

UNIVERSITY OF NEW ENGLAND

**Great Expectations? Forced Local Government
Amalgamations in the New England 2004/16.**

A Dissertation submitted by

Andrea S. Wallace BA, BA(Hons)

(University of Canterbury)

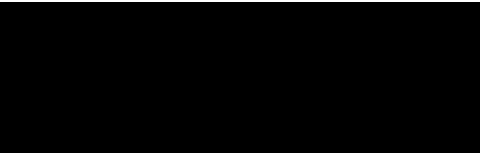
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Declaration

I certify that the ideas, experimental work, results, analyses and conclusion reported in this dissertation are entirely my own effort except where otherwise acknowledged.

I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.



Andrea Wallace

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Abbreviations Used

ABC- Australian Broadcasting Corporation
ABS- Australian Bureau of Statistics
ACC- Armidale City Council
ACELG- Australian Centre for Excellence in Local Government
ADC- Armidale Dumaresq Council
AMC- Armidale Municipal Council
ARC- Armidale Regional Council
BSC- Barraba Shire Council
DLG- Department of Local Government
DPC- Department of Premier and Cabinet
DSC- Dumaresq Shire Council
EFT- Equivalent Fulltime
EY- Ernst and Young
FSR- Financial Sustainability Ratings
GSC- Guyra Shire Council
ILGRP- Independent Local Government Review Panel
IPART- Independent Pricing and Regulatory Panel
KPMG- Klynveld Peat Marwick Goerdeler
MMC- Manilla Municipal Council
MSC- Manilla Shire Council
NESAC- New England Strategic Alliance of Councils
NIERC- National Institute of Economic and Industry Research
NSW- New South Wales
OLG- New South Wales Office of Local Government
RDA- Regional Development Australia
TCC- Tamworth City Council
TCORP- New South Wales Treasury Corporation
THE PANEL- Independent Local Government Review Panel
TRC- Tamworth Regional Council
USC- Uralla Shire Council

USU- United Services Union

WSC- Walcha Shire Council

Abstract

Local government in Australia has long been subjected to official scrutiny over its financial viability and sustainability. To make local government more economically viable, compulsory council consolidation has been a recurrent theme in recent decades, particularly but not exclusively, for councils located in regional, rural and remote Australia. Proponents of forced municipal mergers assert that a larger administrative unit produces cost-savings through economies of scale and enhances strategic performance, and thus is a logical remedy to resolve the sector's fiscal distress. Despite the ubiquity of forced council amalgamation in Australia, empirical evidence that proves a larger administrative unit is more economically or strategically efficient is at best inconclusive. Successive implementations of forced local government mergers have typically been executed via a prescriptive policy of 'one size fits all' and has ignored the diverse nature of Australian councils. The consequences of such an imposed amalgamation policy, particularly for non-metropolitan councils and their communities, has remained a neglected area of enquiry for scholars and officials.

This thesis examines the human aspects of forced local government amalgamations by examining the 'lived experience' of compulsory council mergers from the perspectives of Australian's living in small, rural communities in New South Wales (NSW). It is argued that forced municipal mergers, at least from the perspective of residents, is not a beneficial policy and does not necessarily improve the communities economic or social wellbeing. This conclusion is reached through five separate, but interrelated, case studies highlighting that forced council consolidation does not alleviate local government's longstanding financial problems. Rather mergers often provide the catalyst which creates adverse multiplier effects in communities which have undergone a forced council amalgamation.

**Great Expectations? Forced Local
Government Amalgamations in the New
England 2004/16.**

Chapter 1: Introduction

Chapter 1: Introduction

1.1 Introduction

Prior to Australian Federation in 1901, local government was not firmly established throughout the country (Larcombe, 1961), but had evolved in a piecemeal fashion within each of the Australian states. In New South Wales (NSW), Sir Henry Parkes proposed that NSW should be covered by a network of municipalities (Maiden, 1966, p. 86), due to fact that centralised government did not have sufficient reach into locales beyond the city limits to be able to provide the same services provided to urban centres. The country had been colonised a little over 100 years' before Federation, with many of its settler's being limited by the authorities as to where and how they could live, thus were apparently reluctant to embrace a further tier of authority (Rawlinson, 1975). Australian local government developed into an essential component of Australia's social, cultural, political and economic landscape (Dollery, Grant & Kortt, 2012; Larcombe, 1978).

In contrast to contemporary Australian councils, early incarnations of municipalities were responsible for a vast array of functions. For example, in NSW circa 1858, a council was responsible for providing, some, most or all, of the "public roads, bridges, jetties, public cemeteries, water supply...sewerage, lighting, public hospitals, asylums for destitute children, libraries, museums, botanical gardens, recreation areas and commons" (Maiden, 1966, p. 71) within its boundaries. From its genesis, Australian local government became an important part of the economy by providing services to its community and creating infrastructure to improve the amenity and wellbeing of ratepayer's and residents, and to assist, indirectly, the economic development of the country as a whole. Local government was also a political arena where local, state and federal politics were discussed (Kass, 1993) and sometimes political careers were born.

The impact of local government and the role it plays in Australia has often been neglected (see, for instance, Dollery, Wallis & Akimov, 2010). For example, during the Great Depression some local governments provided work (Bignall & Bignall, 1988; Sancton, 2000) and shelter and food (Aitkin, 1958) for citizens within its boundaries. After World War Two,

some Australian councils coordinated food parcels for Britain (USC, 1946: A0677) and thereby demonstrated how local government involvement could positively impact on people, locally and globally. In contemporary Australia, local government is still an intrinsic part of the community, whether it is in the role of coordinating social capital through volunteer programs, providing essential services that may otherwise be unobtainable (Dollery, Wallis, et. al., 2010), regulating the local economic environment (Dollery, Crase & Johnson, 2006) or providing employment opportunities (Dollery, Grant et. al., 2012). The functions of local government and the role it fulfils above and beyond the oft-quoted “roads, rates and rubbish” are integral to a community’s quality of life. However, these functions have come at a cost.

The financial position of local government in Australia has been a long standing public policy debate and the subject of ongoing advocacy by the sector (see, for example, Aulich, 1999; Bell, Dollery & Drew, 2016; Drew & Dollery, 2014; ILGRP 2012, 2013, 2013a; Purdie, 1977). To attempt to alleviate local government’s financial distress, Australian policy makers have employed structural reform through forced council amalgamation as the favoured method by which to transform local government into a more economic, productive and financially self-reliant third tier of government.

Chapter 1 is divided into two main parts. Section 1.2 provides a brief overview of structural reform and its context within Australian local government and contextualises the framework for the thesis rationale and research. Section 1.3 provides a synoptic overview of the thesis structure.

1.2 Structural reform and local government

Structural reform, as defined by Dollery, Garcea and LeSage (2008) within their local government reform typology, is where the overall configuration of the number, types and boundaries of municipal authorities is altered or changed. In Australia, structural reform is employed through the “blunt tool” (Tiley, 2015) of forced local government amalgamation. With the sole exception of Western Australia, every state and territory in Australia has undergone episodes of structural reform through the controversial policy of forced council consolidation (Grant & Drew, 2017; Vince 1997), usually with the view that a bigger council is better than a small council (Allan, 2003).

Proponents of structural reform have predicated the belief that “bigger is best” (Dollery & Crase, 2004) upon the notions that a larger administrative unit is better equipped to capture economies of scale and scope in both the procurement and provision of goods and services, possesses an enhanced strategic capacity for better future-planning because it has more employees with better skills and experience, and is more efficient and productive due to a reduction in duplication and the capacity to better strategically allocate resources (Lago-Penas & Martinez-Vasquez, 2013).

The presumption that a larger municipal authority is more cost-efficient and has a greater strategic capacity has underwritten numerous episodes of local government amalgamation programs in Australia (see, for example, Dollery, Grant et. al., 2012; Larcombe, 1961; Tiley, 2015; Vince 1997) and abroad. For example, Switzerland (Steiner, 2003), Denmark (Blom-Hansen, Houlberg, Serritzlew & Treisman, 2016), New Zealand (Boston, Martin, Pallot & Walsh, 1996), Japan (Koike, 2012), Ireland (Callanan, Murphy & Quinlivan, 2014) and Canada (Sancton, 2000) have experienced local government structural reform. Despite the supranational ubiquity of structural reform through council consolidation, there is a lack of empirical evidence to support the premise that a larger administrative unit is cheaper or more efficient than one which has not undergone structural reform (see, for example, Bell, Dollery & Drew, 2016; Drew, Kortt & Dollery, 2015).

A significant body of empirical literature has analysed the theoretical basis for local government structural reform (see, for example, Dollery & Robotti, 2008; Dollery, Garcea et. al., 2008; Lago-Penas & Martinez-Vasquez, 2013). In addition, the corpus of empirical literature that examines the claims of economies of scale associated with local government amalgamation (see, for example, Bailey, 1999; Bish, 2001; Boyne, 1995; Byrnes & Dollery, 2002; Dollery, Grant et. al., 2012; Drew, Kortt et. al., 2014; Fahey, Drew & Dollery, 2016) is not in agreement as to whether economies of scale occur through mergers. For example, the “dangerous theorising” (Bish, 2001) of whether economies of scale exist within the heterogeneous mixture of local government functions is dependent upon a variety of dynamic factors. Boyne (1995) concluded that economies of scale are highly dependent upon the demographics and socio-economic circumstances of a local government area because these factors determine which council functions are supplied and demanded. Byrnes and Dollery (2002) concur, due to the fact that local government is not a ‘closed system’. Therefore, it is impossible to conclude if economies of scale exist and the evidence is mixed, at best.

Despite the burgeoning corpus of empirical literature that has considered the theoretical basis for local government structural reform, the continued debate surrounding economies of scale or answering the question as to whether the results of structural reform has met its aims, the consequences of structural reform have received very little scholarly examination. For example, system-wide analysis of amalgamation outcomes in Europe was presented by scholars in two special editions of *Public Finance and Management* (12(2), 13(2), 2013), whilst in Australia Bell et. al., (2016) analysed the outcomes of the 2004 NSW merger program. These analyses are useful in illuminating the statistical or econometric outcomes of council amalgamations; however, quantitative or purely empirical studies cannot capture the diversity of opinion or the perspectives and experiences of ordinary Australians' who live in a community where their local council has been forcibly amalgamated.

For non-metropolitan Australia, local government evolved differently to its urban counterparts (Larcombe, 1961, 1978; Maiden, 1966), due in part to the isolation of many non-metropolitan settlements and the lack of technology such as transport or communication. In NSW, many small local government areas evolved around settlements (Larcombe, 1961), with council boundaries often determined by the distance the town engineer could cover in a day by horse and cart (Maiden, 1966). This resulted in a number of small, fragmented councils that did not serve a large population, thus had a small revenue base. These early councils were responsible for a large array of functions, for example health care and inoculations (Kass, 1993), cemetery development, drainage and water supplies. Compared to urban areas that had been settled for a greater length of time and possessed infrastructure created by the colonial government, non-metropolitan councils were responsible for the creation of infrastructure where none had ever existed. In addition, non-metropolitan councils were cognisant of their role in creating a civil society replete with services to people. In essence, non-metropolitan councils were the handmaidens of the colonial government and had been tasked with the "onerous provision" of local services (Larcombe, 1961) in locales too far away for centralised government to reach, and funded by a centralised government indifferent to local concerns (Larcombe, 1961).

Historically, the role of local government in non-metropolitan Australia developed differently to urban Australia. Because of the 'tyranny of distance' from centralised government, councils in country Australia became a central focus for country citizens, where people could

develop a better relationship to power and shape their community and the role of the local council into one that, in non-metropolitan Australia, was perceived as being more than a service provider (Musgrave et. al., 1985).

Contemporary Australian non-metropolitan local government, similar to its antecedents, is still the central focus of many small rural, remote and regional areas in Australia (Dollery, Wallis et. al., 2010) because it is the engine of the local economy by virtue of often being the community's largest employer (Dollery, Grant et. al., 2012) and because it provides essential services and a sense of place and belonging (Dollery, Goode & Grant, 2010). The consequences of amalgamating a country council into a much larger council can incur many devastating multiplier effects (Wallace & Dollery, 2018). For instance, Alexander's (2013) study of several amalgamated communities in regional Victoria found that even ten years' post-merger, there was little trust or reciprocity between the amalgamated communities due to competition for scarce resources and the unhappy 'arranged marriage' of two or more disparate communities. Similar sentiments of distrust and inequality were echoed in Tiley's (2012) case study of the forced amalgamation of several councils in the Clarence Valley region of NSW, in addition to a perceived democratic deterioration.

The human dimension of local government amalgamations, particularly in the Australian milieu, has been a most neglected area. The 'grass roots' perspective of Australians residing in small, rural communities has been neglected by the academic community and policymakers alike. Thus it is vitally important to ascertain the views of ordinary Australians living in small, rural communities that have undergone a forced amalgamation. To remedy this gap in the literature of the 'lived experience' of rural Australian communities that have undergone forced council consolidation, this thesis examines the outcomes of forced council amalgamations from the perspective of the affected local communities, including council employees residing in the New England region of NSW, who have experienced two significant episodes of forced council amalgamations between 2004 and 2016.

1.3 Outline of Thesis

This thesis is by publication and comprises five substantive chapters. Each chapter consists of a self-contained case study that examines forced council amalgamation and its expectations and consequences from a variety of perspectives, and may be integrated into a holistic thesis whereby the perspectives of citizens' from small, rural NSW communities may be examined

to ascertain if forced council consolidation has improved or is expected to improve their social, economic and political local government circumstances.

Chapter 2, entitled *Merging Big and Small: A Cautionary Tale from Barraba*, examines by way of a questionnaire the consequences of forced council amalgamation from the perspective of citizens residing in a small, rural NSW community. In 2004, the Barraba Shire Council was forcibly merged with several other councils into the Tamworth Regional Council as part of the (then) Carr government's structural reform program. Chapter 2 examines if this merger improved their local circumstances, including access to council, state and commonwealth services, and if amalgamation has strengthened their local economy and sense of community and place.

Chapter 2 is divided into six main parts. Section 2 provides a brief summary of the international and Australian empirical literature regarding municipal mergers. Section 3 briefly examines the origins of the Barraba Shire Council and the subsequent 2004 process of merging into the Tamworth Regional Council. Section 4 presents empirical evidence of the economic and social impact of the merger on the Barraba community. Section 5 employs socio-economic descriptive statistics to compare Barraba pre- and post-merger. Section 6 presents findings of a questionnaire survey of the residents of the former Barraba Shire and Section 7 concludes the paper with some brief remarks on broader implications.

Chapter 3, entitled *Merger Melancholia: An Empirical Analysis of the Perspectives of Residents of the Forcibly Amalgamated Manilla Shire Council*, examines by way of a questionnaire the consequences of forced council amalgamation from the perspective of local citizens residing in a small, rural NSW community. The Manilla Shire Council was also forcibly merged into the Tamworth Regional Council. The chapter examines if this particular round of compulsory council consolidation has improved their local circumstances, such as access to council, state and commonwealth services, and if amalgamation has strengthened their local economy and their sense of community and place.

Chapter 3 is divided into seven main parts. Section 2 briefly outlines three theoretical perspectives that can offer sound reasons for the continued need for small local authorities. Section 3 provides a synoptic summation of the international and Australian empirical

literature on the impact of municipal mergers. Section 4 briefly considers the genesis of the Manilla Shire Council and the process of amalgamation into the new Tamworth Regional Council. Section 5 presents empirical evidence of the economic and social impact on the Manilla community of forced amalgamation. Section 6 employs various socio-economic descriptive statistics to compare Manilla before and after the merger. Section 7 presents the findings of a survey of local residents in Manilla on the effects of the merger. Chapter 3 ends with some brief conclusions on the implications arising of the analysis in Section 8.

Chapter 4, entitled *Local Voices on forced municipal mergers in small, rural communities: The Case of the Guyra Shire Council*, explores the perceived impact of the 2016 compulsory council consolidation of the Guyra Shire Council (GSC) with its much larger neighbour, the Armidale Dumaresq Council (ADC), under the NSW Government's *Fit for the Future* structural reform policy program. Chapter 4 examines the expectations of GSC area residents, represented by a focus group comprised of residents of the former GSC local government area.

Chapter 4 is divided into five main parts. Section 2 provides an overview of the *Fit for the Future* policy process. Section 3 offers a synoptic account of the existing scholarly literature on municipal mergers. Section 4 considers the GSC in the context of the *Fit for the Future* policy process. The *ex-ante* expectations of post-merger life through the lived experience of Guyra residents are examined in Section 5. Chapter 4 ends with some brief conclusions in Section 6.

Chapter 5, entitled *Amalgamation in Action: Participant Perspectives on the Armidale Regional Council Merger Process*, is the examination of the process of amalgamation as well as the differing perspectives held by participants involved in the establishment of the Armidale Regional Council (ARC). Chapter 5 is divided into six main parts. Section 2 provides a synoptic account of the extant empirical literature on the process of amalgamation. Section 3 summarises the *Fit for the Future* policy program, and Section 4 describes the creation of the ARC. Section 5 presents an analysis of four interviews with senior executives involved in the merger process, and the results of ARC employee surveys are examined in Section 6. Chapter 5 concludes with a brief discussion of the merger policy implications.

Chapter 6, entitled *How Two Became one: The Creation of the Armidale Regional Council*, explores the post-amalgamation merger process from the perspective of the Armidale Regional Council's (ARC) Administrator, Dr Ian Tiley. Chapter 6 examines what the practical challenges were when consolidating two or more individual councils into a single merged municipality, how the NSW Government assisted with the merger process and what it expected.

Chapter 6 is divided into four main parts. Section 2 provides an analysis of municipal merger processes from both an Australian and international perspective. Section 3 describes the creation of the *Fit for the Future* policy process and the creation of the ARC. Section 4 presents a case study of the challenges of consolidating two distinct municipal institutions via the vantage point of the ARC Administrator, Dr Ian Tiley. Chapter 6 concludes in Section 5 with a brief discussion of policy implications.

The thesis concludes with Chapter 7, which will provide an overview of the research examined in the thesis and will draw conclusions concerning the perspectives of the social and economic effects of forced local government amalgamations upon small, rural communities in the New England.

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	Author's Name (please print clearly)	% of contribution
Candidate	Andrea Wallace	80%
Other Authors	Professor Brian Dollery	20%

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery


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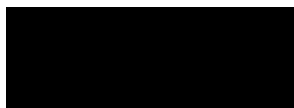
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Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

18/12/18
Date



Principal Supervisor

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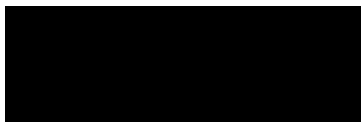
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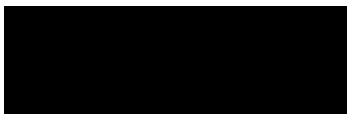
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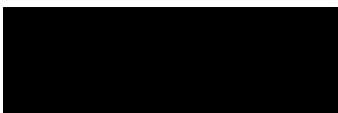
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Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

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Principal Supervisor

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RESEARCH ARTICLE

Local Voices on forced mergers in small rural Australian communities: The case of the Guyra Shire Council

Andrea Wallace^{1*}, Brian Dollery²

¹ Centre for Local Government, UNE School of Business, University of New England, Armidale NSW 2351, Australia. awalla22@myune.edu.au

² UNE Law School, University of New England, Armidale NSW 2351, Australia. bdollery@une.edu.au

***Corresponding author:** Andrea Wallace, University of New England, Armidale NSW 2351, Australia. awalla22@myune.edu.au

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Abstract

When an Australian state or territory government launches a program of forced municipal mergers, it typically attracts much less attention in metropolitan areas compared with regional, rural and remote locations where the local council is often 'government of last resort'. In these areas, the socio-economic effects of compulsory council consolidation can be severe. This paper explores the perceived impact of the forced amalgamation of Guyra Shire Council with the much larger neighbouring Armidale Dumaresq Council under the recent New South Wales (NSW) Government's *Fit for the Future* structural reform program as anticipated by Guyra residents who participated in a focus group.

Keywords

Amalgamation; *Fit for the Future*; Guyra; rural Australia

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Introduction

In metropolitan Australia, council boundaries are often simply demarcated by city streets and residents are frequently unaware of the council area in which they live. In regional, rural and remote parts of the country, however, local government typically represents 'government of last resort' to its residents. Life in country Australia is also different in other ways from its suburban counterparts: incomes are frequently lower; health and educational outcomes poorer; employment opportunities scant; and the population is older.¹ Notwithstanding, social capital, community connectivity, a sense of belonging and local 'place and space' are often more valued.² These characteristics are sometimes ascribed to local government;³ the local council is much more than simply 'roads, rates and rubbish', because it is often the largest local employer, the major source of significant local expenditure and, frequently, the only body able to advance the interests of the local community. In addition to being the engine of the local economy, local government is the forum for grass roots democracy;⁴ it coordinates local social capital in the form of volunteers and provides amenities for the community which would otherwise be unavailable. In essence, the hardships of life in the bush are often softened by local councils.

The special characteristics of rural local government have come at a cost, whether it be the maintenance of vital road networks, the provision of emergency services or the commitment by a bush council to provide basic services. Given the demands placed upon them, many non-metropolitan councils have experienced financial problems, which have obliged state government policymakers to consider various kinds of policy intervention, including forced amalgamation.

Structural reform through council consolidations has reshaped local government in both Australia⁵ and abroad. For instance, New Zealand,⁶ the US,⁷ Canada⁸ and Switzerland⁹ have all experienced forced amalgamation, predicated, in large part, on the assumption that larger administrative units servicing more people will be more efficient as well as financially sustainable. In common with numerous local government systems in other developed countries, Australian local government policy makers in all state and territories, except Western Australia, have employed municipal mergers of varying degrees of intensity.¹⁰

In 2014, the New South Wales (NSW) Government introduced a new wave of local government reforms following its earlier round of forced amalgamations in 2004. Its *Fit for the Future* policy package was instigated in September 2014. Each council in NSW was obliged to undergo evaluation to determine if it was 'fit for the future'. Despite the lack of local government homogeneity across NSW, each council was subject to the same evaluation criteria. The Guyra Shire Council (GSC) was one among many councils which was found 'unfit'. As a consequence, and despite vociferous opposition by local residents, the GSC was forcibly amalgamated with its neighbour, the Armidale Dumaresq Council (ADC), on 12 May 2016.

While a substantial literature has examined the economic and financial consequences of forced mergers in Australian local government,¹¹ almost no scholarly work has explored the attitudes of the residents of rural councils which have been compulsorily consolidated. In order to address this gap in the literature, the present paper examines the expectations of GSC residents - as articulated by a focus group comprised of residents of the former GSC local government area - on the likely impact of the forced amalgamation.

The next section of this paper provides an overview of the *Fit for the Future* policy process and is followed by a synoptic account of the existing scholarly literature on municipal mergers. The paper then considers

¹ See Department of Infrastructure and Development (DIRD), *State of Regional Australia 2015* (2015).

² Ibid.

³ See Brian Dollery, Blight Grant and Michael Kortt, *Councils in Cooperation: Shared Services and Australian Local Government* (Federation Press, 2012); and Brian Dollery, Joe Wallis and Alexandr Akimov, 'One Size Does Not Fit All: The Special Case of Remote Small Local Councils in Outback Queensland' (2010) 36 (1) *Local Government Studies*.

⁴ Percy Allan, 'Why Smaller Councils Make Sense' (2003) 62 (3) *Australian Journal of Public Administration* 74.

⁵ Anne Vince, 'Amalgamations' in Dollery, Brian and Worthington, Neil (eds) *Australian Local Government: Reform and Renewal* (Macmillan, 1997) 151.

⁶ Jonathon Boston, John Martin, June Pallot and Pat Walsh, *Public Management: The New Zealand Model* (Oxford University Press, 1996).

⁷ Dagny Faulk, Pamela Schaal and Charles D Taylor, 'How Does Local Government Amalgamation Affect Spending? Evidence from Louisville, Kentucky' (2013) 13(2) *Public Finance and Management*.

⁸ Andrew Sancton, *Merger Mania* (McGill-Queens University Press, 2000).

⁹ Reto Steiner, 'The Causes and Effects of Intermunicipal Cooperation and Municipal Mergers in Switzerland' (2003) 5(4) *Public Management Review*.

¹⁰ Dollery, Grant and Kortt, above n 3.

¹¹ Ibid.

the GSC in the context of the *Fit for the Future* policy process. The *ex ante* expectations of post-merger life through the lived experience of Guyra residents are examined in Section 5. The paper ends with some brief conclusions in Section 6.

Fit for the Future evolution and execution

The *Fit for the Future* policy framework was formulated by an ‘Independent Panel’ in conjunction with for-profit consultancy firms, notably KPMG and, almost from the outset, was based largely on the claim that larger local government entities would (a) prove more financially sustainable and (b) have greater ‘scale and capacity’. In addition, the ‘shifting sands’ of the assessment criteria upon which councils were evaluated in *Fit for the Future* followed an incoherent and disconnected process with little accountability.¹² Given the importance of the policy process and lack of strategic consistency, it is essential to clarify the chronological construction of the *Fit for the Future* policy. Appendix A summarises the policy process.

The *Fit for the Future* policy was initiated after the election of the National/Liberal Government in 2011, despite the fact that it had campaigned on a ‘no amalgamation’ platform. Don Page, then Minister of Local Government, claimed NSW local government required urgent remedial attention.¹³ A conference of all NSW local authorities was held in Dubbo in August 2011, where he announced the establishment of an Independent Local Government Review Panel (ILGRP), consisting of Graham Sansom, Jude Munro and Glenn Inglis, which was tasked with reviewing reform options for local government. The ILGRP released its first substantial report, noting that there was a ‘need for fresh thinking and new approaches in NSW local government’.¹⁴ The ILGRP promised that a ‘one size fits all’ approach to reform would not occur,¹⁵ and that if mergers were to be considered then individualised proposals would be formulated.

The ILGRP acknowledged that empirical evidence relating to the outcomes of the 2004 NSW amalgamations was required. It engaged Jeff Tate Consulting to report on the 2004 amalgamations. However, the Tate Report¹⁶ was restricted by the ILGRP to assessing the outcomes of five councils. In the event, research by Jeff Tate Consulting was based on discussions with senior management staff of these councils, including many hired after amalgamation. Two of the five councils in question were subsequently adjudged unfit under *Fit for the Future!*¹⁷ Table 1 summarises the evaluations received by these councils.

Table 1: TCorp (2013) and IPART (2015) rating of five councils analysed in Tate (2013) report

Council	TCorp- FSR	TCorp-outlook	IPART rating
Clarence Valley Council	Weak	Negative	Not Fit
Glen Innes Severn	Moderate	Neutral	Fit
Palerang Council	Moderate	Negative	Not Fit
Great Hume Shire	Moderate	Negative	Fit
City of Albury	Moderate	Neutral	Fit

Source: Tate (2013); TCorp (2013); IPART (2015)

The ILGRP released an interim report and a final report, both of which recommended the compulsory merger of numerous NSW councils¹⁸ and the strengthening of the NSW Boundaries Commission. The case for mergers was largely based on the claim that ‘NSW simply cannot sustain 152 councils’.¹⁹ These recommendations were formed upon an assessment of financial sustainability presented in a NSW Treasury Corporation (TCorp) report,²⁰ which was considered by Drew and Dollery to be ‘awash with error’ and

¹² Joseph Drew and Bligh Grant, ‘Multiple Agents, Blame Games and Public Policy-Making: The Case of Local Government Reform in New South Wales’ (2017) 52 (1) *Australian Journal of Political Science* 37.

¹³ Don Page, ‘New South Wales Local Government Reform 2011 to 2014’ in Brian Dollery and Ian Tiley (eds) *Perspectives on Australian Local Government Reform* (Federation Press, 2015) 172.

¹⁴ Independent Local Government Review Panel (ILGRP), *Better Stronger Local Government: The Case for Change* (2012) 6.

¹⁵ *Ibid* 24.

¹⁶ Tate Consulting Pty Ltd, *Assessing Processes and Outcomes of the 2004 Local Government Boundary Changes in NSW* (McLaren Vale, South Australia, 2013).

¹⁷ *Ibid* 23-24.

¹⁸ See both ILGRP, *Future Directions for NSW Local Government: Twenty Essential Steps* (2013) and ILGRP, *Revitalising Local Government* (2013).

¹⁹ ILGRP, *Revitalising Local Government*, above n 18, 72.

²⁰ NSW Treasury Corporation (TCorp), *Financial Sustainability of the New South Wales Local Government Sector* (2013).

lacking coherence in its benchmarking methodology.²¹ Despite ILGRP's protestations that there would be no 'One Size Fits All' approach in the reform process, at no stage were the individual requirements of local communities considered by the expert panel, nor were any longstanding problems that NSW councils had faced due to legislative proscriptions considered.²²

Fit for the Future was made public in January 2014 and implementation began in September 2014 after a cabinet reshuffle.²³ Attractive financial incentives were offered to councils that merged voluntarily.²⁴ As part of the policy process, each council had to prepare a submission stating its preference to either merge or 'standalone'. Twenty-five days before council submissions were due, the Independent Pricing and Regulatory Tribunal (IPART) formally released the criteria on which *Fit for the Future* evaluations would be based, effectively truncating the amount of time available for councils to prepare formal proposals. The shifting sands of assessment were now based upon 'adequate scale and capacity', but no definition was provided. On 18 December 2015, the NSW Government announced its decision on council consolidations.

Delegates were appointed by the NSW Boundaries Commission in 2016 to oversee community consultation in local government areas where an amalgamation was recommended. Forced mergers were pushed through on 12 May 2016, which initiated the dissolution of 49 councils and the creation of 19 newly merged institutions. However, several Sydney councils, including Ku-ring-gai and Woollahra, initiated legal proceedings against the NSW Government. The NSW Court of Appeal ruled in favour of Ku-ring-gai, because the merger process had not followed procedural fairness. Legal proceedings were halted by the NSW Government on 27 July 2017 without explanation, and the outstanding mergers abandoned. The *Fit for the Future* process thereby ended under a Berejiklian Government keen to rid itself of the political unpopularity of the forced merger program.

KPMG report

Engaged by the NSW Government, KPMG undertook financial modelling on the expected financial advantages that would accrue if the potential merger program was implemented. Its report²⁵ was released for cabinet circulation in late 2015 and underwrote the selection of councils targeted for amalgamation. The NSW Government repeatedly refused access to the document when requested by affected councils, instead offering a summary replete with normative rhetoric.²⁶ However, a synopsis of the methodology employed in the original report²⁷ was circulated.

The KPMG methodology attracted criticism. For instance, Dollery and Drew²⁸ noted that KPMG had used incorrect rates for councillor remuneration and the wrong award for council staff redundancies. It also used different calculation rates to those employed in previous financial modelling reports which KPMG had prepared for NSW local government, neglected the costs of service harmonisation entirely²⁹ and failed to categorise councils correctly by type.

Empirical evidence on municipal mergers

The ILGRP argued that its recommendations for the amalgamation of a number of councils were evidence-based.³⁰ Furthermore, the ILGRP stated that evidence was highly suggestive that many merged council functions, such as back-office administration, would generate scale economies and regional economic

²¹ Joseph Drew and Brian Dollery, 'Estimating the Impact of the Proposed Greater Sydney Metropolitan Amalgamations on Municipal Financial Sustainability' (2014) 34 (4) *Public Money and Management* 281; and Joseph Drew and Brian Dollery, 'Summary Execution: The Impact of Alternative Summarisation Strategies on Local Government' (2016) 40 (4) *Public Administration Quarterly* 814.

²² Peter Abelson and Roselyne Joyeux, 'New Development: Smoke and Mirrors - Fallacies in the New South Wales Government's Views on Local Government Financial Capacity' (2015) 35 (4) *Public Money and Management* 315.

²³ Office of Local Government, *A Roadmap for Smarter, Stronger Councils* (Office of Local Government, 2014).

²⁴ See Joseph Drew and Brian Dollery, Brian, 'Less Haste, More Speed: The *Fit for the Future* Reform Program in New South Wales Local Government' (2015) 75 (1) *Australian Journal of Public Administration* 7.

²⁵ KPMG, *Local Government Reforms: Merger Impact and Analysis* (2015).

²⁶ New South Wales Government, *Local Government Reform: Merger Impacts and Analysis* (2015).

²⁷ KPMG, *Outline of Financial Modelling Assumptions for Local Government Merger Proposals* (KPMG, 2016).

²⁸ Brian Dollery and Joseph Drew, 'Hired Guns: Local Government Mergers in New South Wales and the KPMG Modelling Report' (2017) 27 (82) *Australian Accounting Review* 263.

²⁹ Interestingly, KPMG also neglected the cost of service harmonisation when collating a report concerning the Toronto amalgamation in 1996, see Sancton, above n 8, 126.

³⁰ ILGRP, *Revitalising Local Government*, above n 18, 7, 10

development would be stimulated.³¹ However, even the flawed Tate Report³² showed some merged councils did not save money, even after nearly a decade post-merger.

The *Fit for the Future* policy process generated a substantial body of empirical evidence in the scholarly literature. This literature is summarised in Table 2, with this paper contributing further the range of studies by examining the attitudes and expectations of GSC residents; to this end, it invokes the views of a focus group of Guyra residents on the forced merger of the GSC.

Table 2: Australian literature of *Fit for the Future*

Citation	Data	Principal findings
Peter Abelson, 'The Optimal Size of Local Government, with Special Reference to New South Wales' (2016) 23 (1) <i>Agenda</i> 31.	Discussion of criteria to assess optimum size for local government: 1. capacity to work with state government 2. financial capacity/economic efficiency 3. effective provision of local services 4. beneficial local democracy and social capital.	1. Increased capacity for councils to work with state government an invalid reason for mergers. 2. Strong empirical evidence that larger administrative units do not produce cost savings. 3. Local service preferences are better served by smaller councils.
Peter Abelson and Roselyne Joyeaux, 'New Development: Smoke and Mirrors--Fallacies in the New South Wales Government's Views on Local Government Financial Capacity' (2015) 35 (4) <i>Public Money and Management</i> 315.	Explanation of differences in expenditure per capita by difference in income and services from evidence of 27 metropolitan Sydney councils.	Larger councils will not improve financial capacity in NSW.
Brian Bell, Brian Dollery and Joseph Drew, 'Learning from Experience in NSW?' (2016) 35 <i>Economic Papers</i> 1.	Examination of ILGRP's empirical evidence of the impact of 2004 mergers by using a system-wide analysis between merged and unmerged councils over the period 2004/2014.	Merged councils did not perform any better than unmerged councils.
Joseph Drew and Brian Dollery, 'The Impact of Metropolitan Amalgamations in Sydney on Municipal Financial Sustainability' (2014) 34 (4) <i>Public Money Management</i> 281.	Analyses the association between population size and improved financial sustainability in the Greater Sydney region.	Proposed amalgamations will not improve financial sustainability.
Brian Dollery and Joseph Drew, 'Hired Guns: Local Government Mergers in New South Wales and the KPMG Modelling Report' (2017) 27 (82) <i>Australian Accounting Review</i> 263.	Analyses the KPMG financial modelling methodology report.	KPMG report awash with calculation errors and erroneous conjecture.
Joseph Drew, Bligh Grant, and Nicole Campbell, 'Progressive and Reactionary Rhetoric in the Municipal Reform Debate in New South Wales' (2016) 51 2 <i>Australian Journal of Political Science</i> 323.	Theoretical analysis of the political discourse surrounding empirical evidence employed during the <i>Fit for the Future</i> policy reform process.	Empirical evidence used to defend an argument may often be too complex, and alternate ways should be used to articulate political and economic discourse.
Joseph Drew and Bligh Grant, 'Multiple Agents, Blame Games and Public Policy-making: The Case of Local Government Reform in New South Wales' (2017) 52 (1) <i>Australian Journal of Political Science</i> 37.	Employs a blame-avoidance hypothesis with which to unravel the <i>Fit for the Future</i> policy process.	NSW Government used a variety of independent experts and for-profit companies to deflect criticism during the evolution and execution of an emotive, unpopular public policy process.
Joseph Drew, Michael Kortt and Brian Dollery, 'No Aladdin's Cave in New South Wales? Local Government Amalgamation, Scale Economies, and Data Envelopment Analysis Specification' (2015) 49 (10) <i>Administration and Society</i> 49, 1450.	Examines municipalities scheduled for merger for economies of scale by DEA.	Amalgamation is not the ideal method to achieve economies of scale in NSW local government.

³¹ Ibid 73.

³² Tate Consulting, above n 16, 23-24.

Citation	Data	Principal findings
Glenn Fahey, Joseph Drew and Brian Dollery, 'Merger Myths: A Functional Analysis of Scale Economies in New South Wales Local Government' (2016) 16 (4) <i>Public Finance and Management</i> 362.	Expenditure analysis for NSW local government using 2014 data to test ILGRP's hypothesis that amalgamation will create economies of scale.	Given that council consolidation is as ineffective as it is disruptive, and due to the heterogeneous nature of council services and functions, economies of scale are unlikely to be achieved through amalgamation.
Bligh Grant, Roberta Ryan and Alex Lawrie, 'Dirty Hands and Commissions of Inquiry: An Examination of the ILGRP in NSW, Australia' (2015) 13 <i>Research in Ethical Issues in Organizations</i> 19.	Philosophical examination of the ethics of the commission of inquiry with discussion of ILGRP inquiry as evidence.	The confusion and role of commissions of inquiry is partly responsible for allegations of ethical incoherence.
Don Page, 'New South Wales Local Government Reform 2011 to 2014' in <i>Perspectives on Australian Local Government Reform</i> in Brian Dollery and Ian Tiley (eds) (Federation Press, 2015) 172.	A brief outline of the genesis of the <i>Fit for the Future</i> policy process from the perspective of then Minister of Local Government, Don Page.	The relationship between local and state government was detrimental to the economic development of NSW, thus remedial reform was necessary.
Roberta Ryan, Catherine Hastings, Bligh Grant, Alex Lawrie, Éidín Ní Shé and Liana Wortley, 'The Australian Experience of Municipal Amalgamation: Asking the Citizenry and Exploring the Implications' (2015) 75 (3) <i>Australian Journal of Public Administration</i> 37.	Survey of 2006 Australians to elicit opinions of the implications of council consolidation.	Survey sample not large enough to consider the implications of municipal merger for all of Australia.

Guyra Shire Council and *Fit for the Future*

Located 45.5 km north of Armidale in the Northern NSW Tablelands, GSC covers 4390 square kilometres, with a population of 4397³³ and a road network of 970 km, which included several small villages. Its Gross Regional Product for the period 2011-2012 was \$157 0000 000.³⁴ The GSC was established in 1906. Like many small rural councils in Australia, the GSC has many positive characteristics but, given its large road network and low population, it faced financial problems. A shared services arrangement that provided council IT and back-office support was already in place with the neighbouring ADC prior to the merger (which was overlooked in the KPMG assessment of the GSC).

As shown in Table 3, the evolution of Guyra's forced amalgamation began with the state-wide TCorp³⁵ report, which showed that while Guyra's financial sustainability rating was 'moderate' at present, its future outlook was 'negative'. Financial sustainability in local government was defined by TCorp³⁶ as 'when it [the council] is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community'. Population size for all rural councils was considered problematic by TCorp because low population densities would not be able to generate enough income for councils to meet their underlying expenditures. This was the impetus for the ILGRP's initial merger recommendation for Guyra: a proposed amalgamation of Walcha Shire, Uralla Shire, Armidale Dumaresq and Guyra Shire.

Merger plans for Guyra were revised in October 2013, with the ILGRP instead recommending the merger of only Armidale and Guyra. A period of community consultation began in November 2014, where the GSC elicited views from its residents. In June 2015, the GSC submitted a *Rural Council Proposal* to IPART for evaluation, outlining its position and community views regarding amalgamation.

GSC's³⁷ proposal charted how it would fortify its financial and strategic position while strengthening its financial situation. It also stated that the maintenance of rural roads was expensive yet vital to the health, safety and economies of the region's residents, and that community services, such as aged care, childcare and home support, were also provided by the GSC because these services would otherwise be unavailable to Guyra residents. Residents agreed to a rate rise of 30 per cent in order to increase revenue and retain the

³³ Australian Bureau of Statistics (ABS), *Local Government Profile Guyra* (2011).

³⁴ NSW Parliamentary Research Service, *The New England North-West Region: An Economic Profile* (New South Wales Government, 2014) 4

³⁵ TCorp, *Guyra Shire Council--Financial Assessment and Benchmarking Report* (NSW Treasury Corporation, 2013)

³⁶ TCorp, *Financial Sustainability of the New South Wales Local Government Sector*, 14

³⁷ Guyra Shire Council, *Rural Council Proposal* (Guyra Shire Council, 2015)

council's 62 full-time council employees, the impact of the loss of which was delineated in the economic impact assessment compiled by Regional Development Australia.³⁸ Community attitudes were noted in GSC's proposal to IPART, since 85 per cent of Guyra residents did not wish to amalgamate with the ADC largely because of fears that the ADC would dominate the subsequent merged entity due to its comparatively larger size and different governance values.³⁹

Table 3: GSC and *Fit for the Future* procedural timeline

Date	Event
March 2013	TCorp's (2013) analysis of GSC indicated improvement over recent years.
April 2013	TCorp's (2013a) <i>Financial Sustainability of the NSW Local Government Sector</i> report released. GSC FSR: Moderate, Outlook: Negative.
April 2013	ILGRP recommends the merger of the Guyra Shire, Walcha Shire, Uralla Shire and Armidale Dumaresq Councils into a single entity.
October 2013	ILGRP recommends the merger of GSC with ADC.
September 2014	The <i>Fit for the Future</i> policy process is implemented by NSW Government.
November 2014	GSC launches a community engagement strategy, as per ILGRP's recommendations, across the entire shire to seek constituents' opinion regarding a possible merger.
June 2015	Regional Development Australia, Northern Inland NSW releases <i>The Economic Impacts of Local Government Amalgamations</i> , which shows the potential loss of local economic activity resulting from a forced council merger and associated centralised employment.
30 June 2015	GSC submit its <i>Rural Council Proposal</i> to IPART for evaluation. The proposal indicated that GSC residents did not wish to merge and would prefer to raise their rates by 30%.
October 2015	IPART evaluation of Guyra released and found 'unfit'. GSC was able to respond to IPART by November.
18 December 2015	Merger of GSC with ADC announced.
January 2016	NSW Government releases <i>ADC and GSC Merger Proposal</i> .
11 February 2016	Greg Wright is appointed Delegate by the NSW Boundaries Commission to oversee community consultation and merger process as per the Local Government Act 1993.
26 April 2016	Boundary Commission report to NSW Government is released, demonstrating due process was followed by the Delegate.
12 May 2016	Dissolution of GSC. Armidale Regional Council is created.

Sources: TCorp (2013); TCorp (2013a); GSC (2015); IPART (2015), RDA (2015)

By October 2015, GSC was found unfit as per IPART's five-part evaluation criteria. GSC did not satisfy 'scale and capacity', 'financial criteria', 'sustainability' or 'efficiency', but met the 'infrastructure and service management' criteria. The ADC was also found by IPART to be unfit. Notwithstanding the ILGRP's⁴⁰ undertaking not to amalgamate two or more weak councils, the merger of GSC and ADC was announced on 18 December 2015.

The NSW Government considered the two communities as compatible 'communities of interest'. The differences and similarities between the two previous local government areas are shown in Table 4.

Table 4: Armidale Dumaresq and Guyra Shire Local Government Areas 2006-2011

Measure	Guyra 2006	Guyra 2011	Armidale Dumaresq 2006	Armidale Dumaresq 2011
Population	4229	4397	23 368	24 105
Median age	39	41	34	35
Unemployment	7.7%	6.5%	8.3%	7.4%
Main industry of employment	28.3% sheep, beef, cattle farming	25.6% sheep, beef, cattle farming	12.1% tertiary education	11.3% tertiary education
Median household weekly income	\$704	\$805	\$855	\$991

Source: ABS (2006; 2011)

Guyra is an older, less affluent population than the Armidale population and it is predominantly focused on agricultural production; whereas Armidale's population is younger and more affluent with primary,

³⁸ Regional Development Australia, Northern Inland (RDA), *The Economic Impacts of Local Government Amalgamations* (Issue Report no 9, 2015).

³⁹ Guyra Shire Council, above n 34, 46.

⁴⁰ ILGRP, above n 14, 23.

secondary and higher education a major employer. Research commissioned as part of ILGRP's local government evaluation process also highlighted disparities between the two communities, such as lack of commuter work flows between the two communities, differing employment opportunities and varied demographics⁴¹. It did not find evidence of social or economic interdependence.

Methodology

This paper seeks to highlight the *ex ante* expectations of the effects of forced municipal mergers upon a small rural Australian community and to further elucidate the wider social and economic implications of structural reform policy in non-metropolitan Australia by considering the views of residents of the former GSC area. A focus group of informed adults residing in the former GSC local government area was considered the most practicable vehicle through which to garner the lived experience of rural communities through forced local government amalgamation. The use of a focus group, with its inherent rich forms of qualitative data through anecdotal evidence and justifications, enabled a marginalised group to vocalise its experiences of the *Fit for the Future* policy process. The method also opened new lines of enquiry into the effects of compulsory council consolidation in rural, remote and regional Australia as well as providing an alternate textural context. The approach differs from the normative quantitative approach favoured by empirical scholars regarding the on-going debate surrounding structural reform in Australian local government.

The focus group was held in September 2017 in Guyra and the discussion lasted about two hours. The group was self-organised and comprised eight, anonymous individuals. There was an equal number of men and women. The focus group discussion was conducted by the group and observed by the authors, who did not contribute to the discussion in any way.⁴²

Ex ante expectations of amalgamation for Guyra

Analysis of the focus group discussion revealed six themes, each of which is now discussed under a separate heading.

Integrity of merger process

The discussion among focus group members was founded on an implicit premise that the entire *Fit for the Future* process had been both unnecessary and undemocratic; it appeared that the decision to merge with the GSC and ADC was done 'to' them, not 'for' them or 'with' them. Their democratic right to choose to remain separate from Armidale had been neglected and ignored, in common with their solution to raise rates by 30 per cent in order to avoid the disruption of a merger. The decision to compulsorily consolidate was felt to be a paternalistic decision imposed by the NSW Government intent on diminishing local government in NSW.

Focus group participants felt the integrity of the merger process - as conducted by the ILGRP and endorsed by KPMG's econometric modelling - was considered erroneous and not based on concrete, objective empirical evidence, particularly the emphasis in official documentation produced by the ILGRP on scale economies. Focus group participants understood that economies of scale resultant from mergers had not been demonstrated in other Australian states or in local government systems abroad and did not flow automatically from simply a larger population size.

Considerable discussion centred on compulsory council consolidations that had occurred previously in the New England region, such as the merger of Armidale and Dumaresq and the creation of the Tamworth Regional council. Focus group participants all believed that the larger councils had neither saved money nor become more efficient than their smaller predecessors. Indeed, it was repeatedly noted that even IPART had not declared all of these previously merged councils as 'fit for the future'. In the light of these discrepancies, the decision to merge - against the wishes of the community - was thus held to be

⁴¹ National Institute of Economic and Industry Research (NIERC), *Government Areas: Similarities and Differences* (2013) 124, <http://www.localgovernmentreview.nsw.gov.au/documents/lgr/NSW%20Local%20Government%20Areas_%20Similarities%20and%20Differences%20-%20March%202013.pdf>.

⁴² All research conducted through the University of New England (UNE) falls under the ethics guidelines of UNE, which are administered by the UNE Ethics Office. Research conducted for this PhD, which encompassed not only GSC, discussed in this article, but also other New England local councils affected by forced amalgamation, is no exception.

illegitimate. The focus group was unanimous that the unique needs of the GSC as a rural community were not being met or acknowledged by the NSW Government because of its 'one size fits all' approach to NSW council reform.

Armidale and Guyra are culturally incompatible

While participants were at pains to establish the fact that Armidale and Guyra communities were not neighbours 'at war', they acknowledged there was little social or economic interdependence that bound the two together. As a much smaller community with different interests because of its more agriculturally focused, permanent and widely dispersed population, Guyra had problems which were different in both kind and degree from Armidale. This view was aligned with the strongly felt belief that the forced amalgamation would necessarily result in a loss of 'local voice' and 'local choice' for residents of GSC.

The divergence of interests between the two communities meant that the municipal merger did not feel like a grouping of two social, political or economic equivalents. The spatial distance was also a hindrance to closer relations: many people in Guyra did not have access to private transport and public transport was neither reliable nor frequent.

The reputation of the former ADC for controversial and conflict-ridden governance was not viewed warmly. It was agreed among focus group participants that this unsatisfactory state of affairs was unlikely to change post-amalgamation.

5.4 Rural is 'different'

The benefits of a rural council in a rural community was discussed at great length by focus group participants. It was felt that a rurally based council understood what a rural community required and could produce locally-tailored solutions accordingly.

The group believed that the GSC was established in 1906 at a time when the reach of the NSW Government did not extend to the rural, regional or remote areas of NSW. Over time, the GSC had provided many fundamentals considered essential for a civil, rural society. It had thus evolved to become responsive to the local community. This tradition had been continued by the GSC to the present era.

The thorny question of unsealed rural roads, which required constant attention, was considered at length by the focus group. For rural people, roads are a vital resource since they are used for both commercial purposes and to ameliorate the social isolation of life in the bush. The GSC had provided a budget for volunteers to assist with road maintenance; however, it was feared that because of the increased layer of council administration and bureaucratisation, roads may not remain as important in the post-amalgamation Armidale Regional Council (ARC).

Participants were also at pains to stress that factors which affect people in the bush are not the same as people in urban areas. For example, adverse weather conditions could destroy a person's entire annual income on a farm or ravage unsealed rural roads thus placing people in difficulties. The group were in broad agreement on the question of how different local government is in rural communities; the forced merger was thus not merely about governance and the loss of a locally-based rural local government which advocated for the best interests of its community, but also a social institution which softened the harshness of life in the bush.

Employment, business and economic environment

The GSC was the second largest employer in the GSC area and provided a number of different employment opportunities, creating a varied range of skills and social capital. Its close relationship with local businesses and the local labour market were beneficial to the community. During and after the merger process, staff members who had been retained by the newly merged ARC had not been relocated to Armidale. However, most participants feared future positions with the council may not be as easily obtained by Guyra locals.

Furthermore, focus group participants held that local businesses which had long and established links with the GSC would now lose business due to the ARC and its competitive tendering process. This would hurt not only Guyra residents but also the overall economy of the new ARC. The elusive pursuit of economies of scale would force the ARC to become more parsimonious in its procurement practices.

Given the loss of local employees frequenting local business, the resultant multiplier effects would be felt throughout the community; one participant thought that the NSW Government did not understand rural economies since the 'magic pudding' effect did not occur when local government was taken away.

The group questioned whether the newly consolidated ARC would be able to both retain staff and save money, especially because of the labour-intensive role of rural staff. Will it be as proactive in the creation and regulation of the environment necessary for the growth and innovation of business in the former GSC area?

The focus group feared the gradual decline of local business would, in turn, result in the loss of NSW Government and Commonwealth services. In addition, it was felt that essential services, such as health care, banks and local shopping, were endangered, especially as they had been in many other small towns as a result of forced amalgamation.

Social and community consequences

The consequences for the social and community wellbeing of Guyra was easily the most sensitive point touched upon during the focus group discussion about the amalgamation between the ADC and the GSC. The connectivity felt between Guyra residents to other members of the community had already been blighted, with incipient divisions created by council reforms and the marked movement of council employees from Guyra. A 'sense of place' that many in the focus group had once enjoyed was now at risk from competition for scarce council resources.

An example of this loss was noted by a participant as emergency service volunteers. It was claimed that volunteer numbers were already in decline due in part to new council bureaucratisation that had created a fall in emergency-readiness and safety in the area.

Participants foresaw further change and predicted that Guyra would become a harder, less kind place in which to live, where local loyalties no longer mattered. Life in the bush was hard enough - remarked one member of the focus group - due to market forces, weather and isolation, but it would be rendered much more unpalatable if the sense of community, connectivity and kindness between neighbours and friends were to disappear due to the 'balance sheet' approach of NSW Government's local government reform policy.

Focus group members were in agreement in doubting that a new regional community could emerge from the amalgamation process. They understood community building as an organic and slow process, not one created by fiat by distant policy makers.

Local democracy, political representation and the purpose of local government

The role of local government in the bush was debated by the focus group. For the focus group local government was the closest 'grass roots' democratic institution that was both a local advocate and an economic engine of the community, unlike higher tiers of government that did not have same kind of presence or reach into rural Australia. They considered that - because of the NSW Government's emphasis on achieving economies of scale - local government would become merely a provider of local services.

However, according to focus group members, local government in the bush should, instead, reflect accurately the democratic values of the community it served. Participants emphasised that - in their view - economic efficiency was not the same as effective local government.

A loss of political transparency and accountability was viewed as an inevitable result of forced amalgamation with a larger council by the focus group. It was felt that increased bureaucracy in the larger council would result in less political choice and reduced power of elected representatives. The focus group believed that the role of councillors, now heavily reduced in number, meant that the human scale of local government was lost. A chasm would inexorably develop between the governed and the government. This in turn would alienate people from participation and involvement in local issues that really mattered to them.

The partisan nature of the newly merged council, with potential councillor's standing as a member of a political party, was not welcome as focus group participant believed party-political influence was not helpful in local government, especially as this would mean some councillor's had a broader, predetermined agenda that would not be compatible with local questions. In turn, this had determined that members of the focus group had lost their faith in Australian political institutions and the democratic process. The

information flows about the merger process were not clear, logical or straightforward. The NSW Government had not treated the residents with civility in this regard. One participant complained that appeals to stop the merger had been made to two politicians associated with the town, but these had been completely ignored. This buttressed the group's conviction that the political voice and wellbeing of rural Australians was not important in the political calculus of the NSW Government.

Concluding remarks

The present paper has sought to address a gap in the empirical literature on structural reform and forced amalgamation in Australian local government by exploring the views of local residents in a small rural community in the Northern Tablelands of NSW undergoing a protracted and controversial involuntary merger. We assembled a small focus group comprised of citizens of Guyra - the main centre - in the former GSC which had been compulsorily consolidated with its much larger neighbour, the ADC based in Armidale.

The views expressed by members of the focus group were not only strongly held, but also surprisingly uniform: expectations of the future consequences of the forced merger for the Guyra community were overwhelmingly negative and it was almost universally anticipated that the Guyra community's economic and social wellbeing would be diminished. In addition, almost everyone placed much greater weight on the role played by local government in fostering community cohesion and stimulating local development than the efficiency objectives pursued by the NSW Government.

The responses from the Guyra focus group, regarding their expectations and future consequences of a forced municipal merger for their community, align with much of the extant academic literature. Focus group participants did not believe that forced council consolidation would make local government more cost effective or more efficient and this has been shown in much of the empirical literature regarding council consolidation⁴³. Focus group participants also believed that the pursuit of economies of scale, which empirical evidence has shown is often illusive,⁴⁴ has ignored the human dimension of local government, most particularly the requirements of a small, rural community.⁴⁵

These findings could inform public policymakers in future episodes of structural reform through municipal mergers. In particular the finding that local government assumes much greater significance in small rural communities where it is often viewed as 'government of last resort' by local residents. In addition to the dual role of local government in terms of democratic representation and efficient local administration in metropolitan settings and large regional centres, in small rural communities it takes on further responsibilities revolving around community development and community cohesion.

While this paper at least initiates empirical research into the attitudes of rural people in small shires undergoing forced amalgamation, it has several limitations, especially the comparatively small size of the focus group. Future research in the area should examine more than a single case study of compulsory consolidation and employ a larger sample size with structured interviews or questionnaires, resources permitting.

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Appendix A: Development and procedural timeline, NSW *Fit for the Future* policy package

Date	Artefact/Event	Details	NSW Government
July 2011	<i>Our Communities, Councils, Future Discussion Paper</i>	Written by Elton Consulting on behalf of the NSW Government, the case for change in NSW local government was outlined as a precursor to “Destination 2036” Workshop.	<ul style="list-style-type: none"> National/Liberal Coalition Barry O’Farrell - Premier Don Page-Minister of Local Government Voted into office with an election policy of ‘No Forced Amalgamation’.
August 2011	<i>Destination 2036</i>	A workshop held in Dubbo NSW where the case for change was introduced to representatives from 152 NSW councils.	
June 2012	<i>Destination 2036: Action Plan</i>	Outlining the key role local government plays in the wider NSW economy, a case for auctioning different structural models for local government was made.	
March 2012	ILGRP appointed	Consisting of Professor Graham Sansom and two former council CEO’s Jude Munro and Glenn Inglis, ILGRP was tasked with reviewing options for NSW local government.	
August 2012	<i>Strengthening Your Community</i>	ILGRP’s initial document, where the panel promised that local government options would not be a ‘one size fits all’ approach to reform.	
November 2012	<i>Better, Stronger Council: The Case for Sustainable Change</i>	ILGRP’s first major report that outlined challenges the panel believed councils in NSW would face over the next 25 years and how local government could strengthen itself and improve efficacy.	
January 2013	<i>Assessing processes and outcomes of the 2004 Local Government boundary changes in NSW.</i>	Jeff Tate Consulting, commissioned by ILGRP, presented research conducted at five NSW councils that had undergone boundary changes in 2004.	
April 2013	<i>Financial Sustainability of the NSW Local Government Sector</i>	New South Wales Treasury Corporation (TCorp) presented its analysis of the financial sustainability and outlook for each of NSW’s 152 councils.	
April 2013	<i>Future Directions for NSW Local Government- Twenty Essential Steps</i>	ILGRP’s second substantive report whereby the panel recommended the merger of a number of NSW councils.	
October 2013	<i>Revitalising Local Government</i>	ILGRP’s final report. Merger recommendations were softened in favour of a strengthened Boundaries Commission which would be able to make binding prescriptive changes.	
January 2014	<i>Fit for the Future</i>	Public release of policy package by NSW Government.	
September 2014	Implementation of <i>Fit for the Future</i>	NSW Government embarks upon the implementation of the policy reforms, with financial incentives offered to facilitate voluntary council mergers.	Barry O’Farrell resigns, Mike Baird ascends to Premier. Don Page is replaced with Paul Toole as Minister of Local Government.
30 June 2015	IPART start evaluation process.	Individual councils are obliged to lodge its submission report to IPART in order to undergo the evaluation process.	

Date	Artefact/Event	Details	NSW Government
October 2015	<i>Fit for the future: Review of business case estimates of merger net benefits for Sydney metropolitan councils</i>	Ernst and Young (EY) prepare Sydney merger report. The appointment of EY had not been publicly announced.	
October 2015	<i>Assessment of Council Fit for the Future proposals</i>	IPART's evaluation released, a major decider of which councils will undergo amalgamations: 71% of Sydney councils and 56% of regional councils were found 'unfit'.	
December 2015	<i>Local Government Reform: Merger Impacts and analysis</i>	Commissioned by the NSW Government with circulation limited to Cabinet, KPMG undertook financial modelling to show potential savings from proposed mergers, thus justified policy impetus.	
18 December 2015	Merger of several NSW councils announced		
January 2016	<i>Outline of Financial Modelling assumptions for local government merger proposals</i>	KPMG's methodology workbook to show how they had arrived at the financial forecasts and from where their information was researched. This report was publicly released.	
12 May 2016	Forced Government Amalgamations announced.	Twenty new councils were created after the merger and dissolution of 49.	
27 July 2017	NSW Government announced it would not force through remaining council mergers as the legal proceedings were too costly.	<ul style="list-style-type: none"> • Burwood, City of Canada Bay and Strathfield Municipal Councils • Hornsby Shire and Ku-Ring-gai councils • Hunter's Hill, Lane Cove and City of Ryde councils • Mosman Municipal, North Sydney and Willoughby City Councils • Randwick City, Waverley and Woollahra Municipal Councils <p>Due to legal proceedings lodged against the NSW Government by Woollahra and Ku-Ring-Gai councils, these Sydney Councils listed did not undergo forced council mergers.</p>	Mike Baird resigns as Premier 23 January 2017, Gladys Berejiklian appointed Premier. Gabrielle Upton becomes Minister of Local Government, 30 January 2017.

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STATEMENT OF AUTHORS' CONTRIBUTION

(To appear at the end of each thesis chapter submitted as an article/paper)

We, the Research Master/PhD candidate and the candidate's Principal Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated in the *Statement of Originality*.

	Author's Name (please print clearly)	% of contribution
Candidate	Andrea Wallace	80%
Other Authors	Professor Brian Dollery	20%

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

18/12/18

Date



Principal Supervisor

18/12/18

Date

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STATEMENT OF ORIGINALITY

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Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

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Date



Principal Supervisor

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Wallace, A., Dollery, B. & Tran, C.

Amalgamation in Action: Participant

Perspectives on the Armidale

Regional Council Merger Process.

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Chapter 5: Amalgamation in Action: Participant Perspectives on the Armidale Regional Council Merger Process.

Abstract: Under its the *Fit for the Future* reform program, in May 2016 the New South Wales (NSW) Government forcibly merged a number of municipalities, including the Armidale Dumaresq Council and the Guyra Shire Council in the New England region of northern NSW. While scholarly attention has focused on the likely impact of municipal mergers on council performance at the system-wide level (Bell, Dollery and Drew, 2016), much less effort has been devoted to the analysis of the perspectives of council managers and employees involved in forced consolidation. In order to address this gap in the literature, in this paper we present a case study of compulsory council consolidation of the Armidale and Guyra councils based on interviews with senior managers as well as a survey of council workers.

Key Words: Amalgamation; Armidale; Fit for the Future; Local Government.

On 12 May 2016 the New South Wales (NSW) Government legislated for the compulsory establishment of 19 new councils in NSW as the culmination of its *Fit for the Future* local government reform program. Initiated and executed by a government which had campaigned on a ‘no forced amalgamation’ election platform, the decision to forcibly reduce the number of councils in NSW was highly contentious from the outset.

Forced amalgamation is far from unusual in the history of Australian local government (Grant and Drew, 2017; Vince, 1997). Moreover, it has also been employed across the developed world (see, for instance, Dollery and Robotti, 2008; Lago-Penas and Martinez-Vasquez, 2013), including New Zealand (Boston et. al., 1996), Canada (Sancton, 2000; Voijonic, 2000), Japan (Koike, 2012), Ireland (Callanan, Murphy and Quinlivan, 2014) and Switzerland (Steiner and Kaiser, 2017).

The recent NSW local government reform program has attracted considerable academic attention. For example, in relation to the claims on financial sustainability made by *Fit for the Future* proponents, Drew and Dollery (2014; 2015) and Abelson and Joyeux (2015) found these claims unsubstantiated. Similarly, Bell, Dollery and Drew (2016) compared the financial performance of merged and unmerged councils in the 2004 forced amalgamation program and found no difference in performance. Similarly,

Fahey, Drew and Dollery (2016) and Drew, Kortt and Dollery (2015) examined claims of significant economies of scale attendant upon the proposed mergers. No substantiating empirical evidence was found, in part since there is no optimal size for NSW councils (Abelson, 2016). Moreover, the financial benefits claimed to flow from mergers were found to be based upon unreliable calculations (Dollery and Drew, 2017). Finally, Drew and Grant (2017) argued the reform process itself was incoherent and inconsistent.

However, as yet little attention has been paid to the process of amalgamation as well as the differing perspectives held by participants involved in compulsory council mergers. This paper seeks to address this gap in the literature by examining the amalgamation transition process involved in the establishment of the Armidale Regional Council (ARC).

The paper is divided into six main parts. Section two provides a synoptic account of the extant empirical literature on the process of amalgamation. Section three summarises the *Fit for the Future* policy program, whereas section four describes the creation of the ARC. Section five presents an analysis of four interviews with senior executives involved in the merger process and the results of ARC employee surveys are examined in section six. The paper concludes with a brief discussion of its policy implications.

2. Scholarly Perspectives on Merger Processes

A small international empirical literature has examined the process of local government amalgamation. Notwithstanding the disruptive effects of municipal mergers upon employees (Andrews and Boyne, 2012), the stress consolidation imposes (Purdie, 1976), an increased workload for remaining staff (Voijonic, 2000) and the irrevocably altered character of the merged workplace (Dollery and Robotti, 2008), comparatively little work has been done in Australian local government on the process of council consolidation (ACELG, 2011). Table 1 outlines the major studies examining the municipal merger transition process, its effects on employees and their reactions.

Table 1: Studies of local government employees' attitudes toward amalgamation and its effects.

Author(s)	Year	Area	Methodology	Findings
Condrey	1994	Athens-Clarke County, Georgia, USA.	Personal interviews of over 800 council employees conducted between 1991 to 1993.	<ul style="list-style-type: none"> • Employee costs increased post-merger, especially with many departments reporting an increased number of management staff. • Staff were demoralised thus sought to unionise. • Any economic efficiency had been realised through economic cuts rather than amalgamation.
Durning	1995	Athens-Clarke County, Georgia, USA.	3 employee surveys conducted in 1991 (pre-merger), 1992 and 1993 (post-merger).	<ul style="list-style-type: none"> • Results from staff survey's concluded that the merged council was both inefficient with a decreased service quality. The quality of local leadership had declined whilst council expenditure and taxes had increased. • Staff morale was low and the promises of better jobs or pay rates had not materialised.
Durning and Nobbie	2000	Athens-Clarke County, Georgia, USA.	A follow-up survey of Athens- Clarke County employees via a 1997 survey.	<ul style="list-style-type: none"> • Staff perception of the merger was that it had produced no economic or efficiency benefits. • The effects on consolidation had been hard on staff, their departments and the government.
Pocock et. al.	2001	South Australian local government	Qualitative and quantitative case studies of South Australian local government conducted in 1999.	<ul style="list-style-type: none"> • Merger's resulted in lower staffing levels but an increased spatial area and range of services to be completed thus an increased workload. Public expectations regarding council service and functions increased. • Council employees felt that they had no influence in the amalgamation process or its disruptive effects in the workplace. • Amalgamation caused staff workloads to become reactive rather

				than proactive- work was not planned or methodical. Outside contractors added to council staff's workload due to poor workmanship and insufficient planning of work tasks.
Staley et. al.	2005	Review of consolidation literature for the Indiana General Assembly.	Literature on consolidation research.	<ul style="list-style-type: none"> • Municipal consolidation can create serious staff morale problems that can last decades due to the increased stress and uncertainty of a complex transition process. • Staff "morale problems are a potential landmine" (Staley et. al., 2005:17)
Australian Centre for Excellence in Local Government (ACELG)	2011	15 Case studies of Australasian Local Government, Shared Service Arrangements and Regional Collaboration.	Desktop literature review, anonymous interviews with senior management and statistically unrepresentative 'on-ground' case studies.	<ul style="list-style-type: none"> • Economies of scale are not a given result of amalgamation- the financial burden of merger is never factored into calculations thus the already financial distressed council forced to merge is burdened with an additional, substantial, cost. • Council consolidation is very stressful for staff and excellent management practices are essential to the transition process. • Council amalgamation is not an effective method to achieve considerable savings in local government sector. • Governmental assistance in the merger process was considered neither helpful nor empowering to councils undergoing amalgamation change.
Tate	2013	Commissioned by the ILGRP to investigate the effects of the NSW 2004 amalgamation and boundary changes.	Qualitative interviews with managerial staff of 5 merged NSW councils: Glen Innes Severn, Clarence Valley, Palarang, Greater Hume and City of Albury Councils.	<ul style="list-style-type: none"> • Amalgamation provided benefits to staff due to improved systems, plant and machinery, greater staff skill-sets and improved employment opportunities. • The importance of involving staff during the merger process by open communication and

				<p>providing employee assistance programs vital for an easier transition period.</p> <ul style="list-style-type: none"> • State government needed to do more for staff and councils to facilitate merger processes eg. Funding, communication. • Legislative and Proclamation requirements that protect staff tenure erect barriers that prevent maximisation of merger opportunities eg. No reduction in staff numbers prevent savings realised post-merger; not relocating rural staff prevents operational standardisation.
Heiskanen and Jokinen	2014	Finland	Quality of working life employee survey.	<ul style="list-style-type: none"> • Employees need to be involved with the merger process as it can have a detrimental impact on the quality of their working life. • Management have to be more proactive in listening, communicating and leading employees in the process of change through municipal merger.
Muringazuva et. al.	2015	Kadoma, City Council, Zimbabwe	Descriptive cross sectional study survey of council employees.	<ul style="list-style-type: none"> • Whilst managers welcomed structural reform, workers did not; 90% of workers surveyed perceived it as 'punishment'. • Open and clear channels of communication between management and workers is essential to lessen uncertainty and insecurity of change upon staff. • Workloads will probably increase as financial constraints have necessitated a 5% reduction in staff numbers but an institutional emphasis upon improving service delivery.

Steiner and Kaiser	2017	Switzerland	Two surveys conducted on management-level civil service employees in 1998 and 2009.	<ul style="list-style-type: none"> • Increased professionalization of staff, better service delivery and increased municipal autonomy reported.
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Several themes emerge from the literature summarised in Table 1. Firstly, in general amalgamation does not achieve its intended goal of reducing council expenditure and improving efficiency. For instance, Condrey's (1994) three-year study showed that employee costs increased whilst expenditure on council services was reduced to achieve cost savings. The ACELG's (2011) assemblage of Australian local government case studies further suggests that cost savings were not achievable through amalgamation because net savings are rarely, if ever, calculated in merger costs (ACELG, 2011: 10) and scale economies seldom eventuate (ACELG, 2011: 7).

Secondly, merger transition processes are demoralising for staff (see, for example, Pocock et. al., 2001; Muringazuva et. al, 2015). Whilst Steiner and Kaiser's (2017) examination of Swiss local government reported an increased level of professionalism amongst management, this appears to be at odds with the perceptions of council employees in other countries.

Finally, communication plays a key role. Open, honest and reciprocal communication between employees, management and governmental agencies was deemed to be an essential component of a successful amalgamation, or at least one associated with reduced staff stress. However, these ingredients have typically been absent in Australian mergers (Tate, 2013; ACELG, 2011).

3. *Fit for the Future Reform Policy*

After the election of a National/Liberal coalition in 2011, local government leaders were invited to a conference in Dubbo. The (then) Minister of Local Government initiated a five-year reform program which began as *Destination 2036* and later transformed into

the *Fit for the Future* policy. Table 2 outlines the chronological progression of the policy.

Table 2: *Fit for the Future* Timeline

Date	Event	Comment
2011	Election of Liberal/National coalition to NSW Government	Had vigorously campaigned on a 'no forced amalgamation' election campaign.
2011	<i>NSW 2021</i>	NSW Government releases its 10-year plan to help make 'NSW Number One' again.
July 2011	<i>Our Councils, Our Communities, Our Future, Destination 2036 Discussion Paper</i>	NSW Government outlined its reasons why local government reform was required.
August 2011	<i>Destination 2036</i>	NSW Local government representatives attend a conference in Dubbo.
April 2012	<i>Independent Local Government Review Panel (ILGRP) formed.</i>	ILGRP formed and consisted of Professor Graham Sansom, Jude Monroe and Glenn Inglis.
November 2012	<i>Better, Stronger Local Government: The Case for Sustainable Change</i>	ILGRP's first report outlining the case for local government reform that supported the NSW Government's economic policy objectives to make NSW 'Number One'.
January 2013	<i>Report: Assessing processes and outcomes of the 2004 Local Government boundary changes in NSW.</i>	Jeff Tate Consulting was appointed by the ILGRP to assess the outcomes of boundary changes and amalgamations from the 2004 merger program. Methodology consisted of interviews with senior management from Clarence Valley, Glen Innes Severn, Palerang Councils and the Greater Hume Shire and the City of Albury and desktop literature review.
April 2013	<i>Financial Sustainability of the New South Wales Local Government Sector</i>	TCorp was appointed by Department of Local Government (DLG) to provide financial sustainability ratings for ILGRP reform recommendations.
April 2013	<i>Future Directions for NSW Local Government: Twenty Essential Steps.</i>	The ILGRP's second report recommended the merger of a number of mainly non-metropolitan NSW councils.
October 2013	<i>Revitalising Local Government</i>	ILGRP's final report advocated the merger of a number of NSW councils as well as strengthening the NSW Boundaries Commission.
January 2014	<i>Fit for the Future</i>	NSW Government publicly announces the local government reform policy.
September 2014	<i>Fit for the Future</i>	Policy adopted by Government and set in action.
September 2014	<i>Fit for the Future- A roadmap for Stronger, Smarter Councils.</i>	Published by the NSW Government Office of Local Government, local government reform was required because of the sector's financial distress and the infrastructure backlog that was holding back State progress. Options for council evaluations were discussed.
September 2014	<i>Fit for the Future- A blueprint for the future of Local Government.</i>	Published by the NSW Government Office of Local Government, the financial and practical incentives of amalgamation were listed. Reform of local government was to assist State growth.

5 June 2015	<i>Methodology for Assessment of Council Fit for the Future Proposals.</i>	The Independent Pricing and Regulatory Tribunal (IPART) appointed to assess council proposals.
30 June 2015	Council proposals due to IPART.	Twenty-five days after IPART methodology released, council proposals due.
October 2015	<i>Assessment of Council Fit for the Future Proposals.</i>	IPART evaluation's found 71% of metropolitan Sydney 'unfit' as scale and capacity was lacking and 56% of regional councils were evaluated as 'unfit' due to lack of financial sustainability.
December 2015	<i>Local Government Reforms: Merger Impact and Analysis</i>	KPMG report assumed over \$2 Billion in savings realised over 20-years if potential mergers were enacted.
18 December 2015	Forced local government amalgamations announced.	NSW Government publicly announced the forced merger of a number of NSW councils.
January 2016	<i>Outline of Financial Modelling Assumptions for Local Government Merger Proposals</i>	KPMG's financial modelling techniques publicly released.
January 2016	Individual merger proposals released.	NSW Government publishes individual merger proposals for affected councils.
January-February 2016	Delegates to the NSW Boundaries Commission conduct public hearings.	
April 2016	Delegate Reports	Delegate advisory reports to NSW Local Government Boundaries Commission.
12 May 2016	Forced Council Mergers gazetted and legislated.	19 new councils created in NSW.
July 2017		Protracted legal action against the NSW Government by several metropolitan Sydney councils ends and results in no forced amalgamations for the litigating councils.

The reform process began in earnest with the appointment of the Independent Local Government Review Panel (ILGRP). The ILGRP was given specific terms of reference to investigate various options for local government reform in NSW. Over the following two years the Panel produced five discussion papers which identified various options, including boundary changes, governance models, structural arrangements and amalgamation possibilities. *Better, Stronger Local Government* (ILGRP, 2012) was the ILGRP's first major report where the 'case for change' was expostulated: drawing on the Barnett Committee's recommendations in 1974, the ILGRP (2013) advocated the merger of a number of councils on grounds that 'NSW simply cannot sustain 152 councils' because there were 'too few resources' available (ILGRP, 2013a, 72). In addition, the ILGRP argued that larger councils were more cost efficient, made better

decisions and were able to cope better with the rapid social and economic changes in NSW.

The New South Wales Treasury Corporation (TCorp) was requested to calculate Financial Sustainability Ratings (FSR) for each council in NSW. TCorp (2013, 5) defined local government FSR as being ‘able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community’. Analysis by TCorp (2013) showed that whilst many council FSR scores were ranked ‘moderate’, the majority had a ‘neutral’ to ‘negative’ (TCorp, 2013, 9, 10). However, population size was crucial in TCorp’s FSR methodology: A Local Government Area (LGA) with more residents was typically determined to be more financially sustainable (TCorp, 2013, 13).

Recommendations prepared by the ILGRP were formally adopted and made public by the NSW Government in September 2014. The evaluation of individual councils, conducted by the Independent Pricing and Regulatory Tribunal (IPART), began in June 2015. NSW councils had the choice of making one of three submissions to IPART: either a Council Merger Proposal, a Council Improvement Proposal or a Rural Council Proposal. Released in October 2015, IPART’s (2015) report showed that the majority of NSW councils were ‘unfit’ due to an absence of adequate ‘scale and capacity’.

The financial assumptions underpinning each proposed merger were calculated by for-profit consultancy firm KPMG. The pecuniary advantages expected to accrue from amalgamation, quantified in KPMG’s first report *Local Government Reforms: Merger Impact and Analysis*, were estimated at \$2 billion post-merger (KPMG, 2016). The KPMG report was not released since it was deemed ‘cabinet-in-confidence’.

Public pressure to release the document saw KPMG’s generic financial modelling methodology published. However, its *Outline of Financial Modelling Assumptions for Local Government Merger Proposals* (KPMG, 2016) was considered ‘awash with error’ (Dollery and Drew, 2017). For example, council categories used by KPMG were different from the official NSW Office of Local Government classifications; amalgamation costs, such as service harmonisation, were either ignored or

underestimated, and the incorrect employment award for council staff was used to calculate redundancies (KPMG, 2016; Dollery and Drew, 2017).

Despite the controversy surrounding its *Fit for the Future* policy, the NSW Government formally announced its forced council merger program on 19 December 2015. Five months later on 12 May 2016, the creation of 19 newly-merged councils was proclaimed.

4. Evolution of the Armidale Regional Council

Located in northern NSW Tablelands, Armidale was settled in the mid-1830s, two decades after the English explorer John Oxley declared the area suitable for pastoralism. Armidale flourished as an administrative centre, with the gold-rush of the 1850s increasing local population and local prosperity. Local government began with the incorporation of the Armidale Municipal Council (AMC) in January 1864, with Armidale proclaimed a city in 1885. By 1866 the AMC was facing financial distress; like contemporary non-metropolitan Australian councils, the AMC struggled to raise sufficient income to develop and maintain adequate local infrastructure. Indeed, aldermen in Armidale often paid for municipal improvements themselves (Kass, 1993) rather than rely upon erratic NSW Government funding which did not favour rural areas (Larcombe, 1961, 47).

A continuing lack of revenue to fund development and keep pace with infrastructure maintenance in Armidale has been constant throughout its history. Table 3 outlines the evolution of local government in Armidale, with boundary disputes a recurring theme.

Table 3: Genesis of Armidale Local Government 1858/2010.

Date	Event
4 January 1864	Voluntary incorporation of the Armidale Municipal Council (AMC).
1866	AMC experiencing financial distress.
1885	AMC renamed Armidale City Council (ACC) to reflect Armidale's status as a city.
May 1906	Dumaresq Shire Council (DSC) proclaimed. Formed from part of the ACC, boundary disputes between the ACC and DSC were common.
1955-1962	ACC expanded the city's boundaries, connected homes to central sewerage treatment at the expense of ratepayer's. ACC operated the city's gas supply at a profit.
1971/74	Barnett Committee of Inquiry into Local Government Boundaries. NSW-wide inquiry into the feasibility of the State's local government sector.

December 1973	<i>Barnett Report</i> recommended the merger of the ACC, DSC, Uralla Shire Council (USC), Walcha Shire Council (WSC) and the Guyra Shire Council (GSC). This recommendation as passed to the NSW Local Government Boundaries Commission.
2000	The Armidale Dumaresq Council (ADC) created from the forced amalgamation of ACC and DSC.
2003	Chris Vardon, Facilitator for the Peel Regional Review, recommended the merger of ADC, USC and the GSC under Minister Kelly's amalgamation program.
2004	New England Strategic Alliance of Councils (NESAC) formed between ADC, USC, WSC and GSC in order to avoid compulsory consolidation.
August 2009	Collapse of NESAC
January 2010	Minister of Local Government Barbara Perry orders a review of local government services in the New England region due to the collapse of NESAC.
May 2010	<i>Proposal for the Creation of a New England Regional Council</i> , the 'Kibble' report, recommended the merger of ADC, USC and GSC. Minister Perry agreed to the recommendation, but decision was vetoed by the NSW Boundaries Commission.

Prior to the *Fit for the Future*, proposals to amalgamate the Armidale Council with a number of neighbouring councils had been mooted, principally due to its precarious financial position and highly “dysfunctional nature” (Kibble, 2010, 28).

Table 4: Armidale Dumaresq Council and *Fit for the Future* Chronology.

Date	Event
March 2013	<i>Armidale-Dumaresq Council: Financial Sustainability and Assessment Benchmarking Report</i> conducted by TCorp found the ADC financially sound for the present.
April 2013	<i>Future Directions for NSW Local Government: Twenty Essential Steps</i> . ILGRP's second report recommended the merger of ADC, GSC, USC and WSC.
October 2013	<i>Revitalising Local Government</i> . ILGRP's final report indicated a high possibility of merger between ADC and GSC, but the option to merge ADC, GSC, USC and WSC was also preferred.
5 June 2015	IPART methodology released.
29 June 2015	ADC submitted a 'Council Improvement Proposal' to IPART, indicating ADC did not view amalgamation as an option.
October 2015	IPART evaluation released; ADC was found 'unfit'.
16 December 2016	Formal announcement of NSW forced amalgamation program.
January 2016	ADC and GSC Merger Proposal released by NSW Government.
January – February 2016	Greg Wright, Delegate to the NSW Local Government Boundaries Commission conducts public consultations in Armidale, Guyra, Uralla and Walcha.
April 2016	Delegate report to the NSW Local Government Boundaries Commission recommended the forced amalgamation of ADC and GSC.
12 May 2016	Merger of the ADC and the GSC gazetted.

The initial assessment of the ADC at the start of the *Fit for the Future* program did not give rise to much concern. Table 4 outlines the timeline of the ADC in the *Fit for the Future* process. TCorp rated the ADC as ‘moderate’ with a ‘neutral’ outlook (TCorp, 2013a, 17), similar to the majority of comparable NSW councils. TCorp further noted that the ADC had made some attempts at financial reform, notably that back-office functions were shared with the Guyra Shire Council (GSC). However, according to TCorp, “tight operational controls to ensure sustainability” (TCorp, 2013a, 10, 33, 8) were required so that the ADC could reduce its \$15.6 million infrastructure backlog.

The ILGRP made several recommendations about the potential merger of the ADC. Firstly, it suggested merging the ADC with the Uralla Shire Council (USC), Guyra Shire Council (GSC) and Walcha Shire Council (WSC), thus enacting the original recommendations made by the Barnett Committee forty years earlier (ILGRP, 2013, 4, 38). The ILGRP’s final report reiterated its initial recommendations for ADC (ILGRP, 2013a: 115), mainly on grounds that neighbouring Tamworth Regional Council, which was merged in 2004, showed that amalgamation for the ADC would “bring considerable benefits” (ILGRP, 2013a, 9).

As part of IPART’s evaluation schedule, the ADC submitted a Council Improvement Proposal. Within the proposal, the ADC indicated that whereas the ADC were prepared to voluntarily merge if need be, no neighbouring councils had approached it. In October IPART found the ADC ‘unfit’ (IPART, 2015a, 125) since it did not satisfy IPART’s overall criteria.

The amalgamation of the ADC and the GSC was formally announced on 16 December 2016, with a merger proposal publicly released in January 2016.

The NSW Government’s *Merger Proposal: Armidale Dumaresq Council Guyra Shire Council* (NSW Government, 2016) purportedly showed that the consolidation of the two councils would realise savings of over \$700,000 from 2020 onwards, reduce a \$39 million infrastructure backlog across the region, support regional economic growth, resolve local health problems and boost the affordable housing stock (NSW Government, 2016, 4, 5). Furthermore, based upon KPMG’s financial modelling

assumptions, a merger would generate over \$21 million in savings 20 years' post-merger. However, the KPMG calculations were based on incorrect information. For example, as we have seen, the ADC and GSC already shared back-office and administrative functions (GSC, 2015, 23; ADC, 2015, 4, 10).

Public consultation was conducted by Greg Wright, Delegate to the NSW Local Government Boundaries Commission, in Armidale, Guyra, Uralla and Walcha during February 2016. Wright's report *Examination of the Proposal to Merge Armidale Dumaresq Council and Guyra Shire Council* advocated the consolidation of the two councils, regardless of the fact both councils were financially unsound and that it was "highly unlikely that a combined entity would fare any better". In addition, financial assistance by way of a \$5 million transition grant would be sufficient to cover the cost of amalgamation (Wright, 2016, 37, 18). Wright noted that amalgamation would increase council employment in the future (Wright, 2016, 30), but did not believe that the merger would create any cost savings since KPMG's financial assumptions were limited in scope (Wright, 2016, 15, 37). Local opposition to the amalgamation raised during public consultation was addressed in the report and concern regarding "the level of negative commentary about the Armidale Dumaresq Council" (Wright, 2016,23) was noted.

The forced amalgamation of the ADC and the GSC was proclaimed on 12 May 2016. Elected representatives and the general managers of both councils were relieved of their positions. The NSW Government made a one-off \$15 million transition grant to the newly-created Armidale Regional Council (ARC) and an eighteen-month transition period began under an appointed Administrator Ian Tiley.

5. Perspectives of Executives on the Transition

In order to gain insight into the processes of change, four semi-structured interviews were conducted with the following people: Ian Tiley (the ARC Administrator), Chris Preston (the United Services Union (USU) Representative), Simon Murray (the ARC's first Mayor) and Peter Dennis (first General Manager of the ARC). Each interview sought to capture the interviewees' perspective on the process of change and its associated challenges.

5.1 The Administrator

Dr. Ian Tiley was appointed Administrator of the ARC by Minister of Local Government Paul Toole directly after the forced merger of the ARC. The role of Administrator combined a delicate balancing act of professional administration and policy formation. Dr. Tiley was informally reminded by his advisors in the NSW Government to “get out there and make things happen in the community”. To achieve this, Tiley developed his “vision” for the region, which translated into taking action to initiate the newly-merged council’s “fresh start” and put council “rehabilitation” into motion whilst communicating with the council’s constituents.

Existing primary industries were identified by Dr. Tiley as the key economic base to enable economic development and growth across the region, but it required municipal support to ensure the strategy was achievable. Firstly Dr. Tiley initiated plans to ensure water security over the entire ARC region by extending the water-supply from Armidale to Guyra in tandem with a major extension of the Armidale Airport, which would allow goods from the region to be exported directly. These plans, which enjoyed the support of higher tiers of government in the form of joint funding, could enable the region to move forward securely on a sound economic footing.

As the Administrator, Tiley emphasised the need for a “fresh start” for the ARC to minimise previous problems which had hindered the former ADC’s development and progress, especially the “dysfunctional councillors”, infrastructure backlogs and addressing “strategic capability” were confronted.

5.2 The USU Representative

As the USU representative for the New England region, Chris Preston was an advocate for protecting the employment terms and conditions of council staff during and after the amalgamation. His advice and staff advocacy - perceived as an intrusion into the mechanics of local government decision-making - was neither welcomed nor heeded by ARC management. For example, Preston was informed by one senior ARC manager that “we’re running this show, not the Office of Local Government”. He felt that this

statement summarised the ARC attitude toward both staff concerns and the amalgamation process.

In his role as a staff advocate, Mr. Preston stressed the changed conditions that staff presently endure under the ARC: workloads are greater, due in part to the ADC's decision to reduce staff numbers prior to the *Fit for the Future* policy and many positions not being replaced. For frontline service staff at an amalgamated council, life can become exceedingly stressful because "when you're front line council staff you're highly visible to the ratepayer, so it makes management push those staff harder to look more efficient and appear to the ratepayer that they're getting their monies worth." Workplace conditions have also changed for ARC staff and created a workplace that "when something goes wrong, where the work conditions aren't good, staff are blamed" thereby increasing overall employee stress.

In sum, according to Mr. Preston, the ADC/GSC for merger did not create a more financially sustainable or operationally efficient council since "no one can ever say where the money's gone". Moreover, decisions made by management often did not translate into workable methods.

5.3 The Mayor

Simon Murray was elected to the ARC after its first election in September 2017. The council he inherited was a "basket case" as it was financially unsound and had a "legacy of dysfunction" which did not endear it to the community. Mayor Murray's perception of the process of amalgamating two councils hinges on the costs involved: he contends that NSW Government funding will not be sufficient to cover the costs of the merger nor will it help to reduce its infrastructure backlog. Practical support from the Department of the Premier and Cabinet (DPC) and local Member of Parliament Adam Marshall was excellent, because the ARC "don't know how well everything would have gone if they weren't as proactive or visible" in support of the newly-merged council.

The question of community expectations was important for Mayor Murray, especially since the ARC was amalgamated, expectations for it had increased. Despite the fact that

he felt that the merger had increased the ARC's strategic abilities to seize opportunities, Mayor Murray worried that if the local community were expected to pay for a "moving feast" associated with the merger, as well as face a large rate increase when the proclamation period ended, it would be an enormous challenge to hold on to community support. Retaining council staff and providing a suitable standard of services and functions whilst "counting the pennies" adds to the challenges faced by the ARC, principally because "there's more expenditure than income at the moment".

Representation for the smaller, rural communities within the region will also be a challenge, particularly in the future. Under Mayor Murray's leadership councillors on the ARC have started community groups in the outlying areas of the council so that representation and participatory democracy can be achieved, regardless of whether a community has access to an elected representative.

5.4 The General Manager

Peter Dennis, the first General Manager of the ARC, who left the ARC after the merger was formally completed, viewed the amalgamation of the two councils as a necessary "catalyst" which would bring forth much needed "financial savings and scale" for the region, in common with previous mergers which had occurred across NSW. The ADC was systemically "dysfunctional" and had a "toxic" work culture which it had bequeathed the new ARC. However, Dennis was confident that the merger would serve to ameliorate these problems.

In the interview, General Manager Dennis declined to discuss the financial impost of the amalgamation, forced staff redundancies, initial problems for the ARC post-merger and whether an amalgamation would assist the ARC to become financially sound. He likened the process of council consolidation to the analogy of "rebuilding an aeroplane while flying it" by "identifying the gaps in terms of dysfunction" because "the merger is a catalyst for a fresh start", but naturally it will be a "long-term project to see where the ARC will save money."

He stressed that for staff, the effect of the merger announcement was one of “relief”, secure in the knowledge that - in due course - “there’ll be more career opportunities for them.” Communication with staff will improve as “money from the merger enabled the redirection of resources, like communications and governance”. A “fresh start” and an attendant reduction in the “dysfunction” and “toxicity” of the former ADC will assist the ARC to become a better council.

6. Employee Survey Results

In addition to the interviews with senior executives, we sought to establish the views of rank and file staff at the ADC on the forced amalgamation. To this end, a USU representative approached ARC employees who belonged to the USU to voluntarily participate. To collect data regarding the amalgamation process and its effects upon council employees, a 30 question survey instrument was developed. Questions for the survey were developed in light of the extant literature summarised earlier in Table 1, which had highlighted several aspects of the amalgamation process and its effects on council staff. We wanted to empirically examine if the same aspects held true for employees of a non-metropolitan Australian council. Ethics approval regarding the administration of the questionnaire was granted by the Ethics Committee of the University of New England. The survey, consisting of 30 Yes/No/Don’t Know positive questions, was distributed by the USU representative.

The anonymous survey was conducted between February and May 2018. Participation was limited to USU employees employed by the ARC. Overall 43 questionnaires were completed and the resultant respondent information collated.

The empirical analysis of the information gathered from ARC employees was then examined in detail. Firstly, we developed descriptive statistics of responses of 43 participants. We then conducted an analysis of variances to enable us to statistically test significant differences among the categories of response (i.e. Yes, No and Don’t Know). This allowed us to investigate the nature of responses among five thematic groups classified according to the overall aims of the paper.

Table 5: Summary statistics of 30 survey questions

	<i>Yes</i>	<i>No</i>	<i>Don't know</i>
Mean	34.5%	55.5%	11.5%
Standard Error	0.050	0.046	0.019
Standard Deviation	0.27	0.25	0.10
Sample Variance	0.07	0.06	0.01
Range	0.95	0.881	0.4
Minimum	0	0.026	0
Maximum	0.95	0.907	0.4
Count	30	30	30

As shown in Table 5, 55 percent of respondents answered the questions negatively (No) and a smaller percentage of respondents (34 percent) offered positive responses (Yes), with the remaining 13 percent uncertain (Don't Know). It is noted that variation (i.e. the range between minimum and maximum) in the level of responses of the categories of answers was high: 50 percent for Yes and 67 percent for No. Questions which were ranked highest and lowest in terms of respondents' answer for the three categories (Yes, No and Don't Know) are presented in Table A1 in the Appendix.

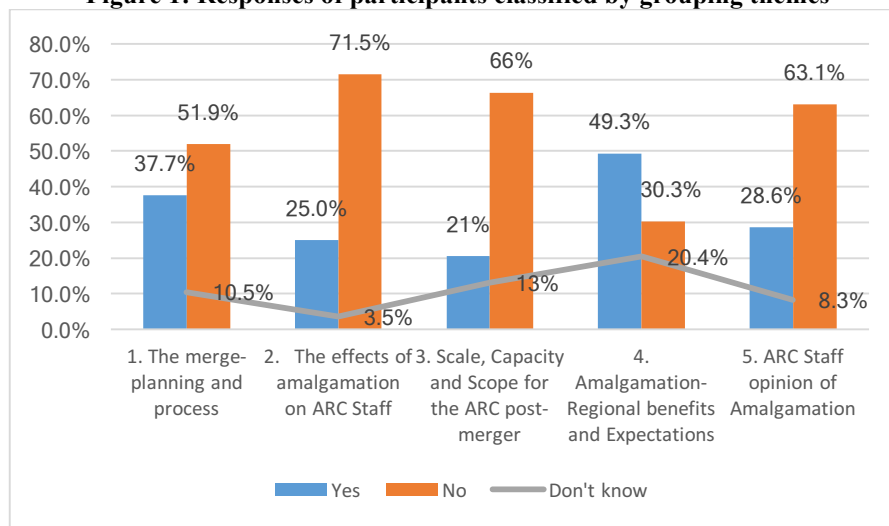
To test for significant differences among three categories of answers, an analysis of variances (ANOVA) was used in terms of the Tukey Kramer test. As shown in Table 6, a significantly larger number of respondents answered negatively as compared with respondents who answered the questions positively and even respondents who were uncertain.

Table 6: Analysis of variances (ANOVA) of responses of participants

<i>Pair of response types</i> ^a	Difference of Means	Confidence intervals	
		Lower	Upper
Yes-No	-9.467	-14.92174951	-4.011583826
Yes-Don't know	8.733	3.278250492	14.18841617
No-Don't know	18.200	12.74491716	23.65508284

^a The Tukey Kramer test for the difference between pairs of means; ** the significance level at 5%

We further grouped the 30 survey questions into five thematic groups to analyse participant responses to groupings of questions. As shown in Figure 1, several salient features of the resultant analysis are noteworthy.

Figure 1: Responses of participants classified by grouping themes

Firstly, the planning and process of the merger was not adjudged positive, since the merger process was not considered to have been adequately planned and executed. NSW Government intervention in the amalgamation process was regarded by respondent ARC employees as unhelpful in its efforts to ensure the merger process went smoothly. Secondly, the effects of the amalgamation on council staff was regarded as negative, especially due its disruptive effects in the workplace, the lack of future opportunities for workplace improvements and job advancement, lower staff morale and staff insecurity regarding job tenure. These results are broadly reflective of the findings of the empirical literature on municipal merger processes such as Andrews and Boyne (2012), Condrey (1994), Durning (1995), Durning and Nobbie (2000) and Pocock *et. al.* (2001). Moreover, our results contradict the presumption by Tate (2013) and Wright (2016) that amalgamation increased employment opportunities for council staff.

Whilst the *Fit for the Future* reform policy was purported to enhance the scale, capacity and scope of merged councils, ARC survey respondents did not believe this outcome would eventuate for the ARC post-merger. A significant majority of respondents did not think that the merger would enhance ARC leadership or management decision-making. Furthermore, most respondents did not think that better planning, improved council efficiency and enhanced financial viability result from the forced consolidation of the ADC and the GSC. This result falls in line with system-wide econometric analysis on the NSW mergers, like Bell, Dollery and Drew (2016) and Fahey, Drew and Dollery (2016).

The fourth thematic grouping focused on the regional implications of the merger. In general, survey respondents were positive regarding the regional benefits of the forced merger. However, this was counterbalanced other related responses. For instance, as shown in Table A1, rising rates, increased community expectations and increased expenditure were anticipated by survey participants.

Finally, ARC survey respondents overwhelmingly did not support the ADC/GSC forced amalgamation nor did they deem it necessary.

7. Conclusion

This paper has sought to address a gap in the Australian empirical literature on municipal mergers by examining the process of amalgamation at the ARC through the perceptual lenses of senior executives and rank and file employees. In light of the interviews and survey data obtainable, forced council consolidation was not generally seen as a panacea to cure a compulsorily consolidated council of its financial ailments.

As demonstrated through our employee survey results, ARC staff did not anticipate a successful merger outcome for the ARC. They clearly feel the process has been both stressful and disruptive. Despite the assertions by Wright (2016:30) and Tate (2013) that amalgamation is beneficial for employees (since it increases staff numbers and career advancement), ARC staff do not consider this to be true. It is especially interesting to note the disparity between the views of the former general manager and council staff of the ARC.

The scepticism of ARC staff intimately involved in the consolidation process echoes the findings of empirical analysts involved in studying the NSW mergers at the wider system level, such as Bell, Drew and Dollery (2016) and Drew, Kortt and Dollery (2015), who could find no empirical evidence to suggest that merged councils perform better than their unmerged counterparts, or that significant economies of scale could be reaped. It is also more than a little ironical that IPART's (2015) own evaluations serve to demonstrate that amalgamation does not improve council financial performance: three

of the five councils employed in Tate's (2013) case study of the outcomes of the 2004 consolidations were found to be 'unfit', notwithstanding Tate's (2013) claims that the merger process had worked smoothly!

Given our findings, the present paper presents a *prima facie* case for further research to be conducted into the process of amalgamation in Australian local government, especially given our small sample size and the difficulties involved in negotiating access to survey council employees. In particular, further case studies should be conducted to ascertain if there are any experiential differences in the process of amalgamation between metropolitan and non-metropolitan councils.

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	Author's Name (please print clearly)	% of contribution
Candidate	Andrea Wallace	60%
Other Authors	Professor Brian Dollery	20%
	Dr. Carolyn Tran	20%

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

18/12/18
Date



Principal Supervisor

18/12/18
Date

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Dr. Carolyn Tran	Section 6- Statistical Analysis

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

18/12/18
Date



Principal Supervisor

18/12/18
Date

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	Author's Name (please print clearly)	% of contribution
Candidate	Andrea Wallace	80%
Other Authors	Professor Brian Dollery	20%

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery


Candidate

18/12/18
Date


Principal Supervisor

18/12/18
Date

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Article text, original analysis, research – Andrea Wallace	All
Extensive Editing- Prof. Brian Dollery	All

Name of Candidate: Andrea Wallace

Name/title of Principal Supervisor: Professor Brian Dollery



Candidate

18/12/18
Date



Principal Supervisor

18/12/18
Date

Chapter 7:

Conclusion

Conclusion

7.1 Introduction

Each of the previous chapters in this thesis has presented a case study of the perceptions of various local groups on forced amalgamation of selected New England councils from a variety of perspectives. As we have seen, most other empirical work on municipal mergers in NSW has focused on modelling the financial and system-wide outcomes of council consolidation rather than soliciting the views of affected local people. In this respect, the papers in this thesis seek to address this gap in the empirical literature.

Chapter 7 presents the conclusion to the thesis.

Chapter 7 is divided into four main parts. Section 7.2 examines the conclusions drawn from Chapter 2 and Chapter 3. Section 7.2 presents the conclusions drawn from Chapter 4 and Chapter 5. Section 7.3 presents conclusions drawn from Chapter 6. Section 7.4 concludes Chapter 7.

7.2 Impact of 2004 amalgamation on two small, rural communities

Prior to this thesis, empirical evidence of the consequences of forced local government for small, rural Australian communities had not been examined in depth or detail.

However, the examination of Barraba (Chapter 2) and Manilla (Chapter 3), as two case studies undertaken as part of this research, highlight three salient aspects of the consequences of forced local government amalgamation for small, rural communities.

Firstly, municipal mergers have had no positive impact upon either community in terms of resident perceptions. In the two case studies examined (Chapter 2 and Chapter 3), the large regional council has not been an active contributing force to the economic and social wellbeing of either town. Resources had not been allocated equitably post-merger and the regional council had not endeavoured to become a significant contributing member of the community or attempted to foster economic development in either of the towns.

Secondly, the perception of diminished political representation for both communities was a pronounced effect of forced council consolidation. The perceived reduction in

local political representation, due in part to the spatial and population dominance of the larger town both communities were forcibly amalgamated with, resulted in local service preferences not being articulated and an economic environment which neither community was able to influence.

Thirdly, the post-merger economic stagnation and decline for both Barraba (Chapter 2) and Manilla (Chapter 3) was considered by both communities to be appreciable. The unintended consequences of municipal merger, as shown by both case studies, had resulted in a sharp reduction in local employment opportunities and a regulatory environment that failed to foster local business and local innovation. The flow-on effect of this had resulted in a dramatic decline in the overall social and economic prosperity of both communities, with a marked decline in the availability of state and Commonwealth services, local business and reduced property values.

For small, rural Australian communities, the results of a “one size fits all” amalgamation program does not result in better local government. From the empirical case studies presented in Chapter 2 and Chapter 3, both small, rural communities surveyed expressed the opinion that forced council consolidation appears to hasten the economic decline of rural communities and does not positively contribute to either its social or economic wellbeing.

7.3 Expectations of 2016 amalgamation of Armidale Dumaresq Council and the Guyra Shire Council

The perceived expectations and consequences of the 2016 *Fit for the Future* amalgamation program was examined through the lens of a small, rural community in Chapter 4 and through the lens of council employees in Chapter 5. The success of the amalgamation of the Armidale Dumaresq and Guyra Shire Council was not anticipated by Guyra residents to generate an economically viable outcome. The expectations of a small, rural community presented in Chapter 4, echoed that of Chapter 2 and Chapter 3, also highlighted that the role of the council is different for a small rural community as compared to the role of a non-metropolitan council. A local council is as much “roads, rates and rubbish” as it is about social cohesion, community wellbeing and its active participation in local economic stimulus.

Council employees, presented in Chapter 5, neither considered the amalgamation to be a useful tool for council financial improvement nor for creating better strategic management of council operations. The amalgamation process- disruptive, stressful and badly communicated to employees- was not viewed by council employees as an opportunity to improve employment opportunities.

The expectations of the 2016 *Fit for the Future* amalgamation program, as viewed through the perceptions of a small rural community and council employees, directly contradict views espoused by policy makers.

7.4 Challenges of amalgamating Armidale and Guyra

The challenges posed in consolidating two or more councils into one economically viable municipal authority, prior to this thesis, had not been explored in the Australian milieu in great depth. As presented in Chapter 6, the challenges posed in creating one municipal entity after a forced amalgamation, are viewed through the perspective of a government-appointed Administrator.

The role of an Administrator revolves partly around establishing a ‘fresh start’ for the merged council. But it is fraught with challenges. The process of creating a new strategic direction for a consolidated council, whilst simultaneously reducing debt and infrastructure backlogs, was often hindered by an entrenched belligerent element resistant to change. In addition, a demoralised constituency with increased expectations from the merged council and a truncated time frame in which to achieve a new direction for the council is an extraordinarily difficult task and one which potentially will have no positive lasting effects on the merged council.

7.5 Conclusion

Each case study presented in this thesis has shown that – in the views of local residents - forced local amalgamation has failed to improve the social or economic circumstances of small, rural communities. For these communities the loss of capacity and agency to shape their own community and environment has resulted in economic stagnation, high

employment and a reduced feeling of community cohesion and security. In addition, the disruption and expense of the amalgamation is expected to fail to produce its intended results of smarter, better and cheaper local government. The cost of forced amalgamations- as voiced by those examined in this thesis- has reduced the value of local government.

As an exploratory study into the consequences and expectations of forced council consolidation on rural communities in Australia, whilst limited by small sample sizes and lack of resources, presents a *prima facie* case into further research to be conducted to ascertain if the consequences and expectations of compulsory council amalgamation is similar to the experiences of metropolitan Australian communities and councils.

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Appendices

Table A1: Ranking and percentiles of surveyed questions. Amalgamation in Action: Participant Perspectives on the Armidale Regional Council Merger Process.

<i>Question</i>	<i>YES</i>	<i>Rank</i>	<i>Percent</i>	<i>Question</i>	<i>NO</i>	<i>Rank</i>	<i>Percent</i>	<i>Question</i>	<i>DON'T KNOW</i>	<i>Rank</i>	<i>Percent</i>
7	38	1	100.00%	11	39	1	100.00%	26	16	1	100.00%
22	36	2	96.50%	4	37	2	96.50%	27	14	2	96.50%
21	35	3	93.10%	30	36	3	93.10%	24	12	3	93.10%
8	33	4	89.60%	19	35	4	89.60%	9	10	4	89.60%
17	29	5	86.20%	13	34	5	86.20%	5	9	5	86.20%
18	25	6	82.70%	14	33	6	79.30%	3	8	6	79.30%
10	23	7	79.30%	25	33	6	79.30%	28	8	6	79.30%
6	21	8	75.80%	20	31	8	75.80%	23	7	8	75.80%
16	20	9	72.40%	23	30	9	72.40%	20	6	9	65.50%
27	16	10	68.90%	12	29	10	68.90%	25	6	9	65.50%
29	15	11	65.50%	1	28	11	65.50%	29	6	9	65.50%
2	14	12	62.00%	2	25	12	55.10%	1	4	12	51.70%
5	13	13	55.10%	15	25	12	55.10%	6	4	12	51.70%
15	13	13	55.10%	28	25	12	55.10%	8	4	12	51.70%
1	10	15	48.20%	3	24	15	48.20%	12	4	12	51.70%
12	10	15	48.20%	8	24	15	48.20%	11	3	16	31.00%
3	9	17	37.90%	16	23	17	41.30%	18	3	16	31.00%
26	9	17	37.90%	24	23	17	41.30%	19	3	16	31.00%
28	9	17	37.90%	9	22	19	34.40%	21	3	16	31.00%
9	8	20	31.00%	29	22	19	34.40%	22	3	16	31.00%
24	8	20	31.00%	5	21	21	31.00%	30	3	16	31.00%
14	7	22	27.50%	10	20	22	27.50%	4	2	22	20.60%
13	6	23	20.60%	6	16	23	24.10%	15	2	22	20.60%
23	6	23	20.60%	26	15	24	20.60%	17	2	22	20.60%
20	4	25	13.70%	18	14	25	17.20%	2	0	25	0.00%
30	4	25	13.70%	17	12	26	13.70%	7	0	25	0.00%
4	3	27	10.30%	27	9	27	10.30%	10	0	25	0.00%
19	2	28	6.80%	22	3	28	6.80%	13	0	25	0.00%
11	1	29	3.40%	7	2	29	3.40%	14	0	25	0.00%
25	0	30	0.00%	21	1	30	0.00%	16	0	25	0.00%

Table A2: Survey Questions. Amalgamation in Action: Participant Perspectives on the Armidale Regional Council Merger Process.

<i>Question</i>	YES	NO	DON'T KNOW	No. Respondents
<i>1. Do you think the amalgamation of Armidale Dumaresq Council and Guyra Shire Council was necessary?</i>	9	29	3	41
<i>2. Did you support the merger?</i>	12	27	2	41
<i>3. Do you think the council merger will increase economic growth across the region?</i>	9	24	8	41
<i>4. Do you feel that the amalgamation will enhance the ARC's leadership and management decision-making?</i>	3	37	2	42
<i>5. Do you feel the amalgamation will lead to better planning in the ARC region?</i>	13	21	9	43
<i>6. Do you think it will be more expensive to provide council services and functions across an amalgamated local government area?</i>	27	15	1	43
<i>7. Do you feel that residents and ratepayers in the ARC region will have increased expectations for council services and functions as a consequence of the merger?</i>	36	4	0	40
<i>8. Do you think that amalgamation will improve council operations over the ARC region?</i>	11	25	4	40
<i>9. Do you feel that the entire ARC local government area will be treated equally and fairly with regard to the provision of council services and functions?</i>	8	22	10	10
<i>10. Has the amalgamation disrupted the work flow in your department?</i>	23	20	0	43
<i>11. Has the amalgamation made your department a better place to work?</i>	1	39	3	43
<i>12. Do you feel that there will be more opportunity for job advancement or upskilling for you within a larger council?</i>	10	29	4	43
<i>13. Has the amalgamation changed your hours of employment, such as increasing or decreasing your working hours?</i>	6	34	0	40
<i>14. Has the amalgamation changed your conditions of employment?</i>	7	33	0	40
<i>15. Is your morale at work better since the merger?</i>	12	26	1	39
<i>16. Are you concerned about your job security?</i>	21	22	0	43
<i>17. Was the process of amalgamation communicated clearly to you in the Armidale Dumaresq or Guyra Shire Council you were employed by?</i>	30	11	0	41
<i>18. Were you prepared for change immediately after the merger?</i>	25	13	3	41
<i>19. Do you feel that the amalgamation process was adequately planned and executed?</i>	3	34	3	40
<i>20. Do you feel that the amalgamation will increase council efficiency?</i>	3	31	6	40
<i>21. Do you feel that the amalgamation of Armidale and Guyra will increase council expenditure?</i>	35	2	3	40
<i>22. Do you feel that rates will rise?</i>	36	3	3	42
<i>23. Do you feel that the quality of service provision will increase after the amalgamation?</i>	7	29	6	42
<i>24. Do you think that local residents will be better off as a consequence of the amalgamation?</i>	7	23	12	42
<i>25. Do you think that the new ARC council will be more financially viable than its predecessors?</i>	1	33	5	39
<i>26. Do you think the amalgamation will depress business conditions and reduce employment in Guyra post-merger?</i>	8	16	16	40
<i>27. Do you think that Guyra will be adequately represented on the new ARC council?</i>	16	7	15	38
<i>28. Did the NSW Government and especially its NSW Division of Local Government make the amalgamation process work more smoothly?</i>	10	25	7	42
<i>29. Did the NSW Government and especially its NSW Division of Local Government adequately protect employment conditions and employees in the amalgamation process?</i>	14	23	6	43

<i>30. Do you think your career and employment prospects have improved as a consequence of the ARC amalgamation?</i>	4	36	2	42
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