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An Analytical Evaluation of New Models of Local Government Service Provision in Regional New South Wales*

Brian Dollery, Neil Marshall and Tony Sorensen**

Abstract

Intense financial pressure and threats of dissolution through amalgamation in local government structural reform programs have forced regional and rural councils across Australia to consider new organizational arrangements for service delivery. As a consequence, an ingenious array of institutional models has been developed and implemented over the recent past. However, the very spontaneity that has engendered this remarkable process has meant that it has occurred across non-metropolitan Australia often with councils or groups of councils arriving at similar solutions to common problems in ignorance of the efforts of other local authorities. This paper seeks to place selected new models of municipal service delivery in New South Wales in the analytical context of the taxonomy of alternative generic models advanced by Dollery and Johnson (2005) and then assess their main characteristics.

Key Words: Australia; governance models; local government; New South Wales

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1. Introduction

The quest for improved operational efficiency in Australian local government has a long and chequered history stretching back to the early nineteenth century (Vince 1997). Policy makers have employed a variety of policy instruments over the years with varying degrees of success. However, during the past fifteen years three primary engines of reform have been employed. In the first place, state and territory governments have sought to enhance municipal efficiency by modernising their respective Local Government Acts in the hope that greater legislative latitude would bestow municipalities with increased flexibility thus enabling them to adapt more readily to changed circumstances. The chief rationale for this course of action seems to have derived from the doctrines associated with New Public Management (NPM) (Dollery and Wallis, 2001), much of which echoed the experience of British local government where legislative reform attempted to ‘encourage local authorities to adopt a strategic community leadership role and has given them the powers to promote the economic, social and environmental well-being of their communities’ (Cole, 2003, p. 184). Apart from imbuing councils with the ‘freedom to manage’, the NPM philosophy also stressed the importance of market mechanisms and the role of competitive forces in service delivery.

Secondly, and in somewhat paradoxical contrast to this development, Australian Commonwealth and state governments have attempted to shape the conduct of councils through prescriptive statutory strictures and mandated intergovernmental grants on both the manner in which local authorities undertake their activities and the range of services provided. This trend has simultaneously given rise to the phenomenon of ‘cost shifting’ where additional compulsory responsibilities placed on local government are either under funded or not funded at all (Hawker Report, 2004).

Finally, state and territory governments have embarked on programs of structural reform of differing degrees of severity that have involved municipal amalgamation, especially in regional, rural and remote areas of the country. Over the past fifteen years, South Australia, Victoria, Tasmania, and most recently New South Wales, have all witnessed extensive municipal restructuring often relying on council consolidation that have illustrated the enduring belief by Australian state and territory policy makers that ‘bigger is better’ in local governance (Dollery and Crase, 2004). In contrast to the Victorian experience, which relied almost exclusively on ‘top-down’ enforced amalgamation, growing scepticism over the disappointing economic, political and social outcomes of council amalgamations has seen less heavy-handed state government prescription in more recent episodes of structural reform. For instance, although in only their early stages, the ongoing local government reform programs in both Queensland and Western Australia do not yet contain any suggestion of compulsory amalgamation.

In addition to these deliberate attempts by policy makers to manipulate the behaviour of the different Australian local government systems, perhaps the most decisive recent influence on municipal councils has been mounting financial pressures that are the unintended consequence of several different forces acting in concert. The Commonwealth

Grants Commission (CGC 2001, pp.52-53) has identified five main reasons for the acute level of financial stress faced by many local authorities, especially in non-metropolitan areas. These factors include the devolution of responsibility for service delivery from higher tiers of government; 'cost shifting'; increasing the complexity and standard of local government services by state governments; 'raised community expectations' of municipal services; and 'policy choice' involving the voluntary improvement and expansion of municipal services. Moreover, Andrew Johnson (2003) has argued that councils have also added to these financial problems by artificially holding their rates and charges at unsustainably low levels.

Together with the tripartite impetus provided by public policy, these financial pressures have induced regional, rural and remote councils across Australia to re-examine the services they provide and the methods of service delivery. A remarkable consequence of this process has been the development of literally dozens of new institutional arrangements involving groups of local authorities that seek to improve the range and quality of municipal services and reduce the costs of service provision. Much of this effort has been concentrated in non-metropolitan areas of the country and considerable ingenuity has been invested in creating governance structures that attempt to reap cost savings through mutual service provision despite the inevitable constraints imposed by the tyranny of distance.

A surprising feature of these new developments has been their comparative neglect in the academic literature on Australian local government. Nonetheless, it is possible to identify a small, but growing body of scholarly writings on the issue. Theoretical dimensions of the problem have been considered by Dollery and Johnson (2005a) who have postulated a taxonomy of alternative models for Australian local government. Similarly, the Local Government Association of Queensland (2005) has set out a different typology of institutional arrangements. A nascent empirical literature has been devoted to the analysis of particular models that have actually been implemented in practice or simply proposed as suitable candidates for implementation. The former category embraces work on regional organizations of councils (Dollery, Johnson, Marshall and Witherby 2005), the Armidale Dumaresq/Guyra/Uralla/Walcha Strategic Alliance Model (Dollery, Burns and Johnson 2005), the Wellington Strategic Alliance (Dollery and Ramsland, 2005) and the Walkerville model (Dollery and Byrnes, 2005). Studies on proposed models include ad hoc resource sharing models (Ernst and Young, 1993), virtual local governments (Allan 2001; 2003; Dollery 2003), joint board models (Thornton, 1995; Shires Association of NSW, 2004; Dollery and Johnson, 2005b), the Co-operative Model (Gilgandra Shire Council, 2005; Dollery, Moppett and Crase, 2005), and agency models (Dollery and Johnson 2005a). The present paper seeks to contribute towards the embryonic theoretical literature on the topic by examining some representative examples of existing models that have been applied in country NSW, identifying their major characteristics and then considering why these characteristics have led to their implementation.

The paper itself is divided into four main sections. Section 2 provides a synoptic review of the theoretical literature on alternative models of Australian local government. Section

3 outlines the chief features of three representative models that have been adopted in the regional areas of NSW. Section 4 attempts to distil the principal characteristics of these models. The paper concludes in section 5 with a brief assessment of why these characteristics may have predisposed councils to implement the models in question.

2. Conceptual Models of Australian Local Government

In his seminal *Fiscal Federalism*, Wallace Oates (1972) developed the modern theory of fiscal federalism from neoclassical microeconomic foundations in a normative attempt to prescribe how various functions should be allocated across the different tiers of government in a decentralised system and a positive attempt to explain the existing distribution of governmental activity in different real-world federal societies. Together with the public choice perspective on competitive federalism originating with the work of Charles Tiebout (1956), this analysis has formed the basis for the economic analysis of federalism since its inception. The Oates' model of federalism has generated a number of very useful conceptual rules to guide the efficacious distribution of governmental functions in the design of public institutions, including the 'correspondence principle' and the notion of 'benefit regions'. In essence, the correspondence principle holds that to ensure allocative efficiency, local expenditure should be financed by local taxes, and this proposition underlies analysis of the problem of vertical and horizontal fiscal imbalance in actual federal systems of governance. The related concept of benefit regions suggests that multitudinous functions be allocated between the different tiers of government in accordance with the size of the benefit region of any given functions. Thus public services with a limited spatial incidence should fall under the auspices of local government.

Since many public services with different sociological and technological characteristics will have different and overlapping benefit regions, this has led some scholars to construct models designed to capture this feature of public service provision and prescribe rules that distribute functions between alternative levels of government accordingly. By considering the cost attributes of the myriad of different public goods and services delivered by public agencies in advanced nations as well as harnessing the power of competition between different jurisdictions in federal countries, writers in this mould have constructed models that prescribe the allocation of functions between public agencies.

For instance, adopting the insight that the economic efficiency of federal systems of governance can be enhanced 'if the market for government services were opened up for competitive public jurisdictions focusing on the production of particular services instead of yielding power over a particular territory', Frey and Eichenberger (1999, p.3) developed a model of federalism based on 'Functional, Overlapping and Competing Jurisdictions' (FOCJ) that comprise political authorities whose size corresponds to the specific tasks that they undertake, such as electric power generation, public transport, and water and waste water treatment. Moreover, Frey and Eichenberger (1995) argue that the FOCJ approach enjoys several strong advantages. These include the fact that since they deal with the provision of specific services, FOCJ accrue any attendant economies of scale and minimise any externalities; FOCJ overlap so that individual households can

belong to several different FOCJ thereby allowing for greater choice; FOCJ compete with each other thus improving the cost effectiveness of service provision; and FOCJ form jurisdictions with assigned revenue-raising and regulatory authority that individuals or communities can enter or exit depending on the performance of an FOCJ.

While theoretical models of the kind advanced by Frey and Eichenberger (1995; 1999) possess very desirable efficiency characteristics, their application to real-world federal systems of government is obviously limited by constitutional and other constraints on the division of governmental functions. However, within these confines there is still often a surprising degree of latitude for restructuring the allocation of functions between the different tiers of government. For example, in contemporary Australian federalism there are various signs that something at least approaching the FOCJ model is being implemented. For instance, in various cases where state governments previously provided a service, this service provision has been withdrawn, typically in rural and remote areas. Accordingly, shire councils have either voluntarily taken over service provision in these circumstances or been delegated as proxy service providers by the respective state governments. The provision of medical services through local general practitioners in small country towns is a well-publicized example of this genre of services. In addition, the Commonwealth government has recently begun bypassing state governments and dealing directly with local governments where it finances services (Dollery, 2005). Along analogous lines, as we shall see, some of the new co-operative structural arrangements between neighbouring municipal councils to provide specified service in non-metropolitan areas seem to exhibit at least some features of the FOCJ model.

Two theoretical efforts aimed at classifying Australian local governance in terms of generic municipal models have been developed. In the first place, the Local Government Association of Queensland (2005, p.15) has composed a taxonomy that distinguishes between four conceptual models: 'Merger/amalgamation'; 'significant boundary change' 'resource sharing through service agreements', in which one local authority will undertake specific functions for other councils, such as strategic planning and waste management; and 'resource sharing thorough joint enterprise', in which municipalities combine their activities a given service function in order to reap scale economies, such as official record keeping and storing.

A secondly taxonomy of Australian local government, which contained seven alternative municipal models, was advanced by Dollery and Johnson (2005a). In terms of this typology, different models of local government are classified in accordance with 'operational control', which refers to the ability to administer and undertake local service provision and delivery, and 'political control', which is defined as the capacity to make decisions over local service provision. Following this system, existing small councils possess the most operational and political autonomy within the constraints of their respective state government acts; Ad hoc resource-sharing agreements, consisting of voluntary arrangements between spatially adjacent councils to share resources, represents the next most autonomous category; Regional Organizations of Councils (ROCs) constitute a formalization of the ad hoc resource sharing model, typically financed by a fee levied on each member council as well as a pro rata contribution based on rate

income, population, or some other proxy for size; area integration or joint board models retain autonomous existing councils with their current boundaries, but create a shared administration overseen by a joint board of elected councillors; Percy Allan's (2001; 2003) virtual local government model comprises neighbouring councils with a 'shared service centre' to implement the policies determined by individual member councils; under the agency model all service functions are provided by state government agencies, with elected councils proposing the preferred mix of services for their own jurisdictions; and finally amalgamated councils where adjacent councils are merged into a single municipal entity and thus surrender all political autonomy and operational control to the new entity.

Both the Local Government Association of Queensland (2005) typology and the more finely calibrated Dollery and Johnson (2005a) taxonomy represent useful conceptual tools for scholars of Australian local government. In particular, as we shall see, they can provide theoretical guidance in identifying the chief characteristics of the new models of Australian local governance that have arisen.

3. New Models of Local Government in Non-Metropolitan New South Wales

Researchers intent on investigating empirically the new models of local governance that have been adopted by groups of councils in non-metropolitan NSW face three main problems. In the first place, structural reform in the guise of the implementation of new organizational arrangements is still vigorously under way in NSW and the situation is bound to remain fluid for some time to come. In other words, the full range of new models might not yet have been implemented. Secondly, as we observed earlier, a most unfortunate feature of the remarkable process of voluntary structural reform across Australia has been its neglect by the academic community. An unhappy consequence of this negligence is that very few new models have been documented at all; this radically reduces the number of institutional arrangements that can be assessed by scholars without starting from scratch. Thirdly, the process of developing and executing new arrangements is still in its infancy and generally insufficient time has passed for analysts to determine accurately the effectiveness of these institutional mechanisms.

Under the constraints imposed by these caveats, we have selected three different models of local governance presently operating in non-metropolitan NSW. The primary criterion for choosing the Riverina Eastern Regional Organization of Councils (REROC) (Dollery, Marshall, Johnson and Witherby, 2004; Dollery, Johnson, Marshall and Witherby, 2005), the Armidale Dumaresq/Guyra/Uralla/Walcha Strategic Alliance Model (NESAC) (Dollery, Burns and Johnson, 2005), and the Wellington-Blayney-Cabonne Strategic Alliance Model (WBC) (Dollery and Ramsland, 2005) thus resides in the fact that these are the only three structural arrangements in NSW that have been explored in the academic literature. Since there has to date been no published attempt to document and assess the new amalgamated 'donut' councils, like the Tamworth Regional Council and the Clarence Valley Council, we have had to exclude these potentially fascinating cases from the discussion. A secondary criterion that has been imposed is that the new model must be in place rather than simply in its formative planning stages. This excludes the intriguing Co-operative Model (Gilgandra Shire Council, 2004), despite the analysis by

Dollery, Moppett and Crase (2005), as well as the 'joint board model' proposed by Shires Association of NSW (2004), notwithstanding Dollery and Johnson's (2005b) empirical simulations of the model. Finally, analysis falls on the characteristics of the three models chosen rather than on their performance because too little time has passed for realistic empirical appraisals of the NESAC and WBC models.

Riverina Eastern Regional Organization of Councils

REROC falls in the Riverina region of southern NSW and comprises 13 local government authorities, a combined population of 120,000 residents, and a geographic area of 41,000 square kilometers, with Wagga Wagga as its urban centre (Dollery, Marshall, Johnson and Witherby, 2004; Dollery, Johnson, Marshall and Witherby, 2005). Founded in 1994 to engage in bulk purchasing, REROC increased its range of functions to include resource sharing, policy making and problem solving. The REROC Board consists of an elected member from each participating council, typically the respective council Mayors, together its own designated General Manager. The Board meets bi-monthly; it is augmented by an Executive Committee which convenes on alternate months to the regular Board meetings. This Committee consists of the presiding Chair of REROC, four Mayors and three General Managers, and has the primary objective of providing general strategic direction. Chief Executive Officer and secretariat functions of REROC are outsourced on a contractual basis and comprised of four full-time staff in 2004. REROC itself does not directly employ any personnel. The Executive Committee determines the budget for a given fiscal year; and half the budget is recovered by dividing the total sum across all members evenly with the other half garnered on a per capita basis.

Decision-making by the REROC Board is somewhat unusual. Whereas members are not obliged to support particular projects or decisions undertaken by REROC, experience has nonetheless shown that on the 'vast majority of occasions, discussion leads to unanimous action' (REROC Annual Report 2002).

A critical aspect of the operation of REROC resides in the linkages it enjoys in terms formal and informal networks. REROC's formal networks consist of the member councils of REROC and its numerous working party sub-groups; the broader networks of participating municipalities beyond the confines of the REROC itself; and the regional, state and Commonwealth agencies dealt with by REROC and associated networks, like the Riverina Regional Development Board. By contrast, informal networks comprise the relationships between General Managers of the participating municipalities councils, council employees, and Mayors.

The networks formed beneath the REROC umbrella have facilitated the pooling specialist which has generated not only solutions to problems, but also skill-based capacity building and reduced costs. For instance, the 'Riverina First' project represents a partnership initiative involving the private sector, where REROC worked with the Riverina Regional Development Board and Telstra Countrywide to address on-going difficulties affecting the telecommunications infrastructure. The program commenced in 2003 and has subsequently resulted in two REROC areas now enjoying access to broadband technology (Annual Report, 2003)

In addition, REROC formulates policy on issues like regulatory proposals, social and environmental planning, and guidelines for regional activities. However, political lobbying is a critical feature of REROC. For example, between 1997 and 2003 the organization presented 13 submissions and mounted 12 delegations on various topical questions to Commonwealth and state agencies.

The formal and informal REROC networks that have spawned efficient problem-solving and policy-making processes have also allowed it to create an effective regional administrative infrastructure. REROC's evaluation of its performance suggests that savings of about \$4.5 million were reaped between 1998 and 2003, especially through reduced duplication, joint tendering, regional lobbying, and resource sharing (i.e. a Regional Waste Officer and combined Road Safety Officers)

Wellington-Blayney-Cabonne Strategic Alliance Model

The shires of Wellington Blayney and Cabonne represent three similar-sized adjoining rural councils in the central west of NSW with a combined population of a little more than 30,000, a total annual budget of around \$60 million and an aggregate spatial area of some 12,000 sq km. After the March 2003 NSW election, when the Carr government immediately reversed its earlier promise of no forced council amalgamations, talks between the three local authorities were already under way in order to create efficacious ways of providing selected joint services, but no formal decision had yet been made. However, this process did ensure that these councils were well placed to respond to the new NSW government policy regime. In the event, the Wellington Blayney and Cabonne councils maintained that the proposed structural reform program did not necessarily imply compulsory municipal amalgamations; local government operating efficiency could be equally effectively improved through voluntary arrangements between neighbouring local councils that protected local democratic representation and guaranteed the ongoing economic presence of municipal activity in the affected country towns and villages.

On 28th August 2003 the WBC Strategic Alliance Model came into being after the NSW Department of Local Government formally agreed to its establishment. The WBC had four explicit objectives: Expand the range and quality of services available to residents; reduce the cost of these services to ratepayers; exploit potential scale economies and economies of scope by means of the joint provision of defined services; retain employment opportunities for the residents of Alliance area.

From a structural perspective, the WBC model allows the three member councils to preserve all elected representation, retain current all employers, and maintain ownership of all current assets. All WBC affairs are overseen by a Board constituted by two councillors (one of whom shall be Mayor) from each member council, together with the respective General Managers of each council. The Board must be chaired by one of the three Mayors and the Chair rotates on a twelve monthly basis. Voting rights on Board are equal; each General Manager holds a vote of equal weight to elected councillor members. Bi-monthly meetings are normally held, but can take place more frequently if necessary.

Secretariat services to the Board are provided by whichever councils' Mayor is current Chair of the Board. Moreover, the Board has three specialist professional teams to assist in decision-making: An engineering and technical team; a corporate and finance team; and an environmental services team. Each member municipality provides a team leader for one of the three professional teams and each team leader is directly answerable to General Manager of the local authority presently supplying secretarial services to the Board.

In addition to these formal arrangements, designated Centres of Excellence have been created established to develop specialist expertise in the provision of particular services. Centres themselves consist of working parties from across the participating councils that use collective expertise in specific service provision. The basic idea is that pooled knowledge will lead to improved service quality delivered compared to the efforts of hired consultants or the same individuals working alone in their respective councils. When these Centres can demonstrate sufficient skill, they come into formal existence to sell their particular services to other councils, public agencies and the private sector.

From an operational perspective, five main avenues have been pursued:

Economies of Scale: Centres have generated four positive outcomes: provided better services to member councils; created opportunities for additional revenue through service provision to outside clients; enabled the appointment of additional highly specialised staff; retained and expanded council employment with associated beneficial economic consequences.

Resource Sharing: Resource sharing has occurred across a range of activities and proved a very effective arena for cost savings for the WBC Alliance. Examples include shared records storage facilities within the existing purpose-built section at the Cabonne Council offices, and Common Development Application forms that have streamlined the development application process, made it more 'user-friendly', and facilitated staff secondment to allow planning staff to be 'interchanged' with the other member councils when they are at capacity.

Joint Purchasing: Joint plant purchasing has produced savings, with further savings likely with future plant acquisitions. Joint equipment purchases have included four tractors, three 13-tonne bogie-tip trucks, two graders and two rollers.

Staff Secondment and Sharing: These WBC plans included the use of town planning, health and building, and tourism staff from each council to fill short and long-term positions vacated through staff resignations, long service and other leave with significant associated savings.

Joint Training: Wellington had already recognised potential savings that could be achieved by providing its own specialised local government training and this was extended to its alliance partners as well. This area recognised as first Centre of Excellence from within Alliance operations. In OH&S training the process has delivered an estimated \$50,000 savings compared with market costs.

Additional activities by the WBCV Alliance in the future will be depend on the level of commitment of the partner council to engage in functions that involve 'one-off' capital outlays to induce ongoing productivity improvements and revenue expense 'off sets'.

Armidale Dumaresq/Guyra/Uralla/Walcha Strategic Alliance Model

Following its abrupt policy reversal on municipal amalgamation, the NSW Minister for Local Government ordered a review of local government boundaries, including Armidale-Dumaresq, Guyra, Uralla, and Walcha councils. Chris Vardon was appointed 'Facilitator' of the 'Regional Review' and produced The Proposal for the Creation of a New England Regional Council (the so-called 'Vardon Report') on 17 December 2003. The Vardon Report called for a drastic reorganization of local government involving a 'merger of the whole of the Armidale-Dumaresq Council, the whole of the Uralla Council [and] a major portion of each of the Guyra and Walcha Shires' (p.4) to be replaced by a 'New England Regional Council' located in Armidale. After an abbreviated public consultation period and consideration of various alternative proposals by the affected councils, on the basis of the Vardon Report, the NSW Local Government Boundaries Commission recommended that Uralla, Guyra, Walcha and Armidale Dumaresq Councils be amalgamated.

However, the Mayors of Walcha, Uralla, Guyra and Armidale Dumaresq councils met with the Minister and proposed a Strategic Alliance model based around business process reviews, benchmarking, continuous improvement and shared services arrangements. After an assessment of the model by the NSW Department of Local Government, the Minister deferred a final decision on amalgamation enabled allowed the implementation of the model to proceed, subject to later review

The chief objective of the NESAC model is to achieve the operational reform of the participating councils by preserving existing local representation but simultaneously improving efficiency through the development of performance measurement and management systems. The Alliance model is based on business process reviews, benchmarking, and continuous improvement programs founded on information technology and connectivity platforms and shared service arrangements over nineteen activity operational areas.

A central plank of the Alliance model structure is the retention of existing local council entities as well as their elected bodies, thereby maintaining local decision making for the four constituent communities. The four General Managers have all been assigned portfolio areas of responsibility that incorporate shared services areas facilitating the necessary planning for the new operational structure and delivery of the shared services. Each General Manager's time will be divided between Strategic Alliance responsibilities and their individual council responsibilities. The required commitment by General Managers to the Strategic Alliance will significantly reduce over time as the shared services are implemented with the respective parties taking more a 'trouble shooting' and continuous improvement focus.

A number of options were considered when determining the organization structure for the NESAC. The two main contenders were setting up an additional entity to provide shared services with its own budget and staff. This option was soon dismissed on grounds it amounted to creating yet another expensive bureaucratic layer. Instead, a NESAC Advisory Committee was established comprising the Mayors, Deputy Mayors and (non-

voting) General Managers that meets once a month and makes policy recommendations, subject to approval by the participating councils, under the rotating twelve-month Chairmanship of a Mayor. The final structure also involved allocating various portfolios to the existing General Managers who would oversee the implementation and monitoring of these services within their designated portfolios. The general managers would meet regularly to discuss salient issues and provide reports on their portfolio performance. A dispute resolution process was adopted determine to tackle problems arising and clarify the respective roles of General Managers as Alliance portfolio manager versus their 'home' council General Managers.

The Strategic Alliance model encompasses the following key elements: An analysis of workloads and workflows; identifying efficiency savings; benchmarking performance measurement; introduction of performance measurement systems; changing work culture towards performance; continuous improvement programs; and instigating new delivery methods. The implementation process commenced with the development of plans for cases for increased plant utilization, risk management, banking and investments, and Geographical Information Systems (GIS), followed by an assessment of all operational processes involving the manufacture of templates, assessment of IT efficiency enhancement processes, and the determination of key output and outcome measures for performance systems. The basic idea is to identify significant savings by reducing duplication amongst the four councils and establishing the workloads, workflows and structures to deliver shared services across the four municipalities. Further savings over time will be sought through streamlining the shared services operations.

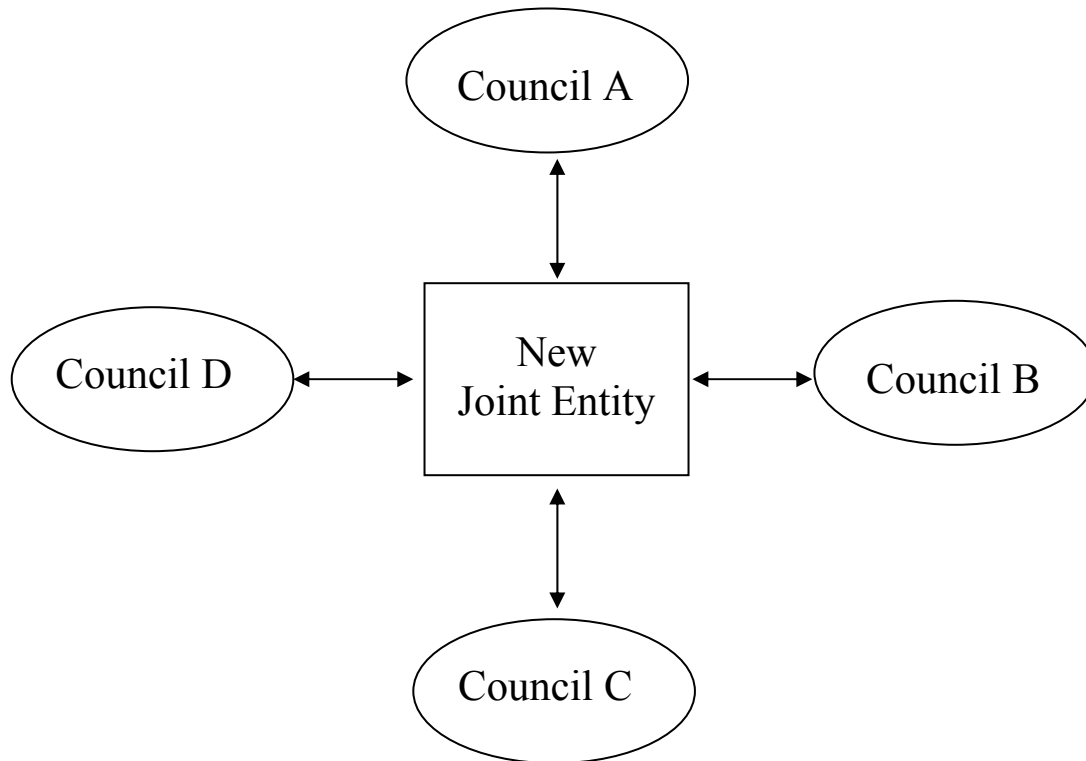
4. Characteristics of the Three Models

The three case studies that have been outlined synoptically above represent typical examples of the two major structural models that have been adopted in NSW as substitutes for the much more drastic alternative of council amalgamations. However, whereas REROC epitomizes the earlier and familiar ROC method of using structural arrangement to deliver economic and other benefits, both the WBC Alliance and the Armidale Alliance represent a more contemporary organizational innovation that combines a higher degree of integration between participating councils. While REROC thus falls squarely within the ROC category in the Dollery and Johnson (2005a) taxonomy and the 'resource sharing thorough joint enterprise' class in the Local Government Association of Queensland (2005) typology, it is less easy to classify the two strategic alliance models. For example, the WBC model possesses some of the features of the joint board arrangement (Shires Association of NSW, 2004), but not its completely integrated operational structure. On the other hand, it is obviously much more formally structured than the *ad hoc* resource sharing model and surrenders more operational autonomy than under a ROC model. In terms of the Local Government Association of Queensland (2005) taxonomy, the WBC Alliance and the Armidale Alliance straddle the 'resource sharing through service agreements' and the 'resource sharing thorough joint enterprise' generic categories since they combine elements of both models. This not only suggests that the WBC Alliance and the Armidale Alliance models cannot be readily incorporated into either the Dollery and Johnson (2005a) typology or Local Government Association of Queensland (2005) taxonomy, but also the need to

revise these classification systems to accommodate strategic alliance models as a separate generic category in their own right.

One way of conceptualizing the characteristics of the three models under analysis is to place them in the context of a common simple organizational structure such as Figure 1:

Figure 1: Hypothetical Organizational Structure



It can be argued that all three models share several common features with Figure 1. In each case participating councils retain their existing democratic structure, ownership of original assets, and initial spatial boundaries, but all adopt some kind of centralized advisory or decision-making body, represented in Figure 1 as the ‘new joint entity’. However, the nature of this new forum differs considerably between the three models. In REROC, it is a joint decision-making body comprised of Mayors, supported by an outsourced independent administrative structure with its own Chief Executive Officer, but no binding power over member councils. For the WBC Alliance, the forum is made up of elected councilors and General Managers, but has no permanent independent secretariat, with rotating administrative services instead provided by participating councils in turn. Finally, the Armidale Alliance model has the least structured central body with the forum simply operating as an informal venue for periodic meetings between the respective General Managers. Obviously any co-operative arrangement between councils engaged in joint activities must be coordinated in some way, but it is equally clear from the three case studies that this coordinating function can be fulfilled using quite different structures.

An important distinction drawn by Dollery and Crase (2005, p.7) between ‘structural reform’ and ‘process reform’ not evident from Figure 1 can further illuminate the characteristics of the three organizational mechanisms. They argued that ‘structural change involves a reorganization of the machinery of local government whereas process change refers to modifications in the methods employed by municipalities’ (p.7). The three models can be graduated under this dichotomy, with the Armidale Alliance relying most on process reform and REROC least embodying this technique, with the WBC model somewhere in between the two. Moreover, in terms of structural reform, it seems that the WBC Alliance has proceeded the furthest, with the Armidale Alliance bringing up the rear.

5. Concluding Remarks

Given the general characteristics of these three models, the final question that must be considered is why the councils involved voluntarily selected the structural arrangements we have reviewed. Although it must immediately be recognized that both the WBC Alliance and the Armidale Alliance came into being under the imminent threat of dissolution and forced amalgamation by the NSW state government, it is nonetheless useful to assess why the resultant structural arrangements that were implemented appealed to their elected representatives. On the basis of our analysis, we contend that the primary reason for the organizational structures adopted by all three groups of councils must be sought in the fact that they all preserve the democratic autonomy of participating councils. After all, in every instance elected representation remains unchanged, municipal boundaries are unaltered, and thus the ethereal but nevertheless vital ‘sense of place’ by residents continues. It may be objected that on reasonable public choice grounds that no-one should be surprised that self-interested elected councillors choose reform instruments that preserve their positions and that self-interested General Managers and municipal employees have strong incentives to steer reform initiatives in the direction of their own job security.

Despite the undoubted validity of this criticism, it remains striking that the broader local government communities involved supported structural arrangements that kept existing democratic representation and original electoral jurisdictions, even if this may have meant additional costs and thereby ultimately higher rates and charges or reduced service provision.. This suggests that it is erroneous to view local democracy as an impost on the municipal residents that bear the costs of democratic representation most directly – a view expressed in trenchant terms by state government appointed ‘Facilitators’ in the NSW structural reform process (see, for instance, Varden 2003) and thus presumably held by both the NSW government itself and the NSW Department of Local Government. Instead, the extant democratic participation and the low ratio of elected representatives to constituents observed in all the councils in the three case studies should be seen as a ‘public good’ in its own right and thus as worthy of public funding as any other area of local government service provision. Accordingly, the ‘cost savings’ derived from fewer elected councillors representing larger local authorities identified by Varden (2003) and others in the NSW debate over local government structural reform are not seen by citizens as cost saving at all but rather as an unacceptable reduction in the broadly

defined benefits delivered by small councils in non-metropolitan NSW that includes democratic representation and participation.

If this argument is accepted, what positive role can Australian state and territory governments play in improving the operating efficiency of regional, rural and remote councils? A putative program of compulsory amalgamation that actually eventuates in forced council mergers – the final outcome for most affected local authorities in NSW – would obviously be welfare reducing. However, a structural reform ostensibly aimed at municipal amalgamation, but actually directed at overcome endemic inertia in Australian local government systems, can stimulate welfare enhancing structural change rather than force structural change with its potentially unhappy consequences

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