

# **Building Tomorrow's Local Government: Learning from the Global Context**

**A Presentation to the Future of Local  
Government Summit**

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# Building Tomorrow's Local Government: Learning from the Global Context

## Introduction

The Future of Local Government process began in 2005 when the Municipal Association of Victoria brought together a group of local government specialists from around the globe to present their views on what they saw happening with local government, and what they believed its future could be. It was an optimistic gathering, with a sense that local government's time had come, and that we were gathered together to share in lifting the profile and relevance of the local government sector in Victoria, and the rest of Australia.

At the same time, it was a gathering which recognised that the challenges faced by local government were very, very real. Specifically, in too many jurisdictions local government was seen as some form of subsidiary service deliverer rather than an integral and highly valued part of the governance of its communities. In the conclusion of my own presentation I expressed this as:

The challenge we need to resolve is how to transform what have been largely peripheral housekeeping organizations into dynamic tools for community leadership. Put this way, the task appears daunting. Put in a different manner, the potential gains for individuals, for community groups, for businesses and the numerous other interests that make up the typical geographical community of a local authority, the case can become compelling. What it requires is a recognition across the community that it is their future at stake and unless they can come together in helping transform their local authorities into the leaders the community needs, the chances of achieving the future they want will be much diminished.

We came away from that first FOLG with the shared outcomes statement that:

**Local government facilitates the building of strong and successful communities.**

It was very much, and remains, about telling local government's many stories, and celebrating its many successes.

Through successive FOLGs we have considered the impact of the global financial crisis, global warming, the needs of rural and remote councils, the changing nature of community governance, the rise of metropolitan centres, transition towns and much more of the different ways in which local government is reshaping itself (or being reshaped) to meet the needs of its communities in the 21st century.

We have also considered how the demands of our ratepayers, residents and other stakeholders have been changing - the increasing demand for direct involvement

in decisions which affect people and their neighbourhoods, a growing emphasis on the efficient and effective delivery of services, local regulation, and standardisation to minimise the impact of the cost of local government activity.

Our understanding of the role of local government, and what needs to be done to realise that has increased accordingly. As a result, we have come to this FOLG with a commitment to set a new direction for local government in Victoria and agree the steps for realising this, expressed in the statement from the conference flyer that:

**Deliverables from the 2012 summit include the identification of an agreed direction for the sector and key change priority projects and understanding how these will be progressed to conclusion following the summit.**

In the rest of this presentation I will:

- Outline a preferred future role for local government, and contrast that with present and past roles.
- Consider the likely benefits.
- Propose some broad strategies for achieving that future role.
- Present some conclusions.

## **A future role for local government**

Paradoxically, one of the biggest and most difficult challenges in any discussion of the future role of local government is deciding what we actually mean by local government. For most people, most of the time, local government is the local council which delivers the basic services, handles local regulation, and sends you the occasional rates demand. Accordingly, talking about the future of local government is normally seen as talking about what to do with your local Council.

And it's not just ordinary citizens and local councillors who approach local government in this way. Much of government policy-making in recent decades has taken the same approach - local government is about the delivery of local public services and local regulation.

In practice, that means debate about the future role of local government often involves people talking past each other with very different understandings of what local government means, and its significance for their own personal, community or business interests.

Today it's useful to distinguish three different albeit overlapping roles which have quite distinctive requirements:

- Metropolitan governance.
- District or service delivery - the 'standard' council.

- Community governance - how we make decisions about the future of our local neighbourhoods and communities of interest.

Each of these can be seen as shaped at least in part by the increasing globalisation of the world economy, and the forces driving that. One of the most obvious features of the current phase of globalisation is the rise of cities. In 2007 the percentage of the world's population living in cities passed 50% for the first time. The United Nations expects this percentage to increase to 70% by 2050 - it's become almost a cliché to speak of the 21st century as the century of the city.

Of special significance for Australia is the rise of metropolitan centres, and the increasing extent to which cross-border relations are now between major metropolitan centres rather than state to state. Associated with this is the increasing emphasis on agglomeration and face-to-face relations, especially in high skill service related activity. This is quite contrary to what was expected some 10 or 15 years ago when it looked as though the Internet would drastically reduce the need for face-to-face relationships. Paradoxically, the growth of Internet based services such as video conferencing has highlighted the importance of face-to-face dealings as an important element in building trust and understanding in the development of commercial and other relationships - and it has also highlighted the gains which come from informal contact through co-location.

A recent paper on globalisation expresses it in these terms:

However, a key feature of the current phase of globalization is that there is now an increasing premium associated with face-to-face contact time and frequency for the production of high-value goods and services which impacts markedly on the degree of global engagement. Although absolute transport costs have become cheaper, and particularly for some delivered service outputs, the increasing importance of time and face-to-face contact on the input side of the production of many goods and services has meant that distance costs have increased steadily in the second half of the twentieth century and increased markedly since the late 1980s. This implies that the global contact facilitated by direct international investment is nowadays becoming far more important than exporting as a means of global engagement. As such, the relationship between cities, countries and globalization will therefore increasingly be dependent on the role of multinational firms as conduits and facilitators of such global engagement. (McCann & Acs 2011).

The implication is that scale matters, and increasingly the forces driving the growth of cities are becoming beyond the control of national states, driven more by international comparative and competitive advantage, and the strategies of multinational firms, than by then national political regulation.

The impact on the district or service delivery role of globalisation has also been major. Prior to the current phase of globalisation, most developed economies were relatively sheltered, and there was comparatively little pressure on domestic production to match international best standards in cost and efficiency.

That has changed dramatically. Most of us are familiar with what it has meant for manufacturing, with firms increasingly outsourcing production to least cost producers primarily in Asia.

It is equally important for what economists call the non-tradable sector - organisations which produce goods and services for consumption domestically - of which local government is obvious example. The increasing competitive pressure on the tradeables or export sector has a flow on effect for the non-tradeable sector. For exporters to be competitive, the non-tradable sector must be as efficient and least cost in producing its goods and services as possible. Amongst others this means local government in its district or service delivery role.

And finally to community governance. It is now accepted that one consequence of globalisation has been to make people much more attached to local place - this is often spoken of as the tension between globalisation and glocalisation.

So, with that brief background, let's consider each of these in turn and think about the possible future roles.

## **METROPOLITAN GOVERNANCE**

An emphasis on metropolitan governance as a separate theme in discussion of local government is relatively recent. The increased interest results from a combination of the impact of globalisation, a growing understanding of the importance of city to city relationships, and an increased emphasis on the competitiveness of major metropolitan centres as a critical factor in national social and economic development (as emphasised by the Federal government's recent initiatives in urban policy).

Most relevant for Victorian local government are initiatives within what can loosely be termed the developed 'Westminster tradition' countries of the United Kingdom, Canada, New Zealand and Australia itself.

The mid-late 1990s marked the start point of serious consideration of the governance of major metropolitan centres within these countries. The Labour government which came into office in the UK in 1997 brought with it a vision of a new approach to local government, with an emphasis on the role of elected mayors with clear decision-making responsibilities as a means of improving the accountability of local government. Importantly, its flagship policy was restoring 'whole of London' governance for London with the creation of the Greater London Authority headed by an elected executive mayor with clear decision-making responsibility.

Arguments advanced in support of this included the right of electors to know who was responsible for taking and implementing major decisions, the importance of empowering a single voice to speak for London, especially in international fora, and the need to have a single point for decision-making on major regional issues - so that mayoral responsibilities include the principal strategic plans for the London metropolitan area (spatial planning, transport, affordable housing, waste management...).

The late 1990s also saw significant local government restructuring in a number of Canadian cities, most notably Montréal, Toronto and Ottawa. For a variety of

reasons (including linguistic politics in Montréal) these restructurings fell short of creating strong metropolitan governance - a reluctance to empower strong mayoral decision-making, and to align functional and jurisdictional boundaries (especially in Toronto) were critical.

Higher tiers of government are becoming more active in seeking to promote metropolitan governance reform in England, Australia and New Zealand. The present Conservative led coalition government in England is committed to giving greater powers to cities, for example, through its cities deals programme, which offers devolution of very significant spending streams to cities one precondition for which is demonstrating that governance arrangements encompass the economic footprint of the city (<http://www.dpm.cabinetoffice.gov.uk/news/do-it-your-way-deputy-prime-minister-launches-new-city-deals>) .

The Western Australian State government, and other stakeholders, are currently considering the interim report of the commission established to review metropolitan governance for Perth. The destination 2036 initiative in New South Wales is, at least in part, focused on improving metropolitan governance arrangements for Sydney. In New Zealand, following the restructuring of Auckland to create a single unitary council for the entire region, the government is now initiating a further round of local government reform with a sense that, amongst other objectives, it is intended to improve the governance of New Zealand's remaining urban regions.

Also, and partly responsible for the growing activity around metropolitan governance, in recent years there has been a growing volume of research attention paid to the purpose of metropolitan governance - what it needs to achieve and why. It is grounded in the growing awareness that the quality of cities is perhaps the single most important competitive advantage for any national economy. It's a combination of the emphasis placed by researchers like Richard Florida on the appeal of cities to the 'creative classes' (the knowledge workers who now drive modern economies), stressing the depth and quality of offerings in arts, culture, recreation, retail and hospitality (<file:///G:/ALL/Web%20Resources/Creative%20Classes/The%20Rise%20of%20the%20Creative%20Class%20by%20Richard%20Florida.htm>) , and others who have placed a strong emphasis on the importance of infrastructure - the ability to move around easily, and access important services such as energy and water.

This latter point was one of the key findings of a major study by the Economist Intelligence Unit with the support of Philips Electrical, which included interviews with a wide range of city leaders, and multinational executives from a number of developed and developing countries. Its findings emphasised the importance of infrastructure, and the role of Metropolitan governance in ensuring effective provision (<http://www.europeanvoice.com/GED/00020000/22400/22491.pdf>) .

This is a theme which has been taken up by the Committee for Melbourne in its beyond 5 million project. The introduction to the first report in this series, *Governance and the Melbourne Proposition* (<http://melbourne.org.au/cms-policy/melbourne-beyond-5-million/volume-1>) , states:

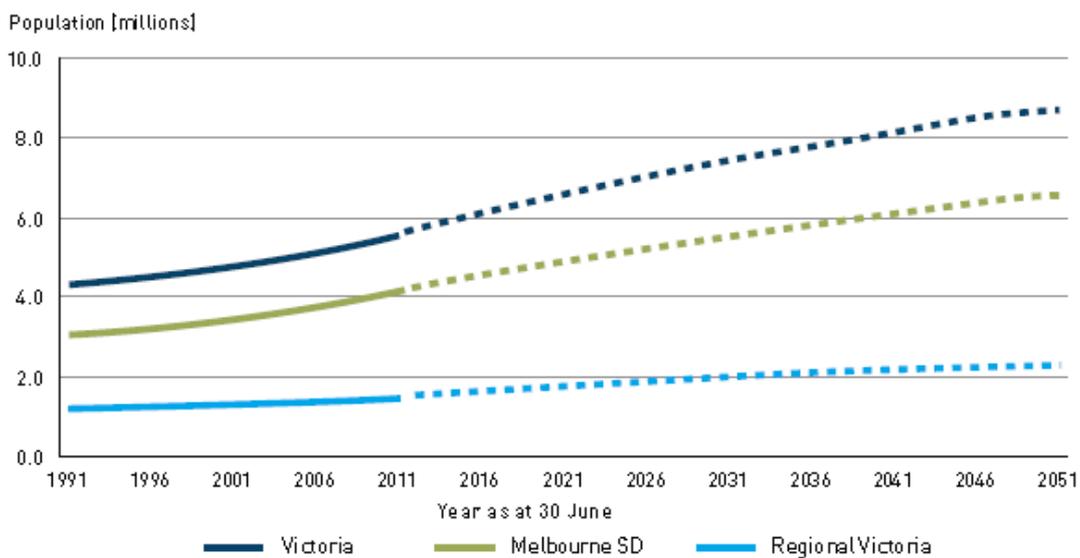
Our need for an agreed and long term, sustainable vision for Melbourne must address our:

- Ultimate land size and physical shape for our city.
- Optimal population densities of our central city and suburban residential areas.
- Physical and community infrastructure development.
- The location and character of central activities districts beyond the CBD.
- Melbourne’s role compared with neighbouring and regional cities.

It goes on to say "Governance is treated first, as effective decision making will define the way we grow. If we get the governance right, it makes it easier for other things to follow."

Some sense of the scale of the Melbourne challenge can be gained by looking at population projections for the State of Victoria, the Melbourne statistical district, and regional Victoria based on the most recent census as shown in the following figure:

Figure 2.  
Historical and projected population, Victoria, Melbourne SD and regional Victoria, 1991–2051.



But it's not just population growth by itself which makes the governance of metropolitan Melbourne such an important issue. It's also a vital issue in terms of national economic management. It's commonplace to say that Australia now has a two track economy; a booming resources sector, and in relative terms manufacturing and services sectors which are struggling to maintain competitiveness internationally amongst other reasons because of the strength of the Australian dollar.

This places a heavy emphasis on the competitiveness of Australia's major metropolitan centres as the main locations for the country's manufacturing and service sector exporters. The efficiency and appropriateness of major urban infrastructure and services, and the effectiveness of integrated land use and transport/utilities planning are important for the competitiveness of manufacturing and services as they are major determinants of the cost structures of business. The competitive challenge is especially strong as the immediate

competitors to Australia's major metropolitan centres are Asian cities whose own domestic economies are growing faster in real terms, and which generally have governance arrangements which support the ability to take and implement major infrastructure and other decisions in a very timely manner.

It is not part of the brief for this paper to spell out possible options for the future governance of metropolitan Melbourne, but there are some criteria which from recent international experience look as though they are prerequisites for success. They include:

- A single voice able to speak on behalf of metropolitan Melbourne in international forums.
- Governance arrangements which facilitate decision making and implementation for major regional matters such as integrated land use planning and infrastructure and utilities investment (experience suggests that this may require a single decision-making point which cannot be held hostage to sub-regional interests).
- Appropriate means for ensuring that decision-making on regional matters, whose impact extends beyond formal jurisdictional boundaries, takes account of the interests of communities within the economic footprint but outside the jurisdictional boundary.
- Leaving or placing decision-making on sub-regional matters with sub-regional bodies so that the governance arrangements for metropolitan Melbourne are able to focus on the regionwide issues, and not be distracted by sub-regional matters.
- Adequate 'own source' funding - which almost certainly implies the creation of new funding tools -perhaps 24/7 road pricing, perhaps a version of the French 'versement transport' regional payroll tax committed to funding regional land transport on the argument that journeys to and from work are a major component of public transport use.

### ***Implications for a preferred future***

In a world increasingly dominated by cities, and with an increasingly competitive international environment, strong metropolitan governance, however delivered, is becoming one of the preconditions for the continuing well-being of Australia's major metropolitan centres.

How this might be delivered is beyond the scope of this paper, but the obvious implication is that resolving the challenge of metropolitan governance should be a high priority for all tiers of government.

### **DISTRICT OR SERVICE DELIVERY - THE 'STANDARD' COUNCIL**

This is the level of local government which most people experience most of the time when they have any interaction with the sector. It's local service delivery, local regulation and ideally local leadership.

It's also the level of local government which gets most attention when governments or key stakeholders talk about the role of local government, its functions, and how well it performs.

Sadly, from the sector's perspective, it is also generally not well understood. Most residents and ratepayers lack any real understanding of the full range of services which the 'standard' council provides. They also lack any real reference points for assessing the value of what they receive - it is all too easy to assume that the mix of local roads, recreational and cultural facilities, environmental management, rubbish disposal and much more just somehow happens.

## **History**

Generally, until around the early 1990s, local government led a relatively charmed existence, before a wave of interest in local government reform saw a number of amalgamations. The following table (sourced from Aulich et al 2011) shows the impact:

**Table 2.1: Number of Local Councils in Australia 1910-2008**

	1910	1967	1982	1990	2000	2008
NSW	324	224	175	176	174	152
VIC	206	210	211	210	78	79 μ
QLD*	164	131	134	134	157	73
SA	175	142	127	122	68	68
WA	147	144	138	138	142	142#
TAS	51	49	49	46	29	29
NT*	0	1	6	22	69	16
<b>TOTAL</b>	<b>1,067</b>	<b>901</b>	<b>840</b>	<b>848</b>	<b>717</b>	<b>559</b>

The reforms of the 1990s were largely driven by the influence of new public management - a wave of change which swept through public sectors in much of the English speaking developed world, with an emphasis on seeking to improve the efficiency of public sector performance. It was very much a market-driven model with a built-in assumption that restructuring of public sector organisations so as to more closely resemble the corporate structures and accountabilities of the commercial sector would improve outcomes for the publics they served.

The reduction in the number of local authorities was a direct consequence of the belief that there were significant economies of scale to be gained and the appropriate means for doing so was amalgamation (a view which has been substantially contested in the research literature, with the argument that economies of scale are a function of individual services, not of the size of councils as such). The change in organisational structure and representation arrangements which accompanied amalgamations was designed to mimic the private sector corporate structure of a governing board, and an executive management tasked with implementing the policies set by the board.

The expectation that restructuring would result in significant savings seems largely to have been disappointed. Attempts by researchers to verify claims to this effect largely led to the judgement that either no savings were achieved, or that if they were, they were rapidly absorbed in the provision of additional services and/or increased service level standards and/or previously 'unaffordable' activities such as deferred maintenance.

## ***A New Approach - Capability***

The Queensland restructuring, which followed the recommendations of the Queensland Local Government Reform Commission, moved away from cost-based arguments, to an argument based on capacity:

The Commission's assessment is that many councils currently are struggling to meet the demands that come with contemporary public administration and management. They are needing to compete for skills, expertise and experience and to appropriate substantial investment in management systems. It is the Commission's view, stronger, more robust local governments will enable councils to attract and retain staff with the requisite skills and competencies needed to ensure the performance of core functions.

At the same time, the Commission accepted that a "one size fits all" approach was not appropriate, especially in respect of individual councils which were already responsible for large districts.

That same theme has been picked up in the NSW destination 2036 action plan (<http://www.dlg.nsw.gov.au/dlg/dlghome/documents/information/Destination%202036%20-%20Action%20Plan.pdf>) , which is explicit that a "one size fits all" approach is not appropriate, adopting as one of its five strategic directions "Develop a variety of Local Government structural models to suit different environmental contexts."

Both the Queensland and New South Wales initiatives have the common theme that the purpose of reform is to create strong, capable local governments able to realise efficiencies, and meet their communities' service level expectations.

The theme of capability also underlines the recommendations in a just released report on infrastructure – *Strong foundations for sustainable local infrastructure Connecting communities, projects, finance and funds* prepared by Ernst & Young for the Federal Department of Regional Australia, Local Government, Arts and Sport ([http://www.regional.gov.au/local/lgifr/files/Strong\\_foundations\\_20120615.pdf](http://www.regional.gov.au/local/lgifr/files/Strong_foundations_20120615.pdf)) .

There is a strong emphasis on building regional capability, creating regional arrangements for the ownership delivery and financing of infrastructure which is a clear message of the need for individual local authorities to build scale as can be seen from the following paragraph summarising the report's principal recommendations for regional structures.

Finally, to harness the benefits of scale, we encourage the Australian Government to work with other jurisdictions to create formal **regional structures with responsibility for delivering and financing infrastructure investments** (Recommendation 13). Regional cooperation has driven positive outcomes, and could be improved if regional entities had the ability to move beyond advocacy and support towards the ownership, delivery and financing of infrastructure. The **rationalisation of the different regional frameworks** which currently exist in parallel (Recommendation 11) is also likely to reduce duplication and result in better coordination.

### ***Collaboration to reduce cost***

In broad terms the same theme comes through in other recent policy initiatives affecting local government, including the current Productivity Commission inquiry into the role of local government as regulator. A major concern of the Commission was the extent to which individual local governments either had incentives to manage their regulatory activities in a way which imposed least cost on the business sector, or were actually required to do so. The overview section of its draft report includes the following statement:

Many LGs regularly co-operate and combine their resources to provide services, including regulatory services, such as regional organisations of councils and other groupings of LGs as a way to address skill shortages. Private sector service provision is another option. Without state and NT government support, through well-designed legislative or assistance arrangements, LGs have little incentives to voluntarily coordinate or consolidate to achieve good regulatory outcomes.

Behind this statement were concerns that too many councils developed their own regulatory and other practices without ensuring that differences with neighbouring councils' equivalent regulation etc existed only where there was good justification. An example of the costs which could result from a lack of alignment used by the commissioner who led the work on the report was a group of five periurban councils each of whom had different specifications for curbing and channelling. This required contractors working in the area to understand five different sets of documentation and carry five different sets of moulds - at an overall cost of some millions of dollars a year.

A particular concern for the Productivity Commission was that initiatives to reduce the cost to business of inconsistent regulation were unlikely to be a priority for local government because changes would produce little or no savings for councils themselves - although the potential saving for business could be very significant.

### ***International experience***

Capability, and a focus on how best to deliver services at least cost, are the two principal concerns which higher tiers of government are currently bringing to the consideration of local governance structures. Approaches, however, differ.

In England and Wales, government policy is dominated by a need to reduce the central government deficit. It has resulted in a reduction of local government revenue by something like 26% over a four-year period (in England and Wales central government is responsible for in excess of 75% of local government funding). It has also substantially reversed some years of very direct oversight of local government, effectively taking the view that a very substantial reduction in revenue will, by itself, be a sufficient incentive for councils to improve efficiency. Indications so far suggest that this view may be substantially justified.

In New Zealand government is moving in the opposite direction (in part because it is not a substantial funder of local government and so has little in the way of financial levers). It has recently introduced legislation which, amongst other things, will empower it to set limits on local government rates and debt levels, and which the government states will also require local government to refocus on its core activities.

The same legislation is also intended to make local government amalgamation simpler to achieve in the belief that there are significant cost efficiencies to be gained through the amalgamation process.

The departmental regulatory impact statement prepared to provide an analysis of the government's proposals includes the somewhat unusual statement:

The timeframe for development of these proposals has precluded any assessment of evidence or analysis to confirm the impact of these features of the legislation on the fiscal or governance performance of the local government sector.

It seems clear that the government itself believes its proposed measures are both justified, and will be effective to achieve its objectives. It is clearly responding to what it believes to be justified messages of concern from local government stakeholders dissatisfied with local government performance.

### ***The consultation disjunct***

In part this reflects a situation common with local government in a number of 'Westminster tradition' jurisdictions; a relative lack of close collaboration between local government and its many stakeholders. Some of this results from the statutory provisions governing the way that local authorities consult with their communities. There is increasing evidence that the standard approach of allowing a month to respond to already developed council proposals, and a single opportunity to appear before the council in person with no feedback or negotiation before decisions are taken, is a large part of the problem.

Paradoxically, instead of giving submitters the sense that they have been heard and their views taken into account, all too often this approach reinforces the view that councils are unresponsive. Councils are not always to blame; often by the time proposals go out to public exhibition or consultation, it is effectively too late for any major change so councils themselves are being set up by an ill-conceived process.

This is simply part of a wider scenario which can result in stakeholders, who believe they have influence, bypassing councils and instead going direct to the responsible tier of government seeking direct intervention to reform local government. Their objective will often be expressed in terms of getting more efficient, more responsive and less costly approaches to service design and delivery, and their best solution all too often will still be amalgamation.

On the council side, the problem is not just consultation arrangements which are really inappropriate to the desired outcome of getting alignment between council and stakeholders. Local government generally is also still to build a good track record in finding innovative ways of reducing the cost of council services (there are some honourable exceptions). Shared services provide an example.

### ***Shared Services***

It is worth recalling that the Queensland local government reforms were preceded by more than a year of endeavours through the Size, Shape and Sustainability

initiative to develop a voluntary local government-based approach to lifting performance. At the heart of this was the view that shared services offered a more effective means for doing so than amalgamation. The Local Government Reform Commission was relatively dismissive:

Regional cooperative structures and shared service arrangements generally offer less efficiency and economies of scale than could be achieved through amalgamation (essentially because of the additional overheads they incur).

The Commission could also have noted that the track record of shared services both in Australia and internationally has been at best mixed. As a recent example of informed Australian opinion, the report of the Independent Panel which reviewed structural options for the future of local government in southern Tasmania (<http://stca.tas.gov.au/future/>) commented:

While the theory of shared services as a means of achieving economies of scale from otherwise small local government units may be attractive, there are few examples in Australia where a robust, sustainable, long term model of shared services across a wide range of functions has been achieved.

English research into shared services suggests a number of barriers have obstructed widespread adoption of this approach. They include managerial resistance (loss of span of control, limiting career options) to political resistance centred around loss of control.

Research for the Royal Commission on Auckland Governance produced similar findings and resulted in the Commission deciding not to establish a second tier of service delivery councils in Auckland.

There is another explanation for the relatively disappointing level of shared service activity which looks at the nature of the decision-making arrangements, rather than at the behaviour of the individuals involved. The standard type of approach to shared services (regional organisations of councils; regional alliances) effectively defaults decision-making on individual services to the individual councils who are party to the RoC or alliance.

This means that each individual council assesses the different options for any particular shared service, so that decision-making in practice involves perhaps six or seven or more councils each reviewing potentially two or three different ways of achieving the desired service outcome. The effect is that, even if all councils are motivated to make a positive decision to join in a shared service, the actual decision-making process itself is enormously convoluted, and it is scarcely surprising that decisions are not taken in a timely and effective way (or that the Queensland Local Government Reform Commission should have concluded that the additional overhead costs of shared services arrangements made them less attractive than amalgamation).

A different approach to shared services is emerging within some regions of New Zealand, based on establishing a separate council owned company to undertake the business of facilitating shared services for the council shareholders, with an emphasis on councils themselves being the service providers through a 'centre of excellence' approach. Experience so far suggests that this is a markedly superior

means for decision-making, and also overcomes some of the other problems of normal shared services approaches.

The 'centre of excellence' approach means that councils can see the shared services strategy as something which can add to their own capability, rather than detracting from it (as each council can reasonably expect to be a centre of excellence for at least one service). Of perhaps greater importance, the partner councils regard shared services as essentially a matter of access to and control over information. They are linked by high-speed broadband so that, regardless of where a service is actually managed, each council has real-time access to its own data.

### ***Implications for a preferred future***

Our obvious starting point is the outcome is a statement from the first FOLG:

Local government facilitates the building of strong and successful communities.

First, it is inherent in facilitation that local government has built up a significant level of trust between itself and its communities, and that there is a high level of shared understanding. Achieving this demands a different approach from the standard consultation arrangements which still too often shape the way in which councils work with their communities - and which can be compounded by councils holding the decision right on key community issues rather than seeing this as something to be exercised in collaboration.

It also requires an ability to work across all the different interests within local government's communities, and build their understandings of and preparedness to work collaboratively.

Next, especially in a world of constrained resources, it seems inherent that facilitating the building of strong and successful communities will include taking it for granted that local government's service activities (both back-office and customer facing) should be undertaken at least cost, and in whatever manner will best deliver the outcomes agreed with the community.

This requires a different approach to the conventional one of assuming, by and large, that in-house provision is the best way of delivering services of whatever kind.

In my work I argue for what I term the 'indifference principle'. By this I mean that the choice of how any particular service is delivered and by whom should be made solely in terms of what approach gives the community the best outcome. Decisions should not be made in order to protect the interests of the Council as an organisation if those conflict with delivering the best outcome for the community.

This does not mean necessarily outsourcing everything you do, or making everything the subject of a shared service approach - there may, for example, be good reason in the case of a particular service to retain capability internally.

It's an important principle, not just in terms of efficiency but in terms of councils retaining control over their own future. All too often local government reform is driven by stakeholders who argue that intervention by a higher tier of government is essential to improve local government performance because councils themselves are not prepared to do so. Explicitly adopting an approach such as the 'indifference principle' is a way of signalling that local government understands stakeholder concerns and is moving proactively to address them.

Put this together with a new way of working with communities, and local government has gone a long way towards taking control over its own future, built on a new and supportive relationship with the communities it serves.

## **COMMUNITY GOVERNANCE**

One of the striking shifts taking place in local government is the growing demand for greater involvement in decisions which affect the places where people live - and in Australia the innovative ways in which many councils are responding to this.

It's a shift which has been taking place over quite a period of time, and is really the other side of the coin of the decline in turnout at local government elections. In essence, people are increasingly saying that what matters to them is not so much the ability to elect a councillor or councillors, as it is to share in decisions which directly affect them.

European research has highlighted this as a shift away from traditional electoral democracy towards network, consumer and participatory democracy (different forms of direct engagement) (Haus & Sweeting, 2006; Schaap et al, 2009). In Australia, it is now starting to be picked up in council surveys of ratepayer satisfaction, with some councils finding the top priorities for residents are now access to council information, and the ability to take part in decisions which affect them.

In part this reflects the nature of the electoral process which makes it very hard for electors to see a direct connection between the choice of any particular candidate in their ward, and the outcomes which the council once elected might deliver. In part it is simply another expression of the importance of place and place shaping.

Recent research on the evolution of community governance in Australia (McKinlay et al 2012) shows that councils are responding in a number of quite innovative ways, and very much with a focus on developing approaches which best suit their own communities -it's a very good illustration of the ability of councils to be creative in developing new ways of working with communities when they have the freedom to do so as opposed to being constrained by detailed statutory requirements.

Whether it is Yarra Ranges facilitating the development of township groups, Golden Plains using the findings from community planning to advocate for better delivery of services by other public sector players, Port Phillip's reliance on reference groups, Surf Coast Shire's extensive use of section 86 committees, Swan City's move to place-based management or Mosman's creative use of social

media to engage with its communities, it's clear that there is a growing and widespread commitment to finding new ways of engaging with communities.

It is raising some very interesting challenges for both elected members and council management. Extensive community engagement around issues affecting local neighbourhoods can be extremely demanding in terms of time and commitment. For elected members the immediate question is whether they should be personally involved in every significant instance of engagement with their communities, or whether their primary role is to set expectations for the way the council should work with communities, and overview the performance of council management in delivering on the expectations they have set.

For council management, one of the most pressing issues is whether the traditional functionally based structures through which councils normally undertake activities remain appropriate, or whether there is a need to move to place-based management. The answer is likely to be that, because communities themselves are focused on the nature of place, and how council services come together in creating the quality of environment they want, then place-based management is virtually a prerequisite to good community governance.

### ***Implications for a preferred future.***

The variety and extent of innovation being displayed by councils in the development of different ways of enabling community governance is a strongly positive indicator for the future of local government as the most important tier of government, for local government's residents and ratepayers. It goes right to the heart of the local government role of facilitating the building of strong and successful communities.

Its continuing success should not, though, be taken for granted. The history of local government includes an ongoing interest on the part of higher tiers of government of regulating the way local government interacts with its communities, and setting quite detailed compliance requirements.

The strength of the way the community governance is evolving lies very much in the ability of councils, because there are currently no statutory constraints or requirements, to develop those approaches which best suit their own communities and their own ways of working.

Preserving this flexibility is going to be important for the future of local government itself, as this provides the primary means of building a strong and ongoing relationship of trust and mutual collaboration between local government and its communities, on the one hand, and councils as representatives of their communities with higher tiers of government and other stakeholders on the other hand.

### **The likely benefits**

In this section I want to concentrate on the likely benefits which could come from taking advantage of the opportunities to rethink how the 'standard' council handles its district or service delivery issues, and how community governance evolves.

I start by noting that both in Australia and in comparator countries the issue of the proper role and function of local government is again under challenge. Although the Conservative led coalition government in England has pulled back from the micromanagement of local government which characterised its predecessors, and is placing a strong emphasis on devolution to communities, much of what it is doing could bypass local government entirely.

In New Zealand, the National led government is currently legislating to restrict local government rates and debt levels, and refocus local government on core activities - moving away from the growing understanding that local government has a central role to play in the governance of its communities.

In Australia local government reform is on the agenda in most states in one way or another. In Victoria, where the State government appears to have been relatively inactive, the recent introduction of a Bill amending the Local Government Act and giving the government power to limit the use of differential rates suggests that government interest in the performance of local government is reawakening (see <http://local.governmentcareer.com.au/news/victoria-to-improve-local-government-act> ).

It's worth remembering what characterises most recent significant local government reform initiatives by higher tiers of government. They are normally preceded by a period of perhaps years of discussion within local government of the need to change, but with comparatively little action. Often this results from the very different nature and priorities of different councils - local government is a very diverse sector.

The record shows that when the local government sector fails to agree on a way forward, key stakeholders who want change will lobby higher tiers of government and the outcome is usually imposed restructuring - think Ottawa and Toronto, Auckland and Queensland.

On the other hand, the opportunity for a proactive local government sector to set its own future direction remains strong. The difficulty remains how to achieve a sector wide agreement, or make sector wide progress, on what is seen as necessary change. The growing emphasis on capability in the management and delivery of local government services provides an excellent example.

The potential benefits for key stakeholders from a new approach to the district or service delivery functions of local government are reasonably well documented. They include:

- Increased capability through sharing scarce resources.
- The ability to deliver better services at a lower cost for achieving economies of scale and/or scope.
- A more consistent and lower cost operating involvement as local government bylaws, regulatory activities, specifications and other tools are standardised.
- More timely and effective decision-making, an important but not always well understood contributor to helping control the opportunity cost of time.

- More consistent and better understood services and service level standards.

For local government itself there are also very real potential benefits. They include:

- An effective means of answering the common concern that smaller councils lack the capability to cope in today's complex environment - using new approaches to collaboration can help resolve this issue.
- Greater confidence in local government on the part of higher tiers of government, and its own stakeholders, thus lessening the risk of arbitrary intervention to restructure local government in the belief that this will lead to better designed and targeted services at lower cost.

A greater use of community governance approaches also offers real benefits. For communities themselves it's a very practical approach to building inclusive communities, and giving people a sense that they are able to help shape decisions about how their own neighbourhoods evolve.

For councils, it's a great way of building community trust, and a sense that councils themselves are acting legitimately. This is supported by findings from the community governance research project which had a number of councillors reporting that a commitment to taking a community governance approach had played a positive part in their electoral success.

## **Some broad strategies**

Each individual council will have its own priorities for how it wishes to see the local government sector evolve. This is only natural, as each council has its own unique set of circumstances, community relationships, service delivery requirements and so on.

However, ultimately each council's ability to set its own future direction depends on how the local government sector as a whole is positioned, and on how higher tiers of government go about establishing the legislative and financial framework for local government. This means that each individual council's ability to maximise control over its own future direction is critically dependent on how these crucial sector wide issues are handled.

This means developing and implementing strategies which can take the local government sector as a whole forward, and which can give confidence both to its stakeholders, and to higher tiers of government, that local government is capable of setting and implementing strategies which will meet their objectives as well as those of its communities.

This means collective action. It means a preparedness to recognise that the interests of individual councils and the interests of the sector as a whole are aligned when it comes to setting the future direction of local government.

This has been at the heart of the Future of Local Government process. At this Summit, we are moving from discussing issues about the future, to setting a roadmap and strategies for realising the future.

Some of this will be about developing the tools required to take a new approach - for example, working through what the 'indifference principle' might mean and how to put in place the service design and delivery policies which reflect that principle. This will include developing effective means of working collaboratively with other councils in order to build capability and demonstrate that individual services are being delivered effectively on a least cost basis.

The post-FOLG activity outlined in other presentations is designed to meet this requirement - to deliver the capability and the efficiencies which local government and its stakeholders both need whilst reinforcing the importance of local democracy and local autonomy.

At the level of community governance, a number of the necessary strategies have already been identified. They include developing means for sharing and learning from each other's experience, considering what needs to be done to better support elected members working in a community governance environment, and rethinking how local government structures its activities - should they be functionally based or place based?

Individual councils within Victoria are already considering how best to work collectively in advancing these strategies. The next step is to turn this into a sector wide approach, with a clear sense of strategic direction, and a roadmap for what needs to be done.

## **Some concluding thoughts**

Presenting conclusions on a theme as broad as building tomorrow's local government is more than just challenging; it carries with it the risk of being distracted by the extraordinary diversity and potential of local government, and dissolving into 101 recommendations on the things we should now go and do.

I prefer to cut through the complexity and highlight just a very few, but very critical themes which should shape the way we build tomorrow's local government. They are:

- Local government has enormous potential to help its communities shape their preferred futures. It is unrealised because we lack a clear sense of direction and understanding of our capability.
- We need clarity of thinking about local government itself and what it comprises. Although the boundaries are fuzzy, Metropolitan (or major regional) governance, district or service delivery, and community governance are distinctly different. Achieving the best outcomes requires different strategies and capabilities. We should not try to make "one size fit all".
- The current environment for local government is high risk, and requires a clear, determined and well supported strategy from the sector. Justified demands to lift local government's performance through developing better

means of delivering infrastructure, choosing the optimal ways of delivering services, managing local government funding and much more need responses which show local government understands what is required to meet those demands effectively and efficiently.

- Developing and implementing these responses requires a collaborative approach - councils working with councils, and both individual councils and the sector working with key stakeholders seeking a consensus on what needs to be done and how to do it.
- There is a lot of commitment and knowledge building within local government in Victoria in how to develop and implement the required responses. The challenge is to turn that commitment and knowledge into action. The risk is that time is not on local government's side.
- Lifting the performance of the Victorian (and Australian) economy and society in response to national and international pressures is urgent. We do not want a repeat of the experience from Queensland and elsewhere of higher tiers of government losing patience and moving arbitrarily to restructure local government because it has failed to deliver.

Finally, we have the vision, we know what needs to be done, this Summit is the place to start.

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