

# **The Changing Role of Local Government**

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

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# 1. Introduction

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## Where We've Come From

It is five years since the Municipal Association of Victoria hosted the first Future of Local Government Summit. We began with a set of concerns reflecting the anxieties which have plagued local government in Australia as the third tier of government.

Among the concerns which were the focus of that first summit were:

- Local government has historically been the "poor relation" of the public sector.
- Most major decisions about local government are taken by other levels of government - local government cannot (or is not allowed to) think for itself.
- What does local government aspire to achieve? No one knows.
- Local government is usually consumed by day-to-day issues - the urgent crowds out the important.
- Dealing with local government is like trying to herd cats.
- Councils have long-term plans, but the local government sector does not have a strategic long-term direction.
- The local government identity crisis - who are we?

For the second summit, a group of local government leaders prepared a manifesto for local leadership. Its three themes were:

- Listen to lead.
- Admit faults and commit to savings.
- Sign up for excellence.

Last year we met in the shadow of the global financial crisis with themes ranging from leading localities in a global era to sustainable communities and community capitalism. This year our focus is on the role of local government itself - what is local government's vision for itself in the future?

## Where to now?

In a sense, the past five summits can be seen as preparation for this summit's theme - what is local government's place in the world, what vision do we have for our future?

This leads me to the theme for this presentation as described in the conference programme:

While many people are involved in the local government sector, there is typically very little time spent in assessing its role and producing a vision for its future in a rapidly changing world. Many of the key issues faced by the sector are role-related. **Is local government destined to become the service delivery arm for the public sector?**

That question is deceptively simple. It has been standard in countries such as Australia, England and New Zealand to regard local government as primarily a service delivery organisation. It's been one result of the numerous reforms those three countries (and others) have put in place in local government in order to improve the efficiency and, it is hoped, the effectiveness of what local governments do. But what does service delivery actually mean in a public sector organisation charged with providing leadership within its community - and what would it mean to become the service delivery arm for the public sector?

An interesting perspective is provided by an independent think piece, *The Engagement Ethic* (Craig et al, 2009), produced in December 2009 with the support of the UK Government's Cabinet Office Public Services Unit, which had this to say:

Public services have learned a great deal from approaches imported from big business, to the benefit of service users. In particular, the focus on citizens as consumers and on the performance of service units has improved some outcomes.

However, these approaches are subject to diminishing returns. And the credit crunch and fiscal crisis has freed our political imagination from the idea that this is the only game in town.

Today, the biggest challenge public services face is the challenge of engaging citizens and service users and harnessing their energy and creativity. This is at the heart of challenges of services' cost-effectiveness and legitimacy.

This presentation will take the view that the term 'service' in a local government context goes far beyond the traditional housekeeping function of providing local infrastructure and services to property. It encompasses representation, advocacy and above all leadership both locally and externally - it should be seen primarily from a governance rather than simply a functional perspective.

I will also draw an important distinction between two different aspects of what we loosely term local government- the inherently local function of working with communities at the relatively micro level, and the increasingly important function of municipal or regional leadership. In much of our discussion of how local government should connect with its communities, we too often neglect the reality that the 21st century is not just the first century in which the majority of the human race live in urban centres, but also that increasingly relations across borders whether economic,

social, or cultural, are between cities rather than countries, placing a heavy national 'public good' emphasis on the importance of strong and effective civic leadership at the metropolitan level - an important but much neglected local government 'service'.

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## 2. Background

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For decades the local government sector in countries such as England, Canada, Australia and New Zealand has been very much a junior partner in the business of governing. Higher tiers of government have used their constitutional position and statutory powers, and their monopoly of the strongest tax bases (income tax; GST and its equivalents) to assert a leading role in the provision of many of the services central to the well-being of our communities - health, education, law and order, social services and major transport infrastructure among others.

Three influences are combining to promote a new understanding of the potential of local government – despite rather than because of the preparedness of higher tiers of government to change. They are:

- A growing awareness of the problems with the 'top-down' approach to the design and delivery of social services.
- The global financial crisis and the associated fiscal crisis.
- The rise of metropolitan centres/regions - the 21<sup>st</sup> century as the century of the city.

### The 'top-down' problem

The growth of the welfare state post the Second World War was a growth of central government (federal government) design, and often delivery, of major social services enabled by possession of the major tax bases - so that funding was not an issue - and supported by values which underpinned the principle of equal access to services regardless of where people lived, combined with a commitment to similar treatment of people in similar circumstances. This was an approach which emphasised delivery through delegation with limited discretion, rather than devolution with power to decide. Problems with what is inherently a 'one size fits all' approach were addressed not by questioning the basic philosophy, so much as by redesign of individual programmes.

The ability to do so was supported by perceptions that governments in developed countries could expect to enjoy continuing strong revenue streams and thus have the discretion to increase spending on social services (amongst other things).

More recently, and motivated by a concern that the 'top-down' approach was not always appropriate, there's been a growing and research-based recognition of the inherent problems it presents – specifically, that this approach is poorly placed to tap into unique local knowledge and networks, or change the nature of a centrally mandated service to recognise the unique circumstances of intended recipients. A recent example can be seen in *Public Service Paradox*, the final report of the Commission on Public Sector Reform in the North East (an initiative of the UK Institute for Public Policy Research). This report finds that:

- public services in England's north-east are generally funded at a higher rate per capita than for England as a whole
- achieve above average performance in terms of their formal key performance indicators, but ...
- deliver poor outcomes.

The principal explanation is the 'top-down' problem - services are designed and delivered at too much of a distance from the communities whose needs they are intended to meet, and so are inadequately informed by the local knowledge and networks needed to be truly effective.

By itself, this may not have been sufficient to compel a change of approach to the design and delivery of major social services. However, when coupled with the fiscal crisis, the case for a new approach has become much stronger.

## **The global financial crisis and the fiscal crisis**

The global financial crisis is generally regarded as the immediate trigger for the major fiscal crisis which has confronted many of the world's developed countries. As perhaps the most immediate example for countries in the Westminster tradition, it has left the United Kingdom with a fiscal deficit of approximately 11% of GDP, and a very strong focus on the need to reduce public expenditure. In turn this has provided the incentive to look more closely at how major social services are designed and delivered, and the importance of working collaboratively at the local level, something which places an increased emphasis on the pivotal role of local government, and on the unique local knowledge and networks it is best placed to access.

In England this has seen an emphasis on *Total Place*, a policy initiative intended to break down the silo approach of departmental control in favour of local collaboration (see <http://www.localleadership.gov.uk/totalplace/> ). It has also seen some creative initiatives coming out of local government itself. Two of particular interest are:

- The *Manifesto for Londoners* produced by London Councils (the collective body representing London's 32 boroughs and the City of London). This makes a strong case for greater devolution to local government, arguing that this will not only produce better services but, crucially for central government, be able to do so at a lesser cost. In other words, it's not just about local democracy, but about good fiscal management.
- Lambeth Borough Council's *White Paper on The Cooperative Council* which proposes a radical shift in the way the council and its community relate to each other in the delivery of services. The paper is a response to what the council sees as two challenges. The first challenge relates to the type of relationship the council believes it needs to create between citizen and public services. It argues that increasingly communities and the state are recognising that the public sector cannot "do it all" and that citizens need to be part of the solution to the challenges our increasingly complex and diverse communities face. The second challenge is how to deliver services which

meet local need in a period of tighter funding recognising that "the recent severe recession has opened up a huge hole in the nation's finances. Councils will be expected to do more with less."

The tradition of higher tiers of government directing the activity of local government is deep-seated, and will not be easily put to one side in favour of devolution and greater collaboration at the local level. However the extent of the fiscal crisis now faced by many developed nations, and the importance of making best use of public resources, both suggest that the climate is much more favourable than previously for recognising the unique and important contribution local government can make. As a case in point, Australia has recently seen the different capabilities of federal, state and local government demonstrated with the varying success of stimulus package initiatives including school building, home insulation, and the local government stimulus package.

On the other hand, in Australia it could be easy to assume that fiscal pressure will play a much lesser role than in other jurisdictions - Australia passed through the global financial crisis without going into recession, and its fiscal deficit is not only low by international standards, but the federal government expects to return to surplus by the 2012-2013 financial year.

So, has Australia benefited from the minimal impact on its banking system of global financial crisis to such an extent that it can look forward to a continuing strong fiscal position? Perhaps not. Behind the impact of the global financial crisis on the fiscal position of countries such as Britain, lies the deeper and longer lasting impact of an ageing population and the associated pensions and social services cost.

A recent article in *Times Online* (Kaletsky 2010) highlights the relative impact:

"According to IMF calculations, the credit crunch, bank bailouts and recession only account for 14 per cent of the expected increase in Britain's public debt burden. The remaining 86 per cent of the long-term fiscal pressure is caused by the growth of public spending on health, pensions and long-term care. The credit crunch and recession did not create the present pressures on public borrowing and spending. They merely brought forward an age-related fiscal crisis that would have become inevitable, as by 2020 the majority of the baby-boomers will be retired."

Australia also faces the challenge of an ageing population and can expect broadly similar impacts in terms of public expenditure albeit the timing may be somewhat different. In other words, notwithstanding the relatively minimal impact of the global financial crisis, Australia faces the same long-term need to manage its fiscal position, and the same argument that one of the best ways of doing so is to change the way in which major social services are designed and delivered, putting much greater emphasis on the role of local government, local collaboration and the use of the unique knowledge and networks held by local communities.

## The rise of metropolitan centres

The place of metropolitan centres/regions in local government is one of the most challenging and in many ways least understood issues facing not just the sector itself, but higher tiers of government as well. We are only gradually beginning to understand the full significance of the nature of metropolitan regions and the impact they have not just in terms of the governance of the many communities within their influence, but internationally.

It is only eight years ago that the World Bank initiated its metropolitan governance project noting that "metropolitan governance is fast emerging as the governance issue of the millennium. It refers to the management, leadership, and organisational arrangements in large cities, spread over multiple jurisdictions covering urban, peri-urban and rural areas. Metropolitan issues have hovered partially or completely unattended in urban and public sector reform for decades." (World Bank 2002)

Six years later the London-based Centre for Cities, in a note on the theme of city-regions (Larkin and Marshall 2008) noted both the distinction between the political and functional boundaries of city-regions and the problems of governance and collaboration they pose:

City-regions drive regional and national economies. In England, 58% of people live in recognised cities and 63% of people work in them. But the functional economies of cities stretch far beyond their political boundaries. Nearly 75% of England's population lives in city-regions, and nearly 80% of jobs are located in them.

Fragmented, multiple governance structures across large urban areas in England have led to policy coordination problems. National, regional, sub-regional and local levels of government have led to a confusing array of policy interventions. And collaboration between local authorities, across real economic areas, has been limited. This has undermined effective decision-making and economic development.

Toronto-based Richard Florida, who is perhaps the most articulate advocate for the importance of major metropolitan centres, had this to say of the significance of mega-regions in a 2007 article, *Wake up, Toronto - you're bigger than you think*:

Clunky sounding or not, mega-regions are the real economic engines of the global economy. The 10 largest account for 43% of the planet's economic activity and more than half of its patented innovations and star scientists who generate pioneering breakthroughs, while housing only 6.5% of its population. The top 40 produce 66% of the world's economic activity and more than eight in 10 of its patented innovations and most-cited scientists, while being home to just 18% of the world's population.

All of this convinces me that place, not statehood, is the central axis of our time and of our global economy. What it means for Toronto is simple: a mega-region needs to think and act like a mega-region, not like a bunch of separate cities with empty space between them.

In 2010 the Australian Federal government established the Major Cities Unit within Infrastructure Australia "to bring a coordinated and integrated approach to urban policy development". In its first major publication (Major Cities Unit 2010) it recognised the pivotal role which cities play globally:

As the world becomes more urbanised and economic activity more globalised, trade between cities is growing at a faster rate than trade between nations.

Through agglomeration economies—that is, the benefits that result from the clustering of activities—and their flow-on effects on innovation and specialisation, cities can achieve a considerable productivity premium. Such a premium may be expanded through strategic city management of land use, amenity, infrastructure and labour market skill development.

To realise this productivity potential, businesses in Australian cities need to be globally competitive—not merely in cost terms but also in terms of access to the benefits of innovation and skilled labour markets that cities can provide. Cities are competing against each other to attract scarce globally skilled labour, harness creativity and innovation, and enhance their attractiveness as places to live, visit and do business.

The arrival of metropolitan regions on the governance agenda is certainly starting to focus attention. However, the question of how best to handle the governance of metropolitan regions is far from resolved. For some, it is primarily a matter of ensuring that there are robust structures in place to handle integrated spatial and land transport planning (see Gleeson et al 2010). For others, the priority is enabling the pre-eminent role which metropolitan regions can perform internationally for the benefit not just of their own communities and economies, but for the nation state in which they are located.

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### **3. Local government as the service delivery arm for the public sector**

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How should we start thinking about the proposition that local government might become the service delivery arm for the public sector?

#### **A federal/state government (functional) perspective**

We could start from a federal/state government perspective. The approach could be a purely functional one, looking for opportunities, service by service, to reduce the cost to a higher tier of government of delivering individual services by means such as collaboration with local government or devolving the entire responsibility for a service. The approach could be a more principled one based on an understanding of what best contributes to the effective design, targeting and delivery of social services.

We could see this as an opportunity for local government to rethink the nature of local governance and the contribution it makes to the well-being of its communities. This would take us back to reflecting on what we believe 21st-century local government should be.

We could start doing this from the widespread acceptance that local government is in the service delivery business. In Westminster tradition countries, the emphasis over the past 30 years or more has been very much on how local government can most efficiently deliver services to the communities for which it is responsible.

#### **An alternative (governance) perspective**

To take this view alone, however, is very much to miss the point of what local government is actually about. Services matter, but the overarching business of local government in the world we now live in is governance - providing community leadership and working with its communities to determine their preferred futures and how best to realise those.

It is also to miss much of the point about the nature of the services the public sector delivers. They are not just commodified outputs designed to meet the needs of consumers in some kind of quasi-market; they also reflect a shared societal understanding about the nature of community and the obligations citizens should have towards each other. It is the essence of public services that they reflect a democratic understanding and mandate - that they arise out of a governance rather than a market-based understanding of the role of public entities.

This should be inherent in considering the potential of local government to become the primary service delivery arm for the public sector. Such a role should be based on a good understanding of the governance role of local government, and the

potential it has to provide genuine leadership to its communities, often in partnership or collaboration with others who also play a governance role - and as we shall see shortly, this is not just other public sector entities, but can extend to the private sector.

The point is well made in the following quotation from 1998 article on Scottish local government by Prof John Stewart from Birmingham University:

Local government is not distinguished by the services it provides, important though they are to its working. Other bodies can, and in some cases do, provide those services. It is distinguished by its basis in local democracy. The strength of local government depends therefore on its basis in local democracy and from that basis it gains its legitimacy.

Consider again the quotation from *The Engagement Ethic* that "the biggest challenge public services face is the challenge of engaging citizens and service users and harnessing their energy and creativity."

Think also of the emphasis in the countries in the European Union on subsidiarity, and the statement in the Council of Europe's European Charter of local self-government (<http://conventions.coe.int/Treaty/EN/Treaties/Html/122.htm>) that "Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy."

Then look at the nature of the debate in the United States about local government and local governance. There is a very strong body of opinion that the most important feature of local government is the ability of citizens to choose their form of government and the mix of taxes and services associated with that. At its extreme this view is represented by the councils associated with the contract cities movement ([www.contractcities.org](http://www.contractcities.org)). These councils are typically small or very small, and have at most one or two employees, purchasing in all of their services from other councils, the private sector, or the not-for-profit sector (hence the soubriquet 'contract cities').

Next consider the following quotation from *Pacing Lyons: a route map to localism* (Sorabji 2006), a report prepared by the New Local Government Network as input into the UK Lyons Inquiry into local government:

In the United Kingdom on average one councillor represents 2605 citizens. In France the average is one councillor for every 116 citizens; Germany 250 citizens; Italy 397 citizens; Spain 597 citizens; Sweden 667 citizens and Denmark 1084 citizens. England may have more councillors than it needs to lead local government executives, but it has barely enough to represent England's citizens.

The point of these various references is that, within local government, services and local democracy/governance are not separate things in themselves but inherently intertwined. Local governments deliver services to meet the needs of their citizens, and help create the kind of communities and futures their citizens want. Although the quality of some services has certainly benefited in recent years from the application of techniques from the business community (for example customer relationship management) it is also clear that the quality of governance, and the ability of communities to take effective decisions has suffered as we have moved from a democratic to a consumerist model.

Arguably, in many cases, so also has the quality or cost of services. Underpinning the consumerist model is an assumption of competition as the means of ensuring the quality, appropriateness and 'value for money' of goods and services. Even where the supplier may be a monopoly, quite often the consumer has the choice of simply deciding not to purchase.

### **Local government as a statutory monopoly**

The situation is quite different with local government. Councils are not only statutory monopolies (citizens do not have the opportunity of selecting an alternative provider of local government services); they are also monopolies with the statutory power to extract payment regardless of whether or not the citizen wants the service. There is thus very little pressure on councils to ensure that the services they provide for their communities are genuinely meeting community needs, and are delivered in the most efficient and effective ways. The point being made here is not necessarily that councils act as self-serving monopolists consciously delivering substandard services. Rather it is that the nature of the environment in which councils function means that there is little in the way of incentive for councils themselves, or their 'customers', to explore alternatives, especially if these would mean significant change in the way councils actually deliver services. Consider for example the rather patchy record of attempts to establish shared services.

There have been some successes with shared services, notably with a few of the regional organisations of councils, but generally resistance has been strong.

This problem is not confined to Australia. Even the most successful approaches to shared services can encounter problems of resistance from individual councils, or difficulties in working together. The longest running approach to shared services within Westminster-tradition jurisdictions is the regional districts structure in British Columbia (regional districts are statutorily-enabled voluntary arrangements amongst territorial councils to facilitate shared services). *Enhancing the Tools for Problem Solving in Regions*, the report of the Regional District Task force (UBCM 2010), whilst recognising the achievements of the regional district system, also notes:

As well, frictions among governments – whether municipal, regional or provincial – can turn healthy debate based on different perspectives into a barrier to effective functioning at some board tables.

There is a very extensive body of literature which highlights the potential for shared services of one kind or another emphasising not just the potential for 'doing more with less', but also the benefits which a shared services approach can have over amalgamation as a way of improving local government performance (Bish 2001; Dollery et al 2007; Dollery et al 2008).

### **The possibilities within a governance approach**

Shared services however are not the only, or even for that matter necessarily the most promising, approach to innovating in service delivery. Rather, they are one example of the options available to local government when it understands its role not so much as actually doing what needs to be done for its communities, as ensuring that what needs to be done for its communities is done in a way which is most likely to optimise not only efficiency, but also the effectiveness of the actual outcomes in terms of the objectives the service is intended to support. It is a difference which is sometimes expressed as being between provision - ensuring access to the desired service - and production - actually producing the service.

Other possibilities which highlight the potential which arises when local government takes a genuinely governance approach to service delivery include:

- The statutory obligation South African municipalities have to conduct their procurement according a preferential procurement framework which envisages specific points for bidders that have historically disadvantaged individuals in management or ownership positions. In Australia such an obligation might be seen as creating a conflict with 'best value' requirements where those exist. Arguably, there is no conflict so long as the council is satisfied that any additional cost is offset by the developmental gains which are expected to result.
- Moving from a provider or producer role, in favour of a regulatory role in areas such as rubbish collection and recycling. This is an approach which identifies the critical public interest as lying not so much with who provides the service, as with the environmental and associated outcomes from the service.
- Using council controlled or related arm's-length entities to provide the governance of specific services. Common examples are trusts or other non-profits established to operate public facilities such as art galleries and museums - the council will still be the principal funder but has passed the primary governance role over to people from within the community who have the skills and interest in making a contribution to a specific service.
- Enabling the development of worker-owned businesses and/or community co-operatives as primary service deliverers - sometimes with council funding, sometimes relying entirely on external revenue streams depending in part on the nature of the activity. Greenwich Leisure Services Ltd is a well-known English example of a worker owned business. It was formed when the Greenwich Borough Council decided to exit from the operation of leisure facilities, and facilitated the formation of a worker-owned business which is now one of the largest leisure centre operators in the United Kingdom. Tenant

management cooperatives in social housing provide a very good example of the gains which can come from a well-managed policy of enabling community or user cooperatives for the delivery of selected services<sup>1</sup>.

All of these are examples of instances where the opportunity is for local government to take a creative approach to the governance of a service or services with which it is already involved. The potential for local government to promote a local governance approach to service provision in today's world goes far beyond simply those services for which local government itself is responsible. Two examples will make the point.

### **Example 1: Back office services for voluntary/not-for-profit organisations**

Much of service delivery at the community level takes place through the voluntary or not-for-profit sector. The sector is a rich mixture of organisations ranging in scale from very small locally-based volunteer activity to major state or nationwide organisations of a scale and capability to match much of the commercial sector. Especially with smaller organisations, there can be quite significant difficulties with issues such as compliance, record keeping and financial management. Too often, from the perspective of the voluntary organisation itself, people join in order to 'do stuff', rather than to become administrators. There is a very real opportunity for councils to provide shared back-office services for their voluntary sectors with potential benefits including:

- Improving governance, performance, accountability and reputation, thus enabling organisations to present a much better profile to potential funders.
- Freeing up volunteers to do what it is that they want to do, rather than being caught up with the complexities of administration.

### **Example 2: Bendigo community banking network**

The next example is a fascinating illustration of the different forms community or local governance can take. This is the community banking network of the Bendigo Bank. Most in this audience will have some knowledge of Bendigo's community banking activity, but perhaps be less aware of how it is evolving into an important new player in community governance.

Approximately 12 years ago, much of rural and regional Australia was facing a crisis of bank branch closures. For many communities the prospect of losing their banking services was seen as a very real threat to their continuing existence - take the last bank branch away, and much associated business also disappears. Bendigo saw an opportunity to partner with communities through an innovative approach to franchising bank branches. Bendigo would provide the banking services, oversight and quality control including ensuring that individual branch processes and staff met acceptable standards. The community would own the branch through a community owned company, with a Board of Directors drawn from the community, which would

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<sup>1</sup> The above-cited paper, *The Evaluation Ethic*, reports "In 1995, an influential study compared cooperative housing with provision from the best and most efficient of mainstream providers, including local authority or housing association landlords. Price Waterhouse found that co-operatives produced higher satisfaction levels among tenants and that small scale community based operations delivered superior value for money."

hold all the branch assets and employ all staff. Each community company would be structured to maximise community engagement - a 10% cap on any one shareholding or related party grouping and a one-shareholder one-vote rule, in contrast to the usual one-share one-vote provision. Profits would go partly to building up reserves, partly to a limited return to shareholders (related to a benchmark bank deposit rate) and partly as distributions to the community. The clear objective was to ensure that the community generally had a much closer relationship to the bank branch than would normally be the case - ideally virtually everyone in a community served by a community bank branch would either be a shareholder, live with a shareholder, play sport with a shareholder, socialise with a shareholder, go to church with a shareholder or have some other direct connection. And of course, there was the added potential attraction of a new source of discretionary funding for community activities.

In the early years, this looked something like a smart way of extending the bank's network through a variation on conventional franchising. As the number of community bank branches grew, Bendigo encouraged them to work together through a community banking network as a mechanism for meeting together from time to time to consider issues of common concern, largely focused on how best to promote community banking. However, as individual community bank branches have built up their capacity to distribute discretionary funding within the community, the nature of the network has gone through a profound change.

Grantmaking is actually quite a complex business, especially when the grant maker has a broad mandate in terms of the activities it can support, rather than being committed to a narrow and specific function. The need for branches within the community banking network was to develop ways of ensuring that the grants they were able to make were for purposes which the community saw as high priority, and that their grantmaking process itself had a high level of legitimacy.

Inevitably, this meant that the boards of community bank branches needed to find some means of understanding what the community's priorities actually were. Over time this need has evolved into a growing commitment to what the community banking network describes as community priority setting. This will often take the form of facilitated community meetings which will include representatives of local (and sometimes state) government and other community based organisations such as the local business development centre.

The following is a brief report back from one recent community forum:

Community Forum held on 26 May. Approx 70 people attended, including two school captains who actively participated. 6 major projects were identified:

1. **Defensive Driving** course for local teenagers
2. **Cyclone Centre** for the whole community
3. **Community Crime Watch**
4. **Volunteer Marine Rescue** - Replacement vessel
5. **Young Disabled Care** facility

#### 6. **Emergency Shelter** for the homeless and victims of domestic violence.

The Board proposes to form a local committee from those who attended the forum to work with them on the above projects and to assist in identifying and applying for matched funding opportunities

In addition, numerous “quick wins” were identified. These will be short-listed and prioritised and the Board will undertake a number of these in the coming months.

Increasingly, the Bendigo community banking network can be seen as much more than simply an interesting variant on franchising financial services. Instead, it is emerging as an alternative, potentially complementary, form of community governance operating in the same space as local government. Its strengths lie in advantages such as funding coming from a much less constrained source than rating, and its much greater flexibility - no reams of local government legislation to comply with.

So far, in its development, the community banking network has operated largely independently of the local government sector in the sense of any joint strategic involvement over the nature of local governance and the respective roles of the community banking network and the local government sector. Instead, the network’s dealings with local government have tended to be at the level of the individual bank branch and local council with the council simply one of the significant local stakeholders.

We are, though, looking at an evolving situation. The community banking network is growing significantly both in terms of the scale of resources it is able to direct towards community purposes, and in terms of its own strategic capability.

Local government, for its part, is becoming increasingly aware of its potential leadership role as the 'guardian and facilitator' of local governance, a role which means much more than simply focusing on its own activity, but instead facilitating the growth of strong local governance through whatever means this may involve, including collaboration with other players in community governance such as the community banking network.

Moving in this direction is not just an opportunity, but a critically important shift if local government is to play a strategic role as a service delivery arm for the public sector. More of that in the next section of this paper.

#### **Metropolitan centres/regions**

Earlier in this paper I identified the rise of metropolitan centres as one of the three key influences combining to promote a new understanding of the potential of local government.

Much of the discussion so far of services and service delivery has focused on the community level - implicitly discussing local government and local governance as inherently local. Metropolitan centres are fundamentally different in scale. At one level metropolitan centres themselves are made up of a series of communities for

whom local service delivery remains important regardless of the scale of the metropolitan centre itself. At another level there are obviously crucial issues that have a much larger scale and go far beyond the local community - indeed the key defining element for a metropolitan centre is the functional extent of the regional economy. Adopting Richard Florida's approach to mega-regions, and applying that in an Australian context, the Sydney metropolitan region would extend from at least Newcastle to Wollongong.

Australia is not only one of the world's most urbanised nations: as a federal country, it is also one whose metropolitan centres are most dominant in its constituent states. The following table shows the population of the main metropolitan centres as a percentage of the state or territory population.

<b>Metropolitan centre population as percentage of state or territory population</b>	
Metropolitan centre	Percentage
Adelaide	75%
Brisbane	52.3%
Darwin	55.7%
Hobart	42.6%
Melbourne	74%
Perth	77.3%
Sydney	63.4%

The Federal government's decision to establish the Major Cities Unit is a clear recognition of the significance of metropolitan centres. The fact that it is located within Infrastructure Australia suggests that the primary emphasis, for the moment, is on the development of infrastructure and, associated with that, strong and legitimate decision-making arrangements to cope with things like integrated planning, including public transport and land use.

### **International experience**

International experience suggests to do this you need a single local government entity empowered to handle issues such as integrated planning: even in a world of good will, and free from political interference or agendas, the possible combinations and permutations which comprise an acceptable integrated plan mean an unacceptably long process for arriving at an agreed outcome if you go through the standard approach of trying to reach an agreement among a wide range of competing interests, councils etc. This was the rationale for the establishment of the Greater London Authority, and the role of Mayor of London - the need to have a single publicly accountable decision maker for major region-wide strategic matters, albeit embedded in a nest of constraints and accountability requirements designed to put some reasonable constraints around the decision-making process.

Toronto provides an alternative example, with the boundary of the City of Toronto covering somewhat less than a third of the metropolitan region (the so-called Golden Horseshoe). It has been described as too big for effective local governance, and too

small for metropolitan governance – it simply does not have the coverage to implement integrated planning across the entire metropolitan region (Slack 2009).

### **A challenge**

The governance of metropolitan centres is extraordinarily challenging not just for local government, but for higher tiers of government as well. First, there is the clear recognition that establishing a single governing authority to take responsibility for all of the governance needs of an entire metropolitan region simply does not make sense - too much of what necessarily requires a local governance approach needs to take place at a smaller scale (as has been demonstrated in earlier parts of this paper). Next, the logic of establishing a single authority to be responsible for major region-wide matters is clear (see Gleeson et al in relation to integrated planning whilst noting that metropolitan governance is much more than just planning). However, this can present major challenges to higher tiers of government in terms of distribution of effective political power.

Expect this to be a particular dilemma for Australia where major metropolitan centres hold between a half and three quarters of the total population of individual states.

### **Australia: regional governance?**

Speaking as a non-Australian, I find it striking but entirely understandable that state governments act as de facto Regional Councils for the metropolitan regions of state capitals. The scale and significance of the principal metropolitan regions is such that we almost need to ask the question "if the state governments were not acting as de facto Regional Councils, what would their role actually be, and would there be a good rationale for their continuing existence?"

This is especially the case when the arguments in favour of a 'total place' style of collaboration/devolution in the delivery of public sector services are considered. If Australia wants to set the necessary context for the kind of service delivery represented by the total place vision, it will not only need to get effective collaborative mechanisms at the very local level, but will also need well integrated regional governance that is grounded in local government, not state government.

First, the structure and responsibilities of state governments do not properly equip them to act as genuine regional governments of Australia's metropolitan regions - there are just too many difficulties, ranging from the nature of the democratic mandate required, to the relationship between the metropolitan region and the remainder of the state, to the inherent structure of state government, for this to be effective<sup>2</sup> (on this point I entirely agree with Gleeson et al).

Next, the case for strong regional governance is not just better community outcomes and the cost of service delivery. It is also and crucially a matter of enhancing the

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<sup>2</sup> A particular issue is the nature of the political process at the state level which is not compatible with the need to set long-term strategic directions in areas such as integrated planning, transport, and economic and community development across metropolitan regions.

ability of Australia's metropolitan centres to compete internationally in a world which is increasingly a world of cities. In this world, Sydney, Melbourne, Brisbane, Perth and Adelaide need to be able to speak with a clear voice and local democratic mandate to their peers internationally if they are to realise their potential, and Australia is to enjoy the benefits which come from strong well performing metropolitan regions.

None of this is inconsistent with strong local governance. Indeed, strong regional governance paradoxically is an important precondition for strong and effective local governance.

So what is the nature of the service which strong regional governance would deliver? The obvious one, which always springs to mind, is the need for integrated land use and transport planning. Of greater significance is the ability to develop and deliver on a long-term vision for the region, addressing matters such as education (and its integration with economic, social and community development), strategic economic development, and the impact of an ageing population.

We are used to thinking of these services as primarily the prerogative of state or federal governments. In practice, their effective delivery requires not just an integrated approach at the regional level, but strong support from within the region of the kind which requires visionary regional leadership - another argument for considering the case for strong regional governance.

Finally, perhaps both the most problematic issue for higher tiers of government, and one of the most important for Australia's continuing economic growth, is the role that strong mayors, with clear mayoral leadership, should play in a world in which cross-border relationships are increasingly city to city and Mayor to Mayor.

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## 4. Rising to the challenge

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### A time of major change

We are in a time of major change in the role and effective power of governments at all levels. The forces driving this are more powerful than any one government or grouping of governments. They include:

- The global financial crisis and the associated fiscal crisis for many developed countries.
- New understandings of what makes for effectiveness in service design, targeting and delivery and the implications that has for good fiscal management.
- The impact of an ageing population.
- The rise of cities, especially major metropolitan centres.

And a couple of others which have not been specifically discussed in this paper so far:

- Globalisation; and
- The shift in the balance of global economic power from Europe and North America to the emerging economies of Asia and South America.

It is a time of both great opportunity and great threat for local government. The opportunity is through a new understanding of the core role of local government - that it is (or should be) fundamentally about governance NOT service delivery. And it is a governance role that needs to be strategic and 'whole of community' in its focus, NOT simply about better governance of existing services. As argued above, it is as the 'guardian and facilitator' of local governance.

It is a role that emphasises the provision of community leadership, whether at the level of the local neighbourhood or the metropolitan community. It is a role based on local government's unique potential to bring together different interests and stakeholders, and the unique knowledge and networks they possess to facilitate better performance in service delivery within the very broad understanding this paper has adopted.

### Objections?

There are some obvious immediate objections to this approach. The first is that, in Australia, it is state and federal governments which are primarily responsible for the delivery of major social services, in contrast to England where local government plays a significant role. Is it logical therefore to draw on English experience in what

makes for better service delivery when considering Australian conditions? The answer is very definitely yes. The critical element in effectiveness in service delivery is not which tier of government currently has formal responsibility. Rather, it is how best to access the unique local knowledge and networks required to better design, target and deliver services to meet the needs of the individuals, households and communities they are intended to benefit. This is a need which is common across jurisdictions that currently handle service delivery in very different ways.

The next objection is likely to be to the suggested role for local government in metropolitan centres. Traditionally in Australia, it is federal governments (and very occasionally states) which have handled cross-border relationships. What's more, currently Australia does not have local government structures, and mayoral roles, that would place its metropolitan centres on an equal footing with (say) Shanghai, Beijing or Tokyo. Here, the issue is whether Australia wants its metropolitan centres to be internationally competitive - and whether Australian local government can overcome potentially divisive differences of view and interest amongst groupings such as the Council of Capital City Lord Mayors, and the state and federal local government associations.

## **The opportunity**

At the heart of the argument in this paper is that the various drivers of change will inevitably require major shifts both in the relationship between different tiers of government, and between governments, especially local governments, and the communities they serve. A combination of fiscal pressures, and new understandings about what makes for effectiveness in social service delivery, will dictate that major social services will be delivered much more closely to the end recipient than is currently the case - we cannot avoid the need to 'do more with less'.

As was discussed earlier in this paper, governments have a choice between a functional or a governance approach in determining how to respond. Local government should assume that the likeliest approach from higher tiers of government will be a functional one - delegating responsibility for service delivery to a more local level with limited discretion, and doing it service by service rather than from a 'whole of community' approach. Experience elsewhere (and in Australia) suggests this is not only likely to be sub-optimal, but would also undermine the role of local government. Such an approach would further entrench its position as the taker of policy and practice rather than a leader and innovator, and represents the great threat to local government autonomy and influence from the changes now in prospect.

The alternative is a governance approach. It will require significant change not just in the way local government carries out its business, but in how both elected members and senior management think about the nature of the local government role. Most local authorities, most of the time, see themselves as being in the service delivery business - NOT in the business of taking a 'whole of community' approach to determining what services their communities require and how those might be best provided, accessed and governed.

The opportunity is to re-position local government as the critical player in community leadership and governance, and as an essential partner both with higher tiers of government and with other contributors to community governance. The preconditions are tough. They include:

- Being able to demonstrate conclusively that local government does genuinely have a governance understanding of its role, including the ability to make choices about how best to ensure their communities' needs are met free from any bias in favour of councils themselves being the actual providers - and the track record in areas such as shared services suggests that there is much to be done.
- Being able to take a 'whole of community' approach to governance, recognising that in today's world there are a number of different players in the governance space - with local government positioning itself not as a competitor with those different players, but as 'guardian and facilitator' of local governance.
- At the metropolitan level, which is probably the most difficult, being prepared to take a disinterested approach to determining the most effective means of enabling Australia's major metropolitan centres to realise their full potential on the international stage.

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## 5. Conclusion

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Local government has an opportunity of a kind which comes but seldom to redefine its role in relation both to its communities, and to higher tiers of government.

It is an opportunity which will require a genuinely statesman-like approach to determining what local government believes are the best options for its communities. The record both in Australia and internationally demonstrates that this is an enormously difficult task. Local governments are traditionally protective of their own positions, and reluctant to innovate if this raises any possibility of major shifts in structure, organisational span or the position of elected members or senior management.

It will also require demonstrating that local government deserves the confidence of higher tiers of government, and of other key stakeholders in community governance, in taking the lead in developing a governance approach to service delivery broadly defined. It will require different interests within the local government sector to be prepared to accept fundamental change if the potential of Australia's major metropolitan centres is to be realised.

As well, it will need very hard-nosed and well-informed skills and capabilities to assess the different options now open for local government, and how best to capitalise on those in ways which will best serve local government's communities.

It can be seen as a daunting challenge, but there is another way to look at it. There has never been a better time for local government to demonstrate what its true potential is, and carve out its true place in the good governance of Australia's communities.

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