


Local Government Reform In South Australia

Michael Llewellyn-Smith

 In his article in *Public Management* in 1996, Bill Bridgeo, city manager of Canandaigua, New York, a participant in the ICMA/IMM manager exchange program in Australia, described the local government restructuring that had occurred in the state of Victoria. In short, the state government of Victoria had taken the view that reform was both necessary and long overdue and, in 1994, dismissed 215 municipal councils and created 78 new ones. The elected members were replaced by appointed commissioners for a period of three years, until elections were held for the new councils in March 1997. Key objectives in this approach were to realize savings and to reduce council rates (property taxes) by 20 percent.

In the neighboring state of South Australia, however, a different approach has been taken to local government reform. The state government has decided on a voluntary approach, rather than the interventionist model of the Victorian government.

In South Australia, the government introduced legislation into the state parliament in December 1995, at which time there were 118 councils in the state. In the legislation, the objectives of local government were defined to include:

- Providing a representative, informed, and responsible decisionmaker, in the interests of developing the community and its resources in a socially just and environmentally sustainable manner.

- Ensuring a responsive and effective provider and coordinator of public services and facilities at the local level.
- Providing an initiator and promoter of effort within a local community.
- Representing the interests of a local community to the wider community.

A Reform Board

The legislation enabled the state government to establish a Local Government Boundary Reform Board. The stated aims of the government in establishing the board were to achieve a significant reduction in the number of councils in the state and a significant reduction in the total costs of providing the services of local government authorities.

The board consists of eight members appointed by the state governor. Four of these members had first been nominated by the state minister for local government; two had been selected from a panel of six nominated by the Local Government Association of South Australia; and one came from a panel of two nominated by the United Trades and Labor Council. The remaining member is the executive director of the board, who is the board's principal officer and responsible for managing its staff and resources.

The legislation also provided that the functions of the board are to:

- Assist councils that are working toward an amalgamation or rationalization of areas or toward the rationalization, integration, or sharing of works and services.
- Facilitate the provision of financial incentives to councils that are participating in significant reform proposals.
- Establish and publish criteria against which the performance of councils as local government authorities can be assessed, and then to assess the performance of councils in the state against these criteria.
- Consider reform proposals from councils.

Port Adelaide Council and Enfield Council were the first two councils to amalgamate under the reform legislation. The new council delivered savings of \$2 million in 1996–1997.

The board sought voluntary structural reform proposals from councils, which included: (1) the amalgamation of two or more councils; (2) the abolition of a council and the incorporation of its area into the areas of two or more councils; and (3) the establishment of a cooperative scheme for the integration or sharing of staff and resources within a federation of councils.

In considering each structural reform proposal, the board was obliged to bear in mind the principles that a new council should:

- Achieve significant economies in the use of resources within local government while avoiding significant divisions within the community.
- Have a sufficient resource base to fulfill its functions fairly, effectively, and efficiently.
- Offer its community a reasonable range of services delivered on an efficient, flexible, equitable, and responsive basis.
- Facilitate effective planning and development within an area, and be constituted with respect to an area that can be promoted coherently.
- Be in a position to facilitate the management of environmental issues and the integration of land use schemes.

- Reflect communities of interest of an economic, recreational, social, regional or other kind, and stay consistent with community structures, values, expectations, and aspirations.
- Incorporate or promote an accessible center or centers for local administration and services.

New Performance Standards

The board also established performance criteria to determine whether or not a local community would benefit from structural reform. These criteria were designed to take into account a number of factors, including demographic profile, geographic location, topography, formal and informal relationships with other government or nongovernment bodies, the economic growth and wealth of the area, and any common interests within the community.

The performance criteria were:

Governance. The capacity of the council to represent and serve the public interest of the community through its elected structure, its advocacy role, and the use of community consultation and social development strategies.

Finances. The current and potential viability of the council, with particular reference to growth, debt, revenue capacity, infrastructure maintenance, rating capacity, service provision costs, ability to attract and manage federal and state grant funding, and administrative costs.

Service Provision and Delivery. The capacity of the council to meet the service provision needs of the community in a competitive manner.

Environment. The council's capability to meet its statutory and potential community service obligations on matters relevant to the environment, including coastal management and stormwater and effluent drainage schemes.

Economic Development. The council's ability to identify and contribute to the economic development potential of the region and to meet community expectations through appropriate infrastructure provision.

Statutory Responsibilities. The capacity of the council to meet its statutory responsibilities in such areas as health, development, roads, and traffic management.

Management. The ability to efficiently and effectively support governance and structures within the council, to provide leadership, and to achieve agreed outcomes.

The board could decline to accept a structural reform proposal unless or until it was satisfied that the council or councils submitting the proposal had carried out a reasonable amount of community consultation on it. And the board could consult with one or more councils (including councils not included within the terms of the proposal) about the proposal and any alternatives. The board could itself amend a proposal or substitute an alternative one.

Next, the board is required to make a recommendation to the state government minister for local government, who may then approve the proposal.

Questions and Incentives

To ensure a consistent approach when assessing proposals, the board uses a checklist of key questions that confirm that proposals have met the requirements of the legislation. After the critical question "Has there been a reasonable amount of community consultation about the proposal?" the board could then ask:

- Will the proposed amalgamation achieve the objectives of local government?
- Will the amalgamation meet the principles of the legislation?

Structural reform has brought about opportunities for a more regional and united focus on issues like economic development and environmental protection.

- Is there adequate description of the benefits of the proposal?
- Are comparisons with the performance criteria clearly identified?
- Has a three-year financial and management plan been prepared?
- Is there adequate discussion of impacts on demographics, geographic size, topography, and the projected future growth of the proposed council?
- Is there adequate discussion of the impact on communities of interest?
- Will a reasonable range of services be delivered on an efficient, flexible, equitable, and responsive basis?
- Is it clear that adequate governance/representation arrangements will be in place?
- Will there be an accessible center or centers for local administration and services?
- Is there adequate discussion of economic viability, environmental sustainability, and effective planning and development?
- Is there enough discussion of relationships with other, adjoining councils?
- Has sufficient attention been paid to legal, contractual, and statutory issues?
- Is there adequate discussion of industrial and employee issues?
- Has a suitable resource base and organizational structure been described for the new entity?
- Is there a satisfactory implementation plan?

The board has provided these financial incentives to councils participating in significant structural reform proposals, including: the provision of facilitators at no cost to support discussions between and among councils considering boundary reform issues; interest-free loans to councils that have committed to the reform process; and finalization grants applying to voluntary proposals recommended for approval. Specifically, the board has arranged to provide loans of up to \$25,000 and to meet interest costs on such loans until June 30, 1998.

Recognizing that there were significant costs associated with finalizing a structural reform proposal, the board provided financial incentives to help defray some of these costs, which were payable at the time a final proposal was recommended for approval by the board. The grants were \$10,000 for a group of two councils; \$40,000 for three councils or \$80,000 for four or more councils.

The aim of the reform process was for councils to put forward amalgamation proposals based on their local knowledge. Local understanding and perspectives were seen as crucial, and councils had to consider such key local concerns as representation, community identity, service delivery, employment, community benefits, opportunities, differences in debt levels, differences in ward arrangements, and differences in population sizes.

In developing voluntary amalgamation proposals, it was up to the existing councils to consider the best interests of their residents and ratepayers and to come up with structures that ensured the appropriate levels of representation across the whole of the new council area.

Some Outcomes

Port Adelaide Council and Enfield Council were the first two councils to amalgamate under the reform legislation. The new council, representing a population of 101,000 people, came into

being on March 22, 1996. It delivered savings of \$2 million in 1996–1997 with these savings being passed on to the ratepayers through rate reductions.

A significant amalgamation occurred on Kangaroo Island. After extensive negotiations, the Kingscote and Dudley Councils put forward a voluntary proposal to form the Kangaroo Island Council. After 110 years of separate councils, the creation of one council on Kangaroo Island significantly enhanced tourism potential and economic development. The island is one of Australia's most appealing tourism destinations, and its ability to develop this industry and to attract further development could only be enhanced by one council, acting in a united and progressive way. Through the merger, the new Kangaroo Island Council will achieve annual net savings of \$180,000, phased in by the year 2000. Amalgamation will bring about rate equalization as part of the overall plan to reduce the total cost of providing services.


The amalgamation of Noarlunga, Happy Valley, and Willunga Councils was the largest proposal approved by the board. Ratepayers will gain average rate reductions over time, ranging from 7.3 percent for Happy Valley, 14.6 percent for Willunga, to 17.0 percent for Noarlunga. Annual savings of about \$3.5 million will be gained through cost efficiencies in the creation of the new council, which came into effect on July 1, 1997 and will service about 150,000 residents and cover an area of 570 square kilometers.

In the north of the state, history was made with the founding of South Australia's first federation of councils. The federation will see the newly created council of Orroroo/Carrieton sharing the same administration with the recently amalgamated town and district councils of Peterborough. The new body will be known as the Federation of North Eastern Councils. The city manager of the federation is technically the chief executive officer of both councils. The overall arrangements involve an innovative combination

whereby the two councils will retain their political independence but be serviced by one administrative structure. Federation will increase service delivery at reduced cost, but not remove local accountability, decision making, and planning. This federation proposal was developed to achieve the maximum benefit from structural reform in sparsely populated areas. Staff of both existing councils will become employees of the federation, and full-time offices will be retained in both Peterborough and Orroroo.

Since the start of the reform process in December 1995, the number of metropolitan and country councils has been reduced from 118 to 69 through voluntary amalgamations. The mergers have realized major cost efficiencies and savings, which are being passed on to residents and ratepayers. The amalgamations so far will result in total recurrent savings of \$13 million among metropolitan councils and \$6.3 million among country councils. Merger proposals approved have identified service improvements in such areas as health and aged care, building and planning, protection of the cultural and built heritage, library services, road maintenance, and waste management and recycling. Structural reform also has brought about opportunities for a more regional and united focus on issues like economic development and environmental protection.

The legislation has a sunset clause for the board, taking effect on September 30, 1998. The board is confident that with its assistance, further voluntary amalgamations between and among councils will occur, with significant savings being passed on to local communities.

Local government in South Australia is poised for an exciting new era in the provision of effective and efficient services to local communities. 

Michael Llewellyn-Smith is the city manager of Prospect, South Australia, and the immediate past president of the Australian Institute of Municipal Management.