaparinga
- reports and various other materials were examined as appropriate
- telephone interviews were conducted with a wide range of community leaders
- a survey questionnaire was distributed to all elected members in the City of Onkaparinga
- discussions were held with appropriate Local Government Boundary Reform Board staff, and with John Comrie, formerly CEO of the Noarlunga Council, and now Executive Director of the LGA.

Hassell Pty Ltd (Terry Mosel) undertook the Adelaide Hills case study.

Hassell was originally engaged to undertake a 'strategic opportunity assessment' of Local Government boundaries in and around the environs of the Adelaide Hills Council (AHC), commissioned jointly by the AHC and the Local Government Boundary Reform Board (LGBRB). At the time of the consultancy engagement, the AHC expected to be joined in the study by the adjoining Councils.

The reasoning for the assessment was articulated in the brief through the following passage:

The boundary between these bodies has evolved as a result of a range of different pressures and historical events that may or may not exist today. The current legislative environment allows for voluntary change to occur in Local Government Boundaries where all Councils concerned agree to change, and the community is adequately consulted. In order to consider the options, impartial factual information is required by both Councils and the community. The purpose of this consultancy is to assess the options that are available for alteration of the Adelaide Hills Council boundary together with the likely impacts of such change.

The approach is one of a longer term strategy, giving each of the Councils concerned, information in respect of the key issues that relate to their particular area, and whether structural reform will lead to improved outcomes for the community.

The original intention of the brief was for Hassell to engage all 'participating Councils' in the process in a collaborative way and provide an opportunity assessment embracing:

- A strategic overview of the boundary of the Adelaide Hills Council as it relates to adjoining Councils (including a brief review and assessment of past material prepared on the boundary).

- Assessment and consideration of a range of strategic indicators for boundary definition within the Adelaide hills area, including; Hills Face, Planning, Environmental, Catchment, Community, Fire Management, and others that may be identified by the consultant.
- Identification of opportunities arising from the alteration of the Adelaide Hills Council Boundary together with an assessment of the impacts both positive and negative of these alterations.
- Prioritisation of identified potential opportunities on the basis of community support, council impact and ease of implementation.
- Consultation with each of the Councils.
- Consultation with key State Government stakeholders.

Early in the consultancy, it became clear that the original requirements of the brief could not be delivered. Two events that were beyond the control of the consultants were responsible for those circumstances arising. Firstly, early reflections by the AHC about the timeliness of the study resulted in their desire to 'internalise' the process. The consultants were of the view that many members believed that since the community was still in a settling down period after the recent amalgamation and that further speculation about boundary reconfiguration would deflect their attention from key issues of the time.

The second, and equally important event, was the decision by most of the adjoining Councils not to participate in the study. This emerged as a major barrier to the development and validation of boundary adjustment. Any boundary initiatives that emerged from the study could not be developed in a collaborative way either at the governance or community levels. The implications to the study were quite far reaching:

- community reaction to the initiatives could not be tested
- therefore validation of information and the development of 'benefits/disbenefits' and priorities could not be tested
- consultation with key agencies about specific boundary initiatives could only be general in content
- critical information about the financial consequences of adjustment could not be determined.

Discussion with the client group (AHC and LGBRB) provided a new direction to the study after internal processes with Council and staff progressed as far as was practical. To assist the Board in reporting on the outcomes of Local Government reform as a 'wrap up', the consultants undertook investigations with key government agencies to identify the strategic planning needs of the Mount Lofty Ranges generally. In order to provide some specificity to the initiative, it was agreed that the circumstances and experiences of AHC and environs could be used as an example of the 'next generation' of reform considerations.

The process involved in the study has necessarily changed from that suggested in our response to the following:

- Two workshops with elected members and staff.
- Separate discussions with elected members and staff.
- Staff data collection.
- Preparation and analysis of questionnaire to elected members and staff.
- Identification of boundary adjustment opportunities.
- Internal evaluation of potential boundary adjustments (including the identification of research shortcomings).
- Map preparation using scanned images and GIS catchment boundary information.
- Referencing relevant material such as:
 - Mount Lofty Regional Strategy Plan
 - Barossa Regional Strategy Plan
 - previous reports on amalgamation in the Fleurieu Peninsula and Gawler/Barossa region.
- Discussions with senior executives of:
 - Planning SA
 - Office of Local Government
 - Department of Industry and Trade
 - Environment Protection Authority
 - Torrens and Patawalonga Catchment Water Management Boards
 - Primary Industries and Resources SA
- Workshop with staff of AHC and LGBRB.

After consultation with the client, those not contacted include:

- Other Catchment Boards
- Country Fire Service
- Regional Development Boards.

It was the collective view that the strategic issues would be sufficiently identified by the range of organisations selected. This level of investigation was consistent with our client's view that the study was to be used as a modelling tool to generate ideas and approaches for Local Government in the future.

APPENDIX M

PARTICIPANTS IN THE NATIONAL WORKSHOP ON STRUCTURAL REFORM

SOUTH AUSTRALIA

Local Government Boundary Reform Board

Annette Eiffe (Chairman)
 Tony Crichton (Executive Director)
 Cliff Walsh (Member)
 Malcolm Germein (Member)
 Jill Parker (Member)
 Ray Bailey (Member)

City of Playford

Mayor Marilyn Baker
 Tim Jackson (CEO)

Wattle Range Council

Mayor Don Ferguson
 Frank Brennan (CEO)

Local Government Association

Rosemary Craddock (President)
 John Comrie (Executive Director)

NEW SOUTH WALES

Department of Local Government

Tim Rogers (Deputy Director General)

Local Government Association

Murray Kidnie (Secretary)

NORTHERN TERRITORY

Local Government Association

Jeff Hoare (Executive Director)

QUEENSLAND

Department of Local Government and Planning

Maurie Tucker (General Manager, Local Government Services)
 Geoff Baker (Manager, Legislation and Strategic Coordination)
 Debra Carter (Principal Policy Officer)

Local Government Association

Greg Hallam (Executive Director)

TASMANIA

Local Government Office

Graeme Yeoland (Manager, Policy and Research)

Local Government Association

Stewart Wardlaw (Executive Director)

VICTORIA

Department of Infrastructure

John Hickman (Deputy Secretary, Local Government, Planning and Market Information)

WESTERN AUSTRALIA

Local Government Advisory Board

Charlie Gregorini (Chairman)

John Hardwick (Member)

Western Australian Municipal Association

Tim Shanahan (Executive Director)

APPENDIX N

FURTHER FINANCIAL SAVINGS STUDY: CONSULTANT AND METHODOLOGY

The Board commissioned a study to assess the extent of likely financial savings and other advantages that may be achieved should the remaining opportunities for structural reform be taken up. The Board was also seeking an indication of savings, or other advantages that may be achieved, by the introduction of further collaborative arrangements, where such opportunities exist. The requirements of the consultancy were to undertake:

- an assessment of the likely financial gains and other advantages should further structural reform take place in remaining areas of opportunity
- an assessment of the likely financial gains and other advantages should further collaborative arrangements be introduced in areas where boundary changes may not be practical.

The study was undertaken by Optimum Consulting and Training Services during August 1998.

The consultant concluded from the analysis, that there is the potential to achieve an estimated further saving of \$21.1million in annual operational costs from further amalgamations, or collaborative arrangements.

SOURCE OF DATA

All unit cost data was obtained from the SA Local Government Grants Commission 1996–97 database, except in relation to a number of recently amalgamated non metropolitan Councils used to calculate base unit costs. In these cases 1998–99 budget data prepared by Councils was used to ensure that comparisons reflected the actual financial effects of the amalgamations.

A literature search of recent amalgamation proposals and studies on other collaborative arrangements, such as resource sharing proposals was undertaken to obtain information on financial and non financial benefits considered feasible by proponents of structural reforms.

THE METHODOLOGY

In order to estimate possible financial savings that could be achieved from either further amalgamation of Councils or implementation of other collaborative initiatives it was necessary to:

- identify functional areas in which it was considered there was sufficient commonality of effort and scope to permit comparison by unit cost
- identify the size of Council at which it could be considered that reasonable economies of scale were being achieved

- estimate an achievable unit cost in the identified functional areas in those Councils
- apply that unit cost per capita to the total population
- estimate a per capita achievable level of savings for functional areas where expenditure savings could not be identified through the use of comparable unit costs
- analyse estimated cost savings from other potential collaborative arrangements, such as resource sharing.

Metropolitan Councils and non metropolitan Councils were considered separately.

In estimating possible financial savings by the use of unit costs, cost per capita was used for comparison as data provided by the SA Grants Commission is provided in this format.

As the unique nature of the City of Adelaide would tend to distort the comparative per capita data, it was excluded from the calculations.

Because of likely practical difficulties associated with the introduction of any form of collaborative arrangements, Coober Pedy and Roxby Downs Councils were also excluded from the calculations. In some other Council areas (for example Kangaroo Island and Ceduna) opportunities for collaborative arrangements may be limited due to the geographic location. However, it is considered some opportunities do exist.

To avoid confusion and duplication, the tables already featured in the body of this Report are not reproduced in this methodology section (with one exception), although the table numbers are included for cross-referencing.

IDENTIFYING GROUPINGS BY SIZE FOR COMPARATIVE PURPOSES

To enable groupings of Councils to be identified for the calculation of comparative unit costs and the calculation of other savings, the measure of population was selected as the most suitable means of adequately carrying out comparisons across the full range of Council functions.

Metropolitan area

In the metropolitan area, a study of Councils in the following population groupings was carried out to determine a suitable grouping:

- under 20 000
- to 40 000
- to 80 000
- above 80 000.

Unit costs in these groupings indicated no consistent pattern. The small size of the sample within each group resulted in factors unique to individual Councils affecting the overall results. For this reason, a nominal population of 80 000 was selected as a level above which reasonable economies of scale are already being achieved. Councils exceeding this population were not included in the calculation of possible further savings.

Non metropolitan area

In the non metropolitan area, a study of population groupings exhibited a consistent pattern. The following table provides an indication of population size on the per capita cost of administration.

TABLE 20: NON METRO COUNCIL POPULATIONS AND ADMINISTRATION COST PER CAPITA

NON-METRO COUNCIL POPULATION RANGE	ADMINISTRATION COST PER CAPITA
Under 10 000	\$144
10 000 to 20 000	\$98
above 20 000	\$71

Based on the above figures, a population of 10 000 was selected as a level above which some economies of scale are being achieved. Councils exceeding this population were included in calculations of further possible savings, but at a reduced rate.

Functions compared by unit costs

A range of functions were identified as common to all Councils, with sufficient commonality of effort and scope to allow comparison by unit cost. These were:

- administration
- public and environmental health (in the metropolitan area only)
- development management.

It was considered that in other functional areas differences in standards, Council policies and local conditions would distort any attempt to develop unit costs suitable for comparison.

Metropolitan unit cost

An estimated achievable unit cost per capita for these functions was calculated using a group of Councils of approximately or exceeding 80 000 population. As some Councils involved in amalgamations are still in the implementation stage, a group was chosen that had not recently been involved in amalgamation to ensure that relevant data was used (see table 15 in the body of the Report).

Non metropolitan (Provincial Cities, Town and Rural Councils) unit cost

An estimated achievable unit cost per capita for:

- administration
- development management.

was calculated using a group of Councils which, through amalgamation, have already achieved a degree of economies of scale. As these Councils have only recently amalgamated, budget data for 1998–99 has been used (table 17).

Public and environmental health costs were not included in the non metropolitan estimates, as there appeared to be considerable variation in the level of effort in this function in non metropolitan Councils, and data could not reasonably be compared.

Calculation of further potential savings for functions using unit costs

The estimated achievable unit cost per capita, from the selected range of metropolitan and non metropolitan Councils, was compared with the average unit cost per capita for Councils, where further savings were considered possible through, either:

- further amalgamation in the metropolitan area into units of population 80 000 or over
- further amalgamation in non metropolitan areas into units of population of 10 000 or over
- other collaborative arrangements, such as resource sharing.

The difference in unit costs for metropolitan and non metropolitan were calculated separately (tables 15 and 17). When calculating this difference, allowance was made for potential savings from existing amalgamations still in the implementation stage.

The difference was applied to the total population (metropolitan and non metropolitan separately), for Councils where further savings were considered to be achievable, and a total estimated potential savings was calculated for metropolitan and non metropolitan areas (table 19).

Functions for which possible savings on total expenditure could not be estimated through the use of comparable unit cost.

For a number of functional areas, where scope and effort in the function could be influenced by:

- policy decisions
- differences in delivery standards
- geographic location/local conditions

it was not considered feasible to estimate a comparable unit cost. This group of functions includes major Council activities such as:

- waste management
- parks and other recreational areas
- road, drainage and footway maintenance
- road, drainage and footway construction.

It was necessary, therefore, to develop a means of estimating savings likely to be achieved in these areas, should opportunities for further amalgamations or other collaborative arrangements be taken up.

Results of previous amalgamation studies

Previous amalgamation studies have identified that considerable savings could be achieved for these functions through:

- rationalisation of resources
- changed work practices
- increased purchasing power
- general economies of scale in operations.

A study of a sample of typical amalgamations, indicate that savings in the order of 10.5% of total expenditure should be readily achievable in these functions.

Results of collaborative arrangement studies

A number of reports and an operating function relating to collaborative arrangements were examined. Two of these provided an analysis of costs and estimated cost savings.

In the area of administration the joint administrative arrangement known as the Federation — involving the District Council of Peterborough and the District Council of Orroroo/Carrieton — provides savings in annual administration costs of 28%.

In the area of public works and maintenance, a study involving a South Australian provincial city and two rural councils examined of:

- waste management
- parks and other recreational areas
- road, drainage and footway maintenance
- road, drainage and footway construction
- depot management

- stores and purchasing management for the 'Works function'.

Savings of 7.5% for these functions were identified, after allowing for the cost of setting up a separate administration unit for the operation.

In this study, potential savings were identified from:

- rationalisation of resources
- improved plant utilisation
- improved work practices resulting from a larger pool of plant and human resources
- improved scheduling of work as a result of larger volumes
- improved purchasing power.

The level of potential saving used for non unit cost functions

It was not considered practical to separately identify areas where amalgamations or collaborative arrangements may be developed. Therefore, an estimated average achievable saving was applied to the total expenditure for each of the functions included in this group. This method provided a reasonable indication of the likely level of savings, should either further amalgamations or collaborative arrangements occur.

Taking into account likely savings from previous amalgamations and collaborative arrangements studies, it is considered that 9% is reasonable as a conservative estimate of further potential savings.

It is recognised, however, that Councils already of a reasonable size (in some cases from recent amalgamations), may not achieve savings of the extent indicated in the reports studied. As a result:

- in the metropolitan area, Councils of approximately 80 000 population and above were excluded from the calculation
- in the non metropolitan area, reduced the potential savings estimates were applied to Councils above a population of approximately 10 000 from 9% to 4.5%.

Calculation of potential savings for functions not using unit costs

Expenditure by the functions indicated was calculated for all Councils where it was considered further amalgamations or collaborative arrangements were practical.

The estimated achievable savings as a percentage of total expenditure was applied to the recurrent expenditure level to provide an estimate of potential total savings. The calculation was carried out separately for metropolitan and non metropolitan Councils (refer table 19 in the Report).

Other functions

For a further range of functions, it was considered that, because of their nature the difference in cost between Councils could not be accurately estimated. Although amalgamation or collaborative arrangements may produce some economies, the nature of the functions in many cases meant that savings were not significant. These functions include:

- fire prevention
- library services
- public order and safety
- aged and disabled services
- family and children and other welfare
- housing
- environmental protection
- aerodromes
- parking
- community buses
- economic affairs.

For the reasons identified, these functions were not included in the calculation of potential savings.

APPENDIX O

PRINCIPLES FOR TRANSFER PRICES IN BOUNDARY ALTERATIONS

The Board commissioned Anderson Collins to provide some broad principles to assist in determining a price for the transfer of areas from one Council to another (1998).

In determining these principles, consideration has been given to the Board's guidelines, 'The Alteration of Council Boundaries — Series 10' (1997). These guidelines make specific reference to ensuring that neither Council will experience any significant ongoing financial disadvantage as a result of alterations to boundaries.

PRINCIPLES

1. Balance sheet asset valuations should not be used for calculating financial consideration.
2. The exception to Principle 1 above should be for large infrastructure assets such as community centres or major drainage. In this case existing liabilities should be transferred.
3. Economic valuation using Present Value (PV) techniques are the most appropriate method for calculating financial consideration.
4. The annual net gain to the purchasing Council should be utilised as a basis for calculation.
5. There is no direct link to strategic or business planning time frames (that is, it is a financial issue not a strategic planning issue).
6. Payments made by the purchasing Council per annum should not exceed the annual financial advantage.
7. The Local Government Finance Authority (LGFA) borrowing rate should be utilised as the discount rate in the calculation of the present value amount.
8. The present value calculation term should be within a 7 – 10 year time frame.

FINANCIAL CONSIDERATION

Principle 1

A private sector approach to the calculation of financial consideration would incorporate examination of:

- the balance sheet position
- current and future anticipated cash flows
- market conditions
- cost of capital.

In the Local Government context, valuation using the balance sheet position has considerable limitations including:

- asset valuation methods and techniques are subjective at best, and hence there is uncertainty in calculating real future liabilities
- net assets have little or no market value.

Balance Sheet asset valuations should not be used for calculating financial consideration.

Principle 2

In certain circumstances there may be unique one-off capital expenditure associated with the area being transferred. In this case, the 'selling' Council should transfer the outstanding liability.

The exception to Principle 1 above should be for large infrastructure assets such as community centres or major drainage. In this case existing liabilities should be transferred.

Principle 3

It was concluded that a discounted cash flow approach is the only logical method to calculate a reasonable sum, based on the economic value of cash inflows less cash outflows to the 'purchasing' Council, discounted over a set term.

Principle 4

The primary factor driving the transfer for this study is community preference. The net impact on the 'purchasing' Council should be utilised in calculating remuneration, which in most cases would be the annual net gain to the purchasing Council.

Principle 5

The calculation of the financial payment is an economic issue. Whilst there are strategic outcomes, it does not necessarily link with any arbitrary planning period and there is no direct link to strategic or business planning time frames. Remuneration is linked to economic returns and therefore the terms in years should logically not be linked to a three or five year planning timeframe.

There is no direct link to Strategic or Business Planning time frames (that is, it is a financial issue not a strategic planning issue).

Principle 6

Given the size of the financial advantage received by the 'purchasing' Council in this case, it would seem inappropriate to make payment up-front, as the total net advantage occurs over many years. Arguably, the Present Values (discounted cashflows) approach addresses this, however, incurring considerable up front debt, or reduction in cash reserves, would generally not be acceptable at a political level.

It is therefore appropriate that payment occur on an annual basis over an agreed term. Ideally, this payment should not exceed the annual financial advantage gained from the 'purchasing' Council. While there would be a set term utilised for calculating the present value figure, the annual repayments can be adjusted to ensure they do not exceed the annual financial advantage. Payments made by the purchasing Council per annum should not exceed the annual financial advantage.

Principle 7

The LGFA borrowing rate is recognised as a benchmark for the industry.

The LGFA borrowing rate should be utilised as the discount rate in the calculation of the present value amount.

Principle 8

The term of payment is perhaps the most difficult issue to resolve.

The following points need to be considered:

- the 'transferring' Council has reduced ongoing cash flow for the long term
- the actual 'real' loss in income for the transferring Council will, in the medium term, be greater than the annual financial advantage to the purchasing Council. This is due to the fact that its overall cost structure would probably not be reduced initially, rather resources will be reallocated elsewhere
- there is no guarantee that the 'purchasing' Council will not have to increase resources in the area to enable equitable service levels
- the amount required for future asset replacement is unclear (that is, it could be greater than anticipated)
- further legislative charges may increase the amount and type of services to be delivered.

There is no doubt that there is a long term financial loss for the 'transferring' Council. It seems unrealistic for them to receive compensation only over a 3–5 year period. On the other hand, the long term uncertainty with regard to asset replacement and service levels for the 'purchasing' Council indicates a 15–20 year term to be also unrealistic. Some form of compromise seems appropriate.

The present value calculation term should be within a 7–10 year time frame.

CONCLUSION

The term of payment should reflect a long term loss of income for the 'transferring' Council (that is, repayment calculated 0–5 years is not appropriate).

The normal term of Present Value (PV) analysis 15–20 years does not reflect the risk associated with taking on the new areas.

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