Opportunities in Change: Implementing Local Government Reform

Paper Prepared to Support a Presentation to the Institute of Public Administration Australia WA seminar 27 November 2014

Peter McKinlay
Research Associate
Institute for Governance and Policy Studies
Victoria University of Wellington
11/27/2014

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This paper was prepared as one of three presentations for a workshop hosted by the Institute of Public Administration Australia Western Australia (IPAAWA) looking at next steps in the reform of local government in Metropolitan Perth.

Introduction

The brief for this presentation is to focus on three broad themes all implicitly within the context of implementing local government reform in metropolitan Perth, but drawing on lessons from elsewhere.

The three themes are:

- Beyond amalgamation, which can be construed either as what are the next tasks following implementation or how has the thinking about local government reform progressed beyond amalgamation as a principal tool, and if so how.
- Costs and benefits.
- The state/local government relationship.

Before considering the three themes themselves, it's worth addressing a number of contextual issues regarding local government, both within Australia and more widely.

The state/local government context

First, to make an obvious point. The state/local government relationship within Australia's mainland states is virtually unique in local government world-wide because of the extent to which capital cities dominate both state population and state economic activity. Whatever your thinking about the respective roles of local government and higher tiers of government may be, it's difficult to escape the conclusion that in Australia it's virtually inevitable that state governments are in practice de facto regional councils for their capital cities.

What style of local government?

Next, local government takes different forms and has different degrees of significance depending on the jurisdiction. One common distinction is between "managerial" and "governmental" local government. Broadly, the distinction is between viewing local government as an instrument of a higher tier of government to implement national or state policies, or as an expression of a local political community developing and implementing local policies in response to the demands of the community. Australia, along with a number of other developed Commonwealth countries, is seen as being very much in the "managerial" category, a judgement which has real implications for the way in which the "proper role of local government" is thought about compared with jurisdictions where local government has more of a governmental role.

One of the tensions within local government in a number of Australian states is the way in which this distinction is starting to break down. On the one hand states are still displaying a very directive approach to local government in areas

which are of special concern to the state. On the other, as the Metropolitan Local Government Review Panel observed in its final report:

> The role of local government has extended beyond the provision of the traditional services of 'roads, rates and rubbish'. It is now responsible for delivering services while considering the triple bottom line for the community – prosperity, environmental sustainability and social justice. Local government is under pressure to provide an expanding range and higher standard of services. The role of local government has changed dramatically over the years, particularly in recent times, but the structure has changed little in a century.
>
> While legislation is key in determining the role of local government, most of the services that local governments traditionally provide, such as community services, recreation, footpaths and parks, do not fall within specific legislation. Instead, they are provided to communities based on demand and local governments' general competence powers.

The tension is best understood as being between the traditional view of local government that it is essentially about 'roads, rates and rubbish' and the emerging view that local government's primary responsibility is the well-being of the communities it serves, and its function is to determine what services and how will best promote overall well-being.

In Western Australia the legal environment for local government is not only accommodating towards such a shift, arguably it is also supportive. The review panel quoted above notes that many services are not provided for in legislation but instead fall within local government's general competence powers. Arguably the position is even stronger than this. The Western Australian Local Government Act states that the general function of local government is to provide for the good government of persons in its district and goes on to state that a liberal approach is to be taken to the construction of the scope of the general function of local government.

Changing themes in state level local government reform

Successive state level reform initiatives in Australia have demonstrated an on-going process of change in understanding of the role of local government and the rationale for local government reform.

In Victoria in the mid-1990s the Kennett led Liberal government adopted a compulsory approach to state wide local government reform driven primarily by an objective of reducing costs and rates. In 2007 the Queensland Local Government Reform Commission adopted strategic capacity as the principal rationale for reforming local government, arguing it was critical that councils were of the scale to have the capacity (financial, physical and human resources) to cope with increasingly complex and on-going challenges.

In NSW the Independent Local Government Review Panel also adopted strategic capacity as the principal criterion for determining the structure of local government, but also argued:

> The future is challenging but also full of potential. Local councils must embrace the challenges and realise the potential. They can be catalysts for improvement across the whole public sector. They can demonstrate how to tackle complex problems by harnessing the skills and resources of

> communities, and how effective place-shaping can boost the State's economy and enhance people's quality of life.

As well as foreshadowing a different relationship between local government and state government, the Panel also signalled the need to look more closely at options for sub-council governance to minimise the potential for structural reform to reduce representation and the opportunities for people to feel engaged.

In Western Australia, the Metropolitan Local Government Review Panel's recommendations echoed the strategic capacity argument and also put an emphasis on greater collaboration between state and local government. Tellingly it also emphasised the importance of community governance - the opportunity for people to become involved - stating in recommendation 10:

> The newly created local governments should make the development and support of best practice community engagement a priority, including consideration of place management approaches and participatory governance modes, recognition of new and emerging social media channels and the use of open-government platforms.

Clarity - it's not just your role, it's how it is understood and delivered

It is still very common in Australasia to think about local government as primarily in the business of service delivery. It's an approach which automatically focuses on how the council most efficiently delivers the services for which it is responsible as though this were the only purpose it should serve.

Elsewhere, thinking about local government has become much more nuanced in two important respects; the distinction between democracy and service delivery, and the distinction between provision and production.

<u>Democracy and service delivery</u>

In Sweden, the Swedish Association of Local Authorities and Regions draws the distinction between democracy and service delivery as follows:

Democracy Actor	**Service Operator**
1. Learning	1. Provide services
2. Legitimacy	2. Allocate resources
3. Understanding priorities	3. Quality control
4. Transparency	4. Setting standards

One is a focus on working with citizens as citizens. The other is on efficient service delivery to citizens as consumers.

<u>Provision and production</u>

It has been common for some time in local government in the United States to draw a distinction between provision - the decision about what services should be provided to what standards - and production - who should produce those services and how.

More recently, this approach has been emerging in England within the response of some councils to the very severe cutbacks in council funding as part of the coalition government's austerity program. The London Borough of Barnet has

adopted this approach, redefining itself as a commissioning Council. The following extract from a recent review[1] describes what this means:

> Barnet's methodology involves a fundamentally different approach to determining how local services are designed and delivered. As a Commissioning Council, Members and officers will work with residents to set the strategic priorities of the borough, in the context of the available resources, and agree a set of outcomes that reflect the needs of residents. Services are then bought from a diverse mix of providers within the market – public, private and voluntary sectors – to deliver these.

In practice this means the council treats decisions about which services it should provide to what service standards and decisions about how those services should be produced and by whom as entirely separate – there is no presumption that the council should be the producer.

The monopoly role of local government

Too often thinking about the role of local government pays insufficient attention to the reality individual councils have a statutory monopoly over the delivery of local government services within their area of jurisdiction. Despite Tiebout[2]'s well-known views on contestability - that people will choose their local authority jurisdiction based on the mix of services and taxes it offers - transaction costs and other obstacles effectively mean that most people, most of the time, have no choice over their local authority, the services it provides or the cost they are required to pay through property tax or other means in return for those services. An important consequence is that local authorities lack the feedback loop which entities operating in contestable markets face - loss of market share as dissatisfied customers shift to alternative providers. The significance of this should not be underestimated. Among other things it means that too often both elected members and officials will not understand the extent to which they may be losing the confidence, trust and support of the communities they serve, and those communities, in turn, rather than exercising proactive choices to address their concerns, will simply become disaffected and disengaged and typically with no practical immediate means of dealing with their concerns.

What is local government for?

This may seem a simplistic question. It is not. Worldwide, local government takes a number of different forms, serves a number of different purposes, and is constituted in a number of different ways. The overt reason for the differences between jurisdictions is different expectations of what local government should be for - what services, what roles, what place in the democratic process (or non-democratic in some jurisdictions) and more.

Developing an answer to this question is fundamental to producing a stable and legitimate system of local government. In jurisdictions such as Western Australia where higher tiers of government can set the legislative and regulatory framework for local government, and largely determine what roles it should or

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[1] Meeting the challenge in Barnet: Lessons from becoming the Commissioning Council see http://www.localis.org.uk/images/LOC_Barnet_Commissioning_WEB.pdf

[2] Tiebout, C. (1956), A Pure Theory of Local Expenditures, Journal of Political Economy (64) pp 416-442.

should not perform, this question may superficially appear to be no more than what does the state government require of local government.

Experience suggests this is not so. The growing dissatisfaction with governments both national and local evident in a number of democracies can be seen as reflecting a disconnect between how those governments performed - what those responsible for setting their direction believed they are for - and citizens' expectations.

A disconnect between citizens' expectations, and the way in which institutions answer the question 'what is local government for?' not only risks promoting dissatisfaction with democratic government. It also creates a vacuum which ultimately will be filled in one way or another but with a serious risk of unpredictability in terms of just how.

It makes far better sense, if your objective is to increase the legitimacy of your form of local government, and minimise dissatisfaction, to ensure that you understand both what you believe local government is for and that your belief aligns with the expectations of the communities which local government serves.

The remainder of this paper

The remainder of this paper first addresses the theme of beyond amalgamation, then briefly discuss the issue of costs and benefits, and finally concludes by addressing the question of state/local government relationship.

Beyond amalgamation

Next tasks

The immediate focus across metropolitan Perth is now on the practicalities of putting together merged councils and/or incorporating boundary changes. As the website introduction to the local government reform toolkit recognises, this is far from straightforward:

> Merging two or more metropolitan Local Governments is a difficult undertaking. From an operational perspective, the key to successful Local Government reform will be the development and application of a robust, simple, effective and compliant framework that guides and supports Local Governments through the challenging and complex process of change.
>
> To support the Local Government reform process, an online Local Government Reform Toolkit has been developed. The key objective of the Local Government Reform Toolkit is to enable the creation of stronger Local Governments that will provide the best possible services to residents with maximum efficiency – and modern, resilient Councils able to meet the needs of a rapidly growing city.

In this part of my presentation, my purpose is to provide some overview comments rather than to try and set out an optimal process for amalgamation or boundary adjustment.

The rhetoric deployed in advance of local government reforms through amalgamation typically focuses on the opportunity to reduce costs and improve

efficiencies and economies of scale and scope come into play, and the strategic capacity of individual councils increases.

The reality is one of extreme difficulty in demonstrating either genuine cost reductions or improvements in efficiency. In part the problem is one of being sure that you are comparing apples with apples. The reason is both the range and complexity of local government services, and the extraordinary difficulty in practice of determining just exactly what it is you should compare and getting the data to support the comparison.

Consider a relatively simple example, domestic rubbish collection and in amalgamation between three councils each of which have had somewhat different policies - one provides a collection service fortnightly from the footpath, one weekly from the footpath and one weekly from the back door. Each Council pre-amalgamation may be able to spell out the per capita cost collection.

Assume that post-amalgamation the merged council adopts a single service standard - perhaps fortnightly collection from the footpath. It then claims that the per capita cost of rubbish collection has gone down post merger. The per capita cost may have declined, but the new service could nonetheless be less efficient and more costly. Furthermore the real issue from a resident's perspective is not just the per capita cost, but the quality of the service which that cost purchases.

It doesn't even assist greatly, in judging the relative cost and efficiency of the new service, to compare the per capita cost of the merged council's domestic rubbish collection with the per capita cost of the service provided by the former council which ran a fortnightly pavement collection service. There may be significant differences in topography and density between that council and the merged council as a whole. The former council may have taken a different approach to the attribution of overheads including cost of democracy from that taken by the merged council.

Multiply this example over the full range of council services and it soon becomes apparent that demonstrating specific changes in the cost and efficiency of services pre-and post-amalgamation is less than straightforward.

This is the major reason that post-amalgamation research has seldom if ever demonstrated that pre-amalgamation claims of cost reduction have actually been realised.

It makes far better sense in today's environment to focus on the range, nature and quality of services which a new council should deliver, and how best to deliver them, rather than getting caught up with arguments over cost reductions and efficiencies.

The 2007 Queensland amalgamations provide quite a good example. In 2009 the Local Government Association of Queensland (LGAQ) commissioned an independent survey of council mayors and chief executives on the potential of the reforms.

According to LGAQ's president, in an article in which he spoke publicly about the survey results[3], council mayors and chief executives were generally positive

[3] Survey of amalgamated councils delivers surprising results. See http://www.governmentnews.com.au/2009/10/survey-of-amalgamated-councils-delivers-surprising-results/

about the potential of reforms, identifying the potential for better planning and development control, along with more efficient infrastructure provision, as major benefits.

However they were not expecting net tangible benefits during their term in office. "If gains were to come, it would be in the 2012 to 2016 term."

The better approach is to start from the position of what services should the merged Council provide for its communities, to what standards and how should the cost to be distributed in terms of rates, user fees and other sources of funding. Ideally this will include consultation with communities to understand their priorities and their willingness to pay, although typically the timeframe of reform processes can make this difficult.

Implementing an amalgamation or significant boundary adjustment can get caught between two competing priorities, one obvious and immediate and the other less so but probably more significant. The first is ensuring that all systems and services are in place to go live on the date that the newly configured council comes into existence. The second is considering how best individual services should be produced and by whom.

The recent creation of the Auckland Council as the merger of four previous city councils, two district councils and part of a third, and the former regional council provides a partial illustration of the opportunity to look at the 'who should produce' question. It was driven by government legislation, rather than voluntary choice by the council after considering possible options, but did reflect a view that 'business as usual' in terms of structure would be less than satisfactory.

Both the scale of the new council and what the government driving the amalgamation saw as the inherent character of a number of the services for which the new council would be responsible lead to a government decision to impose a major structural change. Approximately 75% by value of the services provided by the new council would be produced through a series of council controlled organisations - entities governed by independent boards of directors chosen primarily because of relevant skills including commercial skills - but accountable to the council both as sole shareholder and through a mechanism known as the 'statement of intent'. This statement is negotiated annually and sets out among other things the nature of the business or businesses the CCO will be involved with, the process it will follow through any major acquisition or disposal, a series of financial and non-financial performance indicators, and its policy on how it will engage with both the council's governing body (the Mayor and elected councillors), and the council's local boards.

UK experience (see the London Borough of Barnet example above) provides a number of very useful examples of how to rethink the production of services (and for that matter the provision of services). The driver for change is fiscal austerity rather than amalgamation, something which provides a probably greater incentive to look for how best to meet community requirements than amalgamation by itself, something which has helped make the UK one of the more interesting laboratories for local government internationally.

How has thinking about local government reform progressed?

The increasing diversity of local government, both within Australasia and further afield, makes it relatively difficult to generalise as attitudes towards and the possibility of reform varies significantly across jurisdictions. It is for example

much easier for higher tier of government to impose reform when there is no constitutional protection for local government than in jurisdictions where it is entrenched in the Constitution. This is partly a function of the legal constraints on higher tiers of government and partly a function of different understandings of the place of local government.

A jurisdiction in which local government is entrenched in the Constitution will also typically be a jurisdiction which attributes a much more significant role to local government than a jurisdiction where local government is not entrenched, and higher tiers of government are much likelier to see reshaping local government as a natural part of their role.

That said, even jurisdictions in which local government is seen as primarily a 'creature of statute' and with a relatively narrow range of functions are now recognising that circumstances have changed. As the Metropolitan Local Government Reform Panel recognised the functions of local government have now moved far beyond the conventional 'roads, rates and rubbish' focus even although there has been no explicit statutory redefinition of the role.

This reflects the growing emphasis on the role of local government as the level of government with which citizens typically have most to do, and which more and more is it looks to as the 'go to' governmental body for anything which impacts what happens in 'their place'. This is often reflected in the recognition local government is now in the business of 'place shaping' working with its communities. The City of Swan describes[4] its place management approach as "It shifts the focus *from* organisational outputs *to* community outcomes.".

The changing role of local government is one of the influences impacting on current thinking about local government reform - it puts proportionately greater emphasis on community outcomes (which depend significantly on building relationships of trust and reciprocity with communities) and proportionately less emphasis on cost and efficiency per se although these do still matter. It's a shift in emphasis which places more stress on the costs associated with structural reform (especially compulsory reform) because of the disruptive impact reform can have on the trust and relationships which councils have built up over time with their communities.

A shift away from seeing structural reform as a 'first port of call' for improving local government performance is driven not only by the changing role of local government, but by a better understanding of the different options which are available.

Technology is playing an increasingly important role, facilitating the growth of centres of excellence which enable smaller councils to obtain the strategic capacity they require, and to take advantage of economies of scope and scale without needing to sacrifice their political identity.

A greater understanding of the importance of distinguishing between provision and production is also shifting the focus away from amalgamation. As the experience of the London Borough of Barnet shows, putting aside the presumption that the council should be the producer of the services it provides,

[4] See http://www.swan.wa.gov.au/Our_City/About_Swan/Place_Management

and looking instead to the best option to produce each service, opens up a very wide range of possibilities for improving performance without amalgamation.

Costs and benefits

The question of costs and benefits has already been substantially canvassed at pages 6 and 7 above, dealing primarily with the question of whether it is possible to provide reasonably accurate estimates of the costs and efficiencies resulting from local government reform.

The general conclusion from research supports the proposition it is very difficult to measure the financial and efficiency costs and benefits of local government reform. Some of the methodological issues have been discussed above but the issue goes beyond methodology. It's also a question of perception and preference - what do people believe they should get from their local government and are they satisfied with what they believe it has delivered.

There is some research which provides an overview of public attitudes towards local government performance before and after amalgamation although it is far from definitive, and may reflect public perceptions of/trust in government generally as much as it reflects public attitudes towards local government.

The Local Government Association of Queensland (LGAQ) has since 1997 commissioned a biennial Community Satisfaction Tracking Study. The 2011 Study found that the aggregated rating of performance was at a level of 65.27% making it the worst in the history of the study series (67.75% in 2009, 70.63% in 2007, 71.95% in 2005, 68.79% in 2003, 71.87% in 2001, 71.3% in 1999 and 72.19% in 1997).

Testing to compare amalgamated and non-amalgamated councils within the survey led to the conclusion that the continuing decline was more likely a function of dissatisfaction with local government (government at all levels for that matter) rather than a reaction to amalgamation.

In 2013 the aggregated rating performance had increased to a level of 65.27% although there were significant differences amongst different categories of councils with the Developed Metro group declining in performance from its 2011 level.

It's possible that this may also reflect the view expressed by mayors and chief executives in LGAQ's 2009 survey of attitudes towards the amalgamations which had then taken place. Comments such as "survey respondents identified the potential for better planning and development control, along with more efficient infrastructure provision, as major benefits of local government reform." support the proposition that strategic capacity provides a principal rationale for amalgamation.

What does appear to be emerging as a more significant area of opportunity or concern (depending on your perspective) is the state of community governance within the district of any given local authority, treating community governance as "a collaborative approach to determining a community's preferred futures and developing and implementing the means of realising them. In practice it may or may not involve one or more of the different tiers of government, institutions of civil society, and private sector interests."

Increasingly both research and practice suggests that people wish to be involved in the decisions which affect 'their place' and that one of the important cost/benefits associated with local government reform is the extent to which the reform improves or worsens the potential for community governance within the council's district.

Practice varies widely around the globe but the balance is very much moving towards a situation in which councils actively encourage community engagement, and accept it as part of their responsibility as councils to provide capability support for community organisations which wish to take part in community governance. This paper's author recently attended a workshop in Stockholm on the theme of local democracy hosted by the Institute for Democracy and Electoral Assistance with the support of the Commonwealth Local Government Forum. One striking feature of the workshop discussion was the extent to which local democracy in the sense of a means whereby people could be involved in influencing the decisions which affected them was simply taken for granted. It was seen as justified both in terms of democratic values and as an effective means for improving the quality and efficiency of local government decision-making.

Experience suggests this is not just something which emerges organically, but does need to be planned for carefully and implemented with a clear understanding of potential barriers. The new Auckland Council provides an example. Its 21 local boards were intended to be an integral part of building local democracy into the Council culture and processes. In practice, they appear to have little or no influence or control over decisions affecting their local board area if what they want to do is at odds with the views of the Council itself.

In a recent example and over their objections,, as part of developing its draft budget for 2014/2015, the council removed some $30 million of capital projects which had been programmed by local boards. One result was a unanimous open letter from local board chairmen protesting at the extent to which their views were being ignored.

Summary

Costs and benefits matter but are hard to quantify. In terms of local government amalgamation, the evidence suggests it is extremely hard to establish that amalgamations have a positive impact on either costs or efficiency. What they can do is lift the strategic capacity of local authorities to cope in a complex world, although we are still short of robust research to demonstrate that this is unequivocally the case.

What may be more important, in terms of costs and benefits, is the extent to which people perceive that they have an improved opportunity to engage on decisions which affect 'their place' and that their voices are listened to.

State/local government relationships

The Metropolitan Local Government Review Panel found:

> the relationship between State and local government to be deficient in many areas. It concluded that improving this relationship and reforming roles and functions are essential to help Perth function better as a city. The Panel recommends that a collaborative process between State and local government should be established. A new Partnership Agreement,

> identifying issues important to the State and key result areas for both levels of government, will provides a basis for improved working relationships.

While this seems quite a harsh judgement, it is little different from the judgement which would be made in most developed countries in respect of the relationship between local government and higher tiers of government. Among the underlying causes are the inherently silo nature of state government activities, often the sense that local government is more at the beck and call of state government rather than an equal partner in promoting desired outcomes and often a lack of public understanding of who is responsible what making it more difficult to hold different tiers of government accountable for the way they treat each other.

The Commission's recommendation for the establishment of a collaborative process reflects similar initiatives in other jurisdictions to strengthen the working relationship between the state and local government. Often the rationale is better management of limited resources in a time of fiscal constraint, enabling the State to achieve the objectives it wishes to pursue at a lower cost than would otherwise be the case.

On the other hand, fiscal constraint also has a potentially negative implication for local government. It seems reasonably clear that every Australian state has a group of local authorities which will never be financially sustainable so long as they have an obligation to provide at least a minimum standard of infrastructure especially roading. The risk for local government is of states (and the Federal government) being reluctant to accept any further responsibility for non-viable councils and potentially seeking to reduce the support which they already provide.

Arguably, Australia as a whole needs to address an issue which successive governments have preferred more or less to ignore. This is the question of what responsibility Australia as a whole, or individual states, has to ensure that, where ever people live or work, there is an obligation to ensure at least a minimum standard of services and infrastructure and that obligation can only be discharged through redistribution from the public as a whole (whether the public of the state, or the public of the Commonwealth).

As one example, in 2013 the Local Government Association commissioned Ernst & Young to estimate the potential savings if the community budgeting approach were adopted nationwide. The EY report (Ernst & Young 2013) concludes:

> The potential five-year net benefit of Community Budgets is £9.4 billion-£20.6 billion. The net one year annual benefit is £4.2 billion-£7.9 billion of a one year annual addressable spend of £107.1 billion.

This conclusion is highly conditional. Ernst & Young note that there are a number of pre-conditions, at both the local and national levels, that would need to be satisfied. They include matters such as local socio-economic conditions, capability and the willingness/capacity of national government to engage effectively at the local level. Despite these conditions, the suggested size of the potential savings is by itself a good argument for continuing the initiative.

Other policy areas provide further evidence of a commitment to bypassing local government where central government believes that the result may be better outcomes. The government's initiative to promote the conversion of local authority controlled schools to independent academies (typically operated by

some form of not-for-profit entity) has seen a major transformation. According to the Economist for 11 October 2014:

> Under Michael Gove, a reformist education secretary, the coalition sought to speed up reforms, boosting the number of academies to about 4,000, almost 20 times as many as in 2010. That means about two-thirds of all English secondary schools now control their own staffing, curriculum and budgets.

Arriving at a definitive judgement on whether the present coalition government's objective is to work directly with communities wherever possible, bypassing local government in the process, is extremely difficult. First, it is clear that quite different drivers operate in different areas of policy - with education reform being an obvious example. Secondly, any judgement is complicated by the complexities of coalition politics. It seems clear that quite often government decisions are not the decisions that would be made if it were left entirely to the majority partner in the coalition, but rather reflect the need to maintain coalition relationships, and also as the next general election approaches, the need to strike a balance between party ideology and objectives on the one hand and electability on the other.

Australia

Co-design is a term which encompasses approaches to the design, targeting and delivery of social services that seek to tap in to the knowledge, networks and potentially the commitment of residents/service users. The Australian Federal Department of Human Services has been a pioneer in exploring the potential of co-design as a means for improving the design, targeting and delivery of the services for which it is responsible. It has done so drawing on the work of Don Lenihan, Vice-President Engagement, for the Ottawa-based Public Policy Forum.

Lenihan & Briggs[5] (2011) provide an overview for Australia of the potential for co-design, setting this in the context of recent thinking from the UK, Canada and Australia on the reform of public sector service delivery and drawing on Lenihan's extensive work on co-design. The preface to their article contextualises co-design as:

> Traditional service delivery treated the public as passive recipients of government programs and services. The 'citizen-centred' revolution gave the public a clear voice in service improvement by tying it to client feedback, such as satisfaction surveys. Co-design is intended to extend the role of the public and invite them to contribute to the design of the services. It can lead to further involvement with the public also participating in production of services in the future.

The article was written as part of the Department's consideration of the potential of co-design to contribute to its own work, which included a pilot project undertaken in Association with the Municipal Association of Victoria representing local government within that state.

The project occurred across regional and urban sites in Victoria and aimed to provide the department with the opportunity to better understand the needs within the community and then to work together to identify local solutions to local

[5]Lynelle Briggs at the time of writing was the CEO of Medicare Australia, a division of the Department of Human Services.

issues. The project explored how the department can join with other levels of government and non-government organisations to deliver better services to the community and individuals, and how to test public engagement as a model for co-design of services at the strategic planning level.

The Department undertook its own evaluation (Department of Human Services 2012). The evaluation makes it clear that the purpose of the pilot was to test "a way of engaging and collaborating with the community and stakeholders".

Among the positive outcomes the evaluation lists were:

- the opportunity for the three levels of government and community agencies to be 'at the table' discussing local issues
- an opportunity for the department to participate in local planning processes
- understanding the role that local government networks provide in accessing the local community services sector
- building on the critical networking role played by councils in their local communities
- a different and new opportunity for stakeholders to discuss local issues
- residents valuing their participation in the project and having the opportunity to influence government and community service organisation services
- establishing new contacts and networks for participants.

The evaluation reports positively on the experience of the departmental people involved: "For the department, the effectiveness of the Prototype has to be measured in terms of the immediate impact of the workshops themselves, but also the extent to which they generated lasting benefits in service delivery or community relations. All of the participants who were interviewed considered that the Prototype had been highly successful."

The following finding clearly reflects the views expressed by departmental participants:

> One of the unexpected findings was that a majority of participants expressed the view that the workshops had changed the way they thought about service delivery. There were several reasons for this:
>
> - Being forced to think through problems in simple and non-technical language meant the process generated new insights.
> - The different perspectives at the table created an environment where participants were able to widen the scope of discussion and venture into other ideas which would have previously not been considered within the group's mandate.
> - Departmental staff were not put in a position where participants turned to them for answers; instead, they were in the unusual and welcome position of being able to reflect on ideas generated and not respond immediately.

The Department's very positive experience working in partnership with local government in order to develop closer relationships with communities could have been expected to result in the Department seeing local government as a natural

partner in any further initiatives to work more closely with the communities the Department serves. Clearly Lenihan himself thought so, reflecting in a later work on the Victorian pilot project (Lenihan 2012):

> On the content side, the project avoids tackling big policy issues head-on. Instead, it links policy discussions to the practical task of improving services within the community.
>
> In this approach, local governments are seen as the gateway to the public. They are well positioned to serve as intermediaries between the public, on the one hand, and Federal and state/provincial governments, on the other, for at least two reasons. First, most municipalities already have highly localised programs, ranging from Neighbourhood Watch to heritage committees, which can be tapped to mobilise and engage the public on a wide range of issues.
>
> Second, the public's strong sense of membership in and commitment to their communities can be a powerful incentive for citizens to participate in dialogue and, ultimately, commit to action. People are far more likely to get involved in a dialogue that immediately affects their families, friends, homes, neighbourhoods and workplaces than one based on broad policy issues, such as poverty, climate change or innovation. They are also far more likely to make a serious commitment to action on local issues.

Instead, the Department then moved to establish a series of 10 pilot projects under the banner of *Better Futures Local Solutions* in different council districts across Australia, working directly with communities rather than through or in partnership with local councils.

The guidelines for the pilot[6] state that the measures aim to improve the circumstances of people experiencing high levels of disadvantage by supporting them to strengthen family capacity to participate in education and employment, prepare for or gain employment and increase their earning capacity.

A local advisory group (LAG) was established for each trial site. Membership was drawn from a wide variety of community organisations with typically only one representative from the Council. Each LAG was required to develop a strategic plan. A review of the plan for Greater Shepparton[7] in Victoria as an example supports the view that this was very much community governance in action, being developed for the most part independently of local government. This suggests that despite the Department's positive experience of working in partnership with local government from the Victorian co-design pilot, the Department has determined that the better option, on work which goes to the heart of the governance of communities, is to work directly with communities rather than with local government.

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[6] http://www.humanservices.gov.au/spw/corporate/government-initiatives/resources/bfls-lsf-guidelines-part-a-program-overview.pdf

[7] http://www.humanservices.gov.au/spw/corporate/government-initiatives/resources/shepparton-lag-strategic-plan.pdf