REFLECTIONS ON THE ROLE OF LOCAL AND CENTRAL GOVERNMENT IN THE DELIVERY OF SOCIAL SERVICES

A Report for The New Zealand Treasury

McKinlay Douglas Ltd (MDL)
December 2013

Executive Summary

The purpose of this report is to provide an overview of the potential of local government to contribute to the more effective and efficient delivery of central government funded and/or contracted social services.

This executive summary provides an introduction to each of the seven sections of the report and presents its conclusions.

It begins by noting that practice in this area is still very much evolving, and does require a very real shift in thinking by all of the levels of government and other stakeholders – for example, understanding the fundamental differences between involving local government/communities through a contractual relationship, where the contractor is expected to set the terms, and doing so through a partnership relationship which relies on building consensus.

1. The Changing Roles of Local Government   *Pages 8-14*

The role of local government in different states varies markedly. Westminster jurisdiction countries typically follow a principal/agent model treating local government as a creature of statute. Other jurisdictions (much of Europe and the US) adopt a choice model with local government having significant discretion.

Since the turn of the century, a number of principal/agent jurisdictions have been revisiting the role of local government. England has been through a series of iterations from local strategic partnerships to Total Place, Big Society, Localism and community budgeting. NSW is considering the role of local government as a leader in collaboration between different tiers of government and other stakeholders. Victoria has introduced community planning, and has been piloting co-design.

2. The Underlying Rationale for Working Through Local Government   *Pages 15-28*

The belief that working through, and in collaboration with, local government can achieve better outcomes for service users – and fiscally – has been gaining widespread acceptance. The UK government introduced local strategic partnerships recognising "securing improvements frequently requires involvement of others working in partnership with local authorities. Local Strategic Partnerships are the principal expression of that in practice". NSW is redefining the role of local government as one of leading collaboration.

A series of policy iterations in the UK have, on the one hand, reinforced this view but on the other, illustrated an equivocal commitment by government itself and government agencies. They have also illustrated the impact of policy changes as governments change. A series of initiatives, and associated pilot programmes, have demonstrated potential benefits ranging from reducing duplication to improving outcomes and potentially delivering substantial cost savings, as well as highlighting the many difficulties and challenges of implementing a genuine partnership based approach.

Experience elsewhere – Victoria with co-design – has also highlighted the value of tapping into community knowledge and community networks and the pivotal role of local government in facilitating this.

3. An Overview of Different Approaches to Working with Local Government   *Pages 29-39*

Experience in different jurisdictions highlights that working through, or in collaboration with, local government is still very much 'work-in-progress'.

Multiple objectives complicate assessing the impact of individual programmes – it is currently difficult to assess whether the UK government is genuinely committed to working more closely with local government, seeking to have communities directly engaged in service delivery, or intending through its localism agenda to bypass local government and communities by opening up service delivery to contestability from outside the public/voluntary/community sectors.

A further question, raised by the UK Leadership Centre for Local Government[1], is whether conventional understandings of public sector management contribute to or detract from the objective of moving to a more user-focused approach to service delivery.

On a more positive note, experience in Australia with both community planning and co-design supports the hypothesis there is a significant benefit from greater collaboration at the community level.

4. Reflections on Emerging New Zealand Practice   *Pages 40-44*

Recent years have seen a number of government initiatives with an element of collaborative practice. The Social Sector Trials being led by the Ministry of Social Development as part of the government's *Better Public Services* provides an illustration which both highlights some important questions about the potential for central government/local government collaboration and provides an example of the value local government can add when a Council has developed the requisite capacity and capability.

5. Preconditions for and the Nature of the Barriers to Effective Implementation   *Pages 45-48*

The experience reviewed for this report, and MDL's own experience within different jurisdictions, suggest that the barriers to more collaborative working between different tiers of government, and between government at whatever level and the voluntary and community sector, can be summed up as reflecting cultural and institutional differences, as well is the impact of hierarchy and the power of control over resources.

As well, it encompasses issues of capacity and capability, both at different levels of government and within the voluntary and community sector, which will need to be addressed.

Recent evaluative work in England in particular provides useful coverage of preconditions and barriers, and also highlights the wisdom of proceeding on a carefully planned pilot program basis.

6. Assessment of Costs and Benefits   *Page 49*

Many of the reports which have reviewed different approaches to collaborative working have taken for granted that there will be benefits, and have focused on what actually happened in practice rather than on a careful cost/benefit analysis. Others have concentrated on forecasting potential savings, suggesting these could be very significant.

---

[1] http://www.localleadership.gov.uk/

In terms of strict cost/benefit analysis the evidence is still relatively limited, but promising. New Zealand should look at drawing on what appears to be the best of this, the methodology developed as part of the community budgeting pilot projects.

7. Potential Risks and Means for Managing Those   *Page 50*

The evidence strongly suggests that a pilot project approach will be essential in order to manage potential risks. On this approach the fiscal risks should be relatively minor although there will be obvious costs with establishing and monitoring one or more pilot programmes (including the potential risk, which would need to be managed by agreement in advance, that it could prove difficult to disestablish pilot projects).

Some of the forecasts of potential savings undertaken in England, such as that for London Councils, or by Ernst & Young for the Local Government Association, suggest that in the English context they could be very significant indeed. It is a reasonable presumption that if those forecasts fairly reflect the potential in England, then the potential in New Zealand may also be substantial. This suggests that one of the most significant risks is an opportunity cost risk - the loss of an opportunity to generate substantial savings through a failure adequately to explore the potential for collaborative working.

8. Conclusions   *Pages 51-52*

The report concludes there are significant lessons for New Zealand from the experience it has reviewed:

- Consistency matters – building effective collaborative arrangements takes time, and will not be helped by on-going policy changes.
- Start small – adopt a pilot programme approach and select policy areas/partners that look likely to present the best chances of success.
- Ensure that all of the prospective partners have an informed and willing commitment to the process (where more than one department is involved, this includes having effective arrangements for ensuring and delivering inter-departmental collaboration in a timely way).
- Identify and address problems of budgetary authority, regional coverage (that is, which part of what department has authority in which areas), and decision-making authority early and effectively.
- Recognise that a more collaborative approach between central government, local government and other stakeholders including voluntary and community groups will only work if there is a genuine partnership approach – this is fundamentally different from a contractually based approach in which one party can quite legitimately dictate terms. For partnerships to be effective, terms must be willingly agreed.
- Understand that different tiers of government, and different stakeholders, can have quite different perceptions and expectations and it may often be necessary to accept that there is no 'one right way'. The point is whether project outcomes satisfy the objectives of each partner, not necessarily that each applies exactly the same interpretation.
- Accept that different tiers of government, and different stakeholders, especially in the voluntary and community sector, will have different levels of capability and capacity. Be prepared to regard capacity building as an inherent part of any pilot programme activity, and not as a cost to be avoided.

- Understand also the difference between developing individuals, and building and maintaining capacity in a sector over time.

Introduction

Background and project brief

This report is the output from a project undertaken by McKinlay Douglas Ltd (MDL) for the Treasury to consider:

- What are alternative models that could practically be adopted for the delivery of social services, either by local government or jointly with central government.

- What would need to be done to implement the solutions?

The scope of the project was to be limited primarily to research previously undertaken by MDL considering the role and function of local government, and the potential for local government to facilitate the more efficient and effective delivery of social services, with the term "social services" being understood as comprising the major central government taxpayer-funded social services currently delivered by or under contract to central government agencies.

Subject to that limitation, MDL's proposal to the Treasury outlined that MDL would:

- Address the emerging distinction between the role of local government as a formal structure of sub-national government, the role of local government as a facilitator/enabler of engagement by others (a community leadership role if you will), and the role of communities themselves as initiators (reflected, for example, in the present UK coalition government's emphasis within its devolution strategy on new powers such as the community right to challenge and the community right to buy, both of which are intended to allow communities to step into roles currently undertaken by local government especially in service delivery areas).

- Explore the underlying rationale for central/state/provincial governments seeking to work through local government and with communities as a means of enabling the effective and efficient delivery of services - why are governments shifting from the conventional departmental/agency focus? And are there any factors in New Zealand which could make these approaches more applicable or not (i.e. Maori/Pacific cultural dimension)?

- Provide an overview of the different approaches emerging to working with local government and/or its communities -where quite different approaches are emerging in different jurisdictions, but each has something to offer in terms of considering options for New Zealand, and the solutions which could be worth piloting here.

- Reflect on emerging New Zealand practice, for example, through the social sector trials.

- Consider the preconditions for and the nature of the barriers to effective implementation - this is an important element in the project as can be seen from the fact that experienced observers in the UK still identify an enormous gap between what has been achieved so far and the ultimate potential, despite some 12 years of policy initiatives intended to create a closer working relationship between central government agencies, local government and communities.

- Provide an overview of how the costs and benefits could be assessed, drawing on the evaluation experience from the UK, Canada and Australia.

- Identify potential risks, and means for managing those.

The work for this report has involved revisiting much of MDL's earlier research and reflecting on changes which have been taking place in what is a rapidly evolving environment. Accordingly, this report needs to be read as drawing on experience from evolving practice which is still very much 'work in progress'.

Three things in particular stand out. The first is that the UK government's policy in respect of further devolution has changed significantly under the present coalition government. Whereas the previous Labour-led government was quite specifically focused on devolution to and working in partnership with local government, the present coalition government appears much more equivocal about the potential role of local government, emphasising devolution to communities but without yet being clear on how it sees that approach unfolding, particularly in terms of what is required in terms of the on-going capacity/capability of community groups.

The second is the extent to which practice in terms of a greater involvement with local government/community groups in the delivery of social services (whether the focus is on working through or in partnership with local government, or primarily with community groups) is still evolving.

The third is the inherent difference between a contract-based relationship and a partnership relationship. Higher tiers of government are very accustomed to seeking to involve lower tiers and/or voluntary sector, community or business interests in service delivery on the basis of contractual relationship where the higher tier specifies the required outputs, and often the outcomes. Partnership working requires a very different approach – building consensus about the desired outputs and outcomes drawing on the expertise and experience of each of the parties involved and desirably without any of the parties seeking to exercise specific leverage – for example the power of the cheque book or the ability to legislate.

Problem definition

It would be normal in a report of this type to set out, at an early stage, the problem definition which the report is intended to address. A problem definition of sorts is implicit in the project brief with its emphasis on considering the potential of local government to facilitate the more effective and efficient delivery of major social services. Starting with this the problem definition would be written around barriers and preconditions but would also normally draw on some empirical evidence confirming the potential of the proposed approach.

We see one significant difficulty in developing a problem definition along these lines. The great majority of the experience which this report overviews, of different endeavours to build a better relationship between higher tiers government and local government, in order to facilitate more effective and efficient service delivery assumes rather than tests that this approach will deliver the desired outcomes. Typical of this is the guidance issued for the establishment of Local Strategic Partnerships (Department of the Environment, Transport and the Regions 2001) which set out the rationale for partnership working as:

> Public, private, community and voluntary sector organisations all have a part to play in improving quality of life. The more they can work together, with local people, the more they can achieve and the more likely it is that:

- the benefits of sustainable growth are achieved across the country;
- economic, social and physical regeneration happens – and is sustained – in deprived areas;
- public services work better and are delivered in a way which meets people's needs;
- local people can influence decision-making and take action to improve their neighbourhoods; and
- business and the community and voluntary sectors can play a full and equal part.

The presumption that more collaborative working will inevitably produce better outcomes has, among other things, flowed through to the evaluation of this and other initiatives, with the result that there has been relatively little focus on demonstrating that better outcomes actually resulted (see the comment from the National Audit Office at page 25 below). At the same time, it needs to be acknowledged that the presumption reflects the accumulated experience of a number of people who have had significant experience in seeking to develop collaborative approaches.

Report layout

This report is divided into seven sections, each addressing one of the bullet points in the project brief (above, page 5), and a conclusion which proposes a possible way forward.

1   The Changing Roles of Local Government

Internationally, the part played by local government in the governance of individual nation states varies markedly. In some jurisdictions – the Nordic countries provide examples – local government is deeply involved in a wide range of service delivery of a kind which in Anglo-Saxon jurisdictions would be seen as wholly or primarily the responsibility of central government. In others, the actual and the aspirational roles of local government differ quite markedly – South Africa with a constitutional emphasis on the role of developmental local government provides a good example, reflecting the gap between the aspirational role, and the resources and capabilities of much of the local government sector.

To a substantial degree differences reflect contrasting models for understanding central-local relationships. In a wide ranging review of local government funding undertaken as part of the Blair-led Labour Government's Balance of Funding review, Loughlin and Martin (2003) described the two principal models in these terms:

> Underlying these distinctions are two contrasting models of central-local relationships: (i) a principal/agent model and (ii) a 'choice' model. The 'principal agent' approach envisages local government primarily as an agent of delivery of priorities and objectives that are determined by 'higher' tiers of government – the region, land, province or national government – and relies on bureaucratic/legal controls. A 'choice' model emphasises the needs and preferences of local people – service users, citizens, local business etc – and depends on mechanisms by which local stakeholders express their priorities – for example through voting or public engagement and stakeholder engagement/consultation. In many countries the principal/agent model came to underpin central-local relations in the post-war welfare state era when local authorities were used to implement welfare policies (such as the provision of public sector housing, state education and health services). In recent years there has been growing recognition of the limitations of this model and some interest in new forms of central-local relations.

The influence of the 'principal agent' model can be seen in the understanding of local government, common in the UK, Canada, Australia and New Zealand, that local government is a creature of statute able to undertake only those functions authorised by the responsible higher tier of government, and subject to change as government policies themselves change.

Since around the turn of the century, this approach has been coming under review as higher tiers of government look for different ways of working with local government (and local government's communities), driven by a variety of concerns including an interest in improving local democracy and accountability, and a wish to explore the potential of local government, and the communities it serves, to contribute to the more effective and efficient delivery of major social services. The importance of this latter focus has been increasing as governments consider how to manage their long-term fiscal positions.

By far the greatest level of activity, in looking for new ways of working, has been in the United Kingdom since the election of the Blair-led Labour Government in 1997. That Government came into office with a commitment to significant change, including devolution (Scotland and Wales) and a new relationship with local government. Over the years it held office the labour-led government

sought to change the way in which local government functioned through a series of (stick and carrot) changes – requirements for greater transparency and accountability through intensive supervision of local government activity under the auspices of the Audit Commission (at the height of this process, councils were required to report against approximately 1200 KPIs) offset by greater freedoms for councils which achieved high performance status.

The remainder of this section looks briefly at developments in England and Wales, then at Australia and next, by way of contrast, at experience with the health sector in Sweden.

England and Wales[2]

Consistent with the approach of the Blair-led Labour Government, the most comprehensive but also in some ways the most equivocal exploration of the potential of local government has been the series of initiatives which that Government and its successors have put in place to try to change the nature of the relationship, and the way in which local authorities work with their communities. This part of our report concentrates on the changing nature of relationships, providing brief detail in respect of England and Wales, as more comprehensive background is provided in the next section addressing the rationale, especially from a fiscal perspective.

Successive UK governments worked first through a 'whole of local government sector' approach, empowering councils to undertake any activity which in their judgement would promote community well-being, but also requiring them to develop a local strategic plan (community strategy). This was to be done through a local strategic partnership bringing together the council, central government agencies, business and the third sector. As a 'whole of sector' strategy this may have been overly ambitious. Certainly the outcomes were at best equivocal.

The experience with the local strategic partnership approach, and various initiatives within it (a number of 'agreements' between central government and other stakeholders known variously as local area agreements and then multi-area agreements as government moved to bring larger geographic areas in under a single umbrella) was followed by a more nuanced approach, *Total Place*, which focused on a series of pilot projects designed to test the potential of bringing all of the public sector agencies involved around a specific policy issue within a given local authority area together around a single decision-making table. A principal difference between local strategic partnerships (which still exist) and Total Place is the latter initiative's much more specific focus on delivering specific activities with the express purpose of improving the effectiveness and efficiency of the delivery of specific services in specific areas.

The change from the Labour Government, to the Conservative Party-led Coalition Government saw *Total Place* replaced by an emphasis on the *Big Society* and more recently community budgeting. Each of these successive initiatives in different ways tested the potential both for bringing decision-makers on public expenditure together, and for local government to facilitate the better delivery of social services within its districts.

These successive initiatives highlighted another factor which would now be seen as an essential component in any initiative to change the way in which higher tiers of government work with local government. The first of the initiatives, the *Local Strategic Partnership* approach, with its

---

[2] The UK system of devolved government places substantial responsibility for local government with the Scottish assembly for Scotland and the Northern Ireland assembly for Northern Ireland; the following discussion deals solely with developments in Central/local relationships in England and Wales.

requirement that all councils adopt this new way of working in partnership with central government and other stakeholders, proved overly-ambitious, leading to an acceptance that initiatives of this kind ought first to be piloted, and any comprehensive roll-out based on evaluation of pilot projects in order to give a better understanding of what works and what doesn't (see the further discussion in the next section).

Through each successive iteration of UK government policy, the emphasis on working in partnership with communities has remained. As we will see in the next section, the rationale for each new initiative continued to be the potential for a more effective and efficient approach to the delivery of social services through the engagement of the communities involved. What has changed, especially under the latest iteration, *Localism*, has been the extent to which local government has been seen as the preferred partner, as compared with civil society itself as represented by, especially, voluntary and community based organisations.

This has been a quite deliberate change. The major initiatives of the Labour-led government, Local Strategic Partnerships and then Total Place, were both quite explicitly based on a partnership approach to working with local government. The present coalition government, with its emphasis on *Localism,* has stepped away from an automatic assumption that this necessarily means working more closely with local government. Instead, its focus is much more on working with 'communities' raising significant question marks over whether it sees local government as remaining an important partner in improving the effectiveness and efficiency of social service delivery, and also on how 'community groups' develop and maintain the capacity and capability required to be reliable service deliverers over the long term.

Australia

As with New Zealand, the relationship between higher tiers of government and local government has traditionally been quite hierarchical, with local government seen as a creature of statute which exists primarily to carry out state government directions, either generally in the sense that enabling legislation delimits the areas of competency for local government, or specifically through legislative and other directions to local government. There is now a rethinking taking place, with the NSW state government seemingly about to accept that local government has a pivotal role in both the leadership of its communities, and in leading collaboration amongst public agencies and other stakeholders in delivering on community outcomes – which would include how social services are most effectively and efficiently delivered. Evidence for this is found from the current review of local government in NSW.

NSW

The NSW Independent Local Government Review Panel delivered its final report to the state government at the end of October. Although that report remains confidential at the time of writing[3] earlier discussion papers signal a marked shift in thinking within the state government on the role of local government and how the two tiers of government should work together, with local government being seen as having the potential to lead collaborative working between different tiers of government, and the communities which local government serves. (The Panel has been working

---

[3] It was originally expected that the state government would take decisions on the Panel's recommendations, and release its decisions with the report sometime in November. It is now understood that the report itself will be released within the next few days, but that the state government has yet to make decisions on the Panel's recommendations.

very closely with the Office of the Minister of Local Government, and it is a reasonable assumption that the Panel's thinking is consistent with state government objectives.)

The preamble to the Panel's first discussion paper, *Better, Stronger Local Government*, stated:

> Local government in New South Wales must change. The future is challenging but also full of potential. Local councils must embrace the challenges and realise the potential. They can be catalysts for improvement across the whole public sector. They can demonstrate how to tackle complex problems by harnessing the skills and resources of communities, and how effective place-shaping can boost the State's economy and enhance people's quality of life. (NSW Panel 2012)

This is reinforced by a complementary review of the enabling legislation for local government being undertaken by the Local Government Acts Task Force. Its discussion paper *A New Local Government Act for NSW* proposes that the role of local government should be defined in the Act as:

> The role of local government is to lead local communities to achieve social, economic and environmental well being through:
>
> i) utilising integrated strategic planning
>
> ii) working in partnership with the community, other councils, State and Commonwealth governments to achieve outcomes based on community priority as established through Integrated Planning and Reporting
>
> iii) providing and procuring effective, efficient and economic infrastructure, services and regulation
>
> iv) exercising democratic local leadership and inclusive decision-making.

Again, it is a reasonable inference that the Task Force's proposal is consistent with the state government's thinking.

There are significant implications from the shift taking place in NSW. Specifically, if local government is indeed to play a role working in partnership to achieve outcomes based on community priority, then there will need to be a rethink of the way local government itself functions. The change will shift the role of local government vis-a-vis other elements of the public sector from one of advocacy to one of evidence-based policy leadership. It will require local governments themselves to have a much better understanding of the different communities for which they are responsible than is normally the case at present. This is being recognised, at least in part, by the Independent Panel which is placing an emphasis on the need for sub-council governance, something which embraces a variety of approaches ranging from the establishment of formal or informal engagement and decision-making arrangements at a sub-council level to techniques variously referred to as community, neighbourhood or village planning. A number of options are canvassed in a discussion paper commissioned by the Independent Panel (McKinlay Douglas 2013) which explores emerging approaches to working at the sub-council level internationally.

As with the co-design initiative discussed in the next two paragraphs, the focus is on obtaining a better understanding of the nature of communities , their specific needs and how best to target services to them. The recognition is that much of the necessary knowledge, and the associated

networks 'belong' to communities rather than to formal structures of government. Accordingly, the challenge for governments at all levels is how best to tap in to that knowledge and those networks. Much of the material covered in this report explicitly acknowledges that local government has a comparative advantage in doing this because of its closeness to its communities and the sense of ownership that people often feel at least in comparison with their relationship with other tiers of government.

Victoria

In Victoria, the Federal Department of Human Services, in conjunction with the Municipal Association of Victoria and the Ottawa-based Public Policy Forum, has been undertaking pilot work on the practice of co-design. Lenihan & Briggs (2011) provide an overview of co-design, describing it as "intended to extend the role of the public and invite them to contribute to the design of the services. It can lead to further involvement with the public also participating in the production of services in the future." They go on to speak of the potential role of local government as "when it comes to client services, we think local governments may have a special role to play. In particular, they are often well positioned to assume a lead role on public engagement … Federal and state/provincial governments in Canada and Australia could build on this existing capacity by collaborating with local governments on public engagement in key policy areas, such as health or the environment. In this arrangement, local governments would act as a kind of 'Gateway' to the public, serving as intermediaries between the public and Federal and/or state governments. This 'single-window' approach could lead to better policy outcomes in a wide range of areas, from reducing rates of preventable diseases through healthy living to reducing carbon emissions through more environmentally friendly lifestyles. This, in turn, could yield significant savings for Federal and state/provincial governments."

The Municipal Association of Victoria provides a description of the Victorian pilot project at http://www.mav.asn.au/policy-services/social-community/community-engagement/Pages/default.aspx. A number of workshops were held across the state. According to the website, "At these workshops, issues are discussed around the delivery of services, focusing on Medicare, Centrelink, the Child Support Agency and other services provided by government departments and agencies. The key questions being asked of the community at these workshops include:

- Where can improvements to services be made?

- Would co-located services improve delivery?

- Do services require better design to respond to the needs of service users?"

Sweden

Sweden provides an example of a jurisdiction that fits the 'choice' rather than the 'principal/agent' model. The Swedish approach is discussed briefly to illustrate a different way of conceptualising intergovernmental relationships, and the respective roles of different tiers in the delivery of major social services.

Sweden has long been recognised as one of a number of jurisdictions in which a relatively high proportion of public sector expenditure and service delivery takes place at the local government level, with local councils within the country's two tier system of local government enjoying a

relatively high degree of autonomy. It needs to be acknowledged that, as with any inter-country comparison dealing with local government, it cannot be assumed automatically that what works in one jurisdiction will work equally well in another. In the Swedish case there are strong historical reasons which lie behind the relatively decentralised approach as compared with (say) the UK or New Zealand. The writer of this report for Treasury some years ago attended an assembly of the International Cooperative Alliance held in Stockholm. One of the Swedish delegates explained to him that Sweden's strong commitment to cooperatives, and by extension other devolved collectivist arrangements, had a great deal to do with the country's weather – until early in the 20th century, much of the country was snowbound for significant parts of the year, making it very difficult to travel and placing a strong premium on local responsibility and local decision-making.

Despite this need for caution, the Swedish approach has often served as something of an exemplar for other countries considering how best to manage significant social service and other activities (for many years, for example, it was seen as the pre-eminent example of a social-democratic polity). In recent years, this has seen growing international interest in the way in which Sweden manages its health system.

In October 2013 the UK think tank Civitas released the report *Healthcare Systems: Sweden & Localism - an example for the UK?* (Bidgood 2013). It was a comparison between the Swedish and UK health care systems, looking particularly at the effectiveness of the two different models.

The Swedish model is one of an extensive emphasis on subsidiarity; that services should be undertaken by the lowest administrative level capable of delivering the service effectively. As Bidgood notes:

> "While the county councils tend to manage medical services, the smaller municipalities tend to handle social care, as under the principle of subsidiarity it is felt that this more community-based service is best handled at a lower level than the counties. The 1992 Local Government Act outlines in law that the municipalities 'are responsible for matters relating to the inhabitants of the municipality and their immediate environment', while 'the main task of the county councils and regions is healthcare'."

The Swedish system is based on primarily free access to comprehensive health care for all residents. Some 70% of the cost is raised through a local income tax by regional councils, and the balance of 30% is provided as block grants by central government. The rationale is twofold: the use of block grants provides a means for off-setting regional differences in the capacity of the tax base; and provides a justification for a central government role in monitoring health sector performance.

The report considers the performance of the Swedish health system using a number of international metrics, as well as interviews with key informants, and drawing on a number of previous reports. The Swedish health-care system performs better than the UK's NHS on every metric used. It also, according to research undertaken by Sweden's local government peak organisation, ranks third for cost effectiveness after Finland and Spain. Finland is similarly decentralised; Spain, although health care is funded by the central government, devolves responsibility for delivery to the Spanish regions.

Bidgood, and the sources he cites, attributed much of the success of the Swedish health-care system to the fact that it is subject to local control and delivery. Among other things this is seen as increasing people's willingness to pay, significantly improving accountability, and making it much

easier to respond to local conditions, rather than having to take a one size fits all approach driven by national level policies.

His conclusion on the role of localism versus centralised policy design and delivery is worth citing:

> "In Sweden the fine-tuned balance of state and local strengthens engagement and accountability, makes services more flexible and makes the public more willing to pay for services, while still ensuring common national standards and solidarity in funding are maintained. Empirical evidence also suggests that more localist tax-financed healthcare systems, including Sweden, perform better than more centralised ones such as the UK. Accepting localism will however involve a shift in ethos in the UK. We will have to renew our trust in local government, let go of our attachment to centralism (and the hope that it can ever fully stamp out 'postcode lotteries') and accept that a degree of local variance will naturally come with local democratic discretion – as Simon Jenkins put it, 'divergent standards are the price of localism, even though centralism has not delivered consistent ones'."

Summation

The different jurisdictions considered in this section emphasise the very different ways in which the role of local government is perceived, especially as between jurisdictions which are primarily within the 'principal/agent' model on the one hand, and those in the 'choice' model on the other. The Swedish example illustrates the potential to gain very significant community support both for major social services, and for the funding required to implement them through decentralised control – it's a mechanism for aligning community views about service level standards, access, and ability to pay.

At the same time, it needs to be observed that different practices and understandings regarding the role of local government often reflect long-standing historical and cultural factors which can make it difficult to transfer a model from one jurisdiction to another. Sweden is, again, an excellent example, as its administrative and political arrangements, with their emphasis on decentralisation, reflect quite different understandings from those that have built up in the United Kingdom over centuries of a relatively centralised government, a set of understandings which largely apply within Westminster jurisdictions generally.

2   The Underlying Rationale for Working through Local Government

In this section we consider the rationale for a central government wanting to work more closely with local government to facilitate the more effective and efficient delivery of social services. The focus is on the potential fiscal benefits, whilst acknowledging that there are other potential benefits as well (for example, the development of inclusive communities, a widely recognised social objective but one whose benefits have been difficult to qualify in dollar terms). The great majority of the work evaluating this different approach to central-local government relationships has been undertaken in England and Wales in conjunction with the series of initiatives the UK government has been trialling since the Local Government Act 2000. We also consider the emerging experience of co-design which has been trialled in Victoria, Australia by the Federal Department of Human Services in partnership with the Municipal Association of Victoria and with the support of the Ottawa-based Public Policy Forum, and the state of Victoria's experience with community planning as an approach which can contribute to 'better decisions by state government'.

Benefits are typically assessed in terms of the costs of delivering defined outputs/outcomes under a more collaborative way of working as compared with the costs under the traditional silo-based system. One consequence of this is the difficulty of drawing similar cost benefit data from other systems (such as Sweden and health care) because there is not the same kind of "before and after" scenario to evaluate. A further issue is how to factor in the cost/benefits of an approach which may result in a higher tier of government agreeing to undertake an activity which it would not otherwise have done - for example the establishment of a new health service in a region which community planning has highlighted as disadvantaged in access to health services

Another factor to keep in mind is that much of what is being considered is very much evolutionary in nature - there is quite a bit of experimentation taking place which can best be thought of as 'learning by doing '. Associated with this is the presence of two quite different strands of activity which can sometimes be confused; one is building a more collaborative approach between different tiers of government, and other stakeholders, in order that individual decision makers/service deliverers have a better quality of information about service users and the different environments in which they live - this is essentially about ensuring better outcomes, not necessarily changing the service deliverer. Codesign discussed below is a good example of the first strand. Another strand focuses more on devolution; the potential for contracting service delivery to different providers. The UK government's current emphasis on the community right to challenge, and other tools for enabling 'community groups' to be directly involved in service delivery, can be seen as an example of the second strand.

The UK Labour-led government's philosophy was clearly set out in a 2002 consultation paper for local government entitled *Draft Circular on Best Value and Performance Improvement* (accessed on 8 November 2013 at http://www.healthcaresupply.org.uk/pdfs/draftbvpi.pdf):

> These provisions [best value principles] are not sufficient in themselves to ensure that the services that authorities provide meet the demands placed upon them by local people, service users and national expectations. But they are fundamental, and the Government is determined to ensure that they are fully integrated with other elements of the performance

management framework, and are used flexibly and proportionately to reflect authorities' actual performance and their capacity to improve.

At the same time, the Government recognises that securing improvements frequently requires the involvement of others working in partnership with local authorities. Local Strategic Partnerships are the principal expression of that in practice. These partnerships bring together service deliverers, local communities, those who use local services, the voluntary sector, social enterprises and businesses, and develop integrated approaches to local service delivery and tackle priorities in a joined-up way. The Government is committed to the full implementation of the Compact on relations between Government and the voluntary and community sector. Local Compacts between local authorities and their local sector provide a similar framework for developing a constructive partnership. The Government also confirms its support for making partnership working more effective, through its commitment to introduce new trading powers in the Local Government Bill.

In practice, not just through the local strategic partnership period but throughout subsequent initiatives, the commitment of successive governments has been quite equivocal. Initiatives introduced with significant fanfare and publicity have too often had minimal impact, and appeared to suffer from a lack of 'whole of government' commitment to ensuring that the steps necessary for effective implementation were actually put in place and activated.

Reflective of sector attitude is the following extract from the Local Government Association's Summer Review for 2004 reflecting on its recent experience from the Balance of Funding review[4]:

The lesson from this work on financial issues over the last few months is that there is genuine interest within government in devolving and decentralising. But government does not speak with one voice. There are limits to its commitment to local government and to the openness of its dialogue with us, combined with a continuing propensity to reach for a centralist or interventionist lever whenever the going gets rough or is perceived to be about to do so.

Community well-being: local strategic partnerships

The Local Government Act 2000 set the scene for the first of the Blair Government's major initiatives intended to promote more collaborative working between different tiers of local government, and other community stakeholders. The Act introduced the so-called well-being power, providing that:

Every local authority are [sic] to have power to do anything which they consider is likely to achieve any one or more of the following objects—

(a) the promotion or improvement of the economic well-being of their area,
(b) the promotion or improvement of the social well-being of their area, and
(c) the promotion or improvement of the environmental well-being of their area.

This power was subject to a number of constraints including the requirement that:

Every local authority must prepare a strategy (referred to in this section as a community strategy) for promoting or improving the economic, social and environmental well-being

---

[4] No electronic reference currently available for this document.

of their area and contributing to the achievement of sustainable development in the United Kingdom.

In practice, community strategies were to be developed through Local Strategic Partnerships defined in ministerial guidance (DETR 2001) as bodies which bring "together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together;".

The rationale for this approach was spelt out in the ministerial guidance as:

Public, private, community and voluntary sector organisations all have a part to play in improving quality of life. The more they can work together, with local people, the more they can achieve and the more likely it is that:

· the benefits of sustainable growth are achieved across the country;
· economic, social and physical regeneration happens – and is sustained – in deprived areas;
· public services work better and are delivered in way which meets people's needs;
· local people can influence decision-making and take action to improve their this neighbourhoods; and
· business and the community and voluntary sectors can play a full and equal part.

Expectations that the local strategic partnership approach would deliver significant change were clearly high. They were based very substantially on the belief that extending what was seen as local government's traditional approach to working in partnership locally provided a platform which could be built on to achieve greater and more effective collaboration across the public private and voluntary sectors. A number of reports prepared as part of a process evaluation of the LSP initiative highlighted the very real challenges and difficulties in building a robust partnership approach, especially when the objective was to do so across the whole of local government.

Early 2006 saw the release of the final report from the process evaluation of the LSP initiative (Office of the Deputy Prime Minister, 2006). The report identified a number of areas which required further development both with governance and delivery reflecting, for example, the difficulty in moving past the 'silo' approach of central government agencies. Other challenges included the very wide coverage, resourcing, how committed different stakeholders, including local government, were or not to the process, and the variable quality of people involved at both governance and partnership management levels.

The local strategic partnership process has continued, and remains in existence primarily as the process which has oversight responsibility for the development of community strategic plans which remain a statutory obligation on local government. However, in terms of developing specific initiatives to improve efficiency and effectiveness through better coordination of service planning and delivery, successive governments have turned to different approaches, wanting a more specific focus and a clear link to improved outcomes, both from a user perspective and in terms of cost/efficiency.

In 2006 the Government published *The Future of Local Government: Developing a 10 Year Vision*, with a specific emphasis on putting people at the centre of public services, stating [5]:

---

[5] Accessed on 8 November 2013 at
http://webarchive.nationalarchives.gov.uk/20060424185247/http://odpm.gov.uk/pub/799/ThefutureoflocalgovernmentDevelopinga10yearvisionPDF251Kb_id1137799.pdf .

The Government's aim is to put people at the centre of public services. Local government, at the heart of the community, with a knowledge about local needs and in the front line of delivery, is in a pivotal position to ensure that public services are designed around the needs and preferences of local people and communities.

And:

A new approach to local government could improve the local delivery of services, increase public engagement in the decisions that affect them, and lead to better outcomes for people and places. This is a big prize, and one that makes this project worthwhile.

Total Place

The Total Place initiative grew out of experience within one local government district of different budget holders for public-sector activity coming together to sum the total expenditure flowing into the district, and looking at the potential for greater efficiency and better outcomes. The opportunity highlighted by their work resulted in the Total Place pilot initiative being recommended by Sir Michael Bichard as part of the Treasury's Operational Efficiency Programme in April 2009 (BDO 2010).

The initiative was established in 2009 as "a series of pilot schemes from 13 different areas in England aimed at mapping the total public spending in these areas and changing the way services are provided by devolving control to those on the ground who actually deliver the services." (Grint, 2009).

The 13 pilots began by undertaking the 'counting' stage of their projects, identifying where the public money coming into each area comes from, which agencies it flows to and what those agencies spend the money on. This was followed by a 'deep dive' phase, during which the effectiveness of that spending was evaluated (BDO op. cit.)

BDO sums up the difference between the Local Strategic Partnerships approach and Total Place in these terms:

Local public service bodies have already developed stronger working relationships in recent years through initiatives such as Local Strategic Partnerships and Local Area Agreements. However Total Place takes these relationships further, requiring public services to focus on services, citizens and customers rather than organisational structures and boundaries. Organisations must challenge instinctive protectionism of their own services or budgets, being prepared to share or pool funds and perhaps allow others to take over some functions if they are better placed to do so. Total Place requires careful relationship management by all concerned and a willingness to confront barriers to change. External assistance may add value here.

The final report evaluating the total place pilots (HM Treasury 2010) commenced its executive summary with the following:

Total Place sets a new direction for local public services, based on extensive work over the last year by central government, local authorities and their partners. The measures set out in this document build on the complementary reforms set out in *Putting the Frontline First:*

Smarter Government and the Government's work to coordinate and rationalise burdens on frontline public services. Total Place is demonstrating the greater value to be gained for citizens and taxpayers from public authorities putting the citizen at the heart of service design and working together to improve outcomes and eliminate waste and duplication.

This document outlines the way forward for places, led by local authorities with their unique local democratic mandate, but requiring the active engagement of Government and all local service delivery bodies. It presents a series of commitments that will give greater freedom and flexibility to support a new relationship between Government and places.

The Labour Government lost the 2010 Parliamentary elections, and was succeeded by a Conservative-led coalition government which abandoned the Total Place initiative in favour of an emphasis on the Big Society, Localism and now community budgeting. However, the Total Place initiative threw up some extremely useful and well researched material supporting the case for greater devolution of social service delivery from central to local government.

Each of the 13 pilot areas was separately evaluated. The evaluation of the Birmingham Total Place (Birmingham City Council 2010) initiative included what has become a very well-known diagram illustrating the challenges posed by multi-agency responsibility for dealing with complex problems, in this case drug and alcohol addiction. The Birmingham experience was based on careful mapping of consumer journeys through the system, but reflected already widely held concerns about the problems of multiple agency intervention, concerns which underpinned the decision to establish the total place pilots in the first place. The diagram from that evaluation illustrating the situation confronting an individual in need of support to deal with drug and alcohol issues follows:

The Drug System from a Users' Perspective
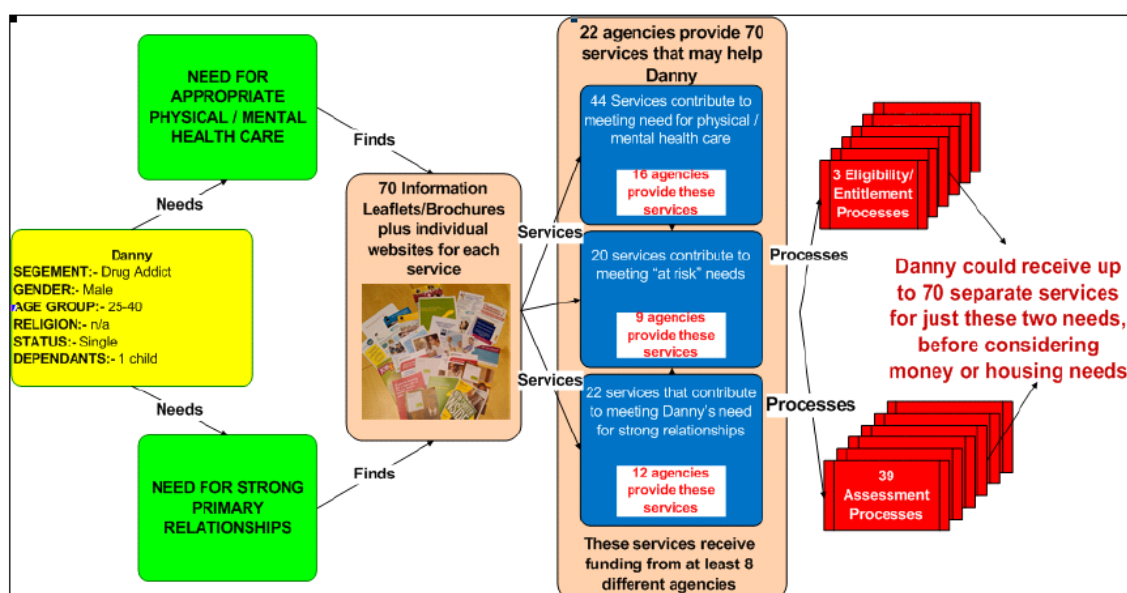
This was a dramatic illustration of the complex environment which potential users needed to negotiate in order to receive an appropriate mix of services. It dramatises, as nothing else could, the importance of establishing effective coordination/collaboration at a local level and planning interventions with the user's needs at the forefront.

The final report on the Birmingham pilot also sets out seven key points for radical change one of which, reflecting the findings illustrated in the diagram above, is:

> **Delivering major cross-sector efficiencies.** Present arrangements waste money on multiple front office facilities for different agencies; multiple assessments of users with different approaches and partial data sharing between professions; separate back office functions such as finance, ICT and procurement; commissioning for particular symptoms rather than the whole individual. These are luxuries we can no longer afford, so we will work together to deliver radical cost savings through rationalisation in these areas.

London

A further initiative which arose out of the Total Place initiative itself was the development by London Councils, a grouping which represents the London boroughs and the City of London in dealing with generic policy issues, of the *Manifesto for Londoners* (London Councils, 2010). The manifesto sought to make the case for greater devolution from central government to London's boroughs and the City of London of the delivery of significant social services. It included findings from work undertaken by PricewaterhouseCoopers to estimate potential savings. PWC concluded that devolving responsibility to manage chronic health conditions, tackle antisocial behaviour, and reduce worklessness would save the public purse £1.6 billion per annum, and that applying the same principles more generally throughout the capital had the potential to save £11 billion per annum.

Big Society, Localism and Community Budgeting

The coming into office of the Conservative Party-led coalition government saw the abandonment of the Total Place strategy in favour of the 'Big Society', Localism and the development of community budgeting. It is fair to say that some observers regard the change as more in the nature of rebranding than a significant shift in policy direction, but the change does seem to reflect a quite different view of the nature of the relationship between central and local government. The various Labour Government initiatives had all been designed on the basis that change would involve central government working with and through local government. The coalition government, in contrast, placed its emphasis on working with communities with no necessary presumption that local government would be part of any arrangement. That remains the case today, but with a considerable question mark over how 'community groups' develop and maintain the requisite capacity and capability to be reliable service deliverers on an on-going basis.

The coalition government was, initially, very confident about the potential of its Big Society programme. The emphasis was to be on giving people more control over their own lives. The motivation was a combination of small government ideology, response to an adverse fiscal position and a genuine belief that government had intruded too far into people's lives.

A Cabinet Office press release (Cabinet Office UK 2010) set out the official rationale as:

> Our Conservative - Liberal Democrat Government has come together with a driving ambition: to put more power and opportunity into people's hands. We want to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. We want society – the families, networks, neighbourhoods and communities that form the fabric of so much of our everyday lives – to be bigger and stronger than ever before. Only when people and communities are given more power and take more responsibility can we achieve fairness and opportunity for all.

Building this Big Society isn't just the responsibility of just one or two departments. It is the responsibility of every department of Government, and the responsibility of every citizen too. Government on its own cannot fix every problem. We are all in this together. We need to draw on the skills and expertise of people across the country as we respond to the social, political and economic challenges Britain faces.

The Big Society initiative was very quickly in some considerable difficulty. As an example, the Directory for Social Change wrote a somewhat tongue in cheek response to the Government's open letter inviting participation from civil society (Directory for Social Change 2010). It reflected wide-spread concern across the voluntary sector (which was to be a significant partner in the Big Society initiative) that government had simply not done its homework, that a number of the proposals lacked any serious evidence base and that the impact in resource terms had simply not been given any serious consideration.
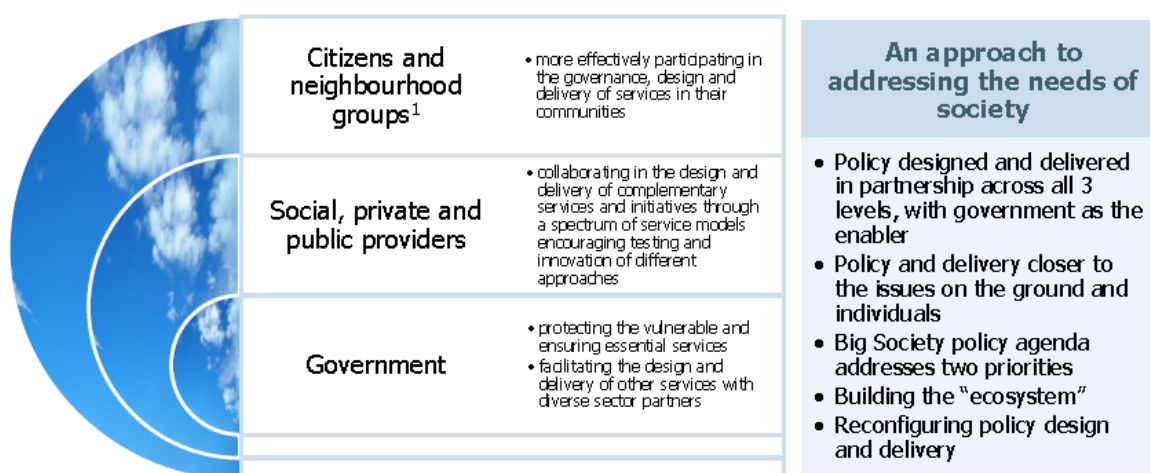
This was undoubtedly one factor in the promotion of the Big Society finally tailing off, although there are still a number of miscellaneous initiatives underway especially in the social giving area (see https://www.gov.uk/government/policies/promoting-social-action-encouraging-and-enabling-people-to-play-a-more-active-part-in-society).

Despite the relative failure of the Big Society initiative, it remains of interest because of the way it portrays a government's rationale for why it believes it had become necessary to change the way in which a very highly centralised government worked with the people and communities it serves.

The following schema is taken from a 2010 presentation by the government's principal adviser on implementing the Big Society. It illustrates the government's position that communities and individuals (users) should be much more involved in the design and delivery of individual services.

The Big Society moves from a default position of central design and governmental provision to citizen-driven partnership across sectors

An "ecosystem" of 3 levels where no one player dominates another...

		An approach to addressing the needs of society
Citizens and neighbourhood groups[1]	• more effectively participating in the governance, design and delivery of services in their communities	• Policy designed and delivered in partnership across all 3 levels, with government as the enabler
Social, private and public providers	• collaborating in the design and delivery of complementary services and initiatives through a spectrum of service models encouraging testing and innovation of different approaches	• Policy and delivery closer to the issues on the ground and individuals
Government	• protecting the vulnerable and ensuring essential services • facilitating the design and delivery of other services with diverse sector partners	• Big Society policy agenda addresses two priorities • Building the "ecosystem" • Reconfiguring policy design and delivery

1   Neighbourhood groups comprise a broad range from those with an explicit social or activism mission to those focused on local participation, engagement and community building whether through informally through sports and interests or more formally in conjunction with local anchor institutions

CabinetOffice

At the same time as the coalition government was developing its Big Society initiative, it was also seriously cutting back its financial support for local government[6] and developing the concept of localism which resulted in the enactment of the Localism Act 2012. That Act remains controversial, with a number of commentators seeing it as partly no more than a change in the way in which central government regulates local government, and partly a deliberate initiative to bypass local government, with the creation of a number of powers such as the community right to challenge and the community right to buy intended to enable communities to take over services currently run by the Council, or to purchase for community ownership assets owned by their Council.

The government's hope was that the community right to challenge would result in a number of communities, NGOs and others taking over responsibility for the delivery of services previously delivered by local government. Although some challenges have been successful, to date the take-up has been much less than the Government had hoped. This is despite provision of quite substantial financial support, assistance with feasibility studies, and technical support through experienced capability-building NGOs such as Locality (see the 'my community rights' website http://mycommunityrights.org.uk/community-right-to-challenge/#sthash.bvAjHOEn.dpuf.)

A recent commentary (Scholfield 2013) suggests that most of the preconditions now exist for extensive take-up of the community right to challenge except for adequate central and local government promotion of the opportunity and how best to access it:

> The legislative underpinning, tools and funding exist to make the right to challenge a success. The know-how, skills, passion and determination within the community and public servants also exist. A renewed push from government, together with councils actively promoting CRtoC by developing jargon-free accessible information on their websites, raising awareness internally, and engaging elected members/staff, is needed to encourage grassroots entrepreneurs and innovators in the public sector. CRtoC might yet play a significant role in transforming public services for the better.

In effect what this writer is proposing is that the role of councils should be one of actively promoting alternative approaches to service design and delivery with the objective of ensuring that the means chosen for any particular service/locality should be the one best capable of delivering improved outcomes. It can be seen as reflecting a view of councils as the governance of their communities, responsible for assisting communities take those choices best designed to achieve their desired outcomes, rather than simply their communities' service deliverers regardless of whether that happens to be the best option. On 22 October 2010, as part of its decisions from the 2010 Spending Review, the Government announced its decision to establish a number of community budgeting pilots (see https://www.gov.uk/government/news/16-areas-get-community-budgets-to-help-the-vulnerable)

The rationale is expressed as:

---

[6] In England and Wales, approximately 3/4 of the funding for local government comes from central government primarily via the Rates Support Grant. This reflects the fact that local government is responsible for the delivery of a number of significant services which, in New Zealand, are the direct responsibility of central government. By 2015, central government funding for local government will had been cut by more than 20% in real terms but without any equivalent reduction in the statutory obligations imposed on local government, some of which in areas such as care of the elderly have the potential to expand at an exponential rate.

Ministers are determined to give communities more power to target spending on key local priorities, despite the reductions in spending. Communities will be able to hold their councils to account in making sure tighter funding gets spent better.

Around £8 billion a year is spent on around 120,000 families that have multiple problems, with funding only getting to local areas via hundreds of separate schemes and agencies. Despite this investment, these families' problems continue. Services need to join up and intervene earlier so that families are given the chance to turn their lives around. This integrated, early intervention approach will also drive down costs.

Community Budgets, which the Government intends to roll out nationally by 2013-14, will put councils and their partners in the driving seat by pooling funds for tackling these families' needs into one budget so communities can develop local solutions to local problems.

A year later the Government released its *Community Budgets Prospectus* (Department for Communities and Local Government 2011) seeking proposals both in respect of pilots for two 'Whole-Place' community budgets and for neighbourhood-level community budgets. The former were intended to cover significant areas, typically the area of one or two principal councils, or a unitary council, and the latter neighbourhoods defined as somewhere in the range of 5,000-25,000 people (four 'Whole-Place' pilots were finally agreed based on the quality of proposals).

The objective for 'Whole-Place' community budgets was relatively ambitious:

Community Budgets present an opportunity to use a different, thoroughly localist approach to policy making. The Government wants to respond to councils' propositions and take a collaborative co-design approach in two areas to 'prove a concept' and try to develop a Community Budget comprising all funding on local public services in the two areas.

For neighbourhood budgets, the objective was somewhat less grandiose, and more focused on further development of work which had already been done in a number of areas "to see how they might go further in managing resources more effectively and developing more integrated approaches to providing services in neighbourhoods".

The rationale was consistent with this somewhat more gradualist approach:

The Government wants to go further in supporting areas to test the possibilities and limits of co-commissioning by getting support into the local community so that residents can play a fuller and more equal role in a co-commissioning approach. It is interested in transforming the way that local public services are designed and managed, and learning how this can be replicated on a wider scale. This means Whitehall, local public service commissioners and communities committing to work together to co-design a more community-based approach to transforming local services, developing proposals for neighbourhood budgets that are ambitious and clearly shaped by the local community.

Both pilot programmes have been subject to evaluation (Department for Communities and Local Government, 2013, for neighbourhoods, and the National Audit Office, 2013, for 'Whole-Place').

The DCLG evaluation includes the following 10 'top tips' for future initiatives to establish community budgeting at the neighbourhood level. Whilst these reflect what the evaluators found from the review of the neighbourhood community budgeting pilots, they reflect also a number of the issues which evaluation of previous initiatives such as Local Strategic Partnerships and Total Place had identified. The message is that organisational change designed to bring about new ways of working in the public sector, and especially to shift power and authority from the centre to the local, or achieve greater collaboration within or between the centre and the local, is an extremely challenging process, and one which requires both very clear insight and strong commitment to securing the intended outcome.

The 10 'top tips'

1. **Develop a clear (outcome based) focus and vision**
2. **Use existing knowledge and data about problems/issues**
3. **Develop understanding of community priorities**
4. **Consider partner openness to engage**
5. **Collaborate with the community to address problems and co-design services**
6. **Establish joined up working to redesign and reshape the way services are delivered**
7. **Take commissioning decisions focused on the needs of the neighbourhood and in partnership with the community**
8. **Develop a clear business case**
9. **Use Cost Benefit Analysis to clarify outcomes based on best evidence**
10. **Work towards local control through devolving budgets and resources, including aligning or pooling at neighbourhood level.**

It's worth citing the evaluation team's discussion of the tension between the desire to achieve transformational change, and the pressure which can come from an emphasis on short-term savings:

Pilot areas often reported their aspirations to change the way partners and communities understood their relationship toward services and neighbourhoods. There was a high level ambition to give communities control over budgets and resources and often the desire to change the relationship between the citizen and the state - in terms of developing greater independence and resilience among the community, and communities playing a greater role in co-designing, producing, and delivering services. The first of these often required communities and organisations to change their expectations around local funding, services, and activities, from thinking about short-term 'pots' for specific projects, to devolving mainstream funding to the neighbourhood in the long-term which can be allocated strategically by the community according to their interests.

The increased DCLG emphasis at this stage of the pilot programme on (short-term) **savings and efficiencies**, which the pilots detected, may have increased the risk aversion of public sector organisations and therefore acted as a constraint on the level of **ambition** of areas in terms of the depth of co-design and extent of local community control which was aspired to. To ensure they tackled short-term savings, some areas re-focused on 'quick wins' whereas other (greater) savings may potentially have also emerged from long-term engagement and co-design processes.

The National Audit Office evaluation was wider in scope, and included an overview of a large number of previous evaluations of initiatives seeking to foster 'joined-up' working. Among its key findings were:

> **12** Despite the history of initiatives with similar objectives, there is limited evidence of the contribution of joint working and resource alignment to improving the impact of public services. We reviewed 181 relevant publications pre-dating Whole-Place Community Budgets including reviews of local-area agreements and the Total Place initiative. We found that only ten past evaluations had assessed impact on service-user outcomes[7]. Seven of the ten reported a lack of robust evidence that joint or collaborative working improved outcomes. Our recent report on early action similarly identified a lack of robust evidence to support wider preventive and early interventions (paragraphs 1.9 to 1.12 and Figure 2).
>
> **13** These findings endorse the Department's decision to pilot the Whole-Place Community Budget approach. They also reinforce the importance of making sure that sufficient good quality evidence on impact is gathered this time round (paragraphs 1.9 to 1.12).

Interestingly, Keohane (2013) presents a much more optimistic perspective when discussing the potential for significant financial savings. Writing of the experience with the official Total Place pilots, he reports:

> · So what did the pilot studies discover? They reported back in March 2010 and suggested that significant financial savings (approximately 10-15%) could be made across a whole range of services if councils and their partners were allowed to centre services around local citizens' needs, cut duplication of services and intervene earlier to prevent rather than cure expensive problems. Reports from the pilots and from independent research organisations called for major reforms to the systems of government to unlock these opportunities and innovations.
>
> · The information gathered through the pilots allowed local authorities and their public sector partners to map out customer journeys and understand how public services interacted with the user. (See the map at page 19 above of the drug system from a user's perspective, taken from the Birmingham pilot evaluation).

The National Audit Office's evaluation is quite properly cautious about assuming significant benefits will result simply because devolution and 'joint working' are currently fashionable approaches in the discussion of how best to improve the design, targeting and delivery of social service interventions. The evaluation, overall, welcomes the careful approach being taken within the 'Whole-Place' pilots including the emphasis placed on robust cost-benefit analysis (see page 49 below).

Their overall conclusion includes the following:

> The four local areas involved in Whole-Place Community Budgets and central government have collaborated effectively in assessing thoroughly the evidence base for local service reforms. In particular, while having much in common with previous similar initiatives, a number of important lessons have been built into the current approach:
>
> • Allowing local practitioners to identify and propose areas where outcomes could be improved through greater integration.

- Sponsoring more sustained and direct interaction between local and central government officials.
- Using cost-benefit analysis to link the benefits that different public bodies might receive to the resources they commit.

The Whole-Place Community Budget areas have undertaken the kind of robust project design and appraisal that is a necessary first step in testing potentially significant and beneficial changes to how public services are provided. Longer term, achieving value for money will require the Department and local areas to sustain commitment to careful implementation and robust evaluation to identify the actual costs and benefits of new, more integrated, ways of working.

The NAO evaluation also acknowledges the work commissioned by the Local Government Association (Ernst & Young, 2013) with the purpose of estimating the potential savings if the community budgeting approach were adopted nationwide. That report concludes:

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

However, this conclusion is highly conditioned. Ernst & Young note that there are a number of pre-conditions, at both the local and national levels, which would need to be satisfied. They include matters such as local socio-economic conditions, capability and the willingness/capacity of national government to engage effectively at the local level.

Overall, the community budgeting pilots raise a significant presumption there are very real and substantial savings available through a much more collaborative approach to the design, targeting and delivery of major services, but there are also very significant challenges to be overcome if this potential is to be realised.

Co-design

Co-design is a term which encompasses approaches to the design, targeting and delivery of social services which seek to tap in to the knowledge networks and potentially the commitment of residents/service users.

Lenihan & Briggs[8] (2011) provide an overview of co-design drawing on the experience of a pilot undertaken by the Australian Federal Department of Human Services in partnership with the Municipal Association of Victoria and with the support of the Ottawa-based Public Policy Forum. The preface to their article contextualises co-design as:

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

---

[8] Don Lenihan is the Vice President, Engagement, at the Public Policy Forum. Lynelle Briggs at the time of writing was the CEO of Medicare Australia, a division of the Department of Human Services.

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

Among the positive outcomes which the evaluation lists were:

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

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

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

One of the unexpected findings was that a majority of participants expressed the view that the workshops had changed the way they thought about service delivery. There were several reasons for this:

- Being forced to think through problems in simple and non-technical language meant the process generated new insights.
- The different perspectives at the table created an environment where participants were able to widen the scope of discussion and venture into other ideas which would have previously not been considered within the group's mandate.
- Departmental staff were not put in a position where participants turned to them for answers; instead, they were in the unusual and welcome position of being able to reflect on ideas generated and not respond immediately.

This is consistent with the personal communication to the writer of this report by one of the people involved on behalf of local government in Victoria in assisting with the organisation of the pilot. He had been taken by the way departmental representatives had, at a number of workshops, been quite surprised by the degree of knowledge community representatives had regarding the services under review, and the extent to which this knowledge reflected gaps in the department's own understanding.

The Department itself now includes a co-design branch, and its strategic plan for the period 2012-2016 puts a strong emphasis on community collaboration:

> Closer collaboration with community organisations and customers will be essential in developing our service offerings. Through community involvement we can build services that more closely align with real-world requirements and the way that people wish to interact with government.

> Among the stated aims to achieve this are to ensure our services are relevant, accepted and valuable to the community. Required outcomes include:
>
> - New services are developed in collaboration with the community and customers.
> - Community and stakeholder collaboration is undertaken to determine the effectiveness of existing services and how they could be improved.

Summation

There is a substantial level of experimentation taking place with the objective of working through and with local government to achieve better service design and outcomes. Much of this work is still at a relatively early stage, and to a degree the jury is still out in terms of the feasibility (can the sometimes quite difficult barriers to more effective collaboration be overcome), and the potential savings. However, there does appear to be a high level of implicit consensus that working more closely with communities, through the agency of local government, is a valuable new way of working; the point is to understand better how to do this effectively, rather than to put it aside as being all too difficult.

3   An Overview of Different Approaches to Working with Local Government

This section of the report provides a brief overview from MDL's research of different approaches taken by higher tiers of government to working with local government. Three jurisdictions are considered:

- England
- Victoria, Australia
- NSW, Australia.

In each case (arguably with the exception of community planning in Victoria), practice is still very much at a 'work in progress' stage, with the higher tier of government involved and local government both still exploring the potential and considering what evidence is required to demonstrate effectiveness. A further element, as already recognised in this report, is the different objectives which the higher tier of government may have. In England, there appears to be quite a strong emphasis on actually delegating service delivery, and potentially bypassing local government and either contracting directly with 'community groups' or enabling those 'community groups' to contract with local government for the delivery of services the responsibility of local government. In other jurisdictions, the emphasis is more on the role of local government as a facilitator bringing together different tiers of government, and other stakeholders, to better coordinate activity, and facilitate access to knowledge and networks which higher tiers of government themselves may not be able to access on their own.

England

The belief that there is potential gain from better coordination/collaboration at a local level (sometimes referred to as joined-up working), bringing together central government agencies, local government and often other stakeholders including the third sector and business, has been a persistent theme in central government/local government relations since the very early 2000s.

As the previous section of this report shows, there have been a number of different initiatives, from Local Strategic Partnerships through Local Area Agreements, to Total Place, the Big Society, Localism and Community Budgeting. Changing political fashions, difficulties in achieving buy-in from central government, and other elements of central government's agenda in respect of local government (for example the current and severe reduction in central government funding for local government services) have all contributed to what can sometimes looked like a stop-start approach.

In this section we look at two of the most recent initiatives: community budgeting; and the community right to challenge established by the Localism Act 2012. As already noted, underpinning both of these initiatives is a shift away from the previous government's focus on working with and through local government to potentially bypassing local government in favour of 'community groups'.

Community Budgeting

The Community Budgeting initiative has been presented to the public primarily as a means of enhancing community control over local services. Of equal if not greater importance, from a

government perspective, is the potential for this approach to produce significant savings through better and more effective service delivery.

Both 'whole place' community budgeting and neighbourhood community budgeting (large-scale and small-scale respectively) are placed very much in a contract-based rather than a relationship-based approach to improving outcomes. The contract approach itself is embedded in a long-standing public sector culture of procurement and contestability: both sets of community budgeting pilots were chosen through a competitive bidding process; and both are being assessed not just in terms of improved outcomes but also in terms of cost/benefit (National Audit Office, 2013; Ernst & Young 2013).

An important question, especially given the public rhetoric about giving communities greater control over services, is whether this type of approach actually improved outcomes. As noted at page 25 above, the National Audit Office, as part of the work for its evaluation of Whole-Place community budgets, reviewed a number of previous evaluations and found that very few had focused on improved outcomes, and of those that had done so, most found little robust evidence of improved outcomes.

This could be seen as a serious reflection on the lack of focus in earlier initiatives on the principal claimed benefit, better performance in the interests of citizens. Alternatively, it can also be seen as reflecting a 'taken for granted' assumption in earlier initiatives that of course there would be benefits from a more collaborative approach which sought to focus on the needs and circumstances of the user, and on the elimination of duplication. This interpretation is quite strongly supported by the rhetoric in a number of government policy documents and statements of rationale.

As noted above, the National Audit Office (NAO) is somewhat more optimistic about the potential for positive gains from the 'Whole Place' budget pilots, stating in the conclusion to its report:

> The four local areas involved in Whole-Place Community Budgets and central government have collaborated effectively in assessing thoroughly the evidence base for local service reforms. In particular, while having much in common with previous similar initiatives, a number of important lessons have been built into the current approach:
>
> • Allowing local practitioners to identify and propose areas where outcomes could be improved through greater integration.
> • Sponsoring more sustained and direct interaction between local and central government officials.
> • Using cost-benefit analysis to link the benefits that different public bodies might receive to the resources they commit.
>
> The Whole-Place areas have undertaken the kind of robust project design and appraisal that is a necessary first step in testing potentially significant and beneficial changes to how public services are provided. Longer term, achieving value for money will require the Department and local areas to sustain commitment to careful implementation and robust evaluation to identify the actual costs and benefits of new, more integrated, ways of working.

Essentially, they are concluding that these pilots had benefited from lessons learned from earlier initiatives, including the need for better collaboration between central government and local government officials. This has been a strong theme in evaluations of earlier initiatives, especially the

Local Strategic Partnerships, which were often highly critical of the failure of central government agencies to take the steps necessary to be able to work effectively in collaboration with local government. These included a reluctance to break down silo decision-making, to yield up any kind of budgetary authority and to ensure consistent representation on LSP governance groups (different officials turning up to successive meetings) or for that matter representation with any authority to take decisions.

Ernst & Young (2013) in their report for the Local Government Association identify a number of issues which they believe will need to be addressed effectively if the community budgeting approach is to be used extensively as a means for improving the delivery of central government services at a local level. In essence they are saying that unless capability is improved in a number of different ways at both the local and national level, then the prospect of community budgeting becoming mainstream is relatively limited. They identify the following local factors as significant:

Commitment and will:

- Political coherence and ambition to work with other public sector organisations across administrative boundaries to design the solution to best meet local need;
- Willingness at a local level to co-invest in new ways of delivering services;
- Willingness at a local level to jointly budget, fund and commission services.

Appetite for innovation and risk:

- Openness of existing governance arrangements and political structures to consider new and innovative approaches to the delivery of local public services;
- Accountability for the delivery of outcomes, sharing of risk and apportionment of savings.

Leadership maturity:

- Collaborative place leadership providing clear guidance and clarity of direction;
- Historical track record of and the potential for cross-area and cross-partnership working;
- Complexity and extent of partnership working, governance structures and range of agencies involved in the delivery of services;

Operational maturity:

- Local relationships across different public sector organisations and private sector providers;
- Coherence of public service geographies and the extent to which these boundaries are co-terminus with each other;

Workforce productivity:

- Capability and capacity of existing public sector staff operating and working together;

Data and information:

- Willingness to share data and information across organisational boundaries;

Financial context:

- Totality of spending cuts that have and are still to be applied now and in the future.

At the national level, their emphasis is on the support of Whitehall departments for the concept of community budgets as a critical factor – without this there is a risk organisations will retrench to their own core single agency responsibilities. They also argue that the process of co-design with government would need to continue.

The report then lists a set of specific prerequisites for successful implementation which were identified from the pilot projects:

- Funding agreements that allow devolution to the lowest level to deliver at scale.
- A default to share information and data between local partners and government (here the belief is that existing rules on performance management, data-sharing, workforce and governance stifle innovation and promote risk aversion).
- Clear accountability and a joined up approach on key crosscutting issues that focus on complex needs.
- Integrated commissioning arrangements between public sector partners.
- Development of investment agreements and social investment models.

Both the NAO and Ernst & Young reports can be read as inherently positive about the potential benefits, especially from a fiscal perspective, of closer collaboration between central government agencies and local government. The attention both have paid to what is seen as essential or desirable prerequisites reflects a judgement that closer collaboration will require significant shifts in thinking at both levels of government and, within each level, as between different agencies/service deliverers.

Both reports need to be seen in the context of nearly 12 years of successive endeavours on the part of UK governments to promote a greater use of devolution and a stronger emphasis on collaboration. Much of the evidence from evaluating those different endeavours emphasises on-going unwillingness within central government agencies to shift to new ways of working, or to yield up any of the authority they currently hold in areas such as budgetary allocation and financial approval. Those barriers are starting to break down but as the NAO report in particular demonstrates getting a genuine commitment to a new way of working is a time consuming and potentially expensive process.

This was emphasised by the findings of a Publicnet[9] survey carried out in December 2009 to assess the extent of awareness within the public sector of the Total Place initiative. This survey found an almost total lack of awareness across public sector departments apart from those parts of those departments which were actually involved in the pilot projects themselves.

A response to the emergence of Total Place from the Leadership Centre for Local Government raises another set of issues of general application. The Centre is funded by the Department for Communities and Local Government. Its website describes its mission as "increasing the leadership capacity of the public sector. We work with senior public sector figures at both national and local level to ensure place by place our public services can overcome the challenges we face, together."

In 2010 the Centre published *Total Place: a practitioner's guide to doing things differently* (Leadership Centre for Local Government 2010). It outlines a fundamentally different approach to

---

[9] PublicNet is the World Wide Web community created for everybody interested in the public sector and its management.

the conventional way in which this type of initiative has previously been established. Specifically it argues that the "machine metaphor of organisation and social systems is handicapping our ability to understand the environment we work in and how to change the behaviours of those systems." Appendix 1 below sets out an extract from the guide which articulates the different approach being recommended for total place practitioners.

From the UK experience leading up to community budgeting, the strong message for New Zealand is the importance of having genuine commitment from central government, and an effective means of ensuring the inter-departmental collaboration, and the centre/local collaboration needed to give this approach the opportunity to demonstrate it can deliver better outcomes and at a lower cost.

Localism - the community right to challenge

Localism was and remains a key theme, with an emphasis in government statements on decentralisation and the empowerment of communities. In December 2010 the Government released *Decentralisation and the Localism Bill: an essential guide* (Department for Communities and Local Government 2010). The executive summary for the guide began with the following statement, echoing the statements in the guide's forewords from coalition ministers:

> This guide makes the case for a radical shift of power from the centralised state to local communities, and describes the six essential actions required to deliver decentralisation down through every level of government to every citizen. In particular, we focus on the Localism Bill, which will provide the legislative foundation for change.

An important part of the new legislation was to be the community right to challenge, an opportunity for communities themselves to take over the management of services in their locality. Of this right, the guide stated:

> **Community right to challenge** – The Bill will give communities a right of challenge to run local authority services. This means that local communities will be able to get more involved in the delivery of public services and shape them in a way that will meet local preferences.

The Bill as enacted included that right (as well as certain related rights for direct community involvement). The immediate question which this has raised for local government is whether the government's emphasis is on working in close collaboration with local government, or on looking to set up parallel delivery systems at a local level outside local government.

In June 2012 the Department published *Community Right to Challenge: statutory guidance* (Department for Communities and Local Government 2012). The Ministerial Foreword set out the government rationale, including its view that local authorities do not have a monopoly over service delivery:

> The new community rights in the Act will help to create the conditions for communities to play a bigger part in shaping the world around them - whether that's shaping and running local services through the community right to challenge, taking over local assets of community value through the community right to bid, community-led development using the community right to build, or adopting a neighbourhood plan under neighbourhood planning.
>
> Communities rightly have high expectations of local services that offer excellent value for money. But local authorities do not have to have a monopoly over service delivery in the area to ensure excellent services. Nor do they have to have all of the good ideas for where improvements can be made. The most creative authorities welcome innovative ideas from

communities about how services can be reformed and improved to better meet local needs, and work with groups who believe they can run services differently and better.

The community right to challenge paves the way for more communities to help shape and run excellent local services. This might include making services more responsive to local needs, offering additional social value outcomes, or delivering better value for money. It may act as a springboard for radical re-shaping of services, or simply trigger small changes that will make a big difference to the quality of service communities receive.

The guidelines provide detailed rules on how the community right to challenge may be exercised, and the criteria which should apply. More critically, the guidelines also make clear what will result from a successful challenge; the community does not automatically then become entitled to take over delivering the service and receive the associated funding. Instead, the local authority is then required to go through a public procurement process open to any potential provider (in part this reflects the requirements of European Union procurement rules). There is no guarantee that the community group which initiated the challenge will be successful at the procurement stage; it's entirely possible that the right to challenge will become in practice a trigger for privatisation, rather than for greater community involvement.

This in itself creates some very real uncertainty; is the right to challenge as a means of increasing community involvement (and by inference localism itself) more rhetoric than reality?

MDL plays what amounts to a mentoring role for the clerk of an English parish council who is currently undertaking further studies in public policy. Part of that work includes a dissertation which she has decided should be on the right to challenge. In seeking our input on both that choice and the emphasis her work should take, she commented "as you can imagine, I am trying very hard not to have preconceived ideas, but, so far, the literature I have read confirms my original thoughts that this is more spin than real localism".

That view is not entirely unrepresentative. The Guardian Professional for 2 November 2013 included an article "Two years on, what has the Localism Act achieved?" by Jules Pipe who is both Mayor of Hackney and chair of London Councils (the grouping which represents and undertakes generic policy and other work for the London boroughs). It's worth quoting as an illustration of how an important local government sector leader perceives the impact of the government's decentralisation strategy:

When the Localism Act was introduced in 2010, there was much fanfare. It was going to be ground-breaking: the start of a new era and the catalyst by which decision-making powers would be devolved from central government control to individuals and communities.

But it hasn't exactly worked out that way. The Localism Act has had little effect on the balance of power between local communities and Whitehall, or on the balance of power between central and local government.

The Localism Act does not challenge the deep-rooted centralisation in the UK; and London, like other British cities, is forced to depend on central grants, often with strings, for 95% of spending. Other global cities have more autonomy. New York controls 67% of its funds and Paris 83%. This isn't just frustrating, it risks the ability of cities to grow and meet the demands of a global city.

Services have been devolved to boroughs, yet it is often simply a cost-shunting exercise rather than a true devolution of power and fiscal autonomy – that is, the responsibility is devolved, but not the money to fulfil it. (Pipe 2013)

This somewhat jaundiced perception of the localism initiative, and the rather uncertain nature of the likely outcomes from the community right to challenge (it is still too early for any consistent pattern

to be emerging) reflect the on-going challenges of organisational change intended to result in significant shifts of power and influence. The difficulties, part institutional, part cultural, part ideological, of yielding up authority should not be underestimated. The English experience is that more than 10 years of trying to decentralise more activity, largely through processes which would involve a closer and more collaborative form of working between central government agencies and local government, has not done much more than demonstrate just how pervasive and difficult to circumvent barriers to change can be. For New Zealand the lesson is that this type of organisational change requires strong political and organisational commitment, and a very clear eyed understanding of the many barriers which have to be overcome simply because existing systems were designed to service and entrench a centralised and top-down system.

Victoria, Australia

Two initiatives are considered; community planning and co-design.

Community planning

In the mid-1990s the Australian state of Victoria was governed by a Liberal Party-led government under Jeff Kennett, with a strong commitment to public sector reform based on the principles of new public management. In the local government sector, this saw the Government impose a radical restructuring across the sector with very little consultation or involvement on the part of local government itself: the restructuring process included the dismissal of all elected councils and their replacement by government appointed commissioners. The impact on local government's morale, and confidence in state government, was profound.

The Liberal-led Government lost the next state election to a Labour Party-led Government under Steve Bracks. The new Prime Minister was committed to taking a very different approach to state government/local government relations. As a practical demonstration of the Government's commitment, the Department responsible for local government was renamed the Department for Victorian Communities. The use of the word 'for' was deliberate, intended to emphasise the Government's intention that the Department's primary role was to work with and on behalf of local government within state government.

The Department's Corporate Plan for 2003-2006 sets out the rationale for the way it was to work:

> The focus of DVC's effort is on "people and place" – supporting communities across Victoria to increase their capacity to create new opportunities, secure jobs and investments and have healthy, safe and attractive places to live and work. We will develop new collaborative relationships and approaches with a range of partners – building on the well developed networks of community and non-government agencies. An important feature will be our work with other agencies and departments to make government services more responsive, accessible and flexible in meeting the needs of community members.[10]

Whilst this initiative was not as directly focused on 'joined up working' as has been intended by the various UK initiatives, there was in practice a strong emphasis on improving

---

[10] Accessed on 19 November 2013 at
http://www.dpcd.vic.gov.au/__data/assets/pdf_file/0014/30515/DVC_Corporate_Plan.pdf

collaboration/coordination between communities and their councils, and between both of those and government agencies which were responsible for service delivery.

Hess & Adams (2007) provide an insightful overview of the approach taken by the department and its underlying rationale:

> It begins from a conviction that community strength matters for both policy outcomes and social well-being. It also accepts that while there is a government role in building community strength the best outcomes are achieved where government, business and community are all taking actions, which build partnerships and networks in local areas. These may be quite simple activities, such as volunteering, or complex interactions around planning futures. The subtlety required of public managers involved in supporting such activities has introduced quite new elements into how our public managers are called upon to conduct themselves. So the DVC has had a role both in strengthening the communities and in strengthening the capacity of government to successfully interact with them. This has in turn brought the DVC into areas traditionally managed by well-established line agencies and that has created a further set of challenges calling for networking among the public agencies on issues of place.

> The underpinning theoretical concept in the DVC's modus operandi then is that knowledge relevant to addressing contemporary public administration issues arises within social relations within communities and between communities and government. Here localised networks are seen as providing individuals with security and ways of understanding their lives. Among the innovative roles of the DVC is a focus on fostering, strengthening and working with those networks most likely to generate sustainable and positive social interactions. The importance of this conceptualisation is that it does not begin with the usual architecture of public management (departments/programs/plans etc) but with a focus on the possible causal mechanism of wellbeing and prosperity, network formation and its agency. The simple logic is that strong networks can create the conditions for improved health, wellbeing and prosperity by tapping into the dynamic of local capability. That is, by investing in the preconditions of community strength there is a greater probability that communities will move in directions that increase wellbeing.

One of the initiatives the department led was the introduction of community planning across local government. This is a process enabling individual communities to develop their own plans to address what for them are their priorities – it may be something to do with the physical locality; it may be something about access to state or Federal government services. Working in partnership with the principal peak body in Victorian local government, the Municipal Association of Victoria, more than 500 individual community plans have been prepared.

Although the Department took the lead in a policy sense, and through implementing a number of programs designed to support the implementation of community planning, community plans themselves were a Council responsibility reflecting the statutory role of a Council "acting as a representative government by taking into account the diverse needs of the local community in decision making". West & Raysmith (2007), evaluating experience with community planning, report that "In an increasing number of Victorian councils, community aspirations are being identified and articulated through a community planning process and linked to outcomes and outputs in Council plans." In a number of cases these have acted as valuable sources of information about the effectiveness or otherwise of significant state and/or Federal government services. The Shire of Golden Plains provides an example of how community planning can enable the more effective

positioning and delivery of state government services, most importantly in the case of Golden Plains, health.

The Shire of Golden Plains is a rural Council lying between Geelong and Ballarat, and made up of a number of small townships and associated rural hinterlands. Some 22 community plans have been developed across the district, in each case by a community planning group established within the community and assisted by a facilitator funded by but independent of the Council. Those community plans began with identifying small local issues – perhaps the siting of a pedestrian crossing, perhaps the location of parking outside the local school. As communities became more experienced, community plans identified more significant and longer term issues. Health provides an example.

A number of Golden Plains communities identified access to health services as a significant issue (at the time the only substantive health services within the district were close to Geelong, leaving most of the district relatively underserved). The Council treated each community plan as the community's document, not the councils, but also as an important source of input for the Council itself. From monitoring all of the community plans within its district, it was able to identify access to health services as an important and systemic issue. This led to the Council establishing the Golden Plains Health Forum as a consultative group incorporating state departments with health services responsibilities, health providers and community representatives. Bringing all the relevant parties together enabled a 'whole of sector' focus on health needs and led to the establishment of significant additional services within the district.

For a more comprehensive overview of the Golden Plains experience, see McKinlay et al (2011).

Arguably, a strength of the Victorian community planning process as a means of facilitating the more effective targeting and delivery of social services was it's very indirectness; it's overall objective was encouraging communities to come together to determine their preferred futures, not to come together to seek greater collaboration amongst government agencies and thus potentially challenge their role. The use of community plans by councils such as Golden Plains to identify systemic issues across their various communities was able to be seen as more in the nature of an evolutionary process providing information which different tiers of government needed to know, rather than a potentially adversarial process.

Co-design

The work done by the Australian federal Department of Human Services in partnership with the Municipal Association of Victoria has been covered in some detail in the previous section so requires only a brief mention in this one. Again, in contrast with the English initiatives discussed, this is a less directive approach, and one which builds on invited participation. The departmental evaluation itself suggests that there was a high level of comfort on the part of departmental officers; the process of engaging in discussion with community representatives was managed in a non-threatening way and so did little to prompt specific resistance. It was also taking place within a single department so that some of the difficulties which have arisen in the UK - differing departmental 'regional' boundaries; questions of budgetary authority - simply did not arise.

There is an obvious advantage if the greater collaboration sought is with a single government agency; there are clearly challenges ahead if the process is to involve two or more different

government agencies and the question at issue is how their various activities are coordinated, and how resources are combined.

That said, the evidence from the Victorian trial that working more closely with communities produces significantly better outcomes for service delivery suggests considering co-design should be a priority for governments looking for better outcomes, both in terms of effectiveness and in terms of cost.

Lenihan (2012) provides further rationale for the use of the co-design approach in reflecting on the experience of the Department of Human Services trial observing "on the content side, the project avoids tackling big policy issues head-on. Instead, it links policy discussions to the practical task of improving services within the community.

"In this approach, local governments are seen as the gateway to the public. They are well positioned to serve as intermediaries between the public, on the one hand, and Federal and state/provincial governments, on the other, for at least two reasons. First, most municipalities already have highly localised programs, ranging from Neighbourhood Watch to heritage committees, which can be tapped to mobilise and engage the public on a wide range of issues.

"Second, the public's strong sense of membership in and commitment to their communities can be a powerful incentive for citizens to participate in dialogue and, ultimately, commit to action. People are far more likely to get involved in a dialogue that immediately affects their families, friends, homes, neighbourhoods and workplaces than one based on broad policy issues, such as poverty, climate change or innovation. They are also far more likely to make a serious commitment to action on local issues."

New South Wales

As discussed above (page 10) the NSW state government, since it came to office in 2011, has been leading a widespread reform program which includes an in-depth review of the role and function of local government, and its relationship with the state government. The work is being undertaken in consultation with the local government sector under the banner of 'Destination 2036' - a focus on restoring NSW to what it regards as its traditional position of leadership amongst Australian states. It has included the establishment of an independent local government review panel, and a task force to review the two acts under which local government functions (a general local government act, and a City of Sydney act).

Although much of the work of both of these entities is focused on building a more capable and resilient local government sector, they also have a focus on the role of local government in working more closely with its communities. As part of this, the Independent Panel has supported a stronger emphasis on sub-Council governance, recognising the growing interest both within Australia and internationally in enabling people to have a greater say over decisions affecting their immediate neighbourhood (see McKinlay Douglas Ltd (2013)). For its part, the Local Government Acts Task Force has been arguing that part of the role of local government is leading collaboration across the different tiers of government and other stakeholders in order to achieve the community's priorities

The NSW developments are panel/task force recommendations, and are not yet state government policy. However, both the panel and the task force have been working quite closely with government ministers and advisors so it is a reasonable inference that the way they are perceiving the changing role of local government reflects the state government's views on how it will need to work with local government to ensure the more effective and efficient delivery of its own services.

4 Reflections on emerging New Zealand practice

Emerging New Zealand practice needs to be put in context. Amongst developed countries, local government in New Zealand has a relatively small formal role in the design, targeting and delivery of significant social services. Local government in the United Kingdom has an extensive involvement, with substantial responsibility in areas such as education, social services, social housing and the administration of welfare benefits among others. In other jurisdictions, especially continental Europe, the role of local government may be even wider. Even in Australia, where the role of local government is generally much the same as in New Zealand, councils have significant responsibilities in areas such as childcare and care of the aged, both of which encourage a degree of interaction and understanding between the different tiers of government. [11]

The principal but not exclusive engagement between central government and local government in New Zealand is in local regulatory activity – resource management, building controls, dog control, health regulation and more. Traditionally it has been a hierarchical relationship, and not one which has led to a great deal of interaction and resultant understanding of the respective strengths and capabilities of each of the two levels of government.

This is an issue that concerned the Productivity Commission in its recent report on local regulation (Productivity Commission 2013). Among the issues it raised was what it saw as the incentives on central government to 'load shift' to local government, and a general lack of awareness within central government of the role and capabilities of local government, reflecting at least in part that relatively few central government staff had any in-depth understanding, experience or knowledge of local government. In fairness, it should be noted that this seems a natural outcome of the way in which the New Zealand public sector over many years has focused on a more market driven approach to the design and structure of administrative systems, and associated with that, the fact that the career paths of many in middle and senior management in the central government public sector have largely been Wellington-based.

The Commission's assessment was that:

> Engagement with the local government sector in the design of new regulations is generally poor and, as such, is undermining the quality of local regulation. The inadequacy of engagement with local government by central government was a recurring theme emerging from this inquiry and, in part, has its origins in poor working relationships and a lack of common understanding between central and local government.

The lack of engagement between central and local government in New Zealand is not confined to the regulatory sector; it reflects the wider phenomenon that generally the allocation of formal public sector responsibilities between the two tiers of government has not highlighted any need for close collaboration or integration between the two tiers.

---

[11] A brief overview of the levels of engagement in different jurisdictions throughout the OECD can be found in Hartwich (2013).

That said, in recent years there have been some initiatives on the part of central government which have reflected some sense of the merits of working collaboratively. One example is the work of the Crime Prevention Unit (now within the Ministry of Justice) which, since the 1990s, has partnered with local government in the design and delivery of local crime prevention initiatives. Another is the Youth Development Partnership Fund (an annual funding round limited to Councils) through which the Ministry of Youth Development has for many years funded Councils to deliver youth development programmes.

More recently, a number of initiatives have emerged which incorporate an element of collaborative practice, with central government seeking to work more closely with communities and the voluntary sector. They include Whanau Ora, vulnerable children's teams, youth service trials, investing in services for outcomes and the social bond pilot.

It is beyond the scope of this report to consider the experience within those various initiatives, but we have had the opportunity of gaining some understanding of another such initiative, the Social Sector Trials project being led by the Ministry of Social Development as part of the Government's *Better Public Services* initiative. For the purposes of this report, we include comment on this initiative based on discussions with one Council involved in the social sector trials project, and with the Ministry of Social Development. We stress that our comments should not be considered as an evaluation, but rather as a somewhat impressionistic overview from a limited assessment which does, however, allow some reflection on emerging New Zealand practice.

The Ministry's website provides a description of the social sector trials[12]. What follows is an extract from that description:

What are the Social Sector Trials?

The Social Sector Trials involve the Ministries of Education, Health, Justice and Social Development, and the New Zealand Police working together to change the way that social services are delivered.

The Trials test what happens when a local organisation or individual co-ordinates cross-agency resources, local organisations and government agencies to deliver collaborative social services.

What is the model?

At the core is:

- either a contracted Non-Governmental Organisation (NGO) or an employed individual in place in these communities to lead a programme of work using cross agency resources
- NGOs and individuals planning social service delivery for young people, managing relevant contracts and funding that are within the scope of the programme, overseeing resources-in-kind, developing networks, engaging with the community and influencing social services outside of their direct control (like statutory services)
- the establishment of Social Sector Trial local advisory groups in each location – representatives include iwi, Council, government agencies, community representatives and social service providers, that oversee the direction and priority setting, engage community ownership and involvement

---

[12] See http://www.msd.govt.nz/about-msd-and-our-work/work-programmes/initiatives/social-sector-trials/

- the development and implementation of a Social Sector Trials Plan (or [Action Plan](#)) for each location.

We understand that the six original social sector trials sites were selected by the Ministry from amongst some 20 different districts which had been initially chosen for assessment on the basis of socio-economic deprivation.

We asked why it was that the choice the Ministry made to lead each social sector trial was between employing an individual, or contracting with an NGO; why not the local council? The principal reason appears to be a perception that councils lack the requisite capability/capacity, at the heart of which was the need for an individual or individuals with the skill sets, experience, understanding and networks which in the Ministry's view would be required to provide effective leadership.

As a first impression this could be seen as a somewhat puzzling response as most if not all local authorities employ people in roles described, for example, as "community development" or "community engagement". The Ministry's judgement appears to have included not just a 'moment of time' assessment, but a view about the ability to deliver over the expected term of the social trial. It will also have included a judgement about whether the background of the Council staff involved gave them the necessary skills and experience to lead a trial focused on the coordinated delivery of services the primary responsibility of a range of government departments as this is not normally a Council role under current New Zealand practice. In addition to this, the dilemma about council involvement will also have been not just about whether current staff had the necessary capability/capacity, but about on-going resilience – what might happen if the Council no longer had staff with the requisite capability/capacity

Underlying this dilemma is the lack of any clear consensus about the proper role of local government in relation to social services, including activities whose focus is to improve community well-being, rather than deliver specific services, infrastructure or local regulation. Historically in New Zealand, local government has been reluctant to accept any significant role in social services for a number of reasons, including concerns that any significant involvement in social services requires direct access to the central government tax base – rates, fees and charges etc, are seen as simply inadequate to support that type of role.

Some encouragement for a greater involvement came from the 1999-2008 Labour Government approach emphasising the role of local government in promoting community well-being. More recent changes in legislation have generally been interpreted as reflecting a government view that social services are not the business of local government. This interpretation itself is less than clear, as there remain a number of specific areas where central government appears to be signalling that local government does have a role in delivering what are inherently social service outcomes.

Against this background, whether or not individual local authorities see an active involvement in facilitating social service activity as part of their role depends on a range of council-specific factors including the socio-economic profile of the district, the background, skills and experience of senior management, the attitudes individual elected members bring to the role and the nature of local public advocacy.

The Horowhenua trial

One of the social sector trials sites, Horowhenua, provides an excellent illustration of this. The Horowhenua District Council for some years has had quite a strong focus on what needs to be done to address the district's relatively disadvantaged socio-economic profile and has put in place a number of quite innovative programs. Among the factors resulting in these initiatives have been a function of a combination of key elected members with a real understanding and commitment to make a difference, and staff with the skills and understanding to support that.

The Council was able to play a constructive role in the selection of the NGO to lead the social sector trial locally, and has been an important contributor to the effective governance of the trial – years prior to the social sector trial initiative it had already established a community well-being executive committee of Council, and had taken initiatives such as local services mapping identifying significant duplication in dealing with, for example, at-risk youth. The role of that committee has recently been expanded so that it is also the Social Sector Trial advisory committee. The practical and beneficial effect of this is that all social issues within the district come through a single body which provides both the governance and coordination function, linking together the Council and local managers from key social service agencies.

The trial itself is perceived as having been successful. The Council reports that over the period from June 2011 to June 2013 there has been a 43% reduction in youth crime, and school attendance (a measure which has replaced truancy) has increased from 87% to 97%.

Horowhenua is now being seen as an exemplar for other councils. The Council has hosted three or four delegations of elected members and management from other councils keen to learn from its experience.

The Horowhenua experience both highlights the potential for individual councils to play a very significant role in helping address major socio-economic disadvantage, and the difficulties most councils will face in the present policy and fiscal environment. It's not just the conflicting signals councils have received over many years now from successive governments in terms of what their proper role and function should be; it's the associated lack of emphasis on building a more collaborative approach between central government on the one hand and local government on the other, and a number of other resource and administrative constraints.

The Council's very strong commitment to addressing socio-economic disadvantage within its community not only reflects the priorities of key elected members and management; it has also had strong support from the community itself. In this respect, the Council has been able to reach past the still wide-spread belief that addressing issues of socio-economic disadvantage is the responsibility of central government, to demonstrate that councils have an important role to play through the exercise of local leadership and the ability to access networks and secure support in ways central government agencies typically do not share.

This is still the exception rather than the rule, although it needs to be acknowledged that smaller councils will often have a relationship with their communities which makes it much easier for them to take a 'holistic' approach to their role and responsibilities, rather than a 'proper role of local government' approach reflecting the signals central government is currently sending to local government.

Another significant factor, supporting the success of this particular example, is the emphasis within the Better Public Services initiative on closer collaboration and coordination between ministers and their departments. In this respect New Zealand appears to have been able to get past the 'silo' effect rather more easily than England, although the scale both of the respective public sectors and of the initiatives themselves will also have helped (New Zealand has started with much more of a small pilot project approach than was the case in England).

That said, our impression from what we have observed and heard so far is that there is still a considerable distance to travel for central government agencies in learning how to work more effectively with communities, and to tap into community knowledge and networks. Much of this has to do with matters such as how capability and capacity is defined, coordinating administrative and other processes, providing medium to long-term certainty, and whether the social sector trials approach itself is scalable. A model based on contracting a single individual or a local NGO may be best suited to a small-scale pilot approach, rather than as a mainstream approach to coordinating the delivery of the bulk of central government's social service activity.

5   Preconditions for and the Nature of the Barriers to Effective Implementation

The immediate question is the effective implementation of what? What emerges from the experience which has been surveyed in this report, is that governments, in seeking to work with local government/communities to facilitate the more effective and efficient delivery of social services, are generally not looking at devolving responsibility for service delivery, or seeking to contract out service delivery to (say) a local authority or a community organisation. Instead, the focus has generally been on how can different tiers of government, and other key stakeholders, work more closely together so that the practice of service design and delivery, by whomsoever it is undertaken, is able to draw on community knowledge and networks as part of ensuring better outcomes for users.

A common theme from the material considered in the preparation of this report is the extent to which effective collaborative working between different tiers of government, and between government at whatever level and other stakeholders, including the voluntary and community sector, is far more than just a formal technical/organisational shift in the way in which governments do business. It raises fundamental questions about how to reconcile significant differences from the technical such as budgetary and accountability arrangements, to organisational culture and different worldviews (consider the Leadership Centre the Local Government's discussion of the 'machine metaphor' of organisation and social systems)

This suggests two things which should be taken into account in thinking about preconditions for and the nature of the barriers to effective implementation. The first is that collaboration between different tiers of government, or between any level of government and other stakeholders is far more than just a purely organisational matter. The evidence suggests that it is very much 'learning by doing' and that experience is quite likely to challenge a number of 'taken for granted' understandings held by different participants including different tiers of government'. This places a strong premium on using a pilot project approach, rather than trying to roll out a different way of working across an entire sector.

The second is whose worldview/organisational culture should predominate? Traditionally, central governments had been used to prescribing the terms on which they are prepared to engage. Even partnership working, where central governments have chosen to adopt this approach, has tended to be "we would like to work in partnership with you; here are the terms and conditions".

Earlier sections of this report contain extensive coverage of the two most significant pieces of research with which we are familiar identifying the preconditions and barriers for effective implementation of central government/local government/community collaboration. These are the National Audit Office and Ernst & Young evaluations of community budgeting.

The matters they identify can be seen as in practice generic. The same kinds of concerns have been raised in a number of previous evaluations going back to the first major attempt of a recent UK government to promote collaborative working; local strategic partnerships.

Nor are those concerns confined to England. MDL has encountered similar issues in discussion with officials from both state and local government in Victoria and NSW – especially the 'silo' phenomenon and the way it can obstruct coordination of government policy.

In our view the NAO and Ernst & Young reports cover both preconditions and barriers very well in terms of identifying specific issues which need to be addressed. The issue is how those matters are best presented. They could be treated as purely technical considerations arising from the different regulatory, political and administrative contexts of central and local government; they could be treated much more subjectively as reflecting deep-seated cultural divisions – even prejudices – as between the two sectors. Again the issue will often be one of different worldviews .As an example MDL has had discussions with some of the leading observers of central-local government relations in the United Kingdom who would argue that the principal barrier is the extraordinary nature of the 'patch protection' of the central bureaucracy. That may or may not be correct, and may or may not apply in New Zealand but the evidence from experience is that articulating those sorts of concerns tends to strengthen barriers rather than break them down - in essence this points to the importance of building on the positive, rather than criticising central government and its agencies (or other stakeholders) for behaving in the way that they have normally been used to behaving. It is also important to understand that what to an outsider may look like 'patch protection' may in practice be based on a firm belief that the prudent stewardship of public resources requires the kind of conduct which is being criticised.

For New Zealand, the way the Productivity Commission stated its view of the relationship between central government and local government does suggest that the same issues of relative lack of understanding between central and local government as have been identified in more detail in other jurisdictions are an issue here as well.

At the heart of the question of how to identify and ameliorate barriers is how to build an understanding of what the barriers actually are. As noted above, they could be seen as purely technical issues requiring a technical/bureaucratic fix rather than a fundamental reappraisal of the way that different tiers of government another is actually work and interact. Alternatively, they could be seen as inherently deep-seated questions of organisational culture and worldview.

In this respect, the work of the Leadership Centre of the Local Government (see the appendix) raises an important question. Is the conventional approach adopted by central government agencies to dealing with other parties (including the emphasis on accountability, defined outputs, contracting) itself part of the problem? In practice what the Leadership Centre is emphasising is the complexity involved in human systems, and the quite different understandings which people will bring to their interactions. For a government agency faced with the current accountability regime, explicit contracting, and holding people to account against, for example, stated KPIs, is simply a prudent approach to managing public resources. For others, it may seem more like imposing a rigid externally developed definition on a complex set of relationships which significantly misunderstands the issues at stake - a situation which reflects different value systems, and different worldviews, rather than different understandings within a common interpretative framework.

What this points to is rather than seeking to develop a comprehensive framework to regulate on-going engagement between central government agencies on the one hand and local government and communities on the other, there is a need for more of a pilot project approach starting from the

presumption that the purpose is to enable each of the key sectors involved (central government, local government, the voluntary sector, community groups…) to learn more about the conditions under which each functions, and the measures which need to be put in place to get the best out of what will often be new and different relationships.

From MDL's perspective based on our experience within different jurisdictions, the barriers by and large can be summed up as reflecting cultural and institutional differences, as well the impact of hierarchy and the power of control over resources. As noted earlier, it is inherent in the model of central/local government relations which characterises Westminster systems that central government sees itself as having the power and authority to intervene with local government whenever it sees this as desirable in order to achieve its own objectives. Similarly, the power which central government agencies in Westminster jurisdictions hold by virtue of contracting for services can also have a major impact on the structure and incentives of sectors which are dependent on central government funding.

These are characteristics which are inherent in centralised systems. The question implicit in the barriers which have been identified in the various evaluations referred to in this report is whether they are now to some extent at least frustrating the achievement of the objectives which higher tiers of government have set for themselves. This is not an argument for some kind of wholesale abandonment of current practice. It is an argument for putting in place well developed pilots to test different ways of working - an argument which is strengthened by considering the very different approaches required in working on a contracting basis on the one hand, and on a partnership basis on the other.

A useful example of what could be required, which in MDL's experience would apply in a number of different jurisdictions, is how to infuse higher tiers of government with an understanding of the context within which much of voluntary and community sector activity is delivered, recognising that an important objective for a more collaborative approach is drawing on the potential of the voluntary and community sectors both for the knowledge people in those sectors have of their local community, and for the contribution people on the ground can make in actually doing things.

One of the matters which MDL has observed in a number of different jurisdictions is concern about the varying capability of voluntary and community sector organisations despite the fact that often there will have been quite significant investment in seeking to raise the capacity and capability of those sectors. We see this as very much a matter of understanding how voluntary and community organisations operate in practice (outside the few large NGOs which are of real scale). The reality is that the typical voluntary or community organisation is relatively small, and unlikely to be resilient against changes in personnel, funding etc. It's critical to understand the implications of that, if government wants to build a strong working relationship with communities to facilitate the better delivery of services.

From our experience internationally, one of the critical issues in building the capability of the voluntary and community sectors is to recognise that although the normal focus is on professional development for individuals, or for a group within a particular NGO, the overarching challenge is building capability/resilience for the sector as a whole. In practice this requires some entity which is

able to take on that responsibility and maintain it over time. The best approach we have seen to this is local authorities assuming responsibility for building capacity/capability of the voluntary sector within the Council's area. For that reason we are now arguing, when we get the opportunity, that there is a real case to make that councils should look at providing back-office services for the third sector including professional development.

Summation

The material reviewed for this report suggests that there can be very significant barriers and preconditions standing in the way of greater collaboration between higher tiers of government on the one hand and local government and special communities on the other in terms of facilitating the more effective and efficient delivery of social services. Much of this results from long established and deeply ingrained practices which can be quite difficult to change, especially if the attempt is to change the way an entire system functions.

On balance the evidence suggests that the most effective way of addressing barriers and establishing the appropriate preconditions is to take a pilot project approach and to do so on the assumption that what is being tested is a new way of working which may require quite marked change in existing practice and/or received understandings. The evidence also suggests that one of the most of significant pre-conditions is the intelligent commitment of the different parties involved to the importance of exploring in new ways of working, and being prepared to reconsider long established practice.

6   Assessment of Costs and Benefits

The majority of reports and evaluations we have considered, whether of the various UK initiatives or of Australian experience, have been primarily accounts of what is taking place, and participants' observations about the usefulness or otherwise of the experience.

A number have also identified barriers and impediments, and highlighted changes different tiers of government might need to put in place in order to get better outcomes from collaboration initiatives.

In contrast, there has been comparatively little formal cost benefit analysis of collaboration initiatives. One reason is the inherent complexity. What is required is a 'before and after' analysis of different approaches to the delivery of a specific service or services where typically the shift is from a multi-provider approach to a single provider, or a co-ordinated approach to provision.

There have been a number of forecasts of anticipated savings[13], based on well-informed analysis of the before and after alternatives, but forecasts are not cost benefit analyses of experience.

The most recent initiative, the pilot projects for community budgeting, represent a marked shift; an integral part of the pilot projects themselves has been provision for cost benefit analysis based on methodology developed by a specialist consultancy "New Economy, an organisation that provides research, strategy and policy development on behalf of the Greater Manchester Combined Authority and its partner bodies. The methodology builds on HM Treasury appraisal guidance and was developed with input from central government analysts. Applying the methodology to different service areas required cooperation between areas and central government analysts, which was coordinated through a single forum, the 'technical advisory group' (paragraphs 1.17 to 1.22 and 2.8)." (Quote from the NAO report).

The NAO report is in large part an overview of the approach taken by individual pilot projects to the development of suitable measurement tools including cost-benefit analysis. It is clear from the discussion in the report itself that the cost-benefit element was seen as complex and technically demanding, but also generally achievable and supporting the proposition that this approach to managing the delivery of specific social services has the potential to deliver worthwhile savings.

We do not have access to the details of the individual cost-benefit analyses, or the specific methodology applied in each case. However, after considering the NAO report and other material which sought to estimate the potential savings from initiatives of this type, it would be our recommendation that if the New Zealand government opts to adopt a similar approach, officials should approach their colleagues in the United Kingdom in order to obtain from them more detailed information describing how each cost-benefit assessment was undertaken including the particular methodologies employed.

---

[13] The *Manifesto for Londoners* (London Councils 2010) and the Ernst & Young (2013) evaluation of community budgeting are two examples of work which have identified potentially very significant savings.

7   Potential Risks and Means for Managing Those

The weight of the evidence considered in this report suggests that there are potentially significant gains to be had from a more collaborative approach to managing the design and delivery of major social services. Using English experience as an example, the magnitude of potential savings as identified in reports such as the Manifesto for Londoners, and in the Ernst & Young report for the Local Government Association on the potential of community budgeting is very significant.

If anything like the same potential exists in New Zealand, then the potential savings even allowing for New Zealand's much smaller scale, could be at least in the hundreds of millions of dollars.

At the same time it needs to be noted that the savings estimates are forecasts, rather than findings from the evaluation of on the ground activity. The Ernst & Young forecast, in particular, is very highly conditioned and emphasises a number of complex challenges which would need to be resolved if there is to be any chance of achieving the anticipated savings.

From a risk perspective, this evidence and much else provides a strong argument for the suggestion that any attempt to test the potential for gaining significant savings and/or improving outcomes for users should be on the basis of a carefully designed and managed pilot program to be scaled up only as experience justified doing so.

In turn, this suggests that the major risks should not be fiscal in the sense of the Crown incurring the substantial liabilities through a failed project or projects. Instead they would be risks/costs associated with a pilot program - inevitably there are always costs in designing setting up, implementing and monitoring a pilot program but these are best thought of as the equivalent of research/investment costs, rather than a pure loss per se if the pilot proves unsuccessful or less successful than hoped. A further risk may be the difficulty of terminating a pilot program once it's expected term has been completed if the program itself has built up a significant following in the pilot area. This risk is partly political but from an administrative perspective is best managed by clarity at the outset so that all of the parties involved in the pilot understand that it does have a limited life and have agreed to support that.

Arguably, the greatest risk is the opportunity cost - the risk that in action could deprive the Crown of the benefits of the potentially significant savings initiative. If New Zealand were able to replicate the percentage savings referred to by Keohane (2013) of 10%-15% across a range of significant social programs, then the potential gain is extremely significant with the net present value potentially in the billions. This is a matter for officials and ministers to weigh against other priorities (not just financial but in terms of system capacity/capability) and also to judge whether the potential returns warranted the inevitably complex nature of any pilot program with its requirement that central government, and specifically the agencies involved in any pilot program, would be required to accept quite different ways of working in order to establish a long-term partnership based relationship with the councils and communities involved.

Conclusions

The examples covered in this report deal with more than a decade's experience from different jurisdictions of seeking to establish a more collaborative approach to the design and delivery of major social services. Although there are some instances where it is clear the intention was to devolve service delivery itself, in the great majority the objective was the somewhat more modest one of seeking to build on the knowledge, expertise and potential commitment of people living in communities, whether through the local authorities which represented them, or working directly with community groups.

The English experience, in particular, highlights both the difficulties involved, and the importance of consistency - staying with an agreed approach until there has been enough time to determine how effective it might be. In England the shift from an initial reliance on local strategic partnerships as the principal means for achieving collaboration, to total place then big society and now community budgeting has been as much political as it has been evidence-based policy change. The result is that after more than a decade of a series of initiatives premised on the so far relatively unchallenged belief that greater collaboration should result in both better outcomes for users, and significant savings, comparatively little has been achieved.

The more modest initiatives trialled in Victoria including community planning and co-design illustrate the benefits of starting small (co-design) and seeking approaches which as far as possible are relatively non-threatening to existing institutional arrangements but still offer the potential of delivering significant change.

There are significant lessons for New Zealand from this experience. They include:

- Consistency matters – building effective collaborative arrangements takes time, and will not be helped by on-going policy changes.
- Start small – adopt a pilot programme approach and select policy areas/partners that look likely to present the best chances of success.
- Ensure that all of the prospective partners have an informed and willing commitment to the process (where more than one department is involved, this includes having effective arrangements for ensuring and delivering inter-departmental collaboration in a timely way).
- Identify and address problems of budgetary authority, regional coverage (that is, which part of what department has authority in which areas), and decision-making authority early and effectively.
- Recognise that a more collaborative approach between central government, local government and other stakeholders including voluntary and community groups will only work if there is a genuine partnership approach – this is fundamentally different from a contractually based approach in which one party can quite legitimately dictate terms. For partnerships to be effective, terms must be willingly agreed.
- Understand that different tiers of government, and different stakeholders, can have quite different perceptions and expectations and it may often be necessary to accept that there is no 'one right way'. The point is whether project outcomes satisfy the objectives of each partner, not necessarily that each applies exactly the same interpretation.
- Accept that different tiers of government, and different stakeholders, especially in the voluntary and community sector, will have different levels of capability and capacity. Be prepared to regard capacity building as an inherent part of any pilot programme activity, and not as a cost to be avoided.

- Understand also the difference between developing individuals, and building and maintaining capacity in a sector over time.

References

Bidgood, E. (2013) *Healthcare Systems: Sweden & Localism - an example for the UK?* A report prepared for Civitas accessed on 7 November 2013 at http://www.civitas.org.uk/nhs/download/SwedenBrief2013

Birmingham City Council (2010) *Birmingham Total Place Pilot: Final Report* accessed on 1 November 2013 at http://www.bebirmingham.org.uk/documents/TP_Birmingham_Final_Report_version_2.pdf

BDO (2010), Total Place: The Future for Local Public Services? Accessed on 13 December 2013 at http://www.bdo.co.uk/news/total-place-the-future-for-local-public-services

Cabinet office UK (2010) *Building the Big Society*, press release accessed on 5 November 2013 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78979/building-big-society_0.pdf

Department for Communities and Local Government (2010), *Decentralisation and the Localism Bill: an essential guide* accessed on 19 November 2013 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5951/1793908.pdf

------ (2011), *Community Budgets Prospectus* accessed on 13 November 2013 at https://www.gov.uk/govern the ment/uploads/system/uploads/attachment_data/file/6272/2009783.pdf

------- (2012), *Community Right to Challenge: statutory guidance,* accessed on 19 November 2013 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5990/2168126.pdf

------ (2013), *Neighbourhood Community Budget Pilot Program: research, learning, evaluation and lessons*, accessed on 13 November 2013 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224259/Neighbourhood_Community_Budget_Pilot_Programme.pdf

Department of the Environment, Transport and the Regions (2001), *Local Strategic Partnerships: Government Guidance,* accessed on 1 November 2013 at http://www.govopps.co.uk/guidance_db_files/guidances/guid_09.pdf

Department of Human Services (2012) co-design community engagement prototype: outcomes report, accessed on 8 November 2013 at the

Directory of Social Change (2010) *Civil Society rejects invitation to 'build the Big Society'* accessed on 5 November 2013 at http://www.opendemocracy.net/ourkingdom/niki-seth-smith/civil-society-rejects-invitation-to-build-big-society

Ernst & Young (2013), *Whole Place Community Budgets: A Review of the Potential for Aggregation*, accessed on 14 November 2013 at http://www.lgcplus.com/Journals/2013/01/10/c/l/x/LGA-and-EY-Community-Budgets-Report-.pdf

Grint, K. (2010) *Total Place: Interim Research Report: Purpose, Power, Knowledge, Time & Space*, accessed on 1 November 2013 at http://www.localleadership.gov.uk/totalplace/wp-content/uploads/2010/01/Total-Place-interim-review-report-Prof-Keith-Grint-Warwick-Business-School.pdf

Hartwich, O. (2013) *A Global Perspective on Localism*, the New Zealand Initiative, accessed on 20 November 2013 at
http://nzinitiative.org.nz/site/nzinitiative/A%20Global%20Perspective%20on%20Localism.pdf

Hess, M. *& Adams, D. 2007, *Innovation in Public Management: The role and function of community knowledge*, viewed February 2011, <http://www.innovation.cc/volumes-issues/hess_adams_innovate_public_manage8final.pdf>.

HM Treasury (2010), *Total Place: a whole area approach to public services,* accessed on 1 November 2013 at http://www.localleadership.gov.uk/totalplace/news/total-place-final-report/

Keohane, N (2013), Decentralisation and Community Budgeting in England in Sansom, G. And McKinlay, P., New Century Local Government: Commonwealth perspectives, Commonwealth Secretariat, London

Leadership Centre Local Government (2010), Total Place: a practitioner's guide to doing things differently, accessed on 13 December 2013 at
http://www.localleadership.gov.uk/totalplace/learning/a-practitioners-guide/

Lenihan, D. & Briggs L. (2011) *Co-design: Toward a New Service Vision for Australia?* Public Administration Today, January-March 2011 pp 35-47

 Local Government Acts Task Force (2013), *A New Local Government Act for NSW*, accessed on 7 November 2013 at
http://www.dlg.nsw.gov.au/dlg/dlghome/documents/information/A%20New%20Local%20Government%20Act%20For%20NSW%20-%20Discussion%20Paper%20-%20April%202013.pdf

London Councils (2010), *The Manifesto for Londoners* accessed on 1 November 2013 at
http://www.londoncouncils.gov.uk/manifestopdf/

Loughlin, J. And Martin, S. (2003) *International Lessons on Balance of Funding Issues: initial paper*, School of European Studies and the Centre for Local & Regional Government Research, Cardiff University, accessed on 30 October 2013 at
http://campaigns.libdems.org.uk/user_files/axethetax/balance_of_funding_issues.pdf

McKinlay, P. et al (2011), *Evolution in Community Governance: Building on What Works* accessed on 19 November 2013 at
http://www.acelg.org.au/upload/program1/1334208484_Vol1_Community_Governance.pdf

McKinlay Douglas Ltd (2013) *Community-level governance: what provision should be made and/or mandated in local government legislation?* Accessed on 7 November 2013 at
http://www.localgovernmentreview.nsw.gov.au/documents/lgr/MDL%20Community%20Governance%20Final%20Report%20July%202013.pdf National Audit Office (2013), *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets* accessed on 13 November

2013 at http://www.nao.org.uk/report/case-study-on-integration-measuring-the-costs-and-benefits-of-whole-place-community-budgets

NSW Independent Local Government Review Panel (2012) *Better, Stronger Local Government: the case for sustainable change* accessed on 6 November 2013 at http://www.localgovernmentreview.nsw.gov.au/documents/LGR/Stage%20One%20Consultation%20-%20The%20Case%20for%20Change.pdf

Office of the Deputy Prime Minister (2006), *National Evaluation of Local Strategic Partnerships: Forms of Evaluation and Action Research Programme 2002-2005*, Final Report accessed on 1 November 2013 at http://www.ljmu.ac.uk/EIUA/EIUA_Docs/Evaluation_of_LSPs_Final_Report.pdf

Pipe, J. (2013) *Two years on, what has the Localism Act achieved?* Accessed on 19 November 2013 at http://www.theguardian.com/local-government-network/2013/nov/02/localism-act-devolution-uk-local-authorities

Productivity Commission (2013), *Towards Better Local Regulation* accessed on 20 November 2013 at http://www.productivity.govt.nz/sites/default/files/towards-better-local-regulation.pdf

Scholfield, K. (2013), *Is the community right to challenge in danger of falling by the wayside?* Guardian Professional, Monday, 29 April 2013, accessed on 14 November 2013 at http://www.theguardian.com/social-enterprise-network/2013/apr/30/community-right-to-challenge

Wei, Lord (2010) *Building the Big Society*, a presentation to the Big Society Public Services Seminar Series Institute for Government, 6th June 2010 accessed on the 5 November 2013 at http://www.instituteforgovernment.org.uk/sites/default/files/Building_the_big_society_lord_wei.pdf

West, S. and Raysmith, H., 2007, *Planning Together: lessons from local government community planning in Victoria*. Accessed on 13 December 3013 at http://www.mccaugheycentre.unimelb.edu.au/__data/assets/pdf_file/0017/135260/West_Raysmith_ReportDec07.pdf.

Extract from Leadership Centre guide for Total Place practitioners[14]

Living systems, adaptive change

John Atkinson, Managing director, Leadership Centre for Local Government

One of the central ideas of Total Place is that the long-standing machine metaphor of organisation and social systems is handicapping our ability to understand the environment we work in and how to change the behaviours of those systems.

By the machine metaphor, we mean a view of the social and organisational world that assumes that people are passive actors who take instructions and carry them out, that there are 'levers of power' that can be pulled somewhere that will change behaviour and that setting a target will completely drive an intended change.

The last twenty years of attempted public service reform shows us that, while small positive changes have been made, the outcomes for individual citizens have not altered to the extent that the machine metaphor would have had us hope.

So, during the design and initiation phase of Total Place, we turned to the work of those theorists and educators who emphasise a completely different lens for looking at human activity – that of the living system (sometimes known as complex adaptive systems theory). There are now many writers who work with these ideas but the person who has most influenced our work is Myron Rogers.

In his work with the Leadership Centre on our Leeds Castle Leadership Programme, Myron describes his view of the five major characteristics of living systems:

• Chaos and complexity: complex systems are characterised by ambiguity, uncertainty and unexpected connections. Order arises from chaotic and unmanaged micro-interactions, rather than because of some design from on high.

• Emergence: living systems seem chaotic and unpredictable but their patterns are created by simple underlying rules which are not usually apparent to the actors.

• Cognition: no one person can ever 'see the system'. Each person will have a different perspective depending on their place in the system and what they see determines what they do.

• Networks: people are strongly linked by their informal ties and by the stories they tell. If the 'official line' does not fit with the lived reality of players, they will ignore or subvert it.

• Self organisation: social systems preserve their identity. Once a group or organisation has formed a loyalty, people will act to hold on to the identity they have created.

---

[14] http://www.localleadership.gov.uk/totalplace/learning/a-practitioners-guide/

Myron's maxims: working with adaptive change

- Real change happens in real work
- Those who do the work do the change
- People own what they create
- Start anywhere, go everywhere
- Connect the system to more of itself

Myron's five maxims for working with living systems are shown in the box above. Perhaps you can see how the initial design of Total Place reflected these ideas:

• Places were asked to do real work rather than just 'set up a partnership' – to find a theme, actively diagnose the issues and create some innovative potential interventions

• Senior leaders were asked to get actively involved in the work (politicians, agency leaders and colleagues in Whitehall) rather than delegating to others to do the change for them

• Places were encouraged to work closely with front-line staff and citizens rather than just consulting them once the work was done – to move gently towards co-creation

• As over-arching issues started to emerge (especially on the relationship between places and national Government), new spaces were made to have those discussions rather than them being declared 'out of scope'

• Many opportunities were created to connect previously unconnected bits of the system – e.g. professionals in places with policy makers in Whitehall, leaders in one area to leaders from another, front line professionals with financial analysts, middle managers with citizens.

As you begin, or continue, to work on your Total Place exercises, you may want to consider how you can use these ideas in your work to experiment with their power – perhaps the machine metaphor will begin to have had its day.