

4. CASE STUDIES

4.1 THE CASE STUDIES PROJECT

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

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

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

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

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

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

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

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

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

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

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

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

4.2 ADELAIDE HILLS COUNCIL



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

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

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

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

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

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

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

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

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

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

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

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

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

BOUNDARY ALTERATION

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

The key governance issues can be summarised as follows:

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

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

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

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

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

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

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

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

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

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

FUTURE DIRECTION

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

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

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

A DIFFERENT APPROACH

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

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

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

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

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

Outcome and expectations of boundary reform and related issues

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

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

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

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

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

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

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

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

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

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

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

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

Implications

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

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

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

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

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

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

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

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

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

FRAMEWORK FOR A NEW DIRECTION

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

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

4.2 FEDERATION OF NORTH EASTERN COUNCILS

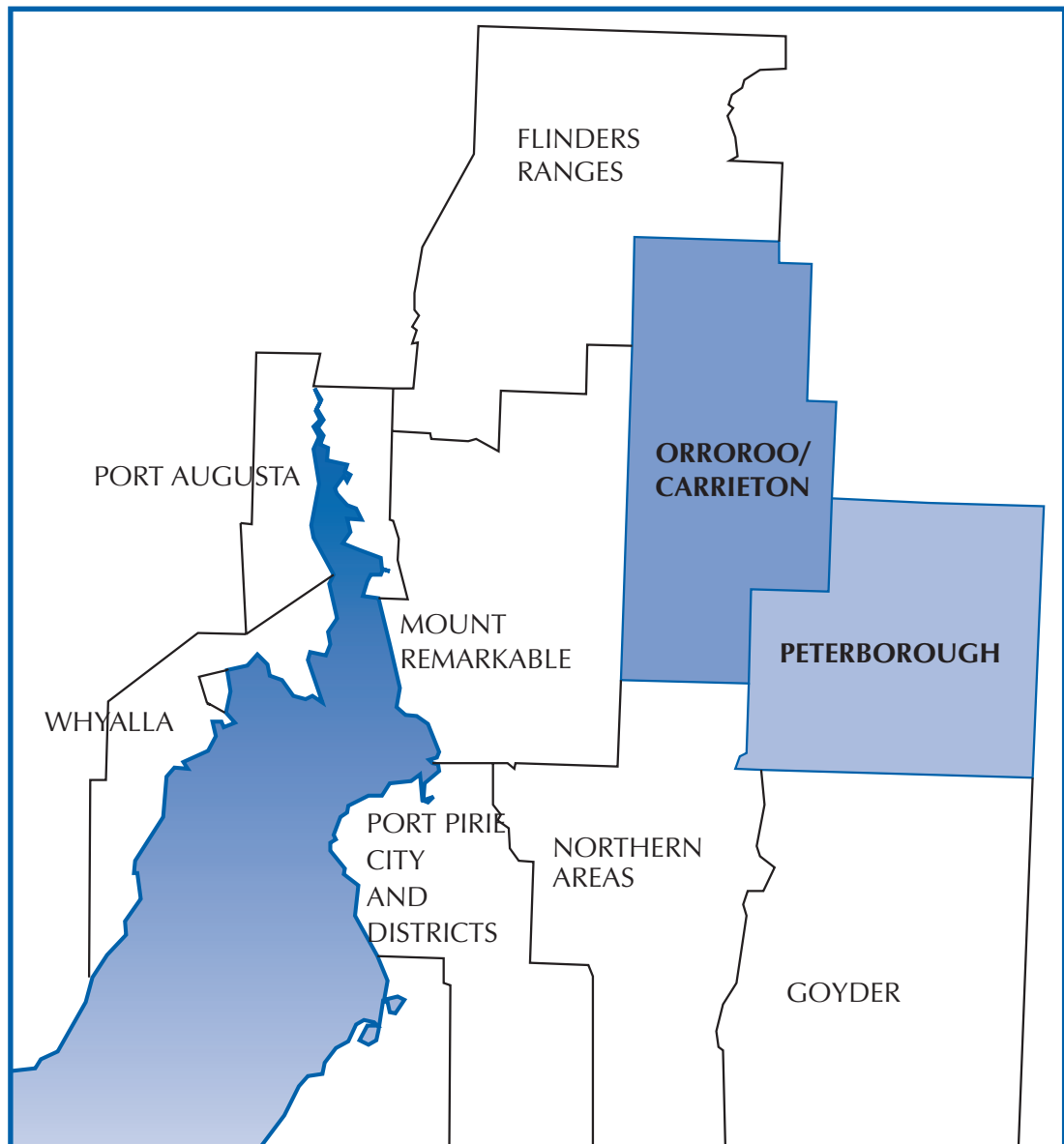


FIGURE 6: FEDERATION OF NORTH EASTERN COUNCILS IN THE CONTEXT OF NEIGHBOURING COUNCILS

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

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

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

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

FEATURES OF THE FEDERATION

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

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

ASSESSMENT

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

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

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

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

SUMMARY

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

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

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

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

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

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

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

4.4 CITY OF HOLDFAST BAY

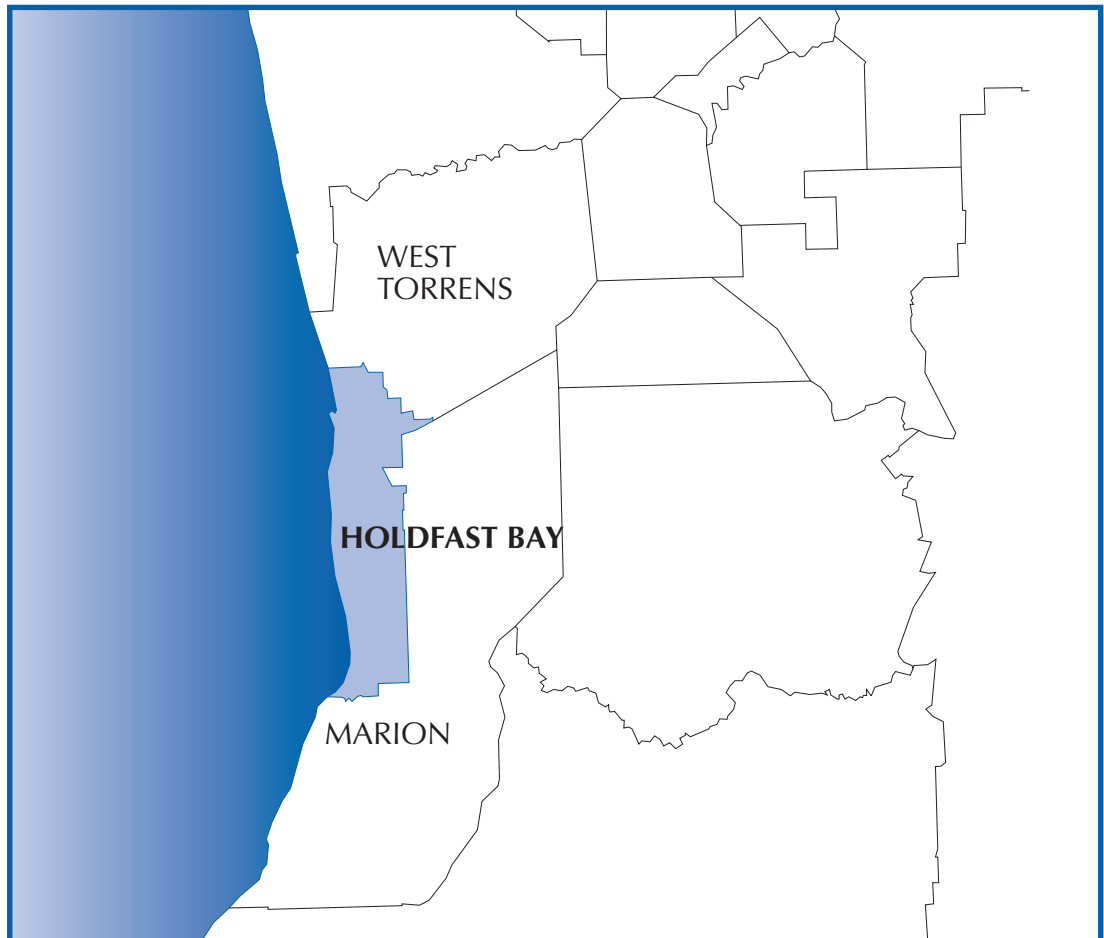


FIGURE 7: CITY OF HOLDFAST BAY IN THE CONTEXT OF NEIGHBOURING COUNCILS

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

SERVICE PROVISION AND DELIVERY

Voluntary Proposal

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

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

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

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

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

Amalgamation Achievements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPACT ON COMMUNITIES OF INTEREST

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

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

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

FINANCIAL MANAGEMENT

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

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

Rating

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

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

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

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

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

TABLE 1: RATING PERFORMANCE OF CITY OF HOLDFAST BAY

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

Liquidity

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

TABLE 2: LIQUIDITY RATIO OF CITY OF HOLDFAST BAY

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

Gross debt position

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

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

TABLE 3: GROSS DEBT POSITION OF CITY OF HOLDFAST BAY

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

Productivity and capital gains

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

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

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

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

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

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

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

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

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

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

MANAGEMENT AND ADMINISTRATION

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

A contestability policy has been approved as follows:

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

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

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

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

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

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

Other management achievements include:

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

ECONOMIC AND REGIONAL DEVELOPMENT

The proposal identified three key economic growth areas:

- retail and commercial

- tourism
- pockets of light industries.

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

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

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

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

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

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

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

GOVERNANCE

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

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

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

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

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

SUMMARY

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

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

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

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

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

4.5 THE MID NORTH: '17 INTO 7'

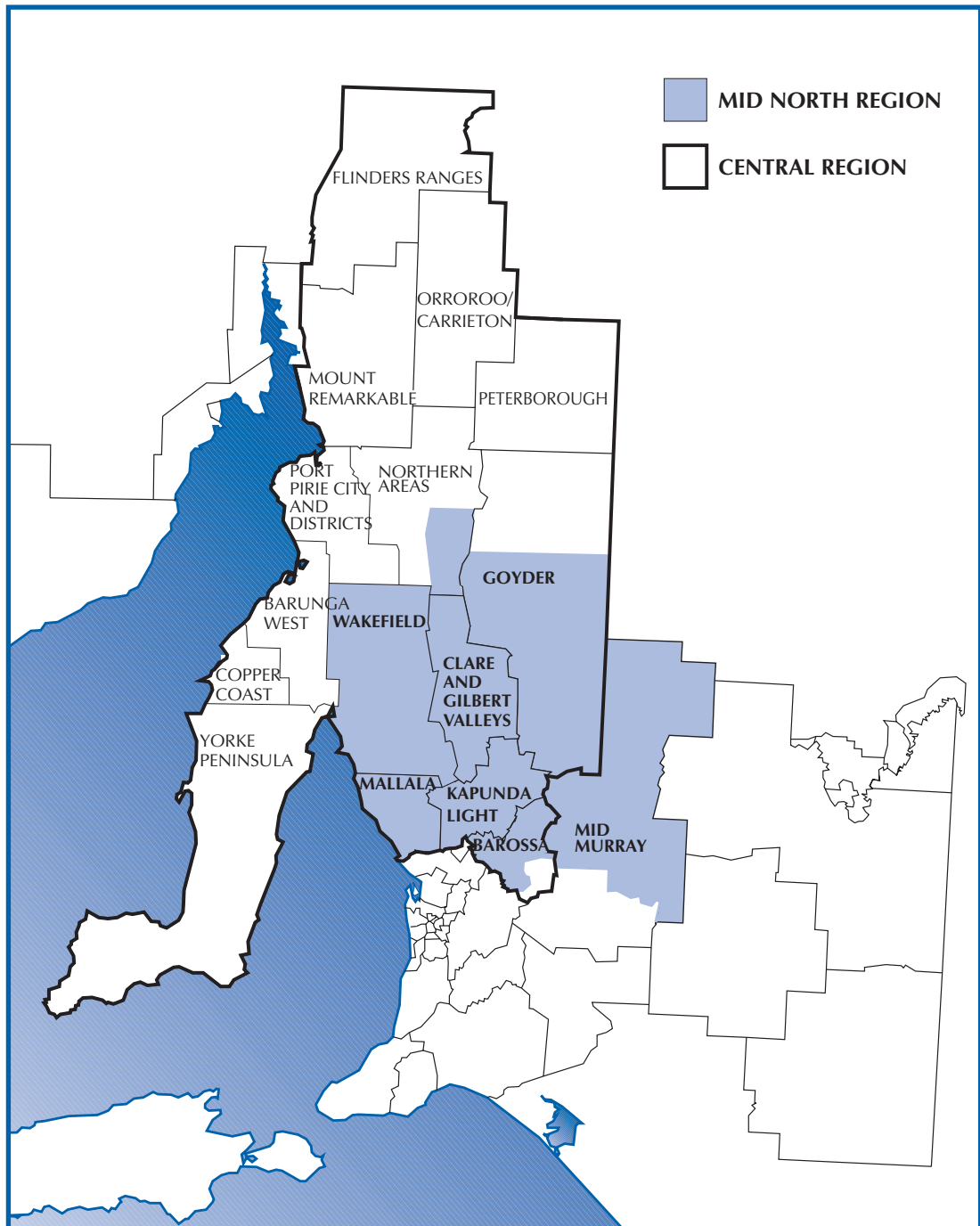


FIGURE 8: THE FORMER MID NORTH REGION OF COUNCILS AND THE NEW CENTRAL REGION OF COUNCILS

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

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

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

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

THE PROCESS

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

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

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

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

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

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

INDIVIDUAL AMALGAMATION PROPOSALS PUT TO THE BOARD

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

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

Staffing

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

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

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

Finances

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

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

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

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

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

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

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

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

Services

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

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

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

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

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

The 'Whole of Council' Amalgamation Issue

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

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

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

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

The Interests of Smaller and Outlying Communities

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

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

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

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

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

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

Other Amalgamation Aspects

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

OVERALL OUTCOMES

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

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

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

A significant reduction in the number of Councils in the State

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

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

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

Significant benefits for ratepayers

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

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

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

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

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

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

* As at 30 June 1995

FORMATION OF THE CENTRAL LOCAL GOVERNMENT REGION

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

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

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

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

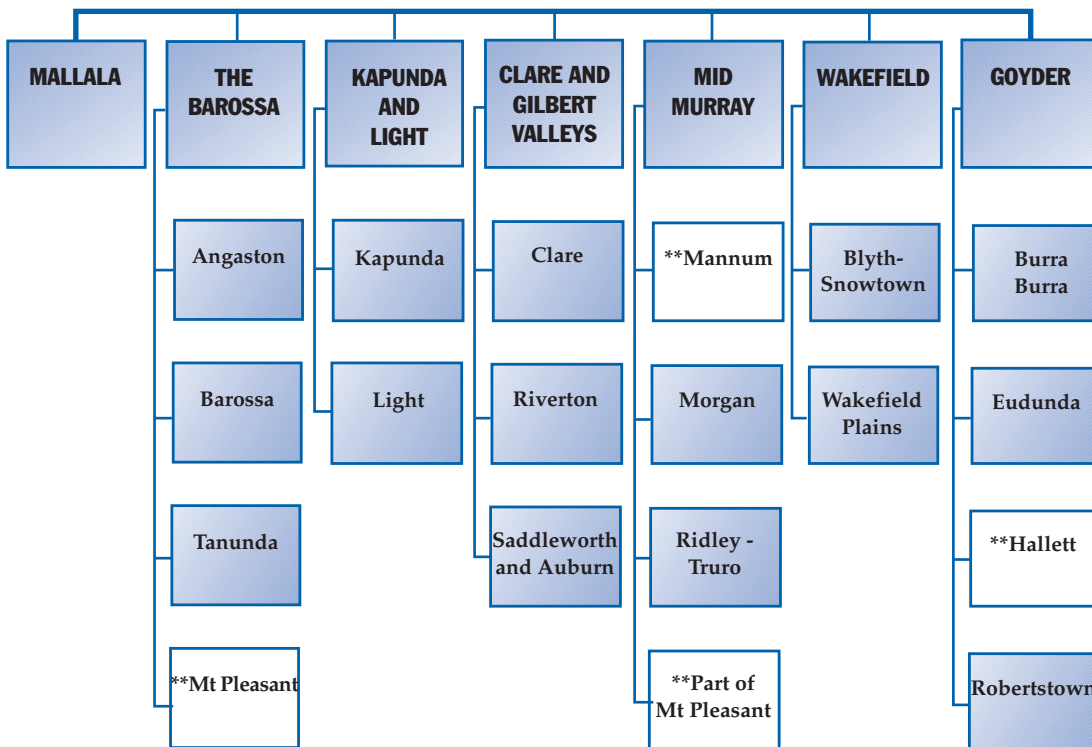
Like many of its constituent members, the regional body's opportunities to serve its constituency will be enhanced by the larger pool of financial resources it will now command and the commonality of purpose those resources will support. The budget for the Central Region for 1998–99 is just about double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

SUMMARY

The consultants have concluded as follows:

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

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



**Not part of the Mid-North Region

FIGURE 9: MID NORTH REGION — RESULTS OF AMALGAMATION

4.6 CITY OF ONKAPARINGA



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

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

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

THE PROCESS

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

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

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

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

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

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

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

Governance

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

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

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

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

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

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

Staffing

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

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

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

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

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

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

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

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

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

Strategic directions and policy

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

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

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

Service provision

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

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

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

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

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

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

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

Finances

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

The issues can usefully be discussed under the following headings:

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

These issues are addressed in turn below.

Rating

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

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

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

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

** Calculated on data before rounding

From Table 9 it can be seen that:

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

The Council has made no decisions on future rate levels, beyond an intention to fully equalise between the three areas by not later than 2002–03 as originally planned. The position will be different for individual ratepayers or categories of ratepayers depending on changes in land values, a notable example being owners of grape-growing properties, where values have been increasing significantly. It seems likely that these aspects will remain an issue for the Council for some time.

The broad conclusion to be reached is that a modest, but by no means insignificant, start has been made in the direction of reduced rates.

Expenditure Savings and the funding of initiatives and improved services

The Council has advised that it is not possible to analyse its financial data to produce a reliable estimate of savings in a gross sense or to identify what amount of those savings has been spent on new or additional services and how much has ‘gone to the bottom line’.

However, the following table, based on data provided to the consultants by the Council, illustrates developments to date in relation to aggregate operating payments.

TABLE 10: AGGREGATE OPERATING PAYMENTS FOR THE CITY OF ONKAPARINGA

	1996–97 (a) \$MILLION	1997–98 (b) \$MILLION	1998–99 (c) \$MILLION
Total operating payments (d)	46.3	51.3	48.9
Less			
Interest payments	1.0	2.1	2.3
Redundancy payments and other ‘abnormal’ items (e)	-	3.6	2.0
Leaving	45.3	45.6	44.7

(a) Three Councils combined.

(b) Near-final estimates.

(c) Budget estimates.

(d) Not including depreciation and losses on sale of assets.

(e) Includes water catchment levy and expenditure from 'once off' grants.

After excluding interest and 'abnormal' items, operating payments are budgeted to be slightly lower in nominal terms in 1998–99 than the total for the three Councils pre-amalgamation. After allowing for inflation, this represents a real terms reduction of the order of 4 to 5 per cent.

One of the significant contributions to savings has come from staff reductions (about 35 FTE's to date), which are estimated to have an annual value of \$1.8 million.

The expenditure data quoted above incorporate the effects of improved service levels or new initiatives. Some examples referred to by the Council include increased graffiti program service levels (\$200 000 per annum), subsidies to the McLaren Wine Centre (\$75 000), improvements in cleaning public toilets and street sweeping, major economic development initiatives (\$380 000), improved arrangements for quarterly rating and post office rate collection. As mentioned earlier, the level of expenditure on improved service levels or new initiatives has exceeded that anticipated in the amalgamation proposal, a point which has placed some pressure on the new Council's budget.

In summary, there is evidence that significant savings in operating expenses have been made, some of which have been allocated to higher priority expenditures.

Borrowing and Debt Levels

The Council's net borrowing in a year is equal to the difference between cash receipts and cash expenditures, and may be positive or negative. In the former case, net debt will be increasing and, in the latter case, reducing.

Aggregate net borrowings by the three Councils concerned in 1994–95 and 1995–96 were low and, hence, there was a quite stable level of net debt over those years. Net borrowings in 1996–97 by the three Councils combined were relatively large (\$11 million) and this continued in 1997–98 (\$9 million). This has led to a large proportionate increase in the net debt level at June 1998 compared with June 1997 (about a 60 per cent increase). The Council's budget for 1998–99 is, however, based on low net negative borrowing and, hence, little change in the net debt level over the year.

However, the point to be emphasised is that, even after the large increase, in proportionate terms, the Council's debt level at June 1998 is certainly well within the acceptable range. To illustrate the point, Onkaparinga's estimated net debt at June 1998 works out at about \$190 per head of population. For all metropolitan Councils, combined net debt at June 1997 was about \$150 per head, with the highest (leaving aside Adelaide City Council as a special case), about \$300 per capita (the lowest being negative). These figures compare with the State Government's debt per capita of about \$5 000.

Net interest payments in 1998–99 are estimated at \$2.0 million, which represents about 2.8 per cent of the Council’s estimated revenue in that year — clearly a sustainable position.

It should also be noted that both the City of Happy Valley and the District Council of Willunga had budgeted for deficits in future years which would have led to an increase in debt levels for these Councils had the amalgamation not gone ahead.

One of the favourable aspects of the Council’s position reflects the structure of Noarlunga’s debt (the largest component of the new Council’s debt) prior to the amalgamation. It had wisely done two things — namely, borrow some of its funds in inflation-linked form (leading to low interest costs with CPI increases now so low) and repaid some long term fixed rate debt rather than hold large cash balances and investments, as is the practice in many other Councils in the State.

In the consultants’ view, there is no reason for concern in relation to the Council’s debt levels.

Transitional and Operational Issues

The new Council has met a number of financial challenges since amalgamation.

The most important, in policy terms, has been the extent of community expectations about the magnitude of the financial resources released by the amalgamation. The practical outcome has been an enormous expansion in requests from the community for services which, to be satisfied, would require significant budget allocations.

On the operational side, a substantially new finance staff has had to cope with a new computer system, a new and developing strategic planning process, a steep learning curve with regard to the volume and size of financial transactions and staffing levels designed to cope with an environment which has been anything but stable.

In the circumstances, the achievements have been substantial.

Fiscal Equalisation

One of the principles embedded in Australia’s system of public finance is fiscal equalisation — the notion (briefly stated) that residents in one State or Local Government area should be able to enjoy similar standards of services to those in other areas without having to pay higher rates of taxes or charges. Unfortunately, the arrangements in place at the Local Government level are imperfect because of an inadequacy of funds available, meaning that the equalisation objective has not been fully achieved.

One of the benefits of this amalgamation is that it has combined areas with differing levels of fiscal capacity and need, for example that property values per capita are about 15–20 per

cent higher in the Happy Valley area than the Noarlunga area. As rates and services are brought into line across the whole of the new Council area fiscal equalisation objectives are advanced and equity enhanced.

This represents a favourable feature of amalgamations not often discussed, but nonetheless significant.

Community Relations

Another of the early priorities for the new Council was to pay particular attention to its community relations. The management of the organisation has recognised that the process of amalgamation can alienate some sections of the community and that the earliest period of the new Council would be the most critical, for establishing good relations across the whole Council area.

Comments received during the course of this study indicate that, in general, the community recognises that the Council has 'worked very hard' during its first year to adopt an inclusive approach with its community.

The City of Onkaparinga has implemented a number of initiatives aimed at providing information to, and gaining feedback from, their community.

Community Forums

The City of Onkaparinga has established seven Community Forums, spread across its area, aiming to provide an opportunity for a two-way exchange of information between the Council and its community.

The forums were established, in part, to address potential community concerns about loss of representation resulting from the lower ratio of elected members to the community, and they have attracted good support and attendance from the Council's elected members.

The forums have been established as resident groups independent of Council, and they are managed by organising committees which set the venue, and the agenda. The forums, to date, have been supported by a considerable level of resourcing, from across the whole Council, to assist in their operation and to provide a high level of information.

Each forum has been different in its operation but, in general, they have gained good community acceptance. The initiative is currently in a pilot stage and will be subject to review early in 1999.

The consultants' discussions with the convenors of each of the forums indicated that, in general the community feels that they have, been a successful means of establishing a community voice to the Council.

Media Relations

The new Council has adopted a very open approach with the media to establish the image of being an organisation which is 'accessible'. Senior managers are all available to the media and provide information and comment on issues as required. Not surprisingly, in the case of the formation of the largest Council in the State, there have been, during the first twelve months of operation, a number of issues concerning the new Council that have been taken up by the media. The Council has worked through these issues and provided access to information and comment. The organisation believes that it has established the basis of a good ongoing relationship with the media.

Southern Partnership

The Southern Partnership is a forum comprising all local Members of Parliament (Commonwealth and State), the Minister for Local Government, the Council's Mayor and City Manager, and an independent Chairman. The forum brings together the three spheres of government for the purpose of advancing the economic, social and environmental future of the southern region of Adelaide.

The Southern Partnership is in its early days of operation and has identified a number of priority areas for action, including:

- tourism
- economic development and industry plans
- employment
- environment (including water and coastal management)
- urban design
- education.

The significance of this initiative relates to the impact that such a large Council has in being able to draw together political support at all levels of government to advance its programs and initiatives.

Economic Development

One significant area of initiative in the new Council is worthy of specific mention. The City of Onkaparinga has placed considerable emphasis on economic development programs and has sought to take advantage of its size to take on a higher level of responsibility for them.

Business Enterprise Centre

In parallel with the formation of the City of Onkaparinga has been the rationalisation of economic development activities in the southern region of Adelaide. The former Southern Development Board, which covered the areas of the Noarlunga, Willunga, Happy Valley, Brighton (all now part of amalgamated Councils) and Marion Councils, has now ceased to

operate and the City of Onkaparinga has taken up the provision of business advisory services to enterprises, through the establishment of a Business Advisory Centre, previously provided by the Board.

The State Government, which previously provided funding to the Southern Development Board, now provides some funding support to the Council, effectively creating a State/Local Government partnership for the provision of economic and business services. In the first two years of the partnership, the total level of State funding to the Council (for both the Business Advisory Centre and an Export Extension Service) will be higher than previously provided. However, it is expected that this funding will reduce in the medium term.

It is significant that this partnership has come about as a direct consequence of the Council amalgamation and the fact that the City of Onkaparinga is now an entity of a size that rivals many State agencies. Both the Council and the State Government are keen to monitor the progress of this relationship as a model for the provision of economic development services in other areas.

Export Extension Service

The Council is in the process of establishing an Export Extension Service, partly funded by the State Government, as a means of assisting local businesses in the area to reach export markets. Once again, this initiative is an example of State/Local Government cooperation in an area where they have joint objectives and is a direct consequence of the amalgamation of three large Councils to form the largest Council in the State.

Enhanced Major Projects Activity

While each of the former Councils, and indeed many other Councils in the State, devoted resources to facilitating major projects, the larger size of the new Council has provided more opportunity to devote resources to these projects. The larger Council has been able to set up a team of appropriately qualified and experienced staff to provide professional assistance in working with the private sector and the State Government on major projects.

Relationships with Other Organisations

One of the areas where the City of Onkaparinga recognises its potential but acknowledges that it has a lot further to go yet, is in its relationships with other organisations. Earlier in this study, it was noted that the new Council rivals many State agencies in its size and resourcing and so has the potential to exert quite a deal of influence over the various programs delivered in its area. Furthermore, as the State's largest Council, it would be expected to assume a position of leadership generally in the local government community.

This clearly is an area in which it is too early to judge the Council. In its first year of operation, the organisation has adopted a focus on 'getting its house in order' and this is clearly an appropriate priority. As the organisation settles down, however, and its

programs become well established, the Council should be expected to play a bigger role in Local Government, other regional and government activities. Certainly, its size and status positions it well to do this and its senior managers and elected members have a good understanding of this. In this regard, the Council considers it more likely that it will forge its own relations and partnerships with State agencies and it is currently pursuing these. On the other side of the relationship, it should be expected that other organisations will change their approach to the City of Onkaparinga — comments received from senior staff suggest that this is already happening.

As stated earlier, it is too early to determine any significant changes in the relationships between the City of Onkaparinga and other organisations, but it can be asserted with confidence that the Council is well placed to adopt a very influential position in terms of services and programs in the southern areas of Adelaide.

OVERALL OUTCOMES

In examining the current 'state of play' with respect to this amalgamation, it is important to recognise that it is 'early days yet' for the City of Onkaparinga. The information contained in this case study is, therefore, necessarily of a descriptive nature. It is, however, appropriate to examine the processes that are in place and their likelihood of producing outcomes, in lieu of measuring actual outcomes. In the case of the City of Onkaparinga, it may be several years before some of the important changes that have been introduced as a result of the amalgamation are able to be concretely measured or definitively assessed.

It is clear, however, from a number of indications to date, that the amalgamation has been, and will continue to be, a success. The new Council:

- has successfully faced many challenges in its first year of operation while still maintaining effective services
- has achieved significant savings in staff levels
- has successfully embraced both elected member and senior management inputs in establishing its strategic directions
- has satisfied its community that it can provide good representation with fewer elected members and larger wards
- has set in place an appropriate organisational structure with dedicated staff
- shows enthusiasm for, and an understanding of, the task of establishing a new organisation
- has an appropriate strategic planning framework in place, laying the foundations for sound operations in future years

- has integrated its strategic, business and financial plans
- has established high standards against many of its operational requirements, for example, top rating in the October 1997 WorkCover audit and continuing downward trends in accident frequencies and lost time due to accidents
- has increased the level and standard of service provision
- has taken on a significant involvement in new areas which would not previously have been possible, to the same extent, such as economic development
- has delivered some rate reductions in each of the three former Councils areas
- has recognised the importance of, and allocated a priority to, fostering good relations with its community
- has established an open approach and good relations with the media
- is financially sound — in particular (and contrary to some publicity which the issue has received), it has a low level of net debt and a low proportion of its revenues that need to be dedicated to interest costs; rates have been reduced and the real level of aggregate operational expenditure reduced
- understands the need for balance between the provision of increased services and reducing or maintaining rates in the immediate future
- recognises its potential as a leader in the Local Government community
- recognises its potential to redefine its relationships with other agencies, in particular, with the State Government. In this context, the City of Onkaparinga is well placed to take a leading role in the discussions and consideration of functional reform.

Notwithstanding these achievements the City of Onkaparinga faces a number of challenges in the immediate future including:

- 'living up to' community expectations as a result of the amalgamation
- the establishment of a long term financial plan for the Council
- the need for sensitivity in the distribution of service improvements across the Council area
- achieving balance between increased service delivery and reduced costs for ratepayers
- dealing with the effects of high unemployment in the Council area
- servicing an area for which the previously high rate of population growth is slowing significantly
- achieving a balance between economic growth and population growth
- blending diverse elements of the community into one regional entity.

SUMMARY

The formation of the City of Onkaparinga establishes a case study for the operation of large metropolitan Councils in this State. In time, there exists the opportunity for the City of Onkaparinga to position itself as an organisation that:

- achieves a balance between the economic, social and environmental needs of its community
- is receptive to the localised needs of its people
- provides value for money
- makes a very strong contribution to debate about, and the successful resolution of, issues in the State's public sector broadly defined.

It will be some time before it is possible to truly assess the extent of the success of this amalgamation, but at this stage there is every reason for confidence.

4.7 WATTLE RANGE COUNCIL

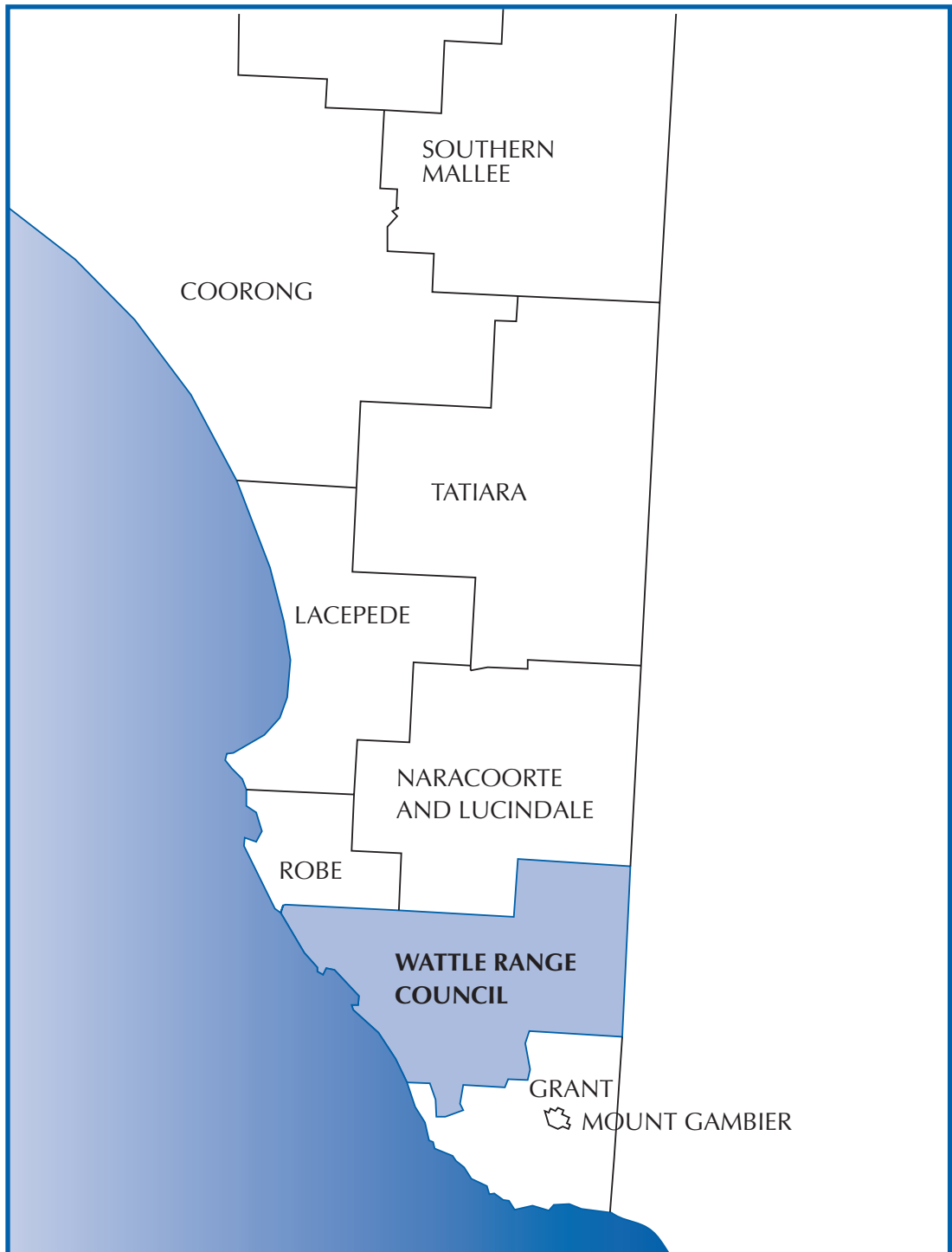


FIGURE 11: WATTLE RANGE COUNCIL IN THE CONTEXT OF NEIGHBOURING COUNCILS

The Wattle Range Council was formed from an amalgamation of the District Council of Beachport, the District Council of Millicent and the District Council of Penola in July 1997. The new Council comprises 4 Wards, 11 Councillors and a Mayor.

SERVICE PROVISION AND DELIVERY

The amalgamation proposal identified a number of service areas that would benefit from an expansion of service delivery. The three principal areas identified were:

- environmental services
- corporate services
- economic and community development.

Major Service Delivery Advances

The development of information technology connections across the Council area has been a major achievement resulting from the amalgamation. The development of a wide area network has enabled internet and e-mail access for the whole organisation, with linkages to all customer service centres. Extensively utilised 'public use terminals' in the library network, and the formulation of a strategy for the Council to facilitate the establishment of an internet service provider, are excellent examples of technological initiatives facilitated by the new Council. With an initial implementation cost of approximately \$170 000, it is unlikely that the three previous Councils would have had the internal resources and funding capability to implement the recent and future actions planned by the larger authority.

The Corporate Services Department has reduced its workforce by 6.7 FTE, through natural attrition. The savings generated have largely been attributed to the reduction of duplication and the centralisation of administrative functions.

The addition of a full time professional accountant has enabled increased financial management and control. The introduction of responsibility accounting and monthly reporting are two positive initiatives.

The advantages of a merged outside workforce have become apparent and include:

- increased resources have enabled greater specialisation in particular activities while maintaining the opportunity to multi skill as required
- rationalisation of the plant has meant greater outputs and returns from high cost capital equipment
- the best work practices from the individual workforces have been incorporated into the larger unit
- the workforce is better resourced to undertake the work and can perform activities more confidently

- the workforce can have the confidence to take on 'bigger' jobs not previously undertaken
- the use of technology has increased the standard and quality of service, including Civil CAD, Auto CAD and Para Map
- more effective work planning
- increased customer focus
- greater focus on relevant training for the workforce. Smaller Councils traditionally could not allocate time and resources to cover the workforce whilst in training.

Specialist staff have been appointed to the building, health and planning functions and early advances have been made in a number of areas, including upgrading the Effluent Disposal Schemes in three towns to recognised standards, better integration of waste management, and development of Local Agenda 21 initiatives.

Consultations with senior management and elected members indicate that the above initiatives would not have been achieved prior to amalgamation and that overall service levels have increased.

IMPACT ON COMMUNITIES OF INTEREST

While there are commonalities between the three main towns, all agree they each have a unique emphasis. This diversity has encouraged the new Council to address community needs in a broad but integrated fashion.

There is clear acceptance and ownership from the Beachport, Penola and Millicent communities of the Wattle Range Council and this supports the theory that larger Councils can reflect the needs of diverse communities provided that adequate communication mechanisms are introduced.

While supporting and enhancing the individuality of its communities, the Council has been successful in 'overlapping its corporate and total community image' across all communities.

The introduction of Community Consultative Advisory Committees under section 39 of the Act has proven successful in ensuring local input. Initially introduced to wards covering the former Penola Council and the former Beachport Council areas, an additional Committee has been established covering the Millicent town and surrounds.

FINANCIAL MANAGEMENT

The amalgamation of the former Councils has led to improvements in liquidity and debt management and the successful implementation of a new rating strategy. These achievements have been reinforced in the current financial year by Council's further commitment to asset rationalisation, in order to maintain low levels of debt and continue the process of consolidation.

There has also been a marked improvement in financial control and accountability with the development of a new departmental budget structure and better financial reporting methods.

Although these achievements are significant, there will still have to be careful management control of the 1998–99 budget to meet the unforeseen increases in expenditure arising in the previous financial year.

To analyse the financial impact of the merger, financial data were collected for the former District Councils of Beachport, Millicent and Penola in the 1996–97 financial year and current financial data on the Wattle Range Council in the 1997–98 financial year. The 1996–1997 financial year totals for each of the former Councils have been combined and a number of ratios have been used to make a comparison against performance of the Wattle Range Council in its first year of operation.

Rates

The amalgamation has resulted in significant rate reductions, as indicated in Table 11. Rate revenue decreased overall by 5.6% between 1996–1997 and 1997–1998. The reductions in rate revenue were due to rate capping in the 1997–1998 financial year and the adoption of the first phase of a three-year strategy to equalise rates.

TABLE 11: RATING PERFORMANCE OF WATTLE RANGE COUNCIL

RATIO	1996–97 MILL/BCH/ PEN	1997–98 WATTLE RANGE	ACTUAL VARIANCE	% CHANGE
Total Rate Revenue	\$5 514 182	\$5 202 013	\$312 169	- 5.6%
Average rates per capita	\$430	\$410	\$20	- 4.6%
Average rates per assessment	\$710	\$671	\$39	- 5.4%

In line with this strategy, overall rate revenue in the 1998–99 financial year has increased by the following percentages indicated in Table 12, with Penola residents taking on a significant increase in rates. This is particularly relevant for rural properties of Penola which have had their rates increased by 15.5%.

TABLE 12: PERCENTAGE INCREASE OF RATES FOR WATTLE RANGE COUNCIL

RATIO	FORMER DC BEACHPORT	FORMER DC MILLICENT	FORMER DC PENOLA	TOTAL DC WATTLE RANGE
Rate revenue for a 1998–99	\$1 008 422	\$2 033 184	\$2 243 388	\$5 284 994
% Rate increase from a 1997–98	0.5%	0.5%	10.9%	1.5%

Liquidity

The new Council has slightly more liquidity than the combined former Councils with a 7% improvement in its liquidity ratio from 1.198 in 1996–97 to 1.291 in 1997–98.

The liquidity ratio is primarily a ‘risk’ indicator that focuses on an entity’s ability to satisfy its short term obligations. Though it is not uncommon for Councils’ liquidity ratios to measure between 2.5 and 3.5, the liquidity of the new Council is still quite manageable, particularly as it has significant cash reserves.

TABLE 13: LIQUIDITY RATIO FOR WATTLE RANGE COUNCIL

RATIO	1996–97 MIL/BCH/PEN	1997–98 WATTLE RANGE	% IMPROVEMENT
Current Assets/Current Liabilities	1.198	1.291	7%

Gross debt position

Total loans outstanding have decreased significantly since the amalgamation. The new Council has consolidated after the merger and taken a responsible view to debt reduction. This is demonstrated by the fact that the principal paid on debt (excluding self servicing debt) was \$604 000, as compared with new borrowings of \$272 000.

The Council also demonstrated its commitment to debt reduction with the sale of a number of Council houses which realised approximately \$400 000, all of which was used to offset a budget deficit brought forward from the combined Councils. Furthermore, Wattle Range Council is now considering several commercial asset sales to further reduce debt.

TABLE 14: GROSS DEBT POSITION OF WATTLE RANGE COUNCIL

RATIO	1996–97 MILL/BCH/PEN	1997–98 WATTLE RANGE	ACTUAL VARIANCE	% CHANGE
Loans outstanding end of financial year	\$4 488 514	\$4 245 100	\$243 414	- 5.4%
Loans per assessment	\$578	\$547	\$31	-5.3%
Loans per capita	\$349	\$334	\$15	- 4.2%
Finance charges as a % of rates	6.4%	0.4%	6.0%	- 93.7%

Amalgamation Savings

During the 1997–98 financial year, Wattle Range Council was unable to meet the financial savings that were projected in the amalgamation proposal. The savings that were made in governance costs and staff reductions have been largely offset by a corresponding increase in services. This has led to higher expenditures, including new computer systems, the employment of a full-time accountant, the establishment of a new office for the engineering group and the leasing of eight new vehicles.

MANAGEMENT AND ADMINISTRATION

The development of a sophisticated Corporate Plan that is linked into a total planning process is a major achievement of the new Council. The Corporate Plan identifies the vision, mission, objectives and strategies for the new Council. It also incorporates detailed action plans that state responsibilities, timeframes and resource requirements.

A proactive management team is clearly supported by a high level of delegation from the elected members. This is enabling much quicker response times to the community and creating a ‘can do’ culture for the new Council.

Essential management policies, procedures and internal controls have been formulated.

Council executives are on term contracts, which incorporate annual performance reviews.

Management skills and expertise have improved along with the capacity for the Council to achieve more.

The economies provided by a larger unit have enabled management to specialise in the area of greatest expertise, for example, in Corporate Services. The new Chief Executive Officer has been able to devote more time and energy on strategic issues such as regional development and employment creation.

ECONOMIC AND REGIONAL DEVELOPMENT

It is the consultant's view that one of the greatest single benefits to the community from the creation of Wattle Range Council has been the emphasis placed on economic development. Employment creation is a corner stone to the vision of the new Council. The Council has engaged consultants, at a cost of \$75 000, to undertake the development of the Wattle Range Council Economic Development Plan (WREDP).

The merger of the three Councils has provided the impetus for this integrated approach to economic development and employment creation. The WREDP will incorporate strategies to work with existing local groups to initiate actions, while ensuring linkages to a regional approach.

While the development of the WREDP will provide the framework for economic development in the future, there are already examples of Council's positive approach including:

- the Council is proactively assisting the development of a hydroponic and mushroom processing plant at a site made vacant through relocation of an existing business six years ago
- facilitation of a local business partnership to reopen a vacant pulp mill as a timber processing plant, potentially creating 60 jobs
- identification of land and creating financial incentives to promote the development of 'Teletrak' (straight-line racing) in Millicent
- applied for \$500 000 grant funding for a new boat ramp at Beachport.

GOVERNANCE

There is a general perception among elected members that an increased elector per Councillor quota (851) has not had an adverse affect on the new Council or elected member workload.

Elected members, however, indicated that their overall workload had increased as the Council became more proactive over a number of areas (for example, regional development). Increased travel and requirements to attend more meetings was becoming a significant issue.

Most elected members indicated that their role was changing, as the new Council had become more sophisticated. Increased delegations to expert staff have resulted in less time spent on 'small issues' with more emphasis on policy and higher level issues and objectives.

Elected members reinforced the view that the increase in expertise of the new Council resulted in them being better informed. However, more complex information has placed an increased responsibility on elected members to improve personal knowledge on a broader range of issues.

Councillors from the previous 'smaller Councils' of Beachport and Penola felt that less representation (in comparison with Millicent) had not affected their communities adversely. Indeed, it was stated that the additional resources and expertise enabled more to be achieved.

Independent and objective debate and input to decisions in relation to other towns or areas were cited as a major benefit to good governance.

Benefits of the amalgamation identified by the elected members included:

- more specialised staff
- greater capacity to fund large projects over time
- increased ability to react to opportunities quickly
- increased support to community groups
- greater focus on employment creation.

Issues of concern included:

- some new staff took time to get the 'feel' of the community
- inconsistent policies between the three previous Councils caused problems. This is particularly the case for sporting clubs which were used to different levels of Council support.

SUMMARY

The Wattle Range Council has provided real benefits to its communities that would not have been achieved without amalgamation. A strategic approach to information technology and regional economic development are a direct result of the merger of the District Council of Beachport, District Council of Penola and the District Council of Millicent.

The many governance issues identified prior to amalgamation have turned out to be non-issues in practice. The diversity of the Council area is proving to be a bonus, and actually is strengthening Council.

Good management, strong political leadership and more specialised resources have provided the mechanism for the ongoing provision of increased and improved services.

4.8 CONCLUSION

Each of the above case studies are interesting, but for different reasons:

- **Federation of North Eastern Councils:** a corporate body formed to provide administrative services to two low population rural Councils (Orroroo-Carrieton and Peterborough) is the only arrangement of this kind in the State
- **City of Holdfast Bay:** a merger firmly based on a strong communities of interest yielding what is still a relatively small Council in terms of size and population, achieving significant capital and productivity gains, and could be regarded as a quiet success story
- **the Mid North Region:** here structural reform was approached on a regional basis, leading to a high degree of amalgamation ('17 into 7'), in a coordinated fashion and relatively smoothly. After amalgamation, these Councils remain quite small (measured by population) compared with Councils in the metropolitan area; this and other factors have led to a decision to strengthen regional arrangements
- **City of Onkaparinga:** three Councils, already relatively large in population terms, combined to form what is easily the most populous Council in the State (30 per cent more so than the next largest), thus providing a model for the operation of large metropolitan Councils in South Australia
- **Wattle Range Council:** acknowledges very different communities of interest between the three main towns, but has turned the diversity into a strength, and shown that larger Councils can reflect the diversity of communities provided that appropriate communication mechanisms are in place
- **Adelaide Hills Council:** a Council expecting to participate in further boundary change but thwarted by various factors operating in the post-amalgamation climate, thus reinforcing the need for the next round of Local Government reform (including structural reform) to be based on a broader, more strategic approach.

The case studies selected by the Board illustrate a variety of approaches to structural reform, and accordingly, different outcomes. The following discussion assesses these outcomes in terms of the Board's overall evaluation of structural reform, and specifically its legal requirement to report on:

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

THE EXTENT TO WHICH THE OBJECTIVES HAVE BEEN ACHIEVED

A frequent theme in the work undertaken by the consultants to produce these case studies was that it was 'early days yet' for the amalgamated Councils. For example, the City of Onkaparinga was formed on 1 July 1997, the Federation of North Eastern Councils in October 1997, the City of Holdfast Bay commenced in January 1997, and Wattle Range in July 1997. In some cases, Financial Statements for 1997-98 were not available and in most instances, budgets for 1998-99 had not been brought down. This is reflected by much of the material in the case studies being of a general or qualitative nature.

There was a view by the consultants that it may be several years before some of the important changes coming out of these amalgamations and other arrangements are able to be measured or assessed in a more definitive way. This has certainly been confirmed in the information sessions the Board held during 1998 with amalgamated Councils (covered in section 3.4). The Board agrees with the view expressed by one of the consultants that one of the most important questions at this stage is, perhaps, not so much how new arrangements compare in precise terms with the old ones or how results to date compare with what was predicted — especially financial savings — but how well they are positioned to deal effectively with the future. This unavoidably involves some degree of subjective judgement.

As suggested earlier, the Board believes that it is important that all these case studies are followed-up in the future, to test how things have subsequently evolved.

Rather than repeat the main conclusions from these case studies, the Board wishes to focus on three key issues.

The first issue relates to structural reform's contribution to strengthening Councils. The Board believes that these case studies add further weight to the argument that structural reform has increased Councils' capacity to play a significant role in the State's broader agenda for economic and community development, particularly in the regions. Both Wattle Range and Onkaparinga are notable examples. Clearly, better resourced, larger Councils have the capacity and clout to take the initiative, and are able to exercise greater influence and power in their relations with other spheres of Government. As stated in the case study of Onkaparinga, the new entity is of a size that rivals many State agencies, and it is this size and resource base that offers the potential for the Council to exert influence over the various programs delivered in its area. In recognition of these changes, the State Government has responded by directly funding the Onkaparinga Council to provide economic and business services. This State/Local Government partnership replaces the State Government's former Southern Development Board, and provides a model for the provision of economic development services for other Councils. Potentially, forays into economic development by other powerful regional Councils, such as Wattle Range, can further transform the State's structures and service delivery mechanisms in this area.

The second issue concerns community access to appropriate representation. Importantly, the findings from these case studies have not supported the traditional view that structural reform would create Councils which were anti-democratic and with reduced access to representation. Against all expectations, the City of Onkaparinga and Wattle Range Council have proved that Councils challenged by diversity, size and distance can devise structures to encourage genuine participatory democracy and actually increase the community's access to representation.

Finally, the Board acknowledges these gains need to be balanced against personal, organisational and operational impacts of structural reform. As expected, none of the Councils studied for this project escaped the inevitable disruption, hard work and expense associated with the amalgamation process. Indeed, some are still adjusting to a range of post-implementation issues.

In summary, the Board believes the case studies provide additional evidence that structural reform has achieved the objectives set out in section 17A of the Act:

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

FURTHER AND FUTURE OPPORTUNITIES FOR REFORM

In the Board's view, the case studies highlight some real tensions in terms of further and future opportunities for reform of Local Government. Commenting specifically on structural reform, these opportunities relate to boundary alterations, as well as more substantial changes involving whole-of-Council mergers.

On the one hand, the strengthened regional arrangements in the Mid North of the State are the direct consequence of structural reform, pointing to prospects for ongoing change. Likewise in the South-East, where Wattle Range Council has flagged its intention to explore opportunities not only for resource sharing with adjoining Councils, but also to merge with service delivery agencies, in areas such as community services. Clearly, there are Councils taking the initiative to build on gains made to date under structural reform, by pursuing new opportunities.

On the other hand, the Adelaide Hills Council case study uncovered some of the impediments to progressing boundary alterations, leading to conclusions with implications not only for possible further and future structural reform, but Local Government Reform generally. In particular, the findings conveyed the message that structural reform should be seen as a means to an end rather than an end in itself, a theme developed further in section 7.

Finally, there is the issue of what the case studies tell us about prospects for further and future structural reform of Local Government of a more substantial nature. The Board fully supports the consultants' conclusion from the Onkaparinga case study that it potentially stands as a model for the operation of large metropolitan Councils in this State. However, the findings from the Adelaide Hills case study cast doubt on whether the strategic benefits of Councils like Onkaparinga will be seen to have wider application in the short term. The successful operation of the new Councils will play a key role as a catalyst for future change.