

PART C

Evaluation and opportunities



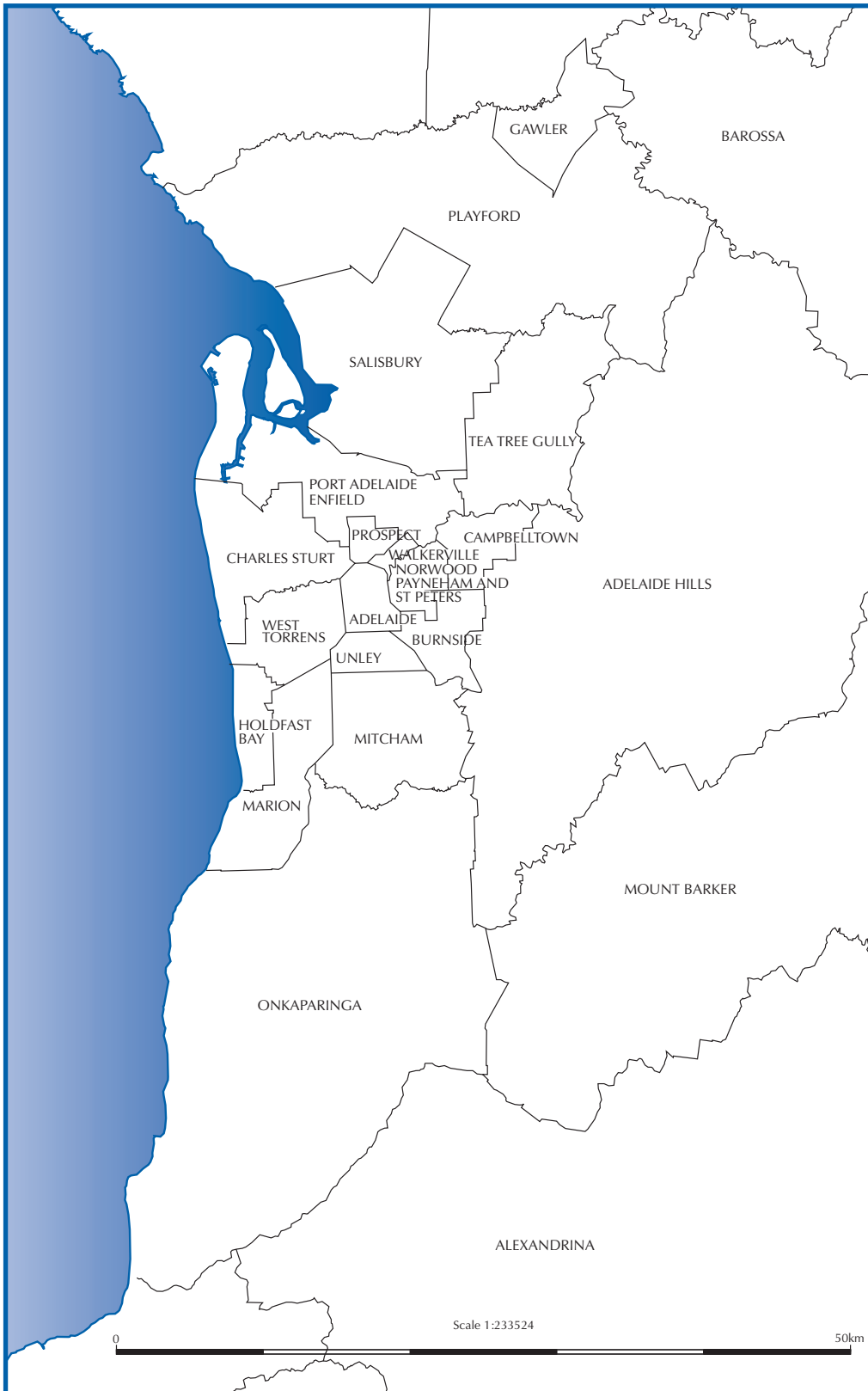


FIGURE 3: SA LOCAL GOVERNMENT BOUNDARIES — METROPOLITAN AS AS SEPTEMBER 1998

PART C: EVALUATION AND OPPORTUNITIES

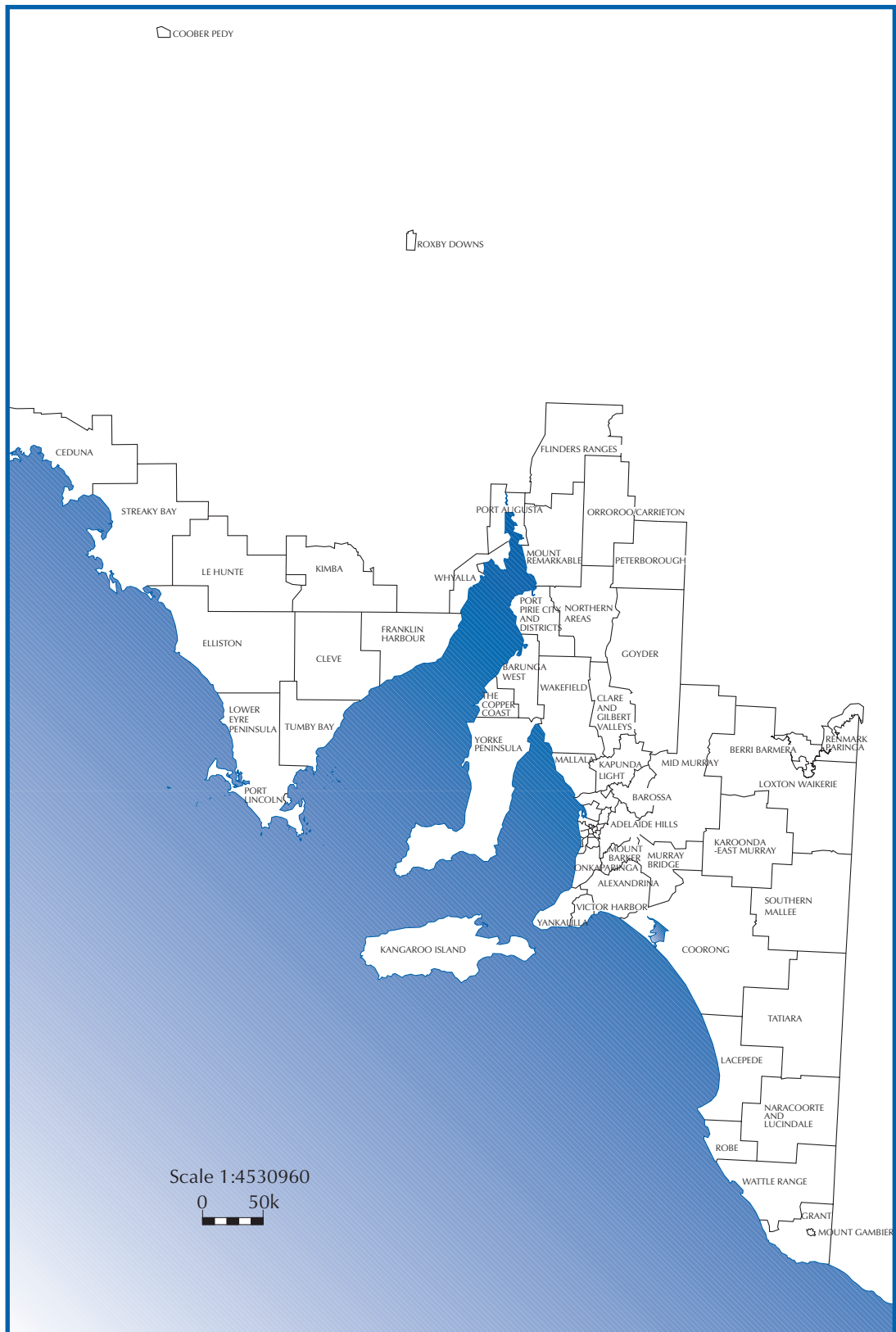


FIGURE 4: SA LOCAL GOVERNMENT BOUNDARIES — COUNTRY AS AT SEPTEMBER 1998

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.