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Shared Services in Australian Local Government: The Brighton Common Service Model

Abstract

A series of national and state public inquiries have established that the great majority of Australian local councils find themselves in straitened financial circumstances, with the problem of financial distress most acute in small regional, rural and remote local authorities. Given the spatial dimension of financial unsustainability, various solutions have been proposed, including shared service provision. While considerable ingenuity has been displayed by the local government sector across Australia in the implementation of a wide variety of different shared service models, the academic literature has unfortunately lagged far behind real-world developments. There is thus an urgent need for scholars of Australian local government to consider new shared service models in order to provide a critical assessment of these models as an aid to informed local government policy making. In an effort to meet this gap in the literature, this paper provides a detailed analysis of the common service provision model developed by the Brighton Council in southern Tasmania.

Keywords

Brighton Council; shared services model; common service provision model; local government policy making.

Introduction

A plethora of recent state and national inquiries into local government sustainability has spawned the unanimous view that Australian local government faces severe financial problems. While the solution to this problem is multi-faceted (see, for example, Byrnes, Dollery, Crase and Simmons, 2008 and Dollery, Byrnes and Crase, 2007), and will inevitably involve much greater transfers from higher tiers of government owing to the acute degree of vertical fiscal imbalance in the Australian federal system (Dollery 2002), these inquiries all agreed that shared service models could play a useful role in ameliorating financial distress (Dollery and Akimov, 2008a).

The consensus on the positive role that share services can play in Australian local government did not arise in a vacuum. After all, shared service models are commonplace in the commercial world (Bergeson, 2003) and they have been deployed in numerous public sector settings in many developed countries (see, for instance, Kearney, 2005). In the local government milieu, shared service provision has occurred on a large scale in British local government (Brand, 2006; Tomkinson, 2007) and to a lesser extent in other advanced nations, including European countries (Dollery and Robotti, 2008). Following the seminal work of Oakerson (1999), various scholars have constructed the conceptual foundations of shared services and valuable empirical assessment has also been undertaken (see, for example, Dollery and Akimov, 2008b, for a review of this literature).

In the specific case of shared services in Australian local government, with the acute spatial challenges that it offers, literally dozens of different kinds of shared service arrangements have been implemented across the country, many displaying a high degree of ingenuity, often in trying circumstances in remote areas. It is possible to identify two strands in an embryonic Australian literature which has considered the problem of shared services in Australian local government. At the theoretical level, scholars have attempted to classify the range of existing shared service models in terms of taxonomic systems (Dollery, Grant and Akimov, 2010). In addition, various attempts have been made at defining the different institutional forms which can accommodate shared service provision (Dollery and Johnson 2005; Local Government Association of Queensland (LGAQ), 2005). At the empirical level, a nascent scholarly literature has focused on actual shared service arrangements which have been adopted by groups of local authorities (Dollery and Akimov, 2008a; 2008b; Dollery and Akimov, 2009). This strand has examined specific models that have either been implemented in practice or proposed as suitable candidates for implementation by existing councils. The latter category includes *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, Moppett and Crase, 2006). The former category encompasses work on existing institutional arrangements, such as Regional Organisations of Council (Dollery, Johnson, Marshall and Witherby, 2005; Marshall, Dollery and Sorensen, 2007; Sorensen, Marshall and Dollery, 2007; Dollery, Marshall and Sorensen, 2007), the Walkerville model (Dollery and Byrnes 2006) and New England Strategic Alliance of Councils (NESAC) (Dollery, Burns and Johnson, 2005; Conway, Dollery and Grant, 2011).

The present paper seeks to augment the Australian empirical literature on new shared service models in local government by providing a detailed examination of the Brighton Common Service Provision Model, which has been developed and implemented by the Brighton Council, a peri-urban local authority situated on the outskirts of the greater Hobart metropolitan area in southern Tasmania, with a resident population of around 15,000 people. In contrast to most existing shared service platforms in Australian local government, the Brighton Common Service Provision Model is wholly-owned by the Brighton Council, and it provides the same council functions and services to other local government entities as it uses itself, both within Australia and abroad, on a commercial 'fee-for-service' basis. As we shall see, in terms of its classification, this places the Brighton Common Service Provision Model squarely within the category of 'Horizontal Shared Service Model' (Dollery, Grant and Akimov, 2010, p. 226).

The paper is divided into four main parts. By way of background, section 2 provides a brief synoptic review of the conclusions drawn in the various state and national inquiries on the role that shared service provision can play in ameliorating the financial problems plaguing Australian local government. Section 3 considers the rationale, operation and outcomes of the Brighton Model in some detail. Section 4 attempts to evaluate the Brighton Model as well as situating it within the taxonomic systems which have been developed by Australian local government researchers. The paper ends with some brief concluding remarks in section 5.

Shared Services in State and National Inquiry Reports

The potential role of shared services as a means of improving financial sustainability in local government has been considered in most of the recent national and state-based inquiries into local government. In chronological order, the Commonwealth Hawker Report (2003) *Rates and Taxes* briefly pondered the

desirability of promoting shared services in local government from the perspective of the Commonwealth government. The Report (2003, p. 97) concluded that 'the efficiencies of local government can be improved through a mixture of changes that may include partnerships, regional cooperation and/or amalgamations', although it stressed that 'one answer does not fit all'. In policy terms, it recommended that the Commonwealth government should engage 'established Regional Organisations of Councils (ROCs) and other regional bodies which have demonstrated their capacity to be involved in the regional planning and delivery of federal and state government programs'.

Secondly, the South Australian Financial Sustainability Review Board (FSRB) (2005) *Rising to the Challenge* Final Report, while overwhelmingly focused on local government sustainability, nevertheless considered the shared service provision. It argued that cooperation by means of shared service provision could be 'a practical and cost-effective way for councils to share experience and resources, tackle common tasks, or take advantage of economies of scale' (FSRB, 2005, p. 85), and contended that existing ROCs and area integration models represented the best institutional mechanisms for this purpose. The Final Report identified seven financial and other benefits which councils could derive from collaborative service provision: Lower 'staff costs'; 'access to skills and expertise'; 'exchange of best practice'; 'procurement savings' from scale economies; improved 'community outcomes'; 'coordinated services'; and 'improved compliance with legislation and standards'. As promising functions and services which should be considered, *Rising to the Challenge* recommended 'many administrative services such as IT, payroll and rate administration'.

In the third place, the NSW Independent Inquiry into the Financial Sustainability of Local Government's (LGI) (2006) *Are Councils Sustainable* Final Report commissioned research by Byrnes (2005) and Allan (2006) to examine the types of services most suited to shared service arrangements. Byrnes (2005) found that non-metropolitan councils should 'either pool or share service provision on a regional basis' in 'fire protection', 'emergency services', 'health administration and inspection', 'noxious plants', 'museums', 'water and wastewater', 'tourism and area promotion', and 'saleyards and markets'. In addition, Allan (2006) identified numerous 'back office' and 'front office' functions amenable to shared service delivery. On the basis of this work, the LGI (2006, p. 262) specified the characteristics of local government functions most suited to outsourcing, 'shared service centres' or 'independent specialist providers' as 'high supplier availability', 'low core capability', 'low task complexity', high economies of scale, highly 'specialised technology' and low asset specificity where a limited term contract would not require a supplier to purchase an 'expensive asset'.

As part of its local government reform program set out in the Size, Shape and Sustainability Review Framework (LGAQ, 2005), outlined in the *Size, Shape and Sustainability: Guidelines Kit* (LGAQ, 2006), the LGAQ commissioned KM Management Consulting (KMMC) (2005) to investigate the question of shared services in local government. The KMMC Report (2005, p. 2) concluded that five major benefits could flow from shared services in local government: Scale economies; 'leveraging of technology investments to achieve cost savings and improved service delivery'; 'standardisation, consistency and continuous improvement of processes' to provide improved service provision; 'achievement of a customer service focus'; and greater concentration on 'strategic outcomes'. The Report identified three main institutional platforms most suited to shared service provision: A 'specific shared services centre'; outsourcing; and partnerships with private firms. Four criteria were proposed for selecting functions and services 'appropriate' for shared delivery: 'Strategic' services which required expert local knowledge should be retained 'in-house'; 'non-strategic, low-risk, rule-based' and 'high volume transaction processing' services should be shared; services which used new technology 'without ongoing significant capital investment or a requirement for specialist expertise' could be shared; and services which rested on expert skills not readily available to councils should be shared.

The Western Australian Local Government Association (WALGA) (2006) *Systemic Sustainability Study* into the future of local government in that state briefly considered the potential role of shared service provision. It found that 'there is much greater scope for resource sharing in the WA local government sector' than presently undertaken. While it argued that many claims concerning the extent of scale economies were exaggerated, it established that there are 'particular advantages to the industry of agreed regional pool arrangements for key staff back office services and for some whole-of-region infrastructure services' (WALGA, 2006, p. 68).

Finally, the PriceWaterhouseCoopers (PWC) (2006) *National Financial Sustainability Study of Local Government* considered *inter alia* whether shared services represented a worthwhile approach to improving municipal efficiency. The PWC Report identified three promising approaches to shared service delivery: Cooperative cross-council efforts in 'bulk purchase or procurement of goods and services'; specialised 'lead service providers' in groups of councils, where each member council specialises in a specific service and then contracts its services to other member councils; and 'shared corporate services' with joint 'back-office' services, including 'human resources', 'finances', information technology, and 'administration' (PWC, 2006, p. 118-119). It argued that this

would generate ‘cost savings, productivity improvements and better training for staff’.

In contrast to these official inquiries, in their evaluation of published empirical research on shared services in Australian local government, Dollery and Akimov (2009) argued while shared service arrangements can improve the efficiency of local service provision, even where significant spatial differences exist between local authorities. Moreover, some services are more amenable than others to shared service delivery, especially information technology (IT) functions, human resource management (HR), procurement and waste management. However, the degree of success varied considerably from case to case. In addition, and apart from spatial distance, there are often significant barriers to the implementation of shared service arrangements, which are difficult to overcome, including the loss of ‘municipal identity’, the complexity of the processes involved, conflicting objectives between participating councils and uncertainty surrounding potential benefits.

Brighton Common Service Provision Model

Background

In 2007, the Brighton Council developed its Common Service Provision Model as a business model both for accruing additional revenue as well as assisting other local councils in successfully managing the operations of their municipalities. In essence, the Brighton Model represents a resource-sharing model through which the Brighton Council provides sophisticated professional services, ranging from IT and financial management to planning expertise. At the time of writing, the Brighton Model has numerous client local government entities which embrace several other Tasmanian councils, including Flinders Island, Tasman and Glamorgan-Spring Bay, several councils in mainland Australia, as well as Suva City in Fiji.

The rationale for the Brighton model rests on several insights into contemporary non-metropolitan local government. In all Australian local government jurisdictions many local authorities have great difficulty not only in attracting and retaining professional staff, but also in staying abreast of complex regulatory and administrative requirements introduced by the state government agencies. Whereas one consequence of these factors has been a growing reliance on hiring consultants, a second effect has seen more resource sharing with other councils. However, both of these avenues have proved problematic; resource sharing has

often not been successful and outside consultants are expensive, especially for small financially stressed local councils.

With respect to the use of consultants, while large metropolitan councils can generally provide sophisticated human services 'in-house', where this is insufficient they can afford to use major consulting firms. By contrast, small non-metropolitan councils frequently cannot provide services 'in-house' and can seldom financially accommodate employing consultants. The problems experienced by small regional, rural and remote councils in Australia are much more acute in developing countries. The Brighton Common Service Provision Model is thus designed to fill this 'gap' for small and medium-sized local authorities in the national and international markets for skilled local government services. The Brighton Model service provision ranges from providing essential regulatory skills, such as planning and compliance functions, to the handling of full council functions, like payroll or the setting of rates. Actual services provided vary in type and number from council to council.

Nature of the Brighton Model

The operation of the generic Brighton Model is comparatively straightforward. The provider council adopting the model provides a client council with a service or a range of services at an agreed price, with details varying according to the type, term and complexity of the service provided. In discussions with Brighton Council executives in research for this paper, senior managers stressed that they had learned that several pre-conditions must be met before the Brighton Model can operate successfully:

- Provider and participating councils must enjoy 'existing friendly relations' at both elected member and staff levels;
- There must be 'open and frank discussions' between councils preceding any agreement;
- Neither participating councils nor the provider council should 'feel threatened' by each other;
- Experience has shown that the Brighton Model can begin on a small scale, growing one step at a time with 'confidence and maturity';
- Participating and provider councils with 'similar needs and cultures' represent the 'best fit';
- It is important that participating councils determine what functions can be done by their own staff internally;

- Experience has shown that some ‘core’ and most ‘non-core’ functions can be provided either externally or through shared service arrangements;
- Services must be provided on commercial terms acceptable to both parties;
- Many services can be provided remotely with some regular ‘on-site’ presence; and
- Common platforms and systems should be used, such as the same computer software, for all participating councils.

Operation of the Model

Over its lifetime, the Brighton Model has provided a range of services to client councils from development and strategic planning to animal control and registration (see a list of these services in Table 1).

Table 1: Brighton Model services provided to client councils per category of services

Category of Services	Specific Service
Development and Environmental Services	Building permit authority
	Plumbing permit authority and inspection
	Engineering subdivision assessment and inspection
	Regulatory applications
Community Health	Vaccination program and administration
Animal Control	Dog registration program
Strategic and Business Planning	Strategic planning
	Planning consultancy
Finance and Accounting	Corporate finance
	Rates consultancy, modelling and administration
	Creditors and debtors
	Financial planning and reporting
	End of year processing
Information Technology	Local government software supply, installation, training and support
	IT support
Corporate Governance	Acting or ‘locum’ General Manager
	Development Services Manager

Human Resources Management	Payroll
	Staff restructuring
	Human resources
	Industrial relations

An alternative method of appraising the types of services provided by the Brighton Council under its Common Service Provision Model is to view them through the prism of the recipient council's operational needs. For example, in what is conventionally termed 'Development and Environment Services', the Model has provided building permit authority administration, training and compliance, plumbing permit authority administration, assessment, inspection and compliance, statutory environmental health duties, immunisation management and administration, as well as animal control and registration system management. Similarly, under 'Strategic and Business Planning', the Brighton Council has delivered professionally facilitated strategic planning sessions, strategic plan documentation, business plan formulation, and key performance criteria monitoring and reporting. In terms of 'Finance and Accounting', it has provided financial trend analysis and budget planning and monitoring, general ledger and bank account reconciliation, annual financial statements, statutory reporting and government returns, as well as rates management, distribution and collection. For the category 'Information Technology', it has delivered infrastructure establishment training and development, as well as database management and interrogation. Under 'Corporate Governance', the Brighton Council has delivered 'locum' General Manager and executive management staff, corporate governance audits and recommendations, as well as governance procedures and policies and training for councillors and staff. In terms of 'Human Resource Management' it has provided payroll administration and management, job design and documentation, recruitment and selection, employment terms and conditions, performance management systems, as well as human resource policies and procedures.

Apart from the actual nature of the services provided, pricing represents perhaps the most crucial aspect of the Brighton Model. In essence, under the Brighton Model services should be sold as 'tailored solutions' to local government needs which are priced differently to recognise differences in service delivery. Two main types of pricing models can be implemented:

- A contract for set term and hours using a basic 'cost-plus' methodology, incorporating the actual cost of employment, plus overheads, and plus a margin;

- The provider council can provide *ad hoc* or specialist services, where the value of the service provided takes into account opportunity cost, risk and length of engagement.

Benefits of the Model

Senior managers involved in the operation of the Brighton Model have identified numerous benefits which can flow from the model:

- It provides participating councils with an ability to provide a high level of professional services to their local communities;
- It improves ‘succession planning’ for all positions in participating councils;
- It provides critical mass for ‘back-up’ for all positions since it would normally be necessary to have at least two staff trained and available for payroll, rates and many other functions; often beyond the financial capacity of small councils;
- Under the Brighton Model, the provider council generates additional income and recipient councils save money, with both councils thereby benefiting financially;
- Staff from both the provider and recipient councils benefit by learning from each other and picking the best of any system or operation;
- It reduces administration costs for all parties; provider councils enjoy scale economies which are passed on in part to recipient councils;
- The use of local ‘paraprofessional’ staff reduces the administration tasks of skilled technical and professional staff allowing them more time for high level work;
- It can satisfy a recipient council’s specific and often flexible needs in the short, medium and longer terms;
- It reduces risk levels experienced by recipient councils in service provision by using staff experienced across a broad range of local government disciplines;
- It develops ‘professional relationships’ with knowledge of government departments and agencies to the benefit of both provider and recipient councils;
- It can maintain a good ‘working knowledge of private consultants’ capabilities’ to assist when required.

From the perspective of small local government entities, the Brighton Common Service Provision Model represents an alternative method of meeting service

obligations to using private consulting firms. An important question therefore resides in the comparative advantages of the Brighton Model relative to consultants. Senior managers with extensive experience of the Brighton Model contend that it enjoys significant competitive advantages, most notably:

- Provider councils are also users of the same services and therefore have a 'user's understanding' of these services; and
- The services involved are 'mission critical' to the provider council supplying the service as well as to the participating council receiving the service.

In addition to these two factors, it can be argued that the Brighton Model has further advantages in the realm of risk management which cannot be matched by private commercial firms or consultants. In the first place, since the provider council will always be a legal local government entity, established under its state Local Government Act, and empowered to strike rates and levy fees and charges, the question of insolvency is not a risk for client councils, unlike private firms.

Brighton Council Experience with Common Service Model

Under the auspices of the Common Service Model, the Brighton Council has attracted client councils from around Tasmania, as well as Claremont, Ravensthorpe and Dandaragan from WA, and Eurobodalla in NSW. In addition, Suva City in Fiji is a client council. In aggregate, revenue received from this work represents about 20 per cent of Brighton Council's rate revenue, which is expected to grow through time.

In order to provide some idea of operation of the Common Service Model, it is useful to consider the Brighton Council's activities in Tasmanian local government. Table 2 summarises work undertaken by Brighton in 2008/09 financial year in providing services to Tasmanian councils.

Table 2: Sum of Hours Charged to Client Council, 2008/09

Council / User	Total Hours
Break O'Day	20
Central Highlands	389.5
Derwent Valley	64
Flinders	1,591
Glamorgan Spring Bay	1,835
Glenorchy	362.75
Southern Midlands	42.25
Tasman	1,828
Various / software related	1,443
Various / outside workforce	1,273
Grand Total (hours charged)	8,848.66

Table 2 provides a 'snapshot' of hours spent working on shared services with client councils in Tasmania and does not include time on projects with participating councils on either mainland Australia or Fiji. It is useful to reflect on the pecuniary and non-pecuniary benefits of this activity from the viewpoint of the Brighton Council. Firstly, as we have seen, the Common Service Model yields the equivalent of around 20 per cent of the annual rates revenue of the Brighton Council. Since this amounts to a subsidy to ratepayers for the use of human and other resources owned by Brighton Council, it means that residents not only enjoy lower rates than would otherwise be the case, but it also helps the Brighton Council to remain financially viable in the long-term. Secondly, Brighton Council has a very low staff turnover which senior executives attribute in large part to the Common Service Model: Employees are stimulated by the challenges facing staff in resource-sharing outside the Brighton Council; they are able to improve their professional skills by working with client councils; and staff who are given these extra duties in shared service arrangements are also financially rewarded for their efforts. Finally, Brighton Council staff and residents alike can derive satisfaction from the fact that a growing network of formalised resource-sharing arrangements undertaken through the Common Service Model will heighten the professionalism within Tasmanian local government, thereby building a reservoir of expertise which can be exported to local governments in Australia and even abroad (as in the case of Fiji).

Evaluation of the Common Service Model

From the perspective of public policy on local government, perhaps the best method of evaluating the Common Service Provision Model is to consider it in light of existing conceptual, taxonomic and empirical literature on shared service models.

Conceptual Basis of Common Service Model

The conceptual foundation for shared services in local government was developed by Oakerson (1999, p. 7), who drew a fundamental distinction between local service 'provision' and local service 'production'. The provision of local services involves determining whether to provide a particular service as a whole, in part or at all, the regulation of local activities, local revenue raising, the quantity and quality of local services provided, and how these services should be produced. By contrast, production involves the actual creation of a product or a service rather than simply its financial provision. The separation of provision from production allows for choice between different modes of providing services, including the Brighton Council Common Service Model.

In his seminal work, Oakerson (1999, pp. 17-18) identified seven generic methods for linking provision with production:

- 'In-house production' occurs where a local council arranges its own production. For example, an individual council could organise its own production along traditional grounds.
- 'Coordinated production' takes place where councils coordinate production activities. For instance, the building inspection departments of two adjacent councils could cooperate on activities affecting both jurisdictions.
- 'Joint production' occurs where two councils organise a single production unit. For example, joint rates notices processing for both councils.
- 'Intergovernmental contracting' takes the form of one governmental entity contracting services from another public entity. Thus a council could contract with another council or a state or federal government agency. Obviously the Brighton Common Service Model fits squarely into this category.
- 'Private contracting' occurs where a private firm undertakes production for a council.

- ‘Franchising’ takes place where a council gives a commercial producer the exclusive right to produce a given service from which residents can purchase the service.
- ‘Vouchering’ occurs where a council sets standards and the level of provision, but allows households to select their own producer using a voucher provided by the council.

How does the Brighton Common Service Model fit into these categories? While the Brighton Model most obviously meets the definition of ‘intergovernmental contracting’ in the Oakerson (1999) typology, ‘coordinated production’ and ‘joint production’ cannot be ruled out since a key attribute of the Common Service Model is that the Brighton Council uses its own products.

At first sight it might also be argued that ‘private contracting’ incorporates the Brighton Model since it is premised on ‘commercial terms’ which satisfy all contracting parties. However, by definition ‘private contracting’ involves contractual arrangements not only outside of local government, but also outside of the entire public sector. This means that as a mode of provision it possesses additional economic and political attributes derived from their ‘for-profit’ nature. For instance, unlike local councils, such as the Brighton Council, private contractors seek to maximise profits from contractual relationships with councils. This gives them strong incentives to reduce costs wherever possible. In practice, this can result in lower service quality, less responsiveness to the public, and fewer workers delivering a given service. Given the difficulties involved in monitoring complex local government services, this usually means contracting councils are not able to readily determine the quality or even quantity of the service received, nor can they easily retain proper control over service provision. Similarly, unlike the Brighton Council, private firms can simply cease operations, go bankrupt or close down, giving rise to additional risk. For these and other reasons, contractual arrangements with private firms cannot be normally regarded as *bona fide* shared service models (Dollery, Grant and Crase, 2008).

This points to the great strength of the Brighton Model; it is based on services already produced and used by the Brighton Council, an established and permanent public local government entity which will endure through time, regardless of market conditions. Moreover, since the services offered under the Brighton Common Service Model are used by the Brighton Council itself, the Brighton Council can thus argue with full justice to potential client councils of the services of the Brighton Model that it has faith in its own products!

Tomkinson (2007) Taxonomy

A more precise typology of shared service arrangements has been proposed by Tomkinson (2007) in his *Shared Services in Local Government*, based on recent British experience, which contains four alternative shared service models:

- The 'Intra-Service Model' is a 'minimalist' approach which covers limited shared services options, such as 'regional procurement models' which provide procurement and purchasing services to member councils;
- The 'Service Model' embodies a degree of formality which enables the participating group of councils to cede control to the provider council which takes on the role of the 'lead council' in terms of budgetary control, service specification, statutory service responsibilities, and other functions;
- The 'Corporatist Model' involves two or more councils forming a joint arrangement to deliver a specific service or services at a mutually agreed standard in which both the costs and benefits are borne by all partner councils on a negotiated basis. In general, this means the creation of a joint governing body to sit between the sharing councils and the delivery body which is wholly owned by these councils;
- The 'Supra-Corporate Model' enables two or more participating councils to set up a separate Special Purpose Vehicle to deliver a specified service or services on behalf of member councils. This vehicle could take a variety of organisational forms, such as a joint venture company, a company limited by shares or by guarantee, a not-for-profit organisation and limited liability partnerships.

Of the four models proposed by Tomkinson (2007), the Service Model most closely approximates the Common Service Model. By contrast, both the Corporatist Model and the Supra-Corporate Model require the establishment of a separate entity to control service provision. In its nature, the Common Service Model is not suited to arrangements of this kind since they bind the provider council to client councils which in reality are simply its customers.

Dollery, Grant and Akimov (2010) Typology

While the Tomkinson (2007) taxonomy represents useful methods for considering shared services in local government, it has been designed with the British institutional milieu in mind and thus unsurprisingly inaccurately describes actual shared service practice in contemporary Australian local government. In order to

remedy this deficiency, Dollery, Grant and Akimov (2010) developed a new tripartite typology, which can help shed light on the characteristics of the Common Service Model.

In this taxonomic system, the ‘Horizontal Shared Service Model’ is the most common form of shared services in contemporary Australian local government. These standard shared service arrangements involve partnerships between local councils, typically spatially bordering on one another, which range from simple *ad hoc* resource sharing between two or more local councils to fully-fledged area integration models (see Dollery and Johnson, 2005). While these shared service arrangements take a multitude of different forms, with widely varied governance models and patterns of ownership, they have in common that the shared services, shared resources, shared equipment and shared facilities involved are fully owned by member councils. Thus not only are the activities and procedures of the shared service entity completely controlled by its member councils, but all costs, income, profit and risk rest ultimately upon these councils. In other words, shared service arrangements falling under horizontal shared service models are wholly operated and owned by participating local councils.

The ‘Vertical Shared Service Model’ involves cooperation between all or some local councils in a given state jurisdiction and the state local government association in that state. Vertical shared service models usually involve the state local government association offering a defined service to member councils across its state jurisdiction, either as a normal part of its ongoing contribution to members or on a ‘fee-for-service’ basis. We can classify these arrangements as *bona fide* shared service models since, in principle at least, a state local government association is an entity wholly owned and controlled by its state member councils. While vertical shared service models exist in all Australian state and territory local government jurisdictions, they are the most highly developed in Queensland (Dollery, Hallam and Wallis, 2008).

The ‘Intergovernmental Contracting Shared Service Model’ under which local councils *voluntarily* carry out various functions on behalf of public agencies from state and federal government. We can differentiate between various different types of intergovernmental contracting shared service models. For instance, the most common form of this model occurs where individual councils contract on an *ad hoc* basis with state agencies to undertake specific tasks, such as highway maintenance on behalf of the Roads and Traffic Authority in New South Wales.

In recent times, a second subset of the intergovernmental contracting shared service models has emerged under the auspices of Intergovernmental Agreements

between state and local government in various state jurisdictions. For example, the Municipal Association of Victoria has negotiated a Victorian State-Local Government Agreement which holds that local government has the right to decide whether or not to accept delivery of a function or service for the Victorian government and that it can negotiate on service standards, financial arrangements, implementation terms, as well as other conditions of the delivery of services (Bisman, 2008).

Finally, sometimes local councils also provide certain services on behalf of Commonwealth government agencies, often in regional, rural and remote local government jurisdictions.

Against the analytical background of the Dollery, Grant and Akimov (2010) typology, the Common Service Model best represents a variant of the Horizontal Shared Service Model since it embraces council-to-council function and service provision. However, this should be immediately qualified by noting that in strict terms the Common Service Model is not a shared service model at all, but rather a contracting model run on a commercial basis. It should also be stressed that the Common Service Model is also compatible with the Vertical Shared Service Model since it is not hard to imagine circumstances where the Brighton Council contracts with a state local government association to provide services through its Common Service Model to a designated group of councils falling under the auspices of the association. In this respect, it is akin to existing special purpose vehicles established by state local government associations (Dollery, Hallam and Wallis, 2008).

Concluding Remarks

Shared services have become increasingly common in Australian local government and, as we have seen, with some exceptions scholars have failed to keep abreast of these real-world developments. Given the potentially important role accorded to shared service provision in the spate of recent state and national public inquiries into local government sustainability, this neglect has been most unfortunate. Accordingly, this paper has thus sought to contribute to the literature on shared services in a modest effort to overcome this deficiency by examining the Brighton Common Service Model.

The Brighton Common Service Model represents an interesting new addition to the existing Australian local government efforts in the field of shared service provision. As we have seen, while the Common Service Model has in common

many of the characteristics of private outsourcing, it enjoys several decisive comparative advantages over commercial consultants: Most notably, it uses the same services as it provides to client councils, thereby providing an implicit guarantee of service standards and, as a local government entity, insolvency is not a risk for participating councils, unlike private firms.

A final question relates to how public policy makers should treat the Brighton Model. In part, the answer to this question revolves around the aims of the Brighton Model and the benefits that it delivers to stakeholders. As we have seen, the Brighton Model delivers direct benefits to three main stakeholders: the Brighton Council itself in the form of additional revenue and a more satisfied and stable workforce; client councils which gain from the use of its services; and Brighton Council employees who can acquire additional skills and augment their incomes. While all of these direct benefits are perfectly compatible with sound public policy, the major contribution of the Brighton Model from a public interest perspective resides in the fact it enables small non-metropolitan local authorities to function more efficiently by providing them with expertise they would not otherwise be able to secure consistently and economically.

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