

# **PART A**

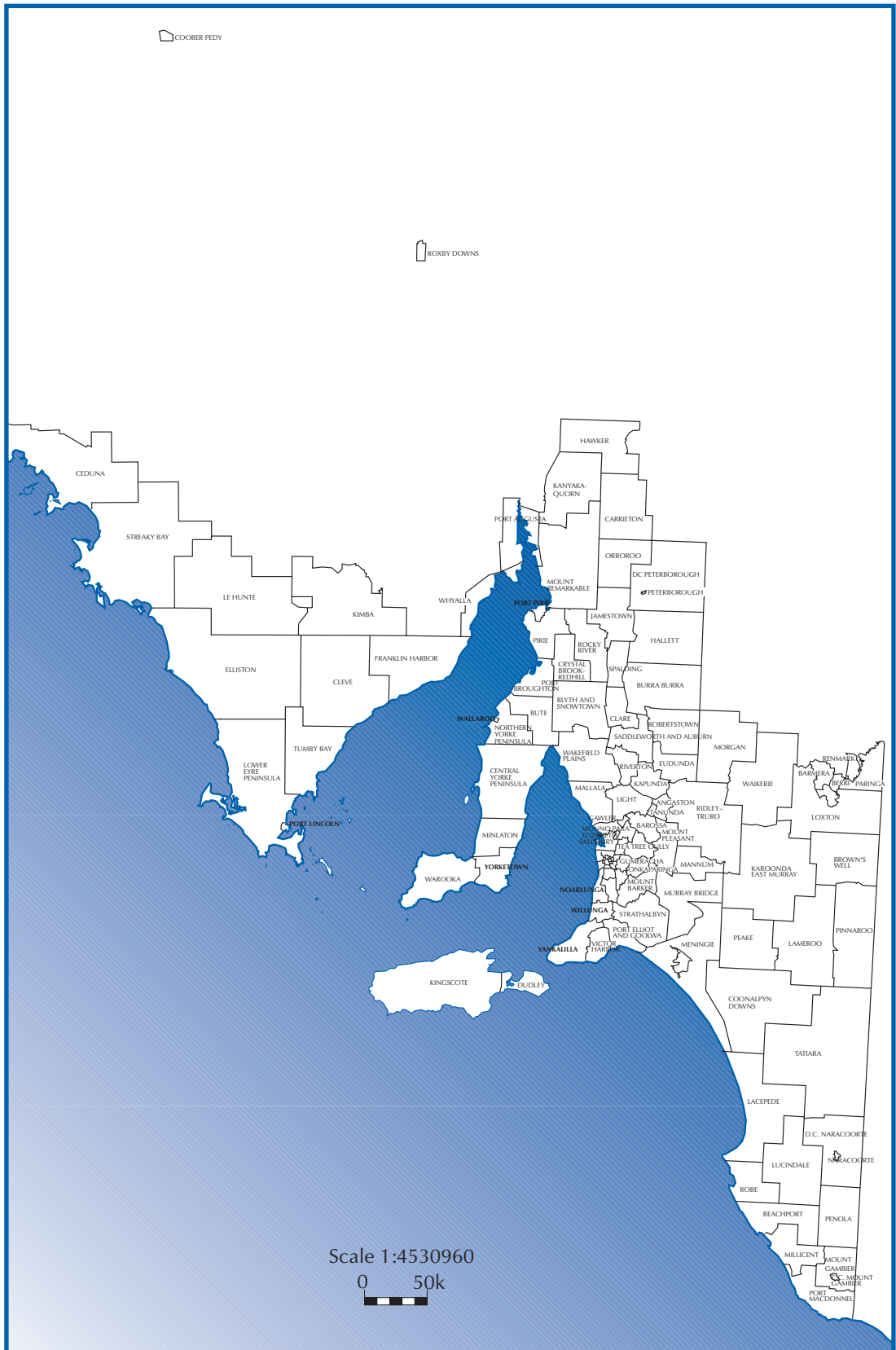
## *Background*





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.