

7. OUTCOMES AND OPPORTUNITIES

This section of the Report describes the outcomes of Local Government structural reform in South Australia, and discusses opportunities for further and future Local Government reform, thus fulfilling the Board's legal obligation to comment specifically on structural reform.

7.1 FURTHER AND FUTURE OPPORTUNITIES FOR REFORM

The decision to extend the Reform Board until September 1998 — with no capacity during this period to initiate its own proposals — was made to ensure that structural reform proposals still under consideration could be processed, and to address boundary changes. The Board also provided ongoing support for amalgamated Councils.

This Report to the Minister coincides with the State Government's wide-ranging community consultation as part of the Local Government Act Review.

The replacement process for the Board

The Draft Consultation Bill proposes a replacement for the Board, in the form of a 'Commissioner for Local Government Areas'. The Consultation Guide prepared for the Local Government Act Review explains that the Commissioner's functions are 'generally consistent' with those performed by the Board. The Board recognises that the proposal in the Bill for an Areas Commissioner may change as a result of either the public consultation process or the Bill's subsequent passage through Parliament.

In meeting its obligations to comment on further and future opportunities for structural reform the Board will, where it considers it appropriate, also discuss the desirable features of replacement mechanisms, to progress future reform.

A Local Government (Miscellaneous Amendments) Act passed by Parliament in August 1998 provides for an interim mechanism to deal with any structural reform proposals to process between 30 September 1998 and the commencement of a new Act. The Act provides for the operation of a Boundary Adjustment Facilitation Panel (which can be constituted, if necessary) with streamlined administration and restricted powers. The functions of the Panel are limited to completing any remaining work associated with Board-formulated proposals and processing any voluntary proposals lodged by Councils.

DRIVERS FOR FUTURE REFORM

The Board recognises that opportunities for further and future reform will be influenced by a range of factors. A significant outcome of the transformed political environment in which Local Government now operates is the shift in Councils' attitude to reform, including perceptions about the nature and extent of possible change. Following the first intensive period of structural reform, Councils which participated actively are now turning their

attention to implementation and consolidation. In parallel, the State Government has clearly signalled the end of large-scale restructuring. The State Government intends that the current phase of reform — comprehensive legislative review — should complement, and build on, structural reform, as a lead into the next reform agenda, functional reform.

However, it is evident to the Board that, notwithstanding the extent of structural reform already achieved, there are still wide-ranging opportunities for Local Government reform in this State. Clearly, the Board's purview does not extend beyond structural reform, but failing to document its views would waste the wealth of knowledge acquired by the Board in nearly three years of active involvement with Local Government, as well as the conclusions from the qualitative and quantitative analysis undertaken for this Report.

Many opportunities for further and future reform set out below are not necessarily dependent on restructured Councils. Nevertheless, the Board believes that the outcome of structural reform in this State confirms some of its widely accepted theoretical benefits. The added capacity and expanded resource base of amalgamated Councils undoubtedly positions them to take further advantage of other reform opportunities — especially those resulting from any realignment of roles and responsibilities between spheres of government — and the promising area of alliances or partnerships with other levels of government, the community and the private sector. The amalgamation process appears to have prompted Councils to question their systems and structures, and to explore further opportunities for change. This need to pursue strategic advantage was strongly conveyed to the Board by Councils during the information sessions held throughout the State during 1998. The case studies undertaken for this Report present similar evidence (section 4).

The Board has identified some key drivers for change. Councils will need to be ready to meet the challenges of these diverse, independent, yet inter-related forces. At the same time, Councils must maintain democratic, accountable and locally responsive governance structures and continue to deliver high quality, effective and efficient services to their communities. As many Councils have pointed out to the Board, the amalgamation process has raised community expectations about the performance of Local Government, in some cases unrealistically so, suggesting that Councils should be aiming to prosper rather than simply survive.

The Report classifies the key drivers for change according to whether they are local, national or international. Some overlap is evident (for example, the micro-economic reform agenda of government). It was clear to the Board from the debate at the National Structural Reform Workshop in April 1998 that some of these same concerns are already firmly on the agenda of Local Government across the nation (section 6.1). How Councils in this State may choose to respond to these forces will vary.

Local drivers

The Board has identified four local drivers for further and future reform in this State.

The first of these involves those proactive Councils which will provide the leadership to drive further change, and may provoke others to think about opportunities for reform. Prominent among these may be Councils which have amalgamated, and have also taken advantage of the expanded capacity made possible by structural reform. The City of Onkaparinga provides one example of this, particularly in terms of its Southern Partnership (see case study in section 4.6), which brings together all spheres of government, as well as business.

The second will be the outcome of the Local Government Act Review. The Consultation Guide for the draft Bill sets the reform of Local Government squarely in the context of the State Government's vision for South Australia as a 'competitive State with a sound and diverse regional economy'. Public sector reform and accountability are integral to this vision, which requires a 'customer focused, efficient public sector' (Office of Local Government, 1998).

The Consultation Guide outlines the State Government's objectives for Local Government reform applying to the Local Government Act Review as:

- to develop a stronger Local Government system which is better able to deliver more efficient and effective services
- to enable Local Government to participate effectively in strategies for regional economic development as well as to provide services to local communities in South Australia
- to encourage improved interaction between Local Government and other spheres of Government.

The third impetus for change at the local level is the functional reform strategy being developed by State and Local Governments. Consistent with the phased approach to Local Government reform, its impact on Councils will probably be medium to long-term. Key proposals in the Consultation Draft Local Government Bill are designed to facilitate this agenda.

The fourth local driver for change is the State Government's broader policy environment, which clearly has the capacity to encourage Local Government to actively consider its part in the competitive positioning of the State. This could be facilitated by the development of a strategic framework encompassing the State Government's social and economic policies and which:

- uses an integrated, 'whole of government' and 'whole of State' approach
- articulates a sustainable role for Local Government
- acknowledges the need to engage Local Government in collaborative, cooperative and mutually respectful relationships.

In part, this is addressed by proposals in the Consultation Draft Local Government Bill, requiring Councils *inter alia* to give due weight to regional, State and national objectives and strategies. In presentations to the Board, Councils have articulated the need for an overarching framework to ensure Local Government is better integrated into a broader social and economic strategic policy framework. Such a move would also signal to Local Government the importance of its role in helping to realise the State Government's vision for the future of South Australia. This implies long-term change.

National drivers

Nationally, there are two issues influencing the potential for further and future change of Local Government in South Australia.

The first is National Competition Policy, which has the potential to 'have a considerable impact on the way local authorities will conduct their service delivery in the future' (Aulich, 1997), and may also 'accelerate practices' such as Compulsory Competitive Tendering (CCT) (Felmingham and Page, 1996). Competition Policy requires that Local Government conducts its business activity in fair competition with the private sector. The effect may be to price Local Government out of the delivery of some services which Councils do not regard as socially obligatory.

Although South Australia is unlikely to emulate the Victorian State Government's approach of introducing CCT in Local Government, there will be pressure on Councils to measure the contestability of service delivery. Councils either not well-enough resourced or lacking the economies of scale to reduce unit costs of service delivery at agreed standards risk falling behind industry standards.

The second impetus for change is the Federal Government's broader micro-economic reform agenda. Globally, there has been an historic redefinition of public and private sector roles in response to diverse and interacting forces. Governments everywhere have grappled with questions about the appropriate roles and responsibilities of the State, involving a reappraisal of the rationale for government intervention and a re-examination of the cost-effectiveness of public institutions and their programs. In Australia, first the Commonwealth, and then State Governments, have responded similarly to these pressures, introducing sweeping reforms to public institutions, often involving a devolution of programs and functions to other levels of government. While it is almost certain that reform will continue, it is more difficult to predict its extent, and how it may impact on Local Government. The Productivity Commission has recently established an enquiry into these issues.

International drivers

'Globalisation' (here meant as the intensification of global competition, the deepening of international economic and social interrelationships, and the internationalisation of many social and environmental policy issues), is the international change-agent affecting

governments everywhere, at all levels. In a sense, by transcending national borders, globalisation and its associated changes (for example, in telecommunications, transport, patterns of living and working) make traditional geographic and territorial boundaries, including those of Local Government, less relevant.

Globalisation highlights the tension between the need for Local Government areas that are small enough to maintain a sense of community involvement, while accommodating the increasing pressure on governments to integrate planning decisions about key infrastructure and service delivery issues (for example, transport, telecommunications, land use, water, electricity, gas and so on) across both metropolitan and regional areas.

Because globalisation tends to 'by-pass national governments, and impact directly on local and regional communities' (Salvaris, 1996), the structural reforms aimed at strengthening both the capacity and autonomy of Councils can be interpreted as mechanisms to blunt the possible adverse impacts of globalisation on their communities.

Undoubtedly, globalisation has been a decisive factor in renewing the current debate about democracy, citizenship, and civil society. Much of this debate, both internationally and nationally, has been concerned with perceptions of 'crisis' in our democratic systems of government, characterised by a lack of confidence in and cynicism about political institutions and politicians (Saul, 1997; Mackay, 1993). Many would argue that the rapid pace of change and community anxieties which have accompanied globalisation offer opportunities for Local Government to play a pivotal role in restoring leadership, certainty, and a sense of community. According to this view, globalism can enhance localism. This is exemplified in the catch-cry of the environmental movement in the 1980s, 'think globally, act locally'.

In a world where Governments 'tend to define themselves more formally in terms of their geographic and policy boundaries', forms of institutional innovation are often viable options to address the increasingly complex economic and social changes wrought by globalisation (Sturgess, 1996). Sturgess predicts that in the future Local Government will be compelled to explore innovations relating to restructuring and boundary changes 'as economic and social space changes with globalisation, technological change and the shifting role of government in society'.

There is a recognised link between economic prosperity and community well-being (Putnam, 1993). This highlights the need for a clear recognition by all spheres of government that the economic resilience and prosperity of communities and regions is highly dependent on the strength of all of the institutions and networks which underpin their sense of community. This embraces the social, cultural, political, and administrative institutions and networks, as well as the community's human and economic resources, and its physical infrastructure. Local Government is uniquely well-placed to ensure the integration of economic and social needs, in ways which reflect the often significant differences in the 'resources' available to communities, and in how communities 'work'.

In devising strategies to respond to globalisation, it will be important to acknowledge the lessons from international experiences which demonstrate that those cities and regions which concentrate exclusively on economic issues fail (Borja and Castells, 1997; Castells, 1997; Putnam, 1993).

STRUCTURAL REFORM

The Board believes that notwithstanding its specific requirement to address further and future opportunities for structural reform, a more integrated approach encompassing functional and managerial reform is necessary.

Further change versus consolidation

Many people believe that the current phase of consolidation, following significant restructuring, rules out a second round of major structural reform in the near future. However, there are also views that the momentum for change should not be lost. Still others consider 'continuous' reform to be unfair to Local Government, creating an environment of uncertainty, placing Councils on a constant change footing, and distracting them from 'getting on with business'.

Strategic boundary reform

This Report has noted criticisms about perceived shortcomings in the structural reform process, including 'mergers of convenience', the apparent lack of a strategic approach, and lost opportunities.

In relation to the latter, there were expanses of regional South Australia untouched by structural reform, partly owing to distance, but also to an apparent lack of identifiable net benefits.

As for metropolitan Adelaide, in some quarters it was regarded as a disappointment both in proportional terms (the number of amalgamations), and the loss of what were perceived as obvious amalgamations or even logical extensions of amalgamations. The Board has explored these issues in some detail in describing the 'lessons learned' from the structural reform process (section 3.3).

These outcomes seem less surprising in light of conclusions from a consultants' study of the Adelaide Hills Council (see detailed discussion in section 4.2). Briefly, the key observations were that:

- the Board's guidelines and the underlying principles of structural reform gave relatively little weight to the role Local Government can, or should, play in the future of an area or region in strategic terms, either as a single entity, or in partnership with other levels of government
- boundary reform, could, or should, be a consequence of taking a more strategic and unified perspective of the State's future

- the strategic benefit of amalgamation to date had been a consequence of the process, not the driving force.

The Mid North is a clear exception to this, being the one area of the State where structural reform took a strategic approach on a regional basis. The outcome of this approach — ‘17 Councils into 7’ — is the subject of a case study in section 4.5. To summarise the key points relevant to this discussion:

- unlike most parts of the State, where Council initiated amalgamations arose out of discussions between two or more neighbouring Councils, the issues were addressed in the Mid North of the State on a whole-of-region basis
- several amalgamations that eventually occurred crossed regional boundaries
- the regional context encouraged and enabled an approach which took account of the views and aspirations of all member Councils
- it was considered essential to arrive at a sensible set of groupings for the area as a whole, which left all Councils with a future direction
- the coordinated approach delivered an outcome at relatively low cost both to the Councils involved and to the State, in contrast with the costs of the amalgamation process elsewhere in the State
- the final outcome clearly met the objective, set out in section 17A of the Act, that there be ‘a significant reduction in the number of Councils in the State’
- this approach facilitated further regional change, with the formation (in April 1998) of the Central Local Government Region of South Australia, thus further strengthening the regional capacity of the Councils involved.

With regard to these wider strategic considerations, the Board points out that it often attempted to encourage Councils to adopt a more ‘regional’ (and even statewide), perspective on the potential benefits of alternative structural reform options. The principles contained in the legislation establishing the Board also implied that proposals should have at least some regard to strategic considerations, the most relevant being:

- a Council should facilitate effective planning and development within an area, and be constituted with respect to an area that can be promoted on a coherent basis
- a Council should be in a position to facilitate the management of environmental issues and the integration of land use schemes
- a Council should reflect communities of interest of an economic, recreational, social, regional or other kind.

However, with the benefit of hindsight, the Board generally agrees with the consultants’ view that neither the legislation, nor the Board’s own guidelines, gave sufficient emphasis to these wider potential strategic benefits to Local Government and to the State. This was the

case, especially when compared to the more immediate, but inherently narrower-focused, potential for rate-reduction or service delivery expansion.

As discussed earlier, in relation to ‘lessons learned’ (section 3.3), a number of ‘practical’ issues contributed to the lack of a greater strategic emphasis in the outcomes of South Australia’s structural reforms. In particular, there was the fear of both Councils and their communities that amalgamations, especially big amalgamations, would inevitably lead to a loss of local identity, local representation, and local services. This promoted a preference for ‘minimal change’ in many areas of the State. Again, hindsight (and evidence from the case studies in section 4), suggest that this fear, in fact, was largely unfounded. But it was a reality at the time that proposals were being prepared, and, possibly, was magnified by not only the lack of experience of Council amalgamations in South Australia over the previous 60 years, but also a ‘backlash’ against the amalgamation process occurring in Victoria. This was compounded for Councils by the lack of explicit incentives, making it too difficult to convince themselves, and their communities, that broader amalgamations were likely to provide — and soon — better results for everyone.

Overall, the Board believes that this structural reform exercise in South Australia should be regarded as a first phase. Its approach suited the political environment of the day, taking into account the previous lack of structural change in Local Government which, in the minds of many participants, ruled out a ‘quantum leap’. As argued elsewhere in this Report, depending on historical, social, political and economic circumstances, some incremental structural change can be a precondition for moving to the next level of reform. This is also reflected more generally in the State Government’s phased approach to Local Government reform.

Further and future opportunities for structural reform

In summary, it is the Board’s view that significant further opportunities for structural reform in South Australia remain. In particular, wider regional groupings with arrangements (such as those described in the case studies) to keep local interests fully represented are achievable. These would ensure that, across the State, Local Government develops and strengthens its capacity to play a key role in local and regional economic and community development. In saying this, the Board does not intend to be in any way critical of the efforts of the many elected members and Council staff, and members of their communities, who put their hearts and souls, and sometimes their jobs and wider interests, on the line, to promote voluntary structural reform in South Australia over the last three years. On the contrary, in light of the history of Local Government structural reform in South Australia since the 1930s, the achievements of Councils, their staff, and their communities, since 1996, have been beyond the expectations of most.

Nor, in saying that further structural reform is necessary and desirable, is the Board suggesting that an environment of ‘continuous change’ is desirable. The Board was assured by some amalgamating Councils that they intended to revisit the strategic issues from a position of ‘partnership’, rather than ‘takeover’, as a basis for negotiation. It is the potential

for establishing a nexus between ‘capacity building’ for structural reform, and developing opportunities for policy and service delivery devolution and functional reform that the Board believes will encourage further structural reform in South Australia, still on a largely voluntary basis.

In the next section this *a priori* conclusion is reinforced with some estimates of further ‘cost saving’ potentials from the promotion of additional opportunities for structural reforms.

Progress in the short to medium-term may be slow, however, and characterised by only incremental movement. In making this assessment, the Board cannot predict how quickly Councils may respond to the key strategic drivers for change identified in this Report, and what form their responses may take.

However, in the Board’s view, the lessons of Local Government reform across Australia, and the experience of structural reform in South Australia, show that Local Government, for many complex reasons, has a poor track record in initiating and leading reform . This points to the need for an ongoing and active role for the State Government as catalyst. Clearly, this recognition was uppermost in the Government’s mind when it created the Board:

A deliberate process towards an agreed goal needs someone with the responsibility to drive it. In this case, the Government proposes a Board, the Local Government Boundary Reform Board, to take that responsibility. (Hansard, Second Reading Speech, House of Assembly, 25 October 1995)

Ultimately, the continuing capacity of structural reform to shape significant change will rely heavily upon the status it is accorded within the broader program for public sector reform, and the supporting structures and mechanisms in place. The Board’s key success factors and the ‘lessons learned’ from structural reform (sections 3.2 and 3.3 respectively), provide a check list of what might be appropriate for these circumstances. One of the key lessons of the Board is that, if the processes and structures are right, then Local Government has the capacity to take ownership and lead reform.

ESTIMATED FURTHER SAVINGS

Future structural reform in South Australia must be more strategic in its focus, as well as in the incentives it offers. In the Board’s view, structural reform is not to be valued for its own sake, but rather for what it can bring to communities by way of influencing the State’s agenda for local and regional economic and community development. Judged by these criteria, the achievements of the last three years are only the beginning of reform.

As part of its review of possibilities for further structural reform, the Board sought advice from consultants about the likely level of savings from other opportunities for amalgamations, or other forms of collaboration (Appendix N outlines the methodology used by the consultants).

The evidence was, inevitably, somewhat speculative. Even setting aside the fact that Councils which chose to engage in further structural reform may opt to use the benefits to increase service provision, rather than to reduce rates, the level of savings actually achieved will be highly dependent on the precise reform options Councils and their communities support, on a voluntary basis.

The lessons to be learned from the Board's recent meetings with newly amalgamated Councils, and from the case studies reported earlier may provide models that would overcome some of the concerns (especially about loss of local identity, local representation, and local services), that blocked some potentially beneficial structural reforms over the last three years. Nevertheless, in many Councils and communities, resistance to change was sufficiently intense, that it may require very hard work, strong guidance from experts and facilitators, and the provision of significantly more strategic incentives than the Board had available to it, to unlock the savings potentials suggested by the consultants' work.

The Board emphasises, that savings estimates from this consultancy must be regarded as illustrative, rather than definitive. In-depth studies of specific reform proposals are equally likely to suggest that either greater or lesser savings would eventuate from 'acceptable' proposals, than those suggested below. Much depends on the nature of the reform proposals put forward, and on the vigour with which proponents sought to unlock resources from current uses, to achieve either rate reductions, or service delivery improvements, or both.

The Board considers that an overall estimate of \$22.1 million per annum of potential savings from further structural reforms is feasible. It also concedes that much depends on how motivated Councils and communities are in trying to achieve further reforms.

The study's overall approach

The study drew heavily on comparisons across Councils of unit costs of undertaking particular administrative functions or of providing selected services, supplemented by reviews of amalgamation proposals, and other studies (for example, of resource sharing possibilities), to obtain information on estimated financial and non-financial benefits from formal studies. Data from the SA Local Government Grants Commission for 1996–97 was the principal unit cost data source, although, for non-metropolitan areas, 1998–99 budget data from a number of recently amalgamated Councils was used instead to reflect the financial effects of achieving greater scale economies.

Some Councils, most notably Adelaide City Council, were excluded from the database and comparisons, because they would distort the calculations (see Appendix N).

From an initial review of the data, the consultants concluded that in metropolitan Adelaide economies of scale could be expected in a number of functions, up to a population size of

about 80 000. Councils already above this size were excluded from the calculation. Outside metropolitan Adelaide the data suggested that substantial economies of scale could be reaped by Councils with less than 10 000 people, but also that significant economies could still be made by Councils with larger populations. Councils with populations above 10 000 were therefore included in the savings calculations, but at a reduced anticipated savings rate.

Metropolitan Adelaide Councils — 80 000 population

For these Councils, a number of functions were identified as having sufficient similarity of effort and scope to allow comparison through unit cost data. These were:

- administration
- public and environmental health
- development management.

As indicated in table 15, in the case of development management, a significant reduction (of \$7 per capita, approaching half of the current average unit costs), was estimated to be feasible if Councils with populations currently less than 80 000, achieved a population scale of 80 000 or more, in this function.

In the case of administration and environmental health, on the other hand, the data suggested that on average negligible savings were likely. However, there were significant variations in unit costs between individual Councils and some groupings of Councils, to suggest added savings from economies in these functions.

TABLE 15: SAVINGS LIKELY TO BE ACHIEVED FROM LOWER UNIT COSTS — METROPOLITAN AREA (COUNCILS LESS THAN 80 000)

FUNCTION	METROPOLITAN AREA		
Functions comparable by unit cost	Estimated achievable cost per capita \$	Present average cost per capita \$	Estimated reduction \$
Administration	Similar to present	80.10	No significant reduction
Environmental health	Similar to present	3.40	No significant reduction
Development management	9.00	16.00	7.00

Comparisons of unit cost data for other functions of metropolitan Adelaide Councils were considered unreliable because of significant differences in the scope or effort applied to those functions. This reflected variations in policy decisions, delivery standards, and geographic and other local conditions between different councils.

In these cases, reviews of amalgamation studies, and of other studies of collaborative arrangements, were drawn on, to provide estimates of potential cost savings.

For metropolitan Councils with populations of less than 80 000 it was estimated that, on average, savings of about 9% of total expenditures were possible, from either amalgamations, or resource sharing, for the functions listed in table 16.

TABLE 16: FUNCTIONS WITH SAVINGS BASED ON TOTAL EXPENDITURE — METROPOLITAN AREA (COUNCILS OVER 80 000)

METROPOLITAN AREA	
Function	Estimated level of savings achievable. Councils over 80 000
Waste management Sport and recreation Road maintenance Footway maintenance Stormwater drainage maintenance Road and footpath construction	Average 9% of total expenditure
Other functional areas	Savings unlikely to be of a significant level

Other functions not listed here include many considered of significance, either to all Councils, or at least to some:

- fire prevention
- library services
- public order and safety
- aged and disabled services
- family, children and other welfare related services
- housing
- environmental protection
- aerodromes
- parking
- community buses
- economic development.

In these cases, it was not possible to identify potential cost reductions with a reasonable degree of accuracy. In some groupings of Councils, they could be significant, but in some of them population size and unit costs are unlikely to be related.

Overall, the consultants concluded that cost savings of around \$10 million could be made available for rate reductions or service delivery expansion, in metropolitan Adelaide, from readily identifiable sources. This excludes extra savings, that could arise from specific groupings of Councils where cost differences between potential partners are greater than the average. It also excludes the wider, but less easily measured, potential benefits of amalgamations and collaborations mentioned elsewhere in this Report, including from better coordinated and more strategic approaches to economic development, community planning, development planning, and environmental management.

Councils outside metropolitan Adelaide

Outside metropolitan Adelaide, data suggested that particularly significant benefits accrue from achieving population bases of greater than 10 000, but with further benefits available from achieving sizes up to, and beyond, 20 000.

Table 17 indicates that in non-metropolitan areas, including provincial cities, towns and rural Councils, unit cost data suggested that lower costs of delivery are possible for Councils which move from below, to above, a 10 000 population base in both:

- administration
- development management.

TABLE 17: SAVINGS LIKELY TO BE ACHIEVED FROM LOWER UNIT COSTS — NON METROPOLITAN AREA

FUNCTION	NON METROPOLITAN AREA		
	Estimated achievable cost per capita \$	Present average cost per capita \$	Estimated reduction \$
Administration	104.50	107.20	2.70
Development management	13.40	14.90	1.50

Public and environmental health in non-metropolitan South Australia proved impossible to evaluate from unit cost data because of significant differences between Councils in the scope and effort associated with this function. In some specific groupings, savings may be feasible, but these would have been identified on a case-by-case basis.

As with the metropolitan area, other important functions of Councils had to be evaluated from reviews of amalgamation and other collaborative proposals, rather than directly from unit cost data. As indicated in table 18, for non-Adelaide Councils with populations below 10 000, the average 9% of total expenditure savings figure estimated for the metropolitan area is also expected to apply to a specific range of functions. For non-metropolitan Councils with populations above 10 000, about half of this rate (4.5% of total expenditures),

is estimated to be available as savings from increasing the population bases for service delivery.

TABLE 18: FUNCTIONS WITH SAVINGS BASED ON TOTAL EXPENDITURE — NON-METROPOLITAN AREA

	OVER 10 000 POPULATION	UNDER 10 000 POPULATION
Function	Estimated level of savings achievable	Estimated level of savings achievable
Waste management	Average 4.5% of total expenditure	Average 9% of total expenditure
Sport and recreation		
Road maintenance		
Footway maintenance		
Stormwater drainage maintenance		
Road and footpath construction		
Other functional areas	Savings unlikely to be of a significant level	Savings unlikely to be of a significant level

Overall, for areas outside metropolitan Adelaide, the consultants estimate potential savings of over \$11 million from further amalgamations, or other collaborative arrangements, that increase the size of the population bases served by administrative or service delivery arrangements.

This, of course, does not include estimates of the value of wider benefits to Councils, that can arise from strengthened capacity in many different dimensions.

Across South Australia

Table 19 summarises the estimated savings for both metropolitan Adelaide, and non-Adelaide areas of South Australia, and for the State as a whole, from further potential amalgamations or collaborative arrangements. Overall, the consultants suggest that the potential exists for some \$21.1 million per annum of further savings to be made available, either as rate reductions, or as funding sources for increased service delivery, or both.

TABLE 19: SUMMARY OF LIKELY SAVINGS

FUNCTION	METRO AREA FURTHER POSSIBLE SAVINGS \$ 000	NON METRO AREA FURTHER POSSIBLE SAVINGS \$ 000
Savings based on unit costs		
Administration	No significant saving	1 089
Environmental health	No significant saving	Unable to be calculated
Development management	2 868	608
Savings based on total expenditure		
Waste management	1 272	771
Sport and recreation	1 577	1 247
Road maintenance	1 902	4 679
Footway maintenance	623	125
Stormwater drainage	469	163
Road and footpath construction	1 332	2 379
Totals	\$10 043	\$11 061
Estimated total further savings	\$21 104	

The Board emphasises that these estimates must be regarded as illustrative, and that they are system-wide averages, rather than the result of detailed studies of specific proposals. At the end of the day, both the overall legislative framework, and what Councils and their communities find possible to take up as voluntary arrangements, will determine the actual savings outcomes.

The central message, however, is reasonably clear. Notwithstanding the important achievements over the last three years, significant financial benefits are still available from structural reform in South Australia, if the will exists to pursue them.

BOUNDARY ALTERATIONS

The Board's sunset date was extended, in particular, to deal with the significant number of boundary alterations identified by Councils during the initial structural reform process. Although some fifty boundary alterations were identified (Appendix I), the Board successfully processed only one of these in the period from September 1997 to September 1998 (section 2.4), and this did not involve negotiations with another Council.

Impediments to progressing boundary alterations

When the Board was extended it was expected that boundary alterations would generate a high level of activity and contribute to a further transformation of Local Government boundaries. The Board assumed that the energy which characterised the first phase of voluntary structural reform would continue. However, it soon became evident that for a range of reasons, this expectation would not be met.

Firstly, financial issues became paramount. These related to loss of rate revenue, and the impact on Councils' potential to attract grants. The Board's guidelines for boundary alterations proposed financial neutrality. They stated that both Councils must be satisfied with the financial aspects of any boundary alteration proposal, and in particular that:

There are many ways to achieve this and it will depend on the circumstances. The Board believes that, as far as practicable, neither Council should be financially disadvantaged as a result of boundary alteration. Taking into account the nature of the proposal, financial arrangements between Councils involved in a boundary alteration should aim to ensure that neither Council will experience any significant ongoing financial disadvantage as a result of the alteration. Such negotiated agreements should be identified in the proposal although a full three year financial plan is not required. (Local Government Boundary Reform Board, Series 10 Guidelines, 1997)

Secondly, a 'win-lose' situation developed. Unlike the 'win-win' result involving whole of Council mergers, boundary alterations were typically 'win-lose'. This involved issues such as rate revenue, and the reduction of critical mass, where even the loss of a ward could impact on the viability of a new or existing Council.

Thirdly, there was no fast-track. The same rigorous process for whole of Council mergers also applied to boundary alterations, instead of a flexible, fast-track system more appropriate to minor change. This occurred despite the Board's publishing more flexible guidelines for developing boundary alteration proposals.

Fourthly, the democratic right of communities also became an issue. Following consultation, communities often expressed their democratic wish to be part of another Council, and equally often Councils determined that such a change would have a deleterious impact on operations, and exercised their rights under legislation to reject it. Residents and ratepayers currently do not have any redress in the matter, although this is currently being considered in the Draft Consultation Bill for the new Local Government Act. In several cases (both metropolitan and rural), communities have sought boundary change but Councils have either not pursued it, or struggled to reach satisfactory agreement on the terms of the transfer.

Finally, there is also the influence of timing, as Councils enter the consolidation phase of structural reform. The Board is aware that, following the first intensive phase of structural reform, many Councils were 'reformed out', turning their attention to implementing change and consolidating gains.

The Board realised there were obstacles to overcoming the full range of possible impediments to progressing boundary alterations, following work by consultants on a 'strategic opportunity assessment' of Local Government boundaries in and around the environs of the Adelaide Hills Council (discussed in detail as a case study in section 4.2).

To reiterate briefly, the consultants found that voluntary amalgamations have a tendency to 'internalise' the benefits of boundary reform, with Councils operating to protect their own. In addition, there was a lack of impetus to further debate, and the need to resolve 'unfinished business' from the amalgamation. The consultants concluded that, central to the success or failure of boundary reform, were the following issues:

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

Rate equalisation was singled out as likely to continue to impede lateral thinking on this issue. Although 'communities of interest' were considered likely to remain influential in terms of boundary reform, it was observed that they were complex, confusing, and (perhaps) less important criteria, for boundary alteration. During structural reform as encouraged in South Australia, many Councils placed strong emphasis on communities of interest.

With the benefit of hindsight, the Board concurs with the consultants' assessment that these limiting 'criteria' were endorsed by the Board's guidelines, as well as by the underlying principles of structural reform. To repeat the point made above in the discussion on structural reform, insufficient weight was given to Local Government's future role in an area or region in strategic terms, for several reasons:

- this approach was in keeping with the Local Government reform agenda of the time
- it was consistent with the State Government's phased approach to Local Government reform
- the sequence commenced with structural reform, followed with legislative and management reform, and is planned to conclude in the future with functional reform, thus strengthening Councils' strategic capacity is an evolving process.

Other developments in the post-amalgamation phase also provide clues about why the identified boundary alterations may not proceed. It became apparent to the Board, from the case studies, that community views on this issue can change. For example, the consultants' report on the Mid North area revealed that residents previously in favour of a transfer to another Council area now prefer to remain in the amalgamated Council area. The consultants concluded that this reflected the efforts of the new Councils to ensure equitable levels of service across the whole of their areas (section 4.5).

Further and future boundary alterations

In the Consultation Draft Local Government Bill, a Local Government Areas Commissioner replaces the Board. The Bill proposes a simple, fast, result on minor proposals. The Board agrees that this is desirable.

To manage boundary alterations in the future, other key issues for consideration should include:

- the place of boundary alterations within the context of the entire Local Government reform agenda
- the most appropriate mechanism to match this
- establishing supporting principles which balance the needs of ratepayers and residents with those of the relevant Councils, and which facilitate conciliation, and, if necessary, arbitration of boundary issues.

The Board earlier identified the 'win-lose' situation as an impediment to progressing boundary alterations. In an attempt to resolve the financial impasse over the transfer of areas from one Council to another, the Board developed a set of principles to assist in determining a transfer price, and in so doing, attempt to minimise any financial disadvantage as a result of alteration to boundaries. The Board believes that the principles could form the basis of an arbitrated solution under future legislative arrangements replacing the Board. The principles are reproduced at Appendix O.

Notwithstanding this, the Board agrees with the message from the Adelaide Hills Council study that Councils should avoid 'boundary adjustments for boundary adjustments sake', and supports the conclusion that boundary alteration has 'run its race', except for addressing anomalies.

Judging by the level of activity to date, and without addressing impediments to progressing boundary alterations identified above, the Board predicts little prospect of significant further and future change in this area. Issues relating to financial matters must also be resolved.

FUNCTIONAL REFORM

Reviewing the roles and responsibilities of government can assist in identifying duplication, overlap, poor coordination and accountability between the spheres of government. Issues related to reviewing roles and responsibilities are encompassed by the term 'functional reform'.

At the heart of many functional reform issues is the fact that Local Government in Australia is not a sovereign government and is not formally recognised in the Commonwealth constitution. Instead, constitutional responsibility lies with the States and Territories.

The *Constitution Act 1934* provides for the continuance of a system of Local Government under which elected local governing bodies are constituted with powers that the Parliament considers necessary for the better government of areas of the State.

How the various spheres of government in Australia carry out their Local Government roles can be summarised as follows:

- The Commonwealth's principal function is to provide Local Government with financial assistance aimed at fiscal equalisation and performance improvement.
- The States have the primary role in managing Local Government within their jurisdictions, legislating for and regulating Local Government, setting new policy directions and distributing Commonwealth funding to Local Government.
- Local Government has roles in relation to governance, regulation, service delivery, provision of infrastructure, planning and community development. (National Office of Local Government, 1997)

Reviewing roles and responsibilities

In the past, questions of the roles and responsibilities of the three spheres of government have tended to be addressed through large scale reviews. The most notable were the studies conducted under the auspices of the Advisory Council for Inter-government Relations (ACIR), required under its legislation to examine the relationships which should exist between Federal, State and Local Governments, and the Self Review of Local Government Finances (1985). The push for a new federalism that emerged at the federal level in Australia during the 1990s also addressed some of the issues related to roles and responsibilities between spheres of government.

More recently, Commonwealth and State Government public sector reforms have indirectly stimulated debate about relationships between levels of government. As noted previously, there is every indication that the same forces for change are still present. The ability for Local Government to take advantage of any opportunities these further changes offer may depend upon:

- the extent of further adjustments by Commonwealth and State Governments in terms of functional responsibility and service delivery
- whether adjustments happen in isolation from formally addressing the question of roles and responsibilities between the three spheres of government
- should Local Government be asked to undertake additional functions or deliver additional services, which level of government funds the delegation of activities
- in the process of any redefinition, particularly involving funder-purchaser-provider models, avoiding the risk that Local Government is seen 'as being primarily a service delivery agency with minimal role in policy formulation' (Wiltshire, 1997).

The South Australian approach

Functional reform has been on the agenda in South Australia for some time. The MAG Report (1995) dealt with the issue of functional reform of Local Government's roles and responsibilities by avoiding any prescriptive recommendations, although recognising that larger Councils were an important prerequisite for functional reform. Instead, the Report noted that 'the key is the flexibility to take up what the local community may demand and what might be effectively delivered at the local level'. This reflects the principle of subsidiarity, meaning that government functions should be performed at the 'lowest' level of government consistent with achieving an appropriate balance between, responsiveness to voters/taxpayers' preferences, and effectiveness in policy-making and the management and delivery of service outcomes. The MAG Report also stated that any functional changes 'must be accompanied by appropriate negotiations on financing'.

As stated previously, the State Government's phased approach to the reform of Local Government envisages addressing the next phase (functional reform) after structural reform and legislative and management reform. The role of new legislation for Local Government in progressing functional reform is to provide the foundation for ongoing negotiations between the State and Local Government about roles, responsibilities, functions, financing and resourcing issues (Office of Local Government, 1998).

It is clear from this Report's evaluation that structural reform has made a major contribution to providing the added capacity for some Councils to negotiate appropriate arrangements to undertake expanded roles and manage additional responsibilities. In particular, the findings from the case studies, and the Board's information sessions with amalgamated Councils, demonstrated that Councils were prepared to tackle this issue.

FINANCIAL AND MANAGEMENT IMPROVEMENTS

Both the case studies and the 'issues raised' by Councils during hearings with the Board, suggest that there is also scope for further financial and management reforms in Local Government (sections 4 and 3.4 respectively).

The role of structural reform in facilitating improvements

As intended, structural reform facilitated the introduction of some financial and management improvements in Councils, both directly and indirectly.

Councils involved in mergers were required to include a financial and management plan for the 1997–98, 1998–99, and 1999–2000 financial years for the proposed new Council, as part of their structural reform proposal presented to the Board, although it was recognised that these plans could not be regarded as binding on the new entity. The Act requires amalgamated Councils to include information in their annual reports relating to savings that have been achieved, and any changes to the quality or extent of services delivered or provided. This serves a purpose in terms of both accountability and qualitatively evaluating structural reform.

The Board's information sessions with amalgamated Councils and the results of the case studies indicated that structural reform had also indirectly facilitated financial and management improvements. In particular, the information sessions revealed wide variations in Councils' practices in this area, suggesting opportunities for further improvements.

Strategic planning is a case in point. For many Councils involved in amalgamations, it was the first time they had undertaken corporate or strategic planning, for various reasons:

- pre-amalgamation, many Councils suffered a lack of both resources and specialised staff
- the embrace of a 'big picture view' post-amalgamation inevitably led Councils to a strategic planning process, based on the clear recognition that a more sophisticated and strategic approach to financial and management issues was required to underpin the new entity.

Many Councils are now large enough to become more involved in economic development. They are more likely to be able to devote specialised resources to this area and to draw up specific strategies that fit in with an overarching strategic plan, suggesting that structural reform will continue to exert a positive influence on Councils' management practices.

The Board is aware that, at the time of preparing this Report to the Minister, the LGA is overseeing a staged project to develop a conceptual model for performance measurement and benchmarking. There are also proposals in the Local Government Act Review Consultation Draft Bills for Councils to include performance targets and performance measures.

Legislative change

As mentioned earlier, aspects of the Local Government Act Review Consultation Draft Bills have been designed to dovetail with the State Government's broader public sector reform agenda. Probably the key proposal in the Consultation Drafts to facilitate financial and management improvements is for:

- a clearly defined accountability framework and management cycle for Councils, 'to facilitate both short-term and long-term planning' for 'administrative and financial accountability'. (Office of Local Government, 1998)

The proposed accountability framework includes the following:

- Councils implement a system of coordinated planning, to enable Councils to lead, or participate in, coordinated strategic planning for their areas
- corporate plans are prepared for at least a three year period, specifying the key objectives of Councils
- an operational plan and budget consistent with the corporate plan are required for each financial year, containing Council's performance targets for the period and performance measures.

The Consultation Draft also includes a proposal for Councils 'to separate regulatory from service activities wherever possible', following the trend set by Commonwealth and State Governments. If legislated, these proposals are likely to have implications for both the organisational structure and approach of Councils. Concerns have been raised with the Board by Councils about the possibility that some may struggle to find the capacity to comply with more demanding accountability provisions.

The Consultation Draft includes a proposal for Councils 'to contract out by competitive tendering except where it is not in the interests of the area to do so'. Whether or not the new Local Government Act includes a provision in these terms, Councils will remain under pressure to make further financial and management improvements. Councils choosing competitive tendering are likely to face administrative challenges similar to those elsewhere in the public sector, where stringent requirements are involved in preparing and monitoring contracts, and which demand staff with the requisite expertise. For Councils without the capacity to make the necessary improvements, entering into resource sharing arrangements with other Councils may be one option for managing these challenges.

RESOURCE SHARING, AND OTHER COOPERATIVE ARRANGEMENTS

The Board believes there remains considerable scope for Councils to explore opportunities in resource sharing, strategic alliances and partnerships and other cooperative arrangements. This is also reported in the study on estimated savings from collaborative arrangements (referred to previously in this section), and findings from the case study on the Federation of North Eastern Councils (section 4.3).

Studies of Local Government in South Australia indicate that smaller Councils using 'traditional organisational and resource allocation solutions' risk not being able to 'keep pace with both community expectations of service delivery and financial constraints' (Thornton, 1995).

Some of the advantages associated with resource sharing or similar arrangements are:

- they may provide the ability for smaller Councils to reach the 'critical mass' to achieve economies of scale and a level of productivity comparable to larger organisations
- they may provide the potential to reduce duplication and overlap, and overcome fragmented decision-making.

There is a compelling argument that the contraction of other levels of government 'presents an opportunity, indeed a necessity, for local government to step into the vacuum' (Munro, 1997). While joint agreement about a redefinition of roles and responsibilities is one solution to this issue, there are others, such as partnerships and strategic alliances.

The Board believes that Local Government is well-positioned in its own right to act as partner, catalyst and facilitator in these arrangements, which may be entered into with other

Local Government authorities, Commonwealth and State Government agencies, business and the community. The partnership approach has broad application ranging from strategies to address economic development, to mechanisms for service delivery.

Resource sharing

Resource sharing can be defined as ‘any arrangement where a Local Government body cooperates with another body or bodies to share financial, human or physical resources to achieve an objective’.

A report prepared for the Board on resource sharing noted that its theoretical benefits are well documented, and nominated the following areas of benefit:

- achieves some of the benefits of larger Councils
- ensures maximum utilisation of a Council’s own resources
- guarantees access to all available resources in the area
- achieves savings by spreading the costs
- ensures equity in access to services for Council’s residents
- enables political independence whilst maximising benefits from different delivery mechanisms
- ensures services which could not be provided individually in a cost-effective manner. (Anderson Collins, 1998)

The Report also identified a range of structural options that could facilitate resource sharing:

- contracting/outsourcing
- business units
- regional organisations
- centres of excellence
- mutual collaboration.

The choice of resource sharing mechanisms will vary depending on the function or service in question. Resource sharing arrangements can be entered into with other levels of Government, other Councils, non-government organisations, business, the private sector or community groups. The successful implementation of resource sharing requires genuine commitment, common vision and leadership by management and elected members.

The Federation of North Eastern Councils, between the District Council of Orroroo/Carrieton and the District Council of Peterborough, is a unique example of successful resource sharing currently operating in regional South Australia (section 4.3). This provides a model for consideration elsewhere in the State.

Resource sharing also can be regarded as a tool to complement other changes, such as structural reform and functional reform. For example, smaller Councils may be able to keep pace of structural reform by implementing resource sharing. Such arrangements may also be viable options for smaller Councils to cope with influence and participate in functional reform.

Cooperative arrangements

Cooperative schemes are included in the Act's definition of a structural reform proposal, as the establishment of 'a cooperative scheme for the integration or sharing of staff and resources within a federation of councils'.

Arrangements may vary with each partnership and include:

- Councils jointly funding the provision of a service
- a Council contracting to provide a service on behalf of another Council
- Councils combining their purchasing power
- a Council leasing plant and equipment from another
- sharing staff.

Cooperative arrangements are often a viable option for Councils dealing with the impact of National Competition Policy (Wiltshire, 1997). Councils could enter a cooperative arrangement to form a consortium to tender for delivering services, or a confederation where the tender process is undertaken by this overarching body.

Strategic alliances and partnerships

Governments everywhere and of all political persuasions are paying serious attention to the 'partnership' model, based on playing an active role as 'partner, catalyst, facilitator' (World Bank, 1997). Typically this involves governments forming partnerships — either individually or in combination — with other levels of government, the private sector and the community. Closely related to this is the concept of the 'stakeholder society' (Hutton, 1997). This entails government identifying links, and then designing 'institutions, systems and wider architecture which creates a better economic and social balance', thus creating a culture of collaboration. These policy responses to contemporary challenges facing governments also open up opportunities for Local Government.

For Local Government, some of the main advantages of partnerships and alliances are that Councils can take a proactive, leadership role in setting them up. Also, because the potential is there for a shorter lead time to realise benefits and objectives, partnerships and alliances compare more favourably with other reforms, especially those based on the complex realignment of relationships involving other levels of government.

Strategic alliances or partnerships with business offer considerable scope for Councils to ensure the better use of scarce resources in serving local communities. Councils can offer

infrastructure, management skills, local knowledge and access to the community, making them attractive joint venture partners.

Already, some amalgamated Councils in this State have demonstrated the capacity to realise the potential of their expanded and better-resourced base, by directly entering into various partnerships and alliances. The case studies in this Report illustrate how larger Councils can be influential in such arrangements. The City of Onkaparinga's Southern Partnership is a forum which brings together three spheres of government for the purpose of advancing the economic, social and environmental future of the southern region of Adelaide. The forum includes all local Members of Parliament from Commonwealth and State Government, as well as the Minister for Local Government. The City of Onkaparinga has also entered into a direct partnership with the State Government to provide economic and business services, through its Business Enterprise Centre. By replacing the former Southern Development Board, this arrangement rationalises economic development activities in the southern region of Adelaide and provides a potential model for some other areas of the State (section 4.6).

Local Government has a long tradition of international links with municipal government through Sister Cities arrangements. These links have been forged without the mediation of State and Commonwealth Governments. Underpinning these arrangements is the ability of Local Government to relate, on a more informal and often more open basis, than State and Commonwealth Governments. In this regard, globalisation has added to Local Government's potential strategic advantage, in terms of further developing direct links not only with other municipalities, but also with, for example, international organisations and other levels of Government, including regional organisations. Globalisation provides positive opportunities for local and regional communities and economies:

... [globalisation] tends to spread and decentralise information and technology, and allows cities and regions (which are closer to the 'natural unit' of globalisation than nations) to deal directly with each other as partners in the global economy — hence the need for strengthened local and regional planning and greater community self-awareness. (Salvaris, 1997)

Maximising the benefits of international alliances or partnerships requires that they be fully integrated with Councils' strategic directions for community and economic development.

Regional arrangements

Renewed discussion in Australia about creating 'regional governance arrangements dealing directly with Canberra' has been influenced by several factors, the most dominant being 'an upward shift of economic space as the result of globalisation, with an accompanying loss of sovereignty for territorial states, and a growing sense about loss of community' (Sturgess, 1996).

The sudden re-emergence of regional issues at the Federal level adds to the debate. This raises the question of the potential impact on Local Government, including whether the

Commonwealth Government responds by implementing Federal regional programs and expecting delivery at the local level. Councils without the capacity to respond to these challenges may find regional arrangements the only available option.

Regional arrangements provide Councils with strong representative structures and the political clout to play a more significant role in regional issues. Just as alternative governance structures in metropolitan areas can lead to improved integration across Local Government areas, so can regional arrangements reduce overlap and contribute to better coordination. Increasingly, however, the focus of these arrangements is on their regional development role. Local Government is well-positioned to play a pivotal leadership role in regional development, for several reasons:

- it has the ability to develop competitive strengths and encourage local investment and employment growth on a regional level
- it is best placed in regional areas to develop links with business and promote export opportunities
- it can provide a critical link between the community and State and Federal Government programs to encourage regional development. (Brumby, 1996)

There is a range of options for alternative regional institutions, from informal agreements between individual Local Governments to cooperate, through to fully fledged regional government with a great deal of State or national government intervention. A selection of these is set out below:

- voluntary regional Councils are regional organisations of municipal governments which lack any formal statutory backing. They are supported by lower level governments because of their access to funding from higher levels of government and their effectiveness in negotiating common solutions.
- regional coordinating bodies consist of formally constituted regional organisations which lack authority to direct their constituent member governments. Cooperation is assured because of the reliance placed on the bodies' recommendations by State or national government.
- special purpose-regional government. With several exceptions (most notably the Brisbane City Council, established in 1924), regional Government in Australia has been special purpose in nature. The most common vehicle for regional administration was the county Council, with representatives indirectly elected by municipalities, but created under enabling State legislation.
- regional Government with limited powers. Concerned at the potential for overlap and duplication, in some cases governments have permitted the creation of a new tier of regional-level government, subject to the condition that they do not create their own bureaucracy.
- regional Government with plenary powers. This is true regional Government, as envisaged by those who would seek to replace the Australian States.

- government boards and authorities are a further step along the continuum towards complete takeover by State, provincial or national government. In these cases, board members are usually appointed by the higher level government, rather than being elected directly or indirectly from below. (Sturgess, 1996)

The Board's case study on the Mid North Region illustrates the potential of stronger regional arrangements to increase the capacity and influence of Councils in terms of their role in regional development (section 4.5). The Board acknowledges that participation in such arrangements is not an essential prerequisite for Councils to be involved in regional development. However, in contrast with larger Local Government authorities — and as the case studies indicate, Onkaparinga and Wattle Range Councils are good examples of these — smaller Councils in regional areas, particularly those also lacking links with regional associations, may struggle to play a significant role in regional development.

THE NEXT GENERATION OF LOCAL GOVERNMENT REFORM

Some of the preceding discussion raised the possibility of a 'next generation' of reform. If there is to be a next generation, what might its outcomes be? Would it involve new alliances, new institutions, and new governance structures?

To take this discussion forward, the Report now turns to identifying possible:

- principles for the next generation of reform
- preconditions for Local Government to take an elevated leadership role.

These issues are addressed by extrapolating from the consultants' findings from the case study of the Adelaide Hills Council.

Possible principles for next generation reform

While there is no blueprint for the 'next generation' of reform, it will need more than Local Government to trigger events. The following are possible underlying principles for the next generation of reform:

- a clear focus on strengthening the economy as the number one priority
- an acknowledgment that 'strong communities build strong economies'
- a recognition that the strategic advantages of strong, well resourced Councils mean that they have a greater capacity to 'lift the sights' of their communities
- a commitment to reducing the impediments created by State Government silos (agencies operating in relative isolation) and building collaborative structures between State and stronger Local Government units.

Preconditions for an elevated leadership role

Having established the need for a strategic, region-wide, approach to Local Government reform, a more collaborative approach to governance is a precondition to addressing issues

from the perspective of a region. Returning again to the lessons from the Adelaide Hills Council case study, in the next generation of reform, Local Government could be a leader and, eventually, elevate its significance, through:

- coordinating government and community resources to deliver State and Commonwealth Government programs
- strong and committed decisions that are consistent with the agreed strategic directions.

The history and patterns of Local Government reform across Australia suggest Local Government itself often struggles to assume a leadership role in change. While Local Government responds negatively to direction, with the right mechanisms, Local Government should respond positively to change. The LGA's position may have an influence on how Local Government exercises leadership in the next generation of reform. In common with all representative organisations, the LGA is challenged by the tensions of balancing the need to display leadership, while at the same time representing its members' interests.

Using the Adelaide Hills case study as an example, the consultants identified some essential preconditions for Local Government to take a leadership role:

- the design and institution of a process to 'build the bridges' toward a clear and collective vision of achieving strategically important outcomes
- a strengthening of the financial and human resource capacity of Local Government, perhaps involving resource transfer from State to Local Government, and possibly triggering a commitment to reduce the number of Councils
- a preparedness to devolve to Local Government responsibilities and authorities from State Government agencies
- a willingness of the Commonwealth Government to recognise the ability and capacity of Local Government to coordinate and deliver its land care (and related) programs.

7.2 CONCLUSION

In concluding this section of the Report, the Board summarises the key issues related to opportunities for further and future reform of Local Government, including structural reform.

The drivers for change identified earlier clearly indicate that all spheres of government have a role to play in maximising the potential benefit of Local Government reform.

THE FUTURE ROLE OF STRUCTURAL REFORM

The Board has argued in this Report that there remain many opportunities for reform, and that structural reform still has a crucial role to play. Although the Board's contribution to

voluntary structural reform in South Australia is historically significant, many claim it did not deliver perfect results. This Report has fully documented issues about the outcomes. However, the Board believes these concerns can partly be reduced to the question of trade-offs: either adopt a 'compulsory' approach, or accept the imperfections of a voluntary system.

Over time, the Board has formed the view that structural reform's role in further and future reform will be as a means to an end, rather than an end in itself. However, without a supportive policy environment, matched by the right drivers, the Board tentatively predicts only incremental change in whole-of-Council mergers. Structural reform is an important pre-condition to realising opportunities for redefining the relationship between State and Local Government. Given that the role of government to government relationships is a key strategic issue for future reform, structural reform should remain an integral part of the agenda for change in Local Government.

The Board has clearly shown why it could not meet expectations about progressing identified boundary alterations. Suggestions made for improvements in this area may be useful, should this type of change be regarded in the future as an important element in strategic Local Government reform.

THE NEXT GENERATION OF REFORM

The Board believes that the next generation of reform will not simply be based on arguments about efficiency, effectiveness, equity and communities of interest. The more important strategic issues facing the entire community concern the role of responsible governance in an environment of ever-diminishing public resources.

The key challenge facing the Commonwealth and State Governments, as well as Local Government itself, will be to more fully recognise the 'integrating role' of Local Government. Ways must be found to continue to build and strengthen the capacity of Local Government to play this role in its communities, and in the wider regions of which it is a part. The relevant 'reform' agenda is all-encompassing, involving everything that contributes to Local Government's capacity — the structural, managerial, and functional issues.

Regardless of what is driving the reform agenda, a crucial lesson from the recent structural reform experience is the need to engage the elected members, Council staff, and the community, to understand the importance of these imperatives. In other words, proceeding with necessary reforms is predicated on finding the right levers to generate support for those changes. The message for all future reform initiatives involving Local Government is that processes must be open, participatory and cooperative, and allow Local Government to take ownership to influence the outcome.

LOCAL GOVERNMENT'S ROLE

The lessons learned from this evaluation report — those from the past as well as more recent experiences of structural reform, both in South Australia and interstate — tell us that triggers for change may, in themselves, be inadequate to progressing further and future reform (including structural reform) in Local Government.

Throughout the structural reform process, the Board was often reminded that, in practice, Councils already had the latitude and the power to revisit governance and service structures by 'redrawing the map'. This proved to be an ineffective catalyst for substantial change, either for individual Councils, or more strategically across wider Local Government areas. As this Report has highlighted, there are many and complex factors militating against Local Government taking the lead in reforming itself, diminishing its capacity to shape the change process.

THE STATE GOVERNMENT'S ROLE

This points to an ongoing and active role for State Government in progressing this agenda, in the context of a cooperative and collaborative partnership with Local Government. Some of the preconditions for maximising opportunities for further and future reform include the right policy environment that articulates the importance of particular reforms, complemented by suitable institutional and structural support, and backed up by appropriate resources. The Board has provided ample evidence that there must be a driver for change to achieve significant results.

APPLYING THE BOARD MODEL TO OTHER CHANGE PROCESSES

This Report has shown that South Australia's approach to structural reform is regarded, broadly speaking, as a successful model in Local Government around Australia.

The success of the voluntary approach to structural reform utilised in South Australia suggests that there is a convincing case for applying aspects of the Board model to other complex, large-scale, change processes. The Board is hopeful that this Report has contributed to an understanding of those factors that help or hinder reform programs.

The Board also believes that an understanding of processes and facilitation skills developed by its staff will be beneficial for application in other major change programs. The structural reform process brought together a multidisciplinary team, from diverse public sector backgrounds, recruited on the basis of their skills and abilities rather than on their knowledge of Local Government. They took on new tasks and challenges, broadening their personal skills base and thereby enhancing the flexibility and diversity of the public sector resource. The knowledge and understanding of Local Government gained should ideally be utilised to benefit both Local Government and the State Government in the future.

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