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Structural Reform in Australian Local Government.

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Abstract: Structural reform of Australian local government for more than a century since Federation and particularly from the early 1990s has primarily been a State or Territory initiated process and has predominantly manifested itself as forced or imposed amalgamation of local councils. Whilst other structural reform initiatives such as State-Local Partnerships, regional cooperation, changes in management and organisational arrangements and strategic alliances of councils have also occurred, it has been imposed council boundary changes and consolidation of local government units has been the predominant method of structural reform. This paper attempts to chronicle forced amalgamation of councils and other structural reform measures in Australian States and the Northern Territory whilst excluding New South Wales which will be separately addressed. A brief historical background of local government is included for each of these jurisdictions to provide some perspective on the extent of the reduction in numbers of councils over time. A summary is provided of key local government reform measures other than amalgamation over the last two decades and greater detail is included on the States and Northern Territory council amalgamations during this period.

Keywords: local government, structural reform, amalgamation, partnerships

Introduction

The rate and extent of Australian local government structural reform in general and specifically of council amalgamations in particular has varied between Australian States and the Northern Territory since the early 1990s. There has been a 39 per cent diminution in numbers of councils

in most states from around 909 units (includes the Northern Territory) to 555 by early 2009 (Australian Local Government Association 2009). In many instances these reductions were imposed amalgamation of councils.

Recent council amalgamations as well as allied local government structural reform approaches adopted by States and the Northern Territory and the structural reform outcomes in each jurisdiction are chronicled in this chapter. The amalgamation and local government reform impetus and activity in New South Wales will be separately addressed in a later paper.

The intent of this paper is to briefly overview the historical background of local government and moves to reduce numbers of units in these jurisdictions to give a perspective on the extent of the reduction in numbers of councils over time; to summarise the key local government reform measures other than amalgamation over the last two decades; and to chronicle council amalgamations during this period in these States and the Northern Territory.

Structural reform and amalgamation

Structural change in local government is commonly used in reference to the size of local government areas, but structure can also be considered as more than size alone and can refer to; changes in management and organisational arrangements; changes in financial arrangements and accountability disclosures; and alternative service delivery mechanisms including contracting, joint arrangements between councils and regionalisation of operations through resource sharing (Local Government and Shires Association of NSW 1998).

Structural reform is also taken to mean initiatives involving cooperative service provision, resource sharing or joint-service delivery enterprises. Amalgamation may be construed as the most decisive form of structural reform (Dollery B, Marshall N et al. 2003). Amalgamation of local government council units is but one usually contentious manifestation of structural reform and is essentially concerned with Australian State Governments moving to change existing local government boundaries through reducing numbers of council and numbers of elected representatives in each new local government area. For over 100 years, Australian Local Government policy makers have used the mechanism of structural reform in the guise of council amalgamations with stated objective of improving the performance of small councils.

Vince suggests

Historically State governments have sought to achieve local government reform by amalgamating a large number of small local councils into a lesser number of larger ones (Vince A 1997).

Amalgamation in the Australian Local Government context has been defined as the reconstituting of two or more local government authorities as one, usually to eliminate small local government authorities whose financial position is deemed inadequate for current calls upon Local Government services (Gifford K. H 1967). Such amalgamations imposed by State or Territory authorities, are described as imposed or forced amalgamations.

The number of Australian local government units had fallen from 1067 in 1910 to 826 in 1991 (excluding 63 units in the Northern Territory). In that time, the population of Australia had increased almost fourfold and local government area populations had increased from an average of 4147 to 20934 persons (Jones M 1993). Numbers of Australian local government units have substantially reduced in all States since 1991. New South Wales amalgamations have been on a lesser scale and in Western Australia successive governments have opposed forced amalgamations.

In its 2003-04 Local Government National Report, DOTARS noted that in the 80 years since federation to 1991 the number of councils in Australia fell by over 20 per cent and in the 13 years since 1991 council numbers have fallen by a further 27 per cent (DOTARS 2005). If the 61 local government units in the Northern Territory as at 30th June 2004 (Local Government Association of the Northern Territory 2008) are included, the number of Australian Local Government councils at that time was 700 (DOTARS 2005). The recent Queensland and Northern Territory amalgamations of 2008 and minor changes in other states have further substantially reduced the number of Australian local government entities to 555 (Australian Local Government Association 2009).

Structural reform activity since 1990

Victoria commenced the council amalgamation movement in Australia. What became known as the Kennett reforms substantially modelled upon the late 1980's local government reforms in New Zealand, dramatically reduced the number of local government units in that State. At approximately the same time as the Victorian amalgamations, a more consultative Tasmanian

reduction of council numbers successfully occurred. However, attempts at further dramatic reductions in Tasmanian local council numbers later in the 1990s and under a more authoritative approach was ultimately aborted as a consequence of strong community opposition. Instead Tasmania adopted State-Local partnership arrangements.

South Australia experienced substantial and reasonably accepted structural reform in the late in the 1990s and like Tasmania, has subsequently progressed to partnership agreements. Western Australia has resisted the path of structural reform and has also embarked upon the partnership approach. However moves towards structural reform in that state have recently come under focus.

In 2007 and 2008 large scale, forced amalgamations occurred in Queensland reducing the number of local councils from 157 to 73 (Local Government Reform Commission Qld 2007). Some of the newly amalgamated Queensland councils have very large spatial areas whilst some rural and remote entities have huge areas but small numbers of constituents. The new Noosa Regional Council, for example, incorporates five State parliamentary seats, but Waggamba Shire, based on Goondiwindi, has an area of over 18,000 square km, but less than 5000 persons. In 2008, the Northern Territory government dramatically reduced the number of councils, community government councils and community associations from 61 to 16 units (Local Government Association of the Northern Territory 2008) in the largest scale local government structural reform that has recently occurred in Australia.

Australian local government has been forced in recent decades to engage in ‘amalgamation wars’ with State governments the primary initiators for reducing numbers of local authorities, usually on the premise that there were too many authorities and that New Zealand-style amalgamations would be beneficial (Jones M 1993). Whilst States have usually pursued amalgamations on the pretext of the need for greater efficiency and better service delivery to communities, those in the local government sector have maintained that amalgamations on their own have not necessarily generated efficiencies. Council amalgamations may perhaps be a desirable precondition to other reforms and can make easier the facilitation of cultural change needed to effectively implement reform but they are a controversial method of achieving efficiencies when other available reform options may not necessarily create the same risks (Kiss R 2003).

Most State and Territory governments in the past twenty years have engaged to reduce the number of local government councils. Reasons have predominantly centred upon need for greater efficiency and effectiveness and for communities to enjoy better standard and level of services. This movement commenced in Victoria after election of the Kennett government in 1993.

Victorian Local Government Reform

Early local government

From the 1850's the State of Victoria had the beginnings of a system of small local authorities which grew rapidly encouraged by the availability of relatively generous subsidies (O'Toole K and Burdess N 2003). Melbourne became a town in 1842 and was divided into four wards. By the mid 20th century local councils had grown to 210. In 1962 a Commission of Inquiry into Local Government sought to reduce the number of municipalities to 42 but the report was not acted upon. A 1979 report to government recommended establishment of a Municipal Commission to restructure local government and 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 M 1993).

Cain Labor Government and local government reform

In 1985-86 the Local Government Commission of Victoria, relying heavily on the Grants commission findings prepared a detailed report on the case for council amalgamations (Jones M 1993). Its study of economies of scale in local government service provision using data on administrative costs of 175 councils found that in every category there was a statistically significant relationship between administration expenses per head and size (Dollery B, Crase L et al. 2006). 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, for example Geelong four, Bendigo five and Ballarat six (Jones M 1993).

In September 1985 Victorian Premier Cain announced that a strategy for state-wide, forced amalgamations of local government had been adopted by government. One year later because of inter alia strong 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. Thus attempts to restructure the 210 local authorities in Victoria at that time failed (Munro J 1993). Even though it was argued that the government had lost its nerve (Morris S 1998), it was recognised that the Cain government did not have a Legislative Council majority and thus an ability to secure passage of legislation to enable a reform process (Morris S 1998). However, a more fundamental change in community attitudes occurred whereby the aborted amalgamation process left community convinced of the need and desirability of change and ready to embrace restructuring when again placed on the political agenda (Morris S 1998).

Kennett government forced amalgamations

There were calls from within local government in the early 1990's for reform. For example, the Chief Executive Officer of the City of Melbourne suggested in early 1994 that reform of local government was becoming urgent in respect of microeconomic matters including reductions in operating expenditure, efficiency and effectiveness and competitiveness of service delivery (Proust E 1994).

With the landslide victory of the Kennett government in October 1992 (77 per cent in the Legislative Council and 66 per cent in the Legislative Assembly) (Munro A 1996), evolutionary changes to the local government system ended. The new administration, with firm control of both Houses of Parliament was intent upon making major changes to local government without the difficulties experienced by the previous Labor governments (O'Toole K and Burdess N 2003). This occurred despite the Liberal-National Party platform before the 1993 State election that restructuring of councils, apart from Melbourne and the larger provincial cities was to be strictly voluntary (Munro A 1996). Ultimately the measures implemented after the election bore only superficial resemblance to the policy platform (Kiss R 1999). The local government reform implementation occurred in two stages. The first occurred during the first Kennett Government term and entailed a radical agenda that fundamentally altered local government. The second reform phase from 1996 onwards consisted of consolidation of central direction by a variety of means (Kiss R 1999).

In the first year of the first Kennett government the Local Government (General Amendment) Act 1993 was enacted to enable transformation of the Victorian municipal system (O'Toole K and Burdess N 2003) by establishing a Local Government Board to provide a process for

reviewing local government structure. The Act specifically precluded the Victorian Supreme Court from hearing any proceedings brought against the Board, its staff or the Minister in respect of the review. Additionally Section 220Q of the new Act had a “catch-all” section giving power to make orders (O'Toole K and Burdess N 2003). The central objective of the Local Government Board was a reduction in the number of municipalities. Its approach was heavily weighted towards issues of economic development, rate reduction and related operational matters. For the Board, community of interest was not a meaningful concept except where it could be used to argue that existing local government boundaries divided communities as commercial areas (Kiss R 2003). The Board adopted a forceful top-down style (Marshall N A 2008).

The Ministerial Advisory Group on Local Government Reform reported to government in 1995 and 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 (Aulich C 1997).

There were three essential features of the Kennett Victorian municipal reforms. Firstly, councils were summarily sacked in successive stages and communities disenfranchised as Government appointed commissioners assumed administrative responsibility under strict oversight from the bureaucrats of the Local Government Board (Munro A 1996). Local government suspension was argued as contrary to the Victorian Constitution Act and to previous Australian and international practice. The second and obvious feature was a 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. Thirdly, it was required that an increasing percentage of council budgets be exposed over three years to Compulsory Competitive Tendering (CCT) with all council functions being deemed to be suitable for CCT (Munro A 1996).

Compulsory Competitive Tendering

Of all the Kennett local government reforms none was more significant in potential for changing the way that local government operated in Victoria than CCT which introduced competition into local government services and activities. The management tools of CCT and privatisation created entrepreneurial government and reduced the role and function of local

government in favour of the private sector (Williamson D 2000). Privatisation involved appointed commissioners selling off council assets especially buildings, land and electricity supply departments (Williamson D 2000).

It was argued by government 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 R 1998). However CCT was introduced despite lack of evidence that competition necessarily generated greater efficiencies or savings (Mowbray M 1996). 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 percent of total council expenses had to be market tested in 1994-95 financial year, 30 per cent in 1995-96 and 50 per cent in 1996-97 (Blacher Y 1996). Very few councils achieved these targets (Savery N 1997).

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

Other structural reform and impacts

Less publicised local government reforms at this time included new accountancy (AAS 27) regulations and auditing requirements, freedom of information laws, production of corporate plans and annual reports, abolishment 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 Y 1996).

An additional reform was rate capping and a one-off reduction in rates of 20 per cent as a very blunt instrument to drive efficiencies and priority setting (Digby P 2002). This measure was an

added challenge in that it was agreed to in advance of a savings fund being identified by interim management (Kennedy M and Digby P 1999). Asset sales and use of capital reserves were to underwrite the rate reduction in the short term (Munro A 1996).

The Kennett government agenda was economic liberal reforms, reduction in state debt and restoration of Victoria's credit rating and was based on core values associated with public choice theory, agency theory and entrepreneurial government. Reforms focussed on achieving economic growth by improving government (and local government) efficiency and constraining the role and function of government (Williamson D 2000).

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

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 M 1996). Commissioners were installed to administer the newly merged bodies for an eighteen month transition period (Marshall N A 2008). The government was also prepared to use intimidatory approaches to induce council compliance with threats of dismissal and requests that councils detail their budget resolutions and how each councillor voted (Mowbray M 1996).

Criticisms of Victorian structural reform

The Kennett government implemented its local government reform agenda with little regard for alternative values or points of view (Kiss R 1999). Critics of the reforms had concerns about the devaluation and destruction of social bonds in community, citizen participation and an active

civil society (Williamson D 2000). Notions of rights of 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 R 1999). 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, they barely resisted and watched passively from the sidelines (Kiss R 1999).

Kennett government 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 D 2000). 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 (Williamson D 2000). The reforms meant a closer alignment of local government practices with the economic liberal policies and programs of the State government (Williamson D 2000).

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 M and Digby P 1999).

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. Amalgamations were achieved with little community backlash, Shires that had so strongly opposed the Cain Government proposals surrendered meekly and

community reaction was muted (Hill M 2003). It has been suggested that the objectives driving the Kennett changes were those of the State Government, there were often competing and conflicting objectives, fervour for free market solutions and obsession with financial and administrative efficiencies (Hill M 2003).

The Kennett local government reforms have been described as a two stage process (Kiss R 1999), the second of which 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 (Williamson D 2000). The 1996 State election was followed by re-elected Kennett Government legislation to introduce, without prior warning, a rate cap and power to permanently peg rates. Thus the taxing power of local government upon which its restricted autonomy depended was effectively removed. Power henceforth resided with the Minister to approve rate rises above the pegged limit (Kiss R 1999).

The Kennett reforms considerably changed Victorian local government. Because they were driven by the State government and focused on local government institutional arrangements (Martin J 1999), 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. A key to the reforms was the implementation of measures which reduced the governance role of local government, its autonomy and managerial freedom. 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 (Van Gramberg B and Teicher J 2000). 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 B and Teicher J 2000).

There was a view 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 the development of the managerialist model (Van Gramberg B and Teicher J 2000). There was also a perspective that the Kennett reforms weakened and comprehensively 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 R 1999).

There was a sense that local government had lost its governance role, that there was excessive State control and that community had lost some intrinsic democratic rights.(Digby P 2002). 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 M 1996). Research indicated that institutional change did not necessarily guarantee that the culture of local government organisations changed in accordance with the State government's intentions (Martin J 1999).

By 1996, there was increasing literature and research to suggest the reforms of the era did have negative impacts on at least some local government services. For example, it was questioned whether in fact youth services were in need of reform or had benefited from amalgamations, closures and the change to economic rationalism and managerial policies (Bessant J and Emslie M 1996). Amalgamation was not deemed a catalyst 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 Victorian local government (Bessant J and Emslie M 1997). The view has been expressed that the Kennett Government contempt for 'democracy at the local level served to be its undoing (Hill M 2003) and the government's mistake of scorning 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 upon them of

the local government reforms. Many of these voters broke tradition and turned to a number of non-conservative parties and independents (Buxton M, Budge T et al. 2001).

Bracks Labor Government and gradual reform

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

One year after the defeat of the Kennett government, the Bracks government in November 2000 engaged with local councils in a Local Government Constitutional Convention which considered the establishment of a Constitutional relationship between the State and local government, recognition of democratically elected Local Government Governing Bodies, recognition of each individual local government within an identified municipal area, and protection from undue interference by State government (Victorian Local Governance Association 2000).

DeLatite Shire de-amalgamation

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 1990's amalgamations and comprising two discrete population centres of Benalla and Mansfield (Local Government (DeLatite Shire Council) Review Panel 2002). The Minister took this action after the DeLatite Shire in 2001 had undertaken considerable community consultation resulting in the approach for de-amalgamation and premised upon mutual preparedness to extensively resource share (Local Government (DeLatite Shire Council) Review Panel 2002). 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 new Shire based around Mansfield was viable with a rate increase of

16.8 per cent. The Panel stated 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). The Minister approved establishment of the two new councils thus unravelling one of the Kennett forcibly amalgamated local government units.

A Bracks government legislative initiative in December 2003, the Local Government (Democratic Reform) Act 2003, aimed at safeguarding and strengthening local democracy and introduced proportional representation voting for multi-member wards and undivided districts at local government elections as well as fixed, common election date and four year terms for councils. This Act also introduced a new 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).

Summary of Victorian local government reform

The Victorian experience of local government amalgamation underpins the complexity involved in boundary changes and organisational mergers and also the power of the political will of a state government instituting a state wide program of privatisation and rationalisation of services based on the ‘economies of scale’ argument (Vince A 1997). 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 A 1997). 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 C 1997). The reforms decreased the opportunities for citizens and community to deliberate on the issues that impacted on their lives but remain firmly in place.

Tasmanian Local Government Reform

Early Local Government

In respect of Tasmanian council amalgamations the Royal Commission on Municipal Government of Hobart and Suburbs in 1907 reduced the number of Tasmanian local government units from 149 to 53. However from that time until 1992 the number of local government units reduced to 46 (Jones M 1993). 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 limited staff competence levels and substantial reliance on grants (Chapman R 1997). It has been suggested that a factor contributing to the lack of success in achieving structural change in local government prior to the 1990's was the generally unilateral and non-consultative approach adopted by successive state governments (Haward M and Zwart I 2000).

‘Modernising’ Tasmanian local government

By contrast the Tasmanian Local Government Advisory Board (LGAB), established to provide ‘arms length’ recommendations to the Minister concerning local government structural reform and which removed the need for Legislative council approval that had stalled change previously, (Munro J 1993) 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. No recommendations were made for changes to the largest population centres of Launceston and Hobart (Chapman R 1997). 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 structure 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 rather than split them and to minimise dislocation caused by splitting staff, assets and finances. State government provided the funds to pay for transition costs of consultancy and established State and local councillor transition committees comprising equal numbers and representing each amalgamated council. In this manner the State demonstrated commitment to local government facilitated vital local ownership and assisted acceptance and success of the reform process (Munro J 1993).

The Board’s ‘Modernisation Report’ noted that 50 per cent of the 46 councils raised only 7.8 per cent of the total Tasmanian rate revenue (Chapman R 1997). During this Inquiry small local

authorities were criticised for spending a third of rate income on administration costs and for relying too much on grants.

The newly elected Tasmanian Liberal Government also in 1992 established an Independent Commission under the chairmanship of Charles Curran, to review Tasmania's public sector finances. He commented concerning the Local Government Advisory Board Inquiry that any reform which achieved an outcome of more than 20 municipalities would fall short of an efficient structure (Chapman R 1997).

At the time there appeared to be bipartisan support for the changes even though some communities resisted and right to a referendum was not provided (Jones M 1993) (Munro J 1993). It was recognised that the changes would still mean that Tasmanian local authorities would continue to be relatively small in area compared to most of the remainder of Australia with fourteen still under 10,000 population and eight over 20,000 (Jones M 1993). The Australian Bureau of Statistics 2000 population estimates revealed that the ratio of elected representatives after these amalgamations was one to 1633 persons (Kiss R 2003).

In addition to its focus on local government structural reform, the LGAB exercised a brief over a two year period, utilising a thorough consultative process involving each local government in the state (Haward M and Zwart I 2000), to develop recommendations for appropriate local government legislation to modernise the prescriptive 1962 Local Government Act, which by the early 1990's 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 A 1997).

As a consequence of consultations the LGAB acknowledged four key elements that were central to a package of fundamental local government reform measures. One element related to the structure of councils where the adopted objective was that the restructuring of local government be into units that had the capacity and resources to be part of a system of government recognised and treated as a partner in the Federal system of government (Vince A 1997). The Board chose figures of 10,000 persons and six million dollars annual income as one (of several) guidelines believing that such components were necessary to enable the professional staff needed to be employed. 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 M and Zwart I 2000).

A formal agreement between the Tasmanian State and Local Governments was concluded and the new Act had a smooth passage through the Parliament. Such agreement is indicative that local government generally supported the changes (Haward M and Zwart I 2000). Some rationalisation of the roles, functions and relative revenue raising capacities between the two spheres of government was thereafter achieved (Chapman R 1997). The package of reforms under the ‘Modernisation Report’ recommendations also included land-use planning changes which broadened the Tasmanian conception of planning by linking it with economic development, strategic planning at a state-wide level, and planning for the longer term (Petrov S 1995). This outcome is unsurprising, given that the Inquiry Terms of Reference at the time enabled the Minister for Environment and Planning to make special references to the Board involving ‘whole of state’ inquiries into local government (Haward M and Zwart I 2000).

The success of achieving state wide reductions in Tasmanian council numbers in the mid 1990s is largely 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 attempting local government structural reform (Vince A 1997).

Amalgamation outcomes

In relation to Tasmanian council amalgamations it was concluded that administration costs had been lowered considerably (May P 1997). An approximate six per cent reduction in costs appeared to have been received (Marshall N A 2008). A more detailed examination by Haward and Zwart 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 an insubstantial 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 through employment of a greater range of professional staff was exhibited (May P 1997). 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 was also largely achieved (Haward M and Zwart I 2000).

Further attempts at 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 R 2003). In July 1997, a joint Commonwealth-State assessment of the Tasmanian economy under a report named 'Tasmania into the 21st Century' was released and argued for ongoing local government reform. Chairperson of the assessment group, former Frazer government Minister Peter Nixon introduced two options to further reduce the number of councils to either 4 or 8 (Haward M and Zwart I 2000). Whereas there was local government involvement and cooperation with the 1990-92 process, in 1997-98 the proposals were driven and decided for local government by Premier Rundle's 1997 'Direction Statement' (Haward M and Zwart I 2000) which signalled the government's commitment to further reduce the number of councils to no more than fifteen.

A reconstituted Local Government Board was established by the minority Tasmanian Liberal government in 1997 to carry out further amalgamations which were premised upon 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 made difficult its task of promoting the need for reform and of adequately consulting with local government (Haward M and Zwart I 2000). 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 fully engage with the local government sector (Haward M and Zwart I 2000).

The Board's 1998 report challenged the relationship between community and locality (Kiss R 2003). The Board suggested 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 now 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 R 2003). Given that new local government boundaries had only been in place for about four years this revelation was understandable.

The Board recommended that the number of councils in Tasmania should be reduced to 11 but subsequently amended the number to 14. 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 M and Zwart I 2000). This legal action and a subsequent change of State government which discontinued the proposals prevented the implementation of the recommendations. These amalgamation proposals were developed without adequate engagement with local government to justify and convince the need for further efficiency gains (Kiss R 2003).

Failure of the second reform process and the structural reform proposals provides evidence that the success of local government amalgamation and reform can be directly linked to the level of support from and the influence that local government is able to exert on the process (Haward M and Zwart I 2000).

State-Local partnership agreements

A reform of local government in Tasmania subsequent to amalgamations (and other States) is noteworthy. As an alternative to structural change in Tasmania, the State Cabinet in 1999 under the leadership of Premier Bacon, approved development of a system of Partnership Agreements with the local government sector (Dollery B, Marshall N et al. 2003). Agreements were intended to improve 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 third, State level a Premier’s Local Government Council consisting of the Premier as Chair and the eight elected representatives of the Tasmanian Local Government

Association and senior officials of state agencies (Scott M 2002) considered state-wide issues such as planning coordination and waste management (Dollery B, Marshall N et al. 2003).

A fourth type of Tripartite Partnership Agreement has also been developed. Hailed as a ground-breaking first for Australia, it is a specific agreement relating to Population Ageing in Australia (Tasmania Department of Premier and Cabinet 2008). 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 (Scott M 2002) which would indicate a solid acceptance by local government of such arrangements. Issues that emerged 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 M 2002).

The Tasmanian Department of Premier and Cabinet articulated the aim of the partnership agreement program was finding better ways of serving Tasmanian communities by the two levels of government working together. Agreements were part of a broader agenda of finding new opportunities for economic and social development (Tasmania Department of Premier and Cabinet 2008). Bilateral agreements (between the State and one council) were evaluated after one year, 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 (Tasmania Department of Premier and Cabinet 2008).

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 provide an appropriate forum to arrive at suitable solutions. Issues 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 B, Marshall N et al. 2003). 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 M 2002).

After currency of the partnership agreements program for ten years, in 2008 the Tasmanian Local Government Division reviewed the program. A range of amendments thereto 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).

Summary of Tasmanian local government reform

There is evidence that Tasmania faces 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 modernisation. One issue concerns the current approach to distribution of Commonwealth FAG's to individual councils in Tasmania and how disability adjustment costs for significant depopulation might be fairly accommodated (Felmingham B, Jackson N et al. 2002). It has been argued that

The 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 B, Jackson N et al. 2002).

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 naïve and antiquated (Gaffney M 2008).

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. 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).

In May 2009 the Tasmanian Auditor-General released a report which was a follow up of 2006 council performance audits and which was critical of the low rate of implementation of audit 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). As a direct consequence of release of this report 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 D 2009).

This latest information and actions suggested for local government will be unpalatable and meet with opposition from councils and community. It remains to be seen whether the State government has the political will to cooperatively address these issues with the local government sector and Tasmanian communities.

South Australian Local Government Reform

Early local government

Local government in South Australia commenced in 1840, when free settlers petitioned for local representation. A formal association of South Australian Councils occurred in 1875 to seek road funds from the state government. By 1880 local government had been imposed in many parts of South Australia and by 1890 there were more than 170 councils. This number reduced to around 140 during the Great Depression of the 1930s (Local Government Association of South Australia 2003).

In 1974, when the number of councils was 137, a Royal Commission into Local Government Areas recommended that local government units be reduced to 72. This recommendation was not immediately acted upon but eventually the number was reduced to 129 (Jones M 1993). In 1990 a report called 'Council Borders: A Better Way: Committee of Review into Procedures for Considering Proposals for the Alteration of Council Boundaries' discussed ways of

involving the public in change. Consequently in 1992 the South Australian Boundaries Commission was abolished with boundary change thereafter to be left to local government (Jones M 1993).

Opponents to abolition of the South Australian Boundaries Commission argued that any amalgamation process required an independent entity to keep the process moving through what for those involved was often an emotional and stressful time. Highlighting this problem, 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 P 1993).

Structural reform 1994-1998

In 1994-95 structural reform of local government emerged as a major issue in South Australia. The Local Government Act was substantially amended, specifically to facilitate amalgamation of councils. Substantial restructuring of South Australian local government began in the second half of the 1990s, following the earlier in decade amalgamation programs in Tasmania and Victoria but utilising a more cooperative reform process (Dollery B, Marshall N et al. 2003).

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 C 2002). MAG adopted the view that structural reform was an essential precursor to functional and financial reform and to achieving improvements in council management processes. 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 recognised and presented a preferred solution to the tension between two conflicting goals relating to the size of local government areas: firstly the need for democratic local self-government to be based on small areas with local elected members giving maximal community representation, but secondly the need for efficient service delivery to be based on broader areas with larger populations to achieve scales economies (Smailes P 1995). MAG performed a significant service to South Australia in stressing 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 P

1995). However MAG attracted criticism for first examining structural change and not the functions that local government of the future could 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 peopled and remote rural councils could hope to achieve. It was also suggested that the broad group of rural councils inadequately recognised the importance of population density and local concentration and that the MAG report failed to recognise that in rural areas local government is a significant element of the regional economy(Smailes P 1995).

Voluntary structural reform process

The MAG report led to the implementation by 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 C 2002). The Government legislated in December 1995 to establish the Local Government Boundary Reform Board (LGBRB) with statutory authority and the task of facilitating the structural reform of local government South Australia (Local Government Boundary Reform Board South Australia 1998). The reform process objective was for councils to voluntarily develop amalgamation proposals utilising local knowledge. Local understanding and perspectives were acknowledged as crucial and councils were required 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 the existing councils to consider the best interests of their residents and ratepayers and to arrive at structures ensuring appropriate representation across the new council areas (Llewellyn-Smith M 1998).

The LGBRB referred to the process in its 1998 report as a voluntary structural reform initiative. It 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 M 1998). The government accepted the Board's recommendations including to reduce the number of South Australian councils from

118 to 68. The LGBRB claimed this reduction in council numbers as the Board's key achievement (Local Government Boundary Reform Board South Australia 1998)

The State government brief to the independent LGBRB was to facilitate structural reform. It utilised an approach which assisted local government to secure optimal structural arrangements for 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).

Structural reform outcomes

There were a number of critical success factors to the voluntary reform process including: 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 the Board and councils; conduct of the reform program at a time when the community was ready to take boundary reform seriously; and high levels of teamwork by the Board and its staff and by councils working together (Proctor C 2002).

Unlike the forced Victorian reforms, the South Australian government adopted a consultative approach similar to the Tasmanian experience. Views of constituents and councils were widely canvassed before final decisions were taken leading to greater community acceptance of structural reforms. The South Australia government articulated rationale for amalgamations was that consolidation of councils would improve efficiency and effectiveness of local councils (Dollery B, Garcea J et al. 2008). South Australia as with most States and the Northern Territory governments usually resorted to this rhetoric to justify initiation and justification for imposed mergers.

The Board also commissioned a study beyond its brief which identified potential benefits from further structural change and which would create additional capacity for councils, enable greater service provision to their communities and thus contribute in greater measure to the development of South Australia. Its 1998 report stated 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). The Board was careful to articulate 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 B and Marshall N 2003) whereas policymakers were suggesting prior to amalgamations that real savings would be of the order of 10 to 20 per cent (Dollery B, Garcea J et al. 2008). Gross one off savings were anticipated to approximate \$3.9 million, a miniscule amount in terms of the overall budget of South Australian local government (Dollery B, Crase L et al. 2006). Other benefits of the amalgamations were cited but were based on subjective opinions of employees, councillors and managers rather than empirical objective evidence (Dollery B, Crase L et al. 2006).

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

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 B, Marshall N et al. 2003). 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 as 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). Losses in and erosion of local representative democracy was also a central issue. In South Australia 31 per cent of its councillors were lost through the amalgamations process (Dollery B, Garcea J et al. 2008).

The structural reform phase left the overall three phase reform framework intact and enabled the legislative reform process to occur between 1996 and 2000. Review of the 1934 Local Government Act had been on the agenda of State Government policy advisers for several years. The policy drivers for such reform were increasing the capacity efficiency and effectiveness of the local government sector (Proctor C 2002). Extensive consultation occurred on two main points: identification of issues people wanted to see addressed in new legislation, and negotiation of the detailed terms of the subsequent Bills. As a consequence of the 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 C 2002).

Preliminary planning for functional and financial reform began well before the legislative reforms were enacted. The primary policy drivers of this reform phase were to clarify the respective roles and responsibilities of State and local government and to increase the efficiency and effectiveness with which services were delivered to South Australian communities (Proctor C 2002). A review and report upon joint State/Local Government activities and operations developed a number of 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 C 2002).

State-Local Partnerships

Under a Liberal government in 2001 the State/Local Partnerships Program was established (Local Government Association of South Australia 2003). The aim of Partnership Agreements was to achieve improved cooperation, more effective working relationships and joint action to address agreed strategic priorities (Proctor C 2002). 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). 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 B, Garcea J et al. 2008).

A state-wide agreement executed by the Premier and the South Australian Local Government Association in 2002 intended inter alia, establishment of 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 F 2001). Subsequently transport, economic development and waste management initiatives were undertaken through the agreement (Dollery B, Garcea J et al. 2008) 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 (Dollery B, Marshall N et al. 2003). 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 B, Marshall N et al. 2003).

In March 2004 the State government and Local Government Association of South Australia entered into a State-Local Government Relations Agreement which articulated a range of agreed objectives and principles and established the Minister's Local Government Forum, a mechanism to address some of the complex and challenging issues between the spheres of government. The Agreement scheduled 10 mutual priorities for the ensuing year and also provided for annual reviews of the Agreement and the Minister's Forum (Government of South Australia 2004). Other states also engaged in similar partnership arrangements.

Financial Sustainability Review Board

A related structural reform in South Australia was the independent establishment by the Local Government Association of South Australia in February 2005 of a three person South Australian Financial Sustainability Review Board (FSRB) to assess the financial position and prospects of councils in South Australia (Dollery B, Byrnes J et al. 2008); the first time in Australia that local government had initiated such an inquiry at State level (Local Government Association of South Australia 2006).

The FSRB report found that whilst council balance sheets in South Australia were strong because of the low level 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 stated 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 (Financial Sustainability Review Board South Australia 2005). Critically 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 moderately comfortable (or better) position. The Board made a range of financial sustainability analysis recommendations to the South Australian Local Government Association (Financial Sustainability Review Board South Australia 2005).

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, collectively and individually. It defined financial sustainability at the time 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).

Summary of South Australian Local Government Reform

Given that the Association sponsored Inquiry took place seven years after the South Australian local government amalgamations process, it is noteworthy that the FSRB reported that there was not a strong relationship between a councils size, 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 councils (Dollery B, Byrnes J et al. 2008). The Inquiry report suggested also that fewer, larger councils were not the instant or easy fix that many would like to believe, that amalgamation brought considerable costs and often exaggerated benefits and that there were many intermediate forms of cooperation or integration between councils with amalgamation being the most extreme and confronting (Dollery B, Byrnes J et al. 2008).

Queensland Local Government Reform Introduction

When Queensland Premier Peter Beattie announced on 17th April 2007 that Queensland's 157 councils with more than 1100 elected councillors, would undergo 'their first sweeping reform in more than a century' (Beattie P and Fraser A 2007) he heralded the commencement of an intensive forced amalgamation process which in less than one year, on 15th March 2008, would bring local government council elections in that state to a newly established 72 councils (Clarke P 2007) and a total of 73 councils (including Brisbane City Council which was excluded from the 2007-08 process) (Department of Local Government Queensland 2007). This reform more than halved of the number of local government units. Queensland had observed large scale amalgamations in Victoria, Tasmania and South Australia during the 1990s but had undertaken comparatively minor structural reform in its own state in that period. This suddenly changed with the Premier's announcement and caused alarm with claims that the forced amalgamations had "decimated local representation as it is known in Queensland with the proud and fierce protests of recent months against amalgamations amounting to little – a sad day for the proud and independent councils of Queensland" (Thomson M 2007).

Early local government

Local government commenced in Brisbane in 1859, spread to 17 other urban areas in the next 20 years and by 1879 there existed a total of 92 local government areas (Tucker D 1995). There was by 1916 an elaborate level of fragmentation of local government units in Queensland with a grand total of 442, of which 149 were shires and the remainder termed financial divisions (Tucker D 1995). In October 1993 there remained 23 financial divisions, 105 shires, 23 undivided cities or towns and Brisbane City Council, a total of 152 units (Tucker D 1995). The reduction from 1916 levels was largely attributed to introduction of popularly elected Mayors and Shire Chairmen from 1920 which saw the local government leaders focus on whole local government areas and not simply the division in which they lived (Tucker D 1995).

As early as 1896 a Royal Commission on local Government criticised the proliferation of small Queensland local authorities. The report at the time was not generally acted upon but influenced the creation in 1925 of Brisbane City Council, still the largest local government entity in Australia, formed by the union of 19 local government areas. Another 1928 Royal Commission on Local Government Boundaries recommended a reduction from 152 to 86 units (Jones M 1993). It would be another 80 years before such reductions would occur even though

it was acknowledged at least from the early 1980s that issues of efficiency and economies of scale would make it imperative for creation of larger local government units (Tucker D 1983). Conventional local government only commenced in large parts of unincorporated outback Queensland in recent decades causing an increase in numbers of Queensland councils. Small remote and indigenous communities formed 'community governments' or community councils, a more flexible form of government permitting a wider range of activities and fewer compulsory responsibilities, to accommodate low populations, remoteness and cultural difference (Dollery B and Marshall N 1997). By 2002 indigenous local government areas were increasingly being called upon to take a greater role in regulating land use and to be more accountable for decisions (Moran M 2002).

Graziers as a dominant political pressure group had benefited in rural areas for many years. A change occurred in the Queensland local authority electoral divisions in 1991 which attempted to remedy electoral imbalances in rural local government. However a later case study in Longreach Shire indicated that it was premature to suggest that graziers had lost much of their political influence (Higgins V 1997). The 2007-08 Beattie government forced amalgamations was strongly but unsuccessfully opposed by the rural Queensland grazier lobby.

Queensland's gradual structural reform

As a consequence of the Fitzgerald Inquiry into corruption in Queensland an Electoral and Administrative Review Commission (EARC) was established in March 1990 (Tucker D 1992) primarily to address electoral reform, open disclosure, review of boundaries and ethical conduct (Dollery B and Marshall N 1997). A Public Attitudes Survey at this time concerning perceptions of local government employees found that overall respondents had a favourable view of local government and agreed that council employees were honest and behaved well (Crime and Misconduct Commission Queensland 2003).

The combination of the EARC and the Criminal Justice Commission resulted in the new Local Government Act of 1993 (Dollery B and Marshall N 1997). This Act discarded the provision for financial divisions which it had been argued enabled individual communities within local government areas to be financially autonomous (Tucker D 1999).

The EARC recommended extensive council amalgamations especially along the Queensland coast. In 1992 the government adopted the findings of EARC and appointed a Local

Government Commissioner to examine all options (Jones M 1993). The Commissioner was Greg Hoffman, Chief Executive of the Queensland Local Government Association, whose major and most sensitive task was to investigate, report and recommend on designated local government area and boundary problems (Tucker D 1999). The Commissioner devised a highly consultative process and ultimately mostly recommended complete council area amalgamations bringing harsh criticism from disaffected rural interests. Mergers reduced council numbers from 134 to 125 during 1993 and 1994 but were confined at the time to cities and shires on the coastal verge between Gold Coast and Cairns, with one exception of Warwick Shire. The new Borbidge National-Liberal government in 1996 quickly concluded the work of Commissioner Hoffman (Tucker D 1999). Six years after the Gold Coast and Albert Shire amalgamation in this period, the merger was still being labelled a 'catastrophe' and there continued an unsuccessful campaign for de-amalgamation (Milliner K 2001). These 1990s Queensland amalgamations focused on a small number of large regional centres experiencing rapid population growth where the primary objective was to better manage the growth rather than to achieve economies of scale (Dollery B, Marshall N et al. 2003).

As a consequence of the EARC review of matters referred by the Fitzgerald Inquiry, Queensland local government was subjected to unprecedented scrutiny during the first 2.5 years of office of the Goss Labor government (Neylan M 1992). The EARC inquiry process imposed on local government a significant cost burden and many local authorities found it difficult to cope with the pace and cost of post Fitzgerald reform (Neylan M 1992).

There was concern that the EARC had failed to undertake all the government had requested of the Commission, and even though it was acknowledged to have improved the local government electoral system it had disappointed especially in relation to fair and equitable representation in local government of women and aborigines and lacked local government knowledge especially at Commission staff level. A general insensitivity was characterised by the dominant male members of EARC (Tucker D 1992) and it was suggested that in many respects EARC was ineffective. Recognition of the problem of low indigenous participation or representation in mainstream local government was lacking (Tucker D 1992).

The outcome of this examination was only a few amalgamations in Queensland during the next few years. The local government structural reform process was gradual and pressures for

radical change towards competitive practices were subdued. The state government had an approach of collaborative or political reform and concentrated its efforts on rewriting the 1936 Local Government Act to allow councils to be less constrained in pursuing more competitive service delivery (Dollery B and Marshall N 1997).

By mid 2004 Premier Beattie was promoting a regional plan for South-East Queensland requiring agreement of 18 local councils. At the time the Property Council and University of the Sunshine Coast released a local government amalgamation discussion paper and speculation about possible future amalgamations increased (Johnstone C 2004).

Size, Shape and Sustainability (SSS) Program

Realising that without voluntary reform initiatives the State government would have little choice but to force further amalgamation, the Local Government Association of Queensland (LGAQ) in 2005 commenced consideration of a wide range of alternative structural governance models including resource sharing, Regional Organisations of Councils (ROC) area integration and voluntary amalgamation (Dollery B, Garcea J et al. 2008).

LGAQ commenced the Size, Shape and Sustainability of Queensland Local Government Program (SSS) which proposed four options for change: merger/amalgamation; significant boundary change; resource sharing through service agreements; and resource sharing through joint enterprise (Dollery B, Byrnes J et al. 2008). An LGAQ discussion paper concerning SSS and addressing shared services, regional cooperation and voluntary boundary changes was prepared and approved by the LGAQ Executive to facilitate discussion and debate by member councils on the future size, shape and sustainability of Queensland Local Government. The paper emphasised LGAQ policy opposing forced amalgamations but suggested individual Councils might voluntarily examine at structural improvements to enhance local level efficiency and effectiveness (Local Government Association of Queensland 2005). The discussion paper proposed options councils could consider when determining the optimal arrangements for each local area and suggested that these could include sharing of services or staff, specialisation by Councils in a region in one or more functions, use of common information technology platforms to allow payroll, rating, filing and other financial services to be carried out at one location as well as setting up jointly owned businesses to undertake functions such as road works. LGAQ summarised reform options as; resource sharing through

service agreements, where Councils as a group agreed to allocate functions with one Council undertaking a function on behalf of the group; resource sharing through joint enterprise where Councils formed a joint business unit to achieve economies of scale across a functional area of core business: merger/amalgamation where Councils join together voluntarily; and finally significant boundary change which could include joint arrangements (Local Government Association of Queensland 2005).

Criticism of the SSS Program especially in respect of its investigation of the issue of shared services was scathing including that the Size, Shape and Sustainability Report and its main supporting study contained errors and misleading interpretations of available evidence on shared services which should be treated with great caution in future by local government policymakers (Dollery B and Akimov A 2007). This criticism may have had influence in regard to the State government's decision to accelerate and force Queensland council amalgamations.

There was support for the SSS program model as a means of effective community engagement and it was suggested that "it would appear that the SSS program represents an excellent example of how best to embody community engagement in local government reform"(Dollery B and Dallinger D 2006). However the same writers pointed to five potential problems with the SSS program including: potential for thwarting through local self-interest; possible perception of the program as a token exercise; the program may not address conflict between councils; the program ignored the possibility of uneven community engagement; and finally that the State government could use councils to implement its reform agenda (Dollery B and Dallinger D 2006).

Queensland Government imposed mergers

Just two years after the LGAQ commencement of the SSS Program Premier Beattie announced in April 2007 the intended local government extensive amalgamations. Neither the Government nor the Labor Party had mentioned their intentions concerning local government at the 2006 state elections (Prasser S 2007). Government media accompanying the Premier's announcement stated that the SSS Program had failed to deliver timely, meaningful reform and councils had failed to initiate reforms through the SSS process prior to the scheduled 2008 local government elections. Despite the best endeavours of many individuals it was stated that very little would result from the voluntary SSS process (Beattie P and Fraser A 2007; Department of Local

Government Queensland 2007). The government revealed that Queensland Treasury Corporation had prepared financial sustainability reviews for 105 Queensland councils and found that 40 per cent were financially weak, very weak or financially distressed. The Queensland Auditor-General, Price Waterhouse Coopers and McGrath Nichol reports also highlighted financial problems in councils (Department of Local Government Queensland 2007).

The Premier stated that with 88 of 157 councils servicing populations of less than 5000 people there were simply too many struggling, unsustainable councils. He announced establishment of a seven person, Local Government Reform Commission to make recommendations by 1st August 2007, a period of less than four months, on the most appropriate structure and boundaries for all local government councils in Queensland, excluding Brisbane City Council (Beattie P and Fraser A 2007; Department of Local Government Queensland 2007).

Less than one month was allowed for submissions to the Commission. LGAQ which supported voluntary amalgamations only, strongly opposed and criticised the Commission's findings, stated that the scuttling of the SSS Program amounted to a breach of trust and a repudiation of the State's Protocol with local government and its often espoused commitment to engagement, collaboration and partnership (Local Government Association of Queensland 2007). LGAQ also argued that the April 2007 Government publication which made the case for reform (*"Local Government Reform – a new chapter for Local Government in Queensland, April 2007"*) included factual and comparative errors and failed to demonstrate the predicted financial collapse of the system of local government. The Association noted also that the Terms of Reference of the Commission required it to consider only the amalgamation of whole areas of councils. LGAQ made 16 recommendations to the Commission (Local Government Association of Queensland 2007) and subsequently answered five questions raised by the Commission at which time it appealed to the Commission to consider the merits of amalgamation against the adoption of alternative structural models such as multi-purpose joint local governments, strategic alliance models and shared service arrangements, to ensure wherever possible the retention of local governments to provide direct community engagement and provision of local community services. LGAQ also urged the Commission to be open to recommending that the Minister implement alternative structural reform models if its analysis

demonstrated that such models offered more social, economic, environmental and political benefits than amalgamation of councils (Local Government Association of Queensland 2007).

The LGAQ position was strongly supported in local government and communities. It was suggested that the case for forced structural reform advanced in the 'Local Government Reform' Commission report was deeply flawed and the submission of LGAQ was correct in both the general thrust of its argument and most of the inaccuracies it portrayed. The Association concluded that 'Local Government Reform' represented an *ex post* rationalization for a predetermined political decision by the Queensland state government and not a persuasive case for a policy reversal (Dollery B, Wallis J et al. 2007).

LGAQ sought a plebiscite to test the support levels or otherwise of the Commissions recommendations. The government first threatened to fine and later to sack any council holding a referendum on the issue (Prasser S 2007). The Howard government with Federal Opposition support threatened to change the Commonwealth Electoral Act to override the Queensland government actions and allow the Australian Electoral Commission to conduct polls for the participating councils. The State government relented but expressed its intention to ignore the results of any local plebiscites (Prasser S 2007). Voluntary plebiscites were conducted in 85 existing Queensland council areas. Ballot papers were posted to almost 697,000 eligible persons on the electoral rolls. The response rate was 55 per cent with 77 per cent of respondents opposing amalgamation (Local Government Association of Queensland 2007).

Some groups strongly supported the amalgamation reform process. The Property Council of Australia for example made 11 recommendations to the Commission which were generally critical of local government in Queensland (Property Council of Australia (Queensland Division) 2007). It also urged the Commission that reform should not merely be confined to the financial sustainability of local government in Queensland but should be part of a broader discussion about the role, function and design of local government. The Property council submitted the need for a framework to assess amalgamations of existing councils. It argued that in reforming local government the State should provide the structural framework to allow councils to meet the service requirements of communities, whilst providing leadership and vision to ensure those communities were sustainable into the future (Property Council of Australia (Queensland Division) 2007).

The Reform Commission Report contained the following key recommendations concerning boundary changes:-

- Consolidation of Queensland councils through amalgamation from 157 to 73 (including Brisbane City).
- South East Queensland councils be consolidated from 17 to 10 councils (including Brisbane City).
- No boundary change to 37 council areas (including Brisbane City).
- No amalgamation of large western councils due to the inability of structural reform to lead to any significant service delivery or capacity benefits.
- Formation of the Torres Strait Island Regional Council and the Northern Peninsula Area Regional Council involving Aboriginal and Torres Strait Island councils.
- No amalgamation of Aboriginal and mainstream councils at this time, due to the unique features of Aboriginal councils that require further investigation (Local Government Reform Commission Qld 2007).

The Commission gave recommendations in respect of name, class, boundary and electoral arrangements for the new local government areas. The government accepted the Commission recommendations and passed enabling legislation through Queensland's unicameral Parliament in a 14 hour all night sitting (Prasser S 2007). Council elections were determined to be conducted for the new local government areas on 15th March 2008 (Department of Local Government Queensland 2007). This meant sacking of 724 elected councillors (Prasser S 2007). Government provided funding of \$27.1 million for amalgamation transition costs (Clarke P 2007).

In not recommending amalgamation in the larger western Queensland councils it was apparent that the Commission took account of the view that standard policy prescriptions based on stylized versions of metropolitan (or at least regional) municipalities with manageable geographic areas and relatively high population densities could not be translated into remote and unpopulated local government jurisdictions (Dollery B, Wallis J et al. 2007). It was these especially vulnerable councils in rural and Western Queensland which largely avoided the forced amalgamation process (Prasser S 2007).

There was criticism of the Commission recommendations and of the Government's total endorsement thereof. LGAQ argued that the Commission had lacked any quantifiable data to support its recommendations and relative costs or benefits of alternate scenarios were not presented (Local Government Association of Queensland 2007). The decision was termed evidence-free policymaking on the basis that the Commission reached its conclusions two months after submissions not allowing sufficient time to carefully consider the many submissions and provide sound policy advice to government. No attempt was made to determine costs of amalgamations and imposition of structural reform yet the Commission asserted that any eventuating costs would depend upon the councils themselves rather than forced amalgamation (Dollery B 2007). A significant cost could have been the requirement placed upon the new councils to refrain from staff redundancies for three years (Prasser S 2007).

The outcome of the forced Queensland amalgamations is a three tiered local government framework in that State comprising Brisbane City Council; secondly large local government units formed from the amalgamations and focused around growing coastal regions and regional hubs, and thirdly continuing smaller usually rural and remote local governments that will continue to focus on local issues and the smaller townships (Rolfe J 2007) and in all probability continue to confront long term financial sustainability issues.

Summary of Queensland Local Government Reform

The Queensland amalgamations highlight the vulnerability of local government in the Australian system of government. One level of government was able to abolish parts of another level that had been democratically and fairly elected. That the Queensland government indulged in covert actions, deliberate subterfuges, lack of community consultation and even threats says much about the state of democracy in Australia (Prasser S 2007).

However the Queensland government succeeded in managing the amalgamation issue and there were no evident impacts at the Federal level given Labor's strong showing in Queensland at the November 2007 election. The Queensland forced council amalgamations were via a vertical, top down implementation, involving ostensibly rational collection and justification of information but also minimal time for protest to be organised around any major areas of disagreement (Prasser S 2007).

Whilst there has been rhetoric over the years about local government being a genuine partner in the Australian federal system of government the forced Queensland council amalgamations highlights the subservient status of local government in the Australian political system (Prasser S 2007).

Northern Territory Local Government Reform

Introduction

Australia has not one, but seven local government systems: one in each state but also one in the Northern Territory (NT) (Sanders W 1996). The history of local government in the Northern Territory differs from that of the remainder of Australia because of its existence for a relatively short time, nearly one quarter of the Northern Territory population is indigenous, community government was formed and utilised for the large remote areas of the Territory, the amalgamation process in the Territory extended over a decade and when forced amalgamations eventually occurred there was a far more dramatic reduction in the number of local government units than elsewhere in Australia.

Commencement of Northern Territory Local Government

A significant extension to the traditional Australian form of local government occurred in the NT after commencement of Northern Territory self-government in 1978. The NT government in 1979 enacted a new Local Government Act which provided for two strands of local government. The first was a conventional municipal council of which the NT already had four units in urban areas. The first council constituted in the NT was Darwin City Council in 1957 (Local Government Association of the Northern Territory 2002). The second local government strand was community government. By 1985 six small remote communities had commenced optional community government structure and by 1994 the number had increased to 25. The initial slow take-up was attributed to NT Aboriginal Land Councils suspicion of the Northern Territory government arising from the land rights process that had commenced with Commonwealth land rights legislation in 1976, as well as perceptions about the excessive degree of control by the NT government over community governments (Sanders W 1996).

Prior to this time large areas of the outback were unincorporated. Only one per cent of the total land mass of the Northern Territory was part of a local government area in 2002 with the balance unincorporated (Local Government Association of the Northern Territory 2002). From

the 1980s small remote communities formed community governments, designed by the NT government to accommodate low population numbers, remoteness and cultural difference. Community government permitted a wider range of activities than in other local government jurisdictions and had a narrower range of compulsory responsibilities (Dollery B and Marshall N 1997). This style of local government was effectively eliminated with the 2008 NT amalgamations.

Local government for the indigenous population

The high NT indigenous population compares with less than four per cent in other Australian States or Territory. Indigenous populations in the Territory range from minority residential interests in urban areas of municipal councils to clear majority interests in the constituencies of the pre-amalgamation community government and association councils (Sanders W 2006). Such demographics posed special issues and challenges in the recent NT local government reform process. Concerns had often been expressed in respect of indigenous community governance that there was an over-emphasis in thinking on getting governance structures right at one point in time and an under-emphasis on good governance processes over time irrespective of structure. Furthermore the current pattern of highly localised and dispersed governance which had emerged in indigenous communities following self-government years had significant benefits and advantages. Dispersal and localism aided autonomy of indigenous people, even if this had led to other problems (Sanders W 2004).

The population of the NT which contains 17 per cent of the land mass of Australia, at 2006 census was 212,551 persons of whom 24 per cent identified as Aboriginal. With the 2008 local government amalgamations, 92 percent of the NT population now reside within a local government area (Local Government Association of the Northern Territory 2008). Prior to 1 July 2008 there were 61 local governing bodies as defined under the *Local Government (Financial Assistance) Act 1995* including six municipal and 51 community government councils. The ten largest local government units in the Territory provided services to approximately 160,000 persons whilst 52 other councils provided for another 31,000 and the balance of population without a council (Local Government Association of the Northern Territory 2008).

Northern Territory government imposed structural reform

On 11 October 2006 the NT Minister for Local Government announced a structural reform program for local government, intended to incorporate the whole of the Northern Territory into local government areas by 1st July 2008 (Local Government Association of the Northern Territory 2008). With only one change to original proposals, from that date the total number of local government units became 16, comprising five municipal and 11 Shire councils (Local Government Association of the Northern Territory 2008). Elections for four of the five municipal councils were held at the normal time and prior to 1st July whilst the remaining elections were held in October 2008 (Knight R 2008). As well as provision of new local government boundaries, the reforms included establishment of Shire offices in major centres, appointment of Shire Chief Executive Officers, ongoing recruitment of staff and installation of unified business systems (Department of Local Government and Housing Northern Territory Government 2008). To ensure effectiveness of the new business systems three major training centres were established in Darwin (Department of Local Government and Housing Northern Territory Government 2008) and over \$12 million of NT and Commonwealth funds were expended on system roll-out and training (Department of Local Government and Housing Northern Territory Government 2008).

Two processes were established to ensure timely reform implementation the first being the NT Local Government Advisory Board under the chairmanship of Patrick Dodson and the second comprising nine Shire Transition Committees (Department of Local Government and Housing Northern Territory Government 2008). One of these Transition Committees, the Top End Shire, was active until early 2008 when that particular amalgamation proposal was discontinued (Department of Local Government and Housing Northern Territory Government 2008). However three of the four councils that were to constitute the Top End Shire and community groups representing the unincorporated areas have since been actively working to amalgamate. The Transition Committees were a vital aspect of the reform process given their role to work with communities in explaining and implementing the processes of change (Banks R 2008).

Whilst the NT local government reform proposals were implemented in 2008 following their announcement in October 2006, the government had been putting the case for reform well before that time. It had been government policy for at least a decade before in 1999 to

encourage the majority of local governing bodies which were not community government councils, to incorporate under the NT Local Government Act (Crough G 2001).

In October 1998 the Northern Territory government approved the reform and development of local government to establish a more effective, efficient, accountable and culturally appropriate framework of local governance, particularly in rural and remote areas (Department of Local Government Northern Territory 2000). The government flagged in 1999 that changes would occur to council structures; warned that there was an ever increasing number of small, under-resourced councils unable to meet future challenges; that smaller and remote councils were disadvantaged by their relatively high administrative costs and cost of equipment and infrastructure; and stated that councils that chose to stay as they were would receive less resources (Department of Local Government Northern Territory 2000). The government message was that reform was another word for getting better and that through reform the people could expect fewer, larger more sustainable councils and better and more reliable local services (Department of Local Government Northern Territory 2000). The message did not suggest how this might be achieved. In 1999 the NT government established a Structural Reform Advisory Committee, a Policy Reform Reference Group and Regional Reference Groups, whilst the Local Government Minister met regularly with the Local Government Association of the Northern Territory (LGANT) to review progress and issues (Department of Local Government Northern Territory 2000).

From the Minister's statements in 1999 it was clear that the ultimate objectives were to reduce the number of councils in the remote and rural areas in the name of improvement in efficiency and service delivery, and that local government in remote and rural areas should deliver services to all of the constituents within the boundaries of each council thus extending the jurisdiction of non-rationally based shire councils over the Northern Territory (Crough G 2001).

In a forerunner to the 2006 local government reform process, the NT government in 2002 established an Examination of Structural Relationships in Indigenous Affairs and Indigenous Governance through its Standing Committee on Legal and Constitutional Affairs and discussed possible framework agreements between the NT government and indigenous communities (Local Government Association of the Northern Territory 2003). LGANT made a total of 21 recommendations to the Standing Committee providing suggestions as to key principles that

might apply to negotiated framework agreements LGANT offered suggestions for improving structure and process for local government reforms given its acknowledgement in its submission that structural reforms were occurring (Local Government Association of the Northern Territory 2003). There were no substantive outcomes from the Standing Committee process but it substantially informed the 2006-08 structural reform activity.

Another precursor to the forced 2008 amalgamations occurred in 2003 when the NT Minister for Regional Development released a Strategy aimed at building stronger regions and stating the desired outcome as strong sustainable regions where economic and social outcomes were sustainable and where cultural diversity was respected. The Strategy indicated that legislation would provide for establishment of Regional Authorities where existing community councils agreed to amalgamate. Formal binding partnership agreements were also foreshadowed (Department of Community Development Sport and Cultural Affairs Northern Territory Government 2003). It is hardly surprising that the LGANT President, in the 2003-04 Annual Report, stated that structural reform in the Northern Territory was perhaps the most pressing issue facing local government and that the trend towards amalgamation of councils was inevitable (Local Government Association of the Northern Territory 2004).

The 2006-08 amalgamations process had critics. In February 2008 the government reneged on its intention to form a Top End Shire. Subsequently the Local Government Minister resigned and other councils questioned the Government's processes and timetable for commencing reforms (Undisclosed 2008). LGANT president stated that the Top End Shire decision had set a precedent, leaving councils with feelings of distrust and loss of faith in the government. There were calls for the new Minister to consult more fully with constituents to avoid evaporation of the goodwill previously shown by the local government sector (Undisclosed 2008).

The business sector was largely disinterested in the Northern Territory council amalgamation process. Some in the business community expressed concerns although their criticisms were largely orchestrated by the Northern Territory Cattlemen's Association which had a strong vested interest in retention of the status quo and an ideological opposition to local government on the basis that new local government boundaries would force unfair fiscal pressure on cattle producers (Northern Territory Cattlemen's Association Inc 2007).

Concern was expressed that there was not clear understanding of costs and benefits of the proposals, no economic and financial analysis had been provided and stakeholders had no clear understanding of how they would be affected by the changes (Northern Land Council NT). Proposed reforms would harm key industry sectors; impose negative consequences for regional economic development and indigenous economic opportunities; and regional business would be required to bear the burden of generating revenue for the new shires in the absence of another significant rate base (Northern Land Council NT). A key industry recommendation, in addition to calls for demonstration of net economic and social benefits, was that local government reform process must take into account the June 2007 Australian Government emergency intervention response to child sexual abuse in the Northern Territory and the amalgamation process be extended over a five year time frame to ensure sustainable reform (Northern Land Council NT). These requests and recommendations were largely ignored.

A novel aspect of the reform package was legislation to enable councils and LGANT to form, with the approval of the Minister, separate entities or bodies corporate known as local government subsidiaries or CouncilBIZ to carry out functions related to local government on behalf of constituent councils. Eight new Shire councils and LGANT have taken this step to provide them with centralised administration, information technology and financial services (Local Government Association of the Northern Territory 2008). CouncilBIZ commenced on 1st July 2008 and funding was negotiated with the government to rollout new ICT infrastructure and business systems to the eight Shires headquarters locations and to a further 63 Community Service Delivery Centres (Local Government Association of the Northern Territory 2008).

Summary of Northern Territory local government reforms

The Northern Territory council amalgamations were large scale and imposed but occurred with substantial community apathy and acquiescence. Some new local government areas are geographically huge in a very remotely populated part of Australia. The effectiveness of the new arrangements remains open to question and analysis in the future.

Western Australian local government reform

Early local government

Western Australian local authorities began in 1838 with the commencement of the Perth Town (and three other) Trust which was primarily concerned with roads. In 1856 Perth became a city and by 1871 there were seven Town Trusts in Western Australia (Western Australian Local

Government Association 2008). An 1871 Municipalities Act increased the functions and powers given to municipalities and in the same year the Roads Districts Act was proclaimed, replacing the Crown with locally elected Road Boards as the authorities responsible for communications in the vast areas of the State (Western Australian Local Government Association 2008). In 1894 the Municipal Defence Association was formed as a mechanism for councils to work together and lobby the government (Western Australian Local Government Association 2008).

Attempts at local government structural reform since the 1960s

An examination of amalgamations of councils since the early 1990s in Australia indicates a comparative inactivity in Western Australia. Forced mergers have not yet occurred. However as with other States, over a long number of years there have been Commissions of Inquiry that examined desirable numbers of local government units.

The first notable local government boundaries examination in Western Australia did not take place until 1968 when a Local Government Assessment Committee issued a report which sought to reduce the number of units from 144 to 89. The report was not acted upon and there was no subsequent substantial action but the number did gradually reduce to 139 (Jones M 1993). In 1972 the Local Government Boundaries Commission investigated Western Australian metropolitan boundaries, recommending a reduction of units from 26 to 18. Again there was no substantial action and the number of councils was reduced by one only. A Royal Commission on Metropolitan Municipal Boundaries in 1974 again recommended a reduction to 18 metropolitan local government units (Jones M 1993). In the 1980s the Local Government Advisory Commission prepared reports without amalgamation action resulting. Since 1970 the number of councils in Western Australia only reduced by one from 139 to 138 (Dollery B, Garcea J et al. 2008).

Local government reform in Western Australia gained momentum in the 1990s. In something of a reverse action to amalgamation, and in response to long term central business sector complaints about subsidisation of residential precincts in Perth City, the city of Perth was in 1994 dissected by legislation into a CBD-focused authority with three small 25,000 population towns created on the periphery. At the same time the Town and Shire of Albany were

amalgamated (Hunt G 1999). In 1995 after almost five years discussion, legislation including the key issue of structural reform, was introduced to create a new Local Government Act which commenced on 1st July 1996 (Dollery B and Marshall N 1997).

This Act repealed the 1960 Local Government Act, was written in contemporary style, was more easily understandable and, brought general competence powers to local government and greater autonomy and more accountability in many areas (Western Australian Local Government Association 2008). After investigations into administrative irregularities by some local authorities, a Local Government Structural Advisory Committee was established but did not specifically focus on amalgamations or boundary changes. The Committee report contained 19 recommendations primarily relating to organisational (and some structural) reform which was readily accepted by Western Australian councils (Hunt G 1999).

In 2001 the average council area population in Western Australia was the lowest in Australia with 13,409 persons and 757 elected representatives. The ratio of councillors to population was one to every 1333 persons, also the lowest in Australia (Dollery B, Marshall N et al. 2003). The 2003 Local Government (Official Conduct) Bill was one structural reform measure designed to regulate conduct of elected councillors more stringently than previously (Quahe A 2004). The Government at this time expressed hope that some councils would of their own volition realise the necessity of boundary changes or amalgamation (Dollery B and Marshall N 1997), but this did not occur.

Rejection of forced amalgamations

Over the years the Western Australia government rejected forced amalgamation as unnecessary. A 1996 Committee of Inquiry indicated there was some scope of local government boundaries rationalisation but resource sharing and regional cooperation were preferred as more appropriate strategies. It was left to councils to either amalgamate or cooperate in other ways (Dollery B, Garcea J et al. 2008).

Of all the Australian State local government merger inquiries, Western Australia gave best balanced consideration of actual costs to benefits of mergers, whereas the other amalgamating States largely ignored evidence which contradicted the belief that financial gains would accrue from mergers (Dollery B, Garcea J et al. 2008). Unlike some other jurisdictions there was no enforcing of structural reform in Western Australia and unlike South Australia no arrangement

was negotiated with local councils whereby local government would reform itself or be reformed by State compulsion (Hunt G 1999).

State-Local Partnerships

Regional Partnership models with Commonwealth financial support had been developed in the late 1990s. An example is the Pilbara Regional Council which embraced four local government units over a vast area of 510,000 square kilometres and enabled cooperative undertaking of programmes and projects using innovative practices such as for example video-conferencing (Ford T 2003).

After the 2001 election of the Gallop Labor government when the State's population was estimated at 1.95 million (Western Australian Local Government Association 2008) the government outlined measures to introduce state-local partnership arrangements based upon an agreed set of principles. This enabled the Western Australian Local Government Association to work with the State on policy formulation and decision-making where both levels of government were major stakeholders. A State and Local Government Council consisting of the Premier, Treasurer, key Ministers and local government representatives had the role of oversight of the partnership process (Dollery B, Marshall N et al. 2003). Agreements ensued, for example on consultation and communication, public library services, a protocol on major developments and bilateral agreements with councils (Department of Local Government and Regional Development Western Australia Government 2008). The overarching principle of the December 2002 Partnerships Agreement was a mutual commitment to improve cooperation for the purpose of enhancing the sustainable social, environmental and economic development of Western Australia through consultation, communication, participation, cooperation and collaboration at both strategic and project levels (Western Australia Government Western Australian Local Government Association LGMA (WA Division Inc) 2002).

Systemic Sustainability Study

In January 2006 the Western Australian Local Government Association (WALGA) commissioned a review of local government which focused on financial sustainability but also considered council amalgamation (Dollery B, Byrnes J et al. 2008). Under the title of Systemic Sustainability Study a three member Independent Governance Panel, which was to report within six months to WALGA, issued in April 2006 an initial discussion paper explaining how

the Study would proceed and the relevant issues for consideration in accordance with its eight part terms of reference (Western Australian Local Government Association 2006). By June 2006 a series of reports had been produced including best practice management and administration, socio-cultural viability, industry capability (Annaliza Jackson and Associates 2006) and local government finances in Western Australia (Access Economics Pty Ltd 2006). The Access Economics report concluded that there was no evidence of councils suffering from past over-reliance on borrowing and from that perspective balance sheets of Western Australian councils were 'generally very strong' (Access Economics Pty Ltd 2006).

The interim report of the Governance Panel, released in August 2006, was intended to provide a strong evidence-based understanding of the status, condition and prospects for local government in Western Australia and also issues for further deliberation by local government (Western Australian Local Government Association 2006). The Panel defined five dimensions of sustainability to include financial sustainability, community engagement, good governance, leadership capacity and environmental legacy. The Panel indicated that local government would face considerable challenges in future (Western Australian Local Government Association 2006). It also stated that whilst there appeared to be a structural component to the unsustainability of some councils, amalgamations would not improve the situation until key, systemic issues facing the sector were addressed (Western Australian Local Government Association 2006).

The Systemic Sustainability Study was finalised two years later in August 2008 with release of the final Plan which contained 39 recommendations and was endorsed by local government on 15th September 2008 (Department of Local Government and Regional Development Western Australia Government 2008). The Plan proposed creation of a regional system of service delivery to leverage the economies of collective local government geographic groups while retaining elected local councils to represent specific interests of communities (Undisclosed 2008) (Western Australia Local Government Association 2008).

The Plan proposal of a Regional Model for service delivery contained few specific details prescribing its structure and operation. While there was likely political acceptance by Western Australian local government the model was criticised as providing

Groups of councils under a given Regional Model an almost blank template from which to proceed, which on balance is justified given the immense diversity within the local government sector in Western Australia. Available evidence implies reasonable prospects of both improved service provision and cost savings, although significant barriers must be overcome (Dollery B and Grant B 2009).

The Panel stipulated that it was vital the sector moved towards viable mechanisms for functional reform reflecting the nature of the communities they serviced. It also suggested that voluntary amalgamation remained a valid policy option for individual local governments to consider and adopt as they deemed appropriate (Western Australia Local Government Association 2008). The Panel summarised that its Plan highlighted the current critical window of opportunity available to the local government sector to address the complexities of viability and sustainability and that it remained for all stakeholders to assess their level of commitment to suggested change processes and their willingness and ability to support implementation of available options for reform (Western Australia Local Government Association 2008).

One month after Plan endorsement by local government, on 15th October 2008 the Minister for Local Government announced formation of a State and Local Government Joint Steering Committee on Local Government Sustainability which was to operate initially for one year to progress the implementation of the 39 Plan actions and any other desired outcomes (Department of Local Government and Regional Development Western Australia Government 2008). The Steering Committee finalised its Implementation Strategy and delivered it to the Minister on 8th December 2008. Some Plan actions were to be implemented quickly whilst others were to require further analysis by reference to Working Groups (Department of Local Government and Regional Development Western Australia Government 2008).

Summary of Western Australian local government reform

Structural reform and especially forced council amalgamations of the style or manner of most other Australian States has not been embraced with enthusiasm in Western Australia (Hunt G 1999). The lack of imperative for local government in Western Australia to address structural reform will probably place it in some jeopardy in the longer term (Hunt G 1999). Concerns have been expressed about the capacity of local government in Western Australia to move beyond rhetorical articulation of aspirations and to engage in meaningful community

development practice reflecting councils stated goals of empowerment, participation and social justice for citizens, and about how local government will balance issues of corporate accountability and wider civic responsibility (Saggers S, Carter M et al. 2003).

The final Governance Panel report stated that while acknowledging the excellent efforts of many local governments in addressing identified issues, the usual approach to that date was in the nature of ad hoc responses to endemic issues of great significance to current and future generations (Western Australia Local Government Association 2008).

It remains to be seen whether the Independent Governance Report finding that forced amalgamations were unlikely to achieve lasting community benefit because of growing literature and operating experience elsewhere in Australia (Dollery B, Byrnes J et al. 2008), will continue as an accepted standard in Western Australia and whether the new State government elected in 2008 will adhere to a policy of voluntary amalgamations and allow to continue the work of the State and Local Government Joint Steering Committee on Local Government Sustainability. This must now be unlikely given the Minister indicated in early 2009 that he required councils in Western Australia to present voluntary amalgamation plans within six months with an indeterminate process to follow (Mitchell B 2009) and has stated that economies of scale would result from having fewer, larger councils. He also sought reduction in total number of elected councillors and formation of regional groupings of councils to assist with the efficient delivery of their services (Australian Local Government Association 2009).

The Minister has also stated that should councils choose not to amalgamate voluntarily he would seek to legislate to force amalgamations (Australian Local Government Association 2009). The Minister's statements appear to fly in the face of the WALGA extensively researched and developed plan (SSS) to increase sustainability in the Western Australia local government sector. It is obvious that there is nothing voluntary when a six month deadline is given, councils are told what the outcome will be and that if councils do not volunteer to amalgamate then amalgamations would be imposed.

Conclusion

The timeframes and process of securing local government structural reform in the Australian States and the Northern Territory have differed substantially in each jurisdiction. However the

States and Northern Territory have relied upon their often stated rhetoric that the key objective of structural reform and specifically of council amalgamations was to make local government more efficient and effective for the communities they serviced. Some States, especially Victoria and Queensland and also the Northern Territory determined to impose amalgamation of councils despite considerable community opposition, whilst Tasmanian and South Australian governments were more consultative and consulted more with local government in respect of structural reform proposals. Until recently the state of Western Australia had been an exception to the forced merger pathway and council amalgamations occurred on a minor scale with successive governments resisting forced mergers. However since early 2009 the spectre of imposed amalgamations has loomed large in that state. The New South Wales history and experience with local government structural reform will be addressed in a forthcoming paper.

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