REGIONAL CAPACITY BUILDING: HOW EFFECTIVE IS REROC?
EXECUTIVE SUMMARY

This Report discusses REROC’s success in linking the activities of 13 municipal governments over the last decade and creating a highly effective rural network organisation. Over that time the combined efforts of member councils have managed to generate a substantial reservoir of social capital; that is, trust, cooperation and the ability to implement collective goals. These attributes have enabled REROC to deliver impressive benefits to the Riverina community as a whole. Not least of these are the strengthening of local infrastructure and the acceleration of regional economic development. REROC has achieved these outcomes by pursuing three main strategies—advocacy, problem solving and resource sharing.

Advocacy — REROC has emerged as an influential political lobbyist in both the State and Federal spheres. The organisation represents the views of some 120,000 constituents and has consistently adopted a unified stance on critical issues. The combined knowledge and skills of the 13 councils has ensured that submissions put to higher levels of government have been well argued and convincing. Indicative of the body’s reputation is that its views on important matters have been actively sought on a number of occasions.

Problem Solving — REROC has been well positioned to draw upon the combined expertise of all its members to deliver creative and productive outcomes. Indeed, the organisation now possesses an enviable statewide reputation for its ability to tackle complex issues.

Resource Sharing — REROC’s resource sharing strategies have achieved its most clearly identifiable gains. The organisation has gained many of the benefits enjoyed by very large municipal areas whilst at the same time preserving the local autonomy and sense of identity of its members. Our analysis of REROC’s experience, along with an examination of its economic status concludes that a well-structured and functionally efficient regional organisation of councils is a much more effective method of achieving local governance reform than simply resorting to boundary reform through amalgamation.

The theoretical and empirical question of whether ‘bigger is better’ in municipal governance has been the subject of vigorous debate in many advanced countries, such as Australia, for more than a century. Moreover, the policy of local government amalgamation (typically referred to as ‘consolidation’ in the United States and Canada) has generated a voluminous body of literature that provides invaluable insights on the advisability (or otherwise) of council mergers.

A central finding of the literature on amalgamations is that different municipal services (like garbage removal, garbage disposal, libraries, parks and gardens, road maintenance, sewage, etc.) have different optimal service regions. Thus, while economies of scale might accrue, say, if a water reticulation system serves a larger amalgamated population, the opposite may well be the case with, for instance, garbage removal. The different production characteristics of different council activities serves to demonstrate that there is no optimal size for a municipality.

The existing literature on municipal mergers also demonstrates that alternative models to compulsory amalgamation can capture most of the potential benefits of mergers, without the costs. Regional Organisations of Councils (ROCs), such as REROC, ad hoc voluntary arrangements, resource sharing, competitive tendering and outsourcing, virtual local governments, and so forth, all provide viable alternative models. Unfortunately, these alternative arrangements are largely ignored by contemporary Australian local government policy makers.

Both the theoretical and applied literature on local governance in advanced countries clearly shows that ‘bigger is simply not always better’ in local government. Indeed, size seems to play little role in municipal performance. Efficiency clearly depends on municipal behaviour and not on municipal size, as official NSW government documents, such as Comparative Information on New South Wales Local Government Councils 2001/2002, amply demonstrate.
Cost Saving — The impact of REROC’s resource sharing efforts is unambiguous. Through joint initiatives and resource sharing, REROC has achieved savings in excess of $4.5 million over a five and a half year period concluding June 30, 2003. These savings have occurred over a variety of activities, including reduced duplication through the common approach to implementing new legislative requirements (on-site sewage management regulations, privacy laws, GST implementation and companion animals), joint tendering (electricity supply, bitumen emulsion, GPS equipment, CTP green slip insurance, and various software purchases), regional lobbying (proposed Workcover guidelines for working near roads) and cooperative sharing of resources (regional waste officer and sharing road safety officers). In sum, these savings represent a total of $637,000 per REROC council member or $49,000 per annum over five and a half years. REROC member councils have expended some $1.182 million in REROC activities and this investment, over the life of REROC, has shown a return of some 396%.

Capacity Building — REROC has been a highly successful organisation by any measure. The above savings do not take into account the capacity building that REROC has provided to member councils in the area of better staff training, expertise sharing, increasing staff professionalism, informal problem solving mechanisms, jointly determining best practices and building social capital. All of these factors generate substantially improved services to the residents in question.

Similarly, while REROC has saved its members some $700,000 in joint lobbying, this figure does not take into account the results achieved from its enhanced political prowess. REROC is the united voice of thirteen councils representing some 120,000 people—a voice that any government is obliged to listen to and certainly cannot simply dismiss.

In general, all REROC member councils fare reasonably well when compared to the average council in their respective groups against the NSW Department of Local Government’s comparative data. In particular, all but two councils have a positive capital expense ratio (capital expenditure/depreciation expense) indicating that the councils are replacing their infrastructure at a greater rate than it is deteriorating. All councils, on average, approve development applications much more quickly than the average council in the State and all but one also exceeds the state median calendar days to determine a development application. In addition to this, all but one council submitted their audited financial statements to the Department of Local Government within the prescribed times. Perhaps the best indication of the success of REROC’s resource sharing can be seen in the number of full time equivalent employees each council has when compared to the average council in their respective groups. Every council, except one (and even this council only exceeded the average by one employee), employed less than their average counterpart. These additional funds saved from not having to employ extra staff have been used to provide additional services to the community.

Recommendations

1. The Report strongly recommends reviewing the costs of the full range of functions provided by local government and benchmarking them between REROC members to determine best practices and the most efficient methods of service delivery. This would also enable member councils to publicly demonstrate that they are providing ‘best value’ in service delivery to their constituent members. Once this has been undertaken it may be advisable to ‘market test’ these services to compare their costs with those that are available in the market place. When the council has determined the cost of providing the service when compared to other service providers, it will then be in a position to determine if there is an opportunity for resource sharing (or cooperative provision of the service) or outsourcing the service. Potentially this project would put REROC at the forefront of Australian local government and set industry standards. REROC would then be in a strong position to develop a set of guidelines that could be sold to other local authorities throughout Australia.

2. The Report outlines a number of concrete options for the future operations of REROC for consideration. REROC has established a good working relationship between participating members—all appear to be receptive to looking at new co-operative initiatives to improve service delivery to their respective communities. The only limit to the future resource sharing of REROC appears to relate to members’ political preferences: in particular, how much autonomy they are prepared to sacrifice to achieve cost savings. This will be an individual matter requiring consideration and discussion by each council. Significant future
options discussed in the Report include social planning; information technology; human resource management; staff training rotations, knowledge sharing and skill building; employment of specialised staff; asset management; co-ordination of works programs; and other resource sharing opportunities, including contract administration, purchasing and stores functions, regional SOE reporting, environment and catchment management, risk management services, and State and Federal government services.

3. Five basic options are proposed for the future development of REROC, starting from the current REROC position. These are: maintaining REROC’s current structure and processes; strengthening REROC; virtual REROC; a Regional Council and a combined model. Discussions with the elected representatives, held after the first four models were developed, combined with the results of interviews with the GMs, contributed directly to this model. It embraces elements of the first three models but it was clear, at this point in time, that elected representatives and GMs rejected any notion of a Regional Council.

**Maintaining REROC’s current structure** — The current structure and processes are generally adequate to continue with REROC functions as it currently exists, given that the level of commitment to the secretarial/executive officer function is provided at an appropriate level. REROC has been very fortunate in terms of the secretariat/executive officer function over recent years. Indeed this has been quite instrumental to its success. Continuation of the current structure therefore, is highly dependent upon both continuity and competence in the secretariat/executive officer function. This suggests that there is a need to ensure that there is good continuity in the secretariat/executive officer function and that this position is appropriately resourced and filled.

**Strengthening REROC** — The most positive option is to build on the strengths of REROC and to further develop the model. Strengthening REROC involves several key possibilities, which should be undertaken in a planned fashion rather than merely by process of ad hoc growth. Certainly ad hoc opportunities, both in terms of expanding the membership and in terms of the range of functions are likely to arise. These should, however, be accommodated within a growth plan which is structured and supported by the membership. It is suggested that REROC should be strengthened by means of various strategies, including growing the membership base, strengthening the secretariat/executive officer function, and utilising REROC as resource provider.

**Virtual REROC** — The regional development literature currently places strong emphasis on ‘clusters’ comprising groups of closely related organisations that co-locate because of certain advantages. ‘Virtual clusters’ occur where groups of organisations can combine for common purposes through electronic mediation. There are a number of services and facilities where geographical location is not critical. For example, certain forms of software and the like can be shared in a ‘virtual council’ to the economic benefit of members.

**Regional Council** — Regional government is being strongly promoted by the current State government as the future for rural NSW. There is considerable pressure, through amalgamations, to seek genuinely regional scale government in portions of the state. Regional governments can, however, also occur by formalising the existing regional ‘layer’ whilst still maintaining local council autonomy.

**Combined Model** — This model results from combining the comments from the GMs and the elected representatives. It embraces elements of the first three models.
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The Riverina Eastern Regional Organisation of Councils’ (REROC) stated objectives are to:

- Achieve savings for member organisations through resource sharing;
- Seek solutions to regional problems; and
- Act as a lobby group and advocate for the interests of member councils.

Since 1996 REROC has proved extraordinarily successful in achieving these goals. This success has been largely due to the ability of the organisation, and its constituent members, to develop extensive and dynamic networks of interaction. This networking has resulted in the generation of substantial reserves of what economists and political scientists term ‘social capital’ as well as economic efficiencies. Social capital embraces the sense of ‘trust’ that evolves between individuals and groups. When these features are present in a community, or society, they may lead to a reduction in transaction costs and, consequently, to the emergence of more efficient markets and bureaucracies. In other words, regions that possess strong reserves of social capital will have more effective business enterprises and governance mechanisms. Such an environment contributes substantially to economic development.

This Report recommends that the principles that have successfully underpinned REROC for the past eight years should be further developed and refined. In essence, REROC represents a regional framework that confers several substantial benefits, including:

- Greater potential for future cost savings and efficiencies than does enforced amalgamation;
- The most promising means of fostering regional economic development;
- Preservation of the autonomy and local identity of regional communities; and
- An appropriate organisational structure that can be used as a model program delivery mechanism for the State and Commonwealth governments alike.

Guided by the terms of the brief given to the UNE Centre for Local Government, this report examines how REROC functions, identifies its strengths and weaknesses, and advances specific suggestions for future improvements.

The two aims of this Report are:

1. To analyse the result of the resource-sharing model developed by REROC to determine what financial and non-financial benefits have accrued to member councils over the last 6 years; and
2. To analyse the operational nature of the REROC model in order to identify potential areas of expansion.

The subsidiary terms of reference, requiring both a quantitative and qualitative analysis, are to identify:

1. The actual dollar savings generated by REROC activities weighed against the investment (including councils’ staff time) made in individual projects;
2. The time savings generated by REROC activities for members, weighed against the investment (including councils’ staff time) made in individual projects;
3. The other non-financial benefits generated for council staff, such as professional development (growth in staff expertise), through their involvement in REROC Project Working Parties;
4. The costs to individual councils of their involvement in REROC beyond their membership fees;
5. The effectiveness of resource sharing in generating savings in comparison with other financial models such as competitive tendering, outsourcing etc;
6. A comparison between the savings, benefits and additional services that can be generated as a REROC council, as a stand alone council and as a potentially amalgamated one;
7. The success of the organisation in attracting external funding to implement specific projects, the sustainability of the projects and the benefits derived by members;
8. The political significance of the ROC and its ability to effectively represent a collective of councils;
9. RERO C as an influencer and a change agent in a political context;
10. The overall ability and success of the organisation in meeting its members’ demands and expectations; and
11. RERO C’s future operations and possible directions both in response to member needs and to external pressures.

The report itself is divided into three main sections. Part I examines ROCs in a national perspective and RERO C as an example of such an organisation. Part II provides a detailed analysis of the model of resource sharing developed by RERO C and a quantitative analysis of the financial outcomes derived from this model. The analysis includes comment on how RERO C should tackle the significant problem of cost-effective and efficacious lobbying. Part III examines future considerations for RERO C and proposes four prospective models that RERO C could embrace.

The analysis in the Report is derived from five major sources:

- Interviews conducted with the general managers of the 13 RERO C full member councils, and with the ex-chairman of RERO C, and the Executive Officer;
- Interviews with 14 elected representatives (mostly mayors);
- Analysis of material published by RERO C and other documentary evidence made available by the Executive Officer and general managers;
- Relevant government reports; and
- Relevant scholarly literature.
NATIONAL PERSPECTIVES

In Australia, ROCs have been around for a long time. The first was established in Tasmania in 1922 with others being created across the states in the course of subsequent decades. ROCs consist of voluntary groupings of neighbouring local government authorities. They may be formed for the purpose of exchanging information, problem solving, co-ordinating activities across jurisdictions, improving intergovernmental relations, resource sharing, lobbying and advocacy.

During the late 1980s and 1990s the number of ROCs increased dramatically following encouragement from the Hawke and Keating governments. The (then) Labor Commonwealth administration viewed these organisations as potentially important vehicles for promoting regional economic development generally, and implementing Commonwealth policies in particular. During this period Canberra provided almost $6M to assist with the establishment of ROCs and to encourage their growth. These efforts bore considerable fruit: by 1995 there were some 50 ROCs across Australia covering about 45% of councils and around 75% of the population.

However, by this stage the Keating Labor government had lost interest in the program in favour of a more targeted regional strategy. When Working Nation was published in 1994 it included $150 million over three years for the establishment of Regional Economic Development Organisations (REDOs). REDOs differed from ROCs in so far as they had a primarily economic focus and involved key players from business, education, the trade unions, and the environment (as well as representatives from the local government sector). In all, forty-seven REDOs were established over the next few years (Fulop & Brennan 2000:198).

Following their fall from federal grace, ROCs largely disappeared from public view. Without central funding it was assumed that most would fold or become absorbed into REDOs. This was indeed the case in a number of instances.

But it was never clear what actually happened to the ROC movement. To answer this question Marshall and Witherby (2002) completed a nation-wide survey early in 2002. Replies were received from 31 out of an estimated 55 ROCs: a response rate of 56%. This was sufficient to provide a reasonable cross-section of the organisations for analysis.

ROCs from all six states were represented in the study; 14 came from New South Wales, seven from Queensland, five from South Australia, three from Western Australia, and one each from Tasmania and Victoria. Twenty-seven of these bodies were established between 1973 and 1998, with 11 being founded over the four years 1991 to 1994. The most recent was created in 1998. The largest of the ROCs surveyed comprised 18 member councils while four had less than 5 members.

The data obtained by Marshall and Witherby (2003)* indicates that the ROC movement as a whole is alive and well in Australia. Of the 31 organisations surveyed, seven could be classified as high performers, 20 were in good health, and two were in obvious decline. The concerns expressed in the mid-1990s that ROCs would not survive seem to be unfounded. In particular, predictions that ROCs were destined for extinction, following amalgamations in Tasmania, South Australia and Victoria, have not eventuated. Indeed, there are indications that ROCs may be emerging again in these states in fresh configurations. Clearly, many councils believe that the effort and resources involved are sound investments, which can result in substantive returns for the region generally, and for individual local authorities in particular.

I. IDENTIFYING A SUCCESSFUL ROC
The survey results show that ROCs are centrally concerned with regional advocacy, political lobbying, and fostering cooperation between member councils. Beyond this, common aims include economic growth (13 responses), resource sharing (11), strategic planning (8) and community well being (8). Thriving ROCs have a budget with regular funding, sometimes, but not always, involving significant outside grants. One third of ROCs levy equal payments on their members, whilst half use some form of pro-rata levies. Nearly all ROCs function as regional mayors’ forums, meeting bi-monthly or quarterly, with about half also bringing CEOs together. The meetings provide an informal gathering for a wide range of issues to be discussed. Executive committees and sub-committees are common, and about half of all ROCs have full time executive support. Having staff resources is important for the success of many ROCs.

II. ACHIEVEMENTS OF A SUCCESSFUL ROC
Response to this question was enthusiastic, with an extensive list of positive outcomes in recent years. Political lobbying and strategic planning were the two arenas where almost all ROCs claimed significant ‘wins’. Several were also able to demonstrate real financial gains resulting from resource sharing. Certainly there is a strong perception among ROC members that their organisation fulfils an important function in the region.
RIVERINA EASTERN REGIONAL ORGANISATION OF COUNCILS (REROC)

REROC was one of the ROCs that participated in the survey; indeed, REROC was one of seven ROCs labelled as a ‘high performer’.

I. ESTABLISHMENT AND DEVELOPMENT

Structure and Processes — REROC was created in 1994 by 12 eastern Riverina councils. By 1998 these members had been joined by a further general purpose council, and two county councils. The general purpose councils are full members while the county councils (water councils) have associate member status.

The organisation’s Executive Officer and secretariat functions are outsourced, on a contractual basis,—currently by Ms Julie Briggs. At the beginning of 2004 the secretariat consisted of 4 full-time personnel. REROC itself does not employ any staff.

The REROC Board consists of an elected member (usually the Mayor) from each council as well as the General Manager. The Board meets every second month and decisions are taken on a consensus basis.

The Board is supported by an Executive Committee that meets bi-monthly. These meetings are on the alternate months to Board meetings. The Executive Committee discusses business going before the Board and establishes general directions. The Executive Committee consists of the Chair of REROC, 4 Mayors and 3 General Managers.

REROC membership fees are calculated on a pro-rata and population basis. The Executive Committee determines the budget for the year. 50% of the budget is recovered by dividing the sum across all members evenly and the other 50% is recovered on a per capita basis. The county councils pay half of the lowest membership paid by a full council.

Evolution — At its formation REROC’s primary objective was to achieve economic efficiencies for members through resource sharing and bulk purchasing. Regional problem solving and advocacy/lobbying were very much secondary goals.

In the intervening decade, however, REROC’s functions and purpose have expanded considerably. Successive annual reports chart the direction of this growth. In the 1999 Annual Report the Executive Officer reported “a change in focus in my role from primarily procurement to one of facilitator” (REROC 1999:5). This focus shifted again during 2000 when it was noted that “more of my time this year has been spent on policy development and less on aggregate tendering” (REROC 2000:4). In 2001 problem solving and advocacy had also taken a prominent place on REROC’s agenda. The Executive Officer noted the greater effort, “spent this year on projects based on the ‘joint intellect’ of our members and on lobbying activities that are aimed at furthering shared causes” (REROC 2001:4). By 2002 the ‘extraordinary’ diversity of activity that REROC had committed to was a feature of the report (REROC 2002:4).

The following quote from the 2002 Annual Report (REROC 2002:8) also provides some insight into how much REROC has grown in scope and sophistication, especially in relation to its resource sharing functions:

The primary aim of REROC continues to be increasing efficiency and effectiveness of member councils through resource sharing. Resource sharing has grown to include many activities, originally the focus was on group purchasing of products and services however resource sharing now encompasses the development of generic plans and procedures, the sharing of knowledge and resources and the running of special projects in Road Safety, GIS and Social Planning.
In 2003, REROC’s website (http://www.reroc.com.au/about.htm) states simply that the organisation’s activities fall into three main areas:

- Resource sharing initiatives
- Identifying regional solutions for local problems
- Lobbying activities

REROC’s expansion and growing diversity stem from its ability to persuade participants from diverse organisations to work constructively together. Skilled individuals from member municipalities (and external bodies) have been willing to embrace a genuinely regional perspective on policy problems, and to put in the additional time and effort required to try and resolve them. Such attitudes have been fostered by the supportive and transparent context in which interaction takes place. REROC board meetings, which invariably have a 100% attendance rate, are conducted in an “inclusive and collegial atmosphere”. Debate is open and unrestricted with all members encouraged to express their views. Participants are not bound to support particular projects or decisions. However, such is the nature of these forums that on the “vast majority of occasions, discussion leads to unanimous action” (REROC 2002:1).

In short, REROC has managed to construct an effective network system that crosses the Riverina. This framework, which forms the foundation of the organisation’s success, is discussed in greater detail in the following chapters.
NETWORKS, SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT

The linkage between networks, social capital and economic development has been the subject of much discussion in the recent literatures of economics and political science.

Social capital refers to the cohesive qualities developed by groups of people that enable them to pursue common goals. Constructive relationships between participants evolve through what Putnam (1993:167) has termed “networks of civic engagement”. These networks comprise spheres of activity that promote shared values and understandings and a sense of identity. Examples of such spheres of activity include clubs, professional associations, extended families, churches, trade unions, and schools. Networks of civic engagement foster norms of reciprocity—the forms of mutual obligation and responsibility that membership of a group requires. Mutual obligation, in turn, gives rise to trust and cooperation (Putnam 1993 & 2000; Fukuyama 2001).

Through frequency and density of interaction, networks can grow to embrace whole communities. Here the norm of generalised reciprocity comes into play: it is accepted that obligations incurred may be dispersed at some later point in time in an unspecified part of the network. Communities that have succeeded in building extensive networks and generate substantial stocks of social capital usually possess certain attributes. They tend to be resilient, are able to tolerate difference and diversity, work collaboratively for the common good, and are capable of resolving conflicts through negotiation and compromise (Putnam 2000; Cox 1999).

Communities that possess strong reserves of social capital are much more likely to function efficiently and productively. Trust reduces the incidence of opportunistic behaviour and malfeasance between citizens. It also lessens the transaction costs associated with business and bureaucracy. Exchange becomes a much more simple and direct process, thereby shortening the time involved and the expenditure required. Additional problems associated with power relations and information asymmetries are similarly diminished (Hindmoor 1998; Wallis & Dollery 2002).

In short, the existence of social capital across a community can greatly enhance economic development by making both governments and markets work more effectively.

Networks are an important focus in the ‘New Regionalism’ literature. Theorists in this arena argue that over recent decades regions across different nations have been subjected to greater competitive pressures as a result of globalisation, and forced to consider new strategies to ensure sustainable development. Regions that respond successfully to such demands exhibit common characteristics. They have moved from a dependence on traditional institutional structures of government and now embrace systems of governance which are non-hierarchical and where responsibility for policy initiatives is shared between organisations. These systems are relatively open and elastic, place more emphasis on process than structure, and are characterised by formal and informal networks of activity. Networks emphasise collaboration and conflict resolution and foster a sense of trust between members.

Regions that succeed in building strong cohesive networks and a sense of regional identity are more likely to be innovative and able to respond flexibly to changing circumstance. They are well placed to exploit local capacities and improve overall competitive performance (Kanter 2000; Wallis 2002).
REROC’s EXPERIENCE OF NETWORKS AND SOCIAL CAPITAL

I. FORMAL NETWORKS

Building viable and productive networks has been a major feature of the REROC experience. These consist of:

1) The member councils of REROC itself, the Resource Sharing Committee, and the various sub-groups and working parties set up to consider particular issues;

2) The broader networks that individual member councils are part of which extend beyond the confines of the REROC structure. Each council is a part of such networks, though involvement varies considerably. Cootamundra Council, for example, is a member of 16 extra-REROC groups. For all member councils REROC constitutes their primary network and is the focus of their most significant activities; and

3) The regional, State and Commonwealth agencies that REROC engages with and which, in turn, create associated networks. These bodies include:

   Riverina Regional Development Board
   Riverina Area Consultative Committee
   Regional Coordination Management Group of the Premier’s Department
   Riverina Regional Organisation of Councils
   NSW Department of State and Regional Development
   Eastern Riverina Arts Program
   Economic Development Officers’ Network
   Riverina Regional Tourism
   Greater Murray Area Health Service
   Department of Infrastructure, Planning and Natural Resources
   Department of Sport and Recreation
   Environmental Planning Authority
   Commonwealth Department of Transport and Regional Services
   NSW Department of Local Government
   NSW Department of Environment and Conservation
   NSW Roads and Traffic Authority

II. INFORMAL NETWORKS

General Managers — from the interviews it is clear that almost all of the General Managers (GMs) get along well as a group. Certainly there is a widespread perception of positive involvement. Some of the comments made by GMs in this respect include:

- “I have an excellent relationship with other councils”
- “There is a surprising camaraderie between councils”
- “There is an amazing level of cooperation between members”
- “I’ve never seen local government in REROC so vibrant”

The majority talk regularly, or very regularly, with about half their counterparts in relation to particular issues, or to discuss more general thoughts. This enables a ‘cross-pollination of ideas’ as one CEO commented. Most make sure that they catch up with the remaining members at meetings of REROC, the LGMA, or other association venues. There is an openness and transparency about this interaction. Managers know broadly what is taking place in other jurisdictions and feel comfortable about their own position in the broader scheme of things.
Interaction between GMs is facilitated by the fact that most councils have a ‘special relationship’ with at least one other REROC member. In several cases this relationship involves a multiple of three or four councils. However, not all councils get along well and the relationship between two or more councils may be not much more than a working arrangement.

These glitches have only a minor effect on the overall dynamics of REROC. Members are aware of the importance of networking to the collective as a whole and make sure such cool spots do not induce long-term damage.

**Staff** — similar to the GMs, professional officers within councils also network extensively with colleagues from surrounding municipalities. The nature of this interaction appears much the same in most respects to that of the GMs.

**Mayors** — the informal networks of REROC’s mayors are much less extensive than either the GMs or council staff. The only forum outside of REROC where mayors interact as a group is G Division of the Shires’ Association. They also meet with other mayors on official occasions across the region, where the representation of particular municipalities is required. In such instances issues of common concern will often be raised. Social outings — such as picnic races — are another venue where mayors may meet up informally. Mayors appear to ring each other only when a pressing issue has arisen. This may take place only once a month or so. It seems clear that the majority of mayors are happy to leave the great bulk of informal networking to their GMs and subordinate staff.

Three additional points need to be made about the nature of REROC’s networks:

- Before the establishment of REROC, networks existed in only very limited terms. One GM noted that in the early 1990s the individual councils “used to be quite isolated”. The extent of the change in the relationships (and outlook) that occurred between members in the wake of REROC’s development, is alluded to by Councillor Peter Dale, the previous Chairman of REROC. Writing in the 1998 Annual Report (REROC 1998:2) he commented that: “Professional staff are now working and co-operating in a manner not previously experienced”. A year later he acknowledged the efforts of members “who have worked so hard to eliminate the damaging parochialism of the past” (REROC 1999:2). The development of the networks has been a two way process: the REROC framework provided the catalyst for growth, while the various councils have injected substance and enthusiasm.

- REROC’s formal and informal networks are not discrete spheres of activity. They cover related issues and often inform each other. There is overlapping membership across a number of the networks. The system as a whole involves complex circles of interaction that move between vertical layers, and across the region— “wheels within wheels” — as one GM put it.

- Individual councils, and REROC itself, also mesh with external regional, State and Federal networks. This prevents the structure of these from becoming self-contained and too inwardly focused. Membership of external networks ensures a constant influx of fresh ideas. One GM noted, for example, that his membership of the LGMA enabled him to “broaden his horizons” and develop “different perspectives” from those provided at REROC venues.

**III. NETWORK DYNAMICS AND SOCIAL CAPITAL**

It is not hard to see how REROC’s network structure generates substantial social capital and fosters economic development.

- The close relationship between staff from each of the member councils has created a web of mutual obligations. Indeed, this situation would appear to have evolved to the point where it resembles Putnam’s notion of ‘generalised reciprocity’ — debts can be repaid in terms of the broader regional context. Such an environment has generated a strong sense of trust and cooperation between almost all participants in the REROC structure. It was the emergence of these attributes that provided the foundation for the resource sharing framework.

- The nature of this environment has dramatically reduced transaction costs in terms of time and money. Council staff feel free to seek the advice of their counterparts in adjoining municipalities. Such an
environment assures a quick solution to many problems and obviates the need to hire external advice in many instances. Most significantly, sharing skills and knowledge has resulted in raising the levels of professional expertise across all member councils. Two examples of this are:

The development of the On-site Sewage Management Planning Kit in 1998: A working party of eight, from different councils, was convened to tackle the issue. The final result was the preparation of a kit that was sold for a profit to some 60 non-REROC councils. “An important part of the project”, the Executive Officer wrote, “was the professional development which it afforded all working party members. The opportunity to problem solve with a group of peers, sharing information, building on ideas and thoughts was invaluable” (Annual Report 1999:8-9).

The preparation of the GST package: When confronted with the problematic implementation of the GST in 2000, a REROC working party consisting of representatives from all member councils was formed. The working party categorised 85 council activities and over 300 fees and modified work practices to accommodate the new regime. A template for checking contracts was prepared, and training courses mounted for hundreds of staff. In addition to very substantial dollar savings, REROC’s Executive Officer noted “the strong corporate knowledge about the GST” that had been gained, and the “enormous confidence” kindled in staff in terms of their ability to deal with new initiatives (REROC 2000:8-9).

• One of the major benefits of REROC membership is that it is in no way coercive or exclusive. As mentioned previously, councils are also free to pursue networks and relationships outside the REROC sphere. In this regard it enables councils to seek operational efficiencies utilising additional avenues. Several members use other networks to provide particular services.
INTRODUCTION

Australian local government is currently under extreme financial pressure. Councils face increased expectations from their communities to deliver more services, including those beyond the traditional focus of local government. State and Federal governments’ expectations of local government have also never been greater, with municipal authorities being increasingly used to implement policy objectives of these higher tiers of government. At the same time as councils are confronting these increased expectations, they are finding that they have limited means of raising sufficient income to meet the higher expectations (Johnson 2003:37).

Resource sharing is seen as a way of tackling these problems by increasing the capacity of councils to meet the increasing expectations while still maintaining their democratic autonomy. It facilitates the cooperative sharing of information, financial, physical and human resources to achieve common goals. Resource sharing may also improve the efficiency of participating councils by increasing their scale of operations. It allows for the employment of specialised equipment and staff. It provides an opportunity to reduce the cost of providing services, increase the level and quality of services and facilitate the provision of additional services from the cost savings generated from resource sharing. Overall, resource sharing can significantly improve service delivery to the various local government communities involved.

In the following sections we explore the advantages, both conceptual and empirical, that can arise from effective resource sharing agreements between several councils, such as REROC. We also investigate actual current resource sharing arrangements instituted by REROC, and consider their future potential. This exploration addresses the following terms of reference:

1. The actual dollar savings generated by REROC activities weighed against the investment (including councils’ staff time) made in individual projects;
2. The time savings generated by REROC activities for members, weighed against the investment (including councils’ staff time) made in individual projects;
3. The other non-financial benefits generated for council staff, such as professional development (growth in staff expertise), through their involvement in REROC Project Working Parties;
4. The costs to individual councils of their involvement in REROC beyond their membership fees; and
5. The effectiveness of resource sharing in generating savings in comparison with other financial models such as competitive tendering, outsourcing etc.

Part II has four remaining sections. By examining the theoretical and empirical literature on the potential advantages accruing from organisational size in local governance, Section 2 attempts to determine the possible benefits members of ROCs could secure from resource sharing. This serves as a benchmark to the investigation of actual resource sharing practices in REROC and the estimated benefits flowing from them. Section 3 reviews REROC’s experience in resource sharing and analyses its performance, contemplates the additional savings not included in the REROC estimates, discusses various generic problems with determining savings and return from the organisation, and evaluates the members’ investment in REROC. Section 4 discusses outsourcing as an alternative to resource sharing. Section 5 assesses the health of the REROC councils in an attempt to determine the effect of REROC involvement on organisational performance.
THEORETICAL AND EMPIRICAL PERSPECTIVES

The literature on the economics of local government may be divided into two inter-related components. On the one hand, economists have examined local governance through the analytical prism of public economics and public choice theory within the content of the theory of fiscal federalism (see, for instance, Boyne 1998). This line of inquiry has generated various *ex ante* propositions, some of which are amenable to empirical testing. On the other hand, a substantial empirical body of work has considered the relationship between jurisdictional size and the economic efficiency of service delivery, primarily with a North American institutional focus (see, for example, Bailey 1999). We will now examine these two approaches to the economics of local government in order to see what light they can throw on the proposition that ‘bigger is better’ in municipal governance. In other words, what economic benefits can we reasonably expect to flow from the introduction of ROCs? This will serve to provide some kind of conceptual benchmark when we examine the actual benefits and costs that have resulted from REROC. Moreover, given the current drive by the NSW State Government to restructure local government in NSW by means of forced amalgamations of small councils, we will also explore the relative economic merits of council amalgamations as against the formation of ROCs.

I. THEORETICAL CONSIDERATIONS

*Theory of Fiscal Federalism and Optimum Community Size* — A crucial aspect of the theory of fiscal federalism is concerned with the question of whether public goods and services should be provided in a federation like Australia on a centralized or decentralized basis. Put differently, which levels of government (national, state or local) should provide particular categories of public goods? The key to answering this question derives from Wallace Oates’ (1972) *correspondence principle*. In essence, this principle holds that the size of a specific governmental entity should correspond to the area of benefit from the goods it provides to its citizens. Accordingly, each public good or service should thus be provided by the smallest (i.e., lowest level) government consistent with no spatial spill-overs into other regions. This principle has a central bearing on the problem of the optimal size of local government.

The concept of a *benefit region* is critical in this context. Almost all public goods have limited areas over which they confer benefits to citizens. If the spatial benefit region is limited, then the benefits of some public goods will be confined to residents of the area. Some public goods are such that the incidence of their benefits is nation-wide (e.g. national defence, medical research, etc.) whereas others are geographically limited (e.g. local fire brigades, street lighting, etc.). Accordingly, the members of the group who share in the benefits of some public good are limited to the residents of a particular spatial region.

In a democracy, the political process enables citizens to express their preferences for the type of goods and services they want governments to provide. It follows that the citizens of specific benefit regions vote for the services they want and pay for these services. In other words, services that are nation-wide in their benefit incidence (like national defence) should be provided by the central government; services with local benefits (e.g. pavements) should be provided locally; still others (such as major roads) should be provided on a regional basis. Given the spatial characteristics of government services, there is thus a *prima facie* case for multiple jurisdictions. The notion of a benefit region thus provides the logical basis for the concept of an optimal community size underpinning arguments for both ROCs and amalgamated ‘super’ councils.

*Economies of Scale* — Economies of scale refer to a decrease in average cost as the quantity of output rises and are frequently cited as a reason for local government amalgamations. In the context of the optimal size of municipalities, economies of scale usually refers to a decrease in the cost per person for a given amount of service as population served increases. Thus, the larger the jurisdictional unit, the lower will be the per capita costs of service provision. Economies of scale typically depend on the technological nature of the production process. In particular, if high fixed costs co-exist with low or constant variable costs, then we can expect significant economies of scale to come into play.
In comparison to its counterparts in comparable countries (excepting New Zealand), which have a ‘services to people’ focus, Australian local government has a predominantly ‘services to property’ orientation in terms of the goods and services it provides. Nevertheless, despite its relatively narrow range, Australian local governments still provide a wide range of goods and services that are produced by heterogeneous technological means. Accordingly, for a given benefit region, there is no a priori reason for different goods and services to exhibit the same cost characteristics. On the contrary, there is every reason to expect that no uniform pattern of economies of scale will emerge across the range of goods and services produced by Australian councils. For example, it is highly unlikely that the optimal service district for fire services will coincide with, or even resemble, optimal service districts for, say, garbage collection, public parks, or sewage treatment services (Dollery 1997). It follows that whereas the formation of large councils through amalgamation may capture economies of scale in some outputs, it could reap diseconomies of scale in other areas. Sancton (2000:74) has put the argument in a nutshell: “There is no functionally optimal size for municipal governments because different municipal activities have quite different optimal areas”.

The existence of economies of scale may not be relevant to optimal municipal size if provision of the service can be separated from production of that service (the so-called purchaser-provider split), since scale economies only arise during the production phase. Governments too small to achieve all economies of scale on their own can nonetheless accrue the advantages of any scale economies by purchasing the good or service in question from other public agencies or private firms that are large enough production units to secure economies of scale. By contracting with commercial firms or other governments (and through analogous joint purchasing agreements with other councils in ROCs), small municipalities can provide the quantity and quality of services desired by their limited number of constituents and simultaneously enjoy the cost advantages deriving from scale economies in production.

To the extent that opportunities along these lines actually exist, scale economies are thus removed as an economic argument for the optimal size of councils in the amalgamation debate. This is a critical finding from the theoretical literature on the economics of local government since economies of scale are often advanced as a key justification for amalgamation (Witherby, Dollery, Auster & Marshall 1997). In fact, as we have seen, since economies of scale will differ for all goods and services provided by Australian local governments, the formation of ROCs to jointly produce goods and services with pronounced economies of scale represents rational public policy.

Economies of Scope — Economies of scope, sometimes also called ‘economies of joint production’, refer to the economic advantages that flow from providing a broad range of goods and services in a single organisation, like a municipal council. In particular, economies of scope arise when the cost of producing a given set of services in a single organisation is lower than the cost of those services being produced by a number of specialized organisations. The standard explanation for this lower cost of production derives from the fact that a single organisation can attribute the cost of fixed inputs or ‘overheads’ (such as central administrative staff, computing facilities, etc.) across many of the services it produces. Thus, where related services are provided by a single council, lower total production costs may follow.

In the context of Australian local government, scope economies represent an a priori theoretical argument against many small councils generating their own services. It is also an argument against the fragmentation of existing large municipalities into several fully autonomous or privatised business units. However, economies of scope can support the concept of several small and adjacent municipalities forming some umbrella organisation, like a ROC, in an attempt to capture scope economies.

Local Government Capacity — An argument sometimes advanced in the Australian debate over the proposition that ‘bigger is better’ in local government is that larger councils tend to possess greater levels of administrative and other expertise, in part due to the fact that their size permits the employment of specialist skills that cannot be acquired readily by smaller municipalities. Given the increasing burden placed on Australian local government by its State and Federal counterparts, it is held that this confers a significant advantage on larger municipal units because it enables them to accomplish a wider and more complex range of tasks in a more efficient manner.

There is undoubted merit in this argument. Small regional and rural councils do struggle in terms of expertise and cannot always use consultants in an effective and prudent way. However, since it is in many respects a variant of the economies of scope argument, many of the same reservations apply. For instance, ROCs may be ideally placed
to pool their resources to acquire the skills in question, at no greater cost than to single and larger councils.

**Administration and Compliance Costs** — A further economic factor often put forward in support of the proposition that ‘bigger is better’ in Australian local government is that larger consolidated councils economize on their direct costs of administration and the compliance costs imposed on individuals who participate in the municipal political process. Administrative costs include the compensation paid to elected and appointed officials and staff, and the overheads (buildings, supplies, utilities, etc.) required to support those officials. Compliance costs include the costs incurred by municipal voters to keep informed on issues, candidate positions and the potential cash and time costs of registering an opinion by participating in hearings, meetings, voting, etc. Fewer and larger local governments may reduce these costs in aggregate.

If it is argued that centralization will reduce administrative costs, then this is analogous to arguing that there are economies of scale in the administration of government, just as there may be scale economies in the production of public services. However, there is obviously no guarantee that such opportunities will always, or even usually, exist. It could just as easily be argued that administrators become less effective the further removed they are from their constituents and operations they are supposed to coordinate. If this is the case, then diseconomies of scale could result, with larger governments requiring proportionately more administrators—perhaps with more layers in the administrative hierarchy. Administrative scale economies could thus be a factor in favour of both larger and smaller local government units. In this instance, administrative economies become an empirical issue.

A variant of scale economies in administration can also be applied to the administrative apparatus in the State government bureaucracy charged with oversight of a given local government system. This could be called *scale diseconomies in regulatory administration*. State departments of local government, as well as their Federal counterparts, should expend fewer resources on the administration of local governance, if fewer and larger councils are involved. It follows that municipal amalgamation should serve to lower the costs associated with system administration and regulation. Since member councils of ROCs retain their individual identities, and thus their individual relations to State and Federal governments, this postulated advantage does not accrue to ROCs.

**Coincidence of Municipal and Natural Boundaries** — A novel quasi-economic argument advanced in the present NSW debate on municipal amalgamation rests on the proposition that economic, environmental and other largely unspecified advantages accrue from an alignment of local government boundaries with natural boundaries. Given that this argument is likely to gain currency in future Australian amalgamation debates because of the apparent persuasiveness of ‘green’ arguments with various policy elites, it is thus worth considering this proposition in further detail. In his submission to the NSW Legislative Council’s (2003:94) *Inquiry into Local Government Amalgamation*, Brunckhorst outlined three ‘principles’ for “drawing boundaries that best reflect the social functions of regional communities as well as the ecological functions of the landscape”. In the first place, “the region should capture the place that is the social capital…the landscape area that is of greatest interest to the region or local residents”. Secondly, “that the region maximizes or captures the greatest similarities of environmental landscape, which reflects land uses, management of ecological resources, water supply, and so on”. Finally, jurisdictional boundaries drawn on these grounds must be capable of “being scaled up and scaled down for integration for other kinds of service delivery or management”. In essence, this argument proposes a move away from current tests of economic and sociological ‘communities of interest’ in municipal boundary determinations by State local government boundary commissions to physical ecological ‘communities of interest’ and contends that ecological, economic, and other benefits will result. Thus far, the notion of the alignment of municipal and natural catchment boundaries in local governance has been accorded a high priority by the amalgamation proposals submitted to the NSW Minister for Local Government, Tony Kelly, by the three ‘facilitators’—Daly, Simmons and Varden—responsible for investigating possible council mergers.

However, it is exceedingly difficult to understand why natural or ecological boundaries should coincide exactly with local government boundaries. After all, the fact that the same argument could be raised with respect to National, State and metropolitan council boundaries, but never is raised in these broader contexts, surely demonstrates its spurious nature. Moreover, this notion has many additional shortcomings: it ignores the cultural and historical legacy embodied in existing council boundaries; it neglects the critical concept of the economic ‘community of interest’ of the people involved; and it overlooks the impact of council boundaries on the efficient
delivery of council services, especially since environmental considerations form only a small part of overall municipal responsibilities.

The sole rationale for the exact coincidence of natural boundaries and council boundaries, at least in the present NSW debate over local government restructuring, seems to derive exclusively from the recently created Catchment Management Authorities (CMAs). Thus, to link local government boundaries to CMA boundaries to the exclusion of all else, including ratepayers, roads, townships and communities, seems to demonstrate a peculiar narrowness of focus and a neglect of the totality of contemporary local governance.

Effective environmental protection can be secured through the co-operation of State agencies and vibrant local governments working in concert, rather than through the destruction of small councils through forced amalgamation. Moreover, spatially large natural catchment areas, typical of the Australian landscape, can also be managed by means of ROCs of affected municipalities.

Public Choice Considerations — Finally, it is sometimes argued on grounds of public choice theory that greater difficulties are involved in monitoring large municipalities. Ratepayers, as voters, cannot easily acquire the necessary information to assess whether or not councils are providing ‘value for money’. By contrast, smaller councils are often less complex operations with a greater degree of transparency which are consequently more amenable to scrutiny by ratepayers. If smaller municipalities are indeed subject to closer and more informed scrutiny, then it can be anticipated a priori that they could experience greater public pressures to deliver local public goods more efficiently (see, for example, Boyne 1998; Bailey 1999).

II. EMPIRICAL CONSIDERATIONS

Some (but not all) of these theoretical considerations have been subjected to empirical scrutiny. In this section of the report, we review available empirical evidence on scale economies and the public choice perspectives. Almost no evidence exists on economies of scope, local government capacity, administrative and compliance costs, and the alignment of municipal and natural boundaries.

Economies of Scale — Only one comprehensive study of both international evidence and Australian evidence on the question of economies of scale in Local Government has been conducted (Byrnes & Dollery 2002). In Table 1, Byrnes and Dollery (2002:394) detail 34 major international empirical investigations into the existence of economies of scale in municipal service delivery, largely in the American and Canadian institutional contexts. After discussing various aspects of this body of research, Byrnes and Dollery (2002:393) conclude that “overall, 29 per cent of the research papers find evidence of U-shaped cost curves, 39 per cent find no statistical relationship between per capita expenditure and size, 8 per cent find economies of scale, and 24 per cent find diseconomies of scale”.

In an analogous, but much more comprehensive exercise, Byrnes and Dollery (2002) examined all published Australian empirical research into the question of economies of scale in local government service delivery. In total, 9 independent studies are examined in considerable detail (Byrnes & Dollery 2002:396, Table 2). They offer “three generic criticisms” of the Australian body of work: “The relative importance of population may be overstated”; all but two studies ignored the “vast diversity of functions carried out by government”, which served to render comparisons between councils “a risky exercise”; and “the nine studies cited above are not measuring economies of scale, but rather determining how population affects short-run costs”.

After evaluating both extant international and Australian evidence, Byrnes and Dollery (2002) draw three main conclusions. In the first place, “given the mixed results that emerge from the international evidence, it seems reasonable to conclude that considerable uncertainty exists as to whether economies of scale do or do not exist” (Byrnes & Dollery 2002:405). Secondly, Australian work was almost uniformly mis-specified and thus did not measure scale economies at all. Finally, from a policy perspective, the “lack of rigorous evidence of significant economies of scale in municipal service provision casts considerable doubt on using this as the basis for amalgamations”. Moreover, while “advocates of amalgamation have premised their arguments on the proposition that substantial efficiency gains would flow from the formation of larger local authorities”, it appears that “research on economies of scale in local government does not support this proposition” (Byrnes & Dollery 2002:405).
In an early comparable, but broader, survey of the international empirical evidence on scale economies, which included State, regional and local governments, Bahl and Vogt (1975:13-14) concluded that “most positive findings of scale economies are based on statistical results that show a negative relationship between population size and per capita expenditures”. However, “there are great statistical and theoretical problems with interpreting such results as showing scale economies, and about as many studies that find a negative relationship find a positive one”.

The absence of substantial economies of scale in local government should caution municipal policy makers. The empirical evidence suggests that some council services exhibit significant economies of scale, others show little economies of scale, and still others demonstrate diseconomies of scale. ROCs are thus well-placed to take advantage of this state of affairs. Member councils should produce public goods with substantial economies of scale through their ROCs. Conversely, services with limited economies of scale or diseconomies of scale should be produced on an individual basis.

**Public Choice Considerations** — Public choice analyses of local government efficiency are founded on the proposition that economic and political competition within and between municipalities, State and central government agencies, and the private sector, is a potent force in determining outcomes. An implication that derives from the public choice paradigm is that a ‘fragmented’ local government system, containing numerous municipal entities, should be more efficient than a ‘concentrated’ system with a few large councils. After a study examining extant American empirical evidence on this question, Boyne (1998:252) concluded that “the broad pattern of evidence suggests that lower spending is a feature of fragmented and deconcentrated local government systems”. By contrast, “consolidated and concentrated local governments tend to be associated with higher spending”. This may mean that “the technical benefits of large units with big market shares, such as economies of scale and scope, are outweighed by competitive and political costs, such as disincentives toward fiscal migration and problems of public scrutiny”.

After a similar, more recent review of the empirical public choice literature, Andrew Sancton reached much the same conclusion. In essence, “the public choice perspective shows us that it is no longer obvious that the existence of many municipalities within the same city-region causes wasteful overlap and duplication” (Sancton 2000:75).

**III. POLICY CONSIDERATIONS**

The review of the theoretical and empirical economics literature conducted above provides food for thought for even the most sanguine exponent of ‘bigger is better’ in Australian local government. As we have seen, from an a priori theoretical angle there are scant grounds for anticipating substantial financial benefits to flow from larger municipalities, except possibly in terms of local government capacity and scope economies. Moreover, the empirical literature is even bleaker than its theoretical counterpart.

What implications does this analysis have for contemporary public policy making in Australian local government? At least four avenues suggest themselves.

In the first place, the economic benefits that are likely to flow from large, amalgamated councils are unlikely to be significant in the light of recent Australian experience with municipal amalgamation programs. For instance, despite the inflated promises of the architects of the South Australian and Victorian council mergers, the economic results have proved disappointing. For example, whereas the Victorian State Government claimed that its amalgamation program would yield direct cost savings of 20 per cent, the net result has been only 8.5%, most of which has derived from competitive tendering and not restructuring (Allan 2003:75). Similarly, in South Australia the authorities promised savings of 17.4%, but only achieved a mere 2.3% (Allan 2003:75). Moreover, it should be emphasized that these net cost savings do not take into account the indirect costs of forced amalgamation, such as increased unemployment, lower economic activity, and a loss of services, which often threaten the very existence of small communities.

Secondly, where economic benefits do stem from larger municipalities, these are probably due largely to scope economies and enhanced local government capacity. However, the paucity of empirical evidence on these economic aspects of council behaviour should be stressed. There is an urgent need for detailed empirical evidence on both
economies of scope and any cost advantages attendant upon improved administrative capacity.

Thirdly, since no systematic relationships exist between size and economic efficiency in local government, specific councils should be selected for restructuring on the basis of current performance rather than current size. Put differently, effective small and large municipalities should be left unscathed and inefficient small and large councils identified and dealt with accordingly.

Finally, the drastic nature of forced mergers should be recognized and non-economic factors given due consideration. Councils often represent the focal point of small communities and enhance people’s ‘sense of place’ and identity with their towns and regions. Effective participatory democracy is facilitated through small councils where citizens feel that they can influence local outcomes. It captures the benefits of detailed local knowledge and thus improves the quality of decisions taken at the local level. It also involves people in their local communities and encourages socially beneficial behaviour, such as volunteering.

Accordingly, alternative models to amalgamation, especially ROCs (Marshall & Witherby 2002) and virtual local government (Dollery 2003), should be explored to complement the proposed amalgamation program. In particular, ROCs, based on voluntary and not compulsory arrangements, may not only capture any benefits that can flow from joint service delivery and coordination, as well as foster a spirit of co-operation between neighbouring councils, but also avoid the inevitable bitterness and expense of forced amalgamation. Where economies of scale and economies of scope can be identified, these could be harnessed much more effectively through voluntary co-operation and good neighbourliness rather that through forced mergers imposed by State governments. Moreover, highly successful ROCs already exist in Australia, and there is thus scope for many more.
REROC’s RESOURCE SHARING EXPERIENCE

REROC has been a highly successful organisation by any standard. As highlighted in Table 5.1 below, REROC has achieved savings in the order of $4.5M over a five and a half year period (concluding on June 30, 2003) for member councils. These savings have occurred over a variety of activities including reduced duplication (through the common approach to implementing new legislative requirements—on-site sewage management regulations, privacy laws, GST implementation and companion animals requirements), joint tendering (electricity supply, bitumen emulsion, GPS equipment, CTP green slip insurance, and various software purchases), regional lobbying (proposed WorkCover guidelines for working near roads) and co-operative sharing of resources (regional waste officer and shared road safety officers). These savings (in Table 5.1) represent a total of $360,000 per REROC council member or $65,000 per annum over the five and a half years.

Table 5.1: Estimated Savings for REROC

<table>
<thead>
<tr>
<th>Activity</th>
<th>Estimated Dollars Saved</th>
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<tbody>
<tr>
<td><strong>Electricity Tender</strong> – originally let for three years, the tender was let again in 2001, generating further savings for the participating councils.</td>
<td></td>
</tr>
<tr>
<td><strong>Savings for councils</strong></td>
<td>$600,000</td>
</tr>
<tr>
<td>Savings for non-council organisations that participated in the tender</td>
<td>$252,164</td>
</tr>
<tr>
<td><strong>On-site Sewage Management Plan and Database</strong> – developed by REROC</td>
<td></td>
</tr>
<tr>
<td>Environmental and Health staff and the REROC EO over 8 4-hour meetings in response to government legislation.</td>
<td></td>
</tr>
<tr>
<td>Savings to Councils</td>
<td>$65,000</td>
</tr>
<tr>
<td>REROC sold 55 Plans to other councils in NSW and Victoria, generating over $10,000 in revenue for the organisation and saving approximately $5,000 for each council who purchased the plan.</td>
<td></td>
</tr>
<tr>
<td>Savings to non-REROC councils</td>
<td>$225,000</td>
</tr>
<tr>
<td><strong>Bitumen Emulsion Tender</strong> – has now been let three times with the current contract finishing at the end of 2004. REROC members use almost a million litres of bitumen emulsion each year and savings have been substantial (in the vicinity of $130,000 a year).</td>
<td>$800,000</td>
</tr>
<tr>
<td><strong>Proposed WorkCover Working Near Roads Guidelines</strong> – lobbied successfully against the introduction of these guidelines, preparing a comprehensive submission on what was wrong and getting two REROC engineers on the State Committee looking at it. Had the guidelines gone through it would have substantially increased the cost of road works, e.g., councils would have been forced to put an additional staff member on every road patching crew. Savings for councils ($25,000 per member (13) per year)</td>
<td>$650,000</td>
</tr>
<tr>
<td><strong>Tender for the Bulk Supply of Copy Paper</strong></td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>GIS Computer Software</strong> – REROC organised a group purchase of the software, group training, a lower rate for on-site expertise and a Help Line so that members were able to access GIS expertise on an as-needed basis. Savings for councils ($2,000 per participating council).</td>
<td>$24,000</td>
</tr>
<tr>
<td><strong>GPS Equipment Purchase</strong> – REROC obtained a Federal Government grant to advance the uptake of this technology. We have purchased two units. To date nine councils have taken advantage of the equipment – equipment that they were otherwise highly unlikely to ever purchase. The use of the equipment significantly cuts down on the staff time required to collect and process information. Savings for councils (9 x $25,000)</td>
<td>$220,000</td>
</tr>
</tbody>
</table>
**GST Implementation Project** – REROC chose to run its own GST implementation and did not employ any external consultants. As a result the total cost of GST implementation to member councils (including training for all financial staff, general managers and senior staff as well as the production of a GST Resource Kit) was $481.00 (excluding the cost of staff time). Most councils employed external consultants at substantial cost savings to councils (because they did not engage an external consultant, based on $30,000 per council). This amount does not recognise the benefits generated through the development of internal staff knowledge on GST as a result of having to problem solve in a group situation in order to implement the new tax system.

**RTA Single Invitation Contract Accreditation Documentation** – REROC prepared a generic Corporate OH&S Management Plan to meet RTA Specifications. The plan was then customised by member councils, significantly cutting down on the time required for pre-qualification. Savings to councils ($5,000 per council, cost of a consultant). The plan was subsequently sold to 20 other councils around the State, generating revenue for the ROC of $10,000.

**SEDA Energy Smart Business Project** – REROC was the first group of councils to join this Project. Councils are implementing energy saving technologies in order to reduce greenhouse gas emissions and generate savings on energy.

**Tender for the Bulk Supply of Liquid Alum** – for the Water County Councils and the general purpose councils that provide water.

**Group Training Activities** – REROC organises local training for councils, reducing the cost of travel and time lost from the workplace. Training is also sourced at cost-effective prices.

**Tender for the Collection of Scrap Metal Waste** – prior to the letting of this contract some members were paying for scrap metal collections. The latest contract pays councils $59.00 per tonne for scrap collected. Generating an income of $117,000 in the first 11 months of the current contract. Savings to councils (over the three year life of the current contract as well as the first year of the test contract)

**Road Safety Officers** – four Road Safety Officers are shared over the 13 member councils. With each RSO serving 3 or 4 councils. This has allowed the shire council members to participate in the project for the first time. Previously, the project could only be accessed by councils who were able to meet half the annual cost of the project—$35,000. Savings to councils (based on councils only having to meet 1/3 of the cost $46,000 x 3 years). In total the RSO project will result in over $800,000 in funding from State Government and other sources coming into the region to support community road user projects.

**CTP Green Slip Insurance** – a group tender for all the vehicles in the region.

**Privacy Policy Guide and Training Materials** – in response to the introduction of Privacy Legislation, REROC members worked together to design a guide for council staff, a training course, a brochure for the public and generic documentation for use by councils. Savings to councils (based on one member of staff of each council developing their own materials). REROC sold the materials to other councils in NSW generating over $5,000 in revenue for the organisation.

**Preparation of a Protective Clothing Policy for Councils** – was prepared in anticipation of own materials)

**Sharing Works Methods Statements** – members who have prepared Works Methods Statements have placed the statements on the REROC website for access by all members (using a password system). Savings to councils (based on one member of staff of each council developing their own materials)
| **Group Purchase of Traffic Management Planning Software** – savings of $300 per software purchase were achieved. Savings to councils | $3,600 |
| **Purchase of Cdata and Central Processing for Members** – the purchase of 2001 Census data by the ROC and the manipulation of that data for members by REROC. | $40,000 |
| **Waste Oil Facilities Tender** – the ROC prepared a group funding submission to the Federal Government and then let a regional contract for the 11 LGA’s in the region at no cost to the councils. | $142,000 |
| **Preparation of Regional Guidelines for the Establishment of Rural School Bus Stops** – in NSW there are no established Guidelines for this purpose. Working with the RTA a ROC committee prepared the guidelines that will be adopted by the region and possibly the State. The guidelines addressed some serious issues with regard to councils’ liability in the placement of rural bus stops. Savings to councils (based on one member of staff of each council developing their own materials) | $20,000 |
| **Employment of a Regional Waste Officer** – a Waste Officer has been engaged to implement waste projects, particularly community-based waste projects across the region. The WO will implement a wide variety of projects with funds obtained through the State Government at almost no direct cost to councils. Savings to councils (based on grant funding to be received to fund community projects over three years) | $350,000 |
| **Companion Animals Training Materials** – following a request from rangers in the REROC region, the ROC is working with a local school to develop teaching materials appropriate to primary schools that can be used in an education program. Funding for the project has been sourced from the State Government and resources developed will be available to all councils in the State. Savings based on one staff member of each council developing their own material. | $40,000 |
| **Corruption Resistance Documentation** – following meetings with ICAC the ROC agreed that this documentation should be prepared in the following areas:  
  • A Corruption Risk Management Plan  
  • A training program on corruption risk management  
  • A Corruption Resistance Policy  
  • Statement of Business Ethics  
  • Code of Conduct (that includes guiding principles or values and how to handle ethical dilemmas)  
  • Gifts and Benefits Policy (to be contained in the Code of Conduct)  
  • Secondary Employment Policy  
  • Internal Reporting Policy  
  • Investigations Policy  

Savings to councils (based on one member of each council developing their own materials) | $75,000 |
| **Social Planning** – the ROC is currently assisting member councils in the preparation of their social plans by co-ordinating the process on a regional basis to ensure that there is no duplication of effort or resources. Savings to councils (based on one member of each council working alone or hiring a consultant) | $50,000 |
| **Preparation of Submissions** – REROC has over the years prepared numerous submissions on behalf of member councils. The result has been a more comprehensive response to issues because all members have been able to provide input to the process. Time savings to member councils as a result of this approach have been substantial, as in most cases the responses would have been prepared by senior staff. Savings to councils (based on one member of each council developing their own materials) | $100,000 |
| **Total Estimated Savings for Member Councils** | $4,684,600 |

*5.5 years to June 2003  
**Source:** REROC 2003:9-12
I. SAVINGS NOT INCLUDED IN REROC ESTIMATES

The savings identified in Table 5.1 do not factor into account the capacity building that REROC has provided to member councils in the areas of better staff training, expertise sharing, increasing staff professionalism, informal problem solving mechanisms, jointly determined best practices and the building of social capital. The result of this capacity building is that general decision-making is substantially improved and a high quality of service is delivered to the community.

The information in Table 5.1 also only records those savings made from bulk/joint purchases and from reducing the costs of delivering particular services. They do not quantify the benefits that these services have provided to the community. For example, REROC believe that they have saved $138,000 in the last three years by sharing a road safety officer between three councils rather than providing one officer per council (as is usually the case). However, REROC do not state the value of the benefit that this project has provided to the community in reducing the number of potential accidents resulting in savings generated in the area of health care and in the human costs associated with motor vehicle accidents, considering a 1993 US study (Viscusi 1993) valued a human life at $5M(US). This is particularly significant as the provision of a road safety officer is a voluntary program that not all councils participate in.

Similar arguments could also be used to emphasise the understatement in the savings recorded against the occupational health and safety policies and procedures, the corruption resistance documents, and the purchase of global positioning systems (GPS). No attempt has been made to place a value to the community and the organisation on the provision of these services that are very likely not to have proceeded without REROC’s involvement.

REROC has prepared some thirteen submissions on behalf of its members. REROC believe that their submissions have saved member councils some $100,000 as a result of not having to prepare independent submissions. This indicates that each submission saved each council $650—or less than one day’s work. Again this figure underestimates the real cost of preparing submissions which is more likely to cost between $2,000 to $3,000 a submission when the full cost is taken into account and includes preparatory research and writing time, editing time, reviewing by senior management etc. The savings to REROC members in preparing one submission rather than thirteen is estimated at around $507,000 (13 submissions x $3,000 per submission x 13 councils).

In addition to this, REROC has made some eleven delegate submissions to State and Federal representatives and agencies on behalf of member councils. Taking a similar analysis to that above, this has saved individual REROC councils some $22,000 each (at an average of $2,000 per deputation) or approximately $264,000 in total.

While REROC has saved its members over $700,000 in joint lobbying, this figure does not take into account the results achieved from its political efforts. It is difficult to quantify the effect an individual lobbyist has in the decision making process and how much a decision reflects other influences. For instance, the benefit of REROC’s (and others) submission to the Rural Fire Service on program costs resulted in a State government review of councils’ Rural Fire Service contribution. Other submissions, such as the REROC submission to the Inquiry Into Costs Shifting and Local Government, identified cost shifting (from State and Federal governments) totalling some $338,000pa per council ($4,394,000pa for all REROC councils). While it is unlikely that these costs will be refunded, local government lobbying has potentially stemmed the flood of unfunded mandates.

Another benefit that REROC provides to its members in the lobbying process is that it provides a strong united voice of thirteen councils representing some 120,000 people—a voice that any government is obliged to listen to and certainly cannot dismiss. Once again, it is difficult to quantify the benefit that this provides to member councils other than to say it is significant.

While it is beyond the scope of this report to quantify the additional social benefits that all these programs generate for the community it needs to be emphasised that the benefits from REROC membership are many times the $4.5M reported by REROC in Table 5.1.
II. GENERIC PROBLEMS WITH DETERMINING SAVINGS

We have reviewed the savings identified in Table 5.1 and have compared the reported savings against the costs of providing these services by other local authorities. As a result of this review, and bearing in mind the comments made in the previous section, we believe that the figures in Table 5.1 are an accurate reflection of the savings generated by REROC and further that there are no material errors contained in that Table.

Having made this statement, it should be pointed out that there are some generic problems associated with determining savings of this type. For instance, it is difficult to determine exactly what an individual council may have done if it was not a member of REROC.

In order to estimate the impact of REROC’s resource sharing efforts, one has to determine the counterfactual—that is, how things would have been if the resource sharing did not take place. This can be more difficult to determine than it first may appear since accurately determining the cost of something that does not or will not exist is a fraught exercise. One might assume that services may have continued to be provided in the same manner, but this also may not have been the case. Comparisons to anything else but the status quo generally leads to less accurate calculation of savings generated.

For instance, would each council have spent $30,000 on a consultant to assist with GST implementation? Would they have put on additional staff if REROC were not successful in lobbying against the proposed WorkCover guidelines? Would each council have bought the GPS equipment if they were not shared between the councils? The precise action of individual councils had they not been involved in REROC is difficult to determine and may have varied from council to council. For example, a number of the councils may have found it cost prohibitive to each provide a Road Safety Officer, or purchase the GPS equipment, and therefore may have chosen not to provide these services. In addition to this, if the REROC option was not available, and individual councils had to provide/obtain the services themselves, they may have found another more cost effective method, rather than the method the savings comparison was made against.

III. REROC INVESTMENT

Part of the terms of reference of this Report required a review of the return on investment to member councils resulting from their involvement in REROC. The return (savings) generated by REROC to its members was detailed in Table 5.1 and totalled some $4.685M.

The cost to councils resulting from their involvement in REROC is made up of several components. The first is the membership paid by the contributing councils. This is approximately $110,000 pa in total, or around $622,000 over the last six years (as recorded in REROC’s annual reports covering this period). Other costs to member councils included the time and expense associated with attending meetings. The REROC Board meets bi-monthly and consists of the mayor and general manger of each of the thirteen participating councils. The Board is supported by an Executive Committee that also meets bi-monthly and consists of the Chair of REROC, four Mayors and three GMs. It is assumed that the cost of a member’s time (wages and oncosts) attending REROC is $500 per day/meeting (it is acknowledged that elected members do not get paid by the council for attending these meetings; nevertheless $500 a day is considered appropriate in assessing their personal opportunity cost of attending these meetings). Based on the above assumptions the cost of attending these meetings is estimated at $102,000 pa or $510,000 over the five year period outlined above. An amount of $50,000 has also been allocated to cover other miscellaneous cost not included elsewhere. It is also assumed that other costs, such as council staff time to discuss specific REROC projects and activities, are reflected in the saving outlined in Table 5.1.

Based on these assumptions, as indicated in Table 5.2, REROC member councils have expended some $1.182M in REROC activities, which has resulted in savings in excess of $4.68M. This represents approximate net savings of $637,000 pa or $49,000 pa per council over the five year life of REROC and a return of some 396%. As stated

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<th>Table 5.2: REROC Investment</th>
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<td>Savings</td>
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previously, there are a large number of savings or benefits not included in the above analysis as well as the inclusion of a daily councillor fee for attending REROC meeting, which is in fact not payable by the councils. This results in the conclusion being drawn that member councils have generated significant savings from their involvement in REROC, and savings that are in excess of four times their investment. The participating councils involvement is therefore considered well worth the effort.
The majority of the savings (some 8%) stemming from the Victorian local government reform of the 1990s were generated from compulsory competitive tendering (rather than from other reform efforts such as amalgamation and rate pegging). This then raises the question as to whether REROC can generate further savings through the use of competitive tendering or the market testing of council services.

We would advise against ‘leaping into competitive tendering’. We would, however, strongly recommend the benchmarking of councils’ services and ultimately market testing the services in order to determine their cost competitiveness. This approach advocates competitive tendering (and the resultant outsourcing that may occur) more as a management tool that should indicate opportunities to investigate additional resource sharing rather than directly using outsourcing to improve efficiency.

The theory behind competitive tendering is that all organisations should specialise in the areas in which they possess a competitive advantage in the marketplace and outsource all other activities to similar minded organisations that also have a competitive advantage in specialised areas. Therefore, an organisation is able to technically maximise the economics of scale in all areas as well as have access to specialised staff in areas that an organisation does not possess.

As we have seen from the previous section, REROC can provide many of the advantages offered by outsourcing without having to experience the disadvantages inherent in it. More specifically, resource sharing and a cooperative approach to service delivery offer the following advantages over outsourcing:

- Local control is maintained over the service;
- Local employment and equipment is maintained, that can then be used to generate external income for the council or increase utilisation and justify continued ownership;
- Resource sharing should be, in theory, cheaper than outsourcing (if sufficient scale can be achieved) as there is no need for the unit price to include a profit margin, the payment of tax, or the inability to take advantage of government contract rates on purchases;
- Resource sharing can provide greater flexibility in executing the contract. For example, it is easier to tell someone who is not reliant on a council’s income for a living that their services are not required this week than it is to tell some one who relies on the contract for income (i.e., a grass mowing contractor may not like being told not to mow a park this week because it is being used for a civic function, due to the loss of money, but under a resource sharing arrangement this request may be reasonable);
- There is generally minimal competition in rural areas leading to non-competitive rates and possible over-reliance on particular contractors;
- Outsourcing requires greater monitoring and contract management than resource sharing;
- It can be difficult to define the exact terms, conditions, and quality in a contract document. Therefore, a council runs the risk of employing the lowest tenderer who also has the lowest expectation as to the quality of the job required. Resource sharing allows for better discussion on the quality involved and (as stated above) is more flexible in ensuring that quality is achieved without having a large adverse effect on the cost of the job; and
- In addition to these arguments, if outsourcing results in the sale of specialised equipment by the council or the letting go of specialised council staff, it then places a greater reliance on a contractor for service provision that could ultimately lead to higher costs of service delivery. The high reliance on the contractor may lead the council to reverse its decision to outsource, resulting in large, perhaps prohibitive, costs to obtain the specialised equipment and personnel to provide the service in-house.

In conclusion, we would strongly recommend reviewing the costs of all services and benchmarking them between REROC councils to determine best practices and the most efficient methods of service delivery. Once this has been
undertaken it may be advisable to test these services by comparing their costs with those that are available in the market place. Councils will then be in a position to determine if there is an opportunity for resource sharing or alternately, outsourcing the service.

It should be acknowledged that there will be some services that are more cost effectively outsourced than provided through the REROC resource sharing model. In the end the aim must be about efficient service delivery whether by an individual council, a small number of councils, or all councils in REROC. This is a mix that REROC has excelled at getting right.
OVERVIEW OF THE PERFORMANCE OF REROC

It would be expected that with a large degree of resource sharing and the resultant $4.5M saving generated by REROC members, that the individual councils would be ‘better off’ than the average council in the State that does not participate in resource sharing. This section attempts to consider the results of a number of key performance indicators for REROC members against industry averages.

One of the key performance indicators used in the local government industry is that the council is not identified on the Department of Local Government’s ‘watch list’ as a council that the Department has concerns with. A review of the Department’s most recent Annual Report (2002/03) indicates that Wagga Wagga City Council, the largest of the REROC councils, is the only REROC council to be on the ‘watch list’. This represents one in thirteen REROC councils, or 7%, as opposed to a total of 18% of the councils in NSW appearing on this list. REROC is therefore ‘under represented’ on the Department’s ‘watch list’.

The Local Government Accounting Code of Conduct requires the mandatory disclosure of the following key performance indicators in the audited financial statements of each council.

- **Unrestricted Current Ratio** — (current assets less restrictions/current liabilities less external restrictions) is used to assess the adequacy of working capital (after excluding all restricted assets and liabilities) and the ability to satisfy obligations in the short term. A ratio of 1:1 indicates that unrestricted current assets are available on hand to meet unrestricted current liabilities. If the ratio is less than 1:1, the ratio is unsatisfactory and council may be unable to meet its short-term commitments. A ratio of between 1:1 and 2:1 is satisfactory and shows that a council has sufficient liquid assets on hand to meet its short-term liabilities. A ratio of 2:1 or better is generally viewed by the industry as good (DLG 2003:93).

- **Debt Coverage Ratio** — (debt service costs/revenue from ordinary activities) is used to assess the degree by which revenues are committed to the repayment of debt. In 2001/02, the 82 urban councils (groups 1 to 7) had an average debt service ratio of 6.5% compared with the 90 rural councils (groups 8 to 11) who had an average debt service ratio of 4.9%. In 2001/02, of the 11 categories of councils, group 7 had the highest average debt service ratio of 11.9% (11.2% in 2000/01) and group 8 had the lowest average ratio with 2.8% (2.9% in 2000/01) (DLG 2003:100).

- **Rates Coverage Ratio** — (rates & annual charges/total revenue) is used to assess the degree of dependence upon revenue from rates and annual charges. This ratio varies between individual groups, with larger councils generally being more reliant on rates and charges and smaller councils being more reliant on grants (rather than rates and charges).

- **Outstanding Rates Percentage** — (rates & annual charges outstanding/rates & annual charges collectable) is used to assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts. A percentage of less than 5 is considered good, 5-9 concerning, and a percentage of 10 or above as unacceptable.
The results of REROC Councils are included in the figures below.

Figure 5.1: REROC Councils 2001/02 Unrestricted Ratio

Figure 5.1 highlights the unrestricted current ratio of all REROC member councils and indicates that none of the councils has an unsatisfactory ratio (less than 1:1). In addition, all but three councils (Gundagai, Holbrook and Junee) have a ratio in excess of 1:2.

Figure 5.2: REROC Councils 2001/02 Debt Service Ratio

Figure 5.2 provides details of the debt service ratio of the REROC councils. This demonstrates the low level of debt amongst these councils that may be in part a result of the councils’ resource sharing efforts. Resource sharing may have assisted these councils to share equipment rather than being required to borrow money to fund the purchase individually. The savings outlined in Table 5.1 may also have freed up additional financial resources that alleviated the need to borrow funds for other projects.

Figure 5.3: REROC Councils 2001/02 Rates Coverage Ratio

Figure 5.3 outlines the councils’ reliance on rates as a source of income. All councils appear to have a similar reliance on rate income as the average council in their group, and as is generally the case, larger rate income makes up a greater portion of the income for larger councils than it does for their smaller counterparts.
In addition to the indicators published in councils’ audited financial statements, the Department of Local Government also provides a more comprehensive comparative information on the performance of all local councils in NSW. It is designed to help both the community and councils assess the performance of their council across a broad range of activities. This enhanced transparency and public accountability helps to develop performance benchmarks and industry best practice models (DLG 2003:1).

Details of the comparative information between REROC members and their respective industry benchmarks are provided in Appendix 4.

In analysing these indications it is important to remember that the key performance indicators we have used do not, on their own, give the full picture of a council’s performance. Although they show the differences between councils across a selection of specific activities, they do not explain why these differences have arisen. The figures are indicators only and conclusions should not be drawn without qualitative assessments being made. Further details or explanation should come from contact with the relevant local council (DLG 2003:1).

In general, all REROC member councils fare reasonably well when compared to the average council in their respective groups. In particular, all but two councils have a positive capital expense ratio (capital expenditure/depreciation expense) indicating that the councils are replacing their infrastructure at a greater rate than it is deteriorating. All councils, on average, approve development applications much more quickly than the average council in the State, and all but one also exceed the State median calendar days to determine a development application. In addition to this, all but one council submitted their audited financial statements to the Department of Local Government within the prescribed times. However, 40% of the councils (five) did not submit their state of environment report to the Department on time. This matter is identified in Part III below as an opportunity for resource sharing within REROC. Part III also outlines the perceived benefits of providing a Regional Statement of Environment Report on behalf of REROC councils.

Perhaps the best indication of the success of REROC’s resource sharing can be seen in the number of full time equivalent employees each council has when compared to the average council in their respective groups. Every council, except one (and even this council only exceeded the average by one employee), employed less than their average counterpart. This provides further proof of the strength and future potential of REROC in sharing staff and that their expertise has saved the individual member councils employing additional staff. Instead, the funds saved from not having to employ extra staff have been, and can be, used to provide additional services to the community.

The true indication of the success of REROC may be in the reduced cost of services that member councils are able to deliver to their respective communities as a result of their resource sharing. Unfortunately there are no comparative records available within local government that record the cost of delivering services. This prevents a detailed analysis of how REROC councils perform. This lack of service delivery standards and costing is considered a fundamental deficiency of the information available on the performance of local government, and a situation we believe needs to be rectified.
OPPORTUNITIES FOR FURTHER CAPACITY BUILDING

There are many options available to increase the resource sharing efforts of REROC. REROC has established a good working relationship between participating members who appear to be receptive to looking at new cooperative initiatives to improve service delivery to their respective communities. The only limit to the future resource sharing of REROC appears to relate to members’ political and philosophical preferences, in particular, to the question of how much autonomy they are prepared to sacrifice to achieve cost savings. This will be an individual matter requiring consideration and discussion by each council.

A number of options or structures for the future operations of REROC are discussed in chapter 3 of this section and the option that is ultimately chosen may have some bearing on the degree of resource sharing that can ultimately be realised by member councils.

The Department of Local Government (1995:8) states that when selecting resource sharing opportunities it is important to identify:

- The major areas of council expenditure in which resource sharing opportunities are likely to exist;
- The council’s Management Plan objectives in terms of service delivery (specifically those affecting current and future resource requirements);
- Resources that are available to council and what level of performance could be reasonably expected of them; and
- Resources other councils have which are not currently available to council but could be well utilised.

In addition to these issues, consideration also needs to be given to the following items:

- Skills and expertise the individual councils have that others may be able to utilise;
- Resources (physical and human) that are currently under utilised that may be able to be offered to others;
- Specialised resources, which the council would like to have but cannot currently justify on its own, but may be able to be jointly owned; and
- Currently unfilled services that the community needs that may be able to be cooperatively provided.

REROC has an outstanding record of reviewing local government activities and providing regional implementation for local services. It is suggested that this model has been so successful that a full review of all local government services should be carried out to determine the service most likely to benefit from some form of resource sharing.

A suggested starting point is to review the expenditure that individual councils currently outsource to external organisations and determine which items could be jointly provided. The next step could be to review all large budgetary expenditure items, current equipment and staff that are under utilised and also those items that are over utilised. The review of the individual councils current cost of providing services, whether tendered out or individually provided, could be benchmarked against other councils to determine whether resource sharing could be used to reduce these costs.

It is also acknowledged that there are other organisations already responsible for a number of services that could be provided by REROC and hence are not included in the discussion below, including:

- Tourism (Riverina Regional Development Board)
- Economic Development (Riverina Regional Development Board)
• Library Services (Riverina Regional Library)
• Water Services (Riverina Water County Council and Goldenfields Water County Council)
• Road Safety (existing REROC activity in association with RTA)
• Waste Management (undertaken by the REROC Waste Forum)
• Telecommunication (Riverina First, REROC sits on the Board)
• Regional Skill Shortages (Professional Placement Project a joint project between REROC and Charles Sturt University)
• Youth Services (REROC Regional Youth Council and proposed Youth Officer)
• Urban Storm Water Management (an EPA-funded project hosted by REROC)

The following sections give details of resource sharing opportunities already identified by REROC (2003:6-8) together with a number of other opportunities that member councils consider are worth further investigation to determine the viability of the proposals. It is also suggested that member councils consider resource sharing with other organisations including State and Federal agencies, community organisations and even the private sector.

I. BENCHMARKING AND BEST VALUE PROJECT

One of the most flawed perceptions of local government is that it is inefficient. This fallacy has not been able to be conclusively rebuffed by the sector due to the limited amount of data that is available to prove otherwise. It is suggested that REROC should utilise their collective resources and expertise and embark on a project that aims to measure and compare unit costs of the full range of functions provided by local government. This would not only assist REROC members to identify best practices in service delivery and improve their efficiency, but would also enable member councils to publicly demonstrate that they are providing ‘best value’ in service delivery to their constituents. In addition, this project would put REROC at the forefront of Australian local government and establish the industry standards. This may also provide REROC with the potential to develop a system and a product that could be sold to other local authorities throughout Australia.

While this project may seem optimistic given the large number of activities that councils undertake and the variety of methods used to implement such activities, the benefits are believed to be immense. The main benefit of resource sharing is to reduce the cost of service delivery by individual members. As outlined in section 5.5, there are no performance indicators currently available, either within the industry or within REROC, that show the true benefit of resource sharing and the real success of the REROC model.

II. SOCIAL PLANNING

Options already identified by REROC include:

Option One — Develop a Business Unit at Wagga Wagga City Council (WWCC) that all member councils contribute to. The Business Unit would provide support for the development of social plans and assist in the implementation of initiatives in individual councils;

Option Two — A regional facilitator be appointed (and hosted by a REROC council) to assist members to prepare social plans and develop individual initiatives;

Option Three — Continue with REROC providing limited organisational assistance in the preparation of social plans; and

Option Four — Engage Charles Sturt University’s Rural and Social Research Unit to provide on-going support to member councils with their social planning issues.

General experience indicates that most of the community services provided to rate payers in rural areas tend to be regionally based. As a result we believe that there are large benefits to REROC in producing one regional community/social plan incorporating the specific details of individual councils. This approach would also assist in achieving funding or additional services from State and Federal government as regional priorities would have been identified in the plan.
Once the regional plan has been prepared and regional requirements have been identified we then believe that member councils will be in a better position to choose the best method (per options outlined above) to implement the social planning requirements. As a result it is difficult at this stage, and until the regional plan has been developed, to provide additional suggestions for resource sharing in areas such as youth services, aged care, health requirements and law and order issues.

III. INFORMATION TECHNOLOGY

Options already identified by REROC include:

Option One — Prepare a regional tender for the provision of basic servicing for IT hardware;

Option Two — Establish a Business Unit in one of the councils that already has existing in-house IT expertise (WWCC, Tumut) with member councils contributing on a user-pays basis;

Option Three — REROC to form a Co-op or company to deliver consultancy services to local government and beyond. The Co-op would focus on high-level advice on systems development and IT solutions (both hardware and software) but also provide basic servicing requirements; and

Option Four — Develop a sub-regional model (similar to Regional Safety Officers [RSOs]) with one IT person working across three councils.

Information technology can represent a large investment to some councils, particularly the smaller ones, and an investment that some rural councillors are reluctant to make. With this in mind and given the added difficulties in attracting suitably qualified IT staff to rural regions, there is good opportunity to determine resource sharing options in the area of IT.

In addition to the options identified above, the joint purchase of computer equipment on an annual basis should provide an opportunity to obtain bulk discounts on purchases. Rather than each council purchasing, say, small numbers of personal computers each year, bulk discounts could be achieve by jointly purchasing some 65 to 130 computers as required. Similar savings may also be available from the bulk purchase of computer peripheral devices and from the joint purchasing of software licenses.

Another future endeavour to be considered in this area is the bulk/joint purchase of enterprise information systems for accounting, property, asset management, planning etc. As well as generating saving on the purchase of these systems, a common platform will greatly assist in facilitating the networking and interchange of staff between REROC councils (as outlined below).

IV. HUMAN RESOURCE MANAGEMENT

This possibly offers the greatest potential to REROC members in a multitude of areas including staff training, staff exchange, filling specialised positions (such as IT, asset management, design engineer etc), and the provision of a dedicated human resource management function.

Options already identified by REROC include:

Option One — REROC to prepare a generic set of human resource (HR) management tools that can be customised for individual council use with participating councils meeting the cost; and

Option Two — Groups of councils work together to engage a HR manager to share across councils (RSO model).

Option Two, a dedicated HR manager, would provide members with a whole host of advantages. Not only could that person produce the generic documents mentioned in Option One, but also the opportunity to standardise all HR management tools among participating councils. The huge advantage here is that individual staff could move...
between REROC councils with little or no training or induction required. This is particularly useful if REROC wishes to pursue the staff exchange program outlined below.

Other advantages of a dedicated HR manager working for REROC councils is that they are in a better position to identify staff training needs and then co-ordinate the implementation of training programs across all councils. A dedicated person would also be able to assist in identifying and filling staff shortages as they would be aware of the needs of individual councils and know what skill sets are available at other councils to meet these needs.

**Staff Training, Rotations, Knowledge Sharing, and Skill Building** — This is another area with huge potential for members to explore. REROC has had considerable success in this area including the development of generic resource material for members following the introduction of new statutory requirements on local government by the State government in areas. Examples include the award winning (State Environmental Award) production of an on-site sewage management kit, a privacy legislation kit, GST implementation, occupational health and safety, and corruption resistant (as per ICAC) policies and procedures. Given that regulatory requirements are likely to increase in the coming years, this should continue to provide areas of exploration for the benefit of members.

REROC has already identified the following options in this regard:

- **Option One** — Increase staff training available through REROC; and
- **Option Two** — The Professional Placements Programme to include staff exchange as part of its activities. Staff to be exchanged with other REROC members to increase their levels of expertise and understanding of local government.

REROC should also consider the viability of sharing and rotating staff between councils. Working in another council will open opportunities to exchange ideas and share knowledge between organisations. Staff exchange will also aid councils during periods of staff absence and vacancies that occur from time to time. This will also improve the performance of councils, as the best method of performing a function, including more efficient ways of undertaking a function, will be discovered. This will also provide variety in the work of staff and could reduce turn-over rates and boost staff morale.

**Employment of Specialised Staff** — Rural councils have always struggled to attract and retain specialised staff. This is a trend that has certainly increased in recent years. The ability of councils to resource share in the provision of specialised staff provides an opportunity to offer more attractive employment packages and a more appealing range of duties for these staff than could be offered by individual councils. These efforts should assist REROC members in attracting and retaining staff.

REROC has already considered a number of options for the employment of rates, and payroll and design engineering staff, as well as in the above mentioned areas of HR management, IT, and social planning. The options identified by REROC for rates and payroll and design engineering are as follows:

- **Rates and Payroll**
  - **Option One** — A Working Party has been formed to determine whether outsourcing these activities or centralising aspects of them can generate any savings. Most members don’t employ dedicated staff in these positions, rather, the work is shared with other duties and therefore it is likely that any savings will be minimal.
  - **Option Two** — Develop a sub-regional model (similar to the RSO Project) with one engineer working across three councils.
  - **Option Three** — Councils with existing expertise to provide high-level advice to regional operators, on a user-pays basis, possibly utilising a help-line arrangement.
  - **Option Three** — REROC to prepare a regional contract for the provision of services by a private operator.
V. ASSET MANAGEMENT

Asset management is a significant function of local government and one where councils experience considerable problems in meeting asset maintenance and renewal commitments. Johnson (2003:38) highlights that:

...a significant proportion of council-controlled infrastructure was constructed by local government post-World War II era from grants provided by state and federal governments. Very little of this infrastructure was developed from council-generated funds. At present many of these assets are in poor condition and require replacement from councils’ existing revenue stream, including swimming pools, bridges, halls, roads, etc. However, local government does not have the financial capacity to replace these assets or bring them up to a satisfactory standard, without the sustained assistance of state and federal governments.

In addition to this Johnson (2003:39-40) also provides details of a number of interstate studies that have attempted to quantify the infrastructure renewal problem facing Australian local government:

For instance, a 1998 Victorian government report titled Facing the Renewal Challenge, which considered current replacement cost and long-term consumption of roads, bridges, footpaths, drains, parks, recreation facilities and public buildings, estimated that there was an annual infrastructure deficit, on these assets, of $233 million per year. In a similar vein, another report, commissioned by the [SA] Local Government Infrastructure Management Group in 2001, entitled A Wealth of Opportunity, indicated that South Australian councils’ infrastructure maintenance was being under-funded by $105 million (or 19 per cent of revenue). The report found that the situation was far worse for rural councils, which needed to quadruple their current expenditure on infrastructure maintenance. These councils currently spend less than $20 million a year on asset maintenance, but require some $64 million to be sustainable in the long term. In much the same way, in 1999-2000 Western Australian councils recorded a road infrastructure deficit of $59.8 million per year.

The importance of infrastructure management has also been identified as a significant issue in the Federal government’s report into ‘Rates and Taxes: A Fair Share for Local Government’ coming out of the inquiry into Costs Shifting and Local Government. It is considered that the Federal government will, in the near future, require a greater level of asset management reporting as well as more accountability for asset renewal.

Having established the importance of asset management for the sustainability of local authorities it is comforting to see that REROC has already sought to address this important issue and has identified the following options:

Option One — REROC to prepare an EOI to obtain Asset Management software that can be used on a regional basis. Data input could occur at a single regional location.

Option Two — Work with Goldenfields Water to determine whether or not it is feasible for them to maintain water and sewage infrastructure information for individual councils on their Asset Management System (TAMS)

Option Three — Bring together all the staff responsible for asset management in REROC to discuss ideas and formulate responses to problems including the financial implications of asset management.

Option Four — Engage a person to work across multiple councils to undertake asset assessments using generic templates and ranking standards.

Option Five — Where member councils have excess expertise in the area, engage those staff to work in other councils via secondment or contract.

REROC recognises that it will take some time to implement the right solutions for the above areas; however, given its successful track record they are confident that this will occur. We agree with these comments in that there are no easy solutions. One of the greatest criticisms with current asset management within local government is the lack of any sort of uniformity. Each council has determined its own remaining lives, depreciation rates, and costs associated with its infrastructure assets. The lack of any industry standards causes a great variance when comparing asset management practices between councils. We would, therefore, strongly encourage standardisation of many of these
systems. We would also encourage REROC to undertake a regional asset management study similar to those already completed in Victoria and South Australia. This would allow for the quantification of any deficiencies in the management of councils’ assets as well as assist in lobbying the State and Federal government for additional funds towards asset renewal. This study should also provide a starting point to assist in determining what is required in the area of asset management and what solutions may be considered to address the problems identified.

VI. CO-ORDINATION OF WORKS PROGRAMS

REROC has already undertaken some investigation in this area and have concluded that:

…members have also looked at opportunities to share plant, however the high cost of transporting the plant, together with the need to share plant at peak demand times (such as after rain) meant that this was not feasible and that members are now exploring opportunities to share specialised plant such as line markers (REROC 2003:3).

While it is acknowledged that it is difficult to share equipment for a lot of routine maintenance items such as graders etc, other opportunities are worth considering, particularly in the area of construction works and other clearly defined projects. Further options that we believe should be investigated include coordination of works programs to include pooling of resources and equipment to complete gravelling programs, implementing bridge replacement programs, concreting works, resealing programs and other similar projects. REROC may, in addition to considering sharing a line marking machine, also contemplate the joint purchase of a specialised pothole patching machine (these machines require one employee to complete the work that would have traditionally been undertaken by three as well as eliminating the OH&S exposure of traditional pothole patching), street cleaning machines, large trucks and dozers.

VII. OTHER RESOURCE SHARING OPPORTUNITIES

Potentially, there are a large range of services provided by individual councils that could be provided by REROC. REROC may wish to consider the following resource sharing options:

- **Contract Administration** — A centralised Contract Manager could maintain the various contracts and leases held by individual councils. This could include coordinating the calling, preparation and evaluation of contracts on behalf of members. This would not only allow for bulk contracts to be called, but also avoid duplication of contract management that currently takes place within the individual councils.

- **Purchasing & Stores Function** — A centralisation of the purchasing and store function may avoid duplication, provide more opportunity for bulk purchasing, and allow for reduction in the amount of stock individual councils keep in their respective stores.

- **Regional SOE Reporting** — As touched on in Part II, Section 5 we believe that there are advantages in preparing a regional Statement of Environment (SOE) report rather than individual councils preparing separate reports. A number of regional SOE reports have been prepared elsewhere around the state and provide many advantages to councils. These include reduced duplication, a report prepared by specialist staff, identification of regional priorities and the likelihood of acceptance from the State government.

- **Environment & Catchment Management** — This is one of the fastest growing areas for council and a field in which most councils lack the relevant expertise. REROC may wish to explore the potential here, including the possibility of providing a suitably qualified person for councils to call upon for assistance when handling environment and catchment issues.

- **Risk Management Services** — Recent court cases and the State government’s effort to reduce the deficit of WorkCover has forced an increased focus on the risk management practices of councils. The provision, by REROC, of a Risk Manager to address occupation health and safety issues and public liability exposure management on a regional basis, would greatly assist member councils. This would not only help councils in meeting their statutory and common law liabilities but would also reduce system duplication and encourage standardisation of practices which would greatly assist in defending claims.
• State and Federal Government Services — A well resourced REROC could potentially provide many more fee based services on behalf of the State and Federal governments. We would encourage REROC, particularly after the completion of the regional social plan and SOE report, to identify services it may be able to jointly provide on behalf of the State and Federal government.
ADVOCACY AND PROBLEM SOLVING

REROC allows local decisions to be implemented utilizing the advantages offered by economies of scale. The REROC model also enables decisions and employment to be retained locally. Resource sharing has many benefits including (DLG 1995:7):

- Allows councils to maintain their independence at the local level;
- Allows councils to provide services to a larger population;
- Spreads costs and risks;
- Encourages greater use of all available resources;
- Allows financial savings in service delivery;
- Releases savings for other service areas;
- Provides for both broader and more specialised services;
- Permits more equitable distribution of services for residents and ratepayers; and
- Attracts a financial contribution from non-resident users.

We have attempted to provide an overview of the success of REROC and a number of options for its future consideration which will further strengthen the organisation as well as assist member councils provide more cost effective services to their respective communities. It is acknowledged that some of the options recommended above for further investigation may not suit all member councils, however it should be remembered that REROC’s vision states (REROC 2003:2) “members only participate in a REROC project if they believe that it will generate positive outcomes for their council” and that “it is never a case of one in - all in”.

REROC is a highly successful organisation and is at the forefront of resource sharing in Australian local government. The organisation has generated in excess of $5M in savings to members, an amount that is many times the value that members have contributed to the organisation. We believe that the estimated cost savings generated by REROC through their resource sharing activities are likely to substantially under estimate the true benefit that this organisation has provided to the communities it represents. We also believe that REROC should be used as a model of what true resource sharing and cooperative ventures can produce.

The scale of operation that REROC delivers could also potentially see it sell its service to the private market and State and Federal agencies. As more specialised skills and expertise are developed and specialised equipment acquired, the potential to derive income from these resources increases substantially.

In addition to resource sharing benefits REROC also offers significant returns in terms of advocacy/lobbying and problem solving.

I. ADVOCACY AND LOBBYING

Though political lobbying has always been one of REROC’s roles, in recent years it has become a much more salient function.

There are three main avenues through which REROC pursues its political objectives:

*Formal Submissions*

NSW Upper House Inquiry into the Budgetary Processes of Health Services
- Senate Inquiry into Regional Employment and Unemployment
- Senate Inquiry into the Socio-Economic Consequences of National Competition Policy

Senate Inquiry into the Impact of NCP on Regional and Rural Communities
- Productivity Commission Inquiry
Legislative Council—Strengthening Rural Communities
  Commonwealth Grants Commission

State Parliamentary Inquiry into Insurance and Local Government

House of Representatives Standing Committee on Economics, Finance and
  Public Administration—Cost Shifting Inquiry in Local Government
  Stronger Regions Business Analysis
  Commercial Air Services to Rural Areas

State Minister on amalgamations
  Legislative Assembly Inquiry into Amalgamations

Delegations and meetings with State and Federal actors

Response to the Digital Data Review Public Inquiry
  WorkCover’s proposed Code of Practice for Working Near Traffic
  Country Link Rail Services
  Delegation to Federal Communications Minister about Mobile Telephony

State Minister—road funding
  State Minister—single-issue contracts
  Rural Fire Service
  Local government financial reporting
  Slot Management Review at Sydney Airport

State Government Public Bodies Review Committee on the Effects to
  Government Agencies of the Abolition of Nonfeasance Immunity
  State Standing Committee on Transport and Regional Services

Indirect

Networking channels — REROC’s views on a range of issues are conveyed through its interaction with regional,
  State and Federal agencies.

It is difficult to measure success in the arena of advocacy/political lobbying. There would appear to have been only
  one unambiguous outcome over the last eight years or so. This was the clear ‘win’ in the wake of REROC’s strong
  Implementation of the policy would have imposed significant additional costs on councils.

In the great majority of cases the end result of intense lobbying efforts is uncertain. Decisions are often the result of
  compromise between a number of political actors. It is usually difficult to ascertain which lobbyists were most
  influential.

However, there are a number of factors that, cumulatively, suggest that REROC has performed very well in this
  sphere of activity in recent years.

Factors relating to REROC’s credibility — First, there is the simple equation of the weight of numbers. Some 120,000
  citizens reside in the REROC area. This is a substantial population of voters whose collective outlook undoubtedly
  will have more impact on the views of State and Federal politicians than six or seven thousand residents of
  individual councils.

REROC has always presented an unwaveringly unified approach on issues. The organisation not only puts forward
  a majority stance for the region, but also the views of 13 councils within the region. Federal and State submissions
  prepared by REROC do not just purport to represent a bare majority. They have been discussed and considered by
  substantial majority of decision-makers and elected members in the area. This process adds greatly to the
democratic legitimacy of the submission.

REROC is not a single-issue lobby group. Its submissions have covered a wide range of matters in the course of its
ten year history, demonstrating clearly that the organisation possesses a sound overall grasp of the problems confronting the region.

The content of REROC’s submissions have consistently been well researched and presented. They embrace the collective experience and expertise of 13 councils. Before coming to REROC itself, the issues have been extensively discussed by individual municipalities and working parties.

Finally, REROC’s widely acknowledged success in other areas of activity, such as resource sharing, is a clear indicator that the organisation is a highly competent manager. Indirectly, this adds credibility to its submissions.

Perceptions — There is a strong perception on the part of REROC members that the organisation is a successful advocate. Nine of the 13 GMs interviewed considered REROC to be a highly effective lobby group. One GM observed that, as a result of REROC’s efforts, “we are being heard in some high places”. This is supported by successive chairmen of REROC who consider it a potent political force in the region (REROC 1999:1; 2000:2). Three of the GMs interviewed considered REROC to be a more impressive performer in the political arena than the Shires Association’s G Division. REROC was seen as being more ‘proactive’ and able to focus specifically on critical ‘nuts and bolts issues’. The impact of G Division as a regional body was seen to be substantially weakened because of the Shires’ Association need to represent the views of local governments across the State as a whole.

Supporting Evidence — The following are four examples of REROC’s views being actively sought by State and Federal bodies:

1. In 2001 the Executive Officer was invited to attend the Global Foundation Round Table discussions on regional economic development. This gathering also comprised such luminaries as the Commonwealth Minister for Trade, the Irish Ambassador, the French Trade Commissioner, and the Ambassador to the European Union.
2. During 2002 the Executive Officer was invited to join the Premier’s Department Riverina Coordination Management Group. This is the first time a local government representative has been asked to participate in such a group.
3. Also in 2002, REROC representatives were invited to have dinner with members of the State Parliamentary Inquiry into Insurance and Local Government and put their thoughts in a more “informal atmosphere” (REROC 2002:2).
4. Finally, in 2003 members of the General Purpose Standing Committee of the NSW Legislative Council invited REROC to submit a position paper on local government restructuring.

Federal and State ministers and MPs have been keen to come to Wagga Wagga to address REROC. For example, successive Commonwealth Ministers for Local Government—Senator Ian MacDonald and Wilson Tuckey MP—have accepted invitations to attend REROC meetings. So too has the Deputy Prime Minister, John Anderson.

II. PROBLEM SOLVING

This has been an area where REROC can demonstrate unqualified positive outcomes. Some of the major issues that have been successfully dealt with in recent years involve:

- Urban Stormwater Management Plans
- On-site Sewage Management Plans
- Goods and Services Tax
- Road Safety Officer Program
- Geographic Information and Global Positioning Systems

In each case REROC has shown an ability to come up with responses suited to the particular needs of the region. That it is been able to do this is due, again, to the flexibility of the network structure that provides the substance of the organisation. Key features of this structure include that:

- Given their broad geographical coverage the networks help to identify emerging problems in the first place;
• They provide the skills and expertise necessary to resolve the matter;
• They can expand existing networks to overcome intractable problems, or even create fresh networks where necessary.

The issues tackled by REROC in recent years have been fairly specific in content. The emergence of the Youth Council in 2002, however, represents an issue of an entirely different order. As it deals with the broad umbrella question of social planning it holds significant implications for REROC in terms of a regional policymaking role.
MODELS FOR FUTURE DEVELOPMENT

1. THE VIEWS OF THE GENERAL MANAGERS

Each of the 13 GMs interviewed agreed that REROC has been a highly successful venture (though there were qualifications from a few about some aspects). There is certainly a sense of pride in what has been achieved, and a belief that the organisation should be encouraged to develop and expand. However, there are quite divergent views about how this should be accomplished and in what directions REROC should move. In fact, there was unanimous agreement on only one point. The discussion below considers some of the major issues raised by the GMs about the evolution of REROC’s structure and functions.

Increased resource sharing — This was the one issue upon which all GMs were agreed: REROC had achieved impressive savings through its resource sharing strategies and this should be ‘taken to the next level’. Most thought that there was considerable scope to win substantial further gains in this arena, particularly in terms of bulk purchasing and staff employment.

Autonomy — 11 of the 13 GMs believed this to be a paramount value. Local autonomy and the preservation of community identity are jealously guarded. That the current REROC structure facilitates collective action whilst at the same time maintaining these features is considered to be one of the organisation’s greatest attributes.

Maintain existing structure — 9 GMs wish to see no change in the way REROC performs its activities. They believe the current framework and processes have served members well and should be preserved. Any new functions and directions should be able to be accommodated within that format. The most critical concern in terms of adhering to the status quo relates to the point above—the need to protect autonomy.

Regional government — Not surprisingly, in terms of the above, just 2 GMs supported moves to transform REROC into a regional government. Such action would involve compromising local autonomy and ceding authority to a more centralised system. This would undermine the principle of voluntary association that has been a cornerstone of REROC. In the view of many, the trust between members that has been built up over time would be eroded.

Majority decision-making — 5 GMs are prepared to support some strengthening of REROC’s powers by agreeing to accept the outcome of a majority vote on key policy issues.

Expanded secretariat for REROC — 5 GMs (though not the same five as above) believe REROC requires additional staff and more resources (and therefore a larger secretariat) if it is to pursue a growth strategy. The remaining 8 GMs argue that, by using the existing resources of regional councils, expansion and development can be accommodated. For example, most GMs would like to see REROC function as a facilitator for staff sharing exercises. The preferred approach here is that currently used with the Road Safety Officer program. GMs would like to see a design engineer, or an IT specialist employed by one of the councils, but hired out, or made available in some way, to other members.

Staff development — All GMs agreed that one of REROC’s greatest potential benefits was its ability to act as a facilitator for staff development across the region. This would include such strategies as skills training, sharing of personnel, and interchanges between professional positions.

Strategic planning — 12 out of the 13 GMs confirmed that planning was one of REROC’s great strengths and held considerable potential for future development (though 2 interviewees qualified the scope of this activity). Environmental and social policy areas in particular were seen to offer substantive benefits to member councils in terms of time and money saved. Uniform approaches to codes of practice for the region as a whole clearly facilitate coordination and implementation.

Political lobbying — All GMs agreed that REROC had performed well in this dimension, though not all were happy with the outcomes. Five felt that the organisation should reduce its involvement in terms of lobbying, with one of these being prepared to accept current levels of activity. Eight GMs, however, were enthusiastic about the results...
obtained and were keen to see REROC extend and strengthen its hand as a political lobbyist.

The above points indicate that there is disagreement on several critical issues. In some instances an inherent contradiction would seem to be evident.

On the one hand, a clear majority of GMs place a premium on local autonomy and identity, and wish to see REROC maintain its current shape. At the same time a clear majority would also like to see many of the organisation’s functions expanded and strengthened.

A clear majority of GMs strongly oppose the formation of a regional government. Yet a clear majority also wish to see greater emphasis placed on strategic planning and political lobbying. Arguably, these are already governance roles that REROC undertakes successfully. It is uncertain how they can be further developed without the organisation taking on some of the attributes of a governing authority.

II. THE VIEWS OF THE ELECTED REPRESENTATIVES

At the request of the REROC Board the views of the elected representatives of REROC’s member councils were sought to balance the perspectives of the GMs. One deputy mayor, the chair of one county council, and 12 mayors were subsequently interviewed during March 2004. It was originally intended to ask the elected representatives to assess the relative value of the four models set out in the initial draft of this document. However, it turned out that only a minority of members were familiar with the substance of the models. It was therefore decided to restrict responses to the same questions that were asked of the general managers.

Increased resource sharing – as with the general managers, this was the one issue on which there was unanimity - all agreed that resource sharing constituted REROC’s greatest success and should be developed further.

Autonomy –11 mayors considered council autonomy to be of prime importance and a critical factor underpinning REROC’s success. Weakening its value would only undermine the organisation’s stability and cohesion. As one mayor commented, ‘Councils are most likely to cooperate when they do NOT see a threat to their autonomy’. However, 2 mayors placed a reduced emphasis on autonomy, and one mayor, none at all.

Majority decision-making – not surprisingly, in the light of the above, 11 mayors opposed the imposition of majority decision-making. It was viewed as a direct threat to council autonomy. Only 3 interviewees were prepared to accept a majority vote that was binding upon member councils. Most mayors clearly support the current situation where decisions are reached on a consensual basis with individual councils having the right not to participate.

Maintain existing structure – in contrast to the general managers, only 2 mayors wished to maintain the existing framework. All others argued for the need for some change in the current structure. For example, one mayor stated forcefully that, ‘REROC has to progress. It can’t stay as it is’ Another stated that, ‘we need to look for further opportunities’.

Regional government – all 14 interviewees rejected such an entity as a desirable structure. However, 3 mayors were prepared to consider it as a last resort.

Strategic Planning – 2 interviewees opposed REROC being involved in this exercise, while one was lukewarm. The great majority (10), however, were strongly supportive of the organisation expanding its role in this process. One mayor thought the ideal was for REROC to develop planning templates in various areas and allow individual councils to tailor them to their specific needs.

Expanded secretariat – 10 interviewees accepted that a growing REROC would require a larger secretariat to service it. Most of these added the qualification that any such growth would have to be cost effective. Several also stated that the current structure of a contracted secretariat should continue, while one thought it desirable that the secretariat be employed directly by REROC. Expansion was opposed by one mayor, 2 wished to maintain current levels of staffing, and one was unsure.

Staff development – 10 mayors strongly supported further initiatives in the area of regional staff development.
through training and interchange. Where personnel of this nature were to be offered employment, the majority felt that it should be by the councils themselves. A minority were willing to countenance such people being hired by REROC’s secretariat.

**Political lobbying** – 12 of the interviewees felt that political lobbying had been one of REROC’s most effective roles and should be developed further in the future. Three mayors qualified the extent of this activity, arguing that REROC as a single entity could not serve all the interests of all members all the time. There would be occasions when the individual directions of members would diverge from the region as a whole. Two mayors were opposed to REROC developing into a stronger political force. One of these believed that this was G Division’s role.

There is a high degree of congruence between the views of the elected representatives and those of the GMs. Indeed, the only major difference appears to be that the mayors are more willing to encourage REROC to pursue new directions. This divergence may simply reflect the fact that the mayors are elected members and entitled to speculate publicly on policy initiatives.

When the content of the two sets of interviews are combined, it is possible to sketch out the broad features of an evolving REROC that would seem to be acceptable to a substantial majority of participating councils.

It seems inevitable that the way forward for the organisation will involve compromise. In the following section we present five possible models that might guide the course of REROC’s future development. The last of these (V. Combined Model) was generated from the discussion with the elected representatives gathered after the initial four models were developed. This model embraces elements of the first three models. It is clear that, at this point in time, elected representatives reject any notion of REROC becoming a county/regional council.

### III. FIVE MODELS

Five basic options are put forward for the future of REROC, starting from the current REROC position. These are:

i. Maintaining REROC’s current structure and processes
ii. Strengthening REROC
iii. Virtual REROC
iv. Regional council
v. Combined Model

#### i) MAINTAINING CURRENT STRUCTURE AND PROCESSES

The current structure and processes have proved effective to date. Critical to their success has been the ongoing commitment of the secretariat, which has operated on an outsourced basis. At the present time the current structure is based on a relatively small secretariat function, which facilitates a range of networking opportunities across some or all of the member councils covering a range of services, facilities, and initiatives.

The current structure and processes are generally adequate to continue with REROC functions as they currently exist, provided that the level of commitment to the secretarial/executive officer function is provided at an appropriate level. REROC has been very fortunate in terms of the secretariat/executive officer function over recent years. Indeed this has been quite instrumental to its success. Continuation of the current structure therefore is highly dependent upon both continuity and competence in the secretariat/executive officer function. This suggests that there is a need to ensure that there is good continuity in the secretariat/executive officer function and that this position is appropriately resourced and filled.

One difficulty with maintaining the current structure and processes, is that over time REROC has become more complex in the range of matters that it undertakes. This gradual escalation of functions means that, in time, simply maintaining the current structure and processes is unlikely to prove adequate. It also means that additional benefits, over and above those existing, are unlikely to be gained. It also means that REROC is unlikely to grow to accommodate additional members, again because of the pressure on resources that increased size and complexity would place.
ii) STRENGTHENING REROC

The existing benefits of REROC, whilst substantial, can be enhanced. The most positive option is to build on the strengths of REROC and to further develop the model. Strengthening REROC involves several key possibilities, which should be undertaken in a planned fashion rather than merely by process of ad hoc growth. Certainly ad hoc opportunities, both in terms of expanding the membership and in terms of the range of functions are likely to arise. These should, however, be accommodated within a growth plan which is structured and supported by the membership.

Growing the membership base — This is a key potential growth path for REROC. REROC has grown since its original conception, now incorporating organisations beyond general purpose councils. There is no reason why this growth cannot continue — this could occur either by increasing the geographical extent of REROC, or increasing the number and type of organisations within its current geographical boundaries. Of course, both can occur simultaneously. Already some REROC activities have involved councils beyond the formal REROC boundaries. This suggests that there is scope to look at an expansion of REROC to include other general purpose councils adjoining the current REROC boundaries. For some initiatives, it may even be appropriate to ‘leapfrog’ if other councils within reasonable geographic proximity, but not congruent with the existing REROC, developed an interest in joining the organisation. This becomes possible, given the ‘opt in’ basis on which REROC operates.

REROC can also develop more depth by including a wider range of organisations within its geographical boundaries. These could, potentially, include other government agencies, both State and Federal, and there may also be the opportunity for working with certain private sector organisations. Again the ‘opt in’ model is critical. This would enable, for example, private sector firms to join in a buying cooperative for goods and services which are commonly utilised in both the public and private sectors, whilst the private sector may not wish to be involved, for example, in certain forms of lobbying activity.

REROC could be opened to both a wider geographical scope of operations, and an increased inclusiveness within its boundary areas. Whilst obviously there needs to be an adequate degree of alignment between member organisations, this can be quite limited for certain functions. In addition to the economy of scale benefits associated with broader operations for some functions, broadening of the membership base should assist to develop economy of scope opportunities. This is particularly the case when looking at including a more diverse range of organisations within the membership. Cross-fertilisation between, for example, private and public organisations can bring fresh and useful approaches in areas as varied as internal management structure and fleet management.

Strengthening the secretariat/executive officer function — The REROC model is a facilitated network model. Whilst on one level, this has shown itself to be economical in terms of resources associated with the secretariat/executive officer function, the natural growth of both the scale and scope of activities that is occurring, strongly indicates there is room for expansion. Increasingly, as the organisation grows, it will prove difficult for the current level of secretariat/executive officer support to sustain all the various activities. There is considerable benefit, however, in maintaining the current outsourced model. Within the current arrangements this works well. By re-contracting and, if necessary, re-specifying the position periodically (for example every two years), an opportunity is provided to review the scale and scope of support with each contract. For example, as the scope of operations increases, it may be useful to look at a full-time executive officer/secretariat, combined with several part-time positions specialised in various functions. This could operate within an overall budget allocation, with flexibility in the performing organisation to allocate resources according to varying needs which emerge from time to time. This model of determining an overall ‘quantum of support’, to be provided either by an individual or outsourced organisation, has proved effective in a number of voluntary organisations. In particular, it provides flexibility whilst at the same time ensuring an adequate and cost effective level of resource commitment. Successful firms or individuals could be expected to retain the contract over a substantial period of time, ensuring high levels of organisational continuity. Part of the ongoing management of REROC should also include good levels of documentation in terms of procedure and operations. If, for some reason, a change of secretariat/executive officer functions within the organisation is required, organisational continuity can be ensured through the existence of sound management tools.

Utilising REROC as resource provider — Currently REROC does not directly employ staff. This gives the
organisation flexibility that is difficult to achieve when there is a standing staff establishment. The contract model
can also be used to ‘employ’ professional and technical staff with specific expertise, who could be shared across the
REROC organisation. This is particularly the case where a specialised function does not justify a full staff
appointment within an individual member organisation. Examples might include a specialised engineering
function, specialised IT support, or similar. Two to three year contracts, whilst needing to be remunerated at a
higher level than permanent staff, may well prove attractive to professionals seeking limited term appointments
outside the main metropolitan areas. This model can also be used to engage other specialist functions directly linked
to the activities of REROC. For example, the engagement of people with specialist skills in contract development
and management may well improve the procurement results through REROC contracts.

The above opportunities for strengthening REROC do not disrupt the basic and well proven model. Rather, they
seek to build on what has already been developed in a planned, but nevertheless incremental fashion. This is both
a relatively low-cost and low risk way of expanding the operations of REROC and maximising the potential
benefits.

**iii) VIRTUAL REROC**

Increasingly the need for organisations to be geographically congruent is changing. Much has been made, in the
regional development literature, of ‘clusters’. Typically these involve groups of organisations, closely related
horizontally and vertically, who co-locate because of certain advantages. Attention is now being given to the concept
of a ‘virtual cluster’ where groups of organisations can combine for common purposes, largely through electronic
mediation. The possibilities that this opens for REROC were briefly alluded to above where the concept of
‘leapfrogging’ to new members was discussed. This concept could be expanded. There are a number of services and
facilities, where geographical co-location of (for example) a combined purchasing operation is less critical—certain
forms of software and the like are less critical in terms of location. To an extent the initiatives of the Local
Government and Shires Associations foreshadow this mode of operation, noting that some diseconomies of scale
can occur when the number of involved organisations becomes too large, or too diverse in intent, operation or
location. Another difficulty with a very broad-based virtual organisation is that a number of functions, such as
regionally relevant lobbying, may prove more difficult to incorporate within a geographically fragmented
organisation.

Virtual organisations do offer a benefit in the closer linking and more seamless interchange of information between
current member organisations or between those in an enlarged organisation. Electronic opportunities to enhance
inclusiveness as well as lower costs exist for those seeking input into a draft lobbying document, or the business-to-

business exchanges associated with procurement. The overall operation of REROC can usefully be reviewed to
ensure that electronic technologies are used optimally.

*Regional Council* — Regional government is being strongly promoted by the current State government as the future
for rural NSW. There is considerable pressure, through amalgamations, to seek genuinely regional scale government
in portions of the state. Regional governments can, however, also occur by formalising the existing regional ‘layer’
whilst still maintaining local council autonomy.

*Broad scale amalgamation* — This Report makes it clear that broad scale amalgamation is not a recommended
course for REROC to follow. In particular, the inconsistent evidence regarding economies of scale and the proven
ability of REROC to gain many of the benefits purportedly occurring in large-scale councils mean that this option
should be firmly discarded. In addition, issues of local governance would be significantly overridden in any large-

scale amalgamated council—for example, most larger scale councils find it necessary to implement a ‘community
layer’ to ensure more direct contact with people at a local level, particularly across areas of diverse rural
communities. This has significant resource implications, but also, more importantly, is subject to central direction
regarding the expenditure of funds and the balance of priorities across local communities. The current grants
commission processes provide an effective, open and transparent method of assigning the relative priority of
resources to different communities. The inappropriate amalgamation of councils effectively ‘hides’ those transfers.
iv) REGION OF COUNCILS

A more formalised region of councils is a potential alternative approach that maintains local autonomy. This model is based in the older style county councils, who were (and in some cases still are) owned by the local councils within the area. Representation to the county council is of councillors supported by GMs from the constituent councils. Assets of those bodies remain in the ownership of local government at the local level. Whilst this model tended to be used for special-purpose county councils such as electricity distribution, weeds control and the like, there is no reason why such a model could not be applied to a more general purpose council. This model has been used in New Zealand, where although there are some unitary councils, much of the country is covered by a regional council and, below it, district councils.

The model is not without its difficulties. In particular, determining the scope of operation and the clear demarcation between regional and district councils has at times proved problematic. In addition, to implement a regional council requires both a formality of organisation and an internal structure that is contrary to the current REROC model. There is constant pressure for organisational growth at the regional council level, which would require staffing structures, premises, and all the accoutrements of government organisation. In the present context, it is considered that a more formalised council of this type has significant disadvantages. In addition to demarcation issues, the presence of the permanent establishment would weaken the flexible and ‘nimble’ nature of the current REROC structure. In addition, there could be risks of duplication emerging—a regional council structure would also participate in the economy of scale and economy of scope operations.

v) COMBINED MODEL

Current membership and modus operandi of REROC — Existing size be retained and not expanded. Two mayors were open to REROC adding further councils to its membership, but four were opposed to any addition in numbers. As one interviewee noted, REROC already embraces a geographically large and diverse region and it would be difficult to increase this without losing internal coherence. Certainly, no strong feeling emerged from the interviews that REROC should become bigger.

Decision-making continues on a consensual basis with members being free to abstain from participating in specific issues if they wish. This strategy ensures that the integrity of individual councils is upheld.

The secretariat should remain functioning on a contractual basis.

Growth — The potential for developing resource sharing be fully exploited (in terms of the suggestions outlined in previous sections of this document). This strategy requires a commitment on REROC’s part to build additional levels of relevant skills and expertise. As mentioned previously, councils can opt out of such activity as seems appropriate.

The above comments also apply to political lobbying. REROC’s great strength in this arena stems from the influence it can wield by adopting a unified stance. However, there may be occasions where the interests of individual members conflict on critical matters. How REROC manages such situations will have to be considered carefully.

Staff development and strategic planning should assume a higher profile in REROC’s functions for the future.

To accommodate growth in these activities and to strengthen the organisation’s knowledge base, some expansion of the secretariat would seem desirable. Nine of the mayors interviewed emphasised that the calibre of the CEO has been a critical factor underpinning the success of REROC. If this is to continue, it makes sense to provide the CEO with the support she needs.

Cohesion, autonomy and fluidity — REROC will continue to operate as the central regional organizing focus for member councils. However, this does not preclude individual councils from participating in other networks (as is currently the case). Members should continue to work as groups of REROC councils where there is a coincidence of interests, and to join up with external councils when such cooperation can reap tangible benefits. Networks need to remain relatively open. As one mayor commented:
...flexible single purpose alliances may be the future. Opt in AND opt out. We need to avoid fixed borders on this. By sharing, you may be in different alignments of councils for different issues.

REROC requires loyalty and commitment from members to operate effectively. But this framework should also be able to accommodate more fluid arrangements with a wider range of partners. It can thus ensure both cohesion and autonomy.
SUMMARY

In the context of this report, some of the options put forward for future growth and development are ‘straw men’. Amalgamation is clearly one of these. A more formal region of councils may appear superficially attractive, but it replicates older hierarchical styles of organisational arrangement that are not proving effective in dealing with the volatility and dynamic nature of today’s operating environment. In addition, the almost inevitable demarcation disputes would weaken the overall effectiveness of that model. Staying still is also not an option. The pressures on the local government sector will ensure that REROC continues to grow, if not geographically, then certainly in terms of the scope of its operation. This should not occur in an ad hoc fashion, but should be the result of a deliberate and planned forward strategy, which is nevertheless flexible enough to accommodate the unexpected.

The planned growth strategy of strengthening REROC is therefore recommended. The three key elements identified, strengthening the secretariat/executive officer function, expanding the geographical scope and organisational membership depth, and utilising REROC to provide shared resources should all be explored. Geographic and organisational growth should be, however, approached cautiously. It is important that there is adequate ‘fit’ between the existing REROC group and new members. Expansion of operations of the current REROC can, however, be approached with more vigour. The extensive range of future potential operations of REROC already identified by group members, together with additional suggestions made in this report, should be vigorously pursued, bearing in mind the need to ensure appropriate secretariat and other resources are applied to this growth. Finally, the effective use of electronic technologies should be seen as an integral step in further developing the REROC model, to ensure that this occurs in a flexible, cost-effective fashion. That being said, it is important to ensure that the use of electronic technologies is approached in a staged and careful manner.

In the final event, planned but incremental growth of the organisation is recommended, together with implementation of the suggested monitoring procedures so that the overall costs and benefits of individual projects and of the enterprise as a whole can be more accurately determined through time. Critically, the concept of REROC as a network (and in some way a network of networks) needs to continue. In addition, the judicious development of the outsourcing model in terms of supporting the organisation should also be supported.
APPENDIX 1

MAP OF REROC REGION
(as at April 2004)
REROC COUNCILS AND DELEGATES
APPENDIX 2

(As at March 2004)

**Bland Shire Council**
PO Box 21, West Wyalong N.S.W 2671
Ph: (02) 6972 2266  Fax: (02) 69722145
Email: council@blandshire.nsw.gov.au
Website: www.blandshire.nsw.gov.au
Delegates
Clr. David Bolte
Mr. Frank Zaknich

**Coolamon Shire Council**
PO Box 101, Coolamon N.S.W 2701
Ph: (02) 6927 3206  Fax: (02) 6927 3168
Email: council@coolamon.nsw.gov.au
Website: www.coolamon.nsw.gov.au
Delegates
Clr. Robert Menzies
Mr. Terrey Kiss

**Cootamundra Shire Council**
PO Box 420, Cootamundra N.S.W 2590
Ph: (02) 6942 2744  Fax: (02) 6942 3690
Email: mail@cootamundra.nsw.gov.au
Website: www.cootamundra.nsw.gov.au
Delegates
Clr. Paul Braybrooks
Mr. Shane Godbee

**Culcairn Shire Council**
PO Box 94, Culcairn N.S.W 2660
Ph: (02) 6029 8588  Fax: (02) 6029 8607
Email: mail@culcairn.nsw.gov.au
Website: www.culcairn.nsw.gov.au
Delegates
Clr. Ellis Linder
Mr. Steve Pinnuck

**Goldenfields Water County Council**
PO Box 220, Temora N.S.W 2666
Ph: (02) 6978 0796  Fax: (02) 6978 0796
Email: office@gwcc.nsw.gov.au
Website: www.gwcc.nsw.gov.au
Delegate
Mr. Paul Ballard
Gundagai Shire Council
PO Box 34, Gundagai N.S.W 2722
Ph: (02) 6944 1266  Fax: (02) 6944 1475
Email: mail@gundagaishire.nsw.gov.au
Website: www.gundagaishire.nsw.gov.au
Delegates
Clr. Len Tozer
Mr. Graeme Tickner

Holbrook Shire Council
PO Box 99, Holbrook N.S.W 2644
Ph: (02) 6036 2155  Fax: (02) 6036 2683
Email: mail@holbrook.nsw.gov.au
Website: www.holbrook.nsw.gov.au
Delegates
Clr. Heather Wilton
Mr. Peter Daley

Junee Shire Council
PO Box 93, Junee N.S.W 2663
Ph: (02) 6924 1277  Fax: (02) 6924 2497
Email: gen-mgr@junee.nsw.gov.au
Website: www.junee.nsw.gov.au
Delegates
Clr. Lola Cummins
Mr. Greg Campbell

Lockhart Shire Council
PO Box 21, Lockhart N.S.W 2656
Ph: (02) 6920 5305  Fax: (02) 6920 5247
Email: mail@lockhartshire.nsw.gov.au
Website: www.lockhart.nsw.gov.au
Delegates
Clr. Colin Wiese
Mr. Glynn Jones

Riverina Water County Council
PO Box 456, Wagga Wagga N.S.W 2650
Ph: (02) 6922 0608  Fax: (02) 6921 2241
Email: admin@rwcc.com.au
Website: www.rwcc.com.au
Delegates
Clr. Pat Brassil
Mr. Gerald Pieper

Temora Shire Council
PO Box 262, Temora N.S.W 2666
Ph: (02) 6977 1099  Fax: (02) 6977 2996
Email: temshire@intemora.net.au
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Delegates
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Mr. Gary Lavelle
Tumbarumba Shire Council
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Email: mail@tumbashire.nsw.gov.au
Website: www.tumbashire.nsw.gov.au
Delegates
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Mr. Peter Bascombe

Tumut Shire Council
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Ph: (02) 6947 0555  Fax: (02) 6947 2141
Email: admin@tumut.nsw.gov.au
Website: www.tumut.nsw.gov.au
Delegates
Clr. Geoff Pritchard
Mr. Chris Adams

Urana Shire Council
PO Box 55, Urana N.S.W 2645
Ph: (02) 6920 8205  Fax: (02) 6920 8060
Email: URANA1@bigpond.com
Website: www.geocities.com/uranashirecouncil
Delegates
Clr. Doug Milvain
Mr. John Hunt

Wagga Wagga City Council
PO Box 20, Wagga Wagga N.S.W 2650
Ph: (02) 6926 9100  Fax: (02) 6926 9109
Email: council@wagga.nsw.gov.au
Website: www.wagga.nsw.gov.au
Delegates
Clr. Kevin Wales
Mr. Graeme Faulkner

Riverina Regional Development Board Delegate
Delegate
Mr. Peter Dale
Appendix 3


The Centre for Local Government at the University of New England is undertaking a major research study into the roles and functions of Regional Organisations of Councils (ROCs). Relatively little is known about these organisations. A survey questionnaire was distributed to ROCs nationwide seeking to establish:

- the size and structure of all ROCs in Australia;
- how they operate;
- what activities they are involved in; and
- which factors encourage success.

This paper contains a preliminary examination and analysis of the survey data obtained.

Survey Participation — It is unclear exactly how many ROCs there are in Australia. Finding ROC addresses proved quite difficult as websites and directories are frequently out of date. A number of ROCs have become inoperative in recent years. Others did not reply. Some may have formed that we do not know about. Certainly, the majority of ROCs appear to maintain a low public profile.

After an extensive search, we identified 63 ROCs nationally and sent out survey forms to each during the period November 2001 to January 2002. Eight forms were returned indicating that the ROC had either been terminated, or was inactive. Of the remaining 55, we received 31 completed questionnaires. This leaves some 24 possible ROCs unaccounted for. A proportion of these are no doubt defunct. As our research progresses we hope to eventually be able to identify all the ROCs in Australia.

For the purposes of the present study, if we assume that there is a total of 55 ROCs, then our response rate of 31 (56%) is really quite good and sufficient to give us a reasonable cross-section of these bodies for analysis.

All six states participated in the study:

- NSW had the largest response rate, with 14 of the 31 respondents coming from NSW. 5 NSW ROC’s did not participate in the survey, 1 reported inactivity.
- Of the 13 surveys distributed to QLD, 7 returned. There were 6 non-participants. QLD ROCs were among the hardest to contact, due to a number of web pages with incorrect or out-of-date contact details.
- 14 SA ROCs were contacted. There were 5 participants, 5 ROCs were inoperative.
- 9 WA ROCs received surveys, 3 participated.
- Of the 5 contacted in Tasmania, one survey was sent back.
- The 1 Victorian ROC contacted also participated in the study.

Establishment — 27 of the ROCs were established between 1973 and 1998 (one SA ROC goes as far back as 1885). There was a slow rise in the growth of ROCs throughout the 1970s and 1980s, but it was not until the early 90’s that an average of 2 ROCS per year were established (11 of the ROCs were founded over the four years 1991 to 1994). The most recent ROC was established in 1998.

Core Business — 29 of the 31 ROCs responded to this issue. Participants were asked to describe what they considered to be the core business of their ROC. There was a very high degree of similarity in the basic objectives outlined by respondents. Their core activities can be covered under five generic headings:

* We would like acknowledge the administrative assistance received from Fleur St. Vincent in completing this project.
• Advocacy of the needs of the region to state and federal levels of government, and to the broader community;
• Lobbying of State and Federal governments for financial assistance and other benefits for the region;
• Improved relationships with intergovernmental actors;
• Fostering cooperation between member councils of the ROC in relation to common problems and issues; and
• Advancing the interests of the region.

In the case of NSW it is clear that a number of ROCs have used WSROC’s constitutional objectives as a template for developing their own.

Just two ROCs did not embrace these broad generic activities:
• South Coast ROC in NSW, which is oriented primarily towards coastal management, and
• one Queensland ROC whose focus is directed towards regional planning.

Though these generic functions do actually cover just about everything a ROC might do, many bodies across Australia chose to specify particular additional goals:
• 13 underlined the importance of economic growth;
• 11 nominated resource sharing and improved efficiency as desired outcomes;
• 8 designated regional strategic planning as a critical function;
• 8 identified fostering community/social well being as a desirable end; and
• 4 singled out the environment for special mention

Generally, the emphasis in ROC charters and constitutions is on improved efficiency and economic growth. There was relatively little mention of governance issues. Just 3 ROCs mentioned the importance of promoting democratic practices (all from South Australia), and 4 thought special effort should be made to preserve the autonomy of individual councils.

Size and Structure

Membership — Participants were asked how many councils within their region were members of the ROC and how many were non-members and why. The largest ROC had 18 members. 8 ROCS had between 10 and 15 members, 16 had between 5 and 10, and 4 had under 5 members. 2 ROCS indicated non-membership of a council within their region, and 2 included associate members as well as full members. Local dynamics and financial difficulties were listed as reasons for both associate membership and non-membership.

Governance — 25 ROCs are bound by a constitution/agreement/charter/incorporation, with 8 possessing no formal arrangements.

Size — ROCs vary greatly in terms of size and population. To provide some idea of the extent of the variations involved:
• Western Sydney Regional Organisation of Councils (WSROC) is 5741 sq kms and contains 1,245,000 people (9 member councils);
• The Eyre Peninsula Local Government Association (EPLGA) is spread over 45,215 sq kms and has a population of 70,180 (12 councils);
• Murray Regional Organisation of Councils (MROC) is 63,257 sq kms (7.8% of NSW) and contains 45,532 residents (10 councils);
• Eastern Downs Regional Organisation of Councils (EDROC) is 18,938 sq kms and contains 169,272 people (10 councils); and
• The South West Group (Perth, WA) is 583 sq kms and has 254,118 residents (5 councils).

Finances — Participants were asked how their ROCs were financed by member councils. 31 replied to this question:
• 10 ROCs received equal financial support from member councils;
• 15 ROCs required an annual base fee plus a pro rata contribution in terms of population/rates/income;
• 2 ROCs required a base fee plus additional funding for specific projects in which a particular member council was involved; and
• 4 ROCs appear to have no central budget and manage on in-kind contributions from member councils.

In two instances ROCs provide discounted rates for one less well-off member council. Cash contributions from member councils range from $100—$48400. Half of these fell under the $16000 mark. 20 ROCs reported receiving in-kind contributions from their member councils. These included staff support such as administration/secretarial assistance and technical expertise, as well as the provision of a meeting venue and hosting and catering. An additional important source of finance for many ROCs is grant revenue from State/Federal agencies for specific projects. For some ROCs these grants constitute a significant portion of overall income.

*Representation* — Though there are quite significant disparities in the financial contributions made by different councils within many ROCs, 30 of the 31 respondents reported that this disparity was not reflected in board representation/voting. With one exception, all member councils on all ROCs possess an equal vote. The exception is where one very large council in a ROC receives two votes at meetings.

**ROC Boards**

*Representatives* — 29 ROCs indicated the nature of representation on their boards:

• 4 ROCs consist only of mayors;
• 11 ROCs consist of mayors and general managers;
• 9 are made up of mayors and councillors; and
• 5 comprise a mixture of mayors, councillors and the general manager.

On 3 ROCs general managers attended as observers.

Though 3 ROCs make provision only for the appointment of councillors to the ROC, in actuality it is rare for a mayor not to serve on the ROC. Overall, ROC boards would appear to be first and foremost a meeting of regional mayors. However, s/he will usually undertake this duty in conjunction with other councillors or general managers.

The majority of participants indicated that members are appointed to the ROC Board by their individual member councils.

**Meeting schedule** — one ROC meets on a monthly basis, 5 ROCs every six weeks, 12 ROCs approximately bi-monthly, and 12 ROCs quarterly. Only one ROC meets ‘as required’.

**Board Discussion** — it is clear from responses to the survey that the vast majority of ROC boards consider “anything of local government significance”, as one Executive Officer commented. Another stated simply of her ROC board that, “You name it – we cover it”. Certainly the survey indicated that a very wide range of issues was discussed. The topics most frequently mentioned by respondents were: transport related issues (17 out of 30), waste/water (17), environment/natural resources (16), economic development (10), strategic regional planning (10) and tourism/recreation (9). Health, resource sharing and IT were referred to on 5 occasions each. Other areas that received more than one mention in the survey, but less than 5, were: social/community development, safety, education, telecommunications, pest control, native title, and air services. All these issues were discussed in the context of desirable regional policy, or in terms of lobbying/advocacy strategies.

**Reaching decisions** — respondents were asked how board decisions were reached (unanimous vote, sense of the meeting, majority vote etc). A response to this question was provided by 28 of the 30 ROCs. For 8 of the respondents, decisions were only taken with unanimous support. The remaining 20 all stated that ultimately a majority vote was valid if there was division over an issue. However, it is clear that a majority vote is a last resort for most ROCs. Many respondents stressed that if at all possible, decisions were taken on a consensus basis. One ROC observed that over the previous six years (some 24 meetings), a majority vote had only been necessary on three occasions. Another indicated that meetings allowed for a formal majority vote, there was “almost always consensus in practice”.

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Executive Structure

Executive Committee — 13 ROCs reported that they had no executive committee at all and either relied on the Executive Officer of the ROC (if there is one) to undertake executive tasks, or looked to member councils to make an in-kind contribution.

Of the remaining 18 ROCs, 14 possessed separate executive committees. These committees typically consist of between three and eight members who are a combination of mayors, councillors and general managers, either appointed or elected by the ROC board.

The role of executive committees is to manage the day to day activities of the ROC, implement policy actions determined by the board, deal with urgent issues, and interface with the public. However, some ROCs clearly encourage their executive committees to be highly pro-active and to operate as the engine room of the organisation. The Executive Officer of one large metropolitan ROC noted that the members of his executive “drive the organisation’s roles and functions. They determine resource allocation, approve strategic plans and conclude overall direction”. Non-metropolitan ROC executives may also possess similar scope for action. One rural ROC allows its executive to “set general directions”, while another uses its executive to represent the ROC at Ministerial meetings.

Location of ROC Offices — The majority of ROCs have a separate office that is paid for out of the organisation’s budget and not supported by any one council. Of 29 replies received on this issue, 20 ROC offices were located separately from any council or, if located in a council office, paid rent for the premises. Only 9 ROC offices were located in one council building or, more usually, rotated between member councils on an annual or tri-annual basis.

Executive Officer and Secretariat — 16 of the 30 ROCs employ a full-time executive officer along with one or more full/time or part/time staff. 7 ROCs employ a part-time executive officer working one or more days per week (three are from the private sector and employed on a contract basis). Two of the part-time officers also had some part-time assistance. For 8 of the ROCs surveyed here, either a member of the board, or the CEO of one of the member councils acted as executive officer for the organisation.

Standing Committees — 22 of the 30 ROCs responded that they possessed two or more permanent standing committees/workng groups to deal with specialist issues. 15 of the 21 had between 2 and 4 committees, while 6 ROCs had 4 or more standing committees/groups. These committees/groups covered a range of issues that reflect particular regional needs. The most frequently cited committees were: natural resources/environment (9 out of 21), transport related issues (8), and strategic planning (7). Other areas that received 3 to 5 mentions were: economic development, community development, IT, tourism/recreation, general managers’ committee, engineers’ committee, and waste/water. The majority ROCs also reported that they appoint ad hoc committees, or project groups for specific areas (one ROC indicated it had 19 project teams). These ad hoc groups are often funded by State/Federal grants. The majority of these standing committees groups are made up of specialist staff from member councils. Mostly they meet on a quarterly basis, although some convene monthly, bi-monthly, or as required.

The pooling of skills and knowledge by councils’ professional staff on ROC standing committees has undoubtedly enabled many ROCs to build a valuable overview of regional needs as a whole, and to develop substantive expertise in areas of particular importance.

9 ROCs reported no standing committees operating below the executive level.

Successes and Failures

All ROCs were asked to give examples of projects that had been successfully carried through by the organisation, and examples of projects that had not achieved expected outcomes.

Successes — 29 of the 31 ROCs responded positively to this question. The great majority were able to identify an extensive list of successful outcomes. There were two dimensions in particular in which almost all ROCs viewed themselves as having been successful.

Lobbying State and Federal governments - this activity covered a wide range of substantive topics; roads, health, waste, water, tourism, telecommunications - to name just a few. There was a strong view that the existence of the
ROC had made a significant difference in the course of negotiations with state and federal authorities. Being able to present the united voice of several local governments on a particular issue – as opposed to just one – was seen to be of critical value. It seems probable that part of the apparent success of such lobbying was that many ROCs – through combined resources – were in a position to prepare much better researched submissions to higher levels of government – and therefore a much more convincing case. Probably the single most impressive example of ROC lobbying was WSROC’s role in convincing the NSW government to appoint a Minister for Western Sydney.

**Regional Strategic Planning** – a major output of ROC activity has been the production of comprehensive and sophisticated regional planning documents covering a range of issues (environment, tourism, sport, recreation, coastal management, transport, community development etc). This activity has certainly encouraged coordination and rationalization of critical arenas within related ROCs and resulted in beneficial results for all members. In some cases the outcomes are quite modest (a brochure on walking trails, for example) whilst others involve high-level strategic decisions. Such developments have undoubtedly contributed visible, palpable outcomes to the ROC’s operations and contribute substantially promoting cohesion between sometimes disparate members.

Other particular areas of achievement by ROCs are:
- Resource sharing / group tendering where 5 organisations were able to demonstrate real financial gains; and
- The establishment of additional regional bodies designed to promote networking and industry development - such as Team West (WSROC), Industry Direct (SWG) and NORLINK (NRROC).

**Failures** – perhaps understandably, relatively few ROCs were willing to acknowledge any failures, or to elaborate on the underlying reasons. Only 11 out of the 30 identified projects/activities that had not resulted in positive outcomes. Almost all of these responses related to lobbying activities where expected inputs from State and Federal governments had not been realized. This is clearly a difficult arena for ROCs keen to demonstrate to member councils that their money is being well spent. It is frequently difficult to unambiguously point to what has been achieved. As one executive office commented in relation to this dilemma:

> Much of our time is occupied in making representations on behalf of our councils and communities to other levels of government. The end result often represents some form of compromise rather than a clear win or lose situation.

**Linkages with other Organisations** – ROCs surveyed were asked to indicate the nature of their associations, if any, with other local bodies (such as development organisations), and with the private sector.

Of the 29 replies to the first part of this question, 6 responded that they had no linkages with other regional groups, and 2 stated that they had only minimal contact. 21, however, indicated that they had extensive communication - both formally and informally - with other regional groups such as economic development bodies, planning authorities, state and federal government agencies etc.

In relation to the private sector there was a much weaker response: 11 ROCs stated they had no link with industry groups, 11 said they possessed limited links (sometimes through member councils), and only 8 indicated they had developed extensive associations with the private sector. The councils that cultivated extensive private sector associations were not necessarily those that also enjoyed extensive links with public bodies (though this was true in relation to 3 ROCs).

It is clear, however, that a number of ROCs have developed very extensive links with either the public or the private sectors and, in a minority of cases, with both. This situation has allowed ROCs to build networks of interaction and influence that can significantly reinforce their central role and status within the regional community. As one EO of a quite large ROC wrote:

> Because [our ROC] takes the leading role in integrated regional planning, we liaise with a vast array of Federal/State agencies, community/industry groups, individuals etc. We now find that ‘they come to us’ to ensure that whatever it is they are planning is not contradictory to the region’s overall interest or a duplication of similar efforts emanating from elsewhere.
However, such a situation can also work to a ROC’s disadvantage. The EO of one of the major metropolitan ROCs noted that:

[Our] track record in achieving benefits over [a number of] years means that there are now many ‘competing’ organisations many of which were created with [our ROC’s] support, and that we can be taken for granted.

Factors that Strengthen and Weaken ROCs — The survey asked: a) what factors are critical to building an effective ROC; and b) what are the major challenges/barriers to success that your ROC faces?

Factors that Strengthen ROCs — 27 respondents answered this question. The critical issues seen as contributing to a ROC’s success are:

- the committed support of all member councils to the ROC (15 respondents);
- clear communication/trust/understanding/openness (11);
- the adoption of a genuinely regional vision/perspective on the part of all member councils (10);
- teamwork and cooperation between members (6); and
- leadership (5)

Other attributes cited on 1 to 3 occasions were; the need for a full-time secretariat, the ability to foster good working relationship with state/federal government departments, and the need to demonstrate successful outcomes.

The following comments from a rural ROC perhaps best capture the overall flavour and thrust of many of the observations on this issue:

The members must shed any parochial inclinations and work towards what is best for the whole region. This is not easy … There needs to be a feeling that all members are equal partners. Council size or individual personalities must not come into play to allow an individual or group to dominate … There needs to be a culture that encourages frank and open discussion … It helps to get some wins along the way. Not necessarily anything grand but the organisation needs to be able to see that is serving some useful purpose.

Barriers to the Development of ROCs — 26 respondents answered this question. The major barriers to building an effective ROC were seen as:

- Lack of adequate financial and staffing resources (12 respondents). A number of executive officers of ROCs (particularly the part-timers) felt that even a little more money would go along way towards enhancing the viability of the organisation;
- Incompatibility between ROC members, competition between councils, and petty political concerns (7);
- Lack of cooperative commitment (5);
- Lack of regional perspective and too much parochial focus (8); and
- Imbalance caused by the differential size of member councils (4) – a perception that the dominant council ‘gets the lot’.

The sheer size of some rural ROCs also emerged as a problem in some cases. The executive officer of one rural ROC noted that:

We are a large geographic area – a six hour drive from one corner to the other – therefore issues often differ and if nothing happens, shires become disillusioned.

Analysis and Conclusions

1) ROCs are not only alive and well in Australia; many are thriving. Of the 31 bodies surveyed for this survey, two are clearly in decline, 20 are in good health, and we would classify seven as being high performers. The high performers are not confined to the large metropolitan centres as might be expected. Indeed, three of them are regional, and one is located in a remote area.

2) Moreover, there are active ROCs across all the states. Predictions that ROCs would become extinct in the wake
of amalgamations in Tasmania, South Australia and Victoria have not eventuated. In fact, there are indications that ROCs in Tasmania and South Australia, are re-emerging in fresh configurations, but with similar objectives to those in other states.

3) The continuing growth of ROCs is significant given the substantial obstacles confronting the development of successful organisations. Bringing together a number of often diverse councils into a cooperative body with shared objectives is no easy task. The establishment of an effective ROC requires serious commitment in terms of: resources (both financial and staffing), time and patience, being amenable to making concessions on voting privileges, and a willingness to compromise on critical issues.

4) Many councils clearly believe the effort involved is a sound investment which can result in substantive returns for the region and, especially, individual local governments. Certainly the survey indicates that successful ROCs have been well rewarded by their lobbying strategies with many able to demonstrate ‘hard’ outcomes (dollars, projects, infrastructure etc). Similarly, productive cooperation between member councils within a ROC has contributed to the implementation of coordinated regional planning procedures. A number of ROCs have also managed to achieve significant economies through such activities as group purchasing and resource sharing. Certainly, the executive officers of several ROCs were enthusiastic and optimistic about the future. One commented that, “ROCs are the way of the future for local government”. Another, when asked what problems her ROC faced, replied; “None. Our only issue is that there are so many things we could be doing and there never seems to be enough time to do them all”.

5) There appears to be no obvious combination of characteristics necessary for creating a successful ROC. We were unable to find any correlation between critical variables – such as rates income, geographical size, population density, cultural homogeneity, length of time since establishment, or industry type - which might explain why some ROCs are more successful than others. For example, one effective rural ROC in the survey had average per capita income, was geographically large, contained a quite widely dispersed population, experienced only minor cultural differentiation, was established less than a decade ago, and was dependent on largely agricultural industries. The one characteristic that most successful ROCs did seem to have in common was a full-time secretariat.

6) It would seem that the critical attributes that contribute to a successful ROC are the intangible factors of commitment, teamwork, shared regional vision, trust, openness, communication, leadership, and a willingness to cooperate.

7) That successful ROCs have won clear benefits from effective lobbying may have implications for regional Australia as a whole. If unattached local government are missing out on benefits from State and Federal authorities because they are not organised into a ROC could mean that inequalities between regions in Australia will emerge. On the evidence available in this survey, it possible that local authorities which are not part of a ROC may be at a disadvantage in terms of the broader intergovernmental environment in which they function.

8) ROCs would seem to offer a suitable means of establishing a viable system of regional governance in Australia:

• ROCs evolve from the bottom up, creating their own institutional arrangements, administrative frameworks and infrastructure requirements as they grow. This approach ensures that each system is attuned to its particular regional needs and characteristics;

• Having begun at the grass roots level, successful ROCs – which are built on trust and understanding - are likely to enjoy a legitimacy and credibility in the eyes of constituents that an imposed level of government would take many years to achieve;

• By utilizing shared staff and resources, ROCs are able to build specialist expertise and knowledge which is extremely useful to higher levels of government when making decisions about regional issues;

• ROCs provide administrative structures with which state and federal agencies can align themselves, and which facilitate intergovernmental negotiations;

• Sophisticated ROCs have developed extensive networks of communication and inter-organisational arrangements with both public and private sector groups. This is an important characteristic underpinning long-term, sustainable regional governance;
• ROCs can provide regional governance needs whilst at the same time preserving the autonomy of member councils. They offer an attractive alternative to enforced amalgamations; and
• A number of ROCs in Australia have demonstrated a successful track-record. Indeed, the highly developed ones already come close acting in a regional governance capacity.
<table>
<thead>
<tr>
<th>State/Group Averages</th>
<th>0.77</th>
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<th>On Time</th>
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**APPENDIX 4**

**REROC Councils’ KPI’s**

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<th>Environmental &amp; Sustainability</th>
<th>Financial</th>
<th>Ratepayer</th>
<th>Capital Expenditure</th>
<th>Library Expense</th>
<th>Operating Water Costs including Depreciation</th>
<th>Average Sewerage Bill for Residential Customers</th>
<th>Community Services</th>
<th>Waste</th>
<th>Other</th>
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Note: The table includes various performance indicators for councils, such as customer service times, financial reports received, and library expenses. The data is organized by council name, with categories covering customer and commerce, internal services, library, environmental and sustainability, financial, ratepayer, and capital expenditure.
REFERENCES


Cox, E. 1999, ‘Can social capital make societies more civil?’, Australian Planner, 36(2), pp. 75 –78


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