

## **Chapter 3:**

# **Local Government Amalgamation in Victoria, Tasmania and South Australia**

### **3.1 Introduction**

Australian local government has been forced in recent decades to engage in ‘amalgamation wars’. State governments have been the primary initiators for reducing numbers of local authorities, usually on the premise that there were too many authorities (Jones, 1993, p.235). States have pursued amalgamations often on the pretext of the perceived need for greater efficiency and better service delivery to local communities. However, numerous scholars, as well as practitioners in the local government sector, have argued that amalgamations on their own have not necessarily generated efficiencies (See, for instance, Dollery, Crase and Johnson, 2006). In addition, communities have often strongly opposed mergers and appealed against perceived loss of identity and local democracy.

Structural reform of Australian local government has occurred for more than a century since Federation, and particularly from the early 1990s, has primarily been a state or territory initiated process. Consolidation of local authority units through imposed council mergers has provided these governments with the preferred method of structural reform. Other local government structural reform initiatives, such as state-local partnerships, regional cooperation, changes in management and organisational arrangements and strategic alliances of councils, have also occurred during the last two decades, but these have not been as favoured as imposed council mergers (Dollery & Grant, 2009, p.21).

The rate and extent of Australian local government structural reform, and specifically of council amalgamations, has varied between Australian states and the Northern Territory since the early 1990s. As indicated in Table 1 below, there has been a 39 per cent diminution in numbers of councils across Australian states from 1067 units, including the Northern Territory, to 550 by early 2009. The majority of these reductions were through imposed amalgamation of councils.

**Table 1: Local council Numbers in Australia 1910-2007**

	1910	1967	1982	1990	1995	2007/08
NSW	324	224	175	176	177	152
VIC	206	210	211	210	184	78
QLD	164	131	134	134	125	73
SA	175	142	127	n/a	119	68
WA	147	144	138	138	144	142
TAS	51	49	49	46	29	29
NT	0	1	6	22	63	8
<b>Total</b>	<b>1067</b>	<b>901</b>	<b>840</b>	<b>726</b>	<b>841</b>	<b>550</b>

Source: (Dollery, 2009, p.3)

Council amalgamations implemented during the 1990s in Victoria, Tasmania and South Australia and the reform outcomes in each jurisdiction are considered in detail Chapter 3. A brief summary is included for each state of key local government reform measures other than amalgamation over the same period. Amalgamation and local government reform impetus and activity in Queensland, Northern Territory and New South Wales, which occurred much more recently, and in Western Australia where amalgamations may soon occur, will be addressed in Chapter 4 and Chapter 5.

Chapter 3 is divided into six main parts. Section 3.2 provides background to council amalgamations as the predominant Australian local government structural reform activity since the early 1990s. Section 3.3 gives a history of the local government amalgamation process in Victoria during the 1990s. Section 3.4 addresses Tasmanian amalgamations and Section 3.5 the South Australian experience in the same decade. Section 3.6 suggests some common themes between the three jurisdictions in respect of amalgamations. Chapter 3 ends with some brief concluding remarks in Section 3.7.

### **3.2 Structural Reform - Council Amalgamations**

Most Australian state and territory governments in the past twenty years have reduced the number of local government councils. The rationale for amalgamation has predominantly centred on need for greater efficiency and effectiveness and for communities to enjoy a better standard and level of services.

In 1993, the Kennett government commenced what effectively was an acceleration of the local government council amalgamation movement in Australia. This program, modelled on the local government reform in New Zealand in 1989, dramatically reduced the number of local government units in Victoria. At approximately the same time, a more consultative, more community accepted Tasmanian reduction of council numbers occurred. Subsequent attempts in 1997-1998 to further reduce Tasmanian local council numbers, using a more authoritarian approach, was ultimately aborted. This was primarily as a consequence of substantial community opposition. Tasmania subsequently adopted state-local partnership arrangements as a preferred structural reform mechanism, although in 2009 further structural reform occurred.

South Australia experienced substantial and reasonably well-accepted structural reform in the form of amalgamations in 1997-1998 and, in common with Tasmania, subsequently progressed to state-local partnership agreements as its preferred method of local government structural reform.

In some instances, council amalgamations may be a necessary precondition to other local government structural reforms. However, whether imposed amalgamations can induce the cultural change needed to effectively implement desirable local government sector reforms remains highly contested. At best, imposed amalgamations are a controversial method of achieving efficiencies when other available reform options may not necessarily create the same risks (Kiss, 2003, p.104).

### **3.3 Victorian local government structural reform**

#### **3.3.1 Introduction**

Progressive investigations into local government reform have been undertaken since the 1960s, when Victorian local councils numbered 210. In 1962, a Commission of Inquiry into Victorian Local Government recommended reduction in the number of municipalities to 42, but the Inquiry was not acted on. A 1979 Report to government recommended establishment of a Municipal Commission to restructure local government. In 1985, the Victoria Grants Commission undertook a statistical analysis of economies of scale in local

authorities of varying sizes and predicted a financial crisis in smaller units unless they were amalgamated (Jones, 1993, p.238).

### **3.3.2 Cain Labor Local Government Reform**

In 1985-86, the Local Government Commission of Victoria relied heavily on the Grants Commission findings on the case for council amalgamations (Jones, 1993, p.238). Its study of economies of scale in local government service provision, using data on administrative costs of 175 councils, found that in every council category there was a statistically significant relationship between administration expenses per head of population and council size (Dollery, Crase, & Johnson, 2006, p.282-3). There was pressure for amalgamation in some economically-depressed, manufacturing reliant Victorian provincial cities, which had a relatively large number of local authorities in their urban areas, such as Geelong (four), Bendigo (five) and Ballarat (six) councils (Jones, 1993, p.229).

In September 1985, Victorian Premier Cain announced a strategy for state-wide amalgamations of local government. However, a year later, because of a combination of community opposition, bypassing of existing local government power structures, failure to establish majority support, conflicting aims, and lack of restriction in scope, the Premier announced that restructuring would only occur on a voluntary basis and attempts to reduce the 210 local authorities in Victoria at that time failed (Munro, 1993, p.9). Even though it was argued that the government had lost its nerve, the Cain government did not have a Legislative Council majority and consequently lacked the ability to obtain legislation to secure a local government reform process (Morris, 1998, p.50-51).

### **3.3.3 Kennett Government Forced Council Amalgamations**

After the Cain government's largely unsuccessful attempts at local government reform, a recognition emerged on desirability for future local government restructure (Morris, 1998, p.50). Following the 1992 election of the Kennett government, there were calls from within Victorian local government in the early 1990s for reform. For example, the Chief Executive Officer of the City of Melbourne suggested in early 1994 that reform of local government had become urgent in respect of microeconomic matters, including reductions

in operating expenditure, efficiency and effectiveness and competitiveness of service delivery (Proust, 1994, p.16-17).

Evolutionary changes to the Victorian local government system ended with election of the Kennett Liberal-National government, which had secured 77 per cent of seats in the Legislative Council and 66 per cent in the Legislative Assembly. The incoming government policy platform prior to the election included the stipulation that restructuring of councils, apart from Melbourne and the larger provincial cities, was to be strictly voluntary (Munro, 1996, p.78-79). However, the Kennett administration quickly moved to introduce major changes to local government (O'Toole & Burdess, 2003, p.9). The measures implemented after the election bore only superficial resemblance to the policy platform, which was 'no forced amalgamations' (Kiss, 1999, p.112).

The Kennett government policy sought to secure economic reforms, reduction in state debt and a restoration of Victoria's credit rating. It was based on 'core values' associated with public choice theory, agency theory and entrepreneurial government. Reforms focussed on achieving economic growth by improving government (including local government) efficiency and constraining the role and function of government (Williamson, 2000, p.32).

The local government reform implementation process took place in two stages. The first phase occurred during the initial Kennett Government term of office and entailed a radical agenda that fundamentally altered local government. The second reform phase from 1996 onwards consisted of consolidation of central direction of the local government sector through a variety of means including threats, contempt for some local government representatives and ad hoc interventions by the Minister (Kiss, 1999, p.112).

The Kennett government quickly introduced the *Local Government (General Amendment) Act 1993* to enable transformation of the Victorian municipal system. The Act established a Local Government Board to provide a process for reviewing local government structure and specifically precluded the Victorian Supreme Court from hearing any proceedings brought against the Board, its staff or the Minister in respect of such review. The new legislation contained a "catch-all" section giving power to make orders which gave the

Minister a wide range of unfettered powers, such as to divide a municipal district into wards, alter the boundaries of wards and decrease the number of wards (O'Toole & Burdess, 2003, p.9). The central role of the Board was to reduce the number of municipalities and its focus was weighted towards issues of economic development, council rate reduction and local government operational matters. The Board adopted a forceful 'top-down' style (Marshall, 2008, p.18) and community of interest was not considered a relevant issue, except where it could be used to suggest that existing local government boundaries divided communities as strong commercial areas (Kiss, 2003, p.108-9).

The Ministerial Advisory Group on Local Government Reform reported to government in 1995. According to Aulich (1997, p.199), it defined the pressures for change to local government as

financial constraints, impact of the Hilmer Report, significant reforms occurring nationally, a state government mandate for public sector reform and the increasing responsibility of local government to expand its role in economic development, environmental and 'people' services.

There were three key features of the municipal reforms. Firstly, councils were summarily sacked in successive stages so that local government was effectively suspended and communities disenfranchised as Government-appointed commissioners assumed administrative responsibility under strict oversight of the Local Government Board (Munro, 1996, p.78). The second feature was the ultimate reduction in the number of local government councils from 210 to 78 and allied reduction in staff numbers, buildings, plant and equipment, services and capital reserves. The third key feature was that an increasing proportion of council budgets were required to be subject to Compulsory Competitive Tendering (CCT) (Munro, 1996, p.79).

### **3.3.4 Compulsory Competitive Tendering**

Of all the Kennett local government reforms, none was more significant in potential for changing the way in which local government operated in Victoria than CCT, which

introduced competition into local government services and activities. The management tools of CCT and the consequent privatisation of services created a more “entrepreneurial” government and reduced the role and function of local government in favour of the private sector. Privatisation included appointed commissioners selling off council assets, especially buildings, land and electricity supply departments (Williamson, 2000, p.35).

The Victorian government maintained that sound competitive tendering was an invaluable tool for securing an appropriate balance between service price and quality, as well as ensuring accountability of providers to funding agencies and the community (Haig, 1998, p.163-65). However, CCT was introduced despite a lack of evidence that competition necessarily generated greater efficiencies or savings (Mowbray, 1996, p.31). CCT had a most significant effect on the way councils would operate as it required council expenditures to be exposed to the private sector through a tendering process. 20 per cent of total council expenditure had to be “market tested” in 1994-95 financial year, 30 per cent in 1995-96 and 50 per cent in 1996-97 (Blacher, 1996, p.47). Very few councils achieved these targets (Savery, 1997, p.163).

CCT presented challenges to local government in Victoria to examine its role and responsibilities as either a form of governance or alternately as simply a mechanism for efficient service delivery at the local level. A “democratic deficit” arose because of the imperative for efficient services and a consequent change in local government focus away from traditional democratic values, such as representativeness, advocacy of local interests, probity, responsiveness and access, transparency and accountability. CCT forced councils to be more outwardly focused on service standards, cost consciousness and value for money, customer focus and awareness of competitors, in the hope of improved performance aspects of service provision and clearer service delivery standards (Aulich, 1999, p.43).

### **3.3.5 Other Structural Reform Instruments**

Less publicised local government reforms at this time included new accountancy (AAS 27) regulations and auditing requirements, more liberal freedom of information laws, statutory requirement to produce corporate plans and annual reports as well as abolition of

the statutory positions of town clerk and municipal engineer and appointment of Chief Executive Officers and other senior staff on fixed term, performance based contracts (Blacher, 1996, p.48).

A significant reform was rate capping and a requirement of a one-off reduction in rates of 20 per cent as a very blunt instrument to drive efficiencies and priority setting (Digby, 2002, p.3). This measure was an added challenge in that it was agreed to in advance of savings identified by interim management (Kennedy & Digby, 1999, p.3). Asset sales and use of capital reserves were to underwrite the reduction caused by rate capping in the short term (Munro, 1996, p.79). Administrative upheavals included, as well as boundary changes, appointment of Chief Executive Officers, contracting of senior managers, rate reductions and capping, forced sale of community assets and CCT.

### **3.3.6 Council Merger Savings**

Real savings from Victorian council mergers have been assessed at about eight to nine per cent (Marshall, 2008, p.19). The Kennett government regularly stated that huge savings from amalgamations of up to \$400 million had been achieved. Yet Australian Bureau of Statistics figures comparing Victorian local government operational expenditure between 1991-92 and 1996-97 in real terms suggested that operating costs had increased so that strong grounds existed to argue that local communities had not made any substantial economic gains (Kiss, 1999, p.119). Other factors associated with the reform process had additional cost implications and distracted staff away from their normal duties into areas in which they had little training and experience, complicating the establishment of new service levels and increasing the burden on already diminished council resources (Savery, 1997, p.164).

### **3.3.7 Criticisms of Victorian Local Government Reform**

To implement its local government reforms, the government appointed commissioners in place of elected councillors, generally from outside the localities concerned and most holding views similar to the government. Commissioners allowed local senior managers to implement state government policies unimpeded by local political representatives (Mowbray, 1996, p.32). Commissioners were installed to administer the newly merged

bodies for an eighteen month transition period (Marshall, 2008, p.18). The government was also prepared to use harsh approaches to induce council compliance, with threats of dismissal and requests that councils detail their budget resolutions and how each councillor voted (Mowbray, 1996, p.32).

There were often competing and conflicting objectives, fervour for free market solutions and a focus on financial and administrative efficiencies (Hill, 2003, p.4-5). The Kennett government implemented its local government reform agenda with little regard for alternative values or points of view (Kiss, 1999, p.110). Critics of the reforms had concerns about the devaluation and destruction of social bonds in community, citizen participation and an active civil society (Williamson, 2000, p.32). Notions of rights of local communities to self-determination were put aside and the speed and drastic character of the changes precluded public participation or understanding of what was occurring. It has been argued that the reform policies were influenced strongly by one set of interests represented by Project Victoria, a consortium of businesses with support from the Institute for Private Enterprise and the Tasman Institute (Kiss, 1999, p.113-4).

The community and its local government representatives, who were in some ways receptive to some reform of local government, were lulled into a false sense of security about the Government boundary reform intentions, barely resisted the reforms and for the most part watched passively from the sidelines (Kiss, 1999, p.115). Amalgamations were achieved with little community backlash. Indeed, shires that had so strongly opposed the Cain Government proposals surrendered meekly and community reaction was “muted” (Hill, 2003, p.3).

The reform strategies altered the nature of Victorian local government and its relationship with citizens. Council powers to develop business enterprises and invest in the local government area were effectively handed over to the market and local government was constrained in terms of direct provision of some services on behalf of community (Williamson, 2000, p.36). Citizens were deprived the opportunity to share in collective ownership of public assets and were increasingly defined as customers of contracted services rather than people with citizenship rights and obligations. Legislative and

constitutional changes that accompanied the local government reforms helped to entrench the erosion of civil and political rights of Victorians. The reforms also meant a closer alignment of local government practices with the market-based policies of the State government (Williamson, 2000, p.60).

Council amalgamations were the most externally visible and emotive aspect of the Kennett local government reforms. It was argued that the greatest challenge was creation of a radically different organisational culture, focussed on policy development and delivery of outcomes, but also being responsive to community expectations and being prepared to manage risk. Commencement of CCT was a critical element in forcing these changes (Kennedy & Digby, 1999, p.4-5).

The Kennett local government reforms have been described as a two-stage process, the second of which occurred after re-election of the Kennett government in 1996 and was characterised by the restoration of elections, the return of elected councillors and the introduction of state government accountability measures to ensure the reforms were maintained (Kiss, 1999, p.116) (Williamson, 2000, p.34). Legislation introduced a rate cap and power to permanently peg rates. The independent taxing power of local government, on which its restricted autonomy depended, was thus effectively removed. Power henceforth resided with the Minister to approve rate rises above the pegged limit (Kiss, 1999, p.116).

The Kennett reforms considerably changed Victorian local government because they focused on local government institutional arrangements. Management practices were improved, larger councils had enhanced capacity to attract skilled professional staff and management, to provide a greater variety of services, to act and manage strategically and to exercise a community leadership role (Martin, 1999, p.34). Implementation of measures which reduced the governance role of local government, its autonomy and managerial freedom were the key to the reforms.

Some argued that the transformation of local government administration into the managerialist model was illusory or only partial, given the prescriptive nature of the reforms and the inherent tensions and contradictions which emerged in the practice of new

public management. Rather than local government securing greater strategic managerial control and autonomy, a more intense control emerged over council managers by the State. For example, the *Local Government (Further Amendments) Act 1997* gave the Office of Local Government power to authorise changes to the status of employment of chief executive officers and other senior council staff, including the power to veto senior appointments made by councils (Van Gramberg & Teicher, 2000, p.2-3).

There has been criticism that the rhetoric of managerialism was not delivered under the Kennett government's regime of local government reform because centrally imposed requirements, supported by legislative compulsion and dominated by financial constraints in the form of rate capping and financial targets, were perceived as too onerous for effective development of the managerialist model (Van Gramberg & Teicher, 2000, p.9). There was a perspective that the local government reforms weakened and undermined local government with effectively a transfer of authority from elected councillors to senior managers and also into the hands of State government, and especially to the Minister for Planning and Local Government (Kiss, 1999, p.120).

There was also a sense that local government had lost its governance role, that state control over local government was excessive, and that community had lost some intrinsic democratic rights (Digby, 2002, p.3). It was argued that after the reforms, Victorian local government, as well as having a greatly reduced number of councils, had diminished budgets, reduced debts, a lessened scope for revenue raising, services increasingly provided by the private sector operating under conditions of continuous change, arbitrary ministerial interventions and strong pressures to acquiesce to state government agendas (Mowbray, 1996, p.33). It was argued by some scholars that institutional change did not necessarily guarantee that the culture of local government organisations changed in accordance with the state government's intentions (Martin, 1999, p.34).

By 1996, there was increasing research to suggest the reforms of the era did have negative impacts on at least some local government services. It was questioned, for example, whether in fact youth services had needed reform or had benefited from amalgamations, closures and the change to economic rationalism and managerial policies (Bessant &

Emslie, 1996, p.43). Amalgamation was not deemed a catalyst, for instance, to improving the efficiency and effectiveness of local government youth services given that after amalgamation less resources were applied to youth services and there were fewer youth worker positions in the Victorian local government sector (Bessant & Emslie, 1997, p.17). The view has been expressed that the Kennett Government's contempt for democracy at the local level was its undoing (Hill, 2003, p.4-5), and the government's scorn of expressions of community concern caused higher, ultimately fatal levels of discontent. The Kennett government defeat in 1999 has been partly attributed to usually loyal rural and regional constituencies rejecting the government because of the profound effect on them of the imposed local government reforms. Many of these voters broke tradition and turned to a number of non-conservative parties and independents (Buxton, Budge, & Boyle, 2001, p.373-75).

### **3.3.8 Bracks Labor Government Gradual Reform**

After the 1999 election of the Bracks Labor government, the primary approach of state Government to working with local government in Victoria became capacity building. This was primarily aimed at elected councillors, supporting councils in financial management, infrastructure provision, problem solving and information sharing, and setting new frameworks, such as changing the Local Government Act, establishing local government indicators, conducting community satisfaction surveys and establishing collaborative working relationships between State and local government (Digby, 2002, p.5-6).

The Bracks government also engaged with local councils in a Local Government Constitutional Convention to establish a constitutional relationship between State and local government; recognise democratically elected local government governing bodies; recognise each individual local government within an identified municipal area, and protect local government from undue interference by State government (Victorian Local Governance Association, 2000, p.1).

A Bracks government legislative reform in December 2003, the *Local Government (Democratic Reform) Act 2003*, was aimed at safeguarding and strengthening local democracy. It introduced proportional representation voting for multi-member wards and

undivided districts at local government elections, as well as a fixed, common election date and four-year terms for councils. The Act also introduced a Local Government Charter; requirements for greater transparency and consistency in council plans, budgets and annual reports; and changes to methods of levying special rates and charges (Minister for Local Government Victoria, 2003, p.2).

### **3.3.9 De-amalgamation of Delatite Shire**

A notable postscript to the Kennett government forced amalgamations occurred in 2002, when the Minister for Local Government appointed a Panel to review the possible restructuring of the Delatite Shire, a product of the forced 1990s amalgamations and comprising two discrete population centres of Benalla and Mansfield. The Delatite Shire in 2001 had undertaken considerable community consultation resulting in the approach for de-amalgamation and premised on mutual preparedness to extensively resource share (Local Government (Delatite Shire Council) Review Panel, 2002, p.iii). The Ministerial Panel undertook detailed financial analysis which demonstrated that costs of separation would be negligible for ratepayers in the north of the Shire and around 16.8 per cent for ratepayers in the southern area. The Panel reported that a new Shire based on Benalla would be viable with a rate increase of 12 per cent, whilst another Shire based around Mansfield was viable with a rate increase of 16.8 per cent. The Panel indicated that a new Mansfield shire would be very small and only able to provide basic services and have difficulty providing additional capital works (Local Government (Delatite Shire Council) Review Panel, 2002, p.ii). The Minister approved establishment of the two new councils and unravelled a forcibly amalgamated local government unit.

### **3.3.10 Conclusions on Victorian Local Government Reform**

The Victorian local government reforms decreased opportunities for citizens and community to deliberate on the issues that impacted on their lives. Nevertheless, with the notable exception of Delatite Shire, the forced amalgamations remain in place.

The Victorian amalgamations underpin the complexity involved in boundary changes and organisational mergers and the political will of a state government determined to institute a state-wide program of privatisation and rationalisation of services based on the

‘economies of scale’ argument. Such experience also indicates that poorly planned, hastily executed amalgamations not involving intense consultation with elected councillors, staff and communities of amalgamating councils can result in long-term organisational problems and negative effects on service delivery (Vince, 1997, p.159-60). The Victorian local government reforms focused on resource management and competitive service delivery systems, reinforcing an economic view of local government primarily as an efficient provider of resources to communities and representing a shift away from the traditional political view of local government and local democracy with its values of representativeness, responsiveness and participation (Aulich, 1997, p.208).

### **3.4 Tasmanian Local Government Structural Reform**

#### **3.4.1 Introduction**

As early as 1907, a Royal Commission on Municipal Government of Hobart and Suburbs had reduced the number of Tasmanian local government units from 149 to 53. From 1907 until 1992, the number of local government units had only reduced to 46 (Jones, 1993, p.240). According to Chapman, (1997, p.56) Tasmanian local government had long been regarded as a minor actor in the governance of Tasmania with councils limited in their capacity to undertake basic tasks, often because of a limited revenue base as well as low staff competence levels and substantial reliance on grants. Haward and Zwart (2000, p.35) suggest that a factor contributing to the lack of success in achieving structural change in local government prior to the 1990s was the generally unilateral and non-consultative approach adopted by successive state governments.

#### **3.4.2 Tasmanian Local Government Reform Process**

The Tasmanian Local Government Advisory Board (LGAB) was established to provide ‘arms-length’ recommendations to the Minister concerning local government structural reform. The government had removed by legislation, the need for approval of reforms by the Legislative Council, which had previously opposed local government reform, (Munro, 1993, p.10). The LGAB conducted an ‘Inquiry into the Modernisation of Local Government’ between 1991 and 1993. The Inquiry was inclusive and consultative and recommended a reduction in the number of authorities from 46 to 29. Recommendations

were not made for changes to the largest population centres of Launceston and Hobart (Chapman, 1997, p.58). The Board reported that it had undertaken studies to examine the possibility of greater reductions, but had concluded that this would be politically unacceptable and the resulting structures would be unable to be seen as local in nature. This number of councils remains today (DOTARS, 2005).

The LGAB attempted wherever possible to amalgamate whole municipalities and to minimise dislocation through splitting staff, assets and finances. State government provided funds to pay for transition costs of consultancy and also established equal state and local councillor representation transition committees representing each amalgamated council. The state demonstrated commitment to local government, facilitated vital local ownership, and assisted acceptance and success of the reform process (Munro, 1993, p.10). The need for further reform was underlined by the Board's 'Modernisation Report' which noted that 50 per cent of the 46 councils raised only 7.8 per cent of the total Tasmanian rate revenue. Small local authorities spent a third of rate income on administration costs and relied substantially on government grants (Chapman, 1997, p.56). In 1992, the newly elected Tasmanian Liberal Government established an Independent Commission to review Tasmanian public sector finances. The Commission Chair noted that, concerning the Local Government Advisory Board Inquiry, any local government reform which achieved an outcome of more than 20 municipalities would fall short of an efficient structure (Chapman, 1997, p.57).

At this time there was bipartisan support for council mergers, even though some communities resisted and right to a referendum was not provided (Jones, 1993, p.241) (Munro, 1993, p.11). The changes meant that Tasmanian local authorities continued to be relatively small in area compared to most of the rest of Australia, with 14 units still under 10,000 population and only eight over 20,000 (Jones, 1993, p.241). The Australian Bureau of Statistics 2000 population estimates revealed that the ratio of elected representatives after these amalgamations, was one to 1633 persons (Kiss, 2003, p.109).

In addition to its focus on local government structural reform, over a two year period the LGAB consulted each local government in the state (Haward & Zwart, 2000, p.35) to

develop recommendations for appropriate local government legislation to modernise the prescriptive 1962 Local Government Act. By the early 1990s, this Act was regarded as unrepresentative of local government's position as a sphere of government in Tasmania and as restricting the ability of local authorities to respond efficiently to the changing needs of the population (Vince, 1997, p.160).

As a consequence of the consultations, LGAB identified four key elements that were central to a package of fundamental Tasmanian local government reform measures. One element related to the structure of councils, where the adopted objective was that the restructuring of local government should create units that had the capacity to be part of a system of government recognised and treated as a partner in the Federal system of government (Vince, 1997, p.161). The Board chose minima of 10,000 persons and six million dollars annual income as one of several guidelines, on the basis that such components were necessary to enable acquisition of competent professional staff. A structure was sought to allow stronger local government, able to take advantage of economies of scale, and provide opportunity for local influence at the political level (Haward & Zwart, 2000, p.36).

A new Local Government Act for Tasmania was legislated and a formal agreement between the Tasmanian State and Local Governments was concluded, which indicated that local government generally supported the changes (Haward & Zwart, 2000, p.35). Some rationalisation of the roles, functions and relative revenue raising capacities between the two spheres of government was thereafter achieved (Chapman, 1997, p.59). As a consequence of special references to the Board involving 'whole of state' inquiries into local government (Haward & Zwart, 2000, p.35), the package of reforms under the "Modernisation Report" recommendations also included land-use planning changes to broaden Tasmanian planning by linking it with economic development, strategic planning at a state-wide level, and planning for the longer term (Petrow, 1995, p.217).

The success of achieving state-wide reductions in Tasmanian council numbers in the mid-1990s is attributed to the consultative approach undertaken, which effectively engaged local government and communities and highlighted the crucial importance of participative

planning and extensive community consultation when undertaking local government structural reform (Vince, 1997, p.161).

### **3.4.3 Tasmanian Amalgamation Outcomes**

In relation to Tasmanian council amalgamations, it was acknowledged that administration costs had been lowered considerably (May, 2003, p.95). An approximate six per cent reduction in costs appeared to have been secured (Marshall, 2008, p.19). An examination by Haward and Zwart (2000, p.38-41) of four 1993 amalgamated councils found all four councils subsequently increased rates on a per capita basis. In respect of two of the newly-created councils, one was a small-scale amalgamation and the other council area was not altered. In respect of the other two amalgamations accepted as “substantial”, administrative costs fell significantly, there was not a great reduction in staff numbers, but increased capacity was apparent through employment of a greater range of professional staff (May, 2003, p.95). These case studies demonstrated that the 1993 local government amalgamations had provided generally satisfactory outcomes given the driving force behind amalgamation was attainment of greater efficiency through economies of scale, an aim achieved in a majority of cases. A secondary consideration was maintaining some sense of community or community of interest in the new areas, which seems to have also been largely achieved (Haward & Zwart, 2000, p.40).

### **3.4.4 Further Attempts at Tasmanian Local Government Structural Reform**

Four years after the reduction of council numbers from 46 to 29, Tasmania experienced a second, largely unwanted state government attempt at local government restructure (Kiss, 2003, p.108). In July 1997, a joint Commonwealth-State assessment of the Tasmanian economy recommended ongoing local government reform and introduced two options to further reduce the number of councils to either 4 or 8. Whereas there was local government involvement and cooperation with the 1990-92 process, in 1997-98 the proposals were driven by Premier Rundle’s 1997 ‘Direction Statement’ which signalled commitment to further reduce the number of councils to no more than fifteen (Haward & Zwart, 2000, p.41).

A reconstituted Local Government Board was established by the minority Tasmanian Liberal government in 1997 to carry out further amalgamations which were premised on achieving greater efficiency in local government through capturing economies of scale. The Rundle government's urgency to further structurally reform local government became apparent when it required the Board to submit its final report within six months of announcing the review. The speed with which the Board was required to make its recommendations clearly inhibited its capacity to promote the need for reform and to adequately consult local government. The 1997-98 process collapsed in large measure because the State government did not recognise or accept the lessons from the earlier amalgamation process of the need for extensive consultation and to actively and genuinely engage with the local government sector (Haward & Zwart, 2000, p.42-44).

The Board's 1998 report challenged the relationship between community and locality suggesting that the concept of community of interest had changed especially in urban areas, where it argued that the demarcation of communities of interest was much more blurred and ill-defined and that many people did not relate exclusively or even strongly to the locality in which they resided. The Board claimed that there was 'little agreement about what the term community of interest actually meant' (Kiss, 2003, p.108). This finding could have been influenced by the fact that amalgamations had only been in place for about four years.

The LGB recommended that the number of councils in Tasmania should be reduced to 11 but subsequently amended the recommendation to 14 units. Three councils successfully challenged the restructure proposals in the Tasmanian Supreme Court, arguing that regulations drawn up to establish elections for the proposed new councils were illegal as they referred to councils that did not exist (Haward & Zwart, 2000, p.44). This litigation and a subsequent change of state government, which discontinued the proposals, prevented the implementation of further amalgamations. The proposals had been developed without adequate engagement with local government to justify and convince the need for further efficiency gains (Kiss, 2003, p.108). Haward and Zwart (2000, p.44) have argued that failure of the second reform process and the structural reform proposals

provided evidence that the success of local government amalgamation and reform was directly linked to the level of support from and the influence that local government exerted on the process.

### **3.4.5 State-Local Partnerships**

As an alternative to further local government structural change in Tasmania, in 1999 State Cabinet developed a system of Partnership Agreements with the local government sector (Dollery, Marshall, & Worthington, 2003, p.239). Agreements were to facilitate improved service delivery, achieve specific social, economic and environmental objectives, and to work at three levels. At the first or lowest level, senior state agency managers negotiated with individual councils to identify priority issues of mutual concern, and to find suitable solutions. Projects were then undertaken through individual agreements countersigned by the Premier. A second stage process occurred at the regional level and comprised groups of councils. At a State level, a Premier's Local Government Council consisting of the Premier as Chair, eight elected representatives of the Tasmanian Local Government Association and senior officials of state agencies (Scott, 2002, p.11) considered state-wide issues such as planning coordination and waste management (Dollery, et al., 2003, p.239). The Government's articulated aim of the partnership agreement program was to develop better ways of serving Tasmanian communities by the two levels of government working together. Agreements were to be part of a broader agenda of finding new opportunities for economic and social development (Department of Premier and Cabinet Tasmania, 2008b, p.1). Bilateral agreements between the state and councils were evaluated after one year when changes could be sought and new issues added. There was a review of each such agreement after three years when a new agreement could be developed (Department of Premier and Cabinet Tasmania, 2008a, p.29-30).

By February 2002, all 29 Tasmanian Councils were involved in a state-wide and a regional agreement whilst most were also involved in bilateral agreements which indicated acceptance by local government of such arrangements. Issues which emerged and were addressed from the bilateral and regional discussions and agreements included

tourism, economic development, environment, information technology, social issues, service delivery and finding better ways of working cooperatively (Scott, 2002, p.5-6).

Tasmanian partnership agreements have provided an effective inter-governmental framework. They utilise a 'whole-of-government' approach providing for structured and equitable interaction between the interested parties and an appropriate forum to arrive at suitable solutions. Matters such as cost shifting unfunded mandates, respective roles and responsibilities and applying the subsidiarity principle as much as possible are able to be addressed through the Partnership Agreement process (Dollery, et al., 2003, p.241). Agreements have enabled a focus on local issues and community priorities and have required a balance between local, regional and state priorities. Each council's approach has differed, gains have been incremental and on both sides the Partnership Agreements have been resource intensive in terms especially of negotiation, implementation and review processes (Scott, 2002, p.17).

After currency of partnership agreements for ten years, in 2008 the Tasmanian Local Government Division reviewed the program. A range of amendments were recommended in relation to future role and objectives, management and administration and communication. Program evaluation revealed that, as well as embedding more efficient service delivery across several policy areas and addressing a variety of state wide and regional issues of social, economic and environmental importance, the most enduring benefit delivered was the collaborative working partnership that now existed between the State and local government and a strong commitment to continue the program (Local Government Division Department of Premier and Cabinet, 2008, p.4).

The unanimous passage through the Legislative Council in 2008, of the *Water and Sewerage Act*, established new water and sewerage corporations and an enhanced regulatory system in Tasmania. The legislation brought further structural reform to Tasmanian local government through the creation of three water and sewerage business across the state. The position of independent regulator was established to set prices and minimum customer service standards and to monitor the performance of the businesses (Local Government Association of Tasmania, 2008, p.1). The reforms were introduced to

improve environmental and public health outcomes and to support economic growth and were supported by the 29 Tasmanian local government entities, which retained ownership of the water and sewerage assets (Aird & Gaffney, 2008, p.1-2). The transfer of all existing services and functions to the new businesses occurred on 1<sup>st</sup> July 2009 with full transition to new pricing and service standards over a three year period (Tasmanian Department of Treasury and Finance, 2008, p.4).

### **3.4.6 Conclusions on Tasmanian Local Government Reform**

There is evidence that Tasmania faces continuing population decline, which will mean falling population in local government areas and policy implications for local government in that state in a situation where there will still be community pressure for further local government services and modernisation. One question concerns the current approach to distribution of Commonwealth Financial Assistance Grant's (FAGs) to individual councils in Tasmania and how disability adjustment costs for significant depopulation might be fairly accommodated (Felmingham, Jackson, & Zhang, 2002, p.107-08). These writers have suggested that

[t]he much needed exploitation of scale effects in Tasmanian local government may be achieved through the cooperation of urban/neighbouring suburban municipalities or through amalgamation or an appropriate mix of these (Felmingham, et al., 2002, p.108).

Sections of the Tasmanian community still seek a reduction in the number of councils in that state. In July 2008, a call from the Tasmanian Chamber of Commerce and Industry for fewer councils met with a sharp public rebuke from the President of the Local Government Association of Tasmania, who stated that for a peak business body to presume that one level of government should dictate the structure of another level of government was antiquated (Gaffney, 2008, p.1).

It is unlikely that the Tasmanian structural reform debate will abate given recent new evidence that emerged from the March 2007 Access Economics report for the Tasmanian Local Government Association (Access Economics Pty Ltd, 2007). The Report indicated that generally Tasmanian councils exhibited operating deficits and annual renewals gaps;

one in five councils may be financially unsustainable and there was a need to pursue further savings through operational efficiencies. Some reordering of service priorities and greater revenue raising efforts through rates, fees and user charges and developer charges could be undertaken and perhaps applied to service new debt (Access Economics Pty Ltd, 2007, p.7-9).

In May 2009, the Tasmanian Auditor-General released a report which followed 2006 council performance audits and was critical of the low rate of implementation of those recommendations. The report found that almost two-thirds of councils were economically unsustainable, while in six key areas the audit review determined that a benchmark satisfactory implementation rate of 70 per cent was only achieved in three of those areas (Tasmanian Audit Office, 2009, p.2-3). As a direct consequence, the Tasmanian Local Government Minister stated that even though the government remained committed to no forced amalgamations, there were too many councils and that he would request the Tasmanian Local Government Board to examine options for better serving communities (Brown, 2009, p.1). This suggested local government will probably be placed under pressure to reform. Whether the State government has the political will to cooperatively address these matters with the local government sector and Tasmanian communities, and whether further structural reform of local government is likely, remains to be seen.

## **3.5 South Australian Local Government Structural Reform**

### **3.5.1 Introduction**

In 1890, there were more than 170 councils in South Australia, a number which fell to around 140 during the Great Depression of the 1930s (Local Government Association of South Australia, 2003, p.4), and in 1974 the number stood at 137. At this time, a Royal Commission into Local Government Areas recommended that local government units be reduced to 72. The recommendation was not immediately acted on, but eventually the number was reduced to 129 (Jones, 1993, p.239).

In 1990, a report entitled 'Council Borders: A Better Way: Committee of Review into Procedures for Considering Proposals for the Alteration of Council Boundaries' discussed ways of involving community public in change. In 1992, the South Australian Boundaries

Commission was abolished by the government with boundary change thereafter to be a matter for local government (Jones, 1993, p.239). Opponents to abolition of the Commission argued that an amalgamation process required an independent entity. A voluntary amalgamation process involving the councils of Hindmarsh, Woodville, Port Adelaide and Henley commenced in 1988, but was not gazetted until July 2003 (Perry, 1993, p.52).

### **3.5.2 Structural Reform 1994-1998**

Following the earlier in decade council amalgamation programs in Tasmania and Victoria, in 1994-95 structural reform of local government emerged as a major topic in South Australia. The Local Government Act was substantially amended, specifically to facilitate amalgamation of South Australian councils. Substantial restructuring of that States local government began in the second half of the 1990s and utilised a generally cooperative reform process (Dollery, et al., 2003, p.120).

After consultation with the South Australian Local Government Association, there was agreement in 1994 that the South Australian Local Government Minister form a Ministerial Advisory Group (MAG) on Local Government Reform to advise the Minister on future directions for a reform program (Proctor, 2002, p.2). MAG viewed structural reform as an essential precursor to functional and financial reform and to achieving improvements in council management processes, but it recommended unsuccessfully that legislative and administrative arrangements be established to enable a reduction in council numbers from 118 to 34; 11 in the wider metropolitan area and 23 in the rural/regional area. The MAG report presented a preferred solution to the tension between two conflicting goals relating to the size of local government areas: (a) the need for democratic local self-government to be based on small areas with local elected members giving maximum community representation; and (b) the need for efficient service delivery to be based on broader areas with larger populations to achieve scaled economies (Smailes, 1995, p.3).

MAG stressed the need for a radical update of the effectiveness of local government and for the sector to be able to undertake more efficiently a wider range of better quality

functions than its small scale had previously allowed (Smailes, 1995, p.16). However, MAG attracted criticism for examining structural change and not the additional functions that local government might perform, then matching suitable structures to the functional needs. It was argued that this focus carried an inbuilt bias against the service standards that sparsely populated and remote rural councils could achieve. It was also suggested that the broad group of rural councils inadequately recognised the importance of population density and local concentration for cost effective service delivery. The MAG report failed to recognise that in rural areas local government was a significant element of the regional economy (Smailes, 1995, p.17).

### **3.5.3 Voluntary Structural Reform**

The MAG report led to the implementation by the South Australian State government of a three-phase local government reform program comprising reform of council boundaries, a comprehensive review and rewrite of the Local Government Act and after these two processes, development of a program of functional and financial reform (Proctor, 2002, p.3). The Government legislated in December 1995 to establish the statutory Local Government Boundary Reform Board (LGBRB) with the task of facilitating the structural reform of local government in South Australia (Local Government Boundary Reform Board South Australia, 1998, p.i). The reform process objective was for councils to voluntarily develop amalgamation proposals utilising local knowledge. Local understanding and perspectives were acknowledged as crucial. Councils were requested to consider key local concerns, including representation, community identity, service delivery, employment, community benefits, opportunities, and differences in debt levels, population sizes and ward arrangements. In developing voluntary amalgamation proposals, it was the responsibility of existing councils to consider the best interests of their residents and ratepayers and to arrive at structures to ensure appropriate representation across the new council areas (Llewellyn-Smith, 1998, p.5).

LGBRB sought voluntary structural reform proposals from councils, established performance criteria to determine whether or not a local community would benefit from structural reform and used a checklist of key questions to ensure a consistent approach and

to confirm that proposals met the requirements of the legislation (Llewellyn-Smith, 1998, p.2-4). The Government accepted the Board's recommendations including reduction of the number of South Australian councils from 118 to 68. The LGBRB later claimed this reduction in council numbers as its key achievement (Local Government Boundary Reform Board South Australia, 1998, p.iii)

The state government brief to LGBRB was to facilitate structural reform. The Board used an approach which assisted local government to secure optimal structural arrangements for their communities. Extensive engagement occurred in consultation, communication and building and maintaining good relationships with the local government sector. The legislative capability given to the Board to formulate proposals acted as a strong incentive for councils to pursue voluntary merger discussions (Local Government Boundary Reform Board South Australia, 1998, p.iv).

#### **3.5.4 South Australian Local Government Structural Reform Outcomes**

Critical success factors to the South Australian voluntary reform process included an open, transparent and consistent process applied throughout the Board's operations; considerable power given to existing councils to determine the future governance of their areas in concert with their neighbours; high levels of communication between LGBRB and councils; conduct of the reform program at a time when the community was prepared to take boundary reform seriously; and high levels of teamwork by LGBRB, its staff and councils working together (Proctor, 2002, p.4).

Unlike the forced Victorian mergers, the South Australian government adopted a more consultative approach with some similarities to the Tasmanian experience. Views of constituents and councils were widely canvassed before final decisions were taken, which led to greater community acceptance of reform. The South Australian government rationale for amalgamations was that consolidation of councils would improve efficiency and effectiveness of local councils (Dollery, Garcea, & LeSage Jnr, 2008, p.18). South Australia, in common with most State and the Northern Territory governments usually resorted to this argument to justify council mergers.

The Board also commissioned a study beyond its brief which identified potential benefits from further structural change and which could create additional capacity for councils, enable greater service provision to their communities and so contribute in greater measure to the development of South Australia. The 1998 report contended that the structural reform then recommended should be viewed as a first phase of change in local government (Local Government Boundary Reform Board South Australia, 1998, p.vi-vii). The report acknowledged that only incremental change, under suitable conditions, may be possible in future whole-of-council mergers.

Efficiency gains and sustainable annual savings from the South Australian reforms were estimated at between \$19 million and \$33 million or between three and five per cent of council expenditure on a continuing annual basis (Dollery & Marshall, 2003, p.120), whereas policymakers were suggesting prior to amalgamations that real savings would be of the order of 10 to 20 per cent (Dollery, Garcea, et al., 2008, p.19). Gross “one-off” saving was anticipated to approximate \$3.9 million; a comparatively small amount in terms of the total budgets of South Australian local government. Other benefits of the amalgamations were cited, but were based on subjective opinions of employees, councillors and managers rather than empirically objective evidence (Dollery, et al., 2006, p.141-2).

Government left it to local councils to determine whether to pass on savings to ratepayers and service recipients. It was acknowledged that while greater efficiencies resulted from the amalgamations, the outcomes were assisted through councils already implementing extensive management reforms, such as corporate planning, development of performance measures, public reporting thereon, adoption of enterprise bargaining and introduction of accrual accounting, as a consequence of new legislation introduced in the early 1990s.

Some South Australian structural reform benefits were at least partly offset by loss of experienced staff and accumulated corporate knowledge through retrenchments, job insecurity and a reduction in outside staff numbers in spite of the predominately larger geographic areas to be serviced (Dollery, et al., 2003, p.121). However, there were no net reductions in staff between February 1996 and February 2001, with 7900 persons

employed in the sector at those points in time (Australian Government Department of Infrastructure Transport Regional Development and Local Government, 2001). Council staff were under pressure since they each served an average of 190 people, or about 40 per cent more than in other Australian States (Australian Government Department of Infrastructure Transport Regional Development and Local Government, 2001, p.5). Losses in and the erosion of local representative democracy was also a central issue. In South Australia, 31 per cent of councillors were lost through the amalgamations process (Dollery, Garcea, et al., 2008, p.19).

Another component of the structural reform process was to modernise the 1934 Local Government Act. The policy drivers for this reform were to clarify the respective roles and responsibilities of state and local government and to increase the capacity, efficiency and effectiveness of the local government sector (Proctor, 2002, p.6). Extensive consultation occurred on two main aspects of the legislation, identification of issues people wanted to see addressed in legislation, and negotiation of the detailed aspects of the subsequent Bills. As a consequence of consultative efforts, the Bills giving councils broad general powers to provide services to their communities had a relatively smooth passage through Parliament in late 1999 (Proctor, 2002, p.6-7).

### **3.5.5 State-Local Partnerships**

Preliminary planning for functional and financial reform began well before legislative reforms were enacted. A review and report on joint State/Local Government activities and operations allowed development of a number of key themes after which a joint State/Local program structure for functional reform was proposed. The Government's preferred option was to emphasise partnerships, without precluding other future approaches. The first stage of the Partnerships Program was a State/Local Government Scoping Study which identified a range of key issues for advancing partnership arrangements (Proctor, 2002, p.9).

As early as 1990, the South Australian Local Government Association entered an agreement with the South Australian Premier to reform State-Local relationships towards a partnership approach. This agreement was renewed in 1994 (Local Government

Association of South Australia, 2003, p.1). South Australia has broadly followed the Tasmanian Partnerships model, although it has been suggested that South Australian partnership arrangements did not have a similar degree of backing from the Premier and lacked inclusiveness and structure (Dollery, Garcea, et al., 2008, p.28). Under a Liberal government in 2001, the State/Local Partnerships Program was established (Local Government Association of South Australia, 2003, p.2). The objective of Partnership Agreements was to achieve improved cooperation, more effective working relationships and joint action to address agreed strategic priorities (Proctor, 2002, p.10).

A state-wide agreement, executed by the Premier and the South Australian Local Government Association in 2002, intended inter alia to establish greater consultation between the two spheres of government and improved integration of joint planning activities. Early projects undertaken under the auspices of the Partnerships Program included development of a Roads Infrastructure Database, increasing participation of indigenous persons in local government, and a Regional Workforce Accommodation Solutions Study (West, 2001, p.2). Subsequently transport, economic development and waste management initiatives were undertaken through the agreement (Dollery, Garcea, et al., 2008, p.28), which was primarily intended to be a functional reform mechanism to improve cooperation between state and local government and to address strategic issues of importance. Concerns have been expressed about logistical difficulties with partnership agreements in South Australia, given the need for alignment and coordination of a range of State programs with 68 local government entities (Dollery, et al., 2003, p.239-242).

In March 2004, the government and Local Government Association of South Australia entered into a State-Local Government Relations Agreement which set out agreed principles and established the Minister's Local Government Forum as a mechanism to address some of the complex and challenging issues between the two spheres of government. The Agreement scheduled ten mutual priorities to be considered in the ensuing year and also provided for annual reviews of the Agreement and the Minister's Forum (Government of South Australia, 2004, p.1, 3-4).

### **3.5.6 Financial Sustainability Review Board**

A further reform initiative in South Australia was the establishment by the Local Government Association of South Australia in February 2005 of an independent three person South Australian Financial Sustainability Review Board (FSRB) to assess the financial position and prospects of councils in South Australia (Dollery, Byrnes, & Crase, 2008, p.335); the first time in Australia that local government had initiated such an inquiry at State level (Local Government Association of South Australia, 2006, p.1).

The Board defined financial sustainability as “a council’s long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services” (Local Government Association of South Australia, 2006, p.2).

The FSRB (2005, p.3) found that whilst council balance sheets in South Australia were strong because of the low levels of council debt, significant operating deficits predominated among councils and there appeared to be substantial infrastructure renewal and replacement backlogs. Without policy adjustment on the part of councils, the Board argued that the sector’s annual financial performance, and eventually its financial position, would deteriorate further given population shifts and ageing along with increasing environmental issues.

The Board found that the current annual financial performance and position of 26 of South Australia’s 68 councils appeared unsustainable over the medium to long-term, and only about one-third of South Australian councils were in a satisfactory financial position. It made a range of financial sustainability analysis recommendations to the South Australian Local Government Association. It noted that “as these councils include both larger and smaller ones, we do not see further amalgamations as a panacea. Amalgamation of itself does not necessarily address the more fundamental problems currently impacting on council finances” (Financial Sustainability Review Board South Australia, 2005, p.5-6). As a consequence of the FSRB Inquiry, in late 2005 the Local Government Association established a Financial Sustainability Program with a key policy objective of achieving and maintaining the financial sustainability of South Australian councils.

### **3.5.7 Conclusions on South Australian Local Government Reform**

The South Australian Local Government Association sponsored Inquiry took place seven years after the South Australian local government amalgamations process and it is noteworthy that the FSRB reported that there was not a strong relationship between a councils size and having a strong financial position or good annual performance. Further, the size and density of councils seemed to play little role in explaining the differences in the sustainability of the long-term financial performance and position of South Australian councils (Dollery, Byrnes, et al., 2008, p.335). The FSRB also suggested that fewer, larger councils were not a panacea, that amalgamation brought considerable costs and often exaggerated benefits, and that there were intermediate forms of cooperation or integration between councils with amalgamation being the most extreme and confronting (Dollery, Byrnes, et al., 2008, p.336).

The South Australian council mergers of the late 1990s remain in place. It remains to be seen whether local government will work cooperatively to address long-term financial sustainability issues, whilst there is presently no indication that the government might impose further amalgamations as a mechanism to address this key matter.

## **3.6 Common Themes**

Chapter 3 has described the movement and outcomes from local government structural reform in the Australian States of Victoria, Tasmania and South Australia. Clearly the forced amalgamations in Victoria involved a dramatic reduction in the number of local government entities being imposed on the citizens of that state. By contrast the local government reforms in Tasmania and South Australia during the 1990s followed a more consultative path with more engagement of local government and its constituents. However, in all three states, it was the state government which initiated and drove structural reform including the council mergers.

In each state there have been substantial reductions in the number of local government units. The largest reduction occurred in Victoria, where council numbers were dramatically reduced by 56 per cent, while in Tasmania the reduction was 37 per cent and in South Australia 43 per cent.

Structural reform included updating the legislation pertaining to local government and providing modern, less prescriptive Local Government Acts. Victoria introduced Compulsory Competitive Tendering primarily as a mechanism to make local government more efficient particularly in terms of service delivery to its constituents. CCT is now mandated in local government across Australia and usually has resulted in more efficient and effective service delivery to communities.

Tasmania and South Australia initiated State-Local Partnership arrangements which have generally been successful and more recently have been applied in other States. The key issue of financial sustainability of local government was first addressed in South Australia through the Financial Sustainability Review Board, and more recently, Access Economics in Tasmania examined that issue in Tasmanian councils. Long-term financial sustainability of local government is now at the centre of debate in local government across all states. The ongoing financial hardship in these three states seems to indicate that measures apart from structural reform are required.

The structural reforms and specifically amalgamations in Victoria, Tasmania and South Australia influenced similar government led and forced structural reform and amalgamation action in the other States and the Northern Territory in the early years of the 21<sup>st</sup> century.

### **3.7 Conclusion**

Chapter Three has addressed structural reform measures and especially amalgamation of local government councils in the states of Victoria, Tasmania and South Australia. These states were grouped together for consideration because the impetus for local government reform occurred in these jurisdictions during the 1990s, several years in advance of reform measures in the other states and the Northern Territory. Chapter 4 will consider the later structural reform and amalgamation process in Queensland, Northern Territory and Western Australia. The New South Wales reforms are the focus of Chapter Five.



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