

RETHINKING THE ROLE OF LOCAL GOVERNMENT

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Introduction

If you've been in local government in much of Australia, in New Zealand or in England over the past few years, you've got used to turmoil, and the widely differing views between local government and higher tiers of government about the place of local government, and who should set its objectives.

This paper presents reflections from a number of years of observing and quite often participating in different initiatives for local government reform. Although its title uses the word rethinking, its theme is the need for action on the part of local government. Its argument is the world which gave us our current government structures, with the subsidiary 'creature of statute' place of local government, is now passing. Its belief is if governments at all levels cannot adapt to the new realities, societies will be unable to deal with the challenges they now face. Its conviction is the lead will need to be taken by local government.

The world we have been used to is being succeeded by a world in which achieving the outcomes we want will increasingly be through partnerships between communities taking a 'bottom up' approach facilitated by local government, and higher tiers of government able to understand and work with the changes now taking place.

Change will not be easy. Higher tiers of government will need to change their understanding of how governing needs to function in the world we're now entering. This includes a shift from what can sometimes look like an unshakeable belief in the omnipotence of higher tiers of government to a recognition there are real limits on their capability and competence, and good governance now needs a collaborative approach that can tap into the skills, capability and competence of all participants - higher tiers of government, local government and the communities they serve.

It will require a mindset shift within local government itself. For change to happen, elected members will need to see themselves, and act, as leaders of their communities, not just the elected members of the governing body of a limited purpose local entity.

It's a big ask, but the evidence is strong and growing, and the rewards for getting this right for elected members, the councils for which they are responsible, and the communities they serve will be considerable (to say nothing about how this will also better enable higher tiers of government to undertake their roles more effectively and ultimately with a greater degree of community confidence).

What this paper will cover

- A brief overview of what's been happening with local government reform in each of the three jurisdictions of England and Wales, NSW and New Zealand coupled with an explanation of what seems to drive the key difference in perspective between local government and higher tiers of government in each jurisdiction.
- A discussion of the pressures for change that are now bearing down on all tiers of government and the communities they serve, and the potential consequences if governments and communities cannot adapt.
- A way ahead, positioning local government as potentially the key lead sector in the changes which the societies this paper considers now need to embrace.

What's been happening

In each of the three jurisdictions higher tiers of government have been actively pursuing strategies to reform their local government sectors. Each of the three is considered in turn.

England and Wales

The present reform process goes back to the Local Government Act 2000 passed by the Tony Blair led Labour government. Local Strategic Partnerships were to bring councils, central government agencies and business and community groups together to coordinate service delivery. To set the framework, councils were to lead the development of a Community Strategic Plan.

Performance was patchy. Collaboration proved difficult partly because of inherent problems such as different boundaries for different agencies, and partly because of highly variable commitment by different participants.

This approach was succeeded by Total Place also intended to facilitate more effective coordination between central government agencies and local government and ideally a 'one-stop shop' approach to service delivery. Research highlighted the potential for very significant savings with one classic piece of work showing that an individual with drug and alcohol dependence problems was likely to be at the centre of a highly complicated wiring diagram of multiple agency intervention. This also languished in large part because of difficulties in coordinating central government silos.

In 2010 the labour government lost office and was succeeded by a Conservative/Liberal party coalition. This replaced Total Place with the Big Society, an approach which argued that central government had intruded too far into the lives of people and it was time to find ways of pulling back but also of better coordinating central government services. This initiative

was overshadowed by the government's adoption of a very tight fiscal strategy commonly described as austerity under which government spending was to be cut back dramatically, most of all for local government¹. Over the decade 2010-2020 for many councils austerity is meaning the loss of as much as 40% of their revenue in real terms but with no equivalent reduction in their legislated service obligations.

At the same time the government removed much of the micro-management policies of the previous labour government most notably abolishing the Audit Commission which had played a significant oversight role of local government performance with at its peak approximately 1200 key performance indicators required of each local authority. Arguably the main reason for stepping back from micro-management was to enable the government to distance itself from local government decision-making and the consequences for communities of the decisions councils made to manage within reduced budgets resulting from central government cutbacks.

The government also put in place the Localism Act 2011 which both gave councils general power of competence and emphasised stronger devolution to communities.

During this period, the coalition government piloted 'Whole place community budgets' as a "flagship policy to put major principles of localism, 'customer first' service integration, public services reform, and deficit reduction into practice" (see: <http://www.lgiu.org.uk/briefing/much-ado-aboutwhole-place-community-budgets/>). The purpose was to combine within a single budget and decision-making process local government and central government funding around a particular set of service objectives, for example, ageing well. Evaluation of four initial pilot projects² suggested the potential for very significant savings but despite this further adoption of community budgets seems to have stalled.

The most recent initiative in England is an emphasis on devolution of decision-making power to groups of councils known as combined authorities of quite substantial expenditure largely oriented towards economic development including transport, housing, training and skills development (for what is generally seen as the standout example, see <https://www.greatermanchester-ca.gov.uk/homepage/59/devolution>). Devolution deals are case-by-case but under the David Cameron led government were dependent on combined authorities agreeing to the election of an executive Mayor to lead the combined authority (under devolution deals, individual councils continue to exercise the powers they

¹ in England and Wales, local government has been responsible for the delivery of a number of major social services with the great bulk of funding for these provided by central government grant.

² Whole Place Community Budgets: A Review of the Potential for Aggregation, a report prepared by EY for the Local Government Association. Accessed at: http://www.local.gov.uk/localism/public-service-reform/-/journal_content/56/10180/3692233/ARTICLE

had prior to the deal, and have the same political and organisational structure). There had been strong suggestions that under the present government, led by Theresa May, the requirement for an elected executive Mayor may be dropped largely because of the concern that most elected executive Mayor positions would be captured by the opposition Labour Party as has recently happened with the Greater London Authority. The government has since confirmed that an elected executive Mayor remains a central requirement of the devolution policy.

Deals themselves once negotiated need to be adopted by each of the councils in a proposed combined authority. There are growing instances of councils refusing to approve a devolution deal and this, coupled with uncertainty over the position of executive mayors, has raised considerable doubts about just how the devolution policy will unfold (doubts reinforced by the likely impact of Brexit³ on a number of local authorities). Progress with devolution can be tracked on the Local Government Association website at: [**www.local.gov.uk/devolution**](http://www.local.gov.uk/devolution).

In 2015 the Welsh government announced its intention to reduce the number of councils from 22 to 8 or nine with the objective of improving the efficiency of service delivery. Following extensive consultation, which established that there was very significant resistance to the proposed changes, the government has now reversed its decision to reduce the number of councils but stated that “there will be a mandatory requirement for local authorities to deliver services at a regional level”. It is not yet clear how the government intends that the mandatory requirement be enforced.

Government policy towards local government in England and Wales has been driven by a number of different considerations, including varying views on how to promote efficiency (from a labour government emphasis on micromanagement for example through oversight from the Audit Commission, to Conservative led governments’ reliance on austerity). This has been coupled with an ongoing dilemma about how within England to put in place an equivalent of the devolution to the Welsh and Northern Ireland assemblies and the Scottish Parliament. The overall result is a much more confused policy environment than in either NSW or New Zealand but still with an overarching concern with efficiency as a principal value.

New South Wales

This audience will be very aware of the experience of the last few years with local government reform in NSW. It all began with agreement between the state government and local government to collaborate on reform, and a commitment by the state government to no forced amalgamations. At the Destination 2036 workshop which took place in

³ the shorthand term for the referendum outcome under which British voters have opted to leave the European Union.

Dubbo in 2011, the then Minister, the Hon Don Page, in his address to the workshop included statements such as:

- I believe this event, and the initiatives that will follow, provide a unique opportunity for us to establish a relationship of mutual trust, focused on strengthening the local government sector.
- I want a local government sector that is viewed as a partner with the State Government.

This spirit continued with the establishment of the Independent Local Government Review Panel (ILGRP) as a joint undertaking between the state government and the local government sector.

Views started to diverge as significant work was undertaken by the State on the financial situation of individual councils, and on the state of infrastructure, which together were taken up by ILGRP in a way which was seen as preferencing amalgamation where there was a perceived need to increase the capacity/capability of individual local authorities, both within Sydney's Metropolitan area and in rural/regional NSW (the ILGRP did not see options such as shared services or centres of excellence as viable alternatives largely because of their impression of the variable experience with Regional Organisations of Councils).

The state government itself used the final report from the ILGRP as the basis for a policy shift towards forced amalgamation once it became clear that voluntary amalgamations in line with the findings of the ILGRP were relatively unlikely. This process has been confrontational, and caused the sector particular concern because of the lengths the State government has appeared to go to minimise the potential for public input on its various amalgamation proposals and the suspicion a number of the proposals were designed as much to satisfy political concerns as to address enhancing the capacity and capability of local government.

As with the other jurisdictions considered in this paper, beliefs about 'efficiency' appear to have dominated government policy as the following extract from the homepage for *fit for the future* illustrates:

Local Government reform will create new, stronger councils, improve council performance and strengthen the system of local government.

The reforms will deliver substantial savings and benefits for local communities in NSW.

New Zealand

In 2008 when the present national party led minority government came into office, legislation governing the amalgamation of local authorities provided that amalgamation proposals could be initiated by the Minister of Local Government, one or more local authorities with the consent of all affected local authorities, or by a petition signed by at least 10% of the

electors of each district. It also provided that a poll on any final reorganisation scheme be held in each of the affected districts, and that for the reorganisation to proceed there needed to be a majority of 50% of those voting in each poll.

The government regarded this as overly skewed towards supporting the status quo - invariably any amalgamation proposal which had got to the stage of a poll on a final reorganisation scheme was defeated, quite often because one district amongst those affected would reject the proposal.

It decided to make the process more straightforward. Legislative amendments in 2012 provided a proposal could be initiated by any person⁴ and, what the government saw as critical, the required majority in a poll on a final reorganisation scheme was 50% of all those voting across the affected districts, and not 50% district by district.

As the government had hoped, a number of major reorganisation proposals were put before the Local Government Commission. Two were put forward by business interests, and a third by a single council without the agreement of other affected councils. Each, after assessment by the Local Government Commission⁵, was treated as a proposal for the creation of a unitary council within the affected region.⁶ The three regions involved were Northland, Hawke's Bay and Wellington.

The Local Government Commission developed only one final reorganisation proposal, for Hawke's Bay. The poll on this proposal saw it defeated by a majority of 2:1 much to the dismay both of the government, and of the reorganisation's supporters whose expectation, based on their sampling of local opinion, had been that the worst-case outcome from the poll would be a narrow defeat.

Following that outcome, the Local Government Commission determined not to proceed with final reorganisation schemes for the other two proposals as opinion sampling suggested they would receive less support in a poll than the Hawke's Bay scheme.

The government's response was to recognise that this legislative attempt to encourage amalgamation was not working and to put in place what it described as its Better Local Services initiative. The cabinet paper setting out the Minister of Local Government's proposals (publicly released albeit

⁴ One effect of this change was that a single local authority could initiate an amalgamation proposal without needing the consent of other affected councils as had previously been the case.

⁵ The legislation gave the Local Government Commission the power to substitute its own view of the appropriate reorganisation proposal for the affected councils so that in one case, Northland, the Commission substituted a proposal for a unitary council for the entire region for the initiator's proposal to create a unitary Council for the Far North District Council alone which would have allowed it to withdraw from the region.

⁶ In New Zealand, local government services are delivered primarily by territorial local authorities, but these in turn are grouped into regions with an elected regional council responsible primarily for environmental matters including catchment management. There is also a third category of council, a unitary council which combines the powers and authority of a territorial local authorities and a regional council in the area for which it is responsible.

in redacted form) acknowledged the experience with recent amalgamation proposals showed that:

These communities demonstrated that they were opposed to large-scale amalgamations, especially if they thought it would lead to erosion of local representation. The public debate centred on perceived loss of democratic representation rather than improvements to governance and service delivery for the future. Present arrangements do not allow for a reorganisation that is focused solely on improving the performance of service delivery or infrastructure provision.

The initial reaction was that at last the government had recognised the significance of local representation, so that its proposals to improve performance of service delivery would ensure an adequate opportunity for the public voice to be heard in the development of reorganisation proposals, rather than as a potential veto once a scheme was finalised. The suggestion reorganisations could focus on individual services or infrastructure provision, rather than amalgamation of entire councils was also welcome.

The legislation when introduced in June this year somewhat dismayed local government. Rather than considering how best to accommodate the public voice during the development of reorganisation schemes, the government had decided that for reorganisations to improve the performance of service delivery or infrastructure provision, it should put in place a process which would effectively exclude the public voice. If the legislation is enacted, the Local Government Commission will have the power to institute a reorganisation proposal of its own initiative, and to create what will be known as multi-Council controlled organisations to own and manage services/infrastructure without the consent of the councils involved or their communities (there is some reference to public consultation but little reason to believe it will have any impact). Furthermore, the Minister will have powers to direct the Local Government Commission on the proposals it should institute. The Commission's powers will include establishing committees of councils, responsible for overseeing multi-council controlled organisations, which in effect will not be answerable to the councils themselves.

Proposals for the amalgamation of entire councils will still be subject to a poll, but observers note that since virtually any local government service could be undertaken through a CCO, the new provisions affecting them could amount to compulsory amalgamation with no public input.

The website of the Department responsible for local government states:

- The Better Local Services package enables innovation and collaboration in local government to deliver better local services and infrastructure.

- The package supports the Government's broader programme for building a productive competitive economy and better public services.

The Minister himself has said publicly "The Better Local Services Bill will protect rather than destroy local democracy", a statement which the local government sector has found it difficult to understand when considering the terms of the Bill itself.

Instead, the sense within the sector is that the government is determined to find a way of amalgamating major services regardless of the preferences of councils and their communities in its belief that doing so will improve the efficiency and productivity of service delivery, something which it sees as important for achieving its economic development goals.

Why has this been happening?

In each of the three jurisdictions being considered, higher tiers of government have placed a very strong emphasis on efficiency in the public sector. Each has been influenced by the values and ideology of new public management.

This has been expressed in somewhat different ways in each of the three different jurisdictions in large part for structural reasons. England although still a unitary state, differs from NSW and New Zealand because of the extent to which major social services are delivered by local government albeit in practice within constraints set by central government. NSW differs from England and New Zealand both because Australia is a federal state and because in many respects individual state governments are to a large extent the regional governments of their capital cities.

Although these differences are substantive, the general policy approach in each jurisdiction is similar. The focus is on productive efficiency, ensuring that services are generated/delivered at least cost in terms of the outputs provided.

Traditionally, local government has often been viewed as a kind of subset of higher tiers of government - driven by broadly the same priorities of providing services at least cost, subject to similar principles of efficiency, transparency and accountability but also quite tightly constrained especially in Australia and New Zealand in terms of the range of activities it might undertake as compared with higher tiers of government. Thinking is now shifting. Instead of seeing local government as a smaller less all-embracing clone of higher tiers of government, understanding is shifting to seeing local government as being much more about the unique choices which best meet the preferences of the particular communities for which each council is responsible. Although efficiency will still be valued, this is now being seen as a second order objective - no one wants to waste money, but efficiency is not an end in itself. Instead it's important to understand and respond to the full span of community preferences.

Looked at like this, the council which is reluctant to merge with a neighbour or neighbours changes from being a parochial inward looking dinosaur, to an entity which is reflective of the value which its citizens place on representation and identity and their preparedness to trade some theoretical level of efficiency off against the value they place on the community.

This suggests a fundamental value gap between local government, and the tier of government responsible for regulating it. Almost inevitably a focus on efficiency as a priority will conflict with the values of the communities which higher tiers of government seek to regulate.

This is almost certainly compounded by the relatively simplistic approach which higher tiers of government have tended to take towards options for pursuing efficiency. In both Australia and New Zealand there's been a very strong emphasis on 'bigger is better' with the sense that amalgamation will automatically lead to lower costs despite much evidence to the contrary. If there are scale efficiencies, they are efficiencies in respect of individual services, not in respect of councils as a whole. Interestingly, this theme has recently been picked up in New Zealand by a right wing think tank, the New Zealand initiative, in a report *The Local Benchmark: When Smaller is Better*⁷. It's worth quoting the reasoning set out in the forward to the report because of the significance of a right wing grouping challenging the government's 'bigger is better' position.

In New Zealand the conventional wisdom when it comes to local government is 'bigger is better'.

Proponents say that bigger provides economies of scale and opportunities to drive cost savings and lower rates while delivering better levels of service.

And not only is bigger supposedly better, but there's a similar acceptance that central government can and should call the shots. Local government is after all a creature of statute that owes its existence and its powers to Parliament.

So for years there's been a tendency both to consolidate councils into fewer bigger entities and to centralise decision-making and intervene when things aren't going to plan.

The problem is that bigger isn't necessarily better. Central government doesn't have all the answers and doesn't always get it right. International experience and what we've seen in Auckland is challenging both long-held assumptions.

⁷ accessed at:

http://nzinitiative.org.nz/shop/Library+by+type/Reports/Reports+2016/The+Local+Benchmark%3A+When+smaller+is+better/x_show_article/1.html

The somewhat myopic focus on amalgamation has meant less attention has been paid to ways of encouraging councils to develop alternatives - shared services, centres of excellence and a number of the other different approaches which have been emerging in local government elsewhere, especially in England under austerity. One consequence, in both New Zealand and Australia, has been a very real reluctance on the part of local governments to embrace these sorts of options (this paper has more to say on this theme in the section on A Way Ahead below). Arguably, this relative lack of attention almost certainly reflects a lack of understanding on the part of higher tiers of government of the importance which people attach to place and the importance this has in developing and maintaining suitable governance arrangements at a local level especially as societies confront a number of new challenge.

To perhaps oversimplify, the typical exchange between a higher tier of government, and local government, about how best to design target and deliver the services for which local government is responsible takes place as though both parties were primarily concerned about efficiency, with local government's relative lack of enthusiasm normally put down to causes such as parochialism, and unwillingness to give up control, and other rather unsavoury motives.

There is an alternative way thinking about this type of exchange which helps explain why higher tiers of government at least in Australia and New Zealand have for the most part looked at forced change to achieve the efficiency gains they believe are available. This is that the two tiers of government are in practice coming from very different value positions. Higher tiers of government are primarily focused on productive efficiency - getting the maximum output for the minimum cost. Local government, whether or not it articulates its position, is more and more driven by a recognition, often less than explicit, of the priority which its communities attach to place and identity.

On this understanding of the positions of the two parties, it's hardly surprising that negotiations between higher tiers of government and local government intended to achieve "a strengthened local government sector" in Minister Page's words will often look as though people are talking past each other, which indeed may now often be the case. That discussions should break down, and the higher tier of government resort to forced change, is best seen as a consequence of what on close examination are irreconcilable positions on the relevance of amalgamation as the best means for delivering the type of local governance communities now need. The final section of this paper will consider what might happen if local government explicitly put on the table that its overarching objective was to reinforce place and identity, with efficiency seen as a desirable characteristic rather than an end in itself.

Pressures for Change and the Consequences of a Failure to Adapt

Pressures for change

In its November 2012 report⁸ the ILGRP considered a number of global megatrends expected to impact on local government among others and observed:

In order to mitigate risks and make the most of opportunities governments will need to work together, and with the private sector and community organisations, to a far greater extent than is often the case now. They will need to outline clear visions and strategies, demonstrate effective leadership and forge durable partnerships. Each sphere of government and sector of society needs the others to be viable and strong performers.

The Panel was setting the context for the case that substantial change in local government was inevitable given the nature of the trends it was facing including demographic change (an ageing population; significant differences in population growth between rural, regional and Metropolitan councils), fiscal pressure on all tiers of government and the ongoing impact of globalisation.

The Panel's assessment was made **before** other significant changes were identified, most notably the likely impact of technological change on the labour force. A 2015 report⁹ from the Committee for the Economic Development of Australia states in its executive summary:

Computers will reshape the labour market in two key ways. They will:

1. Directly substitute for labour, with a high probability that as much as 40 per cent of the jobs in Australia could be replaced by computers within a decade or two; and
2. Disrupt the way work is conducted, expanding competition and reducing the costs to consumers but also reducing the income of workers.

Modelling conducted for this report suggests almost five million jobs face a high probability of being replaced in the next decade or two while a further 18.4 per cent of the workforce has a medium probability of having their roles eliminated. Jobs that involve low levels of social interaction, low levels of creativity, or low levels of mobility and dexterity are more likely to be replaced by automation.

⁸ Better, Stronger Local Government: the case for sustainable change accessed at:

<http://www.localgovernmentreview.nsw.gov.au/Index.asp?areaindex=LGR&index=49&acode=GL&mi=1>

⁹ Australia's Future Workforce? Accessed at: <http://www.ceda.com.au/research-and-policy/policy-priorities/workforce>

Those findings are consistent with findings from a number of other reports. The extent to which the suggested displacement will actually happen, and the way in which impacts on individual communities, is still uncertain but what is now clear is that technological change will drive major changes in labour markets across the world and that the impact is likely to be highly variable as between different communities, because of different skill endowments and other characteristics. Among other things this means that much of the response to change will need to be developed at a local level and coordinated by local leadership.

In contrast to England, local government in both Australia and New Zealand has had a relatively limited role in major social services. As governments consider the implications of the megatrends just discussed, it's becoming increasingly clear there will need to be a new relationship between higher tiers of government and local government and for that matter between local government and its communities. As examples:

- A combination of an ageing population, a rapidly changing dependence ratio (especially a significant shift in the proportions of the population still in work, and retired) and fiscal stress on governments makes it almost certain that publicly funded support for ageing in place will need to be supplemented by significant community support.
- The expected impact of technology on the future workforce suggests that we should now be giving much greater urgency to ensuring that all children are fully and effectively engaged in education from a very young age. It's simply not going to be feasible to retrain significant numbers of young unskilled workers who lose their jobs as the result of technology. Instead we need to ensure that as students exit the education system they do so with the skills needed to get employment in a world which no longer values unskilled work. Strong well-functioning communities are far better placed than dysfunctional communities to ensure that children engage effectively with education (and other services). An important role for local government will be working with its communities to ensure that they are well placed to support good educational outcomes.

The significance of these sorts of pressures on councils and the communities they serve has recently been seen in a new light as the implications of new phenomena such as Brexit, the rise of Donald Trump, and the emergence of a number of extremist parties of the left and right in Europe and elsewhere sink in. It's become clear that large proportions of the population in most developed countries are significantly disengaged - feeling excluded - from the communities of which they are part. Some of it is the impact of a combination of globalisation and domestic economic policies which have significantly shifted the relative rewards to labour and capital in most advanced societies, leading to increased inequality in both income and wealth. Some of it is a resentment of immigration. Much of it

is a sense that increasingly elites are ignoring large parts of the population and failing to respond to their concerns.

One immediate impact is local government rethinking its role working with its communities. Traditionally councils see themselves as that part of the public sector closest to its communities. It's a view which suggests councils themselves are at least partly responsible if significant parts of their population feel excluded. Immediate responses to the Brexit vote include local government leadership reflecting on what it needs to do so that people feel less excluded, in effect responding to what was a major theme of the leave campaign "take back control":

- Jonathan Carr-West, the chief executive of the Local Government Information Unit in an August think piece commented ¹⁰ "There are many reasons why the country voted to leave the EU but one factor was certainly a sense of anger about decisions being made far away by people not directly accountable. Devolution is a key part of resolving that just as it is a key part of growing local economies and improving public services."
- A post-Brexit briefing from the Local Government Information Unit put the challenge this way "There is also the more immediate impact on local communities of the campaign and result. How can councils bring divided communities together and stop what could be the spread of xenophobia against EU citizens (or any foreigner)?"
- The Guardian in an article¹¹ on 2 July observed "The Brexit majority was made up of disaffected Britons who feel they are always the losers amid globalization and the migrant flows into their communities. They are political first cousins to Donald Trump's angry army. "

Debate continues about how best to address the issue of exclusion but with a strong sense much of the solution will result from councils working more collaboratively with their communities, seeking to understand people's concerns and needs, and respond in ways which effectively address them (at least to the extent that Council resources permit).

Experience suggests that although the UK is currently the standout example of the impact which a sense of exclusion can have, it is far from the only developed society in which the process of governing is being strongly influenced by the growing number (proportion) of citizens who feel that their country, their community, is no longer being governed in their interests, hence the growing popularity of extremist parties at both ends of the political spectrum. There's been less of this in New Zealand and Australia (although some might argue the current composition of the Australian federal Senate suggests something of the same effect) but

¹⁰ (See: <http://www.localgov.co.uk/What-councils-want-from-a-post-Brexit-future/41420>).

¹¹ *The Brexit vote aftermath, explained: a wild week in UK politics* accessed at

<http://www.theguardian.com/politics/2016/jul/02/brexit-eu-referendum-week-labour-party-boris-johnson>

socio-economic and demographic analysis suggests this could be more a matter of timing - New Zealand and Australia being somewhat behind Europe and America - than a fundamental difference in terms of people's attitudes.

In parallel with the growing understanding of the potentially disruptive impact of increasing numbers of people feeling excluded from the society of which the part, there has been an increasing focus on the capacity and capability of higher tiers of government effectively to design target and deliver major social services. The basic concern is a simple one. Higher tiers of government are simply too distant from the communities within which social services are delivered - they lack the networks, the detailed local understanding, and the capability to build the kind of partnership relationships which promote co-designing co-production as communities step up to share responsibility.

Two recent substantive pieces of work illustrate this. The first is a report¹² undertaken by New Zealand's Productivity Commission *on More Effective Social Services*. The Commission's brief was to "undertake an inquiry into enhancing productivity and value in the state sector (focusing on the purchasing of social sector services)." Whilst finding that much of government social service activity did meet the needs of users, the Commission also found a number of shortcomings in performance, especially in dealing with cases of complex and need involving services provided by multiple agencies. It made a strong case for devolution of services arguing that:

- decision makers close to the community or culture of clients will have greater ability to tailor services based on local knowledge;
- well-designed organisations at arm's length from ministers should face less intense political pressure towards risk aversion and micro-management;
- pushing decisions down can mobilise and empower local resources; and
- devolution produces diverse approaches across locations, which can enable valuable comparison and learning.

A joint study by the Royal Society of Arts and the Staff College, *Changing the Narrative*¹³, published after the Brexit referendum, argues the case public administration is shifting from New Public Management to New Public Governance¹⁴ with the implication that public services will be increasingly place-based, collaborative and drawing strongly on

¹² available at: <http://www.productivity.govt.nz/inquiry-content/2032?stage=4>

¹³ available at: <https://www.thersa.org/globalassets/pdfs/reports/changing-the-narrative-report.pdf>. The report was authored by Paul Buddery, Matthew Parsfield & Atif Shafique and edited by Anton Florek.

¹⁴ essentially, from a market driven approach to governance, to a collaborative approach with a philosophy akin to that described above for community governance.

community support of both a tangible and an intangible nature. The thrust of their argument can be seen in the following extract:

Assumptions behind preventative and pre-service interventions, which become increasingly attractive as public services become ever more financially stretched, point often (but not exclusively) towards the type of soft interventions that draw on a variety of place assets. These assets include the formal and informal, statutory and voluntary, material assets such as buildings and institutions where people associate with one another or receive the support services they need, and much less tangible things like community networks, social relationships, integrated and flexible services, or a civic pride in the local place. It is impossible to conceive of all of these things being activated centrally. Instead, a mixed ecology of these assets and actors needs the opportunity to thrive – and this is most likely to happen around the construct of a local place.

Three messages come through from these various examples. First, there a growing number of people who feel excluded and given the opportunity, are likely to act in ways which could significantly destabilise the society of which they are part. Secondly, the capability of higher tiers of government to be effective in the delivery of social services especially in cases of complex need is under increasing challenge as evidence suggests they do not have the requisite capability. Thirdly there is a growing shift towards place-based management, drawing on the capacity within communities something which will be increasingly important in terms of quality and relevance of service, and as an essential response to the fiscal constraints on the public sector.

None of these examples are Australia specific but there are sufficient commonalities between Australia, England and New Zealand to suggest that the issues identified in respect of the latter two jurisdictions are likely also to be significant concerns in Australia (as for example ongoing worries about the potential for homegrown terrorism suggest).

Consequences of a failure to adapt

Developed societies in today's world exist in a highly dynamic environment. The impacts from the megatrends discussed in this paper will continue to grow, and the need to deal with them become ever more urgent. The failure to do so is likely to see significant shortcomings in areas ranging from care of the elderly, to providing access to gainful employment, to social stability.

At the same time, it's important to recognise the difficulties which governments at all levels, and the communities they serve, will have in developing effective responses. Modern political systems have a very short-term focus. Few politicians stand for office on the basis of the

changes they intend to deliver to influence the quality of communities 10, 15 or 20 years ahead and yet this is exactly what is required.

Currently, in societies such as Australia and New Zealand, there is a major focus on the need to bring infrastructure up to the level required to provide a safe active and economic service, whether it's bridges, roads, rail, stormwater, civic infrastructure, housing... These things are obvious and becoming more so as the quality of asset management planning improves, and governments acknowledge the importance of quality infrastructure in contributing to ongoing economic growth.

Imagine if governments - federal, state, local - took a similar approach to social infrastructure focusing particularly on the quality of communities, and the social services which their residents are able to enjoy such as access to quality health care, education, employment, support for families, children, and others facing problems such as family breakdown and substance abuse. Almost certainly the evidence of the exponential increase in cost as problems are not dealt with would look more alarming than the equivalent for physical infrastructure. The difference is that the decline of physical infrastructure is treated as a cost to the community at large because physical infrastructure to a greater or lesser extent is seen as a public good. In contrast, the cost of the decline in social infrastructure is seen more as an individual or family cost rather than a broader social cost. A consequence is that the risk of social collapse evidenced in symptoms such as increasing social disorder, the rise of populist politicians, and increasing tensions between civil society and governments tends to be relatively ignored.

The long-term cost of a failure to adapt now looks to be extreme. Societies which cannot support ageing in place, which sustain very high and ongoing unemployment rates as the result of technological change, or face increasing levels of inequality are neither stable nor in the longer term safe.

The next and final section of this paper will turn to the opportunities which this situation opens up for local government including the opportunity for local government to take a leadership role quite different from its present somewhat subservient place in the system of government.

A Way Ahead

This paper has discussed three separate and significant trends each of which will require a different way for working with communities if they are to be effectively addressed.

The impact of global megatrends such as ageing populations, and technological change, will be felt most strongly at a community level and require responses (including anticipatory responses) developed in partnership with and drawing on the knowledge and strength of communities.

Addressing the increasing alienation which so many people now obviously feel from the communities and political systems of which they are part is going to require forms of re-engagement which give the presently alienated a sense of ownership over the processes which affect their life choices and opportunities.

The capability of higher tiers of government to design, target and deliver major social services in ways which best meet the needs and circumstances of the individuals, families and communities for whom they are intended is under increasing question. It's not a matter of competence so much as a matter of the inherent nature of the governmental structures which societies like England, Australia and New Zealand have developed over many years. There is a widespread and evidence-based view higher tiers of government simply lack the networks, local knowledge, and ability to build partnership relationships at a local level. This is coupled with a sense that higher tiers of government by themselves have great difficulty in coordinating the activities of their own agencies let alone those agencies working in collaboration with communities, civil society and others. A final factor is the increasing fiscal pressure on higher tiers of government which will place a greater priority on designing programs in ways which draw on community input, both community knowledge of what works best, and community commitments to join in service provision through means such as co-design and co-production.

There is a fourth influence which this paper has not so far discussed; the growing interest from people at a community level of being involved in decisions which affect 'their place'. It can be seen through initiatives such as participatory budgeting, the growing interest in direct democracy, the practice of asset based community development¹⁵ and the work of many individual councils which have sought to develop new ways of working with their communities. This alone offers a huge variety of practice on which other councils can draw with extensive and well documented experience in how to build resilient community organisations which can be legitimate dialogue partners with councils in determining how they can best enable the outcomes which their communities seek. Perhaps the best-known and best documented example is the work of the Office of Neighbourhood Involvement of the city of Portland, Oregon¹⁶.

What is currently lacking in jurisdictions such as England, Australia and New Zealand is any clear and coherent understanding of where the responsibility lies for enabling and supporting the active involvement of communities in joining in developing effective responses to the impact of the many and varied trends they now face.

¹⁵ for background on this visit the Asset Based Community Development Institute at:

<http://www.abcdinstitute.org/>

¹⁶ See: <https://www.portlandoregon.gov/oni/>

The conventional division of responsibility between higher tiers of government and local government, especially in Australia and New Zealand, is based on the assumption local government is inherently a 'creature of statute' responsible for undertaking that range of functions implicitly or explicitly delegated to it by a higher tier of government. It's an assumption which was developed in a much simpler time when there was little or no sense that one of the functions, perhaps the most important function, of government was enabling resilient inclusive communities. Instead, governments were seen as limited to a relatively straightforward range of functions, with local government's share lying primarily with the provision of local infrastructure and some associated regulatory and local arts, culture and recreation functions.

If local government is to find an effective way ahead for assisting its communities respond to and manage the impact of the trends identified in this paper, it will require a rethink of traditional assumptions especially about the nature of local government leadership.

Currently, the accepted model is that elected members are in a representative role, elected by their communities to take decisions on their behalf concerning the activities of the Council itself. It's a model which has little in the way of a collaborative understanding of leadership as between councils and communities, and which also restricts the role of elected members to those matters which are seen as being the responsibility of the Council. An important consequence of this is that in practice this understanding, at least implicitly, reinforces the 'creature of statute' model of local government as one in which local government is delegated certain responsibilities with an implication the higher tier of government doing the delegation has an ongoing right to vary or revoke the delegation as it sees fit.

An alternative model is for elected members to see their role as being that of the elected leadership of the community as a whole with one but only one of the responsibilities of leadership being that of providing governance for the Council as an entity. Within this model, elected members draw their legitimacy not so much from the formal provisions of statutory delegation, as from the fact that they have been chosen by their communities as their leaders and act as such.

For many, perhaps most, elected members this will involve a significant shift in the way in which they think about their role, especially how they work with their communities. It's a shift from a representative role to an enabling role. In practice it will require a much greater focus on how to

ensure communities can be partners in making decisions about shaping the place in which they live¹⁷.

Fortunately, there is much experience on which NSW local government can draw in terms of how best to work with communities in ways which do promote a sense of involvement in governance, and a platform for achieving a greater collaboration amongst the many different entities seeking to deliver services at a community level. This ranges from the experience of cities such as Portland in enabling networks of resilient community organisations to some of the innovative approaches now being deployed by English local government in determining their communities' preferences for services including matters such as service level standards, the nature of the service itself, and how and by whom it should be delivered¹⁸.

This approach provides a very different basis for negotiations with higher tiers of government. On this approach, elected members enter negotiations with higher tiers of government as the representatives of their communities, not as creatures of statute.

It's the difference between the present situation of negotiations taking place always in terms of an agenda set by the state government, to negotiations taking place with at least an implicit agenda of seeking the best outcomes for the communities which both tiers of government serve.

The evidence of the way in which higher tiers of government currently deal with local government suggests that change will not take place overnight, at least in terms of the understandings which higher tiers of government would apply. However, the increasing evidence of the nature of the trends now impacting on communities at all levels, and the way in which those will need to be managed strongly supports the contention that working collaboratively with communities will be an essential part of developing solutions which actually work not just in theory, but for the people they are intended to benefit.

There is also evidence that adopting this type of approach will have real and immediate benefits for councils themselves in the discharge of their conventional responsibilities. A closer working relationship with communities is a very good way of enabling councils to tap into

¹⁷ although this may seem a radical suggestion, there is precedent in Australian local government practice. In 2007 a working group supported by Local Government Victoria published a guide to achieving a whole of organisation approach to best value which included the following statement "Engagement is achieved when the community is and feels part of the overall governance of that community. Local governments have an important role in building stronger communities, and engaging communities is a key means to doing so." See: www.portphillip.vic.gov.au/default/meeting_agenda_archive/o22329.pdf

¹⁸ see for example Meeting the challenge in Barnet Lessons from becoming the Commissioning Council accessed at: <http://www.localis.org.uk/research/meeting-the-challenge-in-barnet/>

community knowledge and preferences. There are a number of anecdotes of councils being able to save significant money because working with communities provided them with valuable information such as:

- The actual nature of the 'on the ground' conditions for infrastructure maintenance, renewal or investment.
- Community service level preferences may differ from and be less costly to achieve than those incorporated in current Council plans.

Finally, it would be unfair on this audience to conclude without acknowledging that the way ahead suggested in this paper - elected members understanding their role as leaders of their communities and putting in place the means needed to support that approach - will be quite challenging. It does require different ways of working, and for most councils a change in organisational culture and practice.

In this observer's judgement despite the challenges it's a change which will restore local government to its proper place as the effective leader of its communities, and demonstrate the unique value local government can bring not just for its communities, but for others including higher tiers of government the effectiveness of whose activities is inevitably dependent on how well they are able to work with the communities in which those activities take place.