

## 6. THE INTERSTATE EXPERIENCE OF STRUCTURAL REFORM

The following section of the Report draws on material from the inaugural National Local Government Structural Reform Workshop in April 1998. The Workshop was convened by the Board and held in Adelaide. This section briefly describes the status of structural reform in each State or Territory (at that time), summarises the opportunities identified for future reform, and concludes with a 'compare and contrast' analysis.

By comparing and contrasting interstate experiences of structural reform, this section of the Report also contributes to the qualitative evaluation of the process of structural reform of Local Government in South Australia. The Board hopes that, by providing an insight into the effectiveness of the various options used by other States to progress structural reform, this may inform considerations about the possible replacement mechanism for the Board.

### 6.1 NATIONAL LOCAL GOVERNMENT STRUCTURAL REFORM WORKSHOP

The inaugural National Local Government Structural Reform Workshop attracted participants from all over Australia, and the interest of the Commonwealth National Office of Local Government. The workshop profiled structural reform initiatives in each State and the Northern Territory, and explored the advantages and disadvantages of each approach. It concluded with a general discussion on future reform initiatives.

A list of participants at the workshop can be found at Appendix M.

Some of the main themes that emerged during the workshop were:

- Local Government's role as an agent for change
- drivers for change
- preserving a sense of community in change processes
- financial reform
- roles and responsibilities between spheres of Government
- future role of Local Government.

#### NEW SOUTH WALES

New South Wales drew attention to the different pattern of Local Government development in that State, highlighting an approach to reforming the legislation rather than the boundaries.

In 1906, New South Wales had 328 Councils, but this figure has since been reduced to 177.

Presenters highlighted the size of Councils, with 19 exceeding a population of 100 000, and, of those, two exceeding 200 000. The average population per Council area is around 35 000.

New South Wales has a Boundaries Commission with the power to review and recommend changes to Council boundaries in accordance with a reference from the Minister. It does not have the power to initiate its own inquiries.

Current voluntary structural reform is aimed at minimising community disruption. It recognises the benefits of Councils themselves addressing structural reform, rather than relying on another sphere of Government to intervene. The Local Government Association of New South Wales is actively exploring the issue of voluntary structural reform with Councils by encouraging:

- workshops
- discussion papers
- seminars
- providing facilitators to assist Councils engage in broad discussions with their neighbours on ways to work together more effectively to provide better services to their communities.

About 100 Councils have been involved in this process, with four groups of Councils currently involved in substantial projects.

There is no legislative or financial support from the NSW Government, and the process is purely voluntary. New South Wales acknowledged, and gave particular recognition to, the progress of reform in South Australia and Queensland.

### **NORTHERN TERRITORY**

The Northern Territory, which covers one sixth of Australia's land area, has a population of 180 000.

Only five per cent of Territory land is incorporated into Local Government areas, but that land carries about 90 per cent of the population.

About 40 000 Aboriginal people live on Aboriginal land. The Aboriginal communities have small Local Government units, mainly constituted as 'Associations', rather than formally incorporated.

The Northern Territory LGA has issued a comprehensive Local Government reform agenda with plans to establish a joint Territory/LGA Steering Committee to oversee the process of implementation.

### **QUEENSLAND**

Queensland presenters outlined how voluntary structural reform proposals had been examined and assessed by departmental officers prior to the establishment of the Electoral and Administrative Review Commission in 1989.

The establishment and work of the 1992 Office of the Local Government Commissioner, and its demise in 1996, received considerable attention. Under the process, the Commissioner accepted references from the Minister and 34 reviews were conducted, resulting in seven newly amalgamated Councils. Queensland now has 125 Councils and 31 Aboriginal and Islander Councils.

Currently, the reform process involves the Electoral Commissioner and allows for the establishment of panels to deal with proposals submitted. The future of Local Government structural reform is likely to be more about self-help and cooperating, similar to the process in South Australia and New South Wales.

## **VICTORIA**

The Victorian experience has been widely discussed in Local Government circles throughout Australia.

Attempts at structural reform were made in the 1980s, but they were unsuccessful, with Local Government in Victoria remaining virtually unchanged until 1993. Since then, the number of Victorian Councils has dropped from 210 to 78.

The representative from the Department of Infrastructure said reforms were directed 'towards improving sector performance by providing opportunities for economies of scale, by achieving operating efficiencies, and by enhancing accountability of Local Government to its communities'. Boundary reform, compulsory competitive tendering and accountability mechanisms (corporate planning, business planning, service charters and the introduction of performance indicators) were instrumental in achieving these objectives.

Victoria has begun to introduce comparative performance indicators across Councils and a survey of 30 000 Victorians had recently been undertaken to gauge perceptions of the performance of Councils.

The process allows the Minister to determine minor boundary variations. The legislation also has the capacity to establish a Local Government Panel for any purpose, including significant boundary changes.

Local Government in Victoria was identified at the workshop as a much more powerful environmental advocate than it was as 210 individual organisations.

## **TASMANIA**

The Local Government Advisory Board was established in the late 1980s and has a more formal relationship with Councils than the South Australian Local Government Boundary Reform Board. The consultation process is predominantly in the form of public reviews of Councils, as referred by the Minister.

Boundary changes can only occur on the recommendation of the Board, and, since the early 1990s, it has had considerable success in reducing the number of Councils from 46 to the current number of 29. In June 1997, the Commonwealth's 'Nixon Report', recommended that there should be eight mainland Councils, plus King Island and Flinders Island.

Two months earlier, the Tasmanian Government's 'Direction Statement' was released proposing wide-ranging public sector reform. For Local Government, this included a reduction in the number of planning schemes and financial reform. Terms of reference were established for structural reform, with suggestions including that there be no more than 15 Councils. Natural catchment boundaries were proposed, with common links of interest and economies of scale.

Following the workshop, the Tasmanian Government announced, in June 1998, that Local Government amalgamations will proceed, reducing the States' 29 Councils to 14. The new boundaries will be effective from 1 September 1998.

## **WESTERN AUSTRALIA**

The Local Government Advisory Board was established under the Local Government Act in 1995. The Board's functions include consideration of structural reform proposals and it advises the Minister for Local Government. It is also involved in reviewing ward boundaries and representation. Proposals can come from the Minister, Local Government itself or the community, but cannot be initiated by the Board.

The Board can conduct informal inquiries, receive public submissions and convene public meetings and forums. It assesses the merits of a proposal against prescribed criteria which include community of interest, physical features, demographic trends, and economic factors.

## **6.2 COMPARE AND CONTRAST**

The workshop highlighted the considerable variation among jurisdictions in Australia in approaching structural reform, as well as their relationship to the broader agenda for Local Government reform. Although both similarities and differences in approach were evident, they can be interpreted in the context of two 'partly overlapping' waves of Local Government reform:

- 'first wave innovation' in the period from the early to mid-1970s to the mid 1990s, in structure, powers and responsibilities; in changing patterns of public participation; the organisation of the local financial system; in occupational structure and workforce management
- 'second wave innovation' in the period from the mid-1980s into the next century, in strategic capacity building; regionalisation; and renewing governance. (Gerritson & Osborn, 1997)

## LOCAL GOVERNMENT'S ROLE AS A CHANGE AGENT

A central theme in the workshop's keynote speech, the question of Local Government's leadership role in reforming itself, also fed into the plenary session's discussion about the future role of Local Government.

While there was recognition that in some areas Local Government had been at the forefront of management reform, in general it was not driving reform, but being reformed. Although internal and some external reform had been achieved, this related largely to management. It was not about the big picture, including the structural and functional context within which Local Government operates. There was also a perception that, while Local Government was not driving the reform agenda, it often assumed the mantle of change once it was clear there were no alternatives.

It was suggested that Local Government needed to 'put itself back on the agenda', not by attempting to defeat changes that governments are trying to make, or to fight the trends that are driving other governments to reform Local Government, because that would be futile. Rather, Local Government needed to demonstrate it had the ability to change itself, jointly with others, rather than have change imposed on it.

## THE RIGHT MECHANISM

It was evident from the workshop that the success of the Board in South Australia had generated a great deal of interest in Local Government across Australia. There was general agreement that South Australia's innovative approach to voluntary structural reform — based on facilitation and cooperation, and encouraging leadership by Local Government and its communities — was regarded as a best-practice model for change.

There were doubts, however, about whether South Australia's voluntary model could be applied universally. For example, representatives from one State believed that using a voluntary process would produce some strange outcomes, hence their 'plain map' approach of determining a set number and configuration of Councils. It was observed that in South Australia the voluntary process did not lead to uniformly optimum arrangements. While the Board concedes this point, it believes that imposing solutions by drawing lines on maps is problematic, given that it involves judgements that are necessarily subjective. In other words, there is no right answer that will satisfy everybody.

The success of the single Commissioner model used in Queensland was also noted. Its effectiveness was derived from power and personality. The Commissioner was independent, exercised a great deal of power and was supported by an appropriate level of resources. Appointing the 'right' person provided the opportunity for dynamism. However, investing a great deal of power in one person — especially one who was a dynamic and forceful operator — eventually became a source of political conflict. This was instrumental in the eventual demise of the model. By contrast, the South Australian Board

model has the advantages of ‘safety in numbers’, thus diffusing political conflict. The risk of political conflict aside, the single Commissioner model was judged to have merit mainly for its ability to deliver.

The need for adequate resources, political support, and the ability to operate at arms length from State Governments, were all identified as factors contributing to a successful structural reform program. Where these were lacking, bodies with carriage of structural reform experienced frustration and had difficulty in achieving their objectives. One of the key differences of the South Australian model — one which made a significant contribution to its success — was the level of resources supplied by government.

It was agreed that social, political and, economic considerations have all been influential in shaping the States’ approaches to the task of structural reform. An important observation about the structural reform process in Australia was that, in three States where structural reform occurred, each had major economic imperatives to embark on wholesale reform which were not concentrated solely on Local Government. The various States’ experiences with structural reform imply the need to match the power to the imperative — political or economic — with the Parliamentary framework of the time. A highly interventionist model may be appropriate where political considerations are not such an issue, a voluntary model preferable in a more politically complex environment. To sum up, this equates to what one participant at the Workshop described as the ‘horses for courses’ approach.

In conclusion, the message seemed to be that each process used for structural reform involved trade-offs. The interventionist approach used in Victoria was widely perceived as being undemocratic, yet in the aftermath many conceded that by its swift, decisive actions, results were achieved. In contrast, South Australia’s comparatively low-key and more labour-intensive voluntary approach using the Board in a facilitative role, and involving the elected members and community in the process, attracted criticisms in some quarters for patchy results perceived to be lacking in strategic direction.

There was general agreement that whatever mechanism is put in place to facilitate structural reform in Local Government — or indeed any significant reform — it needs to be participatory and cooperative, and if Local Government is allowed to take ownership and thus have influence over the outcome, there is likely to be a better result.

### **KEEPING IT SIMPLE**

Keeping the process simple was regarded as a critical success factor in structural reform. Concentrating on amalgamations that were easy and manageable is one way to achieve this. For example, it was suggested that where two Councils were discussing an amalgamation option, involving surrounding neighbours tended to increase the number of personalities and add unnecessarily to the complexities of the merger, thereby increasing the chances of failure.

The message seemed to be that structural reform is an evolving process, and people need to feel comfortable about it. Given the massive changes to culture and thinking required, the demonstrated effect of more modest, incremental successes is often powerful.

### OVEREMPHASISING EFFICIENCY AND EFFECTIVENESS

Criticism was also expressed that, generally, the case for structural reform across Australia has placed undue emphasis on economic arguments, particularly about efficiencies in service delivery. This fails to reflect the most important issues of many communities and their Councils, such as governance and urban management. It was also pointed out that for Councils already heavily involved in contracting out, the efficiency and effectiveness gains are not an issue, suggesting that a narrowly-defined agenda for change may fail to gain broad support.

Arguments were also put forward that over-emphasis on driving down the cost of service delivery — through, for example, implementing purchaser-provider models — runs the risk of weakening the institutional capacity of Councils to redefine and reinvent their role in community well-being. Given the focus on cost savings, it was possible that Councils excelling at the purchaser function may not be taking a more strategic longer term view.

### OUTCOMES

The outcomes of structural reform — how they impact and on whom — play an influential role in shaping community perceptions about the success of the structural reform process.

There was agreement that when the benefits of structural reform were diffused, no one feels they will be better off. Under these circumstances, even though people were likely to be marginally better off, they did not feel this way, and therefore failed to lobby and organise support for amalgamation. Often this vacuum is filled by vocal minority groups opposed to amalgamation opportunities.

Unless tackled, this issue will challenge future Local Government reform programs which are based on a more strategic approach and promote region-wide benefits not only for local communities but also for the benefit of the State as a whole.

### THE IMPETUS FOR CHANGE

The imperatives driving structural reform at the local level ranged across the spectrum from sheer survival, to economies of scale, to better resources and increased political power. Queensland was raised as a case, where the main drivers for change were the broader issues of planning for future development in the context of rapid growth and of providing a powerful political institution to handle complex issues of urban management in fast growing communities.

As a powerful force for change, globalisation was seen as creating threats and opportunities for Local Government:

- threats were those common to governments, including pressures to reduce costs,

improve flexibility, and increase the capacity to respond to community demands as other levels of government retreat

- opportunities revolved around community perceptions that Local Government was more important in people's lives than before, that the community was looking to Local Government to take on more, and the prospect that Local Government would benefit from likely future changes in areas of demand and patterns of service delivery.

It was agreed that, regardless of what was driving reform, a fundamental issue is that of engaging the elected members, Council staff and the community in understanding the importance of these imperatives. In other words, how to find the right levers to generate support to proceed with necessary reforms is a critical issue.

### **FUTURE ROLE OF LOCAL GOVERNMENT**

Much of the workshop's discussion on the future role of Local Government concerned the necessity for it to be responsive to the changing needs of the community, and issues involving inter-government relations.

It was agreed that all democratic institutions must change in response to changing community expectations. Local Government's future role depends heavily on realising this. As the needs of citizens in a democracy wax and wane over time, so, too, Local Government should move in cycles by responding to these needs. A topical example is that of current community concerns with a range of environmental issues, in natural resource management, land care, catchment management and native vegetation. It was argued that the best vehicle to tackle these issues is Local Government. The view was that even though Local Government probably will not drive the policy debate in these areas, it needed to be a part of the process, so the policies are practical and can be implemented.

In addressing issues about relationships between the spheres of government, there was general agreement that large scale reviews of roles and responsibilities 'starting with a blank piece of paper' do not work. This implies that so-called functional reform as currently conceptualised in some quarters, will not work. A suggested alternative involves identifying specific areas where Local Government is well placed to demonstrate its capacity to expand its role. However, to be regarded as a legitimate sphere of government, one of the most crucial issues for Local Government in negotiating changes in roles and responsibilities is to ensure it is seen as more than just a service delivery agency.

The financial position of the States — and the fact that their areas of policy discretion are diminishing — were also identified as major threats facing Local Government. In this environment, it was recognised that the States may be reluctant to relinquish control over regulatory matters in areas such as land management, building control and planning control.

In summary, there was a view that Local Government needs to engage especially with State Governments to explore opportunities for Councils in service delivery and in policy

formulation. Partnerships between these two spheres of government could flow from the recognition by State Governments that Local Government can assist them in achieving their own objectives. The important thing here will be for Local Government to respond proactively, on the basis of its broader governance role.

One of the main conclusions drawn from the workshop's plenary session is that the structural reform agenda needs to be linked into the longer term agenda, which is about placing Local Government in a better position to pursue its future role.

### 6.3 CONCLUSION

The Board believes the workshop made a valuable contribution to understanding how structural reform has worked in Local Government across Australia, and the lessons that might be transferable to other change processes involving Councils. It also stimulated debate about the future for Local Government, and how it can take a firmer grip on its future.

In terms of contributing to the Report's qualitative analysis of structural reform, the workshop provided the Board with an opportunity to hear that, in Local Government around Australia, the South Australian approach is regarded as a successful model, though it was also noted that it produced somewhat 'patchy' outcomes. Some of the structural reform programs developed interstate since the Board was established have sought to adopt, or refine, many of the innovative practices and procedures used in South Australia. Furthermore, the lessons learned by Local Government representative organisations interstate from watching progress in South Australia, in turn have benefited their members involved in similar reform processes.