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## Regional Cooperation and Shared Services

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# Regional Cooperation and Shared Services: Reflections from ‘Wales Down Under’

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# Introduction

Like Wales, Australia has experienced intense (and repeated) debates about the ‘right’ approach to structural reform of local government and, in that context, the respective merits of council amalgamations on the one hand, and expanded regional cooperation and shared services on the other. Most recently, the spotlight has been on the State of New South Wales (NSW). As in Wales itself, government moves for widespread amalgamations have been set aside (albeit after some were forced through) and the focus has shifted to introducing new models of regional collaboration. This short paper therefore seeks to complement the Public Policy Institute’s latest report on shared services (Johnson and Williams, 2017) with some related observations from ‘Wales Down Under’.

## Context

The number of local governments across NSW has declined steadily over the past century from 324 in 1910 to 132 today. This is principally the result of amalgamations enforced from time to time by State governments, usually based on (quasi) independent reviews or inquiries of some sort. A range of forces have been at work: consolidation of very small urban and (in population as opposed to geography) rural municipalities; creating more substantial regional centres by joining the central town or city with surrounding shires; and the pursuit of financial sustainability, efficiency and effectiveness.

Despite these changes, compared to Wales NSW retains a large number of local governments relative to its population of 7.8 million. This is largely a consequence of the thinly spread population across inland regions, but even in the Sydney metropolitan area there are still 33 councils to serve just under 5 million people, and 14 have populations of less than 100,000. Resistance to amalgamations has been ferocious. In 2015 the NSW government proposed using its almost absolute legislative power to reduce the number of councils in the state from 152 to around 110. But following intense political opposition and legal challenges it has only achieved a reduction to 129, and there remains the possibility of moves to de-amalgamate in some cases.

A fundamental gap in the amalgamation debate has been the lack of any agreed policy on the role local government is expected to play into the future. On average, NSW councils are more than 80% self-funded, chiefly from property rates (all of which are retained locally), plus service



fees and charges. Grants from both state and federal governments are very important for many rural and remote shires. These funding sources are generally reliable and well matched to local government's fairly limited range of functions: NSW councils have few if any responsibilities in education, social welfare and policing.

Thus local government in NSW (and across Australia) does not face the 'burning platform' of austerity afflicting many councils in the United Kingdom. Indeed, over recent decades NSW councils have greatly increased their involvement in areas such as environmental management, strategic planning, and economic and community development, adding extensively to their 'traditional' functions in municipal services and regulation.

But this evolution is taking place without any overarching policy framework, or any compact between state and local governments on how their respective roles and responsibilities might further develop and inter-relate in response to changing needs and circumstances. The state-local relationship in NSW is marked by tension and niggling conflict, with almost no architecture for meaningful exchanges on policy issues. Notably, neither side of the fence has articulated the obvious potential of increasingly large, well-resourced metropolitan and regional councils to play an expanded role and become valued partners of state agencies in addressing 21st century challenges.

## Alternative Approaches to 'Consolidation'

In 2010-11 the Australian Centre of Excellence for Local Government (ACELG) undertook a nationwide review of experience with different forms of local government 'consolidation' (summarised in Aulich, Sansom and McKinlay 2013). It sought to identify the relative merits of amalgamations; boundary adjustments (i.e. partial mergers, typically to expand urban boundaries); systematic resource sharing/shared services; and less structured regional collaboration (typically focused on limited joint planning and 'special projects'). These alternative forms of consolidation were assessed against the objectives of efficiency and savings through economies of scale; development of 'strategic capacity' (pursuing economies of scope and the potential for larger units to improve the capacity and viability of local governments); improvements and innovation in service delivery; and minimising the risk to local democracy and identity. The results are summarised in the table below.



**Table 1: Summary attributes of different forms of consolidation**

	<b>Amalgamation</b>	<b>Boundary change</b>	<b>Shared services</b>	<b>Regional collaboration</b>
<b>Efficiency and economies of scale</b>	Strong link	Potentially strong link, subject to size/disposition of re-shaped councils	Strong link	Weak link
<b>Strategic capacity</b>	Strong link	As above – benefits will flow to larger ‘new’ council(s)	Potential medium to strong link, subject to organisational structure and governance	Weak link
<b>Service improvement and innovation</b>	Strong link	As above	Strong link, but limited to those services that are effectively shared	Potential link, subject to nature and scope of collaboration
<b>Potential diminution of local democracy</b>	Distinct risk, but can be managed	Some risk, depending on nature of ‘new’ councils, but can be managed	Risk where shared services are extensive and decision-making is ceded to a joint authority – may be difficult to manage	Little or no risk

Source: Australian Centre of Excellence for Local Government (ACELG) (2011: 7).



ACELG concluded as follows (2011: 10-11):

‘...consolidation provides important opportunities to capture economies of scope and enhance the strategic capacity of local government. Economies of scope increase the capacity of councils to undertake new functions and deliver new or improved services that previously were not possible. Significantly, they enable councils to shift their focus towards a more strategic view of their operations... Enhanced strategic capacity appears essential to local government’s long term success as a valued partner in the system of government, and this emerged as probably the most important issue for councils to consider in examining different modes of consolidation...’.

Whilst ACELG went on to suggest that amalgamations seemed to be the most effective form of consolidation in terms of enhancing the strategic capacity of both individual councils and the local government sector as a whole, its findings certainly indicate that much can also be achieved through robust regional cooperation, including shared services. The next section explores that potential in more detail.

## Regional Collaboration and Shared Services

There is a long history of regional cooperation, resource sharing and shared service delivery amongst NSW councils. Voluntary regional cooperation was first encouraged by the Whitlam federal government in the mid-1970s, and again by the Hawke-Keating governments in the 1980s and early 1990s. Regional Organisations of Councils (ROCs) took root across considerable parts of NSW and an extension of their role has been widely promoted as an alternative to council amalgamations. Intriguingly, the same does not apply to ‘County Councils’ – statutory arms-length entities of groups of councils which have operated over many years across various areas of local government service delivery including water supply, floodplain protection and (but no longer) electricity reticulation. Rejection of the County Council model seems to reflect concerns about the potential for ministerial intervention: as purely voluntary bodies ROCs are valued as being beyond the reach of state government supervision.

Advocates of regional cooperation argue that a well-established regional organisation undertaking a range of shared services, joint strategic planning and special projects can achieve significant cost savings and service improvements, develop additional strategic capacity, and at the same time retain the benefits of smaller councils – in particular a high



level of local political representation and responsiveness to community needs. However, this would seem to require something more robust than the current ROCs. A recent assessment of their effectiveness found that:

...the delivery of shared services by ROCs remains patchy and uneven. This reflects the disparate size, number and wealth of participating councils, as well as variations in factors such as the level of commitment and institutional leadership involved. These factors apply to all forms of shared services activity (Gooding Davies 2012, p.1).

Dollery et al. (2012) have provided a thorough review of various models of regional collaboration and shared services in Australian local government, including case studies from NSW. Their 'central policy implication' is that: '...structural change aimed at enhancing that efficiency and effectiveness of local government should focus on fostering shared services arrangements for specific kinds of local government services and functions rather than on the blunt instrument of forced amalgamation' (Dollery et al., 2012: 248-249). However, the closing paragraph of their book suggests significant limits to what shared services can achieve:

(While we)... have concluded that shared service arrangements have a vital role to play in Australian local government, it is important not to 'oversell' this message by way of exaggerated claims for what shared services models can realistically achieve... like all instruments of public policy, shared services models have their limitations which must be recognised. (Dollery et al., 2012: 251).

In a similar vein, Dollery, Grant and Crase (2011) have pointed out that the success of regional arrangements depends on a complex range of factors that go well beyond relatively straightforward issues of service delivery:



While... reports advocated shared service models almost entirely on the basis of their economic and technological characteristics, some academic commentators have been more cautious, arguing that intangible political and social elements are equally important... Dollery and Akimov (2008) argued that while shared service arrangements can improve the efficiency of local service provision, the degree of success varied considerably from case to case, and did not seem to depend on the characteristics of the services in question... Moreover, [they] observed that there are often significant barriers to the implementation of shared service arrangements, which are difficult to overcome, including the loss of 'local identity', the complexity of the processes involved, conflicting objectives between participating councils and uncertainty surrounding potential benefits. (Dollery et al., 2012: 161-162).

In New South Wales, the history and, after only a few years of operation, failure of the New England Strategic Alliance of Councils (NESAC) highlights what can happen when the foundations of regional cooperation and shared services are insecure. NESAC was a partnership of four councils established principally to stave off threatened amalgamations. Its charter was non-binding; there was a lack of trust between the parties; and from the outset operational and governance arrangements were problematic (see Dollery, Grant and Kortt 2012: 197-207).

A more robust type of resource sharing – the 'Joint Board' – has been advanced by Dollery and Johnson (2007). This model takes a significant step beyond less structured forms of regional collaboration. It involves:

...the retention of autonomous existing councils and their current spatial boundaries, but with a shared administration and operations overseen by a joint board of elected councillors from each of the member municipalities. In essence, constituent councils would each retain their current political independence, thus preserving extant local democracy, while simultaneously merging their administrative staff and resources into a single enlarged bureau, in an attempt to reap any scale economies, scope economies, or other benefits that may derive from a larger aggregated administration (Dollery and Johnson, 2007: 200).

In practice, the 'Joint Board' would seem to fall little short of amalgamation. Key differences are the retention of elected councils for existing local government areas, and (implicit) reliance solely on voluntary action. The model has yet to be implemented in Australia, but there are



examples in Britain, notably the Dorset Councils Partnership and the Christchurch-East Dorset Partnership, each of which has a fully integrated administration serving 3 and 2 councils respectively.

These issues and options were revisited in 2012-13 by the NSW Independent Local Government Review Panel (ILGRP). It was appointed by the state government to formulate options for governance models, structures and boundary changes that would improve the strength and effectiveness of local government. The Panel concluded that stronger regional cooperation should be a central plank of local government reform:

This will enhance the role of councils and facilitate more productive State-local relations, especially in strategic planning, economic development, infrastructure provision and service delivery. Thus the Panel's objective is to create a robust but flexible framework within which councils can negotiate the establishment of statutory regional organisations that will undertake strategic planning and other joint activities, and provide a platform for much more extensive and effective State-local dialogue and cooperation (ILGRP, 2013: 79).

Importantly, the Panel thus positioned regional cooperation and shared services within a broader framework of regional governance and state-local relations.

The Panel proposed legislation (building on some of the existing provisions for County Councils) that would require all councils to become active members of statutory 'Joint Organisations' within defined regional boundaries, and that would mandate certain core functions of those organisations, including shared services. However, detailing those functions and determining what other activities the organisation would undertake, as well as governance and funding frameworks, would be matters for negotiation amongst the member councils and with the state minister. Once negotiations were complete, the agreed approach would be set out in a separate proclamation (constitution) for each organisation – there would be no centrally imposed 'one size fits all'.

To complement establishment of Joint Organisations, the Panel also proposed that legislation should require opportunities for regional cooperation to be addressed in each council's individual strategic planning processes and documents, including a requirement to identify regional issues and consult with neighbours before adopting plans and budgets.

The state government adopted substantial elements of the Panel's proposals, and draft legislation has been prepared, although at the time of writing it had yet to see the light of day. However, the government decided against making it mandatory for Joint Organisations to implement a package of shared services, and completely ruled out Joint Organisations in



metropolitan Sydney because it did not want regional cooperation to become an alternative to amalgamations. Given that only half of the proposed amalgamations of councils in Sydney have been completed, it will be interesting to see if some form of regional cooperation is now mandated or encouraged so as to bring more coherence to the ‘patchwork quilt’ of large and small councils that now constitutes local government in Australia’s largest metropolitan region.

## Local Democracy, Identity and Employment

Opposition to amalgamations commonly draws on concerns that they will bring about a severe loss of democratic representation and community identity. This fear is heightened by the tight limits placed on numbers of councillors. In NSW legislation prescribes a maximum of fifteen, and except for the most populous areas 7-12 is typical. The limit of 15 has been retained despite the fact that councillors are only part-time and a growing number of councils have populations of 200,000 or more, with several heading towards 500,000.

As noted earlier, the ACELG research into consolidation found that concerns about local democracy and identity can also arise from moves towards more robust and structured forms of regional cooperation, resource sharing and shared services. In NSW regional cooperation has been advanced as an alternative to amalgamations, but equally it is widely regarded as a dangerous stepping-stone towards the same outcome, and may be resisted accordingly.

Either way, when councils cede significant authority to regional organisations in order to reap the benefits of economies of scale and scope, both councillors and communities are prone to worry about loss of local autonomy – having less decision-making authority and choice concerning policies, programs and the way services are delivered. In NSW, this has resulted in strict and often undue limits being placed on the scope of operations of regional bodies – as indicated by the findings of Gooding Davies (2012) concerning the patchy roles of ROCs. Even the state’s ‘best practice’ examples of regional collaboration reveal little if any shared services activity in participating councils’ core administration, asset management and service delivery.

This also reflects concerns that resource sharing is primarily about cutting expenditure and hence down-sizing, and that jobs will be lost, especially outside the main regional centres. In response, some NSW regions have shown interest in the concept of ‘centres of excellence’ – pooling expertise and resources regionally, but having each participating council house or lead a distinctive area of specialisation.



Another factor in NSW is the lack of any legislative framework to establish neighbourhood- or district-based bodies along the lines of community and town councils in Wales. There is nothing in the Local Government Act to prevent a council establishing community-based entities and delegating responsibilities to them, and this is fairly common. However, there are no provisions for requiring councils to consider the need for such entities, for the functions they may or must perform, for communities to request their establishment, nor for the election of members. This gap in the system of local governance may well amplify concerns about loss of identity and representation occurring as a result of either amalgamations or more concerted regional cooperation. The ILGRP accordingly proposed that legislation provide for the option of fully or partly elected community boards, based on the New Zealand model, but this was strongly resisted and no action has been taken. By contrast, a regional model for Wales might be complemented by strengthening its system of community and town councils as a guarantor of ‘truly local’ democracy with a significant ongoing measure of self-determination.

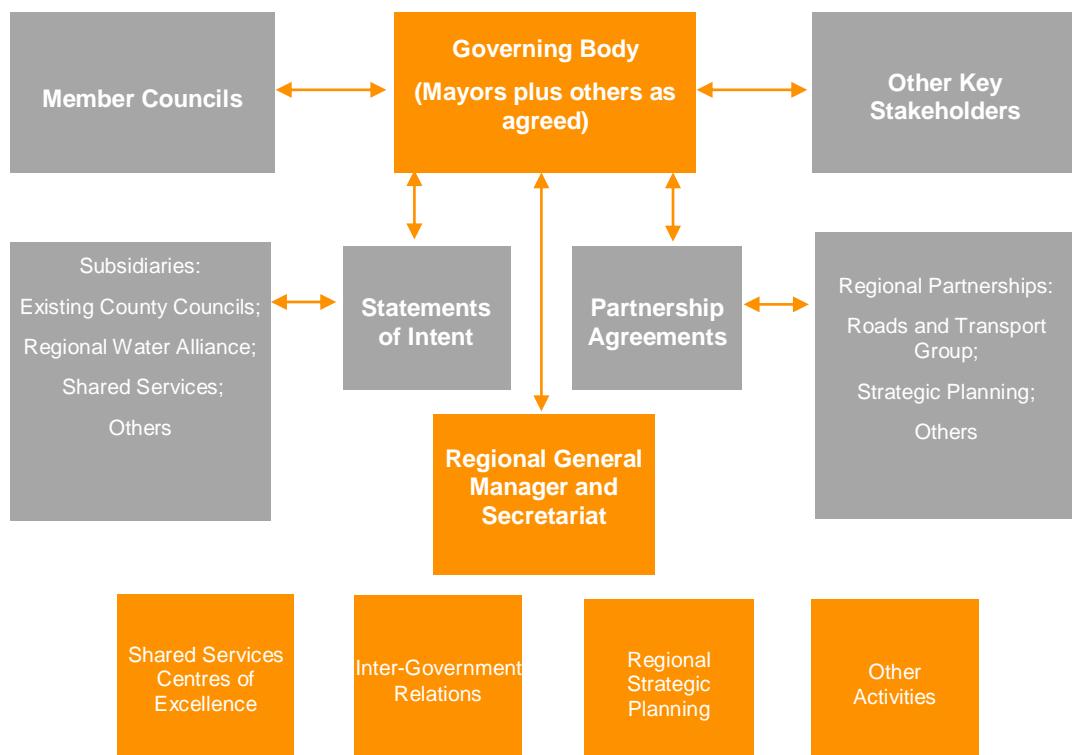
## Conclusions

New South Wales has a long history of voluntary Regional Organisations of Councils and statutory County Councils, and this offers a rich mine of experience. Firstly, it suggests that consistent and concerted regional cooperation can achieve many of the benefits otherwise sought through council amalgamations – although probably not to the same degree. Importantly, regional cooperation can underpin a stronger role and enhanced status for local government by demonstrating the scope for councils collectively to make a valuable contribution towards ‘bigger picture’ agendas. This is, of course, one of the key benefits being sought through Combined Authorities and Devolution Deals in Britain.

To deliver significant ongoing benefits, regional cooperation must extend beyond joint projects and shared commissioning or delivery of selected services. It should also include strategic planning, wider resource sharing (staff, knowledge, expertise) and collective engagement with key stakeholders. Shared services should thus form part of a broader framework of collaborative, multi-functional regional governance. Again, this conclusion mirrors the approach being taken through the establishment of Combined Authorities. The NSW ILGRP suggested arrangements along the lines shown in Figure 1 below.



**Figure 1: Joint Organisation Model suggested by the NSW Independent Local Government Review Panel**



While resource sharing and shared service delivery are undoubtedly one means of achieving efficiencies and cost savings, it is preferable to focus on the benefits of regional cooperation in terms of strengthening local government and freeing-up resources to provide better services, and for councils to play a broader role in the overall system of government. This will greatly enhance the chances of lasting collaboration, but requires an overarching policy framework and shared understanding between local and central government on how their respective roles will need to evolve and inter-relate over coming decades.

Regional cooperation also requires legislation that provides a secure but flexible framework for collaboration – preferably not only amongst participating councils but also with central government agencies. In formulating such legislation, it is important (but not always easy) to find the right balance between necessary prescription and flexible implementation that maintains a high level of local and regional autonomy, as well as room for innovation.

Particular attention needs to be paid to the governance framework of regional bodies. Maintaining adequate political oversight and involving elected members, especially in policy, planning and advocacy, is crucial both for good governance and to build trust between

participating councils. At the same time, skills-based sub-boards are desirable to oversee commissioning, routine operations and any commercial ventures.

The suspicion that resource sharing is really a stepping-stone to unwanted amalgamations may also have to be addressed, as would broader concerns about loss of local identity and autonomy. Compromise is often essential and an agreed way forward may involve sub-optimal outcomes in terms of the efficiency and effectiveness of regional arrangements. Consideration should be given to complementary measures to enhance democracy at the truly local, sub-council level.

In an era of budget cuts and social enterprise, enabling shared service delivery that also extends to collaboration with community-based organisations, and creating appropriate mechanisms to do so, is highly desirable. In NSW this is well established, albeit patchy, practice on the part of individual councils, but tends to be a gap at the regional level. A legislative prompt and framework for considering options could prove helpful.

Finally, promoting regional cooperation and shared services requires consistent involvement action over an extended period by both central government and the local government association. Central government's key roles are to develop suitable legislation, and to provide necessary support and oversight to get regional bodies up and running, and to keep them on track. Local government associations can be both a steward of moves to shared services and in some cases a provider. The NSW association ('Local Government NSW') is active in procurement, legal services, industrial relations, and insurance.

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