



Australian Centre of Excellence for Local Government
Rural-Remote and Indigenous Local Government Program

Northern Territory Scoping Study

Thomas Michel, Rolf Gerritsen and Ian Thynne

Charles Darwin University

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Executive Summary

This Study through Charles Darwin University (CDU) was commissioned by the Australian Centre of Excellence for Local Government (ACELG) as a contribution to its Program 5: Rural-Remote and Indigenous Local Government.

The Study focuses on Shire councils in the Northern Territory with the aim of identifying their capacity needs and challenges and of proposing necessary action for assisting and supporting them.

The Northern Territory context is addressed and complemented by a discussion of rural-remote and Indigenous local governments and related entities. This material sets the scene for a more detailed consideration of the needs and challenges of Shire councils in terms of:

- councillor and staff training and development
- community relations, participation and engagement
- service planning and collaboration
- financial and asset management
- workforce composition
- economies of scale

With regard to each set of needs and challenges, key matters are highlighted and necessary action proposed, as supported by the issues and concerns raised in the associated discussions.

The other five Programs in ACELG are also very relevant to the Shire councils, just as they are to all other local governments within and beyond the Northern Territory. Hence an outline of significant areas of activity to which ACELG, CDU and other institutions can contribute as part of a national strategy that seeks to bring together key players within and across governmental, community and market jurisdictions.

There is much to be done and achieved, with extensive collaborative action being essential in the months and years ahead.

Introduction

This Northern Territory (NT) Scoping Study was commissioned by the Australian Centre of Excellence for Local Government (ACELG) which was established in 2009. ACELG comprises six interrelated Programs:

Program 1: Research and Policy Foresight
Program 2: Innovation and Best Practice
Program 3: Governance and Strategic Leadership
Program 4: Organisation Capacity Building
Program 5: Rural-Remote and Indigenous Local Government
Program 6: Workforce Development.

The Study is a contribution to Program 5, for which Charles Darwin University (CDU) has “Program Partner” responsibilities within ACELG. The responsibilities involve the NT’s rural-remote and Indigenous local governments, including the extent to which they are also affected by the work of ACELG’s other Programs.

All other local governments in the NT are also embraced by ACELG’s Programs. While they are not within the scope of Program 5, they are certainly covered by Programs 1, 2, 3, 4 and 6.

The Study: Status, Aims, Focus and Approach

Status of the Study

The Study is a first round "scoping study", consciously designed and conducted as such. It is not a comprehensive research report structured and guided by an analytical framework, along with comparative data and insights. As a scoping study, it identifies, highlights and proposes in fulfilment of its immediate aims. It is a contribution to the way forward -- as a means, not an end, of fostering appropriate collaborative action by ACELG, CDU and numerous other contributors committed to the future of local government in and beyond the NT.

Aims of the Study

The Study aims to identify the capacity needs and challenges of the NT’s rural-remote and Indigenous local governments and to propose necessary action for assisting and supporting this group of local governments. The focus is on significant aspects of governance and administration, including education and training, community consultation, service planning, financial management, and workforce composition.

Focus of the Study

The Study concentrates on the NT's Shire councils, which are the result of an extensive regionalisation reform in 2008. The Shires are the concern of ACELG's Program 5 in the NT. They are clearly rural-remote and Indigenous in terms of their distinctive geographical and demographic characteristics. They have considerable needs and challenges to which ACELG, CDU and other institutions should respond collaboratively in areas of capacity building, development and training, financial management, policy and research – all aimed at supporting and enhancing their governance, administrative practices and service delivery systems.

Other local governments in the NT, all of which are also directly within ACELG's scope, lie beyond the rural-remote and Indigenous focus of Program 5. The obvious cases are the city/town councils of Darwin, Palmerston, Katherine and Alice Springs and the rural Litchfield Council (adjoining Darwin and Palmerston). In addition, there are the three "mini-Shires" of Coomalie, Belyuen and Wagait. All three are located within 100 kms of Darwin and, therefore, do not share the same issues of remoteness and isolation with the large Shires. In operational terms, they more closely resemble the town councils than the Shires. Also, while the Belyuen Shire has a majority Indigenous population, this is not the case with Coomalie and Wagait, whose Indigenous and non-Indigenous population ratios are in line with the average for the town councils.

Other local organisations in the NT perform selected functions similar to local governments. They include Aboriginal corporations, development associations and homelands resource centres which provide community services in their local areas. These entities are not governed by NT local government legislation and associated regulatory schemes. They are examples of community governance rather than local government. They are outlined below as rural-remote and Indigenous entities, but are not within the scope of the Study.

Approach of the Study

The Study has been approached in four interrelated ways comprising various research and analytical methods.

First, Thomas Michel did considerable desk-top research, undertook ethnographic field work involving numerous local interviews and surveys, and liaised with staff of the NT Department of Housing, Local Government and Regional Services (DHLGRS), Shire councils and other stakeholders. His field work was in collaboration with Julie-Ann Bassinder, a research intern from Sydney University. The information collected is relevant both to this Study and to his CDU PhD research on the sustainability of NT local governments.

Second, all three authors individually interviewed Shire chief executive officers in relation to Shire needs and challenges. In addition, Ian Thynne addressed pertinent issues with staff of the DHLGRS, with staff of the Local Government

Association of the NT (LGANT), and with Shire and other council members present at a LGANT meeting.

Third, on the basis of the above, a draft of the Study was written and emailed, essentially as a discussion paper, to an array of relevant organisations and individuals, including those with whom discussions had already been held. The circulation of the draft was an effective means of widening the scope and bases of the consultation and advice. Those to whom the draft was sent were invited to respond to it by making comments and suggesting any necessary adjustments, corrections, additions, and so on. They included the Shire Councils, the DHLGRS, the NT Coordinator-General for Remote Services and Chair of the NT Grants Commission, a senior member of the NT Department of the Chief Minister, the LGANT, the NT Aboriginal Land Councils, and regional staff of the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

Fourth, following receipt of responses to the draft Study and after selected follow-up discussions, the present version of the Study was written. The responses and discussions served to strengthen the structure and content of the Study, while also confirming and validating the needs and challenges which the Study highlights and in regard to which necessary action is proposed.

We acknowledge with appreciation the contributions of all with whom discussions were held and from whom written comments and suggestions were received. Without their inputs, the Study would have little meaning and value.

Hereafter, the Study addresses:

- The Northern Territory in Context
- Rural-Remote and Indigenous Entities: A Mix of Government and Governance
- Shire Needs and Challenges
- Other ACELG Programs and their relevance to the Shires

The Northern Territory in Context

In many respects, the NT is the “outlier” jurisdiction in Australia’s federal system. With a population of around 225,000 spread over 1,350,000sq kms (or one-sixth of Australia), it is by far the most sparsely populated State or Territory. Indigenous people constitute just over 30 percent of its total population, compared to less than three percent nationally. The proportionately large Indigenous population is mired in disproportionate socio-economic inequality. For example, although average personal income levels in the NT are higher than the national average, the 2006 Census of the Australian Bureau of Statistics reported the median weekly individual income for Indigenous Territorians to be significantly less than that for non-Indigenous Territorians. The Territory’s demographic and spatial features also affect directly the decisions of the

Commonwealth Grants Commission, the body charged with assessing the relative fiscal needs of the States and Territories derived from factors such as Indigeneity, isolation, population dispersion and administrative scale. For 2010-11, the Commission (2010) has recommended that goods and services tax revenue be allocated to the NT at a rate 5.07 times higher than its per capita population share.

These socio-demographic, fiscal, geographic and other differences between the NT and mainstream Australia become even more pronounced when the Territory is considered in terms of its urban and peri-urban areas and its remote and very remote areas. Importantly, this bifurcation has traditionally marked a fault line in the NT's local government sector between its city/town councils and its rural-remote councils.

Over three quarters of the NT's population, most of which is non-Indigenous, is clustered in or close to its urban areas in the Darwin/Palmerston/Litchfield region, Katherine, Alice Springs and Tennant Creek. With the exception of Tennant Creek which is now administered by the Barkly Shire Council, these areas are serviced by the city/town/local councils of Darwin, Palmerston, Litchfield, Katherine and Alice Springs. The remaining population of the NT beyond these council jurisdictions, comprising some 50,000 people, is sparsely dispersed across the remainder of its land mass – an area larger than South Africa. Notably, some 85 percent of the population is Indigenous.

Until July 2008, most of the non-urban population was serviced by community government councils, though there were, and still are, large areas of low population serviced by Aboriginal corporations, associations and outstation resource centres. Since July 2008, the rural-remote and Indigenous local governments have been eight Shire councils. Table 1 provides estimated population figures by Shire in 2007-08.

Although issues of remoteness, shallow markets and distance from wholesale and manufacturing centres impinge on their functioning, the city/town councils operate in ways broadly similar to those in most mainstream locations elsewhere in Australia. Services are largely limited to core areas such as waste management, parks, reserves and sporting facilities, local roads and so forth, with community or social services playing a limited operational role. In line with the Australian standard, average annual per capita revenue in 2006-07 for these councils was approximately \$830. Their mean grants revenue from other tiers of government constituted around 25 percent of total revenue, or about \$205 per capita – with Darwin City Council being an exception in that its grants revenue was only 11 percent of total revenue. Also, in line with mainstream urban councils in other jurisdictions, rates and annual charges make up the bulk of the revenue of these councils at an average of 56 percent: see Appendix 1.

All councils in the NT receive a Commonwealth-derived general purpose grant, with a 30 percent minimum per capita component and with the balance being distributed among the councils on the basis of relative need. These allocations are determined and disbursed by the NT Grants Commission after approval from

Table 1: Estimated Resident Population, 2007-08

Shires	Total Males	Total Females	Total Population	Gender Ratio	Population 15-64 years	NTGC estimate: 2007-08
Barkly (Tennant Creek)	1,746	1,748	3,494	1.00	2,442	-
Barkly (beyond Tennant Creek)	2,298	2,132	4,430	1.08	2,968	7,452
Central Desert	2,281	2,363	4,644	0.97	3,081	4,442
East Arnhem	4,743	4,910	9,653	0.97	6,426	9,134
MacDonnell	3,644	3,355	6,999	1.09	4,917	6,554
Roper Gulf	3,459	3,259	6,718	1.06	4,387	6,217
Tiwi Islands	1,284	1,203	2,487	1.07	1,698	2,449
Victoria-Daly (Wadeye)	1,100	1,222	2,322	0.90	1,353	-
Victoria-Daly (beyond Wadeye)	2,262	2,115	4,377	1.07	2,824	6,152
West Arnhem (Jabiru)	768	519	1,287	1.48	993	-
West Arnhem (beyond Jabiru)	2,697	2,660	5,357	1.01	3,520	6,339
Total	26,282	25,486	51,768	1.03	34,609	48,739

Sources: adapted from Australian Bureau of Statistics, 2009; and Northern Territory Grants Commission, 2008a.

the Federal Minister responsible for local government. Like larger urban councils elsewhere in Australia, the major urban centres are either on or nearing the 30 percent minimum per capita grant that is required to be paid under the Commonwealth legislation.

Rural-Remote and Indigenous Entities: A Mix of Government and Governance

Community Government Councils pre-July 2008

Prior to a sweeping regionalisation reform in 2008, the majority of residents in the rural and remote areas of the NT were under the jurisdiction of 55 community government councils, which were established through a process of voluntary incorporation. These rural-remote councils, many of which had single settlement jurisdictions, were the smallest and most non-contiguous local government grouping in Australia. They generally had no authority over their contiguous hinterlands, which were dotted with pastoral properties, outstations and homeland centres. In 2006-07, their estimated median population was 475.

Geographic isolation is an obvious characteristic of many of the rural and remote communities of the NT. Indeed, many of the communities serviced by the community government councils were, and remain, among the most isolated anywhere in mainland Australia, thus serving to further add cost and logistical complexity to council operations.

A pertinent illustration is the community of Kintore, with about 350 residents. It is situated 530km west of Alice Springs, which itself is a town 1,500kms away from the closest major urban centre. Some 400kms of the road from Alice Springs to Kintore is dirt, making travel slow and at times impossible. Chartered air flights to the community are expensive and uneconomical for the transport of bulk freight.

Another example of the geographic challenges endured by the local government sector is demonstrated by Wadeye. With over 2,300 residents, it is the largest majority-Indigenous community in the NT. By air it is 270kms from Darwin, and by road 420kms. Half of this distance is covered by a (albeit well-maintained) dirt road, but rising river and creek levels during the tropical wet season mean that the community is typically isolated by road for 4 to 5 months each year. All supplies, services and people have to be transported by plane or barge.

Irrespective of the small average population size and access difficulties of the rural-remote councils in much of the NT, their service delivery responsibilities were generally much broader in scope than for the city/town councils and for many other remote councils elsewhere in northern Australia (Dollery et al, 2010). In addition to core services like waste management, local roads maintenance and parks and gardens, they also provided services as disparate as aged care, community safety (including night patrol and safe houses management), airstrip management and maintenance, public housing repairs and maintenance, community development employment projects (CDEP), power, water and sewerage maintenance, child care, community retail store management, horticulture, community media, postal services, Centrelink front counter services, and weeds management. Many of these services were provided even though the funding from relevant agencies was inadequate.

The broad service delivery mix of these councils was a product of their treatment as government service delivery agents of last resort. Because of minimal economic development and very few private or community service providers operating in rural and remote areas, rural-remote councils were often by default given responsibility for service delivery. This served to make them a central institution in many communities and a significant appendage of the welfare state. It placed extra operational pressures and community expectations on them as direct service and employment providers, as well as in having to perform a lobbying and advocacy role for community residents.

In 2006-07, an average of 41 percent of the expenditure of these councils was on employee costs, which amounted to almost \$2,800 per resident – in contrast to that of the city/town councils which spent on average only around 25 percent of

total expenditure on employee costs, or just over \$200 per resident (NT Grants Commission, 2008b). The significance of this contrast is underlined by the average personal income profiles of many rural and remote communities in the NT. The community of Kalkarindji-Daguragu, situated 480kms southwest of Katherine, is a good example. In 2006, it had an estimated population of 730, of which 95 percent were Indigenous. The 2006 Census of the ABS reported an average individual annual income of \$11,492. The Daguragu Community Government Council (2007) records for 2006-07 indicate an employee cost expenditure of about \$3,183 per resident. This suggests that some 28 percent of all individual income in Kalkarindji-Daguragu was received as wages and salaries from the local government. ABS Census data also report that, in 2006, 47.3 percent of all employed persons aged 15 and over in the area were employed by the local government (ABS, 2007).

Notwithstanding the supplementary untied operational grant received by non-municipal councils from the NT Government, under-resourcing relative to their responsibilities has been a continuous problem for rural-remote councils. The broad service delivery mix for rural-remote councils was matched by levels of agency funding and a reliance on grants and contract revenue much higher than for the NT's city/town councils. This is not just a feature of the NT. Similar councils in Western Australia and Queensland are also relatively underfunded because of the per capita basis of the Commonwealth Financial Assistance Grants to local governments, and similarly are compelled to disproportionately rely on specific purpose program funding.

In 2006-07, average per capita local government revenue was just over \$7,100 for the rural-remote councils, which was almost nine times more than for the city/town councils. About two thirds of this amount (just above \$4,850 per resident) was grants revenue, which was over 23 times more than the per capita grants funding levels for the city/town councils. A significant portion of the other third was contract income received for services provided such as airstrips maintenance, community housing repairs and maintenance, and power, water and sewerage maintenance. Rates and annual charges revenue averaged only three percent of total revenue: see Appendix 1. This extreme vertical fiscal imbalance not only contributed to the councils' operational complexity; it also placed significant strain on their often weak administrative capacity.

Given the circumstances addressed here, it is hardly surprising that, among other things, the low retention of appropriately skilled administrative and management staff was a debilitating issue for rural-remote councils. For example, a survey of chief executive officer/town clerk retention between July 2003 and June 2008 estimated an average turnover rate of 3.92 over the five year period, with some councils having as many as 9 new town clerks during the five years (Michel, 2010). Because of the small scale of many of the councils, if the top administrative position was vacated, internal replacement was often unsuitable or impossible, resulting in the councils forgoing effective administration sometimes for many consecutive months.

Special Purpose Towns

Until July 2008, four mining towns in the NT – Jabiru, Nhulunbuy, Alyangula and Yulara – were beyond the jurisdictions of formally constituted local governments. Nhulunbuy, Alyangula and Yulara continue to have special recognition through gazetted ministerial declarations pursuant to the NT *Local Government Grants Commission Act* and the Commonwealth *Local Government (Financial Assistance) Act*. Jabiru, which was incorporated as a town council under the *Jabiru Town Development Act*, is now administered by the West Arnhem Shire Council.

Regional Councils pre-July 2008

Also until July 2008, there were some regional councils in operation, such as the Thamarrurr Regional Council, the Nyirranggulung Mardrulk Ngadberre Regional Council, the Yugul Mangi Regional Council, and the Tiwi Islands Local Government (which is now the Tiwi Islands Shire Council). These councils tended to cover relatively homogeneous cultural and linguistic groups and had limited geographic reach (Sanders, 2008).

Aboriginal Corporations and Associations

Other organisations in the NT are also responsible for providing selected local government services in Indigenous homelands, outstations and other small communities. These entities are mentioned here as components of rural-remote and Indigenous governance, but are not a focus of the Study. Examples include the Bawinunga Aboriginal Corporation in Maningrida, the Mabunji Aboriginal Resource Centre in Borroloola, the Laynhapuy Homelands Association around Yirrkala, the Marngarr Resource Centre Aboriginal Corporation in Gunyangara, the Ingerreke Outstation Resource Agency in Alice Springs, and the Tjuwanpa Resource Agency close to Hermannsburg. While the operations of these organisations were mostly separate from the community government councils, there were some functional overlaps with implications for access to resources.

Aboriginal Land Councils

Of wider regional significance are the four Aboriginal Land Councils: the Central Land Council, the Tiwi Islands Land Council, the Anindilyakwa Land Council, and the Northern Land Council. These councils have roles concerning Aboriginal land tenure, custodianship and management over about half of the NT's land mass and, in doing so, influence Indigenous social and economic development in their areas. Their responsibilities and authority can affect local government operations, particularly in terms of the development of infrastructure and associated leasing arrangements on Aboriginal land, as addressed below.

The 2008 Shire Reform

By early this century, from the perspective of the NT Government, the difficulties and shortcomings of many of the rural-remote community government councils were becoming unsustainable and untenable. Governance, administrative and service delivery expectations had been growing over time, and these councils were not keeping pace. A voluntary regionalisation initiative launched in 2003, aimed at improving administrative capacity, had failed to attract many adherents and did not overcome reluctance in expanding the effective geographic range of local governments. The high turnover of managerial staff remained entrenched and destabilising. Instances of financial and administrative mismanagement appeared common. The NT department which was then responsible for local government produced a report in 2006 indicating that 50 percent of the rural-remote councils were “high risk” or “dysfunctional” (McAdam, 2006).

In response, the then NT Minister for Local Government, Elliot McAdam, gave a speech in October 2006 to the LGANT conference in Alice Springs in which he argued that “fine achievements [in the sector] continue to be overshadowed by the overall systemic problems we face”. He announced a commitment to a sweeping reform to amalgamate the NT’s regional and rural-remote local government councils into Shires by July 2008. This reform, he stressed, would have several objectives. It would create “certainty and stability” in the sector and “more efficient and effective services across all remote communities”. All communities were to be “better off under the new arrangements”, but an “appropriate sense of identity” would be preserved in each community. Good local leaders and competent, experienced management staff would be attracted to the Shires. The scale of the Shires would be tailored to ensure sustainability, on the understanding that “from research undertaken on the sustainability of local governments in other jurisdictions . . . a Shire of less than 5000 people would struggle to be sustainable in the long term” (McAdam, 2006).

Subsequently, on 1 July 2008, 51 of the 55 community government councils, along with the Jabiru Town Council and the Tennant Creek Town Council, were forcibly amalgamated into eight Shire councils. The Coomalie, Belyuen and Wagait councils (now “mini-Shires”), the city/town/local councils in Darwin, Palmerston, Litchfield, Katherine and Alice Springs, and the three special purpose town administrations in Nhulunbuy, Alyangula and Yulara were included in the reform consultations but were not subsequently affected other than by boundary changes in some cases.

The eight Shire councils are:

- Barkly Shire Council with its headquarters in Tennant Creek
- Central Desert Shire Council with its headquarters in Alice Springs
- East Arnhem Shire Council with its headquarters in Nhulunbuy
- MacDonnell Shire Council with its headquarters in Alice Springs
- Roper Gulf Shire Council with its headquarters in Katherine

- Tiwi Islands Shire Council with its headquarters in Nguiu
- Victoria Daly Shire Council with its headquarters in Katherine
- West Arnhem Shire Council with its headquarters in Jabiru

A map of the areas administered by these Shire councils is available at:

http://www.localgovernment.nt.gov.au/_data/assets/pdf_file/0015/39003/lgshires_simple.pdf

The effects of these regionalisation reforms have been far-reaching. They have impacted considerably on the affected communities with regard to service delivery, financial and asset management, and governance and administrative operations. For the first time, they have provided local governments with expansive geographic scope in the non-urban areas of the NT.

The most obvious change brought about by the reform is the increased scale of local government bodies. From being a sector dominated by small-population, single settlement, non-contiguous jurisdictions, on 1 July 2008 virtually all of the NT land mass became incorporated. All of the Shires, other than the Tiwi Islands Shire, have population sizes of at least 4,400 residents: see Table 1 above. They comprise multiple communities from broad cultural and linguistic groups spread across vast areas. MacDonnell Shire, for example, covers 14 major communities in an area stretching from the Western Australian border to the Queensland border. The geographically largest Shire is Barkly Shire which, with an area of 323,514 sq kms, is larger than Italy.

The increase in population and geographic scale has enormously affected corporate management and service delivery modes. In line with corresponding local governments in other states, administrative functions for the Shires are primarily performed at centralised headquarters, with support from a centralised corporate services hub in Darwin. Although services continue to be delivered locally, hub and spoke modes of service delivery involving the use of regional asset depots and mobile service crews are being increasingly utilised, as they are in other regional and rural-remote local governments beyond the NT. Many service support functions (such as service group coordination) are being performed on a Shire-wide basis. An example of the Shires' service delivery roles (both mandatory and non-mandatory) is provided in Appendix 2.

Governance structures have also been overhauled, and have arguably been the most contentious element of the reform. Some elements in the new structures have served to limit local input into council decision-making. For example, from a system of largely localised, single-settlement polities in which communities with as few as 200 people were represented by full-size councils, the Shire councils with membership capped at twelve elected councillors means that not every community is guaranteed immediate local representation. This effect is partly because of the change in the scale of the councils, and partly due to the electoral system used, which effectively over-represents larger communities (Sanders, 2009). Also, in contrast to the practices of the pre-reform community government councils generally meeting frequently and locally, the Shire council meetings are

usually held every two months. Due to logistical challenges in holding the meetings in remote communities in the Shires, the headquarters locations tend to be favoured as meeting venues, which creates further distance (perceived or real) between council decision-making processes and the affected communities. Yet it remains that, on a per capita basis, the residents of NT Shires are represented by over five times more councillors than the national average (ALGA, 2010).

To compensate for the replacement of localised councils with Shire governance structures, the *Local Government Act 2008* made provision for local boards as a mechanism to involve local communities in Shire decision-making processes. Local boards can be formed by local residents of a Shire ward either through appointment or election. They are there to advocate for local interests and give political direction to the Shire ward councillor. In practice, many rural and remote communities have only recently started holding local board meetings, and other communities have yet to establish boards. The responsibilities and capacities of the boards, and their forms and levels of support, will soon be comprehensively examined in a project commissioned by the DHLGRS and FaHCSIA (2010).

Shire Needs and Challenges

The particularly pressing needs and challenges of the Shires of significance to ACELG, CDU and other contributors include:

- Councillor and staff training and development
- Community relations, participation and engagement
- Service planning and collaboration
- Financial and asset management
- Workforce composition
- Economies of scale

Councillor and Staff Training and Development

Key matters

There is widespread agreement that training and development courses are a high priority across all levels within the Shire councils as a continuous process of up-skilling and knowledge acquisition – with investment essential from all levels of government to enable the long-term sustainability and progress of the Shires.

The levels and foci of training include:

- for Shire councillors – governance training, concentrating particularly on the separation of political and administrative powers and responsibilities, the

ethics of office, and the basics of financial management and accountability;
and

- for Shire staff – leadership, management, service delivery, and community-based work practice training.

Necessary action

The preparation of a detailed inventory of all training and development courses which Shire councillors and staff are presently offered and undertaking.

Appropriate initiatives to ensure:

- that Shire councillor training is specifically related to the Shires and their work rather than of the more generic governance type of training;
- that, beyond the higher level leadership and management training, the training for Shire staff is specifically tailored to the different levels and responsibilities involved, with a mix of skill and knowledge acquisition and personal development;
- that training courses appreciate the use of English is a second or lower order language for many councillors and staff; and
- that training courses recognise Indigenous culture and land ownership as bases of council governance, operations and communication.

Discussion

A Shire CEO stressed the high priority of governance training for elected members, arguing that:

We're now 2 years into it [since the Shire reform] . . . My councillors are saying: "Where's all this governance training that's meant to be on offer?" So it's highly, highly important. Do I want to wait for CDU to scope, then have a look to do a bit more, then think a bit more, then 2 years later they produce a course? No, I haven't got the time now . . . I should not be having to run around trying to find governance training. LGANT, CDU, the ACELG and anybody else who's out there should have over a year ago put together a certificate – whether it's a I or a IV or a VI, I don't really care what the number is. For governance modules when the councils first started, we could have said to our councils, there are these ten modules, we're going to bring the first three in, then you can pick – it should have all been there. And it's not.

Another Shire CEO also commented on the importance of governance training for elected members:

We're coming from that level where it really needed to be lifted from the past to the Shires' governance requirements, which is quite high. There needs to be some

specific courses identified . . . I don't know if there's much that I know of out there, so it would be advantageous for CDU to look at governance training per se, the learning content around the elected member positions. There are other things I know LGANT delivered on elected member training in the past. There's some of that still available, but I think there's lots of other things that could be caught as well.

An identified immediate need is for all councillors to fully understand the separation of powers and the ethics of office and, in the process, as one Shire CEO put it, "to consider the game, not the player". This remark referred to the importance of councillors appreciating the obligations, requirements and commitments of council work rather than personalising matters in their relations with Shire staff such that conflicts and clashes inevitably occur.

Governance training is not as uncomplicated as it would seem at first sight from a "western" or mainstream perspective. The role of elected local government councillors as against that of the appointed administrative staff – put simply as policy versus administration – is a core component of modern local politico-administrative systems, just as it is at other levels of government. It implies a Weberian rationality that confounds Aboriginal ways-of-being in the world. Neo-traditional Aboriginal persons personalise relationships, even in governmental service delivery systems. Indeed, one of the generally accepted problems that debilitates governmental effectiveness in rural-remote Australia is the rapid turnover of administrative service delivery staff, which confuses Aboriginal clients who associate the person with the service. Similarly, the Aboriginal system of "demand-sharing" requires any resources to be shared with kin and affines. This can and does lead to contradictions with the accountability and ethical requirements of formal local government systems.

On the whole range of staff development and training needs, a Shire CEO recognised the central significance of reform and change and the alignment of competencies and operational needs. He argued that:

With the closure of the prior community councils who are now part of this Shire, while at the same time Council is embracing industry reform from government to governance, we are embracing a quantum change . . . This appears to require levels of enlightenment that increased personal development brings; not necessarily academic knowledge but professional experiential learning that is founded on contextual knowledge . . .

I see core competencies for the management alliance tied under a "3D" perspective – the Individual, the Team and the Organisation . . . At this stage I see some core competencies aligned to:

- Strategic planning and project management
- Team motivation and personal development
- Decision making that is holistic/conceptual and impacts considered (i.e. practical, affordable, outcomes, political and risks)
- Interpersonal competence (indigenous and non-indigenous)
- Governance and policy . . .
- Financial and budget management
- Sustainability and clever achievement

- Performance measures and accountability
- Personal and community interests and benefits

He also asked and suggested as follows:

What are the expected outcomes from training for small rural-remote councils? Which is the best path to achieve this? Should it be totally different training than private industry when the industry is becoming more business-like; i.e. outsourcing, technology, outcomes not output driven, HR, and customer focus plus more all require up-skilling. Is it a mix of many factors that will improve delivery, yet we do achieve through people, those with greater personal development/enlightenment are more receptive of new experiences plus gaining competence and importantly applying it; i.e. the difference between training/education and learning. Adult learning needs application and experimental learning not just training.

Another Shire CEO stressed that middle management training is “extremely important”, adding:

Again I’ve waited 2 years to see if anything’s coming out. It’s not, so all my managers are now going on the AIM (Australian Institute of Management) Graduate Diploma in Management . . . It’s the only thing that I could find that was tailored so that they could do 3 or 4 things yearly, tailor it to the workplace and then also do the rest remotely . . . Should I have been able to get that locally? Yes. Have I been able to? No. I would say that’s a 5 [of highest importance] . . . and I’m talking here about things like basic understanding of selection and recruitment, how to manage staff . . .

This CEO appreciated the need for workplace literacy and numeracy training, but said that “We haven’t got into this a huge amount yet”. The reason given was that:

We got inundated with people offering us this at the beginning. The feedback when we’ve talked to both councillors and [community-based] Shire managers, and especially from . . . where it’s worked well, is that people sitting in classrooms doing literacy training just is not working at all. Whether they do it when the trainer comes out to the community, or they come in or whatever, the only time it seems to work is if it’s job-related. If you’ve got a construction job and you now know you need to learn numbers, and it’s done on the job, that seems to work and seems to motivate. So at the moment all we’ve been offered is “we can come on your community and do training”, but we actually don’t want it like that.

This kind of training is especially relevant to community-based staff with specific tasks to perform. As indicated above and confirmed by others, it needs to be provided alongside the development of technical skills of immediate significance to designated tasks at the community level.

Another Shire CEO stressed that the combined focus of technical and literacy/numeracy training needs to be complemented by team building and team awareness training. It is not enough for the relevant staff just to be competent in themselves. They also need to know how to interact with others at work and to appreciate the significance of team work and contributions, including the basics of conflict management and resolution.

In a drive to maximise Indigenous employment in the Shires, the DHLGRS (2010) has drafted a *Discussion Paper* on Indigenous employment in local government. The draft recognises the need for literacy and numeracy training, among a range of other essential training requirements. As appreciated above, such training is best conducted in the workplace and associated with particular tasks of value to communities.

Appropriate administrative and managerial training for staff is also required. In the establishment period of the Shires (not yet entirely over) there was a high degree of staff turnover. This is starting to stabilise. But the Shires, to an extent, operate in competition with each other, as well as with a range of governmental agencies and NGOs, in the skilled labour market of rural-remote Australia. Accordingly, the current incentive is for them to provide in-house rather than accredited training so as to limit the transferability of their staff. Over time, that factor should lessen as the new scale of NT local government becomes more institutionalised. Then there will be a greater emphasis on accredited training, as is the case in Australian local government generally.

Community Relations, Participation and Engagement

Key matters

The importance of:

- appropriate relations between Shire councillors and staff and Indigenous leaders, communities and organisations;
- appropriate relations between Shire councils and established economic interests in their areas, including pastoral production, mining and tourism; and
- active community participation and engagement in Shire decision-making through and beyond the local boards – recognising issues of community incentive, commitment and capacity as affected particularly by language differences, spatial distances, and the Shire councils' limited rate base.

Necessary action

Ongoing research on:

- community perceptions of the governance, responsiveness and services of Shire councils; and
- relations between Shire councils and key stakeholders.

Responses to, including follow-up research on, the findings of the project being commissioned by the DHLGRS and FaHCSIA (2010) on the local boards within the Shires.

Discussion

Preliminary ethnographic research work in two Shires, involving some 200 interviews and surveys with Indigenous and non-Indigenous residents, has addressed community perceptions and expectations of the Shire reform (Michel, 2010). The initial findings, coupled with anecdotal evidence and complementary research carried out in other regions, indicate that relations between Shires and some communities and resident groups are constructive and consensual in some settings, and difficult (even fractious) in others. Although the findings should be treated as preliminary and indicative rather than descriptive, they suggest relatively widespread sentiments of discontent among residents with the Shire reform. This may be an inevitable consequence of the dramatic change following the formation of the Shires.

Importantly, the standards of Shire services do not appear to be a significant point of grievance. Although the surveys on services have been useful in highlighting specific service areas in need of improvement (such as sports and recreation programs and facilities which were commonly reported to be under-resourced), most residents appear to perceive that service standards have remained consistent over time or have even marginally improved since the Shires were established.

In contrast, the complaints most commonly raised by community residents generally concerned issues of governance and communication. Many residents expressed sentiments of loss of community control and ownership over local government institutions and resources, and a lack of effective communication and responsiveness from senior Shire management and headquarters staff.

Many residents, particularly those in majority-Indigenous communities, expressed confusion, frustration and anger about the volatility of policy reform across many government programs (including the Shire reform), and the corresponding lack of community control and oversight. Although Shires themselves have no direct control over many of these programs, this was often not appreciated by residents. This was in part because the Shire reform coincided with the NT Emergency Response. So, Shires appear to have received a large share of the political fallout from decisions made by other tiers of government.

A prominent example involves the recent changes to the community development employment projects (CDEP), a community-based work program designed to develop participants' skills and opportunities for mainstream employment and to facilitate community development. CDEP programs and participants' wages were traditionally administered by the community government councils, and CDEP participants were often used as a subsidised labour pool for the delivery of council-related projects and services. Changes in 2007 prohibited the use by councils of CDEP participants to deliver core local government services. Shires are now required to use fully waged positions to deliver these services. The remaining pool of CDEP participants has begun to receive

payments through Centrelink rather than through a local council. This process has led many individuals to feel they have lost their legitimate jobs providing services for their local communities, and have been forced on to “sit-down money” from Centrelink. Through association, the Shires have received some of the blame for these unpopular changes, and in some communities there are reports of drop-offs in CDEP activities and participation rates.

The ethnographic work in the form of community-based interviews and surveys will continue over the next three years. It will aim to track changes in perceptions about the Shire reform, to work cooperatively with Shire councils and community residents to track areas of service delivery, governance and management in need of improvement, to highlight examples of best practice and positive change, and to work with councils on exploring strategies for improvement over time.

Important related research concerning the work, capacity and support of local boards within the Shires is soon to be undertaken through the DHLGRS and FaHCSIA (2010). The research will complement assessments by Alice Springs staff of the DHLGRS (Holtze & Dalloway, 2010) and the Central Land Council (2010) which addressed matters concerning the responsibilities, representativeness, functioning and legitimacy of selected boards.

Service Planning and Collaboration

Key matters

Future functions and operations of the Shire councils will be profoundly affected by the following interrelated factors:

- demographic, economic, social and ecological changes in their areas over the coming decades;
- their funding relationships with the NT and Australian Governments, as affected considerably by their low proportion of income derived from rates;
- their use as program and service delivery agencies by and for the NT and Australian governments;
- the extent to which they are able to forge collaborative service delivery partnerships with the NT and Australian governments, NGOs and market firms; and
- the extent to which the Local Implementation Plans to which they contribute are able to foster a genuine bottom-up approach to the coordination of service delivery.

Necessary action

Comprehensive research and forecasting work on the effects of population growth, the age, skills and education profiles of Shire residents, the real increases in input costs (eg, energy and building supplies), and the impact of climate change.

An evaluation of the impact on the Shires, both financially and managerially, of the NT and Australian Governments' using them to provide programs and services on their behalf -- particularly under national partnership agreements and for the 20 designated growth towns.

Responses to, including follow-up research on, the service delivery matters addressed in *Report #1* and *Report #2* of the NT Coordinator-General for Remote Services (2009, 2010).

Discussion

The importance of service-oriented planning and research was stressed by a Shire CEO in the following terms:

We want to do a demographic analysis of our community service needs over the next 20 years in regard to aged care, where the aged are going to be, in regard to child care, where the children are going to be. Then also compare that with some of the other Shires to start bringing about two things: equity in allocation based on proper demographic need, and for us to have an understanding of those needs. Now we're not going to be able to do that ourselves, we're going to have to bring someone in to do that . . . CDU could be really useful if they had a social demographic type arm.

The Shires are directly affected by the suite of policies developed by the NT and Australian Governments. Many of these policies are grouped under the NT Government's *Working Future* initiative (including *Closing the Gap*, *Territory Growth Towns* and *Homelands and Outstations*) and the Australian Government-initiated *Remote Service Delivery National Partnership Agreement*.

The NT Government has identified 20 rural and remote Indigenous communities in the NT as future growth towns: see Table 2. Fifteen of these settlements (identified by an * in the Table) are also included in the 29 sites receiving attention under the *Remote Service Delivery National Partnership Agreement*.

As a means of fostering coordination and integration of policies and services in these service delivery centres, the NT Government has appointed a Coordinator-General for Remote Services (CGRS) and established a Service Delivery Coordination Unit in the Department of the Chief Minister. The focus is on the development and delivery of government services in a coordinated way, the bases of collaboration within and across governments and with bodies beyond government, and the measurement of progress towards the national *Closing the Gap* targets in the growth towns (NT Government, 2010).

Table 2: Distribution of the 20 NT Growth Towns Across the Shires

Maningrida* - West Arnhem	Gunbalanya* - West Arnhem	Gapuwiyak* - East Arnhem	Ramingining – East Arnhem
Wadeye* - Victoria Daly	Milingimbi* - East Arnhem	Yuendumu* - Central Desert	Hermannsburg* - MacDonnell
Borroloola - Roper Gulf	Ngukurr* - Roper Gulf	Yirkkala* - East Arnhem	Papunya - MacDonnell
Galiwin'ku* - East Arnhem	Numbulwar* - Roper Gulf	Lajamanu* - Central Desert	Elliott - Barkly
Nguiu* - Tiwi Islands	Angurugu* / Umbakumba* - East Arnhem	Daguragu / Kalkarindji - Victoria Daly	Ali Curung - Barkly

Source: NT Government, 2010; and NT Coordinator-General for Remote Services, 2009.

The CGRS (2009: 9, 18 & 20) has stressed the need for priority attention to be given to the required Local Implementation Plans which are being developed for each growth town. The plan is “the main mechanism to draw together all of the collective effort on the ground”, with account being taken of “the good work already being done by Shires with their Service Delivery Plans, and by other organisations with their specific local plans”. The planning process involves “mapping a baseline of all services and infrastructure; establishing the appropriate standards; and working with local people on a plan to achieve and maintain the desired standards over time.” Several of the plans are almost completed, with inputs having been made by the Shire councils.

A challenge is to ensure ongoing means of coordination and integration that continually include the Shires and meet differing community needs – with a clear sense of purpose that is appreciated by all involved. As a Shire CEO put it:

We’re dealing with growth towns at the moment as you know, and regional service delivery sites. What does that really mean? What are we all working towards? Are we talking standards being the same as anywhere else? How do you get an economy going? Does it rely purely on business investment? There’re land tenure issues that impact on it . . . Yes, that’s a good area of research to get in to. We don’t really know what we’re working towards. All we know is that government policies are there to work with at the moment, but nobody really knows what they want [a particular large remote community], for example, to look like in 20 years’ time – what it needs to look like for it to work. I don’t know. Do you equate it to another town of similar size that is a non-Aboriginal town? Is that the model? I don’t think it is.

Financial and Asset Management

Key matters

A serious shortfall in funding for Shire infrastructure – in line with that for many local governments around Australia.

The importance of resource management knowledge and skills being acquired and applied in the Shire councils.

The staffing, service delivery and accountability implications of present Shire funding cycles and application-based funding.

The considerable financial implications of future leasing arrangements concerning Shire infrastructure on Aboriginal land.

Necessary action

The provision of financial and asset management training to relevant Shire staff – consistent with other training action proposed above.

Responses to, including follow-up research on, the funding cycle and leasing matters addressed in *Report # 2* of the CGRS (2010).

Discussion

A pressing concern of many local governments around Australia is the chronic shortfall in the funding for local government infrastructure. High-profile national reports have highlighted that some local governments are increasingly unable to keep pace with the depreciation of their assets (PWC, 2006; HRSCEFPA, 2003). This issue is arguably even more acute for the NT, where harsher than average climatic conditions, poor operator maintenance capacity, isolation and small organisational scale have made effective asset management more difficult than in other jurisdictions.

For Shires, their ability to manage their assets effectively, as well as to devise and implement long-term financial plans, achieve workforce stability, and consistently deliver services is further hampered by their heavy reliance on volatile grants revenue streams. About two thirds of the budgets of Shires is sourced from program grants, the majority of which is tied income. In the period 2005-08, the volatility of this funding stream for local governments with complete data had a year-on-year mean absolute percentage change of 0.36, which indicates that the average council could expect to have a year-on-year increase or decrease in grants funding of 36 percent. This rate was over 12 times the average level of volatility of Australia's Consumer Price Index (CPI) rate for the same period, and was even more extreme for rural and remote councils with smaller populations. Further, grant revenue volatility in this period was almost evenly bi-directional, meaning that significant grant funding increases for some councils in one year were matched by significant decreases for other councils: see Appendix 3.

Although in the periods 2008-09 and 2009-10 this fiscal dynamic has been less disruptive for Shires (due to real increases in grants revenue and larger organisational scale), most grants funding to Shires continues to be paid in 12-month or even shorter cycles, and is parcelled in a high number of discrete programs. Each of these has its own accountability requirements and transaction costs. There is also uncertainty as to whether current levels of grants funding will be sustained in future periods. All of the factors have an immediate and marked

effect on the capacity of Shire councils to manage their finances and assets and, in the process, to engage in longer term strategic planning.

The CGRS (2009: 22) has stressed the need for Shires as key service providers to be supported appropriately by the NT and Australian Governments. He argues that “Funding cycles need to be lengthened and, where possible, application based funding should be eliminated and acquittal processes streamlined to enable them to get on with the job at hand.” These matters, involving their staffing, service delivery and accountability implications, are addressed in more detail in his (2010) *Report #2*.

Another issue affecting asset management is that many communities serviced by the Shires are located on Aboriginal land and are thus subject to land tenure restrictions as defined by the *Aboriginal Land Rights (Northern Territory) Act 1976*, in particular sections 19 and 19A. An immediate consequence is that local governments operating on Aboriginal land do not have legal tenure over the land on which council buildings and other fixed assets are located. The significance of this matter has been heightened by the Australian Government’s 2007 NT Emergency Response in which compulsory 5-year leases were imposed over most towns on Aboriginal land. This has led to the need for the Shire councils, and the NT Government, to begin negotiating commercial leases with the Federal Office of Township Leasing in relation to those buildings and other fixed assets which they own and use on the land. This is an issue which will remain beyond the expiry of the leases, with considerable financial implications for the Shires. It is another matter addressed in the CGRS’ (2010) *Report #2*.

Workforce Composition

Key matters

The workforce implications of the transformation of the community government councils into the Shire councils.

The Indigenous composition of the Shire council workforce and the consequences of CDEP positions being converted into waged jobs.

The capacity of the Shire councils to recruit and retain qualified staff.

Necessary action

Ongoing research on the factors affecting the ability of the Shire councils to recruit and retain staff.

Responses to, including follow-up research on, the discussions on Indigenous employment in local government in the DHLGRS’ (2010) draft *Discussion Paper* and ACELG’s (2010) *Green Paper*.

Discussion

Based on snapshot payroll data collected for each Shire for various dates in 2009, the total number of staff positions in the Shires was approximately 2,269. This included full-time, part-time and casual positions, but did not count CDEP positions. In the months prior to the Shire reform in July 2008, local government employment in the affected areas totalled an estimated 1657 full-time, part-time and casual positions. Waged and salaried employment positions between the first half of 2008 and 2009 therefore increased by 37 percent (612 positions) (Michel, 2010).

In the seven Shires for which data were available, Indigenous employees constituted about 75 percent of the workforce. Applied at this rate across all Shires, this represents about 1,700 employment positions held by Indigenous people. As a comparison, the NT Government employed 17,827 full-time equivalent staff in the June quarter of 2009, of which 8.1 percent, or about 1,450, were Indigenous (OCPE, 2009: 38; OCPE, 2010).

In the same period, Indigenous representation among management and professional Shire staff averaged about 15 percent (in five of the eight Shires with available data). Indigenous people held about 60 percent of community-based supervisor and team leader staff positions.

Again in the same period, men tended to be over-represented in Shire employment positions compared with the gender composition of the total Shire populations. In all Shires, 45 percent of total employees, 37 per cent of management and professional staff, and 40 per cent of community-based supervisory staff were female.

The total increase in employment positions of 40 percent within their first 12 months of operation was a trend roughly consistent across all Shires. It is hypothesised that this increase is due to four factors:

- the conversion of CDEP positions into waged jobs;
- the expansion of night patrol services;
- an increased local government administrative capacity to effectively hire and retain staff; and
- the expansion of regional and management staff based at headquarters.

In 2007-08, under its *A Better Future for Indigenous Australians* policy, the Australian Government began funding an initiative to convert CDEP positions performing core government services into waged employee positions. Many of these positions were earmarked for local governments, such that from January 2008 local governments were eligible to apply for “CDEP conversion funding” to cover the costs of hiring Indigenous employees who were previously delivering local government services as CDEP participants. After a slow pick-up by the outgoing community government councils during the first six months of the

program, many of the Shires began accessing this funding in earnest from July 2008. It is estimated that this funding pool has created between 250 and 350 additional Indigenous employment positions.

As part of the Australian Government's NT Emergency Response policy package in 2007, significant additional funding for night patrol and community patrol services was offered to local governments. Similar to the CDEP conversion funding, the additional night patrol funding was offered to councils prior to July 2008. However, due to organisational strains caused by the Shire reform, difficulties in promptly recruiting new staff, training requirements and other related labour market stickiness, many of the new positions in this service were not filled until the second half of 2008 or later.

Further analytical work on local government payrolls is needed to precisely quantify the total employment effect of this policy. However, its estimated employment impact is between 150 and 250 new staff positions, the large majority of which have been filled by Indigenous people.

Some Shire management staff have contended that a significant reason for the recent increase in employment has been the increased administrative capacity and realisation of economies of scope of the Shires. Because each Shire now has dedicated human resources staff, regional support staff, industry-standard codes of conduct, standardised pay and entitlement conditions, training opportunities and more professional corporate service functions, there is a greater organisational capacity to fill positions and retain staff.

It is difficult to quantify this effect or isolate its causality in the absence of relevant research. Nonetheless, it appears to have created between 50 and 100 new (and occupied) employment positions in the NT's local government sector.

A significant difference between the previous community government councils and the present Shires is the geographic scope of service delivery. Whereas most of the former councils were responsible for delivering services in one community or a relatively close cluster of communities, Shires are now responsible for delivering services in communities that may be hundreds of kilometres apart. In many cases, Shires have responded to this operational challenge by creating regional service positions (such as for night patrol, CDEP, etc), and lobbying funding agencies to provide additional support for these regional positions.

All Shires have established centralised headquarters since July 2008. In some cases, employees have transferred from community government council centres to take up employment with the Shires; or, as in the Barkly, Tiwi Islands and Roper Gulf Shires, existing headquarters facilities have been expanded to accommodate more staff and functions. During this process, some new positions have been created, such as the CEO and Directors of Technical, Infrastructure, Community and/or Corporate Services. These positions have been additional to the pre-July 2008 community-based CEO/town clerk positions (which have been transitioned into the Shire Services Manager positions). Other new headquarters

positions, such as Grants Coordinator or Human Resources Manager, generally did not exist under the CGC corporate structures.

A corollary of the increase in organisational size and the creation of these new positions is the ability of Shire councils to attract more professional, qualified and experienced staff into key management roles in their headquarters. This has arguably improved their administrative capacity, organisational resilience, and service delivery performance.

It appears that the cost of creating additional headquarters positions have largely been met by additional funding, a re-allocation of expenditure (eg, away from sub-contracted human resources services or corporate/accountancy services), and/or reduced employment positions in community service delivery centres. Because of this shuffling of fiscal resources and personnel, it is difficult accurately to measure to what extent the establishment of Shire headquarters has impacted on employment levels, and whether this has been at a net cost to the councils. A preliminary estimate is that this factor is responsible for 25-50 new positions.

Several of the matters raised here are in keeping with the discussions on Indigenous employment in local government in the DHLGRS' (2010) draft *Discussion Paper* and ACELG's (2010) *Green Paper*.

Economies of Scale

Key matters

An array of factors serve to inhibit the Shire councils in achieving economies of scale or cost reductions per unit of service output.

The relationship between the financial performance of Shire councils (as measured by operating surplus and total surplus ratios, as well as other financial ratios and quantitative measures) and the scale of their operations (as measured by population size and revenue size).

Necessary action

Comprehensive analyses of economies of scale arguments and the likely future financial and structural consequences for the Shires.

Discussion

Most arguments of local government amalgamation turn on the economies of scale hypothesis. Studies have cast doubt on this case for amalgamation (Allan, 2003; Dollery & Crase, 2004). Preliminary observations and analyses support the academic literature and also cast doubt on the ability of the Shire councils to achieve economies of scale or cost reductions per unit of service output.

Theoretically, Shires have some opportunity to economise due to their increased scale such as through an increased purchasing power, an ability to streamline administrative functions, and a more efficient use of capital equipment. However, there are arguably a large number of factors that will serve to inhibit economies of scale being reached for many years to come – if at all. These factors include:

- significant reform implementation and start-up costs (eg, the establishment of new business systems);
- an infrastructure replacement backlog for Shires that may amount to hundreds of millions of dollars;
- increased total employee costs, particularly regarding new senior management positions;
- increased governance and service coordination costs, driven by the geographically large sizes of the Shires;
- the limited scope for per unit cost savings to be achieved in locally-delivered, people-oriented services;
- the instability of revenue streams (see Appendix 3), which makes long-term process efficiencies more difficult to achieve; and
- strong political expectations for Shires to improve service standards rather than find cost savings.

Preliminary statistical analysis of financial data for the NT local government sector for the period 2005-08 indicates there was no statistically significant relationship between councils' financial performance (as measured by operating surplus and total surplus ratios) and the scale of their operations (as measured by population size and revenue size) (Michel, 2010). It is hypothesised that for the Shires, factors such as isolation and population dispersion are more significant drivers of per unit costs than scale.

Other ACELG Programs and their relevance to the Shires

The ongoing needs and challenges of the Shire councils offer considerable scope for ACELG, CDU and other institutions to contribute to an array of activities of significance to their future well being. The particular contribution in each case is appropriately determined as part of a national strategy that seeks to bring together key players within and across governmental, community and market jurisdictions.

Possible activities are outlined here in broad terms under each of ACELG's other five Program titles. They complement or confirm the importance of necessary action already proposed in the Study.

Research and Policy Foresight

Promote research on the effects and outcomes of the Shire reform, including an analysis of the long-term sustainability of the Shires from financial, infrastructural, administrative, political and cultural perspectives. In addition to analytical work on whether the amalgamation process has led to increased economies of scope and scale, analyses are also needed of the political and cultural effects of the reform, including those applicable to Indigenous/non-Indigenous intercultural complexities.

Foster comparative analyses of the similarities and differences in the challenges faced by rural-remote councils in the NT and in other jurisdictions – drawing on, but extending beyond, the NT, Western Australian and Queensland Scoping Studies.

Promote research and policy discussions on topical and strategic matters as identified by Shire councils and other stakeholders, including the patterns and implications of grants revenue volatility for rural-remote councils, and forecasted service delivery demands on councils based on future socio-demographic developments.

Innovation and Best Practice

Identify best practice modes of service delivery and governance in rural and remote areas – across the NT, Australia and internationally.

Identify appropriate community consultation and communication tools (such as culturally appropriate surveys and group interview tools) related to the measurement of service delivery standards and satisfaction with governance arrangements.

Establish an evaluation, benchmarking and organisational learning framework for governance and service delivery – for application by the Shires.

Foster networks of information-sharing and knowledge transfer within and beyond the NT local government sector in partnership with relevant local government associations and related bodies throughout Australia.

Governance and Strategic Leadership

Provide support and educational resources for governance training for Shire councillors -- with a focus on matters already addressed in the Study, along with an appreciation of issues and experience elsewhere in Australia and the importance of such training being role-specific

Communicate all relevant research, policy and best practice developments to Shire councillors, staff and other sectoral stakeholders with the aim of enhancing the strategic knowledge, capacity and public accountability of the local government sector.

Organisation Capacity Building

Assist in formulating and enacting necessary means of enhancing capacity within the Shire councils in relation to structures, management practices, service delivery, training and educational pathways -- with material tailored to the particular socio-political contexts within which they work.

Provide support to the Shires councils and their local boards with regard to their governance systems and decision-making – in line with forthcoming findings of the project on local boards commissioned by the DHLGRS and FaHCSIA (2010).

Workforce Development

Consistent with training and educational action already proposed, prepare an inventory of courses presently available and being studied within and beyond the Shire councils – with details on course accessibility, content, modes of delivery, and expected outcomes.

Identify, and propose responses to, the particular training and educational needs of Indigenous staff -- in line with the discussions on Indigenous employment in local government in the DHLGRS' (2010) draft *Discussion Paper* and ACELG's (2010) *Green Paper*.

Conclusion

This Study, in scoping the needs and challenges of Shire councils, confirms that there is much to be done and achieved. There are considerable opportunities for ACELG, CDU and numerous other institutions to contribute soundly to an array of activities of significance to the future management and prosperity of the councils. The contributions are appropriately founded in a national strategy aimed at ensuring comprehensive collaborative action. Such action must appreciate the special environments in which the councils operate, while also recognising the great value of research, developments and learning across and beyond the local government sector as an essential partner in the country's social and economic progress.

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