The Practice of Municipal Cooperation: Australian Perspectives and Comparisons with Canada

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By
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Author

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Abstract
Municipal cooperation is an important feature of local and regional governance in both Australia and Canada. Many of the responsibilities of local governments cannot be addressed satisfactorily within the boundaries of a single municipality, whilst complex issues facing central governments often require complementary action at local and regional levels. This paper documents and evaluates the track record of Australian municipal cooperation within the context of the federal system, state legislation and policy, and the ongoing debate about the respective merits of joint service delivery and mergers. At first glance, Australian local government appears to exhibit a thriving culture of cooperation, but the evidence suggests that in practice most cooperative arrangements are shallow and fragile. No legislation compels municipalities to enter into joint undertakings or establish “upper-tier” authorities. The most common mechanisms for cooperation are non-statutory agreements or voluntary regional organizations, both of which enable municipalities to protect local autonomy and minimize the risk of state government intervention in their affairs. The paper also makes some comparisons with Canadian experience, drawing on research into inter-local agreements in Ontario and selected metropolitan regions, as well as Regional Districts in British Columbia. It concludes by outlining some key factors that will influence the future of municipal cooperation in the two countries.

Keywords: municipal governance, regional governance, municipal cooperation, Australia, Canada, service delivery, municipal autonomy

JEL codes: H19, H70, H77
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1. Introduction

Local government systems typically consist of a large number of administrative units, many of which have a small area, population, or both. This situation is often seen as an impediment to efficient and effective governance. Around the world central governments (federal, national, state, or provincial) have acted to counter real or perceived problems of fragmentation by amalgamating municipalities into larger units; creating “upper-tier” regional or metropolitan municipalities; and having “higher-order” services delivered by special-purpose entities. But even when such measures are in place, concerns about fragmentation and insufficient collaboration between local municipalities persist. Many responsibilities of local governments cannot be addressed satisfactorily solely within the boundaries of a single municipality, while complex issues facing central governments often require consistent, complementary action at local and regional levels. Fostering improved inter-local collaboration thus emerges as a major governance challenge (see, for example, Feiock 2013; Wolman 2017).

This paper examines recent Australian practice in cooperation and partnerships among municipalities (usually termed “councils” in Australia), and draws comparisons with Canada. It offers an Australian perspective on approaches to inter-local collaboration, and adds to the limited Australian literature on the subject by focusing on lessons from domestic practice rather than theoretical frameworks or international experience. The analysis draws on reviews of cooperative practices undertaken by Auditors General, state government agencies, municipal associations, and inquiries into local government, as well as commissioned research and advice. It also includes case studies from New South Wales, Victoria, and Tasmania.

Recent academic commentary on municipal cooperation in Australia is summarized in the book *Councils in Cooperation* (Dollery, Grant, and Kortt 2012). However, *Councils in Cooperation* offers few examples of “real-world” experience, and is largely concerned with presenting the case for joint delivery of services (“shared services”) as a preferable alternative to municipal amalgamations. And it focuses on the economics of municipal cooperation – particularly the scope for economies of scale in service delivery – rather than its broader potential to strengthen the system of local government. This paper aims in part to fill those gaps by identifying weaknesses in the Australian practice of municipal cooperation and exploring the underlying forces at work.

The paper complements two previous IMFG publications: *Cooperation and Capacity: Inter-Municipal Agreements in Canada* (Spicer 2014a) and *Linking
Regions, Linking Functions: Inter-Municipal Agreements in Ontario (Spicer 2014b). The federal systems of Australia and Canada display marked similarities in their constitutions, the roles of federal and state or provincial governments, and the lowly status of local government as a creature of the latter. Despite some important differences in inter-governmental fiscal and functional relations, there is much to be learned from comparative studies of the two countries (Brunet-Jailly and Martin 2010).

Section 2 of this paper discusses critical dimensions of municipal cooperation, including elements of the Canadian experience. Section 3 situates municipal cooperation in the context of Australia’s federal system, the ongoing debate about the merits of amalgamations, and legislative and policy frameworks across the country, including both federal and state initiatives. Section 4 describes current practice in three Australian states, using the findings of recent surveys and research. Section 5 presents key findings from the analysis of Australian practice; summarizes important points of similarity and difference between Australia and Canada; and identifies issues for the future of municipal cooperation.

2. Dimensions of Municipal Cooperation

2.1 Objectives, Foundations, and Mechanisms

Two previous IMFG papers (Spicer 2014a; 2014b) focused on the use of inter-municipal agreements to address problems arising from fragmented local government in six Canadian metropolitan areas and on agreements in both urban and rural regions of Ontario.

Spicer (2014a) places inter-municipal agreements in the context of the need for greater consistency and coherence in systems of local government. Mirroring Sancton (2000), he describes the waxing and waning of support for consolidation (amalgamation) of municipalities that characterized the 1980s and 1990s such as the forced merger of six municipalities that created the Toronto “megacity.” Public choice theories from the 1960s and 1970s challenged the view that fragmentation of metropolitan areas into local governments was necessarily inefficient. Rather, competition among a large number of diverse municipalities offered potential benefits, including efficiency gains. More recently, a “new regionalism” has favoured voluntary, flexible cooperation agreements between local governments to achieve the benefits of consolidation without forced mergers or boundary adjustments (Sancton 2000). Spicer (2014a, 3–5) also points to the shift in focus from institutions of government to the processes and networks of governance and the need for collaboration among the many players involved in the management of cities and regions.

Spicer (2014a) identifies three broad dimensions of municipal cooperation: the motivations for cooperation, the conditions necessary for effective cooperation, and the forms and mechanisms of cooperation. Table 1 lists four common motivations.
In this regard Spicer (2014b, 5) makes the following important observation:

Past research indicates that for municipalities, cooperation can be an attractive alternative to more wrenching structural changes, such as amalgamation. First, inter-municipal partnerships can generally be formed without the intervention of senior levels of government, which is often an appealing prospect. Second, voluntary cooperation generally leaves intact the policy domains of local government, and does not typically result in a permanent loss of local policy capacity or autonomy. In short, inter-local agreements can reduce the fear that local democracy will be “hollowed out.”

As will be seen, this view of cooperation as “an attractive alternative to more wrenching structural changes” that preserves local autonomy resonates strongly in the Australian context (Dollery, Grant, and Kortt 2012).

Table 2 identifies conditions necessary for effective cooperation. The capacity to cooperate, and in particular to address transaction and establishment costs, emerges as particularly important. Spicer (2014b, 7) notes that: “A municipality cannot enter into an agreement if it does not have sufficient resources to negotiate, fund, or monitor the agreement. It cannot partner on capital investments without adequate financial or administrative resources. Similarly, political actors must come to agreement.”

Inter-municipal agreements are most likely to work when perceived benefits are high and the costs of implementing and maintaining cooperative arrangements are low. Even when great benefits are possible, transaction, establishment, and operating costs may appear unwarranted or insurmountable, at least in the minds

<table>
<thead>
<tr>
<th>Table 1: Motivations for Cooperation</th>
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<tbody>
<tr>
<td>Motivation</td>
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</table>
| Fiscal benefits                  | • Reducing the costs of administration and service delivery  
• Sharing the cost of major capital works                                                                                              |
| Filling service gaps             | • Overcoming limitations on local capacity, e.g., equipment, technology, skills  
• Overcoming geographic isolation  
• Providing a service that could not be delivered otherwise                                                                                |
| Managing externalities           | • Reducing unwanted duplication of services  
• Managing spillover of services into neighbouring municipalities  
• Better directing or managing growth and development                                                                               |
| Mandated collaboration           | • Joint planning, service delivery, and infrastructure provision required and/or useful cooperative structures established by a central government |
of those uncertain about the value of cooperation and those worried about the loss of local identity and democratic choice. This underlines the importance of adequate political and managerial leadership in promoting, negotiating, establishing, and operating an inter-municipal agreement, including creating and maintaining a robust governance structure. Local leaders may also require encouragement, guidance, and support from central governments.

Municipal cooperation can take many forms. Table 3 draws on two tables from Spicer (2014a, based on Walker 1987 and Feiock 2013) to provide a typology of mechanisms for municipal cooperation that can be applied to Australian practice. The choice of mechanism depends on the interplay between the various factors identified previously in Tables 1 and 2, including:

- Whether there is sufficient mutual understanding and trust among the prospective partner municipalities to establish robust governance arrangements and delegate appropriate decision-making authority to their representatives on, and the managers of, joint entities.
- Whether central governments create statutory frameworks or suitable entities that mandate or strongly encourage cooperation, and offer necessary guidance and support.

### 2.2 Elements of Canadian Experience

While this paper does not attempt a systematic comparison of municipal cooperation in Australia and Canada, section 5.2 identifies some significant similarities and differences that emerge from the analysis of Australian practice. As a basis for those comparisons, this section outlines relevant aspects of Canadian experience, focusing on Ontario and British Columbia.

<table>
<thead>
<tr>
<th>Willingness to Cooperate</th>
<th>Capacity to Cooperate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is there a consensus on the need to cooperate and the expected benefits (fiscal, quality of services, community outcomes, etc.)?</td>
<td>• Are there financial, administrative, or political constraints?</td>
</tr>
<tr>
<td>• Is there a history of cooperation and trust (social capital) to build on?</td>
<td>• Is there sufficient commitment and effective leadership?</td>
</tr>
<tr>
<td>• Is there consistent and effective communication among the partners?</td>
<td>• Can transaction, establishment, and operational costs be met and managed?</td>
</tr>
<tr>
<td>• Is there community support?</td>
<td>• Will all parties be able to fulfill the terms of an agreement into the future?</td>
</tr>
<tr>
<td>• Are senior governments exerting policy influence and encouraging cooperation?</td>
<td>• Will central governments provide necessary guidance and support?</td>
</tr>
</tbody>
</table>

Table 2: Conditions for Effective Cooperation

Source: Modified from Spicer (2014a, 7; 2014b, 7)
First, relevant findings of the two previous IMFG papers (Spicer 2014a, 2014b) on Ontario and selected metropolitan regions may be summarized as follows:

- Geography and municipal size affect the likelihood that voluntary cooperation will occur: almost all Ontario municipalities have entered into voluntary agreements to share some services: those that do not are generally small, rural municipalities far from neighbouring communities.
- Most agreements concern emergency services because continuity of service delivery across boundaries is vital in maintaining public safety.
- Agreements are also widely used in areas such as planning, utilities, waste management, and road maintenance, which do not require a high degree of institutional or financial integration: risks are low and the ratio of benefits to costs (and to perceived loss of local autonomy) is seen as favourable.
- Most agreements are bilateral, suggesting that municipalities shy away from complex, more demanding multilateral arrangements.
- Perceived benefits of cooperation are principally cost sharing and savings (although firm evidence on cost savings is lacking); better quality of services, facilities, and administration; opportunities to expand services; increased organizational capacity; and improvements to image and goodwill.

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Informal cooperation or networking</td>
<td>Ad hoc or short-term collaboration or reciprocal action by two or more local governments</td>
</tr>
<tr>
<td>Extra-territorial service delivery</td>
<td>Agreement for one local government to deliver specific services to or on behalf of others</td>
</tr>
<tr>
<td>Joint outsourcing or contracting</td>
<td>Joint contracting of an external service provider for one or more specific services or functions</td>
</tr>
<tr>
<td>Inter-local service agreements</td>
<td>Voluntary but formal agreements between two or more local governments for joint planning, financing, and delivery of specified services or functions</td>
</tr>
<tr>
<td>Regional alliances</td>
<td>Voluntary entities established by multiple local governments to undertake consultation, advocacy, joint planning, agreed projects, or service delivery within arrangements (flexible or binding) set by the participants</td>
</tr>
<tr>
<td>Statutory regional partnerships</td>
<td>A jointly controlled entity established with functions and governance arrangements set by, or making use of, state or provincial laws</td>
</tr>
<tr>
<td>State, provincial, or federal committees or boards</td>
<td>Cooperation among local governments through participation in regional or special-purpose entities established by senior governments</td>
</tr>
</tbody>
</table>

Source: Modified from Spicer (2014a, 4 and 10–11)
• The need for cooperation may be increasing, perhaps due to municipal budget constraints or other fiscal restrictions.

Spicer (2014a, 7) also makes the crucial point that central governments may encourage or require municipalities to cooperate by mandating certain approaches to service delivery or creating regional entities. In Ontario, examples of what Spicer terms “centralized” – as opposed to cooperative – service delivery include:

• The Consolidated Municipal Service Manager system that requires municipalities in certain regions to collaborate in the delivery of social services.

• The municipal amalgamations of the late 1990s that created larger units for service delivery (not only in Ontario).

• The widespread (but by no means universal) formation of “upper-tier” counties or regions to deliver services such as police, transportation, and utilities.

It is important to note that the governing bodies of counties and regions are appointed by and from the constituent municipalities and have only limited powers to direct or overrule the wishes of a constituent. In that regard they may be classified as “statutory regional partnerships,” as defined in Table 3.1

British Columbia’s system of Regional Districts (Walisser, Paget, and Dann 2013) may also be considered a form of “statutory regional partnership,” but with several distinguishing features. They were first created in the late 1960s and have developed within a framework of permissive, flexible legislation and through negotiations among the municipalities concerned and between local and provincial governments. Like Ontario’s regions and counties, their governing boards are appointed by and from the councillors of their constituent municipalities, except in unincorporated areas, where voters directly elect their regional representatives.

Crucially, the legislation enables a district’s scope of operations and governance structure to evolve with experience, and for the most part does not prescribe functions. Services to be delivered by districts are usually determined by separate agreements among the constituent municipalities, which may or may not apply across the whole region. Walisser, Paget, and Dann (2013, 146–147) note that Regional Districts offer the flexibility “to provide any service, at any scale, using any mode of provision.” But individual municipalities may opt out of a particular district service if they so decide.

1 After this paper was completed, the Ontario government announced a review of “the governance, decision-making and service delivery functions of eight regional municipalities and Simcoe County... to help ensure that these municipalities are working effectively and efficiently, and can continue to provide the vital services that communities depend on” (see https://www. ontario.ca/page/regional-government-review). The terms of reference suggest a need for improved governance, decision-making, and accountability to residents and business, as well as some reallocation of roles and responsibilities between upper- and lower-tier municipalities, and perhaps structural reforms. The outcomes of the review could have a far-reaching impact on the current framework for inter-local cooperation and future prospects for “bottom-up” regional governance.
British Columbia’s experience also highlights the benefits of long-term adherence to a consistent legislative and policy framework, and skillful promotion of that framework by the province, such that Regional Districts “have become integral to BC’s local government landscape” (Walisser, Paget, and Dann 2013, 146). Still, local leaders often need ongoing encouragement and support “from above” to negotiate and implement cooperative arrangements. Tennant and Zirnhelt (1973) describe a “strategy of gentle imposition” in the establishment and early development of the Greater Vancouver Regional District. The provincial minister at the time and the department for municipal affairs combined firm policy and flexible legislation with repeated “nudges” as to how municipalities might use this new framework to their best advantage – or perhaps face more prescriptive provincial intervention.

Regional Districts now cover the whole province: the largest in population is Greater (“Metro”) Vancouver with about 2.5 million people, while 10 have populations of fewer than 40,000. All have their own regional administrations to plan and deliver services, rather than relying on constituent municipalities for support. Some, such as Metro Vancouver and the Capital District around the city of Victoria on Vancouver Island, now provide an umbrella and point of coordination for a very broad range of functions, including aspects of housing, health, and transportation as well as “core” municipal services. In addition, more than half now prepare regional growth strategies. Their expanded remit suggests that some districts are gradually becoming in effect regional governments – always provided that their constituent municipalities agree and that they can handle the complex and divisive challenges of regional space and governance (Walisser, Paget, and Dann, 154–165). This issue is revisited in section 5.3.

3. The Australian Context

3.1 Australia’s Federal System

The Australian federation was established in 1901 and comprises the federal (“Commonwealth”) government, six states (New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania) and two semi-autonomous federal territories (Northern Territory, Australian Capital Territory).2 The country now has a population of 25 million.

Australia’s 540 municipalities vary dramatically in area, geography, and demographic characteristics. Overall, local government accounts for 3 to 4 percent of total taxation (limited solely to property tax known as “rates”) and 4 to 5 percent of total government expenditures. Costly services – including education, hospitals and health, policing, major roads, public transport (except in the City of Brisbane), and water supply and sewerage (except in Queensland, Tasmania, and parts of New South Wales) – are state or territorial functions. Although municipal functions are typically limited to local planning and infrastructure, regulation,

2 This section draws extensively on Sansom (2009) and Sansom and Dawkins (2013).
and smaller-scale community services and facilities, most Australians live in populous urban municipalities that have the capacity to undertake a broader range of activities. However, thinly populated rural and remote municipalities struggle to provide even basic services and depend heavily on state and federal grant support for their survival. Many are also experiencing population decline, with consequences for local economies and services.

Local government is not recognized (or even mentioned) in the Australian federal constitution: as in Canada, it is established wholly under state laws and all facets of local administration are subject to detailed state control. Nevertheless, Australian local government has a number of direct program and policy links to the federal government. The latter provides the bulk of grant funding for municipalities and has sponsored local government participation in federal forums, notably the Council of Australian Governments.

Despite variations in the size, character, and capacity of individual municipalities, all states have unitary local government systems: there are no upper-tier counties or regions, or lower-level “community” councils, nor are there popularly elected special-purpose bodies. However, municipalities may establish arm’s-length entities for selected functions, and enter into joint arrangements with their neighbours for planning, infrastructure, service delivery, procurement, or resource-sharing. A growing number are doing so.

During the 20th century, most states moved to amalgamate local government areas into larger population units (see section 3.2 below). As a consequence, Australian municipalities have a relatively large average population by international standards – about 40,000 – but given the thinly spread population of rural and remote regions, more than half have fewer than 10,000 people.

Most metropolitan regions are still divided into numerous local government areas, and their governance is dominated by state agencies that control strategic planning and major infrastructure and service provision. This has been called the “Australian model of metropolitan governance” (Sansom and Dawkins 2013). It removes one of the key drivers of municipal cooperation in Canada, the United Kingdom, the United States, and elsewhere – the need for metropolitan municipalities to coordinate their efforts in utility services, transportation, and strategic planning. A partial exception is the southeast Queensland conurbation centred on the City of Brisbane. The city itself has a population of more than one million, with a surrounding ring of other populous and well-resourced local governments. All have high-profile, popularly elected mayors keen to exert political influence. In the 1990s and early 2000s the southeast Queensland municipalities joined forces through a strong Regional Organization of Councils (see section 3.3), which partnered with the state government to formulate and

3 The Australian Capital Territory (Canberra) is a city-state incorporating municipal functions.
4 Some parts of the Northern Territory have lower-tier “local authorities” for Aboriginal communities, but these are essentially advisory bodies.
implement a strategic regional plan (Abbott 2012). However, over the past decade the Regional Organization of Councils has been reconstituted as a Council of Mayors with a narrower mandate, and the state government now dominates metropolitan strategy.

3.2 The Consolidation Debate
The scope of municipal cooperation in Australia can be fully understood only with reference to the ongoing debate over amalgamations. While municipalities and their associations across Australia have strongly resisted both voluntary and forced mergers, the number of local governments have been halved over the past century, chiefly as a result of changes enforced by state governments.

Amalgamations have been pursued in the belief that larger local government units will be more efficient and effective, better suited to the needs of a modern economy, and better able to deliver services and provide sound governance (see, for example, May 2003, 84; Moore 1996, 65). Opponents invoke the importance of local identity and autonomy; question whether amalgamations do in fact deliver predicted benefits; and claim that economies of scale and scope can best be achieved through shared services and other forms of municipal cooperation. Dollery, Grant, and Kortt (2012, 248–249) conclude forcefully that “Structural change aimed at enhancing the efficiency and effectiveness of local government should focus on fostering shared services arrangements for specific kinds of local government services and functions rather than on the blunt instrument of forced amalgamation.” Nevertheless, their closing paragraph suggests limits to what may be achieved in practice (Dollery, Grant, and Kortt 2012, 251):

While in this book we … have concluded that shared service arrangements have a vital role to play in Australian local government, it is important not to “oversell” this message by way of exaggerated claims for what shared services models can realistically achieve … shared services models have their limitations which must be recognized.

Elsewhere, Dollery, Grant, and Crase (2011, 161–162) note that shared service arrangements may encounter some of the same problems inherent in amalgamations:

The degree of success varied considerably from case to case, and did not seem to depend on the characteristics of the services in question … there are often significant barriers to the implementation of shared service arrangements, which are difficult to overcome, including the loss of “local identity,” the complexity of the processes involved, conflicting objectives between participating councils and uncertainty surrounding potential benefits.

To address concerns about loss of local identity, democracy, and employment, Dollery and Johnson (2007) and Dollery, Goode, and Grant (2010) put forward two models of municipal cooperation that go well beyond shared services but stop short of total amalgamation.
• The “Joint Board or County Model,” under which two or more municipalities share a single administration overseen by a joint committee but retain separate political bodies and substantial decision-making autonomy.

• “A Sustainable Amalgamation Model for Country Councils” that entails a fully amalgamated municipality but with administrative units retained in each of the pre-existing areas, plus local community councils with delegated decision-making.

Such models are relatively common in other countries (Wolman 2017), but Australia has only one example of the former (Kentish-Latrobe in Tasmania – see section 4.3), and none of the latter.

Drawing together the diverse threads of this debate, Aulich et al. (2011) compared four forms of consolidation: amalgamations; boundary adjustments (partial mergers, typically to expand urban boundaries); systematic resource sharing/shared services; and less structured regional collaboration (typically focused on advocacy plus some joint planning and projects). They concluded that amalgamations seemed to be the most effective form of consolidation in terms of enhancing the strategic capacity5 of both individual councils and the local government sector as a whole, but their findings also indicated that much can be achieved through robust regional cooperation, including shared services.

### 3.3 Federal Initiatives

Compared to Canada, a distinguishing feature of municipal cooperation in Australia has been the important role played by the federal government. The modern era of regional cooperation in local government began in the early 1970s under the federal Gough Whitlam Labor government (Sansom 2010). Whitlam sought to modernize the Australian federation through, among other things, federal government engagement in policy areas previously left to the states, which he saw as needing federal resources and a national approach; defining a national network of regions as a basis for federal programs; and providing direct federal financial assistance to local government.

The Whitlam government initially required municipalities to form Regional Organizations of Councils (ROCs) as vehicles to apply for grants.6 (ROCs are informal bodies of representatives appointed by member municipalities, and are free, within certain legal limits, to undertake whatever functions those members consider appropriate.) In addition to grants to individual municipalities, some ROCs received supplementary funding to address regional issues and promote

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5 “Strategic capacity” is linked to the concept of economies of scope: it refers to a municipality’s ability to resource, plan, and manage its operations effectively; demonstrate the knowledge, skills, and creativity to tackle complex issues; and play a valued role in the broader system of government.

6 This account draws on the author’s experience as the executive officer of a Regional Organization of Councils in the 1970s, and his involvement with regional initiatives in the 1980s and 1990s.
ongoing municipal cooperation. They thus became more than simply channels for financial assistance and began to see themselves – and be seen – as part of the broader system of government. Several continued to operate in this way even after the Whitlam government’s demise in 1975 and changes to the way grants were distributed. Meanwhile, state governments were establishing their own arrangements to promote regional planning and development. Typically this involved forming regional boards or committees that included local government representatives. Thus a culture of municipal cooperation – mostly on a modest scale – began to take root across much of Australia.

Federal support for ROCs was reinstated in the 1980s under the Bob Hawke Labor government. A National Committee for Regional Cooperation (NCRC) was established, conferences held, and funding provided for projects and regional secretariats. ROCs (or an equivalent) became a common feature of local government and, to varying degrees, inter-governmental relations (Sansom 2010). However, in the 1990s, federal regional policy shifted to economic development and employment generation. New regional entities still included local government, but focused as much or more on involving business and community stakeholders, and the incentive for municipal cooperation was reduced. The latest variant of these federal entities is Regional Development Australia committees, appointed by the responsible minister.7

Recently, the current federal government has begun funding “City Deals” for selected regional cities and metropolitan areas, under which the three levels of government cooperate to provide improved infrastructure and services. This process may encourage or require enhanced cooperation between the municipalities concerned. For example, the Western Sydney City Deal covers eight local government areas and promotes coordinated planning and infrastructure and service provision around the development of a second Sydney airport, as well as the management of rapid urban growth (Department of Infrastructure, Regional Development and Cities 2018).

Unlike the British model on which they are partly based, Australia’s City Deals are not about devolution: they are primarily agreements between federal and state governments to complete certain projects, some of which may involve local governments. In Western Sydney, the City Deal includes modest funding for local projects to complement its focus on the airport and associated development. But the selection of municipalities to participate in the deal process disrupted cooperation through two longstanding ROCs.

Despite the lack of specific federal policy support, many ROCs (or equivalent entities) continue to operate, albeit to widely varying degrees. Their longevity may be attributed to five factors:

7 Detailed information available at https://rda.gov.au
• Their low-key, voluntary nature and the absence (or minimal extent) of state government oversight: ROCs perform only those functions agreed by their members.

• Some recognition and support from state and federal governments.

• Opportunities to apply for project grants, including for administrative reform and municipal cooperation itself.

• The perceived scope for advocacy and influence in strategic planning, advancing regional development, and provision of associated infrastructure and services.

• Increasing pressures for resource-sharing within local government (e.g., skilled staff, joint procurement), chiefly to reduce costs.

3.4 State Legislation and Policy

Australia's six state systems of local government offer an array of legal and policy frameworks for municipal cooperation. In every state, municipalities may enter into agreements and other cooperative arrangements to undertake statutory functions, but there are restrictions on some types of joint legal entities and commercial enterprises. The relevant provisions of local government Acts are summarized in Table 4.

Arrangements in New South Wales, Victoria, and Tasmania are discussed in some detail in section 4. Key points to note here are that:

• Only in NSW does the local government act formally recognize (but not regulate) Regional Organizations of Councils (ROCs).

• The NSW government has recently established a new network of Joint Organizations alongside ROCs.

• The Victorian Act does not provide any mechanism for municipal cooperation except for regional libraries (but municipalities may establish entities under other legislation).

• The Tasmanian Act offers by far the most flexible legal framework, with minimal state oversight.

Queensland's framework is also very flexible, although ministerial approval may be required for some joint activities, particularly those of a commercial nature.

South Australia and Western Australia have similar provisions for municipalities to establish “regional subsidiaries” that provide a flexible framework for joint activities, with the participating municipalities firmly in control. However, ministerial approval is required for the establishment of a regional subsidiary, including its governance charter and operating rules. Western Australia offers the further option of establishing regional local governments: special-purpose entities similar to the regions and counties in Ontario and County Councils in NSW (see
<table>
<thead>
<tr>
<th>State</th>
<th>Enabling</th>
<th>Limiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>• A council function may be exercised jointly with other councils, including through a Regional Organization of Councils.</td>
<td>• A council may not delegate acceptance of tenders or regulatory functions.</td>
</tr>
<tr>
<td></td>
<td>• A tender is not required for a contract with another council.</td>
<td>• JOs require a Governor's proclamation and hence ministerial approval.</td>
</tr>
<tr>
<td></td>
<td>• A Joint Organization (JO) may be established to provide regional leadership, establish and pursue strategic regional priorities, promote inter-governmental cooperation, and undertake other functions agreed by member councils or set by legislation.</td>
<td>• PPPs must be assessed in accordance with legislated guidelines.</td>
</tr>
<tr>
<td></td>
<td>• County Councils (with a governing body elected by or from its constituent councils) may be created by the Minister to undertake certain functions of a council.</td>
<td>• Membership of a cooperative or company requires ministerial approval.</td>
</tr>
<tr>
<td></td>
<td>• A council may enter into a public-private partnership (PPP).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A council may be a member of a cooperative society or company limited by guarantee.</td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>• A local government may exercise its powers by cooperating with one or more other local, state, or commonwealth governments to conduct a joint government activity or establish a joint entity.</td>
<td>• Ministerial approval required for the exercise of powers outside the municipality.</td>
</tr>
<tr>
<td></td>
<td>• Local governments may create commercial “beneficial enterprises” that benefit the whole or part of their area.</td>
<td>• Ministerial approval may be required.</td>
</tr>
<tr>
<td>South Australia</td>
<td>• A council may act in conjunction with another council, authority, or person, and it may act outside its area.</td>
<td>• Forming a regional subsidiary requires ministerial approval.</td>
</tr>
<tr>
<td></td>
<td>• Two or more councils may establish a regional subsidiary to provide a specified service or services or to carry out a specified range of activities.</td>
<td>• A council must not participate in the formation of a company or acquire shares in a company.</td>
</tr>
<tr>
<td></td>
<td>• A council may engage in a commercial activity or enterprise and may establish a business, participate in a joint trust, partnership, or similar body.</td>
<td></td>
</tr>
</tbody>
</table>

Continued
Table 4: Key Provisions for Municipal Cooperation in Australian Local Government Acts (Continued)

<table>
<thead>
<tr>
<th>State</th>
<th>Enabling</th>
<th>Limiting</th>
</tr>
</thead>
</table>
| Tasmania         | • A council may establish a Joint Authority with one or more other councils to undertake any of its functions or powers.  
                   • A council may form or participate in the formation and operation of a corporation, trust, partnership, or other body. | • Limits on risk exposure for commercial activities involving a company.  
                   • Ministerial approval required for a regional library. |
| Victoria*        | • A council may perform its functions inside and outside its municipal district.  
                   • Usual tendering provisions do not apply if a contract is entered into with a council acting as the agent for a group of councils.  
                   • A council may form and operate a corporation.  
                   • Councils may establish regional libraries.** | • Ministerial approval required for a regional library. |
| Western Australia| • Local governments may perform functions jointly or one may perform a function for another.  
                   • Two or more local governments may establish a regional local government to perform any of their functions for a regional purpose.  
                   • Two or more local governments may establish a regional subsidiary to perform any joint activity and determine its charter and operating rules.  
                   • Local governments may undertake trading activities. | • Ministerial approval is required for regional local governments, regional subsidiaries, and major trading undertakings.  
                   • A local government may not participate in an incorporated company. |

*A new Victorian Act is imminent.  
**In other states, regional libraries are established under library acts.  
Source: Modified and updated from Somerville and Gibbs (2012)

section 4.1). They are indirectly elected and undertake only activities of a regional nature agreed by their member municipalities. Again, ministerial approval is required to establish regional local governments and the minister may intervene in their operations. Also, as formal units of local government they are subject to all the detailed requirements of the act, which may impose costly and inappropriate administrative procedures. This makes them a relatively unattractive proposition.

In addition to joint entities, two other mechanisms for cooperation among municipalities are the state local government associations and regional bodies established by state agencies. All the associations are engaged in shared services: these vary from state to state, but include mutual insurance pools, joint procurement, financial services, outsourcing, management consultancy, staff recruitment, training units, and other forms of support. In some states these shared
services activities are substantial businesses. Dollery, Grant and Kortt (2012, 223-232) provide a useful account of the operations of the Queensland association.

Regional boards or committees have been established by state or federal agencies across a range of functions. Participation in such forums may be mandatory, and is usually seen by municipalities as a potentially useful means of advancing the interests of their localities. Sometimes, shared linkages with state agencies can stimulate advantageous cooperation within local government. For example, Queensland’s Regional Road and Transport Groups, established under an agreement between the state government and the local government association, channel funding to municipalities for regional priorities and, as part of that process, facilitate collaborative strategic planning. But when consultation through a mechanism established by a state or federal body appears tokenistic, or focused on issues other than local government’s priorities, municipalities may regard their participation simply as a necessary ritual that adds little value.

In summary, municipal cooperation remains essentially voluntary throughout Australia. Municipalities may enter into agreements with each other – and with other partners – more or less as they see fit. Typically they can also choose a legal mechanism available under the local government act, or make use of other legislation, such as the laws for establishing companies and incorporated associations. They are also encouraged (and sometimes required) to participate in regional bodies established by state governments. But nowhere are municipalities required to establish joint entities, and there are no “upper-tier” local governments in which municipalities must participate, or to which they must cede functions and powers.

To complement legislative provisions, some states have supported cooperative ventures, offering guidance and technical and financial support. NSW and Victoria are probably the best examples (see sections 4.1 and 4.2). But such support tends to wax and wane, and no state government currently has a rounded policy on the purpose and scope of municipal cooperation or on how it might complement the state’s own activities in regional planning and development.

3.5 Overview of Australian Practices

Table 5 summarizes current practices in municipal cooperation across Australia, applying the typology of forms and mechanisms of cooperation presented previously in Table 3. The table also includes some specific examples that are documented on readily identifiable websites or mentioned in the three case studies in section 4.

Although survey data is limited, it is clear that the dominant mechanisms for municipal cooperation across Australia are informal advocacy networks; ad hoc alliances or contractual agreements between small groups of municipalities;

---

**Table 5: Overview of Current Australian Practices**

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **Informal cooperation or networking** | • Commonly used (but often limited and short-term) for delivery of specific services and/or advocacy to state or federal governments  
  • Significant national special-interest groups such as Council of Capital City Lord Mayors, Growth Area Councils, Regional Capitals Australia  
  • Partnerships between city and small rural councils to assist the latter |
| **Extra-territorial service delivery** | • Widespread in all states, sometimes within a broader alliance or Regional Organization of Councils (ROC)  
  • May take the form of a commercial service offered by a municipality or a ROC |
| **Joint outsourcing or contracting** | • Procurement and insurance through state local government associations  
  • Important function of ROCs and other regional entities (except Victoria)  
  • Common (even if short-term) for specific services among ad hoc groupings of municipalities in all states |
| **Inter-local service agreements** | • Widespread in all states, notably as a function of ROCs and other alliances  
  • Regional libraries in several states  
  • Kentish-Latrobe shared administration in Tasmania |
| **Regional alliances** | • Regional Organizations of Councils (except Victoria and South Australia)  
  • Regional local government associations in South Australia (typically linked to state association and/or regional subsidiaries)  
  • Other regional alliances (e.g., Wellington-Blayney-Cabonne in NSW) |
| **Statutory regional partnerships** | • NSW Joint Organizations and County Councils  
  • Tasmania's Joint Authorities (e.g., Cradle Coast Authority)  
  • Western Australia Regional Local Governments  
  • Regional Subsidiaries in South and Western Australia |
| **State/federal committees or boards** | • Regional Development Australia committees (operated by federal government)  
  • Victoria's regional and metropolitan partnerships  
  • Western Australia's Regional Development Commissions  
  • Regional land-use planning boards or committees in most states |
Regional Organizations of Councils; and state local government associations. Regional libraries are also commonplace.

By contrast, other statutory partnerships – county councils, regional local governments, and regional subsidiaries – are rare: Western Australia's legislation for regional subsidiaries has yet to be used. Municipalities are wary of state government supervision of statutory entities and of complex bureaucratic processes. It remains to be seen whether the new Joint Organizations in NSW can buck this trend (see section 4.1).

4. Case Studies

This section provides additional detail on the current scope and characteristics of Australian municipal cooperation through case studies of New South Wales, Victoria, and Tasmania. Those states were selected on the basis of their varied approaches to both inter-local and state-local cooperation; informative experiences concerning the issues involved; and availability of sound recent research into achievements to date and future prospects. In each case, that research points to underlying problems and a fragile culture of cooperation.

4.1 New South Wales

New South Wales is Australia’s most populous state with 7.9 million inhabitants. Two-thirds live in the Sydney metropolitan region, which has a population of about 5.2 million. Owing largely to overseas immigration, Sydney has been growing rapidly by around 1.5 percent a year. There are now 128 local government areas across NSW, including 34 in Greater Sydney. Inland, a large number are thinly populated rural “shires.”

Mechanisms for Cooperation

New South Wales has the greatest variety of legal mechanisms for municipal cooperation, presenting a complex and somewhat confusing picture. First, the state has a longstanding system of County Councils that can deliver regional services such as electricity distribution (now privatized), water supply and sewerage, flood mitigation, and control of noxious weeds (a critical function in agricultural regions). County Councils are formed by participating municipalities, which appoint the members of the governing body. However, they can be established only with the approval of the minister for local government, who has powers to regulate their governance and intervene in their operations. As a result, municipalities are sceptical about using them as a mechanism for cooperative activity. Only 10 continue to operate: five for noxious weeds; four for water supply; and one for water supply, floodplain management, and noxious weeds.

Second, until recently NSW had Australia’s strongest network of Regional Organizations of Councils (ROCs) and other alliances, and most municipalities used these voluntary and essentially unregulated entities to carry out joint projects, procurement, and service delivery (Goodyng Davies 2012). However, their future is now uncertain following forced municipal amalgamations in 2016, and the subsequent introduction of statutory Joint Organizations (JOs). Also, in
the Sydney region ROCs have been disrupted by the Western Sydney City Deal (mentioned in section 3.3), and by new district boundaries defined by the recently established Greater Sydney Commission. Remarkably, the Commission’s board has no members drawn from local government.

Joint Organizations were recommended by the Independent Local Government Review Panel (ILGRP) appointed by the state government in 2012 (ILGRP 2013, 79–87). The Panel aimed to promote more robust municipal cooperation, moving beyond the minimalist, patchy, and “opt-in, opt-out” approach that typified most voluntary ROCs (Gooding Davies 2012). It proposed a flexible framework featuring:

• Mandatory membership of a JO by all municipalities within a defined region, but minimal legislative prescription, plus restrictions on ministerial intervention.

• A generic set of core areas for municipal cooperation, but region-by-region negotiations among member municipalities, and subsequently with the minister, to determine the precise scope of operations and financial and governance arrangements.

• Agreed arrangements to be enacted by a separate Governor’s proclamation for each JO, which could be amended as required over time.

• The remaining County Councils and some other regional committees being rolled into the new JO framework (ILGRP 2013, 81–82).

The Panel’s approach drew on experience elsewhere, notably British Columbia and Tasmania (see below). However, the legislation for JOs that came into force in late 2017 differed considerably from its proposals. Joining a JO is voluntary; County Councils, ROCs, and other regional alliances can continue to operate separately (perhaps as competitors); and mandatory JO functions are limited to identifying strategic priorities, “regional leadership” (undefined) and inter-government cooperation (both state and federal). There is no requirement (but some encouragement) to investigate shared services. Furthermore, financial and governance arrangements have been prescribed in some detail; templates and suggested models cover aspects of governance in which JOs have discretion; and further requirements can be imposed by the minister through regulations. These provisions have raised suspicions about the state government’s intentions.

Also, while the state government has urged and facilitated JOs in non-metropolitan regions, current policy rules out their establishment across Sydney, where amalgamations were its preferred approach to local government reform. The state evidently favours “top-down” arrangements that ensure its ministers and agencies retain control of metropolitan planning and development.

9 This author chaired the Panel.

10 However, that strategy encountered strong community opposition and legal challenges, and was abandoned in early 2016 with only half the proposed mergers completed.
Three points can be made about the situation. First, there is widespread concern among local government that “too much” cooperation – especially within a statutory framework – may in fact pave the way for mergers. The local government association opposed both mandatory membership of JOs and inclusion of shared services as a core function. Second, the state government maintains a firm grip over the operations of statutory local government entities, and especially metropolitan governance. Third, the state seems not to appreciate the culture of local government and how municipalities see the world. It appears comfortable with ROCs, but uncertain whether it wants municipal cooperation to move to a higher level unless it can determine precisely how that is to occur.

Along with the introduction of JOs, other amendments to the local government act (recommended by the ILGRP) require councils to consult neighbouring municipalities when preparing long-term strategic and corporate plans, and for those plans to identify regional issues and priorities. This requirement may stimulate increased municipal cooperation, although experience suggests that the parallel formulation of regional strategies within the statutory land-use planning system, under separate legislation and a different minister, will complicate matters and be a distraction.

Policy Guidance and Support

In 2007, the then NSW Department of Local Government issued a Guidance Paper on Collaboration and Partnerships Between Councils. Its release reflected a shift in state government policy following a series of unpopular forced amalgamations. It promoted “strategic collaboration,” defined in the following terms:

Strategic collaboration … can take many forms including alliances, partnerships, business clusters, etc. Their purpose is to reduce duplication of services, provide cost savings, access innovation, enhance skills development and open the way for local communities to share ideas and connect with others… Strategic collaboration is not just about savings and sharing resources. It is also about maximizing capacity in addressing community expectations. Collaboration between councils should enhance staff skills and experience. Collaboration is not about reducing staff numbers or council autonomy (NSW Department of Local Government 2007a, 6).

The Guidance Paper emphasized: “These approaches maintain the role of local councils as the key governance structure [and] member councils set key policy and strategic directions” (NSW Department of Local Government 2007a, 8). This was evidently an attempt to reassure municipalities that increased cooperation would not lead to “amalgamation by stealth.” The paper’s advice on how cooperation might best be advanced echoed the prerequisites for successful collaboration listed above in Table 2.

11 This has been described as the fear of “amalgamation by stealth” (Dollery, Grant, and Kortt 2012, 205).
The department also began to promote “strategic alliances” between municipalities, and convened conferences for municipalities involved or interested in such an approach. Strategic alliances were apparently seen as having a narrower scope of activities and fewer member municipalities than ROCs (Dollery, Grant, and Kortt 2012, 193–197). A prime example was the Wellington-Blayney-Cabonne (WBC) Alliance in the Central West region of NSW – a grouping of three largely rural municipalities and a water supply County Council established in 2003, originally to stave off forced amalgamations. However, it developed a substantial program of shared services and regional projects, a robust governance framework, and a high level of trust and commitment among its members (NSW Department of Local Government 2007b). It was promoted as a sound business model for municipal cooperation across the state, but apart from those ROCs that embraced shared services, there is no evidence of other regional alliances with the same energy and range of activities.

Survey Evidence

Three surveys over the past 12 years have explored the nature and extent of municipal cooperation and shared services. First, the Department of Local Government undertook a survey of the then 152 municipalities in 2006 to inform its 2007 Guidance Paper. The findings are summarized in Table 6. They suggest relatively little resource-sharing in “core” service delivery: this points to the reluctance of both elected councillors and senior managers to relinquish decision-making autonomy.

The dominant mechanism for cooperation was, unsurprisingly, ROCs, with more than 90 percent of municipalities being members of one or in some cases two. About 40 percent indicated participation in some sort of “strategic alliance,” many of which appeared to be loose arrangements. Less than 30 percent were members of a County Council.

A second survey, conducted in 2010, was reported in Collaborative Arrangements between Councils (NSW Division of Local Government 2011). The results again highlighted the limited extent of cooperation in ”core” services:

[Collaboration] still appears to be counter-intuitive for some councils. Some survey respondents saw collaborative arrangements as supplementary to their core functions and work they undertake … as “extra” to their core duties. Some councils appear to struggle to balance their commitment to their local communities with broader commitments to their region (NSW Division of Local Government 2011, 23–24).

12 The department also engaged with ROCs as part of this program, presumably recognizing that several were already playing a leadership role in delivering shared services (Gooding Davies 2012).

13 The alliance recently came to an end following the 2016 forced amalgamation of Wellington with the adjoining regional city of Dubbo.
Clearly, municipalities still felt most comfortable with the voluntary ROC model they had employed for 25 years or more, which enabled them to contain cooperation within “safe” limits. All but a handful were members of one. Other findings included the following:

- Collaborative arrangements were perceived to preserve local democracy by retaining (existing) municipalities as the principal decision-making body.
- Expected benefits were better strategic planning; enhanced regional development and services; less duplication of effort; economies of scale; improved environmental outcomes; and greater access to technical expertise and skills development.
- Respondents reported cost savings through collaborative procurement and in libraries, waste management, water supply, and sewerage.
- Challenges related to funding, leadership and organizational culture, operational issues, strategic and business planning, and staffing (potential loss of local employment).

The third and most recent analysis was the report *Shared Services in Local Government* (NSW Auditor General 2018). The audit was based on a survey to

<table>
<thead>
<tr>
<th>Function</th>
<th>Number of Partnerships</th>
<th>Function</th>
<th>Number of Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community services</td>
<td>68</td>
<td>Weeds management</td>
<td>15</td>
</tr>
<tr>
<td>Tourism, economic development</td>
<td>45</td>
<td>IT/GIS</td>
<td>17</td>
</tr>
<tr>
<td>Waste management</td>
<td>41</td>
<td>Emergency services</td>
<td>11</td>
</tr>
<tr>
<td>Roads and transport</td>
<td>38</td>
<td>Town planning</td>
<td>10</td>
</tr>
<tr>
<td>Regional planning</td>
<td>36</td>
<td>Insurance</td>
<td>9</td>
</tr>
<tr>
<td>Back-office, governance, audit</td>
<td>30</td>
<td>Training</td>
<td>9</td>
</tr>
<tr>
<td>Asset purchasing or sharing</td>
<td>21</td>
<td>Environmental reporting/health</td>
<td>8</td>
</tr>
<tr>
<td>Libraries</td>
<td>21</td>
<td>Companion animals</td>
<td>4</td>
</tr>
<tr>
<td>Water and sewerage</td>
<td>18</td>
<td>Sports</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source: NSW Department of Local Government 2007*
which 67 municipalities (52 percent of 128) responded, plus five detailed case studies. It found that:

- Principal reasons for engaging in shared services are expected savings from economies of scale or other cost reductions; enhanced regional collaboration and strategic partnerships; and (with many fewer mentions) better community outcomes.

- 84 percent of respondents engaged in shared services, totalling 227 activities with an average of five per municipality – but about half have experienced or continue to experience difficulty in identifying services that could and should be shared.

- Only 13 percent were involved in sharing professional services and specialist staff.

- Services were shared through a diverse range of mechanisms, including inter-local agreements and committees, ROCs, companies, associations, joint outsourcing, and collaboration with state agencies (NSW Auditor General 2018, 5, 24).

The report also includes a useful discussion of the barriers and enablers for success in shared services, which echoes the issues discussed in section 2. The Auditor-General concluded that most municipalities surveyed are not efficiently and effectively engaging in shared services, for three main reasons:

- Inadequate planning – only 38 percent of respondents always assess the performance of their current services before engaging in shared services, and in only 37 percent of cases had their “best examples” of shared services been subject to formal cost-benefit analysis.

- Poor ongoing governance – some of the models used detract from shared service operations due to insufficient transparency, reporting, and accountability (both to the participating municipalities and affected communities).

- Deficient administrative and professional capacity – some municipalities lack the ability to determine whether shared services are the best option; to build a business case; to negotiate with partners; to determine which governance model to use; to undertake effective project management; or to evaluate ongoing operations and outcomes (NSW Auditor General 2018, 1).

The Auditor-General also identified a need for renewed support and guidance from the state Office of Local Government to facilitate more effective use of shared services as a delivery model. A similar need has been identified – and acted upon – in Victoria. Overall, it appears that unless the new Joint Organizations emerge as robust regional entities with state government support, the prospects for more

14 The audit was conducted before the introduction of the new Joint Organizations in non-metropolitan regions.
widespread, consistent, and concerted municipal cooperation are unpromising. In the Sydney metropolitan area, there are no Joint Organizations and existing cooperation through Regional Organizations of Councils has been disrupted by mergers, the new Greater Sydney Commission, and the Western Sydney City Deal.

4.2 Victoria
Victoria has a population of 6.3 million, and the state’s growth rate is currently the fastest in Australia at about 2 percent a year. The Melbourne metropolitan region accounts for about 80 percent of the total, and is now home to more than 5 million people. As in NSW, overseas immigration is the principal driver of growth. Victoria is divided into 79 municipalities, 31 of them in Greater Melbourne.

Mechanisms for Cooperation
Not only is Victoria alone in having no specific legislative provisions to enable municipal cooperation, except for regional libraries, but also sweeping amalgamations enforced by the state government in the mid-1990s largely destroyed the previous network of ROCs. Only the six municipalities of the Gippsland region in southeast Victoria maintain a standing body of mayors and chief executives similar to a ROC.

Nothing in the local government act prevents or significantly hinders cooperation, and either “special committees” established under the act, or other legal frameworks (such as associations and companies) may be used for that purpose. Moreover, the Victorian government has actively promoted cooperation through a range of programs, and the proposed new local government act includes a principle favouring collaboration between municipalities and with other partners – but still no underpinning mechanism.

While few formal regional entities have been established by and for local government itself, shared services and cooperation in areas such as economic development and strategic planning have been advanced through ad hoc agreements, jointly owned companies, and statewide programs run by the Municipal Association of Victoria. From 2005 to 2015 the state government operated Regional Management Forums to facilitate working relationships between Victorian government departments and local government in each of Victoria’s (then) eight administrative regions (Wear 2008). These comprised the chief executives of participating municipalities as well as senior officials from key state agencies. Their role was inter-governmental, but anecdotal evidence suggests that they were also helpful in promoting municipal cooperation.15

In 2016 the Forums were replaced by “Regional Partnerships”: nine in rural and regional Victoria and six in metropolitan Melbourne. These are purely

15 This account draws on the author’s involvement in a recent series of regional forums involving municipal chief executives and senior officials of Local Government Victoria, the responsible state agency.
advisory to the state government and membership includes community and business people appointed by the state minister. Local government involvement is patchy, and the partnerships are not well suited to promoting cooperation among municipalities, or between local and state governments. Many in local government would like to see a return to the previous Forums or something similar.

Policy Guidance and Support

During the past decade the Victorian government – partly with federal funding assistance – has implemented several programs to facilitate municipal cooperation. These were reviewed in the report *Shared Services in Local Government* (Victorian Auditor General 2014). The report identified three principal initiatives, summarized in Table 7.

<table>
<thead>
<tr>
<th>Program</th>
<th>Timeframe and Expenditure</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Councils Reforming Business (CRB)</td>
<td>2007–11 $7.5 million</td>
<td>Partnership with Municipal Association, focused on IT, procurement, and records and data management</td>
</tr>
<tr>
<td>Local Government Reform Fund (LGRF)</td>
<td>2010–12 $1.6 million</td>
<td>Wide range of reform agendas including cooperation, e.g., road resealing, internal audit, service reviews</td>
</tr>
<tr>
<td>Local Government Reform Strategy (LGRS)</td>
<td>$0.4 million in 2013 and subsequent modest funding</td>
<td>Joint procurement and shared services, including governance models</td>
</tr>
</tbody>
</table>

Source: Victorian Auditor-General (2014)

Local Government Victoria (the state agency overseeing local government) continues to support collaborative activities, notably procurement. However, progress is slow and outcomes may not be sustained (Victorian Auditor General 2014, 40). A renewed effort was announced in August 2018: a Rural Councils Transformation Program with substantial grants for “transformative projects” that promote regional cooperation in service delivery, corporate support, procurement, and asset management.16

Survey Evidence

*Shared Services in Local Government* was based on a statewide survey (response rate 73 percent) and detailed audits of six municipalities. The survey found that

91 percent of the respondent municipalities are involved in shared services, and some two-thirds were considering future initiatives. On average, respondents were involved in seven cooperative activities, but in some cases that number was as high as 30. Formal agreements or memoranda of understanding between municipalities or with the Municipal Association were the dominant management mechanisms.

Table 8 identifies joint procurement as the single largest form of cooperation; the importance of cooperation in delivering a range of community services; and the potential for a significant increase in shared back-office functions. At the same time it indicates only limited cooperation in some “core” services such as engineering, land-use planning, and development control. Joint activity in waste management is also relatively modest.

Key drivers of shared services were financial pressures (including general cost increases, declining grants, and limited scope to raise additional revenues); replacement or renewal of assets; rising community expectations; and population growth (a key issue for only a small number of municipalities but of high importance when cited). Reasons for selecting shared services as a means to address these pressures are summarized in Table 9.

<table>
<thead>
<tr>
<th>Type of Shared Services*</th>
<th>Major Areas of Activity</th>
<th>Current Activities</th>
<th>Potential New Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement (25%)</strong></td>
<td>Procurement</td>
<td>54</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Library</td>
<td>35</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Aged Care</td>
<td>29</td>
<td>5</td>
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<tr>
<td></td>
<td>Waste</td>
<td>23</td>
<td>3</td>
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<tr>
<td></td>
<td>Asset Management</td>
<td>18</td>
<td>14</td>
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<td></td>
<td>Disability</td>
<td>15</td>
<td>4</td>
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<tr>
<td></td>
<td>Children and Families</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td><strong>External Services (62%)</strong></td>
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<td></td>
<td>ICT</td>
<td>17</td>
<td>17</td>
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<tr>
<td></td>
<td>Financial Management</td>
<td>13</td>
<td>10</td>
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<tr>
<td></td>
<td>Human Resources</td>
<td>10</td>
<td>14</td>
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<tr>
<td></td>
<td>Legal</td>
<td>4</td>
<td>16</td>
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<tr>
<td></td>
<td>Payroll</td>
<td>2</td>
<td>14</td>
</tr>
</tbody>
</table>

*Percentages based on all current activities, including some that are not listed

Source: Victorian Auditor General (2014, 13)
The survey also collected data on the extent to which the anticipated outcomes of shared services were realized. The results looked encouraging. In every case the percentage of expected benefits that were fully achieved or exceeded was above 40 percent; in all but two cases (environmental benefits and building organizational capacity) it was above 50 percent; and in three instances (improved access to skills and expertise, delivering services not otherwise available, and economies of scale) it exceeded 60 percent.

However, from its case studies of individual municipalities, the audit concluded that “the majority of councils find it challenging to quantify the impact of shared services due to a lack of baseline data and other information” (Victorian Auditor General 2014, iii). In other words, there is a question mark over claimed outcomes and benefits. Finally, the survey explored the challenges and success factors involved in shared services delivery. Findings were very similar to those in NSW.

Thus the picture in Victoria closely resembles New South Wales. There is a lack of robust arrangements for delivery of shared services and broader municipal cooperation, and state government support has been patchy and inconsistent. Future prospects hinge on the outcomes of the Rural Councils Transformation Program, the local government act review, and the state’s view of the role of local government in planning and managing the Melbourne metropolitan region.

4.3 Tasmania
Tasmania is a relatively small island state. The nature and extent of municipal cooperation reflects several distinguishing factors:

- By Australian standards, a large number of municipalities relative to the state’s population (29 for some 520,000 people), most of which are also quite small in area.

- Three readily identifiable regions with dominant centres – the southeast around the state capital, Hobart; the north around the city of Launceston; and the northwest around the large towns of Devonport and Burnie.
• Local government’s responsibilities for water supply and sewerage, which have caused municipalities to share their limited financial and professional resources.\textsuperscript{17}

• State government endorsement through a supportive legislative framework and, for several years in the early 2000s, the negotiation of regional partnership agreements (Scott 2002).\textsuperscript{18}

Under the \textit{Local Government Act 1993}, Tasmanian municipalities may establish Joint Authorities “to perform any function or exercise any power of a council.” Moreover, subject to due process and a set of minimum requirements, they may determine the operational and governance “rules” of the authority as they see fit. The state minister for local government has a reserve power to intervene when an authority experiences serious financial or governance problems, but only after an independent inquiry (Part 3 Division 4, and Part 13 of the act).

Perhaps the best example of this form of cooperation in Tasmania is the Cradle Coast Authority (CCA), established in 1999 by the nine municipalities in the northwest region. The authority “facilitates a diverse range of projects and initiatives involving all tiers of government, industry and the community. [Its] three areas of focus are regional economic development, natural resource management and tourism” (Cradle Coast Authority 2017a, 5). However, recent research suggests that despite this established framework, most of the member municipalities remain reluctant to take resource-sharing to a higher level.

In 2015 the Tasmanian government announced an initiative to strengthen local government and improve service delivery through voluntary amalgamations and/or resource-sharing. Unsurprisingly, municipalities across the state expressed a strong preference for regional cooperation and shared services.\textsuperscript{19} The CCA commissioned an independent study to examine opportunities in its region (Cradle Coast Authority 2017b). The study found that “many service areas would benefit from shared services … [but] it may be difficult for any party to let go of local interest on behalf of a shared vision and shared action for the Cradle Coast region as a whole” (p. 4). This note of caution is particularly telling in the context of a longstanding regional organization. The report’s authors observed:

There was frank recognition of the tension between the different councils and that this tension would come into play and limit agreement on possible sharing arrangements. Furthermore, the level and usability of

\textsuperscript{17} This cooperation now takes the form of a state-wide corporation owned by local government.

\textsuperscript{18} These agreements have since lapsed.

\textsuperscript{19} In 1992 the number of municipalities in Tasmania was reduced from 42 to 29 through what might be described as “semi-voluntary” mergers, but almost all subsequent proposals for mergers have been strongly resisted.
data provided by councils varied. Some councils provided minimal data, others expressed little confidence in their data, while some councils had limited participation in interviews and meetings (Cradle Coast Authority 2017b, 4).

This evident lack of mutual trust and/or preparedness to enter into shared services arrangements echoes the findings of the NSW Auditor-General (2018). The Cradle Coast study recommended that priority should be given to region-wide collaboration in information and communication technology, not only to realize potential savings but perhaps more importantly to provide a platform of reliable data on which to plan further shared services initiatives (Cradle Coast Authority 2017b, 5).

Although little progress has been made in expanding shared services region-wide, significant gains have been made at a sub-regional level (UTS Centre for Local Government 2016a, 2016b). In particular, two pairings of small rural councils have sought to implement close cooperation, sharing senior managers and specialist staff. In one case, two councils (Kentish and Latrobe) have now effectively combined their entire organizations (UTS Centre for Local Government 2016a). This appears to be the only current Australian example of the “Joint Board” model mentioned in section 3.2 (Dollery and Johnson 2007).

The issues facing the Cradle Coast are mirrored in the adjoining northern region centred on Launceston. A contemporary study of the prospects for expanded shared services (KPMG 2017, 3) concluded that “The more complex shared service models on the spectrum, involving the formation of a separate, jointly owned entity, or centralized service delivery […] have been found to be not attractive from many perspectives […] ongoing and incremental expansion of resource sharing at sub-regional levels, along with some whole of region initiatives including joint contracting for selected services and migration to a single information management platform, is a more sustainable pathway for the region to adopt.”

In the southeast region around Hobart, attention has focused on various scenarios for mergers, as well as a “strategic alliance” of the four large municipalities that constitute Greater Hobart in order to strengthen urban management and service delivery. However, similar options have been discussed for many years without any material outcomes, and it appears that a decisive intervention by the state government would be required to move forward. Since the most recent studies were completed more than two years ago, such intervention seems unlikely at present.

The Tasmanian experience suggests that while municipalities do see potential benefits in expanded cooperation, and suitable mechanisms are available for that purpose, the pressures for change are simply not strong enough to prompt significant departures from the status quo. Nor, at least for time being, is the state government willing to risk political capital by mandating cooperation or imposing structural reform.
5. Discussion and Conclusions
This concluding section presents the paper’s principal findings regarding Australian practice; draws together comparisons between Australia and Canada; and identifies key issues for the future of municipal cooperation in the two countries.

5.1 Principal Findings on Australian Practice
This paper has assembled evidence from diverse sources to look beyond Australia’s academic debate about whether municipal cooperation – including shared services – offers a superior alternative to local government amalgamations. It has explored the questions implicit in the final paragraph of *Councils in Cooperation* (Dollery, Grant, and Kortt 2012, 251): what can current Australian approaches to shared services and other elements of municipal cooperation realistically achieve, and what are their limitations?

At first glance, Australia appears to exhibit a thriving culture of municipal cooperation. All states have legislative and/or policy frameworks that offer municipalities opportunities and mechanisms to work together as neighbours, regions, or in other groupings that suit their purposes. Moreover, the federal government has been at times an active supporter of cooperation. This enabling environment underpins the array of cooperative arrangements listed in Table 5.

However, the evidence suggests that this apparent culture is both fragile and, for the most part, shallow. Municipal cooperation is commonly advanced as a “better” option whenever state governments flag municipal mergers (Dollery, Grant, and Kortt 2012, 72–73). But with relatively few exceptions, ongoing cooperation remains patchy and restricted to functions and projects that do not threaten local autonomy or employment. It 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.

Why is this so? The evidence points to five main reasons.

First, municipal functions in Australia are “centralized” to a greater extent than in Canada. The Australian states manage all key areas of infrastructure and larger-scale service provision, especially in metropolitan areas where substantial and well-resourced local governments might be expected to play a greater role. Only in Queensland, Tasmania, and non-metropolitan New South Wales do municipalities retain responsibility for water supply and sewerage. Only Brisbane City plays a major role in transportation. So there is little or no need for municipalities to come together through inter-local agreements or in formal “upper-tier” or cooperative entities along the lines of Ontario’s regions and counties, or British Columbia’s Regional Districts, to provide and manage essential utilities and other regional services. And no state requires municipalities to participate in such entities, even where there is already legislation enabling their establishment.

Second, the increasing number of large metropolitan municipalities created by amalgamations or suburban expansion has reduced the perceived need for
cooperation, particularly resource-sharing and joint service delivery. While the further development of shared services is still widely advocated, the benefits to individual councils may appear marginal, and elected members and senior managers have other priorities. Major regional towns and cities are often in a similar position: cooperating with smaller, poorly resourced neighbours may bring few benefits, but significant costs.

Third, state government policies on municipal and regional cooperation have sent confusing and inconsistent messages to a local government sector that, because its role is so limited and its activities subject to state control, tends to look for approval – or at least acquiescence – before taking major initiatives. The NSW government’s recent launch of a costly new system of Joint Organizations (JOs) in non-metropolitan regions may be viewed as a classic example of inconsistent policy and confused messaging that has failed to offer a clear sense of purpose and direction. Similarly, the Victorian government is promoting municipal cooperation in its new local government act, and offering funding for new regional initiatives, but thus far has chosen not to legislate an enabling framework for multi-purpose joint entities like those in most other states. Municipalities have to use provisions in other acts, particularly those for companies or incorporated associations, which were not designed for their purposes.

Fourth, structures established at a regional level by state and federal governments may “crowd out” municipal cooperation. Regional Development Australia committees, Victoria’s Regional and Metropolitan Partnerships, and the like assume roles that might otherwise have been filled through arrangements driven by local government. Moreover, municipalities expend energy participating in the plethora of regional committees that advise state agencies and ministers in specialist fields such as transport, land use planning, and environmental management. Therefore, while these state and federal initiatives could promote municipal cooperation, in practice they often occupy its space. In addition, changes to state and federal arrangements may disrupt established regional networks: as noted earlier, district boundaries drawn by the Greater Sydney Commission and adopted for the Western Sydney City Deal have compromised two previously effective ROCs.

Fifth, there is a widespread view that the costs and risks – both tangible and intangible – associated with cooperation will not be outweighed by likely benefits:

• Many municipalities in rural-remote regions lack the financial resources and skills to negotiate and establish cooperative arrangements. Often they lead a “hand-to-mouth” existence, dependent on federal and state grants for both capital works, notably road maintenance and construction (their major function), as well as operating expenses. They survive in their present form precisely because those grants are forthcoming; because long distances between centres of population heighten local identity and hinder amalgamations; and because state governments have not mandated “upper-tier” local governments or mechanisms for cooperation.
Deep-seated concerns about the loss of local democracy, autonomy, identity, or economic activity are heightened every time a state government expresses interest in further amalgamations. There is “unfinished business” in structural reform in all states, and a widespread belief that successful collaboration – especially through extensive shared services – will become the trigger for amalgamation rather than accepted as a good outcome in itself.

Municipalities lack solid evidence that shared services deliver benefits, especially cost savings. While surveys show that many in local government believe there are real benefits to be achieved, and senior governments have provided considerable financial support on that basis, sceptics cite well-documented cases of failure and focus on the perceived downside.20

Thus the caution expressed in the final paragraph of Councils in Cooperation (Dollery, Grant and Kortt 2012) is certainly warranted. Shared services or other cooperative arrangements have a role to play, but there is little sign that municipalities, left to their own devices, will take major steps towards deep-seated cooperation or the implementation of more robust models. This hesitation reflects perceptions and anxieties as much as the available evidence. The continuing attractiveness of ROCs (or similar alliances) lies precisely in the fact that they are voluntary, non-statutory, and free of state control. Municipalities can determine and limit the scope of regional activities, and can opt in or out of projects or programs – or indeed the ROC itself – as they see fit.

At the same time, many Australian municipalities seem ready to ignore or underplay the risk that without more widespread, robust, and convincing municipal cooperation, it will be harder to avoid – or minimize – “wrenching structural change” and “hollowed out democracy” (Spicer 2014b, 5). This issue was highlighted in the final report of the NSW Independent Local Government Review Panel (2013, 70–95), and was one of the principal underpinnings of the panel’s proposals for new regional Joint Organizations (which were only partially implemented). The panel stressed that this is not just a matter of demonstrating that cooperation and shared services can achieve the same “savings” (economies of scale) as amalgamations, but one of building a more coherent and robust system of local government that can improve outcomes for communities and play a stronger role at both state and federal levels.

5.2 Comparisons between Australia and Canada
Comparisons between Australian and Canadian experience have drawn principally on Spicer’s two papers (2014a, 2014b), which examined inter-local cooperation in Ontario and selected metropolitan regions; and Walisser, Paget, and Dann’s (2013) analysis of British Columbia’s Regional Districts. Parallels and contrasts may be identified as follows:

20 See, for example, Dollery, Grant and Kortt’s account (2012, 197–207) of the rise and fall of the New England Strategic Alliance of Councils.
• In both federations, local government is constitutionally subservient to state or provincial governments, and “centralized” forms of service delivery imposed by those governments (amalgamations, “upper-tier” municipalities, special-purpose state/provincial agencies) have reduced the need for municipal cooperation and service agreements, particularly in metropolitan regions, where the majority of people and hence state or provincial voters live.

• Unlike some Canadian provinces, at this stage none of the Australian states has mandated “upper-tier” entities to deliver municipal services at a regional or subregional scale. Some have been active in promoting and facilitating voluntary cooperation – legislating optional mechanisms and providing funding – but decisive action has been lacking.

• There is little or no support in either Canada or Australia for popularly elected regional entities that might operate with a high degree of political independence as a “fourth tier of government.”

• An important difference is the closer (albeit not continuous) engagement of Australian federal governments in issues of metropolitan and regional planning and development, especially in infrastructure and employment, coupled with direct program and funding support for local government – including municipal cooperation at the regional level. Both major parties have implemented policies along those lines.

• At different times most Canadian provinces and Australian states have favoured municipal amalgamations as the most effective way to address “fragmented” local government. However, there is currently less enthusiasm for this approach, partly because much has already been done, partly because of intense opposition in some quarters and perceptions of the political damage that might ensue.

• In both countries solid evidence on the advantages and disadvantages of amalgamations and voluntary municipal cooperation is still lacking. As Spicer (2014a, 25) notes, much more needs to be done to test the assumptions of both practitioners and academics. Municipal cooperation is widely supported by local governments and commentators as the more acceptable alternative, and is clearly less threatening to established interests, but in some respects even less is known about its capacity to deliver benefits.

• The current scope and status of voluntary municipal cooperation in both countries is consistent with the analysis of motivations and conditions for effective cooperation presented in section 2.1, notably the challenge of meeting transaction and establishment costs. Australian and Canadian municipalities appear to recognize a growing need for cooperation (reflecting both the issues to be addressed and financial factors), but have generally adopted a cautious, risk-averse approach, preferring to work together in areas of service delivery that do not require tight financial or institutional ties: cooperation without integration.
This brief summary suggests a rich agenda for comparative research that can offer fresh perspectives. As Spicer (2014a, 25) points out, to date much of the research into municipal cooperation has emanated from the United States, where the constitutional, legal, and cultural contexts are very different from those in Canada and Australia.

5.3 Looking Ahead

Municipal cooperation is a significant element in the workings of the Australian and Canadian federations, albeit with major differences in its nature and scope both between the two countries and between their constituent states or provinces. How municipal cooperation may develop over coming years and decades is therefore an important question for those interested in political systems. With the practical experience of British Columbia’s Regional Districts as their starting point, Walisser, Paget, and Dann (2013, 157–165) explored future pathways for regional governance, and in particular the kinds of nimble, collaborative institutions required to address the challenges inherent in regional “arenas of contention.” They suggested three “generic approaches” to creating collaborative institutions (pp. 163–164). Paraphrased, these are:

- **Type A:** “light” institutions – weak authority. An almost laissez-faire strategy in which central governments encourage inter-local cooperation, but the participating municipalities have only soft-power tools at their disposal, and partnerships emerge only after protracted and sometimes fraught negotiations.

- **Type B:** “heavy” institutions – strong authority. Inter-local collaboration is strongly encouraged or mandated, and the resulting institution can exert considerable authority over its member municipalities, potentially leading to power struggles and instability.

- **Type C:** “heavy” institutions – weak authority. Inter-local collaboration is effectively mandatory but with a focus on consensus rather than power; required outcomes are achieved “through a loosely coupled, consensus-based federation of localities that is designed to deal with issues best managed co-operatively.”

Most of the current cooperative mechanisms in Australia would be Type A. Ontario’s regions and counties might be considered Type B, but without authority over member municipalities except for designated regional functions. British Columbia’s Regional Districts are the archetype for Type C, which is clearly Walisser, Paget and Dann’s preferred model to address governance challenges.

A lengthy examination of the issues raised by Walisser, Paget and Dann (2013) is beyond the scope of this paper. However, their discussion touches on three important points that resonate with lessons to be drawn from Australian practice.

First, central governments (mainly state or provincial, but also federal in Australia’s case) have the legislative and spending power to enable effective
municipal cooperation. But achieving this outcome requires a sensitive and nuanced approach to the issues and relationships involved – the art of “gentle imposition” as practised in British Columbia. In Australia, the federal government’s support for Regional Organizations of Councils in the 1970s and 1980s is a good example. By contrast, Australian state governments have a reputation among municipalities for inappropriate, heavy-handed, and often disruptive prescriptions or interventions. Tasmania’s flexible and largely self-regulating framework for Joint Authorities, and Queensland’s Regional Roads and Transport Groups are welcome exceptions and point the way forward.

Second, in a complex and dynamic environment, effective “joined-up” governance requires adaptive networks of collaboration, not single, overtly dominant institutions. Taylor (2016, 8) argues that the legitimacy and hence utility of regional institutions resides in the way they “cultivate and manage relationships with organized stakeholders, and with the public at large, building trust and durable support coalitions along the way.” These relationships are especially important in indirectly elected or appointed entities that lack the legitimacy of the ballot box and are often invisible to the wider community. It is also essential to reassure local communities that their interests are recognized and understood, and that they should not fear the dilution of local autonomy. Therefore arrangements for multi-functional municipal cooperation – as opposed to straightforward service agreements – must strike a balance between effectiveness and acceptability. To date, Australian practice has failed to rise to this challenge.

Third, the Australian tendency to treat municipal cooperation and mergers as polar opposites is unhelpful. As Walisser, Dann, and Paget (2013, 158) point out: “conventional or ‘hard power’ solutions [such as changing governance structures] … have met with a degree of success since, it is true, dysfunctional structures and illogical allocations of functions must indeed be addressed.” Thus while structural reform in itself is rarely a sufficient response to the need for change, it may be one of a package of measures that can be fine-tuned from place to place. For example, more widespread use might be made of models mentioned earlier that blend elements of amalgamation and cooperation: “Joint Boards” (Dollery and Johnson 2007) and “Sustainable Amalgamations” (Dollery, Goode, and Grant 2010).

Walisser, Paget, and Dann’s discussion of future pathways makes it clear that the case for municipal cooperation does not reside merely in cost savings and more efficient and effective delivery of selected services. It is also about local government’s place in broader systems of government and governance: how municipalities collectively can partner with central agencies and other stakeholders to contribute to regional and national agendas, while serving and advocating for the needs of the local places and communities they represent. Further comparative, practice-focused research is essential to determine what works: where, why, how, and to what extent? The Australian experience documented in this paper confirms that passing legislation, signing agreements, or establishing joint entities does not equal success: we need to know what is really being achieved “on the ground”
and whether those achievements will endure. Ongoing comparative studies of Canadian and Australian policies and practices would have much to offer.

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