UNIVERSITY of TASMANIA

Options for sharing services in Tasmanian Local Government

FUTURE OF LOCAL GOVERNMENT REVIEW BACKGROUND RESEARCH PAPER NO. 4

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ACKNOWLEDGENT OF COUNTRY

This report has been prepared by the Tasmanian Policy Exchange (TPE) at the University of Tasmania.

The University of Tasmania pays its respects to elders past and present, and to the Tasmanian Aboriginal community that continues to care for Country. We acknowledge the profound effect of colonial settlement on this Country and seek to work alongside Tasmanian Aboriginal communities, respecting their deep wisdom and knowledge as we do so.

The palawa/pakana people belong to one of the world's oldest living cultures, continually resident on this Country for at least 40,000 years. We acknowledge this history with deep respect, along with the associated wisdom, traditions, and complex cultural and political activities and practices that continue to the present.

The University of Tasmania also recognises a history of truth that acknowledges the impacts of invasion and colonisation upon Aboriginal people and their lands, resulting in forcible removal, and profound consequences for the livelihoods of generations since.

The University of Tasmania stands for a future that profoundly respects and acknowledges Aboriginal perspectives, culture, language and history, and continued efforts to realise Aboriginal justice and rights, paving the way for a strong future..

ACKNOWLEDGEMENTS

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ABOUT THE TASMANIAN POLICY EXCHANGE

The University of Tasmania was founded over 130 years ago to serve the Tasmanian community.

Today it remains deeply committed to working with and for Tasmanians in new and creative ways to contribute to a more prosperous, inclusive and sustainable future.

The Tasmanian Policy Exchange (TPE) was established in 2020 as a strategic initiative to enhance the University's capacity to make timely and informed contributions to policy issues and debates which will shape Tasmania's future.

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Authors

Prof. Richard Eccleston

Dr Lachlan Johnson

Frieda Moran

Sarah Hyslop

Megan Langridge

Table of contents

KEY FINDINGS 6

INTRODUCTION AND AIMS 10

PART ONE: A FRAMEWORK FOR ASSESSING SHARED SERVICES MODELS IN LOCAL GOVERNMENT 12

Part 1.1: Defining shared services models 12

Part 1.2: Typologies and models of shared service arrangements 12

Part 1.3: Adopting shared services models in theory and practice 14

Part 1.4: Potential benefits of shared services 16

Part 1.5: Creating a culture to support collaboration and shared services 17

Part 1.6: Key insights from the literature on shared services 18

PART TWO: CASE STUDIES 19

Part 2.1: Informal function- or project-based sharing 20

Part 2.2: 'Fee-for-service' procurement 23

Part 2.3: Provision via regional organisations or state-wide local government peak bodies 25

Part 2.4: New jointly owned/controlled service provision entities 29

Part 2.5: Merged local government service provision 35

PART THREE: POLITICS, GOVERNANCE, AND IMPLEMENTATION OF SHARED SERVICES 37

Part 3.1: The politics and implementation of shared services 37

Part 3.1: Success and failure factors 27

Part 3.3: Concluding observations 43

END NOTES 45

REFERENCES 50

KEY FINDINGS

In recent decades, local governments have experienced mounting financial pressures and broader sustainability challenges. Faced with growing complexity, challenges attracting skilled staff and new roles and responsibilities, many councils – not to mention state and federal governments – have developed innovative ways to share functions or services with their neighbours, regional entities, and other levels of government.

Nevertheless, councils across Australia have mostly embarked on this journey in the absence of clear frameworks and strategies to support and guide their efforts.

As a result, the local government shared services landscape is highly varied, and the Tasmanian system is no exception. Where some councils are involved in collaborative and well established sharing relationships covering a wide range of activities, others engage in ad hoc, short-term arrangements in response to specific challenges. Most fall on a broad spectrum somewhere in between. On the whole, however, local government shared services in Tasmania, as in the rest of the country, are relatively informal and often lack the scale to improve services and outcomes across the sector as a whole.

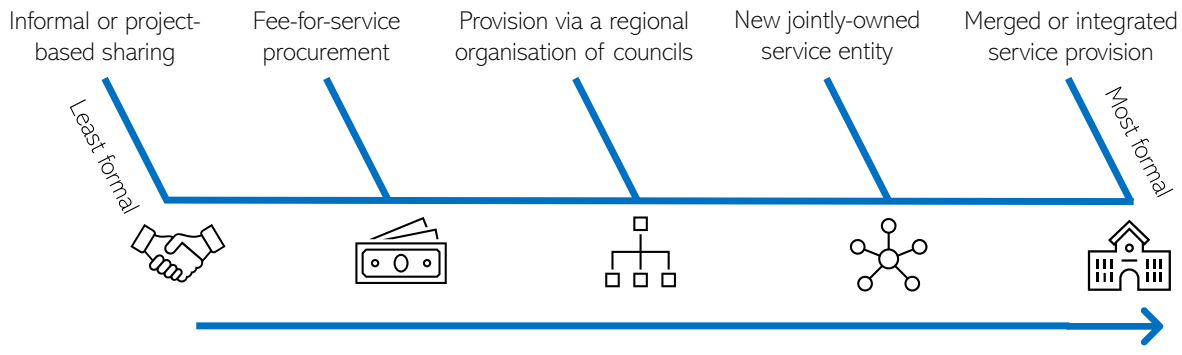
This report finds that a more integrated and comprehensive approach to shared services represents one strategy with potential to improve the efficiency, effectiveness, and sustainability of Tasmanian local government, although the extent of these benefits depends on a wide range of factors that are examined in this report. Having reviewed the available policy literature and the wide range of shared services models that have been used in Tasmania and other Australian jurisdictions, the report has identified five broad models to describe the range of approaches used in Australian local government which constitute a spectrum of shared services models ranging from informal project-specific resource sharing to much more formalised models of integrated service provision:

While not all models will be appropriate for all councils or for all local government functions, the typology offers a framework that can be used to assess the options available, based on the relevant evidence including real-world examples of similar strategies in action.

Beyond establishing specific shared services models and the services and functions they can be applied to, the Report also identifies eight key principles or pre-conditions for the successful design and implementation of shared services models, as shown in Table 1 on the following page.

If the conditions as detailed in the table on the next page are met, this report argues that there is scope for an expanded and more systematic approach to sharing services with potential to deliver better outcomes for the Tasmanian community.

Given the emphasis of the Future of Local Government review on building strategic and regional capability, efficient and effective service delivery, and operational sustainability among other themes, shared services have been identified as an area for further exploration in the Stage One Interim Report. To inform the Board's consideration of shared service options and models, this background paper presents insights from interviews, case studies, and existing academic literature relevant to the themes outlined in the *Interim Report*.



Spectrum of local government shared services

1. Address an agreed problem	Identify and agree on the problem to be solved and the desired outcome (e.g., efficiency, effectiveness, expanded service offerings, more sustainable staffing systems, etc). Robust and reliable baseline data are essential to determining the most suitable model of service sharing and evaluating its performance over time.
2. Engage authentically and try to build consensus	Arrangements built on trust and mutual goodwill are likely to present a more attractive reform proposition than forced or compulsory ones. While differences of opinion are inevitable, genuine engagement with the sector is more conducive to progress than unilateral or antagonistic approaches.
3. Focus on areas of common interest and need	At least initially, focus on areas where there are common interests and mutual benefits and value from sharing
4. Aim to build scale and scope incrementally	Many shared services arrangements gradually evolve and 'snowball' over time into more comprehensive, enduring partnerships. Supporting evolution towards a more systematic shared services framework not only pays dividends in its own right, but also helps to build the compatibility and complementarity that prepare councils for more involved or far-reaching shared services reforms.
5. Ensure local accountability and responsiveness to local need	Arrangements in which councils lose too much autonomy or feel disempowered, can threaten local governments' ability to represent local preferences. Agree on longer-term outcome targets and report progress and benefits (or otherwise) over time.
6. Share risks and rewards	Arrangements in which one council shoulders more risk than others – or, alternatively, reaps greater rewards – are more likely to end in conflict than ones in which equitable sharing is a guiding and intentional design feature.
7. Incentivise and support the transition	Shared service arrangements almost inevitably involve at least some degree of realignment of council priorities or resources. Sensitive and equitable transition arrangements are vital to ensure that councillors, staff, and communities are kept on side.
8. Discuss and agree upon the best governance model	This should be done while noting that there will be trade-offs and compromises. Even the most successful shared service arrangements can succumb to self-interest or internal disagreement unless robust, independent governance structures are in place.

Principles for the successful implementation of shared services

Shared services reform options for Tasmania

Existing models for local government shared services around Australia, not to mention internationally, are extremely diverse. Assessing the wide range of available options for reform is a daunting task. While an almost endless list of options is conceivable, not all models and not all reform approaches are technically, financially, or politically feasible in the Tasmanian context. The analysis presented in this report suggests a number of potential avenues for reform consistent with the priorities established in the FoLGR *Interim Report*. It is important to emphasise that in most cases these reform pathways are not mutually exclusive with one another nor with other structural reforms although, all things being equal, establishing fewer, larger councils can also deliver many of the scale and other benefits of service sharing models.

The potential reform options below are presented according to their degree of ambition, from maintenance of the status quo (option 1) to a centralised and systemic overhaul (option 5):

1. **Continued incremental progress**. Previous analysis and modelling of local government reform in Tasmania, most notably the *South-East Councils Feasibility Study* (KPMG 2016), has suggested that even under a 'status quo' scenario, local governments are likely to continue building service sharing arrangements of their own accord. This study found that, while less efficient than amalgamations in their modelled scenarios, this incremental progress could potentially save councils and their ratepayers almost $1 million annually in the south-east region alone. Encouraging and supporting local governments to deepen existing shared services arrangements across the whole State is likely to generate continued savings and efficiencies even if over a longer timeframe than more targeted interventions.

2. **State government support or statutory incentives**. The scale and effectiveness of shared services arrangements is likely to be enhanced by support and encouragement from the state government. This can take the form of incentivisation, policy, or even legislation. For example, while Tasmania's local government legislation contains very few limitations on local government service sharing, but it does little to explicitly encourage it. Other jurisdictions on the other hand, most notably NSW, have introduced statutory requirements for councils to consider shared services options as part of competitive tendering or grant funding processes. This means that any time a council is considering outsourcing or procuring a service from a third party, it must also explore shared services options. These explorations have led to fee-for-service procurement from other councils, joint procurement (particularly in the case of waste services) or even more systematic cooperative arrangements via regional organisations of councils (ROCs). This type of statutory requirement is likely to enhance and expedite the kind of incremental progress towards greater collaboration discussed in option one above. This would be most effective if delivered alongside state government policy frameworks, administrative and technical support, or even a funded options and modelling process akin to that provided to councils exploring voluntary amalgamation during the 2010s.

3. **Wholesale renovation of existing regional organisations**. There was a consensus among those interviewed for this study that Tasmania's regional council bodies (STCA, CCA, NTDC) are not functioning as effectively as they could be. If subjected to a thorough overhaul, however, these organisations could potentially play an expanded and more strategic role providing and coordinating functions and services on a regional scale. This would require the establishment and resourcing of clearly defined functions and roles that would deliver better value to member councils and their regions than is currently the case. Based on international and interstate experience, there is a role for state and federal governments in supporting the development and operation of regional authorities. It is also possible that the State Government's recently announced commitment to negotiate regional strategic partnership agreements covering various regional land-use planning and economic development functions could be a vehicle for advancing this agenda.* This emerging partnership model could also see regional bodies playing a more developed, sophisticated role in crucial issues of regional land-use planning and economic development than they have in the past. While there are potential benefits from regional service provision the report also identifies risks, including duplication of administrative structures and systems and increased transaction costs.

4. **New regional shared services hubs**. The fourth potential pathway could entail the establishment of new regional service hubs, in addition to already existing examples in the waste management sector. This could take the form of a new entity or joint authority, though there is precedent elsewhere for a leading council to provide services to its neighbours via a common services or 'centre of excellence'

*https://www.premier.tas.gov.au/site_resources_2015/additional_releases/our-plan-for-tasmanias-future

model. The discussion of models and functions presented below suggests that this approach is most suitable for expensive, capital-intensive, undifferentiated, or technical service responsibilities. This includes not only integrated infrastructure and asset management (the reform experience of New Zealand local government suggests stormwater as potential candidate for regional management) but also corporate services and back-office functions like ICT systems or payroll. As in the previous option, the existing evidence base suggests that such an arrangement is more likely to be successful and politically achievable where collaboration is encouraged but voluntary and implemented over an agreed timeframe. The evidence suggests that it is easier to establish regional shared services models if there are fewer, larger councils.

5. **Single centralised shared services hub**. The fifth reform avenue resembles the fourth but on a larger scale. The TasWater reforms, while complex and contested, demonstrated that in some cases the highly variable scale of regional service corporations may render them less effective and efficient than a single central entity. While the TasWater reforms were eventually implemented, leading to widespread service quality and efficiency improvements, the experience highlighted the political risks and costs of mandatory centralisation. Finally, it is important to note that the establishment of regional or centralised service hubs can be an example of shared services, the shared services model discussed in this report is only one form of this more 'corporate' service delivery approach (and not the most appropriate in all circumstances). As the conceptual discussion below makes clear, shared service arrangements are characterised by councils' maintenance of a degree of responsibility and accountability for, as well as meaningful control over, the service being delivered. While the shared services version of this model is suitable for functions or services in which community responsiveness and local accountability are important, other services might better be delivered via more independent consolidated or centralised structures.

When are shared services more likely to be successful?

1. When there are a clear mutual benefits for all parties: This logic informs current informal sharing models.
2. When there are clear economies of scale and all parties can capture value from service sharing: This logic often informs service sharing in waste management and common procurement models where councils save money by opting in.
3. When developing models to provide new specialist services that will be used by a number of councils: This approach has been used when employing climate and community development officers.

When is establishing shared service models likely to be more challenging or less effective?

1. When there are community-wide benefits from service sharing but they are distributed unevenly among councils. Under these circumstances more formal regulation and intervention form the state government will be required.
2. When service provision is complex and transaction costs are high. Under these circumstances costs associated with managing contracts and commissioning services may negate savings from sharing services.
3. When existing systems are established and entrenched and would be disrupted. Under these circumstances, the transition costs are high (financial, organisational and political) and may negate potential savings of sharing services.

INTRODUCTION AND AIMS

The local government sector in Australia faces a broad range of challenges, and Tasmanian councils are no different.[1] One of the key problems confronting many individual local governments and, by extension, the system at large, is that councils are responsible for managing and maintaining billions of dollars' worth of vital community infrastructure and assets as well as delivering a growing range of community and social services.

For many councils, size, access to specialist expertise, and resource constraints limit their ability to deliver services and maintain assets in an effective and sustainable way. These pressures have contributed to a growing infrastructure renewal backlog impacting both core council business and the communities they serve.[2] As noted in the FoLGR *Interim Report*, only around one third of Tasmanian councils are currently meeting or exceeding the Tasmanian Audit Office's asset sustainability benchmark, indicating widespread shortfalls in asset renewal spending.[3] Many councils, especially in rural and regional areas, also struggle to recruit and retain specialist staff, posing further risks to future operational sustainability. While larger urban councils may not be under the acute operational pressure being experienced in smaller LGAs, they too face challenges.

In many previous reform efforts, both in Tasmania and around the country, the policy response to these scale and sustainability challenges has been to propose compulsory amalgamations (see also UTAS FoLGR research papers 1 and 3). However, following numerous failed attempts nation-wide, often characterised by community and council opposition, state and local governments alike have turned their attention to developing alternative solutions.[4] One alternative approach has been the development of innovative shared services platforms and strategies using a range of models and governance arrangements.

In this sense, shared services platforms have been characterised as a 'third way' reform strategy that aims to capture economies of scale and enhance the quality and sustainability of services while remaining responsive to distinctive local needs and preferences.[5] Given that shared services represents one approach to improve the efficiency and sustainability of local government without compromising local accountability and representation this approach has been identified as a potential reform area by the Future of Local Government Review.[6]

None of this is to say, however, that shared services arrangements are without practical and political challenges of their own. A systematic embrace of shared services as a central feature of service delivery in Tasmanian local government would require far-reaching structural reform. As Gibbs and Somerville argue, shared services "should not be seen as a 'soft option' compared to amalgamation: robust and durable shared services arrangements require a similar willingness to cede a substantial degree of local autonomy, albeit within a negotiated framework".[7] Field, likewise, has argued that successful shared services models require clear objectives, the promise of real benefits, and strong political sponsorship.[8] Nor are shared services universally applicable and effective – the appropriateness and effectiveness of shared services arrangements varies considerably for different functions and different contexts.

Shared services "should not be seen as a 'soft option' compared to amalgamation' and 'require a similar willingness to cede a substantial degree of local autonomy'

Finally, it is important to note that while shared services are often promoted as an alternative to amalgamation, they do not necessarily preclude other structural reform options and indeed have, at times, gone hand-in-hand with boundary changes or consolidation. In Ireland, for example, a local government modernisation program that included amalgamations in the mid-2010s was implemented concurrently with shared services reforms.[9] Moreover, in Wales, a Commission on Public Service Governance and Delivery study conducted in 2014 found that organisational and HR capacity constraints made collaboration more challenging for smaller units,[10] suggesting that larger councils may actually be better positioned to capitalise on shared services arrangements and other forms of collaboration than their smaller counterparts. Nevertheless, the literature and case studies presented below suggest that even at their current scale, deeper and more systematic embrace of shared service arrangements could offer benefits for Tasmanian local councils.

This fourth UTAS FoLGR Background Research Paper analyses and compares different shared services models based on an analysis of the academic and policy literature, a cross-section of relevant case studies, and interviews with key stakeholders who have professional experience and expertise in local government shared services.

The Report begins by defining what shared services are and establishing a typology appropriate for the Tasmanian local government context. We turn next to examining what functions are most appropriate for shared services, potential benefits, and key organisational features necessary to foster a culture that supports effective resource sharing. In Part Two, we use Tasmanian, Australian and International case studies to flesh out and test these ideas. The final section, Part Three, examines

the politics, governance, and implementation of shared services, outlining critical success and failure factors for effective shared services arrangements relevant to Tasmania. Interspersed throughout are 'what we heard' text boxes, providing insights from stakeholder interviews.

The overarching aim of this analysis is to support the Future of Local Government Review Board's consideration of which models might be appropriate for different councils or functions in Tasmania, and under which conditions.

PART ONE: A FRAMEWORK FOR ASSESSING SHARED SERVICES MODELS IN LOCAL GOVERNMENT

The promise of achieving economies of scale and scope without compromising local representation has led many local governments to enter into shared services arrangements in Australia and beyond. As a result, there is a growing literature on various models of service sharing as well as the costs and benefits of different shared service platforms.

Prior to considering the merits and effectiveness of different models, however, it is important to address a more foundational issue: **What are shared services?**

1.1 Defining shared services models

Shared services arrangements are very diverse. Given the scope of the FoLG Review, this paper largely focuses on shared services in the context of local government rather than in other public, corporate, or commercial settings.

Some scholars adopt a relatively narrow definition of shared services that excludes the provision of services by private providers. For example, Dollery, Grant, and Akimov argue that shared services models should be limited to: "cooperative arrangements between local councils, and local government associations, and between local councils and other tiers of government"[11], contending that "contractual arrangements with private firms cannot be [regarded as] shared service models".[12]

Others take a broader view. Tomkinson, for example, describes shared services as: "the shared provision by more than one local council of a specified service in which service aims and objectives are mutually shared and for which local people are the end customers. [Partners could include] a private sector firm, a voluntary organisation, or other public sector bodies".[13]

The fundamental point of agreement among existing approaches is that shared services involves working across bureaucratic and administrative boundaries in a way that breaks the traditional one-to-one relationship between an individual council and its administration or service provision apparatus. This can involve collaboration among several councils via a private provider or joint authority but may equally occur within or between tiers of government.

The typology outlined below, as well as the case studies presented in Part Two, include models that involve private firms and new government owned entities.

Beyond the debate about the scope of shared services models, scholars such as Oakerson (make a useful distinction between shared service provision and shared service production.[14] The 'provision' of a service refers strictly to its design, resourcing, and regulation while 'production' entails its actual delivery to residents or communities.[15] This means that shared services arrangements may involve a council or councils designing or funding a service that is then delivered by a public, private, or not-for-profit organisation as a way to capture scale efficiencies or other benefits.

Given that definitions of shared services vary, it is perhaps unsurprising that existing models and typologies are also very diverse.

1.2 Typologies and models of shared service arrangements

Reflecting the definitions above, several different typologies of local government shared services have been proposed to help assess which services can be shared and how arrangements should be designed, financed, and implemented.

Prominent examples from the literature, including Dollery, Grant, and Akimov,[16] Oakerson,[17] and Tomkinson have been reviewed and adapted to develop a typology that is relevant to the Tasmanian context and the present Future of Local Government Review.

It is important to note that the typology presented below (Table 1) represents 'ideal types' from what is inevitably a wide and complex range of resource sharing models and practices. For example, some existing initiatives may span more than one of the categories presented below and many service sharing models also evolve over time. In this sense the typology represents a spectrum, from

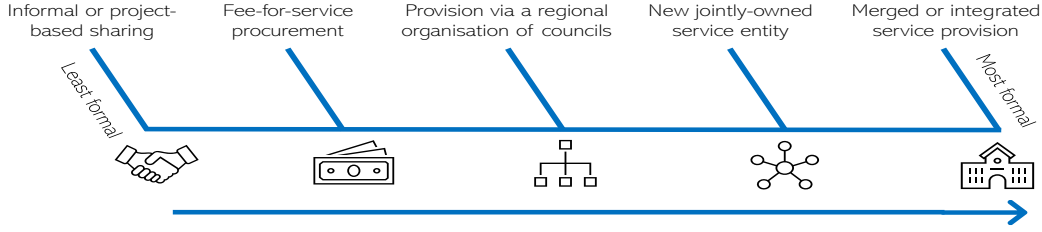


Figure 1: Spectrum of shared services arrangements

the least systematic or entrenched models to the most formalised and embedded (see Figure 1). Indeed, our case study analysis in Part Two of this report highlights how arrangements that start life as ad hoc, opportunistic, or informal can often evolve over time into more systematic arrangements. The experience of Kentish and Latrobe councils clearly illustrates this incremental process of evolution,[18] as does the presentation of options in the 2016 South East Councils Feasibility Study.[19]

Typology	Key features	Examples
1. Informal project- or function-specific sharing	· Most informal and common model of shared services · Usually driven by specific opportunities or needs · Involves the sharing of resources, equipment, or personnel · Sometimes lacks scale and sustainability	· Waratah-Wynyard and Circular Head · Northern Region Climate Change Action Program
2. 'Fee-for-service' procurement	· The procurement or provision of services from another council on a 'fee-for-service' basis · Can seek to minimise costs/ duplication and/or provide revenue and/or ability to employ additional/ specialist staff · Provider councils sometimes establish a private company	· Brighton Common Services Model · West Tamar and Flinders Island Councils
3. Provision via a **regional organisation** of councils or state-wide local government representative bodies	· The coordination of services via regional organisation or representative bodies · Membership may be voluntary or compulsory · Individual services can be opted in or out · Joint procurement is a common example of this model	· Mersey-Leven Emergency Management Committee · Cradle Coast Authority · Regional Districts in British Columbia, Canada · Local Government Association of Tasmania Procurement
4. Jointly owned/ controlled service provision entity	· Entails the collective establishment of a new entity or organisation to deliver a core local government service to participating councils	· TasWater · Dulverton Waste · Southern Waste Solutions · Eastern Health Authority (SA)
5. Merged or integrated local **administration**	· Two or more councils combine service provision entirely, delivering a function as one entity while retaining separate elected authorities	· Kentish and Latrobe councils

Table 1: Typology of shared services

1.3 Adopting shared services models in theory and practice

There is a useful body of research that assesses the application and performance both of shared services models generally and of some specific shared services arrangements from Tasmania and farther afield.

The most relevant parts of this research agenda fall largely into two categories:

1. Research investigating which services are most amendable to sharing, and

2. Modelling and analysis of the outcomes of (actual/existing or proposed/hypothetical) shared services arrangements.

Services and functions most suited to sharing arrangements

An early and influential attempt to identify which services are most suitable for sharing arrangements was made by Allan[21] and subsequently applied by the NSW Local Government Institute in 2006. This research identifies four different characteristics that can determine whether a particular function might be better delivered by a shared service arrangement:

1. **Existing capability limitations**. Functions or services areas for which local governments either have limited capability or are performing a task that involves "rowing rather than steering".[22]

2. **Task complexity and risk**. Highly complex tasks are considerably more difficult to execute, monitor, and evaluate than simple tasks. Due to this risk profile, simple tasks are easier for councils to share or outsource than complex ones. However, as Dollery, Akimov, and Byrnes note, the challenges of complex tasks are exactly what makes them difficult, expensive, or inefficient for councils to perform themselves.[23] In practice councils must balance considerations of a task's complexity and cost against the availability and capacity of alternatives.

3. **Scale economies and spillovers**. Local government functions to which significant economies of scale (or scope) are likely to accrue are naturally attractive candidates for shared or outsourced delivery. Similarly, those with spillover effects (positive or negative) beyond council boundaries might be delivered through regional sharing or partnership arrangements.

4. **Specialised technology**. Services that require specialised technology or technological expertise, and therefore often have high fixed costs, are likely to benefit from sharing or outsourcing more than ones with more scalable costs with IT and other 'back office' systems being prime examples.[24] However, in cases where councils have different IT or other systems in place, the high upfront costs and difficulties associated with moving toward compatible platforms can make collaboration challenging.[25]

Based on an assessment of council service delivery in NSW, Allan concludes that:

> ...in the context of local government there is no reason to why most core community services (e.g., road maintenance, garbage collection, town planning, recreation facilities and welfare relief services), in addition to backroom support services (e.g., finance, IT, HR) could not be delivered or arranged by a central administration unit owned and controlled by several councils.[26]

While Allan's approach offers a valuable starting point for assessing the merits of potential service sharing arrangements, it has subsequently been criticised for focusing exclusively on efficiency considerations and failing to consider either the implementation challenges and risks, the political consequences of shared services arrangements or the extent to which sharing might compromise the responsiveness of a service to local needs. As a recent study by Drew notes, shared service arrangements:

> ...often result in uniform provision for the residents whose local governments enter into [them]. In principle it is possible for collaborative arrangements to offer different levels of output and quality of services, however this would seem to be very difficult to put into practice, hence it is rarely done.[27]

Studies of the local government sector across Australia have also identified a wide range of council functions that are either commonly subject to real-world shared services arrangements or are strong candidates for such arrangements. A state-by-state summary of the council services that are most commonly shared, partially adapted from Dollery and Akimov,[28] is presented below (Table 2).

Table 2: Most common shared services (according to sourced reports)
(sources: New South Wales Auditor General's Report to Parliament 2018; Byrnes 2005; WA Working for Local Government Cooperation and shared services report 2019; Victorian Auditor General's Office 2014; Burrow Jorgenson and Associates 2006; Lawson 2007)

Function	Community wellbeing		Economic development & local promotion			Environment		Finance and administration			Infrastructure provision & management	Land-use planning & other regulatory services
Service(s)	Emergency management	Health & wellbing	Regional strategic planning	Advocacy	Economic development	Waste collection/ processing	Natural resource management	Rates & charges	Finance & legal	HR, ICT, workforce	Asset renewal/ maintenance	Building/ development approvals. heritage
New South Walses		✓	✓		✓	✓			✓	✓	✓	✓
Victoria		✓				✓			✓	✓	✓	
Western Australia		✓				✓	✓			✓	✓	
South Australia		✓	✓			✓	✓	✓	✓	✓	✓	✓

1.4 The potential benefits of shared services – theory and practice

In addition to analysis of which services are suitable for sharing, research has also focussed on evaluating or modelling benefits of shared services arrangements. For example, Sansom,[29] adapting and building upon work by Spicer,[30] identifies four broad categories of benefits based on a comparative study of municipal cooperation in Australia and Canada. These are:

1. **Fiscal benefits**. Reducing the costs of administration and service delivery and sharing the cost of major capital works.
2. **Filling service gaps**. Overcoming limitations on local capacity (e.g., equipment, technology, skills); overcoming geographic isolation; and providing a service that could not be delivered otherwise.
3. **Managing externalities**. Reducing unwanted duplication of services; managing spill-over of services into neighbouring municipalities; and better directing or managing growth and development.
4. **Mandated collaboration**. Joint planning, service delivery, and infrastructure provision required and/or useful cooperative structures established by a central government.[30]

Although several empirical studies have highlighted benefits arising from the adoption of shared service arrangements, it is also important to acknowledge that not all findings have been universally positive.

Favourable outcomes were reported by Dollery and Byrnes in their evaluation of service sharing agreements in South Australia.[32] The arrangements between Walkerville Council and several neighbouring councils resulted in cost savings and service improvements across nine different service areas, although McQuestin and Drew's more recent 5-year study (again in South Australia, but utilising data from all 68 local governments), found that in some cases, the adoption of shared services arrangements actually reduced the efficiency of service delivery. Nevertheless, these authors also note that even where efficiencies or economies of scale failed to materialise, other impacts of resource sharing agreements included "improvement to service levels, access to expertise that might otherwise be difficult to attract, more effective regional planning, and internalization of externalities".[33]

In the Tasmanian context, the likely financial, governance, representation, and service delivery implications of a systematic approach to resource and service sharing in Tasmania were modelled in 2016 as part of the South East Councils Feasibility Study.[34] While this analysis ultimately recommended amalgamations as the optimal reform pathway, it demonstrated that incremental progress towards more embedded and comprehensive shared services would still net considerable savings. Specifically, the study found that expanded shared services among Clarence, Sorell, Tasman, and Glamorgan-Spring Bay councils could be achieved at minimal upfront cost and deliver combined savings of just under $1 million annually without compromising local representation or communities of interest.[35] In the absence of further studies or evaluation following these reports, it is unclear whether the expected benefits have materialised.

Research suggests that shared services generally deliver efficiency savings or better and more sustainable services but there are trade-offs

Australian research on shared services models in local government has generally found that they deliver efficiency savings, or better and more sustainable services, but there have also been trade-offs including a lack of responsiveness to distinctive local needs. This highlights the importance, discussed in UTAS's Background Paper No. 3, of flexibility and responsiveness in the choice of service provision models: local, place-based provision or production are essential where citizen preferences are diverse, while more centralised or corporatized models are likely to be more appropriate where need or preferences are relatively uniform.[36]

Sansom, reflecting broadly on the Australian experience, concluded that existing approaches have typically been relatively uncoordinated and ad hoc, reducing their ability to fully deliver on their initial promise and potential. "With relatively few exceptions", he notes, "cooperation remains patchy and restricted to functions and projects that do not threaten local autonomy or employment" and "tends to focus on a 'safe' agenda, including advocacy, elements of strategic planning, procurement, and joint contracting of activities (such as roadworks and waste management) that are already commonly outsourced".[37]

1.5 Creating a culture to support collaboration and shared services

Finally, Gibbs and Somerville identify four further 'critical dimensions' that underpin the development of effective and enduring shared services arrangements.[38] Rather than functional or financial/economic characteristics as discussed above, Gibbs and Somerville emphasise key organisational or institutional attributes:

- **Organisational culture**. Shared services arrangements require strategic thinking, measurable and managed approaches to risk, and high levels of trust both between councils as well as between managers and councillors within councils.
- **Leadership and management capacity**. Council leaders, both political and administrative, must develop and communicate a clear vision; allowing others to influence that vision; building trust and respect within and beyond their organisation; and providing effective representation and advocacy.
- **Flexibility with provider and producer roles**. The choice to deliver services in different ways requires that councils are prepared to embrace and adapt to a client role (or a provider or contractor role for other councils), which inevitably entails different skillsets and expectations to direct service production.
- **Existing relationships**. Shared services arrangements are more likely to be effective in instances where councils already enjoy deep and engaged relationships with one another or with key providers.

Should these preconditions be met, the study found considerable potential benefits accruing to shared services arrangements across five key areas: economies of scale, economies of scope, improved service quality, organisational development, and increased strategic capacity.[39]

1.6 Key insights from the literature on shared services in local government

The existing academic literature on local government shared services provides insights into the functions most commonly subject to shared delivery, the service characteristics that make such delivery appropriate, and the likely outcomes. Some research also presents insightful typologies describing different shared services models and organisational or governance structures, as well as clarifying key conceptual distinctions between existing approaches.

On the basis of this research, and in light of other evidence considered in UTAS's existing FoLGR background research, it is possible to draw some initial conclusions to be expanded upon and tested in the remainder of the paper.

Existing research suggests that for capital-intensive services, services requiring high levels of specific technical expertise, or services that are delivered in relatively uniform or homogeneous ways across many council areas, shared services are likely to produce economies of scale and scope. While not all services are appropriate for delivery via sharing arrangements, the literature suggests that there may be considerable scope for expansion and deepening of service sharing in Tasmania. This is because in Tasmania, as in many other state and territory jurisdictions, existing shared services arrangements are relatively informal and unsystematic.[40]

Capital intensive services and systems that are delivered in a relatively uniform way are more likely to benefit from shared services models

This research agenda provides a wide range of different models for designing shared services arrangements. On the basis of this set of structures and approaches, we have developed a shared services typology intended specifically for the Tasmanian context. The five models identified range in formality from relatively ad hoc or project- and function-specific approaches to highly cooperative quasi-merged administrative integration. Using this typology, the following section presents a number of case study examples illustrative of the opportunities, challenges, and design considerations relevant to each different model.

The evidence in relation to shared services also suggests that resource or service sharing can produce benefits beyond just cost savings. These wider benefits include improved service sustainability and quality, an expanded range of service offerings, greater workforce capability, and improved access to specialist technical expertise.

PART TWO: CASE STUDIES

Having reviewed the policy literature on shared services models and performance, this section analyses a selection of case studies to capture key insights of relevance to the future of local government in Tasmania. The case studies are organised according to the typology of models outlined above with a greater representation of service sharing through regional organisations or new entities given the variety and complexity of these models.

Type of shared service model	Case study
1. Informal, function- or project-based sharing.	· Circular Head and Waratah-Wynyard · Northern Region Climate Change Action Program
2. 'Fee-for-service' procurement	· Brighton Common Services · West Tamar and Flinders
3. Provision via an existing regional organisation	· Cradle Coast Authority · Mersey-Leven Emergency Management Committee · Regional Districts in British Columbia, Canada · South East Regional Development Association
4. New jointly owned/controlled service provision entity	· Tasmanian Waste Management Authorities · Derwent Estuary Program · Eastern Health Authority SA · Bay of Plenty Local Authority Shared Services · TasWater
5. Merged service provision	· Latrobe-Kentish Council

Table 3: Shared services case studies by typology

2.1 Informal, function- or project-based sharing

Informal, function-specific, or project-based sharing is a common model of shared services in Tasmania. Rather than establishing a long-term and strategic vision for resource or service sharing, this arrangement is often driven by a specific opportunity or need. While sometimes lacking scale, project-based or occasionally even 'ad hoc' approaches can establish strong relationships and firm foundations between participating councils that may in time lead to more extensive, formalised, and ongoing resource sharing arrangements. This has been the case with Waratah-Wynyard/Circular Head, and Latrobe/Kentish partnerships, for example. They also provide important insights into the benefits of more systematic approaches. It is important to note, however, that although existing research suggests that more formalised approaches are typically more economical and longer-lasting, these flexible and focused models can be appropriate and desirable under certain circumstances. More often than not, this form of service sharing occurs between two neighbouring authorities, though some similar arrangements have included a greater number of participants.

Circular Head and Waratah-Wynyard

The two North-West Tasmanian councils have been involved in resource sharing activities across several functional domains for many years, and plan to continue strengthening and formalising arrangements in the future. They share some staff and undertake joint projects and procurement in an informal or project-based sharing arrangement, reportedly saving $996,000 in 2015-2016.[41]

The most recent annual reports of the two councils detail the activities undertaken via the current resource sharing agreement,[42] including:

- explored opportunities for shared plant and equipment;
- shared procurement and contract activities including building revaluations, internal audits, bridge replacements, and other specialist assessments;
- legislative internal audits to test compliance with various legislative requirements;
- shared leadership training, procurement training, public interest disclosure training, emergency management and emergency evacuation centre procedures relating to COVID-19;
- strategic and operational planning related to the delivery of the Youth Plan, Age Friendly Community Plan, Health and Wellbeing Plan, asset planning, public art, geographical information system (GIS) upgrade, mobile inspections, dog control signage;
- shared Audit Panel; and
- a workshop regarding the Waste and Resource Recovery Strategy 2019-2024.

Through a joint Community Health and Wellbeing Plan, the two councils successful applied to the Healthy Tasmania Fund in 2019 to address identified risk factors in the region. A two-year project – "Breathe, Eat, Move, Relax" – has been funded, including the hiring of a project officer.

The reports outline the shared staff agreements (see Figure 2), with the division of labour of nine professional staff split evenly between the two councils, and three

Resource Shared Positions				
Staff	**Circular Head**	**Waratah Wynyard**	**Male**	**Female**
Director Community Services	0.30	0.70	-	1
Director Infrastructure and Development Services	0.45	0.55	1	-
Manager Asset Services	0.50	0.50	1	-
Manager Development and Regulatory Services	0.50	0.50	1	-
Manager of Engineering and Projects	0.50	0.50	1	
Manager Engineering Services	0.50	0.50	1	-
Engineer	0.50	0.50	1	-
Information Technology Coordinator	0.50	0.50	1	-
Geographical Information Systems Officer	0.20	0.80	1	-
Natural Resource Management Officer	0.50	0.50	1	-
Plumbing and Compliance Officer	0.50	0.50	1	-
Total	**4.95**	**6.05**	**10**	**1**

Figure 2: Shared resource positions, Circular Head and Waratah Wynyard
(Source: Circular Head Council 2021)

with varying ratios, weighted towards Waratah-Wynyard as the more populous council. Waratah-Wynyard points to the employment of two more shared employees as of 30 June 2021.[43] The model of staff sharing between the councils continues to evolve with a model where staff are employed by one council but provide to the partner on an agreed fee for service basis being developed to provide greater flexibility.

With regular meetings between key figures in the councils, quarterly reports detail progress and opportunities for further initiatives. The Resource Sharing Agreement was evaluated by Waratah-Wynyard and found to be producing considerable benefits to both councils across a wide range of financial, service quality, efficiency, and workforce capability indicators, with Circular Head concluding that the resource sharing is:

> ...continuing to provide a valuable collaborative approach to meeting increasing community expectations and innovation in service delivery in a newly constrained labour market affected by restricted travel arrangements. The value, resilience and adaptability of the Resource Sharing Agreement proved very capable in serving the community during the COVID-19 Pandemic by allowing the work teams to access and build improved knowledge sharing and cost efficiencies.[44]

Northern Region Climate Change Action Program

The Northern Region Climate Change Action Program (CCAP) is another example from the many cases of function or project-based resource sharing which demonstrates a collaborative approach to a new function or need. West Tamar and seven other northern councils have recently co-appointed a Regional Climate Change Program Manager as part of CCAP. The joint initiative recognises a new area of need, and that the individual councils alone do not have the capacity to fulfil this role. The appointment is the result of intentional and ongoing linkage building among northern council GMs, who have signed a partnership agreement and committed to funding the project for three years. Councils can opt-in to additional services and pay accordingly.

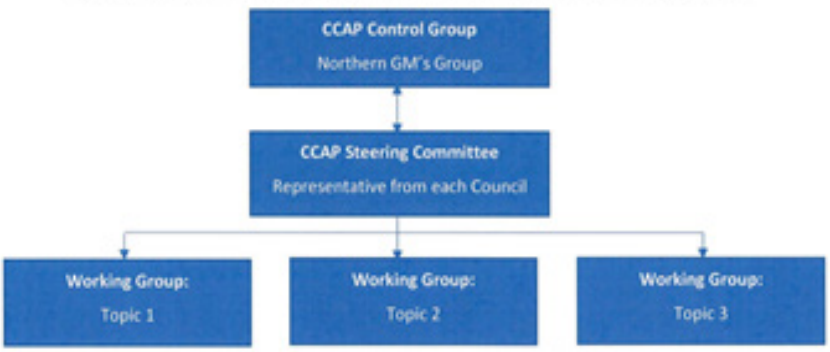


Figure 3: Proposed Northern Tasmanian CCAP Governance Structure *(Source: CCAP Partnership Agreement)*

Joint procurement

A further form of function-specific sharing, which is becoming increasingly common for procurement of waste services in particular, is joint contracting or procurement. This model involves more than one council leveraging collective market power to procure a service together rather than in isolation. In most cases, this process involves councils advertising jointly for tenders, but with an understanding that they will all contract separately with the successful provider. The aim is to negotiate a better price for ratepayers, reduce transaction costs, and share the burden of assessing tenders.

In Queensland, for example, Toowoomba and Western Downs councils have recently advertised jointly for tenders for their waste and recycling collection and processing contracts.[45] In other cases, however, joint procurement can involve a separate joint authority or organisation. In South Australia, for instance, a group of five Adelaide councils attempted to jointly procure waste services via Council Solutions, a regional authority established in partnership with the State Government. This latter approach, by contrast with the Queensland example, is more similar to the third model in the above typology – procurement via a regional authority.

The experience of the South Australian councils also illustrates the potential risks associated with this approach. Given that joint procurement necessarily involves councils cooperating with one another to secure favourable prices or contract terms, some instances have seen local authorities fall foul of ACCC anti-competitive behaviour or cartel provisions.[46] In other cases, however, including a five-council waste services procurement process in NSW that did not involve a regional organisation or joint authority, the ACCC granted authorisation on the grounds that the proposed collective tender would produce cost savings, efficiencies, and environmental benefits.[47]

What we heard: Informal function- or project-based sharing

- Informal or small-scale project-based resource sharing can help to build relationships of trust that evolve over time into more formalised, extensive, and ongoing sharing arrangements.
- Many small councils rely on sharing arrangements to provide services and access staff
- Similarly, partnerships between a small number of councils can provide impetus for more councils to be involved in service sharing arrangements.
- Requires a willingness to give up a degree of control and power, and relies upon widespread support within councils, politically and organisationally.
- Individual personalities and relationships are key to success. By the same token, however, individual egos can be a major hindrance.
- No single model will work for all councils: local context matters.
- Ad hoc shared services without clear guidelines can be problematic and unsustainable. Many shared services arrangements are circumstantial and have ended when they are no longer mutually beneficial.
- Joint procurement can risk creating a monopoly in private sector provision.
- Staff sharing can be difficult for individuals in managing competing priorities, and for their organisations: it should not just be done off side of one worker's desk as it does not work on structural basis.
- For physical operations, geographical proximity is often necessary.
- Requires a clearly defined remit and value proposition.

2.2 'Fee-for-service' procurement

In this model of partnership, councils procure services – such as IT, specialised professional or technical services, or equipment – from another council, state government or private provider on a fee-for-service basis. This allows many smaller councils to access necessary expertise and/or resources to fulfil their duties and meet community expectations. While some ventures are offered commercially, others are provided on a 'cost-recovery' basis. Local governments might prefer to procure services from another council – rather than a private commercial provider – for a range of reasons, including cost, superior sector knowledge, shared/common problems to be addressed, and economies of scope. As the Brighton example below illustrates, some of these arrangements are delivered t via a corporate entity. Fee-for-service procurement can also occur around individual services, or as part of a broader resource sharing agreement.

Brighton Common Services

Brighton Council has been widely recognised (both locally and in Australian academic literature) as an innovator of shared services in Tasmania. In the mid-1990s, the council developed a software platform (formerly Microwise, now Councilwise) to manage local government operations (such as record keeping, rates modelling, and property management).[48] The software generated significant income for Brighton Council, and was used by other councils in Tasmania, Western Australia, New South Wales, and Suva City Council in Fiji before being sold in 2021 amid governance concerns.[49]

In addition to the Microwise software platform, the council provided a range of other administrative and technical functions (including planning expertise, compliance functions, animal control, and HR) for other Tasmanian councils on a fee-for-service basis via its Brighton Common Services hub. A decade ago Valle de Souza and Dollery, in 2011, hailed Brighton's 'sophisticated professional services', which aimed to fill a "'gap' for small and medium-sized local authorities in the national and international markets for skilled local government services". In 2011, de Souza and Dollery estimated that the common service model accounted for approximately '20 per cent of Brighton Council's revenue' and was expected to increase with time.[50]

In recent years, demand for Brighton Professional Services has declined, although Brighton Council has continued to play a role in the development of the Local Government Shared Services (LGSS) initiative (with membership of 14 Councils in 2020).

Financial year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Hours	over 14,000	13,600	13,080	11,139	5,939	2,618
Revenue*	$1.2 million	$1.05M	$1.16M	$774,350	$404,000	$173,000

Table 4: Hours and Revenue of Brighton Professional services. Note 'revenue' between 2015-16 and 2019-20 is cited as "net benefit to the group", where 2020-21 is "a net benefit to Council".
(Source: Brighton Council Annual Reports 2015-16 to 2020-21)

West Tamar and Flinders

West Tamar Council provides services to a number of councils, such as Flinders Island, George Town, Meander Valley, and Dorset Councils, on a fee-for-service basis.[51]

Flinders Island has, through necessity, needed to outsource many specialised council functions. Although one of Tasmania's smallest councils, with around 900 residents, they are responsible for the same range of services as the largest Tasmanian councils.

The provision of planning, building and plumbing services by West Tamar for Flinders was trialled, with West Tamar appointed as Flinders' Permit Authority.[52]

Initial contracts were for three years for a fixed sum (plus CPI) and included an escalation clause meaning that if the workload exceeded a certain threshold, costs would be passed on to Flinders Island. The duration of the contract provided certainty for West Tamar in employing additional staff, and offered Flinders continuity of service.

In the 2020-21 financial year, West Tamar processed 46 planning permits for Flinders, up 41% on the previous year. As well as improving the financial position of both councils, the arrangement has supported 'consistent, professional service' provision to the Island, and been beneficial to staff in professional development, motivation, and interest. West Tamar had a slight excess of staffing – one building surveyor and one plumbing surveyor was not enough, but two was excessive – so by providing services for other councils, West Tamar could retain existing staff levels. The partnership is not as extensive as it once was, with Flinders no longer procuring building surveying services from West Tamar.

What we heard: Fee-for-service procurement

- Requires a 'spirit of cooperation'.
- A willingness to relinquish some degree of control and power is needed.
- Formal, and preferably longer-term, contracts are necessary to provide assurance to both parties.
- Shared services work best when within a 'reasonable geographical area', or within a perceived community of interest: knowledge and geography are very important, as locals prefer local.
- This and other forms of shared service arrangements are often undertaken to ensure continuity of service and fill staffing gaps rather than achieve financial efficiencies.
- This form of resource sharing could be developed into a 'centre of excellence' model, which sees individual councils working as specialist hubs for the delivery of a particular service to a region or entire state.
- Is less of a partnership and thus provides less certainty than other forms of shared service arrangements.
- This and informal service sharing arrangements should not require fewer staff to do more.
- Shared services do not necessarily have to be with other councils. Interviewees cited examples of where councils shared services with other levels of government or provided services for private companies. For example, in the UK, one council delivered payroll services for the police.
- Some interviewees discussed the potential for Service Tasmania to deliver relevant local government services, primarily online, with councils maintaining a staff member/ case manager on the ground to manage more complex cases. While this model has the State Government providing a service for local government, vice versa could also be effective although there are regulatory barriers that need to be addressed
- Some councils providing fee-for-service procurement have put other councils off-side through opportunistically increasing costs/fees over time
- A central organisation, such as LGAT, could provide specialist services for councils with skills shortages

2.3 The politics and implementation of shared services

Text box: ROs and local governance

Establishing Regional Organisations (ROs) is becoming an increasingly common approach to improve coordination and collaboration among neighbouring councils and, in some cases, with State Government, and are particularly common in NSW and Queensland. Many ROs simply coordinate the activities of and are staffed by member councils (such as the MLEMC described below) while others have small independent secretariats funded by member fees (such as the CCA).

Cradle Coast Authority and its Shared Services Strategy

Created in 1999 and jointly owned by eight of the nine municipalities in the region, the Cradle Coast Authority (CCA) exists to help achieve regional outcomes and maintain strong local government 'by working together'.[53]The CCA offers provision via a regional local government organisation. Its three main functions are regional economic development, natural resource management, and strategic services.

The CCA acknowledges that while there are many examples of shared services across this region, GMs and other stakeholders have 'consistently' stated that the absence of a dedicated coordination role is a major impediment for further shared services implementation. This led to CCA developing a *Shared Services Strategy*, endorsed by Representatives in February 2020. The CCA sees its role regarding shared services as to help Member Councils achieve the benefits they desire, through 'coordination, encouragement and professional services delivery'.[54]

Principles underpinning this approach include:[55]

1. Act! Let's choose some low risk, low hanging fruit and pursue some quick-wins.
2. Quick-wins and collective action will help build the trust and capability required to pursue more complex shared service solutions over time.
3. Maintaining the status quo is not an option; public expectations and economic reality demand we do things differently

The CCA's *Shared Services Strategy* remains in an embryonic stage. While many of these developments have been valued by member councils, the CCA also illustrates some of the challenges associated with voluntary regional organisations of councils. An emerging theme among interviews conducted for this paper is that members' input to CCA initiatives and activities – as well as those of the NTDC and STCA – varies considerably among participating councils and that its voluntary nature risk aversion and a focus on initiatives where there are clear short-term benefits for member councils, while achieving cooperation to address regional issues/needs has been more challenging.

Mersey-Leven Emergency Management Committee

The Mersey-Leven Emergency Management Committee (MLEMC) is comprised of Latrobe, Kentish, Central Coast, and Devonport Councils, and provides another example of provision via a regional organisation. It exists at a more localised level, below the North-West Regional Emergency Management Committee and relevant state and federal bodies. It was established in the late 1990s, with Central Coast council joining in 2003.[56]

Councils have a central role in coordinating and facilitating a range of emergency management activities for all hazards with the Municipal Committee, as well as resourcing specific council responsibilities for emergency management. The committee is established under Section 20 of the *Emergency Management Act 2006*, "as a group to institute and coordinate emergency management for a municipal area or a combined area". It is governed by a chair and executive officer, both drawn from constituent councils and nominated by the committee. Other key personnel are representatives of each council. Activities are guided by a formal "Terms of Reference", which is renewed every two years.

An Emergency Management Plan documents the resource sharing arrangement, aiming to address emergencies in one or more of the member council areas, and that can be managed within the capabilities of the municipal structures. Among other details, the plan sets out 'responsible management authorities' for various specified hazards, and the 'typical council support function and activities'. Council functions are:

- Property identification
- Road closures
- Local operations centres
- Community information
- Plant and machinery

The plan covers arrangements for prevention and mitigation, preparedness, response, and recovery (infrastructure, environment, economic and social).

Key agreements and projects for the maintenance of effective emergency management capabilities highlight the important role of the Municipal Committee in maintaining relationships and sharing knowledge, resources, and skills between councils "to ensure a consistent response and level of preparedness", as in a "GIS Service Level Agreement for data sharing between each of the member councils and DPIPWE".

MLEMC encourages capacities for cooperation and collaboration at a practical level, as through the adoption, for example, of proforma "based on the models available from the SES to make sure that its undertakings/ activities are appropriately documented".[57] Emergency management is a clear example where there are benefits from a coordinated regional response, given that problems are not confined to individual council boundaries.

Regional Districts in British Columbia, Canada

Shared service provision via regional entities established by local government is common internationally, with Canada providing a relevant example.[58] British Columbia's 27 regional districts (RDs) encompass 162 municipalities. In addition to local councils, electoral areas, and Treaty First Nations, each "have representation on the regional district board". The RDs were established through legislative change in 1965, and while technically voluntary, participation is universal. From relatively restricted powers and services, they have grown considerably in scope and capacity. Board members consist of municipal, electoral, and First Nations district representatives. The three core activities of RDs are:

- Provide region-wide services such as regional parks, and emergency telephone services such as 911;
- Provide inter-municipal or sub-regional services, such as recreation facilities where residents of a municipality and residents in areas outside the municipality benefit from the service;
- Act as the general local government for electoral areas and provide local services such as waterworks and fire protection to unincorporated communities within the electoral areas.[59]

Outside of these areas, individual RDs and their member councils decide which services they provide. Importantly, councils can 'opt out' of individual services, allowing for localised autonomy.[60] Regional Districts are said to have "nearly unanimous" support among participants, being effective in "encouraging and maintaining intermunicipal collaboration", and supporting intermunicipal agreements, which reduce transaction costs.[61]

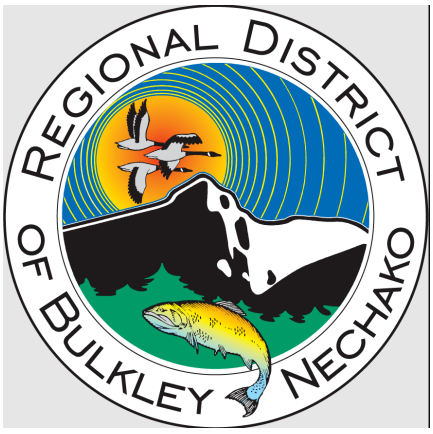


Figure 4: The Regional District of Bulkley Neckhako in British Columbia Canada, for example, has 8 member municipal governments
(source: https://www.rdbn.bc.ca/departments/economic-development/regional-information/area-profiles)

What we heard: Provision via a regional organisation or state-wide local government peak bodies

- The sector would benefit from carefully designed and focused regional bodies or models of collaboration to coordinate activities and develop long-term regional plans.
- Regional Organisations (ROs) appear to be most effective when established with a defined scope and clear remit, whether for advocacy or environmental management or other issues. This form of RO was also easier to connect and embed in state and commonwealth programs and funding arrangements.
- ROs need to be accessible. Online meetings would allow greater participation for remote councils.
- ROs need to be able to deliver value/savings for member councils and deliver against agreed outcomes.
- Can create additional burdens of participation and administration; involvement can compete with internal council priorities and responsibilities.
- Councils need to be prepared for governance structure and business overhead costs. That is, the administrative aspects of the entity will have to be resourced as well as the actual service delivery side.
- A potential model raised was where a regional body took the load for certain functions and services (leveraging an existing body) and local councils are allowed to focus on community functions, as in place-shaping and anchor institution roles. Importantly, such a model should not drain expertise from councils, thus undermining council capacity.
- AA centralised or regional resource 'pool' could provide certain services to councils as needed, while councils maintain a degree of local input and face-to-face interactions with the public. Potentially relevant services suggested by interviewees were primarily regulatory, included developmental approvals, building permit processes, environmental health, as well as climate change action and risk mitigation. This model could be particularly relevant for councils facing skills shortages, and potentially offer staff better career development and training opportunities.
- Individual councils would need to come to the table in good faith, be prepared to act in communities' best interest, and seek the best outcome for all, rather than maximising own benefits or profits.
- Benefits to individual councils in regional arrangements can vary significantly.
- There were slightly different perspectives about the role of existing regional organisations in shared service arrangements among interviewees. some didn't believe existing ROs have a role in shared service arrangements, having become unwieldy as they have grown. Others stated ROs were particularly important in terms of advocacy and regional communication networks.
- There was consensus that regionalisation of services is preferable to a single, centralised service provider or procurement model, which runs the risk of creating a monopoly, and in the long term, may not necessarily offer better service standards or better prices.
- There was opportunity for more regional collaboration, but shouldn't be done only as a political compromise in attempting to achieve economies of scale.
- Common service providers (regional or centralised) face difficulties because they don't control their own revenues.

Continued on next page

Continued - What we heard: Provision via a regional organisation or state-wide local government peak bodies

- Some current models suffer from a lack of authorising environment, and a mismatch between expectations and capabilities/ designated role. Individual councils can be transactional in their relationship to regional organisations.
- Voluntary involvement was said by some to be problematic, with effectiveness undermined when not all councils in a region participated. It can also result in a focus on membership retention.
- There are certain functions and opportunities (such as tourism promotion) that are most logically organised at a regional level or larger. These organisations ensure consistency and collaboration across the sector.
- Regional perspectives, planning and strategies are needed in Tasmania. This point was strongly endorsed by all interviewees.A central organisation, such as LGAT, could provide specialist services for councils with skills shortages

2.4 New jointly owned/ controlled service provision entity

This model entails the collective establishment of a new corporate or not-for-profit entity or organisation to deliver one or more specific services to participating councils, and often to non-member councils or other private or public sector clients. This model leverages the collective capacity of member councils and can achieve economies of scale. There are several successful examples of this model in Australia and beyond. Companies tend to be directed by boards comprised of member-council representatives although ensuring there is the requisite professional expertise on boards is also important.

Waste management authorities, Tasmania

Waste management is becoming an increasingly important and common area of shared service arrangements across Australia as waste and recovery processes become more sophisticated and resource intensive. In Tasmania, there are successful examples of waste management authorities set up as new jointly owned and controlled service provision entities, including Southern Waste Solutions (SWS) and Dulverton Waste Management (DWM). The two waste management authorities discussed here are broadly similar in purpose, scope, and governance models although DWM is more established and provides a wider range of services.

Southern Waste Solutions (SWS or Copping Refuse Disposal Site Joint Authority) is jointly owned by Clarence City, Sorell, Tasman, and Kingborough Councils. Established as a Joint Authority in 2001, it provides services to its owner councils, and to the Break O'Day, Brighton, Glamorgan Spring Bay, Glenorchy City, Hobart City, Huon Valley, and Southern Midlands Council areas.

The Authority consists of four members appointed by participating councils, who may be either elected Councillors or Council employees. Clarence City Council has one Member entitled to exercise four votes; Kingborough, Sorell and Tasman each have one member entitled to exercise two votes.[62]

Ownership shares vary. Tasman Council, for example, has an 8% stake. An independent board manages the direction and financial concerns of the business. The majority of SWS' operating surpluses have been reinvested in improving waste management facilities with small financial dividends being returned to owner councils.

Southern Waste Solutions has committed to designing a state-of-the-art in-vessel composting facility at its Copping site. Its construction is aimed at working to "build a circular economy and divert waste from landfill to resource-based waste management solutions".[63]

Dulverton Regional Waste Management Authority, trading as Dulverton Waste Management (DWM), is owned by Central Coast, Devonport, Kentish, and Latrobe Councils (called Participating Councils), with equity of 37%, 43%, 8% and 12% respectively. Seven municipal Councils all use the services of DWM to varying extents. These seven councils act collaboratively at a strategic level through the Cradle Coast Waste Management Group (CCWMG), identifying strategies related to waste diversion, regional waste planning and efficiencies, partnerships and community engagement. The CCWMP sets an annual plan and budget and guides implementation of the plan by DWM. DWM has four owner representatives (two from each Participating Council) who periodically review the performance of the Board and the individual Directors on the Board, set

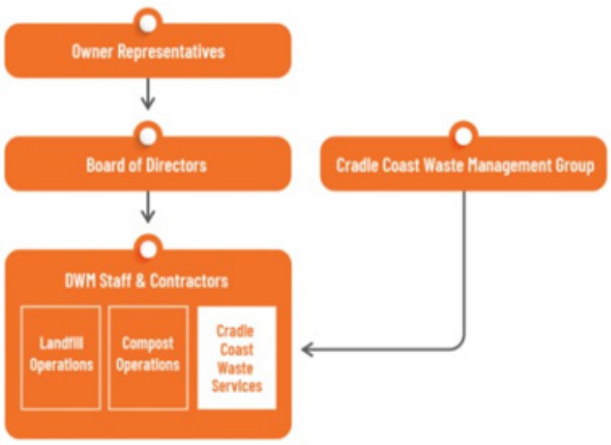


Figure 5: DWM governance structure *(Source: Dulverton Waste Management)*

Derwent Estuary Program

The Derwent Estuary Program (DEP), similar to The Tamar Estuary & Esk Rivers Program in northern Tasmania (TEER), is an example of a new regional entity with a specific function, facilitating regional coordination and collaboration not only between councils, but with State and Federal Governments, private sector partners, and community groups. The vision is for "an estuary with a healthy and diverse ecosystem that supports a wide range of recreational and commercial uses and is a source of community pride and enjoyment".

Partner councils include Brighton, Clarence, Derwent Valley, Glenorchy, Hobart, and Kingborough, alongside the Tasmanian State Government, TasWater, Tasmanian Ports Corporation, Norske Skog Boyer, Hydro Tasmania, and Nyrstar Hobart smelter. Collaboration also occurs on specific projects with organisations such as CSIRO Marine and Atmospheric Research, the University of Tasmania Institute of Marine and Antarctic Studies (IMAS), NRM South, MONA, and Birdlife Tasmania.

With its focus on the environmental health of the Derwent Estuary, it focuses on a core service of council in an innovative way, notable not only for its holistic approach to collaboration, but also for its place-based focus. Established in 1999 with the aim of restoring and enhancing the health of the estuary, in 2017 it became a not-for-profit company limited by guarantee. DEP is governed by a five-year voluntary partnership.[64]

The program has been nationally recognised for promoting water health, conserving and supporting species and habitats, and enhancing community use of foreshore areas. DEP has also developed educational resources and communicates water monitoring results to the public.[65]

terms of office and remuneration and approve corporate plans. The Board comprises five Directors.[66]

The DWM key waste management operations are broader than SWS' current activities, and comprise of:

- Kerbside refuse collection
- Kerbside recycling collection
- The operation of:
    - waste transfer stations; and,
    - landfills
- Waste material recovery, and
- Large scale composting.

DWM also has a business called Cradle Coast Waste Services, which provides technical advice, project management and administrative services to CCWMG and collaborates with waste management groups across Tasmania under the banner of "Rethink Waste Tasmania". Cradle Coast Waste Services also assists businesses and industry bodies with waste management consulting services, policy advice and project implementation.[67]

South East Regional Development Authority

South East Regional Development Authority (SERDA) was a collaboration between Sorell, Tasman, Glamorgan Spring Bay, and Clarence Councils. In July 2022, SERDA merged with South East Employment Hub (SEE Hub) to become Business & Employment Southeast Tasmania (BEST). Working across the four council areas, BEST continues to be facilitated by Sorell Council and physically

located in Sorell. Key activities include connecting people to employment opportunities in the region, directing community members towards training and educational opportunities, and providing business support and development services.

SERDA was part of a 'networked architecture' of organisations and people in south-east Tasmania that worked to create a 'jobs system'; 'a place-based, community-led response to unemployment'. It was developed as part of a State Government initiative in collaboration with the TCCI and TasCOSS – Employment Partnership – Jobs Action Package (EP-JAP) in 2017, as one of four regional pilot programs across Tasmania.

The program was supported by a Memorandum of Understanding (MoU) which outlined shared goals and a commitment for partner parties to "work together in good faith". Moreover, a dual focus on strategic and process responsibilities help to ensure the achievement of objectives.

EP-JAP is regarded as an innovative example of a community-led employment pathways model which has informed the design of the Regional Jobs Hub program established by the Tasmanian Government in 2021, highlighting the emerging role of regional organisations and local government in supporting community-level economic development.[68]

What we heard: New jointly owned/controlled service provision entity

- Some participants characterised the joint authority section of the Local Government Act 1993 as cumbersome and unclear, leading to confusion and not allowing projects to proceed in a timely matter. While perhaps more appropriate to the context of the Local Government Act Review, these interviewees argued that the Act should be modernised so that initiatives can be more flexible and agile in terms of governance.
- Governance arrangements establishing these entities need to be transparent and maintain probity and the appointment of board members with appropriate governance and commercial skills is essential
- When done well, can be a very effective form of shared services.
- Where possible services from Joint Authorities should be subject to market competition to ensure accountability
- Focus should continue to be on benefits to communities, rather than individual council profit.
- Models which create a new entity, a regional consortium, or a centralised platform for services – such as improved road, bridge and stormwater construction and renewal –could see local councils retain asset maintenance to ensure there are local service standards which meet community needs.
- Politics can interfere with sensible business decisions.

Shared service entities further afield

There are numerous examples of shared and common service entities interstate and abroad employing a wide range of governance and financial models covering many services and functions. Examples include:

The **Eastern Health Authority (EHA)** is one of 22 regional subsidiaries in South Australia, established by five councils in the greater Adelaide area, with the role of promoting and protecting public and environmental health.

The EHA is a body corporate, governed under a formal charter by a board comprising of representatives from each constituent council; it provides services to other, non-member councils for a fee and purchases corporate services such as payroll from member councils.

The EHA reportedly provides "an efficient and effective service", and the model is considered as having a high potential for replication as it "presents a robust framework through which to deliver shared services".[69]

https://www.eha.sa.gov.au/

Bay of Plenty Local Authority Shared Services Limited (BOPLASS) is a company owned by nine New Zealand councils in the northeast of the country, characterised by joint procurement, shared service initiatives, and project development.

The BOPLASS model is slightly different to others discussed here, with one independent director governing in collaboration with the chief executives of member councils as co-directors. Advisory groups, consisting of representatives of member councils and concerned with specific projects, collaboratively facilitate, support, and provide a legal entity "able to enter into contacts and agreements with the councils and/or external suppliers".

https://www.boplass.govt.nz/

TasWater

The establishment of TasWater to deliver water and sewerage services is one of the most significant – though complex and contested – examples of shared services reform in the recent history of Tasmanian or Australian local government. The TasWater experience is important not just because it improved water and sewerage service provision in Tasmania, but because the reform process and the resulting new entity offer crucial insight into some key challenges, pitfalls, and complexities of major shared services initiatives. Thus the TasWater reforms provide key insights into the dynamics of establishing centralised service entities in the Tasmanian context. Unsurprisingly, almost all interviewees for this project shared reflections and insights into the TasWater process, its complicated legacy and lessons for future reform efforts.

On one hand, TasWater can be understood as the successful settlement of a complex and longstanding local government reform challenge. Significant infrastructure investment and service quality improvements in Tasmanian water and sewerage since the mid-2010s certainly add weight to this interpretation. A 2017 assessment of the reform outcomes conducted by the Tasmanian Auditor-General, for example, found that TasWater had delivered improvements across a wide range of metrics and offered considerable advantages over the former system. Among other things, the Auditor-General specifically noted that the reforms had delivered widespread public health benefits, improved strategic asset management, financial benefits, and improved customer service.[70] While there remains a way to go, increasing capital investment and infrastructure sustainability would appear to validate research and analysis arguing that delivery expensive and capital-intensive infrastructure services could benefit from greater scale.[71]

On the other hand, however, many individual councils felt blindsided by a process viewed as unnecessarily heavy-handed and unilateral.[72] Indeed, given that the State Government initiated and led the compulsory process, TasWater may more accurately be characterised as a mandatory centralisation, albeit with ongoing local government ownership, rather than as a local government shared services initiative in the typical sense. Nevertheless, the model of delivering a key local government function via a new merged corporate entity is a common shared services approach. A summary of the TasWater reforms was presented in *FoLGR Background Paper No.1* and is reiterated below.

The reform process

In the mid-2000s, with many small communities subject to 'boil water' alerts and amidst widespread failure of treatment facilities to comply with other environmental standards, the State Government moved to consolidate delivery of water and sewerage services into three regional entities and a shared service entity (Southern Water, Ben Lomond Water, Cradle Mountain Water, and Onstream). As part of the review process that led to this change, the State also identified a maintenance and renewal backlog of nearly $1 billion.

Despite virtually unanimous opposition from councils, responsibility for water and sewerage services and assets was transferred to the four new water corporations. In 2012 – the new bodies having made scant progress towards addressing maintenance and quality concerns – the regional entities were merged to form TasWater. After considerable further disagreement, the State Government assumed responsibility for TasWater from the councils (though councils retained majority ownership) and committed $200 million over ten years in exchange for a 10% ownership stake.

The model

Notwithstanding issues regarding the contentious reform process itself, TasWater is an example of the new jointly owned/controlled service provision entity model. Under the current arrangement, TasWater is owned by the 29 Tasmanian councils and the Crown. It is responsible for water and sewerage services across the State as well as the more than $2 billion worth of infrastructure and assets formerly owned and operated by the councils themselves. In addition to ensuring adequate investment in upgrading infrastructure, the new system has contributed to more efficient, higher quality, and safer provision of water and sewerage functions across the State. Academic research and modelling conducted during the consolidation process identified water and sewerage as subject to considerable economies of scale.[73]

Outcomes and effectiveness

The 2017 Auditor General report into Tasmanian water and sewage reforms since 2009 found most intended outcomes had been either fully or partially achieved. A notable exception, however, was that expected environmental outcomes had not yet been realised, reflecting the "regulated entities' focus on improving water quality over wastewater compliance and performance". Financial benefits and improved customer service had 'largely' been delivered, and a more robust regulatory framework was said to have been achieved, comparable to other Australian states. However, despite renewal and growth in Tasmania's water and sewerage , "the extent of renewal has not been at a rate commensurate with the age and condition of the infrastructure assets".[74]

What we heard: TasWater

Process

- The reform process was rushed and adversarial with little consultation, but TasWater was created despite the loss of political capital. Most interviewees recognised that although change was needed, the top-down approach to the creation of TasWater generated anger and resentment which spilled over into the transition process, uniting local government and "effectively mobilising over 300 elected representatives against thereform". Whether a more collaborative approach would have delivered the same outcome is uncertain.
- This resentment extended into all levels of local government and meant that cultural politics became a massive barrier to effective change.
- The process was traumatic for individuals involved.
- The reforms lacked genuine consultation and consensus making, particularly around key appointments.
- Many participants felt that in place of genuine and authentic efforts to build a coalition for change, the State Government's approach was to 'divide and conquer'.
- Significant concessions were required to get the legislation through the Legislative Council.
- Ended up being an expensive process.
- Some commitments made to councils and communities (such as the size of dividend payments) were not honoured by the State Government

Design

- There was frustration that the legislation is "limited" and "problematic", and suggestions that the resulting entity was not as functional as it could have been. Interviewees suggested that the legislation should have built in an ability to maximise the network by incorporating new services and extending into new areas.
- There is a view that structures were and remain too complex – some argued that the scale of the organisation limits its responsiveness, and that the organisation is too siloed into separate departments. Communication lines to and within the organisation need improvement.

Outcomes and effectiveness

- While the establishment process was problematic, TasWater was generally viewed as achieving what it set out to do, in terms of improving service delivery and compliance issues, enhancing water quality across the state in an equitable way.
- The accompanying shared service platform Onstream was a perhaps "lost opportunity" and could have provided a wider range of services to member councils.
- From a customer perspective, outcomes are good.
- Benefits are not so much cost savings but the improvement of infrastructure quality and better asset management.

2.5 Merged local government service provision

Merged or integrated service provision, (sometimes called the 'joint board model'),[75] sees two or more councils combine their administrative and service delivery apparatus more or less completely, delivering some or all of their functions as a single entity. Kentish and Latrobe councils are believed to be the only example of this type in Australia, though it is more common internationally.[76] Being innovators in this area, Latrobe and Kentish have faced organisational and governance challenges, but now enjoy many benefits and are proactive in sharing experiences and knowledge with other local governments. Cited benefits include economies of scope and scale while maintaining local representation.

Kentish and Latrobe

Since 1992, Kentish and Latrobe councils have been involved in various forms of resource sharing with the aim of improving service delivery while maintaining local representation. One early iteration of this relationship – the Kentish/Latrobe Joint Authority – was dissolved in 2001 by the Local Government Board, after only four years of operations.[77]

The arrangement recommenced in 2008 and has culminated in the integration of the two organisations into a merged service provision entity serving the two councils. While such arrangements are not uncommon in other jurisdictions, notably in Canada,[78] Kentish-Latrobe appears to be the only such example currently operating in Australia.[79] Sharing arrangements include staff, procurement and plant and equipment assets, and were constructed on a strong foundation of trust, and governed through a formal Memorandum of Understanding.

According to a 2016 review, "both councils have seen improved levels of service quality, economies of scope and scale and increased organisational development and strategic capacity", with shared savings of $768,000 in the previous year. Benefits to staff and staffing were particularly highlighted, enabling the recruitment of full-time positions where formerly only part-time positions were possible, increased ability to attract specialist staff, improved ability to provide relief for absences, and stronger career pathways.

The 2016 report made recommendations for the future, primarily around strategic and long-term objectives and planning, evaluation reviews, communication, engagement between councils and with communities, and further integration of some services as well as development of specialist areas of responsibility for each council.[80]

Following the report's recommendations, the councils embarked on the 'Embedding Shared Services Program', with the aim of total integration of services.[81] In the 2020-21 financial year, the councils commissioned a report "on the legality and the pros and cons of the two Councils' having one budget and one set of accounts which may include each Council retaining their Annual Reports to the community".[82]

Kentish and Latrobe councils "now operate as one organisation serving two municipalities".[83] The GM is employed by both councils, and the staff are appointed under the shared organisational structure, as laid out in a Memorandum of Understanding. Most recently, they have begun providing environmental health and planning services to the West Coast Council. The focus of the merged organisation is not on financial gain. Rather, the arrangement allows the councils to retain staff, for example employing two (as opposed to one) Environmental Health Officers. Looking forward, Latrobe and Kentish aspire to be "a fully integrated organisation with cloud-based services available to and accessed by the public", and with the capability to offer IT services to other Tasmanian local governments.

Both councils have been able to consistently deliver surpluses, attributed to the resource sharing arrangements, and are committed to continuing and furthering the arrangement.[84] Latrobe has offered to provide advice and support for other councils to look at resource sharing "as an alternate to amalgamation".[85]

What we heard: Merged local government service provision

- Dependant on key personnel, support of councillors and community, and agility of staff.
- Requires clear guidelines and formal agreements.
- Risks include disagreements between constituent councils over strategic direction or appointment of GM or other managers.
- Risk can be mitigated by establishing dispute resolution procedures and transparent cost allocation models.
- Transparent, thorough and regular evaluation reviews are necessary.
- Effective communication is key.
- Planning should be strategic, with long-term objectives.
- Merged service provision is the most difficult of shared service types to implement, maintain and replicate.

PART THREE: POLITICS, GOVERNANCE, AND IMPLEMENTATION OF SHARED SERVICES

Even in situations where shared services arrangements may have benefits, their adoption by Australian and Tasmanian local governments remains inconsistent and relatively informal.[86] In other words, and although most councils are involved in service sharing to some degree, the models and sophistication of different councils' approaches vary widely. Where some councils have deeply embedded and longstanding resource or service sharing arrangements, others have relatively informal or casual agreements with neighbours regarding fractional staff, back-office functions, or common contractors. This variation suggests that, as with many local government reform processes, the implementation and politics of shared services reforms are critically important for delivering good outcomes.

3.1 The politics and implementation of shared services

Despite its critical importance, little research has explored political and implementation considerations relevant to effective and enduring shared services reforms. This is a significant oversight given case study research showing that even in jurisdictions already involved in longstanding shared services arrangements, political, implementation, and transition issues can still present considerable barriers.[87] Despite this gap, however, lessons and insight can still be gleaned from the above case studies and associated interviews combined with broader local government reform literature – particularly that regarding council structural reforms like amalgamation, service consolidation, or boundary adjustment.

Broadly speaking, this literature suggests three related sets of relevant issues for consideration in the design and implementation of service sharing platforms.

The first concerns the political implications of incremental change compared with root-and-branch overhauls. Existing research on this point would seem to suggest that the more consultative and cautious incremental approach is more likely to build political coalitions and organisational cultures appropriate for successful shared services initiatives than far-reaching, abrupt, and comprehensive systemic change.[88]

This is not merely a question of political appetite, but also concerns administrative systems and technology, and preparedness: seamless integration of service provision responsibilities among multiple parties requires careful and relatively sophisticated ICT, back-office, HR, contracting, and leadership coordination. In addition to time and investment, these things fundamentally require a deep reservoir of trust and goodwill, which takes time to develop.

Southern Sydney Regional Organisation of Councils' Advanced Waste Treatment Services Project, for example, was realised over nine years, allowing time for thorough planning, negotiations, procurement, and for the ending of existing contracts.[87] As the UTS study of service sharing between Latrobe and Kentish councils demonstrates, incremental change helps to "build an organisational culture of resource sharing" and embed mutual relations of trust.[88]

The second key issue concerns the interaction of local government reform initiatives generally, and shared services arrangements specifically, with state politics and legislation. State-level issues have likewise been identified as an important and often underappreciated source of complication in numerous studies of shared services reform.[91] In most Australian states, intermunicipal cooperation is also limited to at least some degree by statutory constraints. In NSW, for example, Joint Organisations of councils (JOs), membership of cooperatives or corporate structures, and 'county councils' all require ministerial approval and oversight. In South Australia, councils' ability to create or own shares in corporate entities is tightly limited by that state's local government legislation. Victorian and Western Australian councils are likewise subject to strict limitations and ministerial approval requirements for many cooperative or corporatized service delivery platforms.

In Tasmania, by contrast, councils are more or less completely free to create, or participate in the creation of, joint authorities, partnership or service delivery agreements, contractual arrangements, and corporations or trusts with few restrictions. As Sansom notes, "the Tasmanian Act offers by far the most flexible legal framework, with minimal state oversight" relative to other Australian jurisdictions.[92] This does not mean, however, that Tasmanian local government legislation or state-level local government oversight are irrelevant to councils'

What we heard: Incremental change

Interviewees were unanimous in arguing for incremental change towards agreed objectives. Several proposed that starting small, with a 'coalition of the willing' – two or three councils – leading change could be effective in incentivising other councils to join joint service initiatives, at a time appropriate for them. It was pointed out that reforms do not necessarily have to reach the end goal immediately – getting the ball rolling and gathering momentum in the right direction can be more effective and less traumatic than abrupt change.

abilities to enter into shared services arrangements, but it does mean that (at least in the Australian context) the Tasmanian system is relatively unusual. It should also be noted that, in addition to giving councils broad latitude to structure arrangements in ways that suit their individual needs and circumstances, Tasmania's approach also carries some risks, notably concerning probity and good governance.

Despite the broad statutory discretion afforded to Tasmanian councils, the development of shared services arrangements among authorities is a process in which significant state government support and leadership is likely to be necessary. Other jurisdictions offer several examples of the kinds of support that state governments are well-placed to provide to local government resource and service sharing arrangements.

In Victoria, for instance, the Government Shared Services Initiative provides a cloud-based digital platform that councils can use to share information, procure specialist expertise, and manage bookkeeping and administrative responsibilities across a range of municipal building surveying functions. A Finance and Accounting Support Team (FAST) was established in 2016-17 to "improve the financial sustainability" of Victorian regional and rural councils. A stream of the program was offered competitive funding for groups of councils to undertake feasibility studies and develop business plans. Funding was for up to $75,000 and was matched by applicants financially or in-kind. Local Government Victoria also provides a general range of planning and reporting guides and templates to aid councils with planning, budgeting, and reporting.[93]

In New Zealand, the Bay of Plenty Local Authority Shared Services initiative (BOPLASS) has developed a Microsoft Teams-based local government collaboration portal, which includes project management, chat and message board, and data storage functions. Given the relative lack of restrictions on Tasmanian local governments' contracting, procurement, corporatisation, and partnership activity – as well as the constraints on smaller councils' access to technical expertise – it is possible that assistance such as administrative and technical support, the development of model shared services contracts/agreements,[94] or provision of an integrated procurement or tendering portal, could be of considerable value to councils in designing effective shared services arrangements.

What we heard: How can the State Government encourage and support shared services?

- That State Government could play a greater role in encouraging and enabling greater shared service arrangements. In several cases this was due to perceived capacity constraints. Interview participants suggested that few councils have the expertise or resources to operate their existing systems while also planning and executing the complex process of migrating to a shared service arrangement. Beyond general information resources and templates (as in the Victorian example above), dedicated state-level project management resources for shared services initiatives could provide invaluable support via the provision of independent and targeted expertise.
- Even relatively inexpensive state government initiatives – such as funding online meeting rooms in council chambers, as one interviewee suggested – could also help foster communication and deepen relationships between councils, encouraging collaboration and knowledge sharing.
- Participants expressed a desire for State Government to provide greater incentives for collaboration and investment. These incentives could be financial, but they may equally entail clearly demonstrating the benefits of a potential arrangement, providing knowledge resources, waiving levies, marshalling leadership or community engagement resources, or various other options. These participants emphasised that different councils have varying capacities and that for some, service delivery is always going to be more difficult and/or expensive.
- Finally, interviewees cautioned against speedy or short-term change: enduring reforms will require that local, state, and federal governments, industry, representative bodies or peak associations work collaboratively a period of months or years but of decades. In this regard, a number of participants expressed a sense of cautious optimism that the current Future of Local Government Review process appeared thus far to be more inclusive, strategic, and collaborative than previous efforts.
- The Tasmanian Government's recently announced Strategic Regional Partnerships initiative represents an opportunity to promote and support strategic regional collaboration between Councils and the state government.

Table 5: Summary of shared services models by function

Function	Service(s)	Common sharing vehicle(s)	Examples	Most relevant success/failure factors
Community wellbeing	Emergency management	Informal or project-based sharing; provision via ROCs/JAs	Mersey-Leven Emergency Management Committee	Role clarity; transparent and accountable governance
	Health and wellbeing	Provision via ROs; joint authorities or regional partnerships	Healthy Heart of Victoria (see also UTAS FoLGR background paper no.2)	Uneven member commitment/ contribution or inequitable sharing of risk/cost/benefit
Economic development & local promotion	Whole-of-region strategic planning	Provision via ROs	STCA; CCA; NTDC; SSROC	Uneven member commitment/ contribution or inequitable sharing of risk/cost/benefit
	Advocacy	Provision via ROs	STCA; CCA; NTDC; SSROC	Uneven member commitment/ contribution or inequitable sharing of risk/cost/benefit
	Economic development	Informal or project-based sharing; provision via ROs/JAs	SERDA/SEEHub (now 'BEST')	Uneven member commitment/ contribution or inequitable sharing of risk/cost/benefit.
Environment	Waste collection and/or processing	Joint procurement; new service provision entity; procurement via ROs	Toowoomba-Western Downs waste partnership; Southern Waste Solutions; Dulverton Waste; Southern Sydney Regional Organisation of Councils	Regulatory constraints (joint procurement strategies can require special authorisation from the ACCC and several prior attempts have been struck down see page x);
	Natural resource management	Integrated service provision*; informal or project-based sharing; provision via ROs/JAs	Kentish Latrobe administrative merger; Healthy Rivers Program (Swan Coastal Plain, WA); TREP, DEP	Councillor or staff resistance; TREP and DEP have benefits from clear focus and mandate and federal funding
Finance & administration	Rates and charges	Fee-for-service procurement; integrated service provision	Brighton Common Services; Councilwise/Microwise	Councillor or staff resistance; opaque, inappropriate, or unaccountable governance; compatibility of systems or infrastructure
	Finance and legal services	Fee-for-service procurement; integrated service provision	Brighton Common Services; Councilwise/Microwise	Councillor or staff resistance; opaque, inappropriate, or unaccountable governance; compatibility of systems or infrastructure
	HR and workforce	Fee-for-service procurement; informal or project-based sharing; integrated service provision	Brighton Common Services; Councilwise/Microwise	Councillor or staff resistance; inadequate data, monitoring, or reporting; opaque, inappropriate, or unaccountable governance; compatibility of systems or infrastructure
Infrastructure provision & management	Asset renewal and maintenance, including roads, bridges, and stormwater	Fee-for-service procurement; integrated service provision	Kentish Latrobe administrative merger	Councillor or staff resistance; perceived loss of control or autonomy
Land-use planning & other regulatory services	Building and development approvals, heritage	Fee-for-service procurement; integrated service provision	Brighton Common Services; Kentish Latrobe administrative merger	Councillor or staff resistance; perceived loss of control or autonomy; councillor and staff role clarity

***** While the integrated service provision model is equally applicable to all six functional areas discussed here, specific examples have only been provided for 'back-office' and administrative/bureaucratic and regulatory functions as these are the most common justification for the adoption of an integrated approach.

3.2 Success and failure factors

In addition to the political considerations accompanying local government reform more generally as discussed above, a small but valuable body of research has investigated more specific technical or institutional success and failure factors for different shared services models.

The results of empirical research investigating success factors for shared services arrangements suggests that the most effective and enduring platforms are built upon the following success factors.

Success factors

1. *Identified, realistic, and measurable benefits*

The effectiveness of any policy or reform initiative requires clear and widely agreed goals and reliable, comprehensive baseline data against which progress towards meeting objectives can be assessed. Without these clear objectives, it becomes almost impossible to assess whether an initiative has succeeded or failed. For example, a survey of shared services arrangements undertaken by the Victorian Auditor General in 2014 found that more than 80% of councils reported that their expectations of netting cost savings via shared services initiatives were achieved. However, for the majority of these initiatives, councils either could not calculate the expected benefit (68%) or could not quantify the savings realised at the time of the survey (71%) or both.[95] The rationales and expected benefits motivating councils to adopt sharing arrangements have also been shown to affect their duration. One study found the rationale behind service sharing arrangements to be a strong predictor of their durability. Arrangements designed with the aim of increasing service quality or expanding offerings and maximising cross-jurisdictional cooperation were typically significantly more long-lived than ones devised to pursue cost savings alone.[96]

2. *Transparent, accountable governance arrangements and formalised agreement*

Research suggests that the effectiveness of service sharing is likely to be increased (and conflict minimised) where governance arrangements are sound and transparent and where agreements between parties are formal and accountable. Agreements should minimise the potential for councils easily dissolving arrangements at the expense of others.[97] For instance, following a 2016 review, Latrobe and Kentish acted on recommendations to embed shared service arrangements through (among other measures) 'clear and measurable' objectives formalised in long-term strategic plans. The councils engaged external parties to guide them through this process and committed to a set 12-month withdrawal notice from any shared arrangements.[98] However, and crucially, limiting scope for opportunistic defection is very different to saying that there should not be conditions under which councils may change or even opt out of unsuitable arrangements. Research on regional shared service delivery arrangements in British Columbia has shown that creation and institutionalisation of successful intermunicipal agreements requires some guarantee that authorities can maintain 'control of their own destinies' in the resulting arrangements.[99] None of this is to say, however, that informal or project-based approaches are not the most appropriate response in certain circumstances. Flexible and informal council sharing of infrastructure, human resources, and technical expertise in times of natural disaster or crisis is a good example.[100]

What we heard: Key personalities

Interviewees almost unanimously argued that successful shared service arrangements are often dependent on key individuals and personal relationships. Many believed that this reliance on personal connections can create points of system vulnerability. While to some degree potentially unavoidable, a robust MoU or equivalent to provide formality and guidance could help futureproof initiatives. A formalised agreement should focus on community outcomes, contain a clear action plan with benefits to all participants, regular and transparent reporting, and as discussed, sufficient lifespans to demonstrate success. Active community involvement in an initiative (in some form) may also be a way to help maintain commitment to a project.

3. *Role clarity*

While not specific to shared services initiatives, research has shown that councillors' understandings of their own roles and responsibilities are an important influence over the success or failure of local government reform more generally. Tan, Morris, and Grant, for example, find that local councillors' level of understanding (or misunderstanding) of changes to their roles during and following reform processes can have a significant impact on the effectiveness of the reform project overall.[101] Particularly in the context of a paradigm shift in which the role of councillors develops more of a strategic planning and oversight character, ensuring that elected representatives have clear and informed understandings could be crucial to the success of shared services platforms. This suggests a critically important role for councillor education, training, and information. Likewise,

studies have found that making clear and accessible information regarding any service provision changes available to residents is crucial to maintaining trust and accountability in shared services arrangements.[102] Finally, the importance of role clarity is not limited to councillors or councils – insight from interviews conducted for this report suggest that joint authorities, ROCs, and shared services partnership agreements are most effective where there is agreed and clearly stated delineation of roles and responsibilities.

4. *Support from council staff*

A survey of 56 councils involved in service sharing conducted by the Victorian Auditor-General in 2014 found that the most commonly reported success factors in shared services arrangements were the support of the CEO/GM, a shared commitment among partners, and support among implementing staff.[103] Sommerville and Gibbs point out that shared service arrangements can be perceived as "moves to outsource services, leading to staff cuts and redundancies", although the rationale for a shared service arrangement can actually be to enable councils to attract and retain (often specialist) staff skills.[104]

5. *Equitable distribution of resources, cost, and risk*

The design of shared services arrangements should ensure that councils are subject to similar or proportionate cost and risk burdens. If some councils are seen to be shouldering a greater (or lesser) responsibility for outcomes than others, trust and goodwill can be impeded and conflict may ensue. As Ryan and Hunting note, in their review of resource sharing arrangements between Kentish and Latrobe councils, "it is important to ensure that there is actual equity and allocation of shared resources across councils to ensure both function in the joint arrangements and to create the trust needed for the arrangement to endure".[105] Finally, and in addition to equitable sharing of cost and risk burdens, care must be taken to ensure that arrangements deliver "identifiable benefits to both parties, whether this is in service improvement, cost savings, income generation, or improved asset utilisation".[106] As discussed above, the collection of reliable, robust, and comprehensive baseline data is critical to setting realistic goals and measuring these benefits.

6. *Systems and infrastructure compatible with service or resource sharing*

Finally, it is important that councils' ICT, back office, and HR systems are configured in a way that can enable sharing of resources. If compatibility with the systems of another council or third party is not first ensured, collaboration and coordination will present considerable and unnecessary challenges. As Hunting and Ryan found, again in their review of the Kentish-Latrobe administrative merger, "the IT and new telephone systems have been key enablers of resource sharing and have allowed shared staff to be more efficient and responsive to both councils regardless of where they are located".[107]

While the absence of any or all of these conditions can make arrangements short lived or ineffective, research has also highlighted further specific factors that have in past instances been responsible for the dissolution or failure of shared services initiatives.

What we heard: IT systems

Many interviewees noted that while sharing IT systems was logical and important, it was also one of the most challenging areas to achieve success. Individual councils are heavily invested in their particular systems and many have ongoing contracts to honour, meaning that changing systems can be a disruptive, expensive, and difficult endeavour for council staff. IT systems are reflective of individual councils' processes and work systems, and thus require changing organisational thinking. Some also noted the risks entailed. Councils are responsible for large volumes of sensitive data, and a poorly managed system migration could risk losing or compromising this information with potentially disastrous results.

Another issue raised by several participants was that there is no single public sector core service IT system that was ideal for all local governments. Some that functioned well were too expensive for smaller councils, others were reportedly unresponsive to service requests, integrated with external products poorly, and delivered inadequately tested upgrades. Individually, councils were too small to have the necessary lobbying power to instigate change. This means that regional procurement may deliver better value for money and improve services. To this end, one interviewee suggested councils could move to using the same IT systems as the State Government to enable greater integration and capitalise on economies of scale in system maintenance and technical support.

Risk factors

1. *Inappropriate rationale for adoption*

Some shared services arrangements have failed due to the lack of a compelling rationale or genuine desire for collaboration among the authorities involved. In the

case of the New England Strategic Alliance of Councils (NESAC), for example, the development of a shared services agreement was pursued by councils as an explicit alternative to proposed compulsory amalgamations by the State Government. Having overcome the spectre of forced mergers, however, the absence of a more fundamental reason for, and commitment to, resource sharing saw the arrangement fall by the wayside. As Sansom argues, "NESAC was a partnership of four councils established principally to stave off threatened amalgamations. Its charter was non-binding; there was a lack of trust between the parties; and from the outset operational and governance arrangements were problematic".[108]

2. *Lack of data or inadequacy of monitoring, reporting, and evaluation*

Councils sometimes lack the resources to adequately establish and monitor baseline data and meet the reporting requirements necessary to ascertain whether or not shared services arrangements have been effective. The 2018 NSW Shared Services in Local Government audit, for example, found that "councils do not always have the capacity to identify which services to share, negotiate with partner councils, or plan and evaluate shared service arrangements".[109]

3. *Resistance on the part of councillors or council staff*

Various studies have found that the support and cooperation of both council staff and elected members are critical determinants of success or failure in shared services arrangements. Aulich et al., for instance, have argued that "one of the most significant barriers to the effective implementation of shared services is resistance from within individual councils at either or both of elected member and executive management level".[108] Beyond general resistance to change, reform processes may ultimately require that council staff members work towards outcomes in which they or their positions become redundant or obsolete, understandably generating reluctance or pushback. Even in successful and harmonious examples, tensions not only within the staff of an individual council but between organisations must be carefully managed, as "frictions among governments – whether rural, municipal, regional or provincial – can turn healthy debate over different perspectives into a barrier to effective performance at some board tables".[111]

4. *Perceived loss of control or autonomy*

The choice to deliver a service collaboratively or procure it via a third party inevitably, and indeed necessarily, entails some diminution of control. Nevertheless, efforts to ensure that local authorities retain 'control of their own destinies' is important not only for maintaining the satisfaction of councils but also ensuring that service delivery is meaningfully accountable to residents.[112] Defining the boundaries of power is important: "it is essential to determine for what decisions there is no 'opt-out'".[113] Effective resource sharing could involve the ability to opt-out of individual services but make certain decisions or participation compulsory. Finally, resident fears of losing control over local services can persist even in cases where authorities have a long history of successful service sharing. For example, one study of a failed shared services proposal among five neighbouring councils in Detroit, Michigan, which were already involved in deep and comprehensive service and resource sharing, found that "fear that [the initiative] may decrease how much control residents have over the service in question" was the primary reason it was not adopted.[114]

What we heard: Political and organisational culture

Interviewees emphasised that cultural and political factors are critical. Individual staff are part of a larger culture deeply influenced by key leaders. Organisational cultures can support and foster change or resist it. Leaders must want and own change, and must bring staff along for the journey. Consultation emphasised that local government support was critical: without council support, reform efforts would be unsuccessful. Top-down reform has tended to generate resistance and can drive a retreat into adversarial role conceptions. While collaborative and consultative approaches are challenging and slower in the short term, they ultimately achieve more in the long term by building consensus. Independent leadership of change management and reform transitions may assist with these issues.

3.3 Concluding observations

There has been an historical view in regards to Australian local government that efficient, cost-effective service delivery and responsive local representation are in constant tension.[115] While many may now dispute this characterisation, this idea has arisen during several efforts at compulsory and even voluntary amalgamation abandoned in the face of council and community opposition.

One response to this shift has been a greater emphasis placed upon shared services options in local government reform attempts. This is largely because shared services can appear to offer a 'best-of-both-worlds' option: elected councils at their current scale can continue to offer responsive, differentiated, place-based representation and accountability while also capitalising on returns to scale via collaborative modes of service delivery.

It should be noted, of course, that shared services and amalgamation are not incompatible. Indeed, larger local government units may have more capcity to engage in service sharing or cooperation. Similarly, in terms of perceived tradeoffs between scale efficiency and representation, there is no reason while larger councils can be more intentional and effective in representing and responding to diverse communities within their municipality.

Nevertheless, it is easy to see that the political logic of shared services arrangements lies in their allure as a 'third way' reform strategy that can enhance the sustainability of smaller (particularly rural and regional) councils without compromising their unique roles as place-shapers and stewards of diverse local identities.

This does not mean that shared services reforms are intrinsically simple or indeed that they are politically or technically easier than creating larger council units. On the contrary, in order to achieve the desired outcomes, any major shared services reform would almost certainly require a long-term commitment of considerable financial resources and political capital from state government, combined with a willingness on the part of councils to cede a considerable degree of autonomy and control. Even where prior studies have shown expected benefits and recommended shared service arrangements (such as Third Horizon's 2017 report on a shared services project for the Cradle Coast Region), proposals have not always been acted on and expected benefits have not always materialised. There are several reasons why this can be the case:

1. **Local self-interest**. Local councillors and council staff may be unwilling to sacrifice what they believe to be in their local community's interest in favour of broader shared or regional interests. This may be heightened by interest tension or distrust among council staff members or councillors themselves. Many past local government reform efforts have fallen victim to 'turf wars' between councils and the state government or among councils themselves - shared services reforms are not immune to these challenges.

2. **Institutional inertia**. Preserving the status quo is generally the path of least resistance in reform efforts. Local government elected officials and staff, like other groups that find themselves targeted by reform interventions, may have an understandable preference for the status quo. Reducing the likelihood that these actors will mobilise effective political resistance to change, as has happened in the past, require that their voices are heard, and their concerns taken seriously.

3. **Transition action costs**. Reform, even shared services reform, can involve considerable upfront cost and often necessitates the realignment of existing resources or commitments. This includes rendering existing staff, contractors, services, and programs obsolete or redundant. It also requires the commitment of time and energy on the part of the very council staff whose jobs may be imperilled by the reform. Engaging upfront with these legitimate concerns and finding ways to mitigate their negative impact is essential to fruitful, good-faith change management.

4. **Transaction costs**. Even when shared services agreements and systems are established they are often subject to higher information and transaction costs than services and functions delivered 'in house' because most shared services arrangements require ongoing engagement, contracting and monitoring.

Finally, in this report, we have argued that deepening and expanding shared services arrangements offers the potential for Tasmanian councils to capture meaningful scale, scope, and quality improvements through cooperation and collaboration. This is true at their current size, and it would likely also be true at larger scale as well. We have also argued, both here and in previous reports, that sharing is likely to be both most effective and most acceptable to communities where it is applied to services delivered in a more or less uniform way across the State and where there is a clear value proposition for

participating councils and the communities they serve. In other words, the more communities' service provision needs differ, the less likely it is that service sharing will deliver either efficiency or satisfaction.

Ultimately, however, both the effectiveness with which shared services can operate and the political feasibility of adopting them depends largely upon the support of councils and the communities they serve. This means, as our principles for effective shared services reform note, that genuine, authentic community and stakeholder engagement are essential to success.

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