Enhancing Regional Cooperation between Local Councils: A Proposed Two-Tier Model for Australian Local Government

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Abstract
Various state-based and national reports into Australian local government have conclusively demonstrated that the problem of financial sustainability is widespread amongst local councils, especially in non-metropolitan areas. The main impact of this financial distress has fallen on local infrastructure and the magnitude of the problem is now so large that only massive injections of funds from higher levels of government can resolve the problem. However, some scope also exists for local councils to improve the efficiency of their operations. While structural reform in the guise of amalgamation has largely failed to generate efficiency gains, all state-based and national inquiries into local government saw significant potential in shared service models. This paper seeks to augment the existing embryonic literature on alternative models of local government suited to Australian circumstances by proposing a new two-tier model of local governance that can enhance regional cooperation between local councils. The model seeks to preserve local democracy and local representation while simultaneously encouraging shared services in those areas of service provision that exhibit economies of scale and scope economies.

Keywords
Alternative models; local government; shared services.

Cover Page Footnote
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Introduction

Several recent state-based and national inquiries into Australian local government have demonstrated convincingly that a large number of local authorities in all state jurisdictions find themselves in financially straightened circumstances. Moreover, Dollery et al. (2006a) have argued that local infrastructure maintenance and renewal have borne the brunt of this financial distress. This argument derives overwhelming support from the various state-based inquiries. 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 (‘Allan Report’) (LGI) (2006) Are Councils Sustainable, the now defunct Queensland Local Government Association’s (LGAQ) (2006) Size, Shape and Sustainability (SSS) program, the Western Australian Local Government Association report (WALGA) (2006) Systemic Sustainability Study: In Your Hands - Shaping the Future of Local Government in Western Australia and the Tasmanian Local Government Association report (LGAT) (2007) A Review of the Financial Sustainability of Local Government in Tasmania all concluded that numerous local councils were financially unsustainable and that the burden of this funding crisis had fallen largely on local infrastructure.


While most of these public inquiries were chiefly concerned with the financial sustainability of local government, they also considered various methods of improving the operational efficiency of local councils. Almost without exception, they have concluded that structural reform through forced amalgamation had not achieved its intended aims (Dollery, et al., 2007a). By contrast, shared service arrangements were seen as promising in all of these documents.

The central lesson that has emerged from the various national and state-based inquiries is that the financial difficulties troubling local councils across the country cannot be solved by structural changes alone. Revenue constraints and
cost pressures on local councils are so acute that only additional sources of funding and improved methods of tackling rising expenditure can comprehensively resolve the current financial crisis.

A second crucial lesson is that the forced amalgamation of local councils, especially in regional, rural and remote areas, has not improved financial sustainability. A much more promising approach to enhancing the operational efficiency of local councils resides in shared service models. However, the as yet unsettled question is: what form should shared service arrangements take? This paper seeks to provide a possible answer to this question by means of a simple model capable of implementation across non-metropolitan Australian local government.

In essence, the two-tier model of local government advanced in this paper represents a generic model of governance and management arrangements that would allow spatially adjoined local councils to harness the benefits that can accrue from resource sharing between relatively small groups of councils while at the same time preserving local democratic autonomy and local representation. It thus seeks to combine the efficiency-enhancing properties of selected resource sharing sought by state government policy makers with local democratic representation that is greatly prized by Australians in country areas.

The paper is divided into five main parts. Section 2 briefly outlines the embryonic literature on alternative Australian models of local government by way of background to the two-tier model proposed in this article. Section 3 presents a model of local governance that tries to embody the lessons of local government reform in other Australian states by combining regional governance, effective resource sharing and local autonomy. Section 4 considers the problem of the allocation of functions between the regional authorities and local councils in the model. Section 5 examines the human resource question in terms of the model. The paper ends with some brief conclusions in section 6.

**Alternative Models of Australian Local Government**

An embryonic but nevertheless growing scholarly literature exists on alternative models of local government tailored to meet Australian circumstances. At the theoretical level, at least two separate 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 developed a taxonomy of local government reform that distinguishes between
four different conceptual models: ‘Merger/amalgamation’; ‘significant boundary change’ ‘resource sharing through service agreements’ (i.e. one local authority will undertake specific functions for other councils, like strategic planning and waste management); and ‘resource sharing through joint enterprise’, (i.e. where councils merge their resources in selected services to secure economies of scale economies, such as official record keeping and storing).

Dolley and Johnson (2005) have advanced a second, more detailed seven-fold taxonomy of Australian local government. In this typology different models of local government are differentiated along a scale of ‘operational control’ (or the ability to deliver local services) and ‘political control’ (or the capacity to decide on local services). In accordance with these criteria, existing small local councils enjoy the greatest operational and political autonomy given their respective state government acts; Ad hoc resource-sharing agreements — consisting of voluntary arrangements between neighbouring councils to share resources — constitute the next most autonomous category; Regional Organisations of Councils (ROCs) represent a formalisation of the ad hoc resource-sharing model; area integration models retain autonomous existing councils with their current boundaries, but create a shared administration overseen by a joint board of elected councillors; the virtual local government model involves 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 (2005) taxonomy represent useful conceptual tools for scholars of Australian local government; they can provide theoretical guidance in evaluating the chief characteristics of new models of Australian local governance. In the present context, the Dollery and Johnson (2005) typology makes political autonomy and operational independence explicit attributes of different models of local governance.

In addition to these two theoretical systems, a small, but growing body of scholarly writings on actual alternative models of Australian local government attests to the inventiveness and vibrancy of local government in the competitive laboratory of Australian federalism. This largely empirical literature has been devoted to the analysis of particular models that have actually been implemented in practice or proposed as suitable candidates for implementation by actual
councils. The former category embraces work on ROCs (Dollery et al., 2005a), the New England Strategic Alliance of Councils (Dollery et al., 2005b) 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 2007) and the Co-operative Model of the Gilgandra Shire Council (Dollery et al., 2006b).

A Two-Tier Model of Australian Local Government

Formal Structure of the Model

In essence, the two-tier model of local government is designed for non-metropolitan local councils based on the presumption that one regional administrative structure could serve a number of ‘district councils’ or local councils that are defined by common economic and geographical and social features. In this way, existing shire council functions could be merged or mixed to achieve sufficient critical mass to establish a skill base necessary to provide the required administrative systems and processes to more effectively manage the assets and services of a number of smaller district communities.

The key to the model is its recognition of the need to function simultaneously at two different levels:

(i) A local institutional component or ‘district council’ that serves each district council area and its local communities. District councils would essentially be existing small shire councils that retain their current jurisdictional boundaries.

(ii) A regional institutional component or ‘regional council’ that provides for over-arching administrative, professional and technical services to the regional grouping of district councils. This would be provided by a new governmental entity specifically created for this purpose.

The opportunity to pool and, where appropriate, to reallocate resources offers the following potential benefits to local government in non-metropolitan Australian local government jurisdictions:

- A higher level and quality of community services derived from the ability of regional councils to acquire the requisite administrative and technical expertise;
- It would facilitate more effective cross district co-operation;
• This would generate more effective environmental planning as well as improved social and economic outcomes in other areas with a regional focus;
• It would provide broader depth of technical expertise, particularly in those skills presently in chronically short supply in country councils; and
• By allowing for selected shared services and resource-sharing initiatives it would lead to at least some cost savings and thus improved financial outcomes for member local councils.

A critical advantage of this new two-tier model of local government resides in the fact that it is perfectly compatible with existing Local Government Acts in state local government jurisdictions. For example, in the amended Queensland Local Government Act 1993, New Section 159S of the Local Government Act 1993 (as amended) outlines the functions of the Local Government Reform Commission and, in particular, its power under Section 159S (1) (b) (iii) to make recommendations to the Minister for ‘any class of local government area that there should be in addition to the classes of city, town and shire, and the criteria that should apply for declaring a local government to be of that class’. As we have seen, the model presented in this paper provides for the establishment of two new classes of local government: ‘District councils’ and ‘regional councils’ differentiated on the basis of population and functional roles.

How does this model fit into the broader structure of Australian local government as a whole? It is suggested that Australian state departments of local government delineate non-metropolitan local government into four main categories based on population size: Cities, towns/shires, regional councils; and district councils. Only cities and towns/shires would need to reach some minimum population threshold. This quadrilateral structure would be based on the following (approximate) population criteria:

• Cities – a population of more than 30,000;
• Towns/shires – a population of more than 15,000;
• Regional councils – a population of less than 15,000; and
• District councils – a population of less than 12,000.

**Political Structure of the Model**

In accordance with the fundamental democratic principle that local government should rest on the legitimacy provided by elected representation, all four governmental structures would operate under democratically elected representatives. In terms of the application of the democratic principle to district
councils and regional councils, it is suggested that a half election of councillors be held for both district and regional councillors every two years. The rationale underlying this suggestion is that a rolling four-year term for elected representatives would see a greater emphasis placed on key strategic areas and sustainability elements of contemporary local government. It would also provide for the retention of ‘institutional memory’ amongst elected representatives. Moreover, new councillors would bring fresh perspectives and at the same time benefit from the knowledge gained by councillors already at least two years into their period of office.

At a more detailed level, political representation could take the following generic form:

**District councils** would be based on the spatial boundaries of existing small shires and have a maximum of seven councillors each elected by these local communities from an undivided area. In addition, one of the seven elected councillors would be elected chairperson by the seven elected councillors. A by-election would be required to fill any vacancies that might arise for district councillors.

**Regional councils** would be based on the grouping of a number of adjoining small district councils having like ‘communities of interest’ that enabled the social fabric and character of those communities to be maintained. Three regional councillors would be elected by the councillors of each district council to serve in the regional council for the full four-year term. A regional Mayor (and Deputy Mayors as required) would be elected by the regional councillors on an annual basis. District council groupings under a regional council should include at least three existing local councils, but preferably no more than five district councils. Any vacancy for a regional councillor would be filled by an election at the district council level.

In addition to these formal political structures, where large distances and spatially isolated small communities exist within local council boundaries, ‘community consultative forums’ could be formed. Community consultation forums could be established by each district council creating an appropriate number of these forums which meet at least three times each year (in the district council management planning process, following the adoption of the Management Plan and prior to the commencement of each management planning cycle to review the actions of the previous plan).
Figure 1 illustrates the formal and political structure of the two-tier model of local government:

**Figure 1:** Political structure of two-tier model for regional councils
Allocation of Functional Activities in the Model

General principles
There are a range of functions that can be performed either in common or collectively at a ‘regional’ or ‘district’ level and each regional council would be responsible for determining and allocating functional activities according to local circumstances. As we shall see, on the basis of existing (but limited) empirical evidence, most of these are ‘back-office’ functions and thus would have little direct relevance to the primary political and policy functions of regional councils and district councils and to the services physically provided at either level. For example, the following allocation of functions could be made between regional and district councils respectively.

Regional functions:
- Strategic/corporate governance and planning;
- Service delivery standards;
- Regional economic, environmental, and social planning;
- Corporate financial planning;
- The establishment of partnerships with higher levels of government and the private sector;
- Human resources recruitment and retention; and
- Review of strategic outcomes.

District functions:
- District management planning and operations;
- Local service delivery;
- Local community representation and advocacy;
- Customer action requests; and
- Review of operational outcomes.

Empirical evidence
The actual allocation of functions between regional councils and district councils would depend on a number of local factors, not least the physical distances between district councils and the regional council, transport networks and numerous other local conditions. However, the general nature of allocation decisions can at least be informed by available Australian evidence on shared services in local government. Fortunately, work on this question has been examined by Dollery and Akimov (2007a), Dollery and Akimov (2007b) and Dollery et al., (2007a).
Relevant Australian empirical studies on shared services provide at least some clues on which services could be undertaken by regional councils. For instance, Lawson (2007) analysed the responses of 34 South Australian local councils in relation to their participation in joint local service delivery arrangements. The responses indicated the six most common areas for resource-sharing arrangements between local councils. These were (i) waste management; (ii) environmental health/development assessment and town planning; (iii) shared use and purchase of physical assets; (iv) back-office operations; (v) access to IT services; and (vi) governance, compliance and audit services.

A second survey of local councils in Western Australia was conducted by Burow Jorgensen and Associates (BJA) (2006). Fifty-five out of 142 councils responded to their survey, including those in rural and metropolitan WA. Ninety-two per cent of respondent councils indicated that they have had experience with resource-sharing. Notably high rates of participation in resource-sharing were observed in regional, and especially remote, areas. The most commonly shared services included: (i) waste disposal/collection and recycling; (ii) road works; (iii) shared equipment; (iv) IT services; (v) human resources; (vi) health and planning; (vii) shared library facilities and (viii) bush land management.

A third similar survey was conducted in NSW by Byrnes (2005). Eight services suitable for shared delivery were identified. They included: (i) fire protection; (ii) emergency services; (iii) health administration and planning; (iv) noxious plants; (v) museums; (vi) water and wastewater; (vii) tourism and regional promotion; and (viii) saleyards and markets. In addition, Byrnes (2005) listed seven areas that respondents believed were better offered exclusively ‘in-house’ by local councils themselves. These included: (i) public cemeteries; (ii) public conveniences; (iii) public halls; (iv) swimming pools; (v) sporting grounds; (vi) parks and gardens; and (vii) real estate development.

In addition, four Australian studies have provided tangible examples of the successful implementation of resource-sharing arrangements between local councils, with specific reference to the savings and other benefits that resulted from these initiatives. For example, Dollery and Byrnes (2005) examined the case of the Walkerville Council in South Australia and its experience with shared service delivery involving neighbouring municipalities. The council entered into nine agreements with various councils to jointly deliver the following services: (i) waste collection and recovery; (ii) home care; (iii) crime prevention; (iv) library facilities; (v) environmental protection and health; and (vi) joint inspection services. All agreements proved to be beneficial for the council either in terms of cost savings or improvement in the range and quality of services.
A second study by Dollery et al. (2005b) examined the Strategic Alliance Model implemented by the Armidale Dumaresq, Guyra, Uralla and Walcha councils. This paper provided an outline of both projected savings targets and the areas in which these savings are expected to be realised. These areas included: joint plant utilisation, GIS services, IT, finance, human resources, payroll, records, supplies and stores. However, this paper only presents estimated savings in various areas and not actual realised savings.

LGAQ (2005) Size, Shape and Sustainability of Queensland Local Government discussion paper cited an example of another successful strategic alliance of three NSW rural councils – Wellington, Blayney and Cabonne. The authors argued that the councils had achieved $720,000 in savings during the first ten months of cooperation. The major areas in which savings were recorded were records storage, road maintenance administration, OH&S and risk management training, plant purchases, staff secondment, promotion and tourism, and printing and stationery.

A final case study of resource-sharing arrangement in Australian local government was conducted by Dollery et al. (2004) into the thirteen-council Riverina Eastern Regional Organisation of Councils (REROC) in southern NSW. REROC has implemented resource-sharing since 1998. It was able to achieve savings of $4.5 million over five-and-a-half years, 1998 to 2003. Areas in which resource-sharing was the most beneficial included: (i) waste management; (ii) joint purchases and tenders; (iii) IT; (iv) administration and compliance; and (v) lobbying activity.

The final study in this synoptic review of the relevant Australian empirical literature is the Shared Services: Queensland Local Government report prepared by KMMC (2005) for the LGAQ. This paper argued strongly in favour of the shared provision of services by local governments and based its opinions on theoretical arguments and a review of various research reports. However, it failed to draw the crucial distinction between shared service models in local government per se and all levels of government and thus included a large number of irrelevant references and a distinct lack of specific empirical examples of the benefits of shared service arrangements in local councils (Dollery and Akimov 2007a).

A summary of the relevant Australian empirical evidence is presented in Table 1:
Table 1: Australian Empirical Evidence on Shared Local Service Arrangements

<table>
<thead>
<tr>
<th>Publication</th>
<th>Basis for argument</th>
<th>Sample</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawson (2007)</td>
<td>Survey</td>
<td>34 SA local councils</td>
<td>Identified six service areas with the greatest resource sharing opportunities, as well as some impediments to implementation of shared services.</td>
</tr>
<tr>
<td>Burow Jorgensen and Associates (2006)</td>
<td>Survey</td>
<td>55 WA local councils</td>
<td>92% of councils were engaged in resource sharing in various areas, including waste collection, recycling and disposal, HR, IT, road works, library facility, etc.</td>
</tr>
<tr>
<td>Byrnes (2005)</td>
<td>Survey</td>
<td>19 NSW metropolitan and regional councils</td>
<td>Identified eight services most suitable for resource sharing and seven services that should be provided locally.</td>
</tr>
<tr>
<td>Dollery and Byrnes (2005)</td>
<td>Case study</td>
<td>Walkerville Council, SA</td>
<td>Listed nine regional co-operative agreements Walkerville had entered into and provided estimates of benefits.</td>
</tr>
<tr>
<td>Dollery et al. (2005a)</td>
<td>Case study</td>
<td>Armidale Dumaresq, Uralla, Guyra and Walcha Strategic Alliance, NSW</td>
<td>Strategic Alliance of the Councils brought substantial benefits/savings through collaboration in the number of areas. The beneficiary areas are listed.</td>
</tr>
<tr>
<td>KMMC (2005)</td>
<td>Literature review</td>
<td>Not applicable</td>
<td>Identified six services most able to be successfully delivered through regional services units and three services most suited to delivery on a shared regional basis.</td>
</tr>
<tr>
<td>Local Government Association of Queensland (2005)</td>
<td>Case study</td>
<td>Wellington, Blayney and Cabonne Strategic Alliance, NSW</td>
<td>The Alliance achieved $720,000 savings in first ten months of operation through co-operative arrangements, joint purchases and staff and resource sharing.</td>
</tr>
<tr>
<td>Dollery et al. (2004)</td>
<td>Case study</td>
<td>Riverina Eastern Regional Organisation of Councils (REROC), NSW</td>
<td>REROC achieved savings of $4.5 million through reduced duplication, joint tendering, regional lobbying and co-operative sharing of resources.</td>
</tr>
</tbody>
</table>

**Human Resource Issues**

It must be acknowledged that the implementation of the two-tier model proposed in this paper will undoubtedly result in the displacement of local council
employees. However, any staff made surplus from the restaffing of some functions could be effectively applied to introducing new systems for asset management and administration, long-term environmental planning, the development of strategic plans, and other important tasks. In any event, the net loss of employment need not be great. Moreover, through time natural attrition would allow for staff reductions, and in the shorter term there would be more than enough work for any spare staff, particularly those with middle to higher level management or technical skills.

The determination of human resources recruitment and retention at a regional level would allow the establishment of specialist technical/professional units that could be based at specific locations within the regional area, but utilised across the region to service the entire region and the local councils within the region. Where economies of scale made redeployment appropriate, the specific details of such redeployment could be determined at a regional management level in order to preserve employment opportunities at individual district councils at pre-regionalisation numbers.

Day-to-day operations would be overseen by a Regional Chief Executive Officer (CEO) who would require appropriate formal qualifications and extensive local government experience. District managers would manage district operations under the supervision of the Regional CEO. Together they would form a multidisciplinary management executive to run the administrative and operational activities of the regional council and district councils respectively. Apart from synchronising the functions and resources of the regional council and district councils, the new management structure would serve to re-introduce appropriate career paths back into local government. Thus able and ambitious managers could move through a managerial hierarchy from a senior manager in a district council, to District Manager, Regional CEO and then possibly to larger towns and cities. A career progression along these lines might also address the problem of skilled staff shortages in local government, which is especially acute in rapidly growing non-metropolitan areas of the country.

**Concluding Remarks**

As the various national and state-based inquiries have conclusively demonstrated, in all Australian local government jurisdictions a large number of local councils are under severe financial distress. The funding crisis in these local councils has been mostly manifested in chronic under-investment in infrastructure, with a widespread local infrastructure backlog now obvious. Some of these state
systems have undergone extensive amalgamation in the recent past, most notably Victoria, South Australia and New South Wales, but widespread problems of financial unsustainability nonetheless remain amongst their local councils. This indicates that a lack of adequate funding, defects in the local government funding process and expenditure pressures largely outside the control of local councils represent the main source of the financial crisis. The principal problem is thus one of funding rather than structure.

However, this does not imply that structural change cannot improve the effectiveness and operational efficiency of local councils. However, it does demonstrate that amalgamation is not a ‘silver bullet’ that can cure all the ills afflicting local councils. Moreover, the bleak experience with amalgamation in other states, especially its social divisiveness and conflictive nature, together with its damaging economic effects on small local communities, does not offer a solution to the problems in contemporary local government.

The two-tier model proposed in this paper is designed to capture the gains that can accrue from the regional provision of selected local government functions while at the same time preserving local democracy and local communities. In this way, the crucial ‘place-shaping’ role of local councils empowered with local knowledge on local circumstances and local preferences is maintained; an essential aspect of local governance stressed in the recent Lyons Report into English local government (Lyons 2007).

The two-tier model advanced here is a hybrid of several alternative theoretical models of local government in the Australian literature on the topic. For instance, within the Dollery and Johnson (2005) typology it embraces elements of ROCs and area integration models by combining a degree of local operational control and local democratic autonomy with the possibility of resource-sharing. Under the Local Government Association of Queensland (2005) taxonomy of avenues for local government structural reform, the model allows for both ‘resource sharing through service agreements’ and ‘resource sharing thorough joint enterprise’. Moreover, it does not rule out voluntary boundary change.
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