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An Analysis of New England Strategic Alliance Model

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Abstract: In 2004, the New England Strategic Alliance of Councils (NESAC) was formed in a successful effort by its member municipalities to avoid forced amalgamation by the NSW Government in its (then) program of compulsory council consolidation. The Armidale-Dumaresq, Guyra, Uralla and Walcha councils, as well as the New England Weeds County Council, formed a 'strategic alliance' under the auspices of NESAC. Over the past five years this alliance of councils has developed a model of shared service provision. However, in early 2009, the Walcha Shire Council dramatically announced that it would leave NESAC. This momentous decision raises several interesting questions and may have broader lessons for shared service provision in Australian local government. This paper thus seeks to augment the existing embryonic literature on shared services in Australian local government by analysing the withdrawal of the Walcha Shire Council from NESAC through interviews with the General Managers and Mayors of the participating organisations.

Keywords: New England Strategic Alliance, amalgamation, shared services

Introduction

A spate of state and national inquiries over the past decade has demonstrated that a large number of local authorities in all Australian state jurisdictions are experiencing severe financial distress, with the main symptoms manifest in a massive and growing local infrastructure backlog (Dollery *et al.* 2008a; 2008b). At the state level, the South Australian Financial Sustainability Review Board Report (FSRB) (2005) Rising to the Challenge, the Independent Inquiry into the Financial Sustainability of NSW Local Government (LGI) ('Allan Report') (2006) Are Councils Sustainable, the Queensland Local Government Association's (LGAQ) (2006) Size, Shape and Sustainability (SSS) program, the Western Australian Local Government Association (WALGA) Report (2006) Systemic Sustainability Study: In Your Hands - Shaping the Future of Local Government in Western Australia and the Tasmanian Local Government Association (LGAT) Report (2007) A Review of the Financial Sustainability of Local Government in Tasmania all concluded that numerous local councils were financially unsustainable.

In much the same vein, at the national level, the Commonwealth Grants Commission Report (CGC) (2001), the Commonwealth House of Representatives Standing Committee on Economics, Finance and Public Administration ('Hawker Report') (2004) *Rates and Taxes: A Fair Share for Responsible Local Government,* and the PriceWaterhouseCoopers Report (PWC) (2006) *National Financial Sustainability Study of Local Government* all established that not only was financial distress widespread in Australian local government, but that an acute local infrastructure backlog had been the main consequence.

While these public inquiries focused largely on financial sustainability in local government, they also investigated various methods of improving the operational efficiency of local councils. Without exception, the authors of these reports concluded that structural reform in the guise of forced amalgamation had failed to secure its intended aims (Dollery *et al.* 2008a;

2008b). This general conclusion is reinforced by the fact that the degree of financial distress does not appear to differ between those state jurisdictions which had implemented compulsory council consolidation, like New South Wales, South Australia, Tasmania and Victoria, and those states which (then) had not undergone widespread structural change, such as Queensland and Western Australia. By contrast, shared service arrangements between collaborating councils were seen as a promising alternative form of structural change to amalgamation in all of the state and national inquiries.

While these conclusions appear to have finally heralded a collapse of the longstanding policy consensus on the efficacy of amalgamation as a tool of local government reform, the new emphasis on shared service models as an alternative to consolidation has left many questions begging. For example, what forms should shared service arrangements take, how should governance be structured, how should shared service models be financed, what ownership arrangements should be employed, what processes should potential partner councils follow in establishing a shared service model, and what pitfalls should be anticipated in the early stages?

Answers to these and other salient questions have been sought in two main ways in contemporary Australian local government (see, for instance, Dollery *et al.* 2007; Marshall *et al.* 2007; Sorensen *et al.* 2007). In the first place, numerous constellations of councils across Australia have been active in both operating ongoing Regional Organisations of Council and analogous cooperative endeavours as well as in establishing new regional alliances of various kinds. This has acted as a real-world 'laboratory' which can yield invaluable insights into the questions surrounding shared service provision. Secondly, an embryonic scholarly literature exists which has begun to explore local government shared service models in Australia. This paper seeks to contribute towards this nascent literature by considering the New England Strategic Alliance of Councils (NESAC) as an illustrative case study of the problems which can afflict newly established shared service models.

The paper is divided into five main parts. Section 2 briefly outlines the emergent literature on alternative Australian local government shared service and resource sharing models of local government by way of background to our analysis of the NESAC model. Section 3 provides a synoptic description of the NESAC model and the origins of its present problems. Section 4 outlines the methodology adopted in this study as well as the leading NESAC participants interviewed in depth. Section 5 presents the findings of our research. The paper ends with some brief conclusions in section 6.

Alternative Models in Australian Local Government

For more than a century forced amalgamation has been the main weapon in the policy arsenal of Australian state and territory governments in their periodic attempts to improve the operation of local councils in their respective jurisdictions (Vince 1997). However, as we have seen, the enduring consensus amongst local government policy makers on the efficacy of amalgamation as a policy instrument has finally ended, opening up a new era of shared service arrangements based on voluntary cooperation between local councils.

As a consequence, a small but growing scholarly literature has arisen on alternative models of local government tailored to meet Australian circumstances which can shed at least some light on the usefulness of shared service provision. At the theoretical level, two separate efforts aimed at classifying Australian local governance in terms of generic municipal models have been proposed. In the first place, the Local Government Association of Queensland (2005, 15) has developed a typology containing four different conceptual models of structural change in local government: 'Merger/amalgamation'; 'significant boundary change' 'resource sharing through service agreements' (i.e. one local council will undertake specific functions for other councils, such as waste disposal); and 'resource sharing thorough joint enterprise', (i.e. where councils merge their resources in

specific areas in order to reap scale economies, like local economic development).

Secondly, Dollery and Johnson (2005) have advanced a sevenfold taxonomy of Australian local government in which alternative models of local government are differentiated along a scale of 'operational control' (i.e. ability to provide local services) and 'political control' (i.e. power to determine local services). The seven models range from 'existing small local councils' enjoying the maximum possible operational and political autonomy under their state local government acts; '*ad hoc* resource-sharing agreements' which consist of voluntary arrangements between spatially adjacent local authorities on shared resources constitute the next most autonomous category; 'Regional Organizations of Councils' (ROCs) which represent a formal (rather than *ad hoc*) resource sharing model; 'area integration models' which retain autonomous existing councils with their current boundaries, but create a shared administration overseen by a joint board of elected representatives; 'virtual local government' which involves neighbouring councils with a common 'shared service centre' to implement the policies determined by individual member councils; the 'agency model' in which all service functions are provided by state government agencies, with elected councils deciding their preferred mix of services for their own areas; and finally 'amalgamated councils' where adjacent councils are merged into a single municipal entity thereby surrendering all political autonomy and operational control to the new larger entity.

In addition to these two theoretical typologies, a nascent scholarly literature written by social scientists, including geographers, focuses on actual shared service arrangements which have been adopted by groups of local authorities which *inter alia* points the ingenuity of Australian local government in the real-world competitive laboratory of federalism at the local level (Dollery and Akimov 2008a; 2008b; Dollery *et al.* 2009a). This chiefly empirical literature has been largely dedicated to an examination of specific models that have either been implemented in practice or proposed as suitable candidates for

implementation by existing councils. The latter category encompasses proposed shared service models, including *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 2007), and the Gilgandra Co-operative Model (Dollery *et al.* 2006). The former category contains work on existing ROCs (Dollery *et al.* 2005b), the Walkerville model (Dollery and Byrnes 2006) and NESAC (Dollery *et al.* 2005a). The present paper thus fits naturally into this first strand of the literature.

The New England Strategic Alliance of Councils

In a complete post-election reversal of its previous policy of no forced local government amalgamation, in mid-2003 the (then) NSW Minister for Local Government Tony Kelly implemented a review of local government boundaries, including the Armidale-Dumaresq Council, the Guyra Shire Council, the Uralla Shire Council, the Walcha Council and the Inverell Shire Council. In the case of these councils, Chris Vardon was appointed 'Facilitator of the Regional Review' which was designed to provide the Minister with advice on possible changes to both boundaries and structures. The *Proposal for the Creation of a New England Regional Council* (the 'Vardon Report'), presented on 17 December 2003, represented the outcome of this process in the case of these New England councils.

The Vardon Report (2003, 4) recommended a sweeping re-organization 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'. A new entity entitled the New England Regional Council, centred in Armidale, would replace existing councils under an entirely new system of representation: 'It would transcend, and supersede, both the political and operational structures of those Councils, which would then cease to exist'.

As a consequence of this recommendation, the (then) Mayors of Walcha, Uralla, Guyra and Armidale Dumaresq councils sought a meeting with the Minister for Local Government to propose a Strategic Alliance model which they contended had the potential to deliver some $1.7 million in savings per annum in the short term and even more over the longer run (Dollery *et al.* 2005a). In response, the Minister for Local Government indicated that he would consider alternative models to forced amalgamation, provided they showed promise. The NSW Department of Local Government subsequently sent officials to Armidale who held intensive discussions on the proposed New England regional alliance of councils. After due consideration of the proposed model by the NSW Department of Local Government, the Minister for Local Government was advised that the alliance model appeared sound.

After a controversially brief period of public consultation and consideration of various alternative proposals by some of the New England councils specified in the Vardon Report (2003) compulsory consolidation recommendation, the NSW Local Government Boundaries Commission recommended that the Uralla, Guyra, Walcha and Armidale-Dumaresq Councils be amalgamated. Moreover, the Commission identified the potential for around $1.1 million per annum in recurrent savings to be achieved in the first twelve months of the establishment of the New England Regional Council. Despite the Boundary Commission recommendation, the Minister nonetheless decided to defer a final decision on whether the forced amalgamation would proceed and made averting a forced merger conditional on the affected councils implementing their proposed alliance model successfully. In effect, the Minister gave the councils a chance to deliver on the projected savings; a failure to deliver would result in the implementation of the Boundaries Commission recommendation to amalgamate.

From the perspective of the councils involved in NESAC, the main aim of the Strategic Alliance model was thus to provide a vehicle for retaining the continued existence of its member councils as separate entities with their own local representation by escaping from forced amalgamation through

demonstrating gains in efficiency and effectiveness to the NSW Department of Local Government through the development of local government performance measurement and management systems. In other words, the major motivating force driving the proposed Strategic Alliance Model lay in its usefulness to its members in avoiding a forced merger rather than its desirability in its own right.

Dollery *et al.* (2005a) have provided a detailed discussion of the methodology and formal structure of NESAC, as well as an analysis and plausibility of the cost savings promised by its architects. In the present context, we simply observe that a fundamental problem facing any group of local councils confronted by substantial structural change, by way of either amalgamation or the establishment of formalized resource sharing, is an almost inevitable inability to assess with any degree of accuracy the benefits and costs of the proposed change. This is invariably due to the lack of adequate information. In essence, participating councils seldom have a clear picture of how well they are performing prior to the proposed change. This means they cannot properly determine how change will affect their performance *ex ante* and how change has affected their performance *ex post*.

In an effort to confront this problem directly, the NESAC model adopted by the councils of Armidale-Dumaresq, Guyra, Uralla and Walcha was based on extensive business process reviews, benchmarking and continuous improvement programs which rested on a joint information technology and connectivity platform and shared service arrangements over nineteen different operational areas. The NESAC model began by developing business cases in plant utilization, risk management, banking and investments, and Geographical Information Systems (GIS) aimed at producing swift outcomes. Moreover, the four General Managers of the member councils of NESAC were all given portfolio areas of responsibility that incorporated a number of shared services areas and were charged with the task of developing of business cases and facilitating the necessary planning for the delivery of the shared services (Dollery *et al.* 2005a).

It is thus clear that while the genesis of NESAC lay in the perceived need to avoid amalgamation, the NESAC model itself not only showed considerable promise at the outset, but also represented a great deal of careful thought on the part of its architects. In the event, the Minister for Local Government endorsed the proposed model and NESAC came into operation at the beginning of 2004.

For almost all of its comparatively short life, NESAC has generated a high degree of controversy within the New England region. As examples of the public debate surrounding NESAC, in May 2004 Councillor Herman Beyersdorf of the Armidale-Dumaresq Council was quoted in the local newspaper as being 'extremely sceptical about the viability of the strategic alliance as a genuine alternative to amalgamation' (Armidale Express 2004). By 2006, former Mayor Brian Chetwynd had described NESAC as a 'monster, it's become a liability and it's not yielding the results that were envisaged when the four councils entered into the alliance' (ABC News 2006). Further inflaming public opinion on the workings of NESAC, Councillors Beyersdorf and Chetwynd were reported as claiming that the progress of NESAC was being concealed and dissident views 'muzzled' (Armidale Express 2006).

Within the context of this paper, the watershed event in the brief history of NESAC occurred in February 2009, a mere day after a site visit by Department of Local Government officials. Mayor Bill Heazelett of the Walcha Shire Council, Chair of the Alliance at that time, announced that Walcha would no longer continue its membership of NESAC. While this was reported in the local media as a 'sudden withdrawal' of Walcha Shire Council (Fry 2009), this dramatic announcement spawned several developments. For instance, the remaining parties to the alliance were swift to declare the continuation of the alliance. Thus the newly elected Chair of the NESAC, Mayor Hans Hietbrink from the Guyra Shire Council, observed that 'the Alliance partners will have to work more carefully and strongly together to ensure that we do get the benefits of shared services' (Fry 2009). At a more general level, the apparent ease with which one of the constituent member councils had been able to

remove itself from NESAC resulted in a decision to review the Charter of the Alliance to determine constraints on members which may follow a similar course of action. However, the most obvious and most important question revolves around why the Walcha Shire Council decided to abandon NESAC.

Methodological Considerations

As we have seen, the primary purpose of our study was to capture the perceptions of the General Managers and Mayors of NESAC in order to construct a coherent picture of their response to the withdrawal of Walcha Shire Council from NESAC and their explanations as to why this occurred. By way of a preliminary caveat, it is important to acknowledge that if we had sought the views of other staff and other councillors, then a different picture may indeed have emerged. This is in line with empirical experience in other qualitative research where findings often reflect the life experience and organisational position of the interviewee (Mason 1996).

Within weeks of the public announcement by Walcha Shire Council that it would withdraw from NESAC, the Centre for Local Government at the University of New England sought ethics approval to undertake a small targeted research project to conduct ten interviews with those identified as being in the most senior decision-making positions for NESAC (i.e. General Managers and Mayors, including the General Manager and Chairperson of New England Weeds County Council). Each of the ten proposed interviewees was contacted directly by email and telephone, inviting their participation in the project. All of five General Managers, four Mayors and one Chairperson agreed to part-take in the research. The interviews were conducted face-to-face in the respective Council Chambers of the five organisations, with one interview held at the University of New England. Interviews were semi-structured in nature with the interviewer asking the interviewee to recount the events leading up the withdrawal of Walcha Shire Council from NESAC, followed by questioning about why this occurred and what is to be learnt from these events. All interviews were digitally recorded and later transcribed for

analysis. The average length of the interviews was between one and two hours. A number of the interviewees provided copies of reports, personal notes of meetings and correspondence in support of their accounts of events.

The interviews were conducted within five weeks of the announcement of the withdrawal of the Walcha Shire Council from NESAC. It was considered important to conduct the interviews in advance of the participants making decisions about NESAC which may have altered their perceptions of the sequence of events. As a consequence, our approach elicited emotional responses of regret, frustration and anger, in addition to detailed information about the workings of the Alliance. A number of themes emerged from the data (Strauss and Corbin 1998). The transcripts of interviews have been revisited and axial coding undertaken to continue to refine the major findings. By working inductively, this research draws together the major themes emerging from the data, and an analytical process which continues to interrogate and question the generalisability of the findings (Huberman and Miles 2002; Strauss and Corbin 1998).

The ten participants in the interviews were characterised as having a high level of homogeneity with respect to gender and age. For instance, the five General Managers are white, Anglo-Saxon men in the mid to late stages of their careers. Similarly, the four Mayors are men in later career stages and the Chairperson of New England Weeds County Council is a woman who is younger and in an earlier phase of her career. Interview participants could be equally assigned between those who are originated from the New England region (classified as longer than 10 years) and those who regard themselves as comparative newcomers (having lived in the region for less than 10 years).

Findings

In reporting the findings of these interviews, where the words of the participants are used to illuminate themes, then these words are shown in italics. We have arranged discussion of our findings around four main

categories: the role of the state government; the NESAC governance processes and structure; operational dimensions; and the local and regional realities.

Role of the State Government

As we have seen, the forced amalgamation policy in 2004 gave rise to the creation of NESAC as a negotiated means of preventing amalgamation. This fact dominated the narratives of all interviewees, with the process overwhelmingly described as one that was '*forced'* upon the councils. The sense that the Department and its Minister could amalgamate the member councils of NESAC at any time was presented by the participants as a constant threat to the performance of the alliance. Participants often used the metaphor '*scrambling of the egg'* to portray the establishment of the Alliance. In reverse, the withdrawal of Walcha Shire Council was presented as an opportunity to '*unscramble the egg',* in the apparent belief that it will bring about a return to the proper formation of the councils, whole and contained. Some members of NESAC referred to the withdrawal of Walcha Shire Council as a reaction to the Department of Local Government diminishing its support for amalgamations; in effect '*taking the foot off the throttle'.* Detailed conversation about this occurred in most interviews with the political nature of the NSW Government, the Local Government Employees Union and the state election within the next eighteen months indicating a changed political context for the NSW Labor Party where forced amalgamations were perceived to be '*off the agenda'* and politically indefensible.

Discussion of the contested nature of the formation of NESAC set the foundation for discussion which identified the shortcomings of NESAC to deliver significant benefits to its member councils. What appears to have occurred in this instance is that without an internal drive for change, as well as a genuine sense of co-operation, the formation of effective shared services proved to be problematic from the start. For some of the participants NESAC simply meant '*amalgamation over time'* and behind this was a strong sentiment within the group that this would be resisted since '*we don't see*

ourselves being connected with the other councils'. While the benefit of the alliance was strongly perceived as preventing amalgamation in the first instance, the pressure from the Department of Local Government was to deliver or showcase performance gains. A number of the participants contended that these gains were always going to be problematic when the process could be easily derailed or impeded by the actions of any one of the alliance members.

In December 2008, the NSW Department of Water and Energy (2008) released the *Final Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW*, which recommended that water utilities be removed from individual councils and placed in regional entities. This appears to have precipitated a strong reaction in the NESAC councils. In effect, this is described by the participants as a further catalyst to the withdrawal of the Walcha Shire Council. It was quickly realised that two NESAC councils, including the large Armidale-Dumaresq Council, saw these recommendations as an opportunity to create a new NESAC business unit from water and wastewater. In particular, the term 'binding alliance' in the *Final Report* appears to have precipitated a sense that NESAC was going to be strengthened through water reforms. It should be parenthetically noted that in contrast to this view, the Final Report actually recommended that water and wastewater would be taken away from the NESAC council group (and consequently was generally opposed by councils across NSW) (Dollery 2009).

NESAC Governance Processes and Structure

The governance structure established to oversee the operation of NESAC centred on monthly meetings attended by the Mayor (or Deputy Mayor) and the General Manager of each of the four member councils as voting members and the General Manager and the Chair of the New England Weeds County Council as non-voting members. It appears that these governance arrangements were regarded unanimously by all participants as problematic and that the operation of the alliance was disadvantaged by this structure. For

some, the most significant barrier was the incapacity of the NESAC forum to make decisions without the requirement that each decision be unanimously ratified by each of the four member councils. For others, the major barrier was a fundamental lack of determination by NESAC members to work co-operatively and make the alliance effective.

In the main, the NESAC governance model was regarded as hamstrung; *'powerless', 'it does not lend itself to making decisions',* it was '*never allowed to be sufficiently active'*, and so forth. The conundrum portrayed by participants is that *'they were not driving it, overseeing it, but not making it happen'.* Likewise one participant pointed not only to the lack of decision-making structures, but also to the absence of information; '*they did not have a process to see and assess the progress'.* Without a robust governance structure designed for decision making, the participants described a structure that was impotent, '*failing to be accountable'* and unable to make decisions.

One participant imagined the counterfactual of what would have happened differently if the Mayors (and indeed the member councils) had instructed the General Managers to '*make the alliance work'*, and then to have judged (the General Managers') performance on the success of the alliance. This reflects the underlying belief that it was never the intention of the councils to advance NESAC. On the surface of the conversations regarding Walcha Shire Council's withdrawal, it appeared that, in general, there was '*just too much resistance within'*, *'a lack of ambition for change', 'too many people to get on side'*, *'no longevity in this alliance in its current form'*.

A number of the participants pointed to interpersonal connections being constrained by the formality of the meetings. This is aptly described by one participant as the absence of deep conversation which made meetings a *'ritual'; 'there was nothing in the meeting procedure that allowed us to say "I don't trust you"'.* When participants referred to these issues as the *'unspoken'* sentiments apparent in these meetings, further questioning revealed a number

of important considerations implying an urgent need for change in the operation of the governance of NESAC.

In the first place, one of the major barriers identified in this study is the perception that Armidale-Dumaresq Council, the largest council in NESAC, continued to suffer political upheaval amongst its elected representatives. It was reported by respondents from the other member councils that prior to the alliance these matters were known, but of little consequence for the other councils in the region. The participants outside of Armidale-Dumaresq Council noted that once they were in the alliance *'they were fundamentally concerned about what was happening in Armidale'*. In particular, the public stance by some Armidale Councillors expressing negativity towards NESAC is described by the participants as a destabilizing backdrop to the functioning of the alliance. Since the Armidale-Dumaresq Council in NESAC the fundamental perceived *'shakiness'* of this council cannot be overlooked.

Secondly, the participants in our study are the most senior people in the alliance and central to their interpretation of the events is discussion about difficulty of trust within NESAC. Distrust appears to have two components and reflect other research on alliance governance, goodwill trust and competence trust (Southern 2002; Faems *et al.* 2008). The apparent breakdown of both goodwill trust and competence trust within NESAC is critical. While participants identified inadequate competency in other member councils, Armidale-Dumaresq Council was regarded overwhelmingly by the other councils *'as the elephant in the room'*. In particular, participants identified the political instability in the Armidale-Dumaresq Council, and its attendant distracting impact on senior management, as a major problem for the alliance. This resulted in repeated concern that *'the political instability of ADC would bring us all down'*.

Thirdly, if the task of the governance structure was to provide a shared perspective on the alliance (i.e. a 'shared vision' of what NESAC should be and what it should deliver), as well manage the operation of the alliance, then

our interviews suggest a failure at this level of the alliance; '*the NESAC meetings were becoming less frequent, not even every month',* and *'there was a lack of accountability and ad hoc reporting arrangements'.* In theoretical terms it could be argued that the change management process was inadequate at the most senior level of NESAC. For instance, an absence of a shared vision for NESAC made it unclear as to whether this was a strategic alliance based on the sharing of services, the purchasing of services, or the development of a regional service structure? It seems that these fundamental questions were not resolved. The question must thus be asked: is this a failure of the model itself or rather of those involved in the model? In pondering this question, it is useful at this point to consider the operational issues identified by the participants.

Operational Dimensions

The most positive reflections on the alliance occurred when participants referred to the enhanced opportunities for staff to learn and develop new skills, as those involved worked beyond their own council boundaries. It was reported that professional staff experienced a boost in their professional development, working collaboratively with similar professional people in the other member councils. This breaking down of a sense of professional isolation was regarded as a significant benefit for local government staff derived from their involvement in NESAC.

However, within this picture of the operational level of the alliance was a 'flipside' of, staff and communities who believed they had something to lose from their participation in the alliance. A palpable fear amongst all participants was concern for the maintenance of council jobs within their respective communities. It seems that many council staff are 'multi-skilled' in their roles and the specialization, which could result from shared services is regarded as undesirable. These staffing issues became a '*tipping point'* in the alliance since the '*sacred cow of small communities is the maintenance of jobs*'. The implications are described in this way; '*if you lose a council position, you also*

lose the treasurer or secretary of the children's soccer club' and this is not regarded as an 'efficient' outcome for the community.

In terms of change management, many participants observed that the strategic alliance took on too much change and tried to deliver too much too quickly. It is thus unsurprising that this change was to be regarded as 'risky' by employees since it required staff across the five member organisations to work together in new ways. As a reflection of these difficulties, some participants in this study tended to apportion blame to individuals and to look to those who were deemed most resistant, incapable to change or self serving. This tendency to apportion blame to individuals in the face of organisational change failure is well documented (see Greenburg 2005; Carnall 2003). However, the failure of NESAC to adequately introduce change rests on some deeper considerations. One resounding theme in the interviews was a critical view of the extent of the efficiency gains secured by NESAC. For the smaller councils, there is a common concern that they are '*bearing the burden of the costs of a larger council', 'paying for bells and whistles that we don't need'* and again a reminder of the political instability identified in the Armidale-Dumaresq Council: *'to get into an alliance, you need a bigger council that is well managed and doing well in its own right'.* One participant stressed the dynamic and paradoxical nature of relationships in the alliance when on the one hand describing the dominance of the larger council and yet expressing a sense of disappointment in Armidale-Dumaresq Council's capacity to show leadership and operate as a *'regional centre'* for the benefit of those in the alliance.

Local and Regional Realities

A central concern among many participants from the smaller councils was that because enhanced operational efficiencies may be touted as the aim of shared service models, like NESAC, it may not be simultaneously be considered 'efficient' to maintain vibrant communities in the smaller rural areas. In the analysis of the interviews conducted for this study, it appears that this fundamental concern about population and loss of jobs is often

reframed by others as a form of resistance to change. However for those who fear they have much to lose within their community it is expressed as their task being *'fighting for our place', 'protecting our community'*.

The accounts given by the participants in our study often focused on the distinctive nature of their respective communities. The strength of these local identities and fervent loyalty is a theme that is echoed by those who have come to inherit the place of those before. Each of the participants drew 'lines in the sand' to indicate the special characteristics of their communities, identities, even cultures. The cautionary tale in our analysis is that these themes of disconnect may draw the participants to establish a knowledge which then bounds their realities (Ingold 2007). Where suspicion and distrust have become part of the storylines within this alliance in the ways in which participants describe the councils and their communities, our concern is that continuity of these sentiments will continue to limit local governance possibilities within the New England region.

Concluding Remarks

We have argued that the longstanding consensus amongst Australian local government policy makers on the efficacy of amalgamation as an engine of local government reform has now fractured. One consequence has been a great deal of interest in alternative approaches to structural reform in local government, especially shared service models. This paper has sought to make a modest contribution to the embryonic literature on shared service models in Australian local government by examining the experience of NESAC through the lens of the personal reflections of the Mayors and General Managers of its member organisations while events are can still be freshly recollected. In particular, the paper has attempted to understand the reasons for the defection of the Walcha Shire Council from NESAC as seen by these senior participants in the hope that broader lessons can be drawn that can assist in the design and operation of other Australian shared service models.

While it is far too premature to predict the demise of NESAC, the withdrawal of the Walcha Shire Council nonetheless represents a severe blow to the ongoing existence of NESAC. Perhaps the most important lesson that can be learned from this unfortunate event, which is illuminated in the discourse of all ten of our participants, is that NESAC was founded not as an entity in its own right, but rather as a vehicle to assist its members in avoiding forced amalgamation in 2004. Since it is widely held throughout NESAC that this goal has now been achieved, the perceived rationale for NESAC is thus undermined.

A trite conclusion that could be drawn from this observation is that shared service models established as a means of avoiding other kinds of structural reform have a high probability of failure once the danger of these policy initiatives recedes. However, this inference is most unhelpful in the Australian local government milieu since the imminent threat of compulsory amalgamation is the most common catalyst for the implementation of shared service arrangements (Dollery *et al.* 2009b).

By borrowing from the NSW Department of Water and Energy (2008) *Final Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW* a much more helpful proposition can be developed for policy makers. In this *Report,* the authors recommended regional water and wastewater utilities adopt an institutional structure they termed a 'binding alliance'. In the present context, the most important characteristic of the binding alliance model is that once it is formed, member councils cannot exit from the model (Dollery 2009). Had NESAC been designed initially as a binding alliance model, then at least two beneficial consequences would have followed. Firstly, the Walcha Shire Council could not have contemplated leaving NESAC at all. Secondly, and more importantly, all member organisations would have realized that they were in NESAC for the 'long haul' and thus had much greater incentives to make it work satisfactorily.

It may be argued that NESAC might not have come into being in the first place had the Department of Local Government stipulated that it must be a binding alliance. However, as Dollery *et al.* (2009b) have shown, the threat of forced amalgamation represents the most important impetus for 'bottom-up' Australian local government reform processes in the form of alternatives to amalgamation. It can thus be hypothesized plausibly that had the New England councils been offered a choice between compulsory merger into the New England Regional Council and a binding alliance version of NESAC, the latter course of action would have been followed.

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