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Commentary
Conference Notes

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Editorial enquiries or proposals

Tel: +44 (0)29 208 76519

Email: BrownAM@Cardiff.ac.uk

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Sustainable Democracy, Development and Environmental Policies

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Guest Editors:

Steve Martin

Centre for Local & Regional Government Research
Cardiff Business School, Cardiff University



Alison Brown

School of City and Regional Planning
Cardiff University



Urbanisation, climate change, footloose economies, multi-culturality and resource constraints pose unprecedented challenges for local governments today. In the developing world the gulf between needs and finance remains acute. Many western countries forced to reduce public spending in the wake of the sovereign debt crisis, are struggling to reconcile the need for efficiency savings with local pressure to maintain service standards and working conditions. This special double issue of the journal features a selection of papers presented at the third Commonwealth Local Government Research Colloquium held in Cardiff on 13-15 March 2011 which explored these and other important contemporary challenges. Hosted by the School of City and Regional Planning and the Centre for Local and Regional Government Research at Cardiff University, the colloquium provided a valuable opportunity for scholars from across the Commonwealth to present research on three key themes: sustainable democracy and governance, sustainable economic development and environmental sustainability.

In his welcoming address Professor Chris Webster highlighted the way in which the shifting boundaries of local governance are presenting new challenges for researchers. Privately managed neighbourhoods which bypass traditional local government services are now commonplace. Relations between central and local government are increasingly

fluid as imbalances in resources between rich city governments and poorer neighbouring authorities become more acute. Developments such as the adoption of new financing models (including the use of government bonds) and innovative approaches to service delivery are forcing researchers, policy makers and practitioners to think again about the role of local governments. Following this introduction, Professor P. S. Reddy presented the key themes from the insightful background paper that he was commissioned to prepare for the CLGF conference which followed the research colloquium. The paper explored the opportunities and challenges for local government as it seeks to promote local economic development and can be accessed at <http://www.clgc2011.org/clgc2011-background-paper>.

The contributions to this special issue reflect all three of the colloquium's themes. The first four research papers focus on sustainable democracy and governance. Robin Hambleton explores the concept of placed-based leadership which he argues deserves more attention from scholars and practitioners. Robin identifies three realms of civic leadership: political leadership which derives its legitimacy from the ballot box; professional leadership exercised by paid officials, and community leadership provided by activists, business people and volunteers. Applying this model to the development of Freiberg in Germany as a successful 'eco-city', Robin suggests that inspirational civic leadership can facilitate innovation and strengthen local democratic accountability.

In a fascinating analysis of the Panchayati Raj of West Bengal, Bhaskar Chakrabarti, Raghavendra Chattopadhyay and Suman Nath analyse the decentralisation of 15 state departments' functions to district and block level governments in 2005. The move followed the 1992 73rd Amendment of the Indian Constitution, which sought to enable the Panchayat to function as effective institutions of self-government. They map activities in the restructured government system, including capacity-building, financial assistance, budgeting, co-ordination and monitoring. Their analysis highlights a range of problems including inadequate coordination, the lack of a mandate for effective collaboration, and role confusion and power struggles amongst officials and members. The authors argue that there is an urgent need to redefine respective roles and enhance collaboration.

Stephen Greasley's paper examines the effectiveness and stability of cabinet-style local government which was introduced in the UK in 2000. To date little research has

explored the role of cabinet members, who play a crucial role in policy development. Stephen's research painstakingly analysed cabinet and committee reports from 114 councils, tracking electoral change and the movement of cabinet members from 2004/05 to 2009/10. He reports that there have been significant differences in cabinet turnover, with relative stability in the three mayoral authorities. Stephen concludes that stable leadership is crucial for effective democracy in cabinet-style government.

Steve Martin tracks the recent history of performance evaluation in local government in the UK. Top-down performance regimes imposed by the centre-left Labour government between 1997 and 2010 were seen by their critics as wrong in principle and costly to implement. However, the evidence suggests that they contributed to significant improvements in local government performance. A Localism Bill introduced by a new Coalition government in 2010 promises to sweep away external assessment of local authorities. Steve argues that only time will tell whether this represents a genuine attempt to devolve power to local government or is simply a cloak for spending cuts.

Turning to the colloquium's second theme, Lucienne Heideman's paper describes an innovative approach to economic development known as *Plugging the Leaks*. This community-led approach asks communities to liken the local economy to a 'leaky bucket' and to explore ways to stop the leaks. Developed by the New Economics Foundation, the pilot was run by four local authority associations - Sweden, South Africa, Botswana and Namibia - in 24 municipalities in the African partner countries. Lucienne reports the results of the first four *Plugging the Leaks* workshops in South Africa and Namibia. These identified potential for collective action and networking to promote local growth, but highlighted the need for much better market awareness amongst small-scale entrepreneurs.

Taking up the third theme of environmental sustainability, Tony Jackson and William Lynch explore the ways in which local authorities in Scotland are responding to climate change. Scotland achieved a reduction in greenhouse gas emissions from the mid-1990s to 2007, but evaluations based on production emissions fail to reflect the fact that many goods are manufactured elsewhere. Tony and William argue instead for a focus on consumption emissions, which some Scottish authorities now adopting. Fife Council, for example, has adopted a system for monitoring and controlling its carbon footprint, whilst

the Highland Council has published a climate-change adaptation plan to counter the impact of sea-water cooling on the economies of coastal regions.

In the first of the three commentaries in this special issue, Olubunmi Ajayi argues for a new emphasis on the role of professionalism in local governments in Africa to combat issues of poverty, inequality and corruption. National policies on professionalism often fail to filter down to local level. African communities need effective local governments which are able to provide democratic leadership, deliver effective services, and empower communities and citizens. However, they face problems associated with compartmentalisation of services, a lack of skills and low pay. Olubunmi argues that these will not be tackled until professionalism becomes embedded in local governments and that this requires the development of professional learning communities that draw on a hybrid of qualifications, on-the-job training and appropriate internal support.

Next, Peter McKinlay examines experience from New Zealand of the potential for shared service provision to cut costs and improve service delivery. He suggests that a lack of expertise combined with political resistance to sharing control with neighbouring authorities have limited the growth of shared services. However, the harsh realities of funding cuts have sparked renewed interest in collaboration. Two examples from New Zealand demonstrate the potential and pitfalls of developing joint council-owned companies. In the Waikato region 13 councils agreed to work together to develop a valuation and ratings database but faced problems of coordination. In the Bay of Plenty the focus was on shared IT and GIS services. Here buy-in at a senior level and the achievement of some 'quick-wins' demonstrated the value of the partnership. Peter argues that this highlights in particular the importance of personal relationships in the development of shared service models.

In their commentary, Brian Dollery, Lin Crase and Bligh Grant argue for adoption of a broad definition of local government sustainability. A narrow focus on financial sustainability in Australia has, they suggest, obscured other important issues. Key performance indicators bear little relationship to financial results so it is important to pay more attention to a range of criteria such as the vibrancy of local democracy, local social capital and local council capacity. Brian and his colleagues believe this could focus attention on the importance of local differences, a sense of community, and pluralist processes which would in turn counter arguments for amalgamation of services.

Kevin Tayler explores innovations in municipal financing in his review of the new publication on *Municipal Infrastructure Financing: Innovative Practices from Developing Countries* by Munawwar Alam. Innovations include national development banks and financial institutions, financial intermediaries, municipal bonds, and public-private partnerships. All of them require well-managed local government in order to succeed.

Finally, Sue Rhodes (Director of Communications at the Commonwealth Local Government Forum) provides an overview of the proceedings of the CLGF Conference which followed the research colloquium and explored the concept and practice of local economic development from a range of perspectives and different countries. Sue gives details of the key recommendations agreed by delegates in the conference statement - the *Cardiff Consensus for Local Economic Development*. She explains that this statement was subsequently endorsed by the Commonwealth Heads of Government in Perth at the end of October 2011, a move which strengthens the CLGF's attempts to promote actions that enable local government to play its full role in promoting local economic development in a range of countries.

The contributions to this special issue provide a fascinating insight into contemporary challenges facing local governments around the world. The papers presented here and at the research colloquium in March (available at <http://www.clgc2011.org/research-colloquium>) confirm the value of research evidence which can inform political debate and policy decisions. They also highlight the continued appetite for discussion among scholars from across the Commonwealth, which augurs well for the future of the journal and research network.

We would like to thank the participants at the colloquium and the authors for their contributions to this special issue and their patience in bearing with a production process which has taken longer than we originally intended. We are very grateful to Gareth Wall for helping to organise the research colloquium and to Lucy Slack at CLGF for her advice and support. We want to put on record our appreciation of the invaluable support given to us by Daniel Grafton and Chris Watterson at University of Technology, Sydney who have taken on the tasks of formatting, proof reading and uploading this issue with patience, skill and good humour. We also acknowledge Daniel's tireless work as

assistant editor of previous editions of the journal responsible for co-ordinating the production process.

Finally, particular thanks are due to Graham Sansom at UTS who is handing on the editorship of the journal to Alison Brown after several years at the helm. Graham has been the driving force behind the journal and research network and generous in his support and guidance to us as we planned the colloquium and have drawn together the papers for this special issue. He will be a hard act to follow.

Place-based Leadership in a Global Era

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Robin Hambleton¹

Centre for Sustainable Planning and Environments
University of the West of England, Bristol



Abstract

This article examines the major challenges now facing local governments across the world and advocates the development of a new focus on place-based leadership for local government scholarship and practice. The challenges facing local authorities are many, but they can be summarised in two words: globalisation and urbanisation. In response to these we have witnessed, in many countries, a shift from 'local government' to 'local governance'. This shift is discussed, and it is suggested that new models of partnership working could, if handled in the wrong way, undermine local democracy. To combat this danger it is essential to give civic leadership far more attention – in the worlds of both academe and practice. A new way of conceptualising place-based leadership – one that identifies three 'realms of civic leadership' – is put forward. This model emphasises the role of civic leadership in shaping emotions and supporting public service innovation. To illustrate the argument an example of highly respected place-based leadership is presented. Freiburg, Germany is recognised as a very successful eco-city and the leadership model is used to help explain why. The article concludes with some reflections and pointers for research and policy. It is suggested that new forms of 'engaged scholarship' – approaches that bring together academics and practitioners to co-produce new knowledge about place-based leadership in an international, comparative perspective – should be encouraged.

¹ Robin Hambleton is Professor of City Leadership at the University of the West of England, Bristol and Director of Urban Answers, a company he founded in 2007: <www.urbananswers.co.uk>.

Keywords

Place-based Leadership, Local Governance, Public Service Innovation, Engaged Scholarship

1. Introduction

Local governments across the world now face remarkable challenges, mainly because the world is changing very rapidly. The global economic recession, shifts in our understanding of the causes of climate change, growing ethno-religious friction in many multicultural cities, and startling advances in personal communication technologies are just four developments that pose massive challenges for local leaders and managers.

Sceptics will say that every generation believes it is living through tumultuous change. Localities – both urban and rural – have always faced tough challenges. What’s new? There are two overarching reasons why the current dynamics of change lay down unprecedented challenges for local governments: globalisation and urbanisation.

This article provides a very brief description of these challenges and then sets out a discussion of how local governments in different countries are responding. The shift from ‘local government’ to ‘local governance’ appears to be taking place in many countries. While this can have advantages, it also has drawbacks and, depending on how it is handled, it could actually undermine local democracy. It will be suggested that civic leadership – and, more specifically, ‘place-based’ leadership – can play a vital part in strengthening the orchestrating role of local government in this rapidly changing environment. The trouble is that civic leadership is being given insufficient attention in both academic and policy debates relating to the future of local government. This article aims to make a contribution to filling this gap. A conceptual framework, designed to advance understanding of place-based leadership, is presented. This distinguishes three realms of civic leadership in any given locality – political, managerial/professional and community.

The model emphasises the critical role that leaders from all three realms can play in creating innovation zones – or new spaces of interaction – in which new ideas can be generated and tried out. A short summary of the outstanding achievements of the leaders

of Freiburg, Germany, is then presented to illustrate the argument. Here is a city that is very comfortable with the idea of innovation – of setting remarkably high standards and then delivering on them. This illustration is followed by a final section offering some reflections. This develops some pointers for policy and practice and some pointers for academe. It will be suggested that one way forward is for academics and practitioners to work closely together in the co-production of new knowledge relating to civic leadership and public service innovation.

A caveat is due at the outset. Cities and localities are geographically and culturally specific – they exist in different economic, political, socio-cultural and legal contexts. It follows that we should guard against generalising too freely about how to lead and manage local governments across the world. Having said that, it is hoped that the discussion that follows identifies ideas that can be used to stimulate fresh thinking on the nature of place-based leadership and how to improve and develop it.

2. Globalisation and Urbanisation

The background discussion paper for the 2009 Commonwealth Local Government conference on *Improving Local Government: the Commonwealth Vision* held in Freeport, Grand Bahama, provides a helpful overview of the challenges now facing local governments across the world (Amis 2009). This discussion paper reviews the changing international context for local government and highlights: the Millenium Development Goals (MDGs); the global economic crisis; and energy efficiency and climate change challenges. Thirty years ago local governments did not, on the whole, need to concern themselves too much with international developments. Now they do.

Earlier it was suggested that the two words ‘globalisation’ and ‘urbanisation’ sum up the overarching reasons why local governments across the world face new challenges.² The economic, political, social, environmental and cultural changes implied by the term ‘globalisation’ are truly startling. Hutton and Giddens bring together a collection of essays on the contours of contemporary capitalism that give weight to this view: ‘It is the interaction of extraordinary technological innovation combined with the world-wide reach driven by global capitalism that give today’s change its particular complexion. It

² This discussion draws on Chapter 1 of my co-edited book on *Governing Cities in a Global Era* (Hambleton and Gross 2007).

has now a speed, inevitability and force that it has not had before' (Hutton and Giddens 2000 pvii).

Globalisation is **not**, of course, just an economic phenomenon – it has social, political, environmental and cultural dimensions. Globalisation enhances mobility and connectivity among people and can, as a result, enhance the local quality of life. However, the economic dimension of globalisation is particularly important. Some authors argue that cities cannot do much other than compete for inward investment.³ Tiebout (1956) pointed to this over fifty years ago, when he suggested that people and industry choose their locations based upon a simple cost-benefit ratio of goods and services available. Peterson (1981) later suggested that, due to local resource deficits and the need to maintain their competitive position, cities had become dependent on higher levels of government and private investment for survival. Thus, in his view, local policy is heavily constrained – in effect local leaders can do little in the face of wider economic forces. Urban dependency, on this analysis, increases as the world becomes increasingly global. Labour and capital are mobile, people follow jobs and industry opts to move to more distant locations, where the cost of land and labour are lower.

Others argue, however, that urban dependency theories overstate the power of international and national actors and understate the power and influence of local leaders and activists. For example, Savitch and Kantor, in their cross-national comparative research on urban development, point out that city leaders can, in fact, bargain with business and that: 'Cities with strong popular control systems exercise greater influence over capital investment and influence the course of economic development decisions' (Savitch and Kantor 2002, p45). Other urban scholars support this view and some even suggest that cities now have elevated in importance in the global world (Denters and Rose 2005).

Reference was made earlier to the fact that we now live in a predominantly urban world. In fact, the world is urbanising at a remarkable rate. Figure 1 shows how the overall population of the world is set to climb from 6.5 billion in 2005 to around 8.2 billion in 2030. By then almost five billion people (or 60% of the world population) will live in urban areas. This is a staggering increase of 1.8 billion in the world urban population in a

³ I use the word 'cities' at various points in this article but the argument applies equally to smaller towns and localities in general.

comparatively short space of time. In 1950 there were 86 cities in the world with a population of more than one million; today there are 400, and by 2015 the UN predicts that there will be over 550.

This urban population growth is spectacular. From a city planning and a local government point of view it is just as important to record that this growth is mainly happening in areas that have **not** seen much in the way of urbanisation in the past. As Davis (2006) points out most of this surging urban expansion will occur in the developing countries. He notes, correctly, that the scale and velocity of Third World urbanisation dwarfs even that of Victorian Europe.

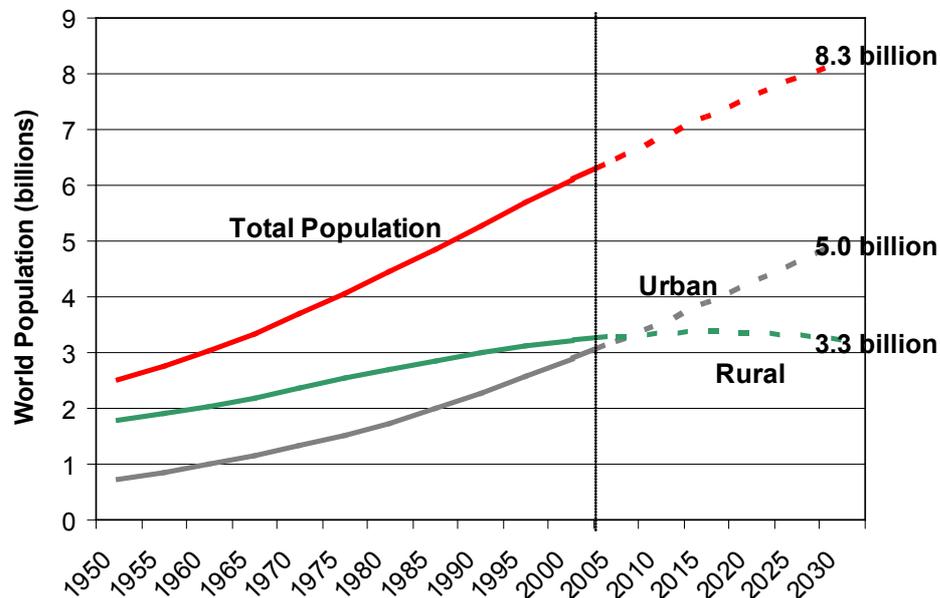


Figure 1. World Population Growth

Source: United Nations World Urbanisation Prospects, <<http://esa.un.org/unup/>>.

3. From Local Government to Local Governance

In this section we explore the movement from ‘government’ to ‘governance’ – a shift that appears to be taking place in many countries. The argument runs that the forces of globalisation and, to some extent urbanisation, described in the previous section have forced change on local governments. It can be argued that the established systems of local ‘government’ were pressured into introducing ‘governance’ models in order to cope with radical change. The phrase ‘local governance’ is now very familiar in both public policy and academic debates about cities and city regions, but this has not always been the case.

Back in the 1970s and 1980s analysts would be more likely to talk of ‘local government’ and/or ‘urban management’. Indeed, ‘urban management’ is still a phrase that is widely used in the literature relating to developing countries, and it is even described as ‘a relatively new topic’ in one recent, and important, contribution to the field (Dijk 2006, pxix). The literature on ‘urban management’ usually gives insufficient attention to the political processes that shape local affairs and this is a limitation. This is why urban scholarship, in western democracies at least, has been giving increasing attention to the politics of urban planning and city development.

A number of scholars have contributed to the urban government/urban governance debate. Stone (1989), in his classic study of governing coalitions in Atlanta, influenced a generation of urban scholars, and DiGaetano and Klemanski (1993) made an important early international contribution to the field of urban governance, with their comparative study of power in selected cities in the US and the UK. Over the last decade or so the international literature examining the shift from urban government to urban governance has grown significantly (Denters and Rose 2005; Davies and Imbroscio 2009; Hambleton and Gross 2007; McCarney and Stren 2003).

But what do these terms mean? For the purpose of this discussion *government* refers to the formal institutions of the state. Government makes decisions within specific administrative and legal frameworks and uses public resources in a financially accountable way. Most important, government decisions are backed up by the legitimate hierarchical power of the state. *Governance*, on the other hand, involves government *plus* the looser processes of influencing and negotiating with a range of public and private sector agencies to achieve desired outcomes. A governance perspective encourages collaboration between the public, private and non-profit sectors to achieve mutual goals. Whilst the hierarchical power of the state does not vanish, the emphasis in governance is on steering, influencing and coordinating the actions of others.

Moving to the local level, *local government* refers to democratically elected authorities. *Local governance* is broader – it refers to the processes and structures of a variety of public, private, and community and voluntary sector bodies at the local level. It acknowledges the diffusion of responsibility for collective provision and recognises the contribution of different levels and sectors. This argument suggests that approaches to

leadership and public service management that may have served societies well in the past will need to be updated to meet the needs of changing times.

Elsewhere, I have argued that to contrast two ‘schools’ – the pro ‘government’ school and the pro ‘governance’ school – runs the risk of presenting a caricature of a more complex political debate (Hambleton, 2007). However, for the purposes of our discussion here, this juxtaposition will suffice. A key theme in these debates concerns the degree to which elected city governments are able to exercise democratic control over what happens to their localities and the people living in them. As mentioned earlier some scholars argue that locally elected politicians can do little to shape the fortunes of their city – for example, Peterson (1981) argues that cities must serve powerful economic interests if they are to prosper. Others take the view that ‘place-based’ power can be significant (Savitch and Kantor, 2002; Heinelt *et al.*, 2006).

The move to ‘governance’ approaches is important for our discussion of civic leadership as it raises questions about the effectiveness of local democracy. Several studies – in, for example, the UK and the USA – have shown that the new kinds of partnership created to advance collaboration between different stakeholders in the city lack transparency. Worse than that, it would seem that local ‘public/private partnerships’ and ‘special authorities’ are becoming increasingly undemocratic and authoritarian (Davies, 2007; Judd and Smith, 2007). We can, then, raise a concern about the degree to which elected local authorities are able to have a decisive impact on the life chances of their residents. Certainly we need to recognise that powerful global economic forces limit the power of the local state and partly explain the continuing existence of major inequalities in cities.

4. Conceptualising Place-Based Leadership

We now turn to the theme of civic leadership, which is used here to refer to all leadership activity that serves a public purpose in a given locality. Civic leadership is ‘place-based’ leadership – meaning that those exercising decision-making power have a concern for the communities living in a particular ‘place’. Some of the most powerful decision-makers in modern society are ‘place-less’ leaders in the sense that they are not concerned with the geographical impact of their decisions (Ranney 2003). Following Stiglitz, who draws on Putnam, I take the view that an unfettered market, especially in the context of globalisation, can destroy communities (Stiglitz 2006). There is now a substantial body of literature on ‘social capital’ and the role that it plays in fostering a caring society

(Putnam 2000; Gilchrist 2004). There are different kinds of social capital and sometimes this capital can be used to exclude groups – the creation of social capital will not necessarily reduce socio-economic inequalities. However, with the right kind of civic leadership – of which more in a moment – it may be possible to encourage the bridging of social ties between different social groups.

Civic leadership is inspirational and collaborative. In previous work, I have defined leadership as ‘shaping emotions and behaviour to achieve common goals’ (Hambleton 2007 p174). This implies a wide range of activities aimed at generating both new insights and new ways of working together – it prizes respect for the feelings and attitudes of others as well as a strong commitment to collaboration.⁴ If we apply this definition to place-based leadership it implies an approach that is very different from leading the ‘organisation’ or ‘leading the local council’. It invites leaders to move outside their organisation (be it a local authority, a business, a social enterprise, a university or whatever) to engage with the concerns facing the place. We can surmise that most of the people ‘concerned with’ a place actually live there. However, some individuals may be committed to a place and the people living in it without actually living there. For example, the chief executive of a local authority may live in a neighbouring area. The central point is that it is concern for the people living in a particular place that drives leaders to act.

The literature on leadership – on political leadership, on managerial leadership and on local government leadership – has given scant attention to how people feel. Some scholars and writers have started to address this issue. For example, Goleman *et al.* (2002) draws on earlier work on emotional intelligence to develop a ‘leadership repertoire’ that displays some awareness of emotions. Hoggett (2009), in his wide-ranging study of human feelings and identities in political life, makes a remarkably insightful contribution by introducing different theories of collective emotion. The point to emphasise here, however, is that these contributions are surprisingly few and far between. More worrying, there appears to be little evidence that these ideas have impacted debates about local leadership, still less the actual practice of leadership and management in local government.

⁴ This definition resonates with recent contributions to the literature on leadership, including Sashkin and Sashkin (2003); Heifetz, Grashow and Linksy (2009); and Keohane (2010).

Civic leaders are found in the public, private, and community/voluntary sectors and they operate at many geographical levels – from the street block to an entire sub region and beyond. Three kinds of civic leadership, reflecting their different sources of legitimacy, can be distinguished:

- **Political leadership** – referring to the work of those people elected to leadership positions by the citizenry. These are, by definition, political leaders. Thus, all elected local councillors are political leaders, although we should acknowledge that different councillors carry different roles and responsibilities and will view their political role in different ways. We should also note that many councillors see themselves as ‘community leaders’ and this is no bad thing. However, the key point I wish to highlight here is that their legitimacy stems from the ballot box. Because they are elected local politicians have a right to exercise political power. This distinguishes them from other local leaders.
- **Managerial/professional leadership** – referring to the work of public servants appointed by local authorities, central government and third sector organisations to plan and manage public services, and promote community wellbeing. These officers bring professional and managerial expertise to the tasks of local governance.
- **Community leadership** – referring to the work of the many civic-minded people who give their time and energy to local leadership activities in a wide variety of ways. These may be community activists, business leaders, voluntary sector leaders, figures in religious organisations, higher education leaders and so on. Particularly important here is the potential contribution to civic leadership of an independent and engaged voluntary and community sector.

It is essential to point out immediately that Figure 2 represents a drastic simplification of a more complex reality. There is no suggestion here that, because the circles are an equal size, the three realms of place-based leadership are equally powerful. On the contrary, the relative power of leaders operating in the different realms varies enormously by locality. The way the realms are configured in a particular place will be shaped by a range of external pressures as well as by local factors. The model is presented only as a conceptual framework to aid thinking about the nature of place-based leadership.

In addition to distinguishing different sources of legitimacy, the model suggests that leaders from all three realms can play a critical role in promoting public service innovation. More than that the model is designed to highlight the significance of the areas of overlap between the different realms of leadership. These areas of overlap can be described as ‘innovation zones’ – areas providing many opportunities for innovation – see Figure 2. This is because different perspectives are brought together within these zones and this can enable active questioning of established approaches. If mishandled processes of dialogue in these spaces can become ‘conflict zones’ with little listening taking place. This is where civic leadership can play a vital role – in shifting the focus to learning and innovation and away from dispute and fear (Kahane 2004). Wise civic leadership is critical in ensuring that settings of this kind – sometimes referred to as the ‘soft spaces’ of planning (Illsley *et al.* 2010) – are orchestrated in a way that promotes a culture of listening. This, in turn, requires emotional sensitivity and an awareness of the importance of various sources of community identity.

Figure 2. Realms of civic leadership



Innovation does, of course, take place within each of the realms of leadership shown in the diagram. The suggestion being made here is that the areas of overlap tend to be neglected, despite the fact that they can provide exciting opportunities for the development of new approaches to social discovery that, in turn, lead to public service innovation.

This framework is elaborated elsewhere (Hambleton 2009; Hambleton *et al.* 2009). For our purposes an important point to stress is that inspirational, civic leadership can emanate from any of the three realms of leadership. Elected politicians can exercise a path-breaking role but so, too, can community leaders operating outside the state. It is also the case that appointed officers – for example, an inspiring city manager or service director, a neighbourhood manager or area police officer – may set the tone of local leadership. The role of managers and professionals in local civic leadership is, in fact, often undervalued. Officers can and do work closely with political figures and community stakeholders to bring about transformative change. In particular, street-level workers can play a key role in promoting dialogue over time that stimulates creative solutions to local problems. In the US context Nalbandian (1991) has emphasised the importance of professional managers identifying, understanding and working with the values of their local communities. And in more recent work he has shown how professionals can play a crucial role in promoting community involvement and, what he describes as, ‘civic discovery’ (Nalbandian 2007).

There is an important dimension to the local leadership debate that we should not ignore – the powers of local authorities and the institutional design of local government. The powers granted by higher levels of government to local authorities in various countries vary dramatically. Clearly this shapes the capacity of local authorities to lead their place. In addition, the detailed design of local democratic institutions can vary significantly between countries. In relation to the civic leadership debate we can note that an increasing number of countries believe that it is important to strengthen the local political executive – either by introducing a strong directly elected mayor or by creating a senior executive group of councillors (Borraz and John 2004; Magnier 2006; Swianiewicz 2007). Directly elected mayors have, for example, been introduced across local government in Germany and Italy, and the model has also been introduced into English local government (Hambleton and Sweeting 2004; Copus 2008). Former UK Prime Minister Tony Blair was enthusiastic about this approach (Blair 1998) and, in 2000, the Labour Government created the Greater London Authority (with a directly elected mayor). This was a major breakthrough in urban leadership. The model underpins bold outgoing leadership by the Mayor. Opposed by just about all involved in UK local government at the time, there are now few, if any, local government voices calling for the abolition of the directly elected mayor for London. In the Localism Bill, presented to Parliament in December 2010, the present UK Coalition Government proposes

introducing directly elected mayors in twelve major cities in England (subject to local referenda). The institutional design debate about local leadership can be expected to continue in England.

The debate about institutional design is, in fact, very much alive and well across Commonwealth countries. For example, in New Zealand the Royal Commission on Auckland Governance recently carried out a thorough study of alternative approaches to metropolitan governance (Royal Commission on Auckland Governance 2009). In this case the Commission recommended the introduction of a directly elected mayor for a large, newly created unitary authority. The Government, while rejecting important aspects of the Commission's recommendations, decided to introduce a directly mayor and moved swiftly to pass new legislation. Mayor Len Brown took up his duties as Mayor of Auckland in November 2010, and is now the directly elected leader of the largest local authority in Australasia (Cheyne and Hambleton 2011). For our purposes, the important point to note about the institutional design of local government is that it can either support outgoing civic leadership or hinder it. There is not space here to elaborate the pros and cons of alternative institutional designs. In any event, one of the arguments of this paper is that local government can gain much by paying more attention to leadership processes rather than focussing too much attention on structures and organisational charts.

Let us now provide a brief recap on the argument developed so far. Today local governments exist in a rapidly globalising world, a world that is also rapidly urbanising. Buffeted by external economic and other forces, that appear to be outside their control, local governments strive to create a positive and predictable future for their residents. As a result of these various pressures many local authorities have decided that the 'state cannot go it alone' and they have developed models of working designed to enhance partnership working with other stakeholders in the locality. This shift from government to governance has many advantages as important players can be brought into the process of leading the city – local enthusiasts, ethno-religious organisations, local businesses, economic players, the voluntary sector, social enterprises, universities and so on. A risk, however, is that local democratic accountability vanishes as new, secretive 'partnership organisations' take over local decision-making. Various studies of these partnership arrangements have suggested that they often lack transparency and are vulnerable to take over by vested interests (Davies 2007; Judd and Smith 2007).

In the face of these challenges it is imperative that local government, and all those who care about local democracy, develop much stronger models of place-based leadership that can withstand place-less power. It has been suggested that a new approach to civic leadership – one based on strengthening the connections between the three realms of civic leadership shown in Figure 2 – is needed. In the UK context there is some recognition of the merits of adopting a place-based approach. The Total Place initiative, introduced in 2009, attempts to assess the totality of public spending in an area and strives to uncover waste and duplication so that resources can be deployed more effectively (HM Treasury 2010). And the follow up policy of Community Budget pilots adopts a similar approach. It is too early to say whether these efforts to adopt a total approach to a locality will bear fruit.

In the next section an effort is made to illustrate what strong, place-based leadership might look like in practice by providing a short case study of the achievements of civic leaders in Freiburg, Germany. This is not intended to be a detailed case study, rather the aim is to outline the contours of an approach to studying place-based leadership that might prompt further scholarship in this vein.

5. Going Green – A Radical Approach to Local Leadership

Imagine a city with a population of 220,000 where car ownership is going down, and the citizens are proud of it. From having no bike paths in 1970 the city now has a network of over 300 miles of bike lanes. The railway station has its own ‘bike station’ with 1,000 supervised spaces, together with repair and bike hire services, a cycle shop, a café and a travel agency. Some neighbourhoods have been designed to achieve zero-energy or ‘energy plus’ development. In these areas you will find solar powered houses contributing to the electricity supply – not taking from it. Freiburg, Germany’s southernmost city, can now claim to be a world leader when it comes to responding to climate change.⁵ Urban designers in the UK have been so impressed with the achievements of the city that they published *The Freiburg Charter for Sustainable Urbanism* in an effort to identify guiding principles for good planning and design from the city (Academy of Urbanism 2011).

⁵ For more information visit: <www.freiburg.de/greencity>.

A summary of the Freiburg success story

The origins of the community activism that underpins current innovations in Freiburg can be traced to the late 1970s. A successful local and regional campaign against a proposal to locate a nuclear power station in nearby Wyhl provided the original impetus. Those involved recall that the campaign was both creative and inclusive – it united farmers and conservative businessmen, students and activists, old and young – in a new kind of political movement, a ‘green’ movement. A colourful coalition of anti-nuclear activists was born and, from small beginnings, success spurred further success. As early as 1986, the year of the Chernobyl disaster, the council declared the city a nuclear power free zone.

In 1992 Freiburg was chosen as Germany’s ‘Environmental Capital’ for its pioneering achievements, such as the installation of an early-warning system for smog and ozone pollution, pesticide bans, recycling measures and its high quality public transport. Freiburg is now one of the greenest cities in Germany – no city of comparable size has more forests, vineyards and open space. It has a high quality public transport system and it is very easy to move around the city either by tram or bicycle.

The Green Party has strong roots here and the city council, which has 48 members, currently has twelve Green Party councillors. In 2002 Freiburg became the first sizable city in Germany to elect a member of the Green Party – Dieter Salomon – as mayor. The population at large has a strong commitment to environmentalism, one that has stood the test of time. Many young people are now choosing to move to Freiburg not just because it has a well-respected university, but also because of the strong, green values it stands for.

The largest solar research institute in Europe – the Fraunhofer Institute for Solar Energy Systems (ISE) – is based here and solar technology has created over 1,000 new jobs in the last ten years. The city council organises ‘Solar Tours’ to enable visitors to learn from the practical experience of some of the 500 solar projects that are now up and running in the city. Environmental policy, solar engineering, sustainability and climate protection are key features of public policy and the city council is deeply committed to further innovation to advance the green agenda for the city.

A key strength of the 'Freiburg approach' is that the city is not complacent. Visitors from across the world now flock to the city to learn about the achievements of the city – in public transport, solar energy, green jobs, urban design, and the creation of communal forests and green spaces. But the city is keen to redouble its climate protection efforts. Deputy Mayor, Gerda Stuchlik, who leads on environmental and educational matters, has recently promoted plans to reduce CO₂ emissions to 40% of 1990 levels by 2030. There are many examples of high quality, green urban developments in the city. For example, Rieselfeld, is a new district in the west of the city which has been constructed in the period since 1994 to very high urban design standards. In the next section we provide a short profile of just one green neighbourhood – Vauban.

Vauban – a child-friendly, green suburb

The Vauban district, an area of about 40 hectares, on the south side of the city, is a newly created, family-friendly neighbourhood full of green spaces and attractively designed homes. It contains 5,200 people and around 600 jobs. Many local people work in stores, markets and gastronomy. There are teachers and public service professionals, architects and designers. Around one hundred work in a local electrical installation company and there is a balance of social groups.

By bringing together urban planners and residents in a highly constructive process of public participation, the neighbourhood has achieved outstanding environmental standards. The land was divided into relatively small plots, and preferences were given to private builders, households, social housing providers and co-operatives. Major house builders were banned. The outcome is a child-friendly, green suburb with an abundance of small-scale creativity. Sensitive, people friendly design is central and building controls are demanding.

Highlights:

- Tram service available in the development from an early stage giving frequent, fast and reliable service to the city centre and the city as a whole
- First class bike network encouraging cycling for longer and shorter trips
- Safe environments outside the homes with children free to roam
- Extensive green spaces for recreation and social interaction
- No parking in the car restricted residential streets, except for unloading and/or dropping off frail or elderly people

- Multi-storey car parking in two garages on the fringes of the neighbourhood provides space for cars for those that want them – but at a price
- Creative design of streetscapes, public spaces and community facilities.

How local government works in Freiburg

Freiburg is located within the state of Baden-Wuerttemberg and the local authority of Freiburg has two political institutions:

- The City Council (Gemeinderat). This has 48 members who are elected for a term of five years. The law requires that the number of councillors, reflects the population size of the city. The city population is 220,000 and this results in 48 councillors. They are elected ‘at large’ – they do not represent districts or wards within the city – and they are expected to serve the whole city. Candidates must be 18 years old and there is no upper age limit. The City Council, which meets around twenty times each year, is the main policy making body of the city – covering planning, the budget, city laws and taxes.
- The Mayor. This person is elected by the citizens for a fixed term of eight years. The Mayor chairs the City Council and is the 49th member (and can vote). The Mayor is also the most senior representative of the city and is the Chief Executive Officer of the city administration. In cities like Freiburg one or more Deputy Mayors support the Mayor. There are four in Freiburg and they cover: budget and public housing; environmental politics, schools and youth; social and cultural affairs; and planning and development. Deputy Mayors are elected by the City Council for a term of eight years but they are professionals, chosen for their professional skills. They are not members of the City Council, but attend all Council meetings and have the right to speak on matters relating to their department.

Local authorities in Germany are stronger than local authorities in many countries in the sense that the position of municipalities is guaranteed – they are given the right to local self-government. In addition, they have the authority ‘to deal with all local matters affecting the municipality’.

Civic leadership in Freiburg

We now turn to consider how the leadership model outlined in Figure 2 can help us understand the process of innovation in Freiburg. The evidence suggests that leaders from all three realms of civic leadership have helped create an innovative approach to local governance.

The role of **politicians** has been critical in promoting and implementing green policies. The elected politicians set the direction and tone of local policy. Mayor Dieter Salomon says:

‘Freiburg is geared towards the principle of sustainable development and this principle guides all our political decisions. The most notable changes can be found in our energy and public transport policies. We promote the use of renewable energies – solar power, wind power, water power and biomass – and we have managed to significantly increase the percentage of renewable energies, mainly with solar energy. We also promote the concept of a ‘city of short distances’. To achieve this we put great emphasis on having a high quality public transport service and an extensive network of bicycle lanes’.⁶

Eckart Friebis, a Green councillor elected in 1989, adds:

‘The role of politicians was particularly important at the beginning of our work. This is because the administration did not really know what sustainability meant and did not really want to try out new ways. Before we had a majority on the City Council we could not force the administration to change, but at least we could enrich council and public discussions with our new ecological ideas. Later, when we [the Green Party] gained power, we were able to push these ideas more strongly and they are now embedded in the thinking of the administration’.⁷

Professional and managerial leaders have also played a key part. For example, Wulf Daseking, the long-serving Director of Planning in Freiburg, has provided strong, professional leadership to the planning and design work of the city. His efforts have been recognised internationally. For example, in November 2009 the British Academy of Urbanism gave the award of ‘European City of the Year 2010’ to Freiburg. In the following year, the Academy made Wulf Daseking an Honorary Member of the Academy in recognition of his outstanding contributions to city planning and urban design and reference has already been made to *The Freiburg Charter for Sustainable Urbanism* (Academy of Urbanism 2011).

⁶ Personal communication.

⁷ Personal communication.

In various speeches Mr Daseking has encouraged professionals to ‘stay put’ in a given place for a reasonable length of time because this can enable professionals to have more impact. He says:

‘It takes years to bring ideas to fruition. You must follow ideas through to the stage of implementation. We have too many young people who just run after a career – whatever that is – and change jobs like changing shirts. No, a planner must work to make changes on the ground. This can be difficult as planning time horizons are long - and can be in conflict with political time horizons that tend to be short. Professionals have an important role in civic leadership - alongside other leaders – partly because they are able to take the longer view’.⁸

Finally, **community leaders** are critical. The roots of current approaches can be traced to the community activism of the 1970s. Without the drive and energy of community-based activists it is difficult to see how significant change could have been brought about. Mayor Salomon stresses the importance of working with a wide range of community actors in order to advance green objectives:

‘To achieve our objectives we need the awareness of our citizens to make contributions of their own, for example, by investing in the thermal insulation of their homes in order to save energy. Many stakeholders are involved in realising the goals of sustainable development – our citizens, our businesses, environmentalist groups and institutions and, of course, the administration itself’.⁹

There are, of course, conflicting views within Freiburg about the direction of public policy. Some citizens believe that the Mayor and the City Council are pushing the green agenda too hard, while there are radical groups that believe that not enough is being done. Axel Mayer, Director of the Freiburg branch of Friends of the Earth – is positive about the achievements of the people of Freiburg, but he makes the point that the ‘ecological footprint’ of Freiburg is still not satisfactory:

‘Many goods and resources consumed in Freiburg are produced and won in countries far away from the Green City. These goods don’t actually pollute our Green City, but they do damage the environment of those countries producing them. An objective evaluation should not omit this pollution when calculating Freiburg’s ecological balance’.¹⁰

Summary of key lessons from Freiburg

It is important to acknowledge that the story of Freiburg’s achievements outlined here is impressionistic. The analysis does not stem from a major research project. Rather the aim has been to begin to apply the place-based leadership model to a particular city and consider how it might be developed. Three lessons emerge for policy from the Freiburg story. First, it illustrates the value of strong, local political leadership. Indeed, it provides

⁸ Personal interview.

⁹ Personal communication.

¹⁰ Personal communication.

an inspiring example of localism in action. Local leaders, unconstrained by centrally imposed performance indicators, have developed a forward looking strategy and delivered on it. Second, it is also clear that the officers and professionals appointed by the city to push at the boundaries of good practice have played a crucial role. Third, there is a clear lesson relating to the importance of working with local communities and civil society in general. The community activism in the neighbourhoods within Freiburg is lifting. The commitment to green values and collective purpose is highly developed and this external pressure has ensured year-on-year improvements in environmental performance.¹¹

It should be noted that the German Federal Government has a national policy of providing substantial subsidies to promote renewable energy. But this observation does not weaken the argument set out here suggesting that civic leadership in Freiburg has been very successful. This is because most other cities in Germany, cities that enjoy the same Federal Government subsidies, are unable to match the high performance that Freiburg has achieved.

6. Reflections and Pointers

In this final section I offer some reflections and pointers for the world of policy and practice and for the world of academe.

Pointers for local government policy and practice

Three main pointers for policy and practice emerge from this analysis. First, it is clear that civic leadership matters. As part of this, it is evident that elected politicians can exercise a critical role in setting the tone and this is true for both local and national politicians. President Obama provides an inspiring example of this kind of leadership. When campaigning for the US Presidency Senator Obama gave a remarkable speech on race relations in Philadelphia on 18 March 2008. It is widely remembered for the way in which he saw ‘both sides of the race debate’ (Wolffe 2009, p178). But it also provides a critique of place-less leadership. In his speech he set out the choice that continues to present itself to all civic leaders:

For we have a choice in this country. We can accept a politics that breeds division, and conflict, and cynicism... Or, at this moment, in this election, we can... talk about the shuttered mills that once provided a decent life for men and women of every race, and the homes for sale that once belonged to Americans

¹¹ Further information on the Freiburg experience is available in report for the UK Local Government Improvement and Development (LGID) agency (Hambleton 2011).

from every religion, every region, every walk of life. This time we want to talk about the fact that the real problem is not that someone who doesn't look like you might take your job; it's that the corporation you work for will ship it overseas for nothing more than profit. (Obama 2008)

Obama captured the mood of the nation and went on to win a spectacular victory in the Presidential election later that year.

In this article it has been suggested that, given the growth of 'place-less' power in our rapidly globalising world, it is becoming increasingly important to strengthen **place-based leadership**. This is because 'place-less' leadership disregards the concerns of communities living in particular localities, and it rides roughshod over the rights of local people. A conceptual model for thinking about civic leadership in a given locality has been put forward – see Figure 2 – and this outlines three realms of civic leadership. This model suggests that inspirational, civic leadership can emanate from any of the three realms - elected politicians, paid public servants or from civil society.

But are there limits to place-based leadership? The answer is 'yes'. It is important to recognise that the argument should not be taken to the extreme. Untrammelled 'place-based' power can work against good race relations and the creation of a just city. For example, if neighbourhoods are granted massive authority to rule their areas we can be sure that the rich and selfish will be quick to ensure that people who differ from themselves are excluded. Indeed, as documented by Davis (1992), Minton (2009) and others, the growth of privatised, 'gated communities' is a worrying international urban trend. The creation of gated communities with high walls and security guards could be described as an example of 'place-based' leadership. In this case the residents of the fortified enclaves strive to secure the success of their 'place' in what they consider to be an increasingly hostile urban environment. This is **not** what I am advocating when I argue for a strengthening of 'place-based' leadership. Rather, following Frederickson (2005), I am suggesting that politicians, professionals and community activists should be guided by 'instincts of appropriateness' and what is understood to be right and fair.

Second, the institutional design of local governance arrangements matters. Structures, constitutions and decision-making processes are not the whole story when it comes to defining 'good governance', but it is misguided to believe that they are irrelevant. Institutional design can either hinder or promote effective and accountable civic leadership, public involvement and effective place shaping. Thus, governance

arrangements can foster inclusion of excluded voices or do the opposite. A warning note has been sounded about the shift from government to governance. Privatised forms of urban governance, sometimes advanced in the name of ‘public/private partnership working’, can erode the corrigibility of decision making. A risk with these models is that, ‘behind closed doors’ local leaders become servants of ‘place-less’ leaders to the disadvantage of their communities.

Third, it seems clear that public service innovation – defining it, understanding it, developing practical ideas on how to promote it – is a very important topic now, not just for local government and governance, but also for all those concerned with public services as a whole. There is light weight thinking in this area and more than a little lofty rhetoric. Scholars can play an important role in advancing thinking about public service innovation and helping public service leaders move beyond performance management regimes that seem to be increasingly outdated. The emergence of major, new challenges for governments – notably climate change and the economic recession – give added weight to this argument.

The civic leadership model advanced in this chapter advocates a **political**, as opposed to a managerial, approach to public service innovation.¹² It has been suggested that the overlaps between the different realms of civic leadership can provide ‘innovation zones’ in which new ideas can be explored and tried out. It goes without saying that it is imperative that the creation and design of these new spaces for interaction need to be shaped by local people, and this is particularly true in the multicultural city. This will require risk taking by both political and managerial public service leaders.

Pointers for academe and training providers

I offer three pointers for the world of academe and training/educational development – two relating to what universities and training providers might do, and one relating to the need to stimulate a new wave of action research on local leadership.

First, in relation to education we can at least raise the question of whether leadership is being given sufficient attention in the undergraduate and postgraduate courses being pursued by those who might hope to play a part in shaping the quality of life in the place

¹² Many writers and consultants advocate a managerial approach to public service innovation (Tidd et al 2005). These approaches can play a role in improving service responsiveness, but radical change requires political, rather than managerial, thinking because significant shifts in power are necessary.

where they live. Are we doing enough to educate future locality leaders? It would seem, for example, that many of the courses providing pathways into local government careers are dominated by professional institutes who perhaps have a vested interest in perpetuating a highly specialised approach to knowledge and understanding. Are these courses neglecting the cross-cutting skills and competencies future civic leaders will need?

At a more advanced level the argument set out in this article has significant implications for leadership development programmes at local, regional and national levels. For much of the time countries are investing in a 'silo' approach to public leadership analysis and development. Civic leadership development, if it is supported at all, tends to be handled separately within each of the three realms civic leadership set out in Figure 2. And there is further segmentation within each of the realms. Thus, there are many leadership courses for specific professional groupings of officers, development courses for councillors, courses for community organisers and so on. A consequence is that breakthrough educational practice - linking leaders in the different realms of leadership together in a shared process of social discovery - is sorely under developed in universities and elsewhere.¹³

A second pointer concerns the trajectory of research in universities. In many countries, higher education performance management regimes are skewing research away from policy relevance and away from active engagement with the challenges faced by local communities (Hambleton 2006; Goddard 2009; Hambleton 2010). Despite the recent increase in interest in assessing 'research impact' in some countries, the thrust of university promotion procedures and research council funding priorities is to promote esoteric research. Learned journal articles are highly prized within these performance regimes, and it is certainly important to strengthen the quality of peer reviewed scholarship in the field of local government studies. But it is essential that universities reconsider the nature of modern scholarship to bring it into line with the expectations and requirements of modern society. Ernest Boyer has provided a marvellous start to this task by mapping out a holistic vision of scholarship (Boyer 1990). A growing number of universities are following this model – particularly public funded universities in the USA

¹³ It is encouraging to note the emergence of new leadership development programmes that relate to 'place', for example, programmes recently developed in England (Local Government Association 2011). However, even these pioneering place-based leadership programmes neglect leaders from outside the state. This would seem to be a weakness when the community sector has so much to offer to local leadership (Community Sector Coalition 2009).

– but there is much more to do on this front and this could be of immense benefit to the field of local government studies.

Third, and this brings the place-based leadership agenda back into sharp focus, how can we stimulate a major expansion in place-based action research on local leadership? One strategy is to develop an expanding set of collaborative place-based research projects – studies and projects that bring together universities and local authorities and other agencies in particular places. The place-based leadership conceptual framework set out in this article could provide a starting point for some of these collaborations.

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Local Governments in Rural West Bengal, India and their Coordination with Line Departments

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Bhaskar Chakrabarti ^[1]

Indian Institute of Management Calcutta

Raghabendra Chattopadhyay ^[2]

Indian Institute of Management Calcutta

Suman Nath ^[3]

Haldia Government College, West Bengal



[1]

[2]



[3]

Abstract¹

In India, the 73rd constitutional amendment of 1992 decentralises agriculture, irrigation, health, education along with 23 other items to the Panchayats, the village level self-government body. It is envisaged that the three-tier Panchayat system at the District, Block and the Village level would coordinate with different 'line departments' of the government for planning various schemes and their implementation. In West Bengal, a state in eastern India, where the Panchayats were revitalised before the constitutional amendment, the initial years were marked by strong coordination between the Panchayats and other departments,

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especially land and agriculture, making West Bengal a 'model' case for the Panchayats. However, where service delivery through the Panchayats has been criticised in recent years, the disjuncture between Panchayats and the line departments is a cause for alarm. In this paper, we search for the causes behind the low level of coordination between government departments and the Panchayat at each tier. We analyse the complex process of organisational coordination that characterises decentralisation, and show how decision making in local governments is nested within various levels of hierarchy. The study focuses on the formal structures of coordination and control with regard to decision-making between the Panchayats and the line departments. We show how these processes work out in practice. These involve lack of role definition, problems of accountability, and politics over access to resources and relations of power within, as well as outside, the Panchayat.

Keywords: Architecture of Local Governance, Organisational Network, Inter-departmental Coordination

1. Introduction

Where “inter-institutional harmony is of the utmost importance” (Geldenhuis 2008), effective service delivery by government institutions should draw on unique local structures. This is an outcome of three fold pressure: a need for specialised government organisations to work together, providing government services through a single window, and the importance of addressing local needs in synergy (Goss 2001). Goss (*Ibid*) argues that this coordination calls for “public bodies [to] purchase services from other public, voluntary or private organisations” which demands considerable emphasis on strategic planning and “in many cases shared delivery systems still do not work smoothly”. The nature and success of coordination is one of the determining factors of organisational effectiveness (Crowston 1997; Stokes & Hewitt 1976; Thompson 1967). With an appreciation of the need for inter-governmental coordination, the present paper seeks to address what is happening at the operational level of inter-governmental relations and how this can be improved in order to achieve the policy goals of effective service delivery in West Bengal, through ‘line departments’: rural local governments – the Panchayats – and government departments such as education, health, public works etc., which are supposed to work ‘in line’ with the local governments – hence their name. The case of West Bengal is not typical because

decentralisation has been effectively pursued, so problems here indicate broader issues that need to be addressed.

2. Intergovernmental Relations: Existing Perspectives

Government institutions have a complex nature, with actors often having multiple cultural backgrounds, and where the system lacks normative underpinning in public opinion. Consequently, the system requires strong coordination (Miller & Dickson 1996). One approach is to understand intergovernmental relations through descriptive analysis aimed at identifying:

- the nature of governmental units;
- the nature of officials and their attitudes, perceptions and roles;
- patterns of interaction;
- the range of officials involved – elected representatives and appointed officials for example, and policies to be implemented (Wright 1988).

A second approach looks analytically at historical trends in relations among governments (Conlan 1988) and identifies distinctive features in a given historical phase (Grodzins 1966; Stewart 1984).

A third “Community Power” approach (Krane & Wright 2000, p. 86) addresses the ways in which local government officials exercise political power.

Enhancement of inter-organisational linkages should involve careful observation of institutional environments, procedural and structural aspects, and subjective dimensions. Therefore, an effective design for coordination should see an organisation as an open system affected by its environment (Scott 1992). Furthermore, it is vulnerable to its context especially in dealing with issues of information processing, which ought to match the institutional environmental demands (Tushman & Nadler 1978). The interdependence of the parts within the organisational whole is a challenge to institutional collaboration, as it enhances role confusion and complexity of the system (Lawrence & Lorsch 1967; Thompson 1967). In larger systems, coordination is not practicable through simple group meetings (Galbraith 1973; Kiesler *et al.* 1994; Thompson 1967 ; Van de Ven *et al.* 1974), as the

structures and processes are interwoven. The components of linkages, like ongoing conversations, discourse, shared human experiences and interaction patterns (Foucault 1971; Schutz 1967; Weick 1979), create meaning, social worlds, norms, shared interpretive schemes, understanding, common rituals and knowledge, coordination, and social order (Bechky 2003; Habermas 1984; Schein 1992; Wageman 1995; Weick 1993; Schutz 1967; Chwe 2001; Hutchins 1990; Weick *et al.* 1993; Polanyi 1975).

We need to look carefully at these issues to understand their processes and how they are embedded within the structure. Therefore, for designing an effective strategy of coordination, due emphasis should be given to the subjective dimensions (Bastien & Hostager 2001), including mental models, frameworks and scripts (Weick 1995; Gioia & Poole 1984; Levesque *et al.* 2001), knowledge (Adler & Borys 1996; Hutchins 1991), shared meaning/mutually shared fields (Kickert *et al.* 1997, Weick *et al.* 1993), and rules and resources (Giddens 1984).

However, we realise that management of networks is not restricted to achievement of inter-organisational coordination alone. It “involves the application of applied behavioural science techniques such as team building, conflict resolution skill, and coordinating abilities” (Agranoff & McGuire 1999, p. 109-10). The success of the network depends both on how far the network manager has taken care of the technical, legal and political dimensions (Ibid, p. 107-8) and on the extent to which she adopts a meta-governance approach. Thus, only persons who have the capacity to handle this diverse array of tasks are suitable for the role of a network manager. The introduction of these actors result in the creation of a heterogeneous network comprising local governments and other departments that not only differ in structure and culture but also in terms of goal, power and relationship with society (Klijn 2005). Also, while selectively activating the network one should be extremely careful about two factors: which actors are selected (and who are not selected), and what information is shared (Kickert *et al.* 1997, p. 47).

3. Approach and Methodology

While attempting to understand the operational level of intergovernmental coordination of the Panchayat system of West Bengal, we use both descriptive and analytic approaches,

which are backed by field narratives inspired by the community power approach. We studied policy documents and activity maps in order to gain insights about mechanisms of coordination as established. We have done fieldwork in six District offices and twelve Block offices (sub-district) by selecting two from each of the districts. We studied a total of twenty four Village Panchayats, selecting two from each of the Blocks to analyse problems faced by the officials due to lack of co-ordination. The paper therefore contains a descriptive presentation of policies designed to strengthen coordination, identifies gaps, and presents systemic problems and their operational consequences. Analysis of the reasons for failure of coordination analysed through studying the complex organisational structures.

The Indian context

In India, the 73rd constitutional amendment of 1992, which received presidential assent early in 1993, recommended decentralisation of twenty-seven areas of government jurisdiction, including agriculture, irrigation, health, and education to the Panchayats, the village level self-government body.² It was envisaged that the three-tier Panchayat system at the District, Block and the Village level would coordinate with different 'line departments' of the government for planning and implementation of various schemes. To strengthen the initiative, sector wide sub-committees at Village level, and standing committees at Block level and District level, were constituted. At present, ten standing committees work on different topics, including issues of infrastructure and empowerment where elected representatives and officials from concerned 'line departments' work together (P&RD, GoWB 2009). The local government system demands vertical coordination with different tiers and horizontal coordination with 'line departments'.

The system is prone to interdepartmental incompatibilities, when departments with different business goals have to work together. The local government manager formulates the goal, identifies the potential partners and creates the network for their project management (Meuleman 2008). Coordination becomes a big challenge (Thompson 1967) because a) the chance of blurring of boundaries and responsibilities for tackling social and economic issues (Putnam 1993), and b) ambiguities about the roles played by different stakeholders increases (Alper *et al.* 1998; Blake & Mouton 1970; Broadbent *et al.* 1996; Lax & Sebenius 1986).

² Most state governments have not devolved all 27 subjects.

The system is prone to power struggles and opportunistic behaviour (Hirschman 1991) where inter-organisational coordination requires careful manufacturing of 'rules of the game' to blend capacities of stakeholders to meet their organisational objectives (Jessop 1996). If the organisation fails to design an effective mechanism for interdepartmental coordination, constructive negotiation and stakeholders' willingness to engage in problem-solving behaviour becomes crucial (De Dreu *et al.* 1999; Fisher & Ury 1981; Rubin *et al.* 1994; Thomas 1992; Tjosvold 1991; Van de Vliert *et al.* 1997). This achieved when employees take into account both the goals of their own department, and also the goals of other departments (Blake & Mouton 1970; Rubin *et al.* 1994; Thomas 1976).

Intergovernmental relations in operation

The local government system therefore needs better information flows between various stakeholders and better management of complexity, since the system is large and tasks are cumbersome.

The need for coordination is also recognised by the Government of India. The recent *Annual Plan*³ emphasises the need for inter-sectoral and intra-sectoral linkages, and adjustments in programmes to ensure effective collaboration. Sectors such as soil and water conservation, afforestation and pasture development, water resource development, and activities such as animal husbandry, horticulture, floriculture, and fisheries are targeted for building collaboration between relevant departments and the three-tier Panchayati Raj system.⁴

The analysis of policy documents shows the primary emphasis for building effective collaboration has been on a) activity mapping of the various stakeholders, and b) organising group meetings.

4. Mapping of Activities: Existing Mechanism and Problems

A detailed analysis was undertaken from activity mapping of internal Government Orders (GO) of the Department of Panchayat and Rural Development (P&RD), Government of West Bengal (GoWB) (P&RD, Government Order 2005, P&RD, GoWB 2006, 2007, 2008, 2009). The analysis shows two major initiatives: a) attachment of the line department

³ GoI (2010) Annual Plan 2010-11; Planning Commission, Government of India: New Delhi

⁴ <<http://planning.up.nic.in/annualplan0405/part2/Chapter-02.htm>>, retrieved 18th April 2009.

officials to three tiers of the Panchayati Raj institution through different standing committees, and b) the roles to be played by the different lines of command (P&RD, GoWB 2006, 2007, 2008, 2009). The activity mapping of the line departments and standing committees shows the following categories of activities:

1. Selection of beneficiaries for various government schemes
2. Capacity-building activities
3. Input distribution
4. Assistance – mostly financial
5. Sensitisation and awareness raising activities
6. Budget estimation
7. Building and/or maintaining infrastructure
8. Co-ordination of activities of the tiers
9. Monitoring (P&RD, Government Order 2005).

The activity pattern falls broadly into four categories: a) information collection, b) input distribution, c) awareness generation, and d) fiscal management (*Ibid*). Analysis of patterns of work of different standing committees indicates two inherent problems with the present structure:

1. *The top down problem*: the beneficiary selection process is largely top-down. A government order from the Department of Panchayat and Rural Development in 2005 indicates that officials and standing committee members decide the numbers (of schemes, for example) where local demands are often not reflected. Subsequent initiatives on financial assistance or training inputs are based on this initial selection, and as a result the entire system follows a top-down flow of decisions.
2. *Incomplete collaboration*: P&RD, GO (2005), P&RD (2009) show that the work pattern provides limited scope for collaboration and information flow between the Panchayat tiers because of a) the top-down flow of decisions, and b) that work programmes and targets are set *a priori*.

In addition, the system is heavily dependent on standing committee meetings and monthly meetings for a collaborated and integrated approach. The analysis of annual reports as well as gazetteers shows that no formal stipulation is made for effective collaboration between local government and line departments.

5. Issues of Co-ordination

With the Government of West Bengal's commencement of provisions of the 73rd amendment, the Panchayati Raj institution is expected to be formally strengthened with the process of participatory and decentralised planning. The initiative was mostly related to planning and fiscal issues. The Government of West Bengal's administrative report of 2002 – 2003 (P&RD), says that “government has decided to ... make the services of the Line Department officials at the district level available to the respective tiers of the local self-government institutions.”⁵ It was thought the initiative that formally integrates the District Magistrate Zila Parishad offices⁶ would lead to a strong link between other government departments with Panchayat system. The formation of ten standing committees with a “balanced mix of elected representatives and appointed officials concerned with the related programmes” was projected as a sound mechanism for effective collaboration.⁷

On 27th September 2005, fifteen line departments were devolved to Panchayats, which were expected to discuss their initiatives in Panchayat standing committee meetings before taking decisions. Different reports show the system depends heavily on the standing committee meetings, but field data shows that these meetings are often not held or not attended by line department officials. The activity-mapping shows that line department officials are expected to consult standing committees, but it is not mandatory. Apart from these occasional meetings, no mention is made about the process of collaboration between the line departments and the Panchayati Raj system. The administrative reports show the lack of endeavour by the officials, though “in respect of planned development in *most of the cases* (emphasis added) decisions are taken by the line departments after discussing the same in the meeting of the standing committee concerned⁸” and “it is always desirable to have formal

⁵ P&RD. Annual Administrative Report 2002 – 2003

⁶ Ibid, p. 15

⁷ Ibid, p. 18

⁸ P&RD. Annual Administrative Report 2006 – 2007, p. 21-2.

orders or support of legal framework for defining the responsibilities of the Panchayats as well as delineating inter-tier responsibilities.”⁹ An awareness of this 'taken-for-grantedness' is shown in these reports, which draw to the attention of the relevant departments the need for formalizing the responsibilities of the Panchayats.

The Kolkata Gazette shows the same casual mindset towards issues of co-ordination:

there shall be proper coordination between Panchayat Samiti [local government at the Block level], its Sthayee Samitis [the standing committees] and block level officers of line departments of the State Government in all matters relating to planning, execution and administration of development work and the sabhapati, sahakari sabhapati, [head and assistant-head of the Block] of the Block, executive officer and other functionaries, officers and employees shall endeavour to maintain, and also desist from disrupting, such coordination so as to ensure unhindered progress of development programme.¹⁰

However, the ways to ‘endeavour for coordination’ or ‘desist from the disruption’ remain unexplained. The gazette talks about the possible ‘mismatch’¹¹ of initiatives taken by line departments and Panchayat, but there is no mention about the ways to avoid this mismatch. It is presumed that the standing committee meetings will mitigate these issues.

The system is backed by differential fund disbursement.. Panchayats do not have an exclusive functional domain, as line departments continue to be funded to carry out development functions where mandates for discussion with elected representatives are not monitored properly.

The initiative for decentralisation with the enhancement of Panchayat’s decision-making capacity lacks the impetus for integrating line departments within the formal Panchayat system. There are structural problems which suggest the limited nature of the line department’s integration into the system.

However, it is important to address the following question: Why do the line department officials remain reluctant to attend the meetings? Is it solely because of role confusion and

⁹ Ibid, p. 22

¹⁰ P&RD. Extraordinary. (2008), p. 12

¹¹ Ibid, p. 3.

absence of strict mandates? Or has it something to do with the present organisational structure? To address the question, an analytical study of the organisational structure of the Panchayat system was undertaken. Figure 1 shows the organisational structure of the Panchayat system currently in operation.

The organisational structure shows that although line departments are linked to the three tiers of the Panchayat system, they are not accountable to elected representatives or to executives. Therefore, unification of the line departments with the three tiers has been incomplete. As a result, the structure has created power and role confusion as well as the lack of accountability. Although there are many standing committees, their mandates are overlooked as they cannot oblige the government officials who are accountable to their department headquarters.

Outcome of the ‘taken-for-grantedness’

Field interactions with officials from different tiers (12 Block Development Officers [BDO] the Chief Civil Servant at the Block Level), twenty-four Gram (Village/ Local) Panchayat Pradhans (Heads) and Secretaries indicate a lack of clarity in the roles between the different tiers and also within the line departments. The situation leads to poor use of manpower as the Panchayat and the line departments are assigned with similar tasks with blurred role definition. From the field experience it appears that role-confusion and lack of clarity are outcomes of the ‘taken-for-granted’ attitude of the line departments. Fifteen line department officials interviewed argue that their presence in the meeting is not mandatory, and often fail to attend meetings due to other preoccupations. With this preliminary understanding, we try to address the consequences of the lack of clarity in roles.

Lack of coordination at planning level

Each BDO accepts that annual plans prepared by the District Council, other tiers of the Panchayat, and line departments are not well integrated. The communication between Panchayat and line departments is restricted to the top-level officials, which creates a lack of integration at the start of the planning process which ideally should be bottom-up.

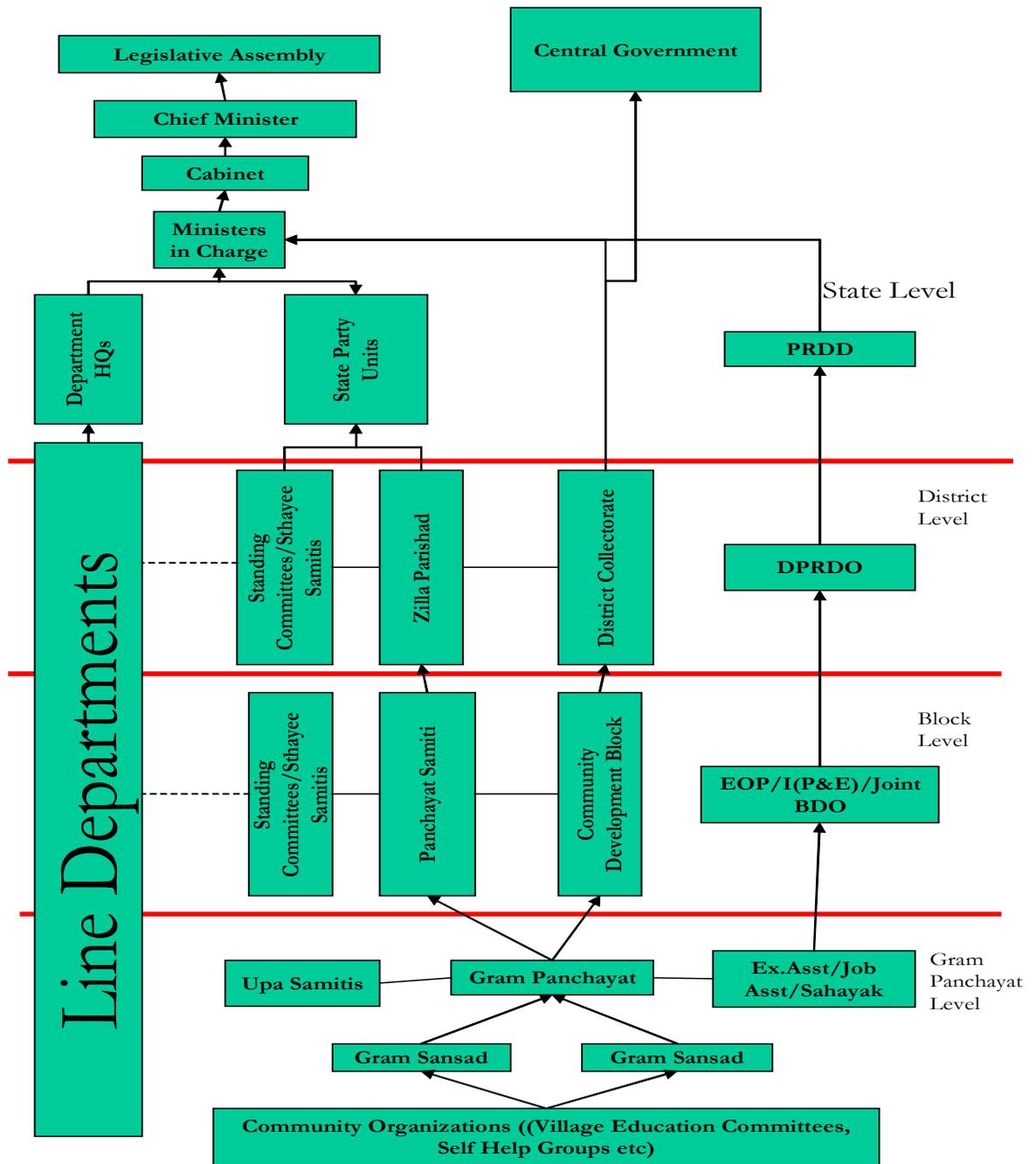


Figure 1. Organisational structure of different levels of officials of the Panchayat system. (Ref. P&RD, Unpublished, *Organisational Issues for Strengthening Rural Decentralisation in West Bengal PRI Review*)

Lack of information-flow between line department(s) and Standing Committees

From the analysis of policy documents and Annual Administrative Reports, it appears that the government is hopeful about the success of standing committee meetings and monthly meetings with executives. However, in reality, line department officials are reluctant to share information with standing committees, and lack interest in participating in the standing committee meetings. Each BDO reports that not all line department officials care to attend monthly meetings. Moreover, since these officials are accountable only to their respective departments, BDOs cannot take any disciplinary action against them.

Lack of effective utilisation of resources

Line department officials commonly plead insufficient staff to carry out effective planning, proper needs assessments and feasibility estimates. Better coordination can mitigate issues of understaffing through better use of resources and less overlap of initiatives. Policy problems also concede unintended power to bureaucrats and technocrats of the line departments. Inequality of power and role-confusion have created a situation where “there is no planning by Panchayat tiers and implementation has been reduced to a nexus between the contractors, the elected representatives and line department officials.”¹² As a consequence, instead of evolving as institutions of self-governance, the role of Panchayats is reduced, as people outside the line departments suffer from absence of skills, which impedes grassroots democracy; “the Sarpanch (Pradhan) and the Panchayat secretary along with the officials of the line departments continue to rule Panchayati Raj Institutions (PRIs) and people simply do not have any other option but to depend on their decisions ... also, there is a tendency of PRIs, especially the Gram Panchayats, to perceive themselves as government contractors rather than as change agents.”¹³

This partial administrative decentralisation means that the role of local officials is largely confined to implementation of development programmes, and elected representatives have minimal influence over local development priorities and exercise limited oversight over line department officials (Mathew and Jain 2005) as “essential services ... continue to be the preserve of line departments which operate in a top down manner and which have not been

¹² Mathew and Jain (2005), p. 73

¹³ Action for Social Advancement (2005), p. 2.

made subject to effective accountability mechanisms with regards to the elected government.”¹⁴

6. Narratives of Domination

Members of different standing committees as well as BDOs frequently cite instances of domination by the line departments. They identify lack of role-clarity and problem of accountability as prime reasons. However, there are instances of “good officials” too, who because of their good “human qualities” were “kind enough” to listen and care for the collaborative effort to the development.

We have no power to compel them (Line Department Officials) to do things that we need. In fact if they do not follow the Annual Action Plan, we cannot do anything. They have separate plans and most of the time they work accordingly... their control lies with their departments not with me. Even if an official misses monthly meetings regularly, I cannot even ask them not to do so. I have no formal control (Voice of a BDO Recorded on January 13, 2009)

The helplessness is well reflected when the BDO says “*their control lies with their departments not with me.*”

Although elected representatives and heads of different standing committees try to convince line department officials to recognise local needs, they frequently remain unheard.

There is a separate allowance of Rs. 750/- for the cleaning of water reservoirs. We have tried to convince the PHE department to perform regular cleaning operations ... they did not care for our requests ... they are government employees. Since I am the karmadhakshya [head of the standing committee] ... if something happens with water contamination, people will blame us... but in reality... I have no power ... (Voice of head of the standing committee at the District, recorded on January 19, 2009)

It seems that the elected representatives have no formal line of command over the decisions of the line departments as they cannot take any formal steps.

A similar allegation was made by the head of Agriculture, Irrigation and Cooperative Standing Committee of one district:

¹⁴ P&RD, Unpublished, *Organisational Issues for Strengthening Rural Decentralisation in West Bengal PRI Review*.

Line department staff do not work in the Blocks ... there are six defunct deep tubewells in Nowda Block ... I personally requested the irrigation department official, but they have refused to work ... Now I have heard they are demanding money from the poor villagers ... (Recorded on December 21, 2008)

The present mechanism has created space for the line department officials to dominate. Lack of accountability to the local administrative and political cadres hinders proper monitoring and evaluation. As reported by elected representatives and BDOs, this monopoly of line department officials not only creates problems of coordination but also promotes corruption, as there is no local monitoring and evaluation system in operation.

7. Conclusions

West Bengal is a well administered state, and a state in which governments have been *enthusiastic* about decentralisation since 1977. Most less developed countries are less well-administered than West Bengal, and many governments are less enthusiastic about decentralising. This study is therefore important, because the problems of West Bengal may be more acute in other parts of India and the developing world. Furthermore, coordination with line departments has had little attention in the literature on decentralisation. The conclusion, therefore, draws together practical recommendations identified through the project.

Inter-governmental coordination helps in providing effective use of scarce resources. In the present paper, we show that Panchayati Raj system in West Bengal is severely affected by lack of coordination between line departments and three-tier local government because of the absence of role-clarity and mandates, and faulty organisation design. The Panchayati Raj governance system is complex and multilayered. Without a clear mandate for effective collaboration, role-confusion and power struggles among officials and elected members are notable. The standing committees are intended to integrate line departments and the Panchayati system, but it lacks appropriate strategies. The provision for monthly meetings between members and line department officials shows the intention of coordination, but any monitoring of such meetings depends heavily on people's self-interest in problem-solving. There is an urgent need to devise and reorder the entire system to redefine the hierarchy and respective roles, and to formulate a detailed strategy to enhance collaboration. To tackle this task, a fuller study of issues mentioned by scholars across disciplines is needed, but steps can

be taken to combat the immediate problems of lack of co-ordination and accountability of line departments. Mathew and Jain (2005) suggest empowering the standing committees by making them “responsible for approval before, during and after the execution of works.” In addition, a thorough study of the practical solutions as provided by scholars such as Goss (2001) and Gendenhuis (2008) may be useful. Below is a list of practical measures designed by the authors, which is an outcome of the theoretical and field-level understanding of the issue. The first four recommendations are general, and the last eight deal with practical solutions for the Panchayati Raj Institutions of West Bengal in the light of recommendations by Goss and Geldenhuis.

1. Role-players should clearly identify the objectives of cross-boundary working. This would mean a shared understanding of what networks are for, and a greater degree of information exchange between different stakeholders.
2. The agenda of inter-governmental networking should be continuously refreshed and researched, and continuous reform should be practised by involving all stakeholders.
3. The loose ends in inter-governmental coordination should be identified and tied down through adherence to strict regulations.
4. There should be clearly defined roles, expectations and responsibilities for all stakeholders.
5. Empowerment of the PRI institutions should be accompanied by making line departments accountable to the three tiers of the Panchayat system.
6. The reporting practices should include the standing committees, so that the committees can monitor the progress of the initiatives taken by the various line departments.
7. Different stakeholders including elected representatives, executives, officials and line department staff should be merged with the different standing committees.
8. Salaries of line department officials should be controlled by the Block Development Officer. Different offices, including Gram Panchayats should be given powers to certify line department officials at the time of their retirement.
9. There should be an internal evaluation system of line department officials attached to different standing committees.

10. The Village Panchayat should play an active role the in the assessment of work through the social audit process.
11. Plans prepared by the Village Panchayats, Panchayat Samitis (at the Block level), Zila Parishads (at the District level), line departments and the District Planning Committee should be coordinated through regular meetings. The District Planning Committee can act focus for co-ordination. If necessary, special planners should be appointed at all three levels.
12. Devolution of funds will allow Panchayats to implement schemes to be planned and designed through Gram Sabhas and Village Panchayats that will be subsequently consolidated with plans prepared by Intermediate Panchayats and District Panchayats through the District Planning Committee. Line departments should actively involve themselves in the total process which would be monitored by the Block Development Officer at the Block level and coordinated by the District Planning Committee.

Operational actions and interactions determine effective interdepartmental coordination in the local government. In the Indian context, especially in West Bengal, the most comprehensive challenge lies at the operational level as the system lacks a proper regulatory mechanism. It is reasonable to emphasise two things: designing the inter-organisational collaboration is an interactive process and demands attention to structural, procedural and cognitive aspects of the organisations; and without careful design of the 'rules of the game' for interdepartmental coordination, the networking remains inefficient and triggers numerous problems in practice, which undermines the real essence of democracy.

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Cabinet Governance and Political Stability in English Urban Councils

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Stephen Greasley

The University of East Anglia
Norwich, UK



Abstract

Policy-makers have long been concerned with the quality of local political leadership and have often resorted to institutional reform to try to improve political leadership. This paper looks at a specific and neglected facet of the political management reforms that have been implemented in English local government over the last decade: the tenure and turnover of cabinet members. The tenure of top politicians may be an important influence on the performance of local government particularly when political management is designed to favour individualised leadership. On the one hand, excessively short tenures for top politicians may damage the ability of governments to develop strategic plans and ensure they are implemented while on the other hand the risk of loss of office is central to political accountability and excessively long tenures may be indicative of an insulated and unresponsive elite. While some research attention has been paid to the tenures of leaders of councils in England there is little systematic information about the tenure of cabinet members. This paper discusses the relevance of cabinet stability and provides an overview of recent experience in England.

1. Introduction¹

In 2000 the UK parliament passed an Act that was designed to strengthen the political leadership of English local governments. It aimed to make local leadership more efficient, transparent and accountable by establishing small executive cabinets which would be responsible for the day to day decision-making of local authorities. The concerns about local political leadership were not limited to England. In the early 2000s a number of European countries were reforming local political leadership or considering it (Borraz and John, 2004) and similar issues have been discussed in this journal in relation to South African municipalities (de Vissier, 2010). This paper uses the English reforms to explore an important aspect of political systems: the stability of political leadership.

The research that has been conducted on the effects of the English reforms has focused largely on the role of the leaders of councils (for example Greasley and Stoker, 2008; Lowndes and Leach, 2004). This is entirely appropriate but it has downplayed the importance of the other members of a council's cabinet (for an exception see Bochel and Bochel, 2010). Consequently, we currently know very little about the tenure and turnover of cabinet members and certainly less than is known about the leaders of councils (Boyne *et al.* 2010). This is an important issue, cabinet members are expected to become expert and lead strategy development in their portfolios and at the same time they are accountable for the council's performance in the areas that they cover. The first of these expectations would seem to require some stability of tenure to allow cabinet members to gain experience of their portfolios, develop political leadership skills and see projects through to completion. However, accountability requires that poor political performance should sometime lead to the removal of a cabinet member. The pattern of tenures of cabinet members will therefore partly reflect the trade off between political accountability and political capacity, however there are a number of other factors that may influence the survival of local cabinet members and can thus muddy the issue.

This paper explores cabinet instability in the context of local political cabinets in England. It starts with a discussion of the history of political management reform in England covering its goals, its implementation and the debates over some of its consequences. The next section then discusses the literature that has developed recently on cabinet and portfolio holder stability at the national level. The final section of the

¹ The collection of the data used in this paper was funded by the ESRC, RES-061-25-0244.

paper presents data on the relationship between political stability, cabinet change and the length of tenure of local portfolio-holders drawn from an ESRC research project.

2. Reforming Local Political Management

Good governance is the goal of reformers in many political systems and institutional redesign is often a favoured way of achieving reform. Institutional redesign is appealing because in theory it promises a lasting effect and, once completed, no further interventions are required. There are reasons to doubt this theory; institutions are much more complex than is implied by the reformers' story. Few deny that changing formal structures has an effect on organisations but organisations also exist through the beliefs and actions of their members, the tacit rules of institutions cannot be precisely engineered by legislation and they have the potential to subvert the intentions of reformers (March and Olsen 1984; Lowndes, 2005). In short, institutions are path dependent, their histories limit their future trajectories and these in turn limit the predictability of the effects of reforms (Pierson, 2000). Once it is also recognised that contextual factors can strongly influence the way that abstract models operate after they are implemented in real organisations, there are then reasons to doubt that the plans of reformers will be fully achieved (Lowndes and Leach, 2004).

When it comes to English local democracy, institutional reform has often been the weapon of choice for national policymakers. Over the last half century there have been institutional re-organisations of various flavours and there is little sign that the pace will let up. The current coalition government's Localism Bill 2011 proposes that council leaders in the twelve largest English cities outside London will become 'shadow mayors' and referendums will be held on whether they should become directly-elected mayors.² This represents a continuation of earlier and substantially unsuccessful efforts to introduce mayoral governance to English cities. At the same time the 2011 Bill loosens the requirement that all the larger councils must operate with a political executive cabinet distinct from the council as a whole.

This paper focuses on the operation of political cabinets introduced by the Local Government Act 2000. These new structures were an important element of New Labour's modernisation agenda with respect to local government (Bochel and Bochel, 2010). The objectives of the 2000 Act were to create visible and effective leadership; to enhance

² At the time of writing the Bill is being considered by the House of Lords
<<http://services.parliament.uk/bills/2010-11/localism.html>> (accessed 18 July 2011).

democratic legitimacy; and to provide checks and balances in the construction of the new system (Gains *et al.* 2009 summarise the findings of an extensive evaluation project). These objectives reflected a concern that the operation of local politics in England was flawed (Pratchett, 2004) often failing to address issues of community concern or failing to ensure the quality of services. The focus on strengthening leadership through institutional reforms produced some criticisms, for example that its effects had been limited and diverse (Lowndes and Leach, 2004). Away from the English context a general note of caution about 'being bitten by the leadership bug' has recently been sounded by (Grant *et al.* 2011, 66) who argued that the focus on leadership may be a distraction from the more fundamental problems faced by local government and that there may be unintended consequences resulting from changes to models of leadership.

The most radical of the reform options was for a council to have a directly-elected mayor. Traditionally, leaders have been selected by councillors from the council body but the directly-elected mayors were to be placed in office by the electorate as a whole, loosening the role of political parties in leader selection. Once elected, the mayor then selects a cabinet drawn from the council. Very few (initially ten) areas opted for a directly-elected mayor, with the vast majority of councils selecting a less radical reform called the leader-cabinet system (Gains *et al.* 2005). With this option there were three features that marked a formal and significant change from the previous committee system. The first feature was the selection of a small group of executive members from the main body of the councillors to form a cabinet. These executive cabinets were given responsibility for implementing policy across the range of council functions³ within a framework adopted by the council as a whole. They were also expected to play a key role in developing policy proposals, budget making and prioritisation. Under the previous system there was no legal differentiation between 'executive' and 'non-executive' councillors but even before the introduction of executive structures researchers were able to identify an increasing distinction between lead and backbench councillors (Elcock cited in Bochel and Bochel, 2004, 39). The new system formalised and to an extent strengthened that distinction. The second feature was that partisan membership of the new cabinets was not required to be proportional to the party seat share on the council as a whole. After the reform, where a single party holds a majority on a council the majority group can, and usually does, establish a single party executive cabinet. The third feature was the potential to give individual cabinet members delegated power to make executive

³ With the exception of regulatory functions such as planning and licensing.

decisions in their areas of responsibility. This strengthening of leadership was accompanied by a range of features designed to ensure executive accountability, for example scrutiny committees, 'call-in' powers and key decision rules (Leach and Copus, 2004).

The initial response to the legislation by councils was marked by a small 'c' conservatism. The leader-cabinet councils were cautious about giving leaders all the powers allowed in the legislation (Gains *et al.* 2005) but as the system settled down more councils strengthened the position of their leader (Gains *et al.* 2009). Formal structure was only one influence on the way that cabinets operated and different councils found different ways to make their cabinets work. Some cabinets were dominated by the leader, others allowed individual portfolio holders greater discretion, others were more committed to collectivist decision-making (ELG, 2004; Lowndes and Leach, 2004). The story of the implementation of the Act was of continuing diversity of operation within the legal framework.

Variety of political context is among the most important of the sources of this diversity. The legislation's model of strong and effective leadership may be vulnerable to the operation of the local electoral system and local party systems. On local elections, although there is evidence of a performance-vote link (Boyne *et al.*, 2009) it is undoubtedly true that in England local elections are second order elections – they are often strongly influenced by national factors and if the political control of a council changes it may have little to do with the actions of the local parties or the performance of local incumbents. On the influence of parties, inter and intra party rivalries may, for better or worse, push local political management away from the legislation's goals. Perfectly competent and effective cabinet members may have to leave office for reasons that have little to do with their decisions or management.

The legislation allowed for some variety in implementation but it seems clear that the Government's preference was for a 'strong leadership' model. This model did not necessarily imply leaders monopolising decision-making, but rather their having the tools to select and manage their cabinets (Bochel and Bochel, 2010; Greasley and Stoker, 2008; Greasley and John, 2011). As yet we lack even basic knowledge about how long local cabinet members serve and what sorts of factors influence turnover of executive politicians. The next section will review recent debates about why tenure of national

cabinet members may be important and argues that similar issues are worth pursuing at local level.

3. Dynamics of Cabinet Governance

Where political institutions are designed to produce collectivist decision-making and accountability the rate of turnover of individual politicians may not be too important. Collective structures may be more robust to changes in personnel because responsibility, relevant experience and knowledge is dispersed across a number of individuals. In cabinet systems, however, individual politicians play an important role in the policy process, they are allocated portfolios and are expected to lead the construction of strategy for policy and service development. If there is too much 'churn' in the occupants of cabinet positions then the policy process may be damaged (Huber and Martinez-Gallardo, 2008).

In research on parliamentary democracy a great deal of attention has been given to the termination of governments but less so to the length of ministerial careers. Recent analysis has however explored the relationship between government termination, cabinet turnover and ministerial tenure (Huber and Martinez-Gallardo, 2008). The analysis of national cabinets has generally approached the question from the assumption that the leader decides who serves, which portfolio each holds and when they will be moved or removed. These powers can help leaders to manage political difficulties and to deliver policy goals (Huber and Martinez-Gallardo, 2008). However, there are problems that are common to all processes of selection: how can a leader know she is getting the right person for a given portfolio? The problem of ministerial talent is that it may not be observable in advance of appointment. The leader will try to develop ways of screening ministerial candidates and the more successful the leader is at this the less likely it is that they will inadvertently appoint a weak minister. A second problem relates to whether a leader can monitor and manage the cabinet. Much of what is involved in the ministerial job is not easy to monitor, many ministerial actions will involve giving informal direction to officials and sending signals to, or making deals, with members of policy communities. Ministers will accumulate specialised knowledge and information giving them an advantage in negotiations with the leader and this will be a problem if ministers have goals that differ from those of the leader, i.e. representing departmental interests at the expense of the common interest of the government (Indridason and Kam, 2008).

Huber and Martinez-Gallardo (2008) demonstrate that in national parliaments the link between government termination and the termination of individual ministers' jobs is quite weak. Not all ministers leave office when a government ends and many ministers leave office whilst the government remains (2008: 171). Berlinski *et al.* (2010) in their analysis of the impact of performance on ministerial tenure, find support for the claim that a minister's performance relative to the performance of other ministers is important for explaining when they leave office. This research starts from the assumption that the leader is (formally) empowered to select and remove their cabinet members. Huber and Martinez-Gallardo (2008) discuss the constraints that may be imposed on leaders' discretion by the existence of coalition government or other factors but the general picture is of cabinet members serving at the invitation of the leader.

From National to Local

The key question is whether the factors that are relevant for explaining patterns of change and stability in national cabinets are relevant to local governments. Just because a local authority has a cabinet structure it does not follow that it will display the same dynamics as national cabinets. The low profile of local government in England is not helpful in identifying the reasons why a cabinet member has left office. It is often not easy to uncover whether a 'resignation' is really a resignation. However, there have been some high profile examples of local cabinet members resigning as a result of failures in the service they oversee. The case that made the national media related to the failings in child protection in Haringey and the resignation of the relevant portfolio holder (along with the leader and the sacking of a member of staff).⁴ Another example from Milton Keynes relates to a failure in a school building project.⁵ However, there are other reasons for cabinet members to leave office, for example to pursue outside interests, or because of personality clashes, or, in one case, a reported involvement with gun-running in the distant past.⁶

Here, I discuss four ways in which national and local politics potentially diverge: the motivations of politicians may be different at the different levels; local council leaders have a smaller pool of politicians from which to select their cabinets especially if they have a small majority; the level of task complexity for local portfolio-holders is lower

⁴ <<http://www.communitycare.co.uk/Articles/2008/12/01/110138/baby-p-haringey-leader-and-childrens-cabinet-member-resign.htm>>

⁵ <http://www.miltonkeynes.co.uk/news/local/council_boss_urged_to_resign_1_866019>

⁶ <<http://www.telegraph.co.uk/news/politics/conservative/3543467/Tory-councillor-quits-cabinet-after-former-membership-of-IRA-disclosed.html>>.

than in national government; and, at local level in England the electoral cycle is fixed which breaks the link between an administration collapsing and new elections. One of the key assumptions of most analysis of national cabinet politics is that, for whatever reason, politicians seek and wish to retain executive office (in their conclusion Berlinski *et al.* 2007 discuss whether this is always the case). Whether or not it is a safe assumption at national level when we move to local politics we are studying a group of individuals who may have careers to attend to outside local government. There are certainly councillors who do not seek cabinet position either because they have a full-time job, a family or because they wish to enjoy their retirement. Nevertheless, even taking into account these factors, the appeal of holding or not holding cabinet position is likely to still be related to, for example, how much political conflict there is or how well the services for which a cabinet member is responsible are performing. That is to say, length of cabinet tenure will have some relation to politics and performance and so can still play a role in accountability.

Another significant difference between national and local governments is that the smaller size of local councils gives leaders less freedom to shuffle or remove cabinet members (although this may also be a problem nationally, Dewan and Myatt, 2010). Local leaders have to find their cabinet from a small pool of politicians, the size of which depends on the size of the parties in the administration and the willingness of members to take up cabinet positions. This scarcity may limit the scope for leaders to use selection and removal as tools to manage cabinets.

The third difference is that at national level the size and complexity of government is such that it may be difficult for a leader to 'keep tabs' on the decisions and performance of their cabinet. At the local level this problem is significantly mitigated. Local government is less complex than national politics and over the last decade the administrative centres of local government have been strengthened by a plethora of performance monitoring structures and the increasingly important role of the chief executive and corporate directors in the administrative structure. These changes allow leaders access to the type of information which may be useful in managing political performance. Having said all that, the monitoring problem that leaders face is not trivial. Local government in England is large compared to many systems, it is responsible for the delivery of a range of complex services and portfolio holders typically do have 'their own' officials who provide them with information and support.

Finally, a fourth structural difference between local and national is the relationship between the collapse of political administrations and the timing of elections. Elections in local authorities operate on a fixed timetable, there is no scope for local leaders to call an election, so if the cabinet loses the confidence of the council then a new administration has to be formed from the existing body of politicians. The electoral system of English local government adds a further complication because in a large proportion of councils the elections occur 'by thirds'. In these authorities, the council as a whole never stands for election⁷ instead a third of council seats are up for election in a given year, with one year out of four left 'fallow' when no election occurs. The implications of this are that the balance of the council can change more frequently where elections occur by thirds compared with where all out elections are held, and different politicians within a cabinet will be due for re-election at different times.

In summary, a fundamental concern with the application of the research on ministerial careers to local cabinets is that the nature of local politics is simply different, perhaps less competitive, or less calculating or less ideological than national politics. The approach of this paper is to assume that local cabinets are political institutions like other political institutions and are subject to fundamentally similar pressures. There is some evidence that indirectly supports this position. Bochel and Bochel's (2010: 733-4) paper discusses the way that council leaders in a variety of authorities think about the process of selecting cabinet members and allocating portfolios. Leaders are well aware of the importance of these powers but as Bochel and Bochel point out in the context of multi-party coalition the leader's discretion is constrained with respect to cabinet selection and portfolio allocation. Greasley and John (2011) presents some evidence that where leaders have powers related to the management of cabinets (selection and portfolio allocation) the relative performance of their council as judged by citizens is improved. This finding is consistent with, although hardly proof of, the proposition that selection, management and removal of executive members plays an important role in achieving political accountability. However, there is remarkably little direct evidence on the careers of local cabinet members. The next section provides an initial exploration of cabinet stability. It starts with an overview of urban councils in England, exploring the relationship between elections, leader change and cabinet stability over a five year period. The paper then focuses on the experience of the London Boroughs over a single election cycle.

⁷ With the exception of immediately after a periodic electoral review and a redrawing of boundaries.

4. Cabinet Stability: An Initial Exploration

This section explores how frequently politicians leave local political cabinets. The aim is to present an overview of the level of stability in local executive political leadership and to start to understand how much of it is driven by factors such as electoral change. If cabinet membership only really changes with elections or change in political control then that would be strong evidence that leaders are not using their powers to remove poor performing portfolio holders. In that case, researchers would need only to understand the aggregate measures of political instability: electoral change and change in administration. This section shows that while these aggregate factors exercise an important influence on executive member turnover they are by no means the whole story.

The advantages of studying local governments are that there are multiple cases to analyse and that many factors are held constant. The downside is that the required information may not be available and where it is available it is often dispersed and requires significant work bringing it together. The data for this paper was taken from the official papers of local councils accessed via their websites. For each council year (normally running from May to April) the names of cabinet members and the leader at the start of the year were recorded. In many cases these names were reported in the minutes of the Annual Meeting of the council, failing that a second source of cabinet membership is the agenda of cabinet meetings which often lists the names of cabinet members. If the names of cabinet members could not be found using either of those methods the membership of a cabinet was constructed using the minutes of cabinet meetings. Where this final source was used, names from the minutes of the first meeting of the council year (typically in May) were checked against the minutes of at least the two subsequent cabinet meetings.

The data relates to the English urban local authorities namely the metropolitan boroughs, the London boroughs and the unitary authorities.⁸ It includes information on 114 councils and cabinet memberships from 2004/05 to 2009/10. The primary unit of analysis in the data is the 'council-year'. In this paper I am interested in stability and change, consequently the first year of observations for any council drops out - nothing can be said about the change in cabinet in 2004/05 because the information on cabinet membership in 2003/04 is not included in the data. The focus is on members leaving the cabinet (from this point forward referred to as 'leavers'), hence the measure of change for 'council A in year 2' is the number of politicians' names in a cabinet at the start of 'year 1' that do not

⁸ It does not include the 're-organised' unitary authorities that came into being in 2009.

feature in the cabinet at the start of 'year 2'. So, for example, if the 2006/07 cabinet of Barking and Dagenham is missing 2 names that were in the 2005/06 cabinet, then for the council-year 'Barking and Dagenham 2006/07' the value of 'leavers' would be 2. For some councils, there are gaps in data in the earlier years of the time period, in total there are 511 'council-year' observations in the dataset for which the change data discussed in this section is available.

On average 1.88 members left a local cabinet in a council-year, the median number of leavers in a council-year was 1 and in just under 31 per cent of the council-years there were no leavers. The maximum number of changes that can occur is 10 (the maximum size of a cabinet) but some cabinets have fewer than 10 members, to account for this variation in cabinet size the percentage of a previous year's cabinet members that had left by the subsequent year was calculated.⁹ On average just under 21 per cent of members were leavers in any given council-year (see Table 1 for a summary). This average is inflated by the cases where a council as a whole changes political hands but not as much as might be expected. This is because, firstly there are not that many examples of change of political control in the data (45 cases) and secondly, changes in political control frequently involve a move from 'no overall control' to a single party majority (or vice versa), in such cases it is not unusual for some of the sitting cabinet members to survive in office. Considering only those instances where there had been no change in the political control (466 cases) an average of 17 per cent of previous year's cabinet members were leavers, but where there had been a political change an average of 58 per cent were leavers.

The direct effect of electoral factors can be removed from the analysis by looking only at those cabinet-years where no election was held. There were 302 observations where there was no election, and on average in these cases 13 per cent of cabinet members left office (compared to 31 per cent where there was an election). There were also still a few examples where the whole of a cabinet left office even when there had not been an election, these cases are likely to represent the collapse of multi-party coalitions or minority administrations and their replacement by rivals from other parties.

In one of the high profile examples of local cabinet resignation discussed earlier, both a cabinet member and the leader resigned. In this data the leader changed in 93 of the

⁹ Percentages are also problematic here, because the denominator is so small they are very sensitive to small changes.

council-years (approximately 18 per cent), and this was quite strongly correlated with the percentage of cabinet leavers in a council year (Kendall's tau $b = .36$; $p = .000$). In cases of change in political control we would expect the cabinet and its leader to go down together although the relationship is more complicated in transitions from or to no overall control. Looking only at those cases where there had been no change in political control, although the correlation is not as strong, there is still evidence of a moderate relationship between change in leader and percentage of cabinet leavers (Kendall's tau $b = .25$; $p = .000$)¹⁰.

Table 1. Average percentage of cabinet leavers per council-year, by political context

| | Average % leavers |
|--------------------------|-------------------|
| Overall | 21% |
| Change political control | 58% |
| No change | 17% |
| Election year | 31% |
| No election year | 13% |
| Leader change | 48% |
| No leader change | 12% |

This initial look at cabinet member tenure demonstrates that political change, election years and leader change are quite strongly associated with an increase in the average proportion of leavers. Having said that, there does also seem to be a certain amount of change that is not associated with those factors. As Figure 1 shows, the number of leavers per council-year does tend to be lower when there is no election and the distribution for non-election years is more skew, with a large minority of cabinets losing no members (left panel). However, there remains a fairly substantial level of change in evidence.

It is difficult however to understand from this analysis the substantive importance of this instability for councils. For example, the changes that do occur may have been concentrated in a few councils which had considerably greater instability than others or they may have been spread evenly across councils with many experiencing a relatively low level of change. The next subsection looks at this question by focusing only on the London Boroughs over a single electoral cycle.

¹⁰ There is little change if the no overall control councils are also taken out.

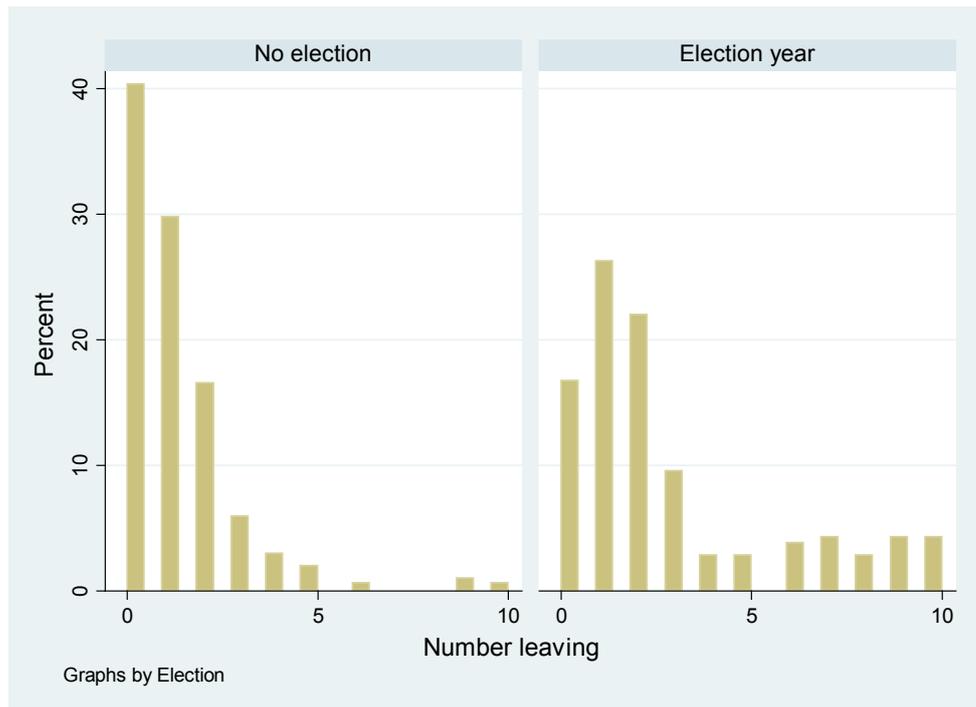


Figure 1. Number of cabinet-leavers, election year compared to no election year

Cabinet stability in London

There are thirty-two London Boroughs that govern the capital along with the Mayor of London and the Greater London Authority. On average they serve populations of just over 235,000 people, ranging from the smallest (Kingston-upon-Thames) at 160,000 to the largest (Croydon) at nearly 337,000. London Boroughs share the same election timetable and they have all-out elections every four years so there is an extended period of operation without an election looming. This makes them a useful setting to look at variation in cabinet stability across time. The data in this subsection starts with the elections of May 2006, and then measures changes in cabinet membership until the start of the final year in the electoral cycle in May 2009. This means that there is information on three rounds of possible changes (2006/07 – 2007/08; 2007/08 – 2008/09; 2008/09 – 2009/10). As before, if a politician who was in the cabinet at the start of the 2006/07 year was absent from the cabinet at the start of 2007/08 then this is coded as the end of their tenure.

Figure 2 shows how many leavers there were per council over the whole electoral cycle. Only four London Boroughs went through to the start of the final year without a cabinet member leaving: Hillingdon, Lewisham, Newham and Sutton. Figure 2 does suggest that the distribution of leavers across councils was not even and that cabinet instability in

London over this period was concentrated in a small number of authorities. The highest score was eleven in Tower Hamlets, with Redbridge and Southwark also experiencing a relatively large number of leavers. One implication of this is that, for these councils at least, it seems unlikely that the end of cabinet careers can be satisfactorily explained by personal or idiosyncratic factors, it looks as if there were certain councils that experienced greater instability for whatever reason. Looking at the most unstable – Tower Hamlets, Redbridge, Southwark – Southwark had no single party in overall control, Tower Hamlets had a Labour majority and Redbridge had a Conservative majority. Political conflict may be important in these councils, but if it was it was occurring within as well as between parties. A second feature to note is that the three mayoral authorities in London are all clustered towards the left of the figure, they had relatively stable cabinets and this may reflect the strength of position of the mayors in selecting their executive members.¹¹

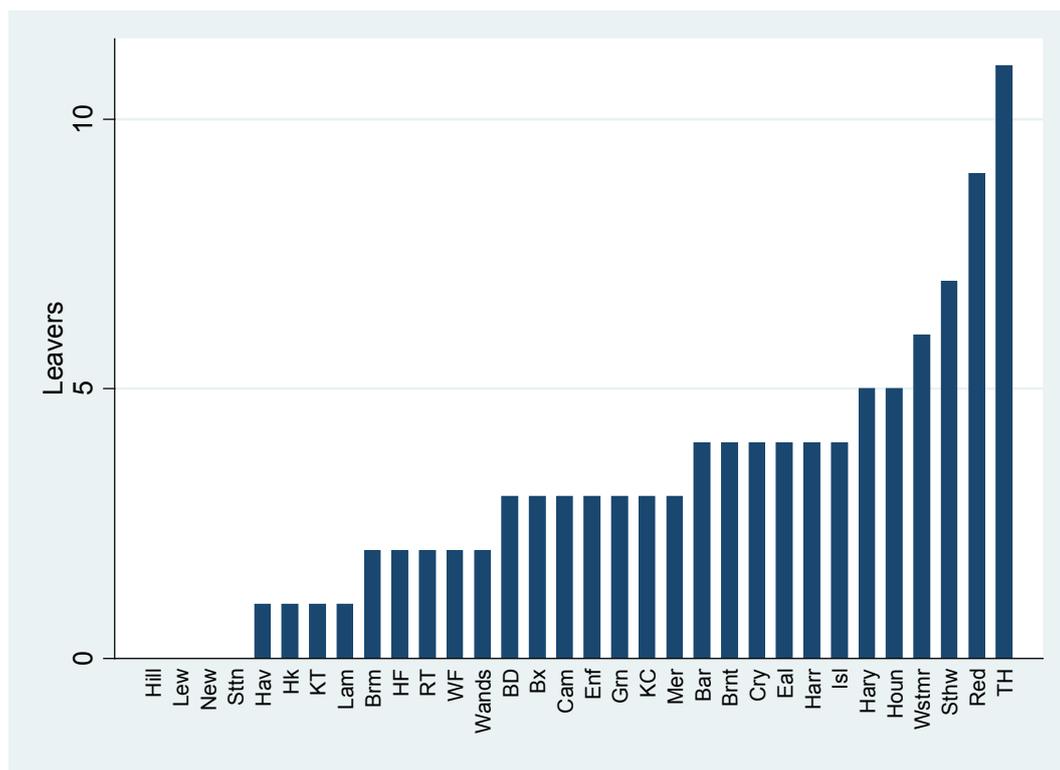


Figure 2: Number of ‘cabinet-member terminations’ (including leaders) 2006/07 – 2009/10, London Boroughs¹²

¹¹ This does not generalise to all mayoral authorities in England, some of which have experienced considerable instability.

¹² A key to council labels can be found in the appendix at the end of the paper.

The first part of this section showed that there were non-trivial levels of cabinet instability in English city councils even when looking only at council-years which did not experience elections or political change. Although the instability of cabinet membership is related to political change, elections and leader change it is also in part independent of these factors. The second part of this section showed that in London Boroughs between elections the level of instability was not evenly spread, a small group of councils experienced greater churn suggesting that there may be council level variables explaining stability and instability in local cabinets. As yet there is little that can be said about what may be causing instability and what the consequences of it are. This is an important priority for future research.

5. Conclusions

Stability of leadership can be crucial for the effective operation of democracy but whether it is good or bad will depend on contextual factors. If government is performing well then excessive churn in leadership positions may damage policy making. It may make strategic decision making difficult and it will give leaders the incentive to pay attention to the short term rather than the long term. On the other hand, where cabinet members hold long tenures this may indicate unresponsiveness and a lack of accountability in the political system. If the performance or policy making in a policy area is poor then changing the politician with direct responsibility for the area is one of the possible responses. The difficulty for democracies is that it is often really difficult to distinguish between these two conditions because sometimes organisational performance may have to dip before it can improve. For example, responsible politicians with an eye on the long term performance of a government may have to take unpopular decisions in the short term, but is it possible to distinguish them from politicians who are unpopular because they are bad at their jobs? The tenure of cabinet members reflects how this balance is being struck. The role of local portfolio holders was arguably very important to the success or failure of the institutional reforms under the Local Government Act 2000 but it has received limited research attention. The analysis here explores an aspect of the variation in the context in which these portfolio holders have had to operate. Some cabinets are populated by members who can be confident that they will be in post for some time in other cabinets the future of its members is less secure.

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Appendix: Key to labels, Figure 2

| | | | |
|------------------------|-------------|------------------------|--------------|
| Barking and Dagenham | BD | Kensington and Chelsea | KC |
| Barnet | Bar | Kingston upon Thames | KT |
| Bexley | Bx | Lambeth | Lam |
| Brent | Brnt | Lewisham | Lew |
| Bromley | Brm | Merton | Mer |
| Camden | Cam | Newham | New |
| Croydon | Cry | Redbridge | Red |
| Ealing | Eal | Richmond-upon-Thames | RT |
| Enfield | Enf | Southwark | Sthw |
| Greenwich | Grn | Sutton | Sttn |
| Hackney | Hk | Tower Hamlets | TH |
| Hammersmith and Fulham | HF | Waltham Forest | WF |
| Haringey | Hary | Wandsworth | Wands |
| Harrow | Harr | Westminster | Wstmr |
| Havering | Hav | | |
| Hillingdon | Hill | | |
| Hounslow | Houn | | |
| Islington | Isl | | |

Local Government Improvement in England: Policies, Progress and Prospects

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Steve Martin

Centre for Local & Regional Government Research
Cardiff University, UK



Abstract

Whilst many countries have been devolving power to the sub-national level England has moved in the opposite direction. For the last decade English local government has been subjected to tight top down performance monitoring and financial controls. The evidence suggests that these policies have helped to encourage significant improvements in performance. However critics argue that they have been costly to implement and have undermined local democratic accountability. In response to these concerns the current government has promised to sweep away external assessment in favour of self-regulation by councils and in-depth scrutiny by citizens. This 'new localism' poses important questions for both policy makers and researchers. In particular how far will the promised reforms actually go and what impacts will they have on the service standards?

Keywords

Local Government, Performance Management, New localism, Decentralisation

Introduction

Successive governments in the UK have exerted tight control over local authority services and spending. Leading local government figures and commentators railed against what they see as the erosion of local autonomy but proved powerless to stem the rising tide of centralisation. Opposition parties frequently pledged to hand powers back

to local government only to renege on their promises once in office. All this changed however in the summer of 2010 when ministers in a newly elected coalition government moved swiftly to begin the process of dismantling the top down performance frameworks they had inherited from their predecessors (Grace 2010).

This paper examines the impacts of the performance monitoring of English local authorities by central government between 1997 and 2010 and assesses the prospects for the very different policies that are now being pursued. It draws on an analysis of performance data undertaken as part of a major programme of longitudinal evaluation of the previous government's policies plus an examination the key policy statements and legislation issued by the current government. The first section charts the loss of local autonomy under both Conservative and Labour administrations over the last thirty years. The second section examines the impacts that these policies had on local services. The paper then turns to the current government's proposals. It argues that they could mark a decisive break with the experiences of the last thirty years but there are a number of problems and potential pitfalls which pose important questions for future research.

The Rise of Centralism

The hollowing out of the local state under the Thatcher and Major governments which held power in the UK between 1979 and 1997 has been well documented. Their policies were inspired by the 'New Right' which saw public sector bureaucracies as inefficient and unresponsive compared to the private sector. Compulsory competitive tendering (CCT) led to the externalisation of swathes of local government services to the private sector (Rao and Young 1995; Walsh et al. 1997; Boyne 1998; Choi 1999; Vincent-Jones 1999). Other traditional local government functions were transferred to local appointed bodies controlled by unelected boards comprising local politicians, business people and community representatives. Council house tenants were given the right to buy their homes at reduced rates and remaining stocks were transferred to arm's length companies. Schools were encouraged to opt out of local authority control.

Local government spending was tightly controlled and its performance increasingly monitored by the centre. Ministers dictated how much funding local authorities received by capping 'excessive' council tax increases and ring fencing grants for use by specific services (Fender and Watt 2002). Meanwhile the Audit Commission was created in 1983 to check that local councils were achieving economy, efficiency and effectiveness

(McSweeney 1988). A decade later it was given responsibility for designing and auditing statutory performance indicators which councils had to use so that their performance could be compared over time and between areas (Humphrey 2002).

There was fierce local opposition from public sector trades unions to what they regarded as an assault on their members' pay and conditions, and many Labour controlled authorities sought to find ways around CCT legislation. But the lack of local fiscal autonomy (around 80 percent of local authority expenditure in the UK is met from central government grants) and the absence of any constitutional guarantees of local government's roles or even its continued existence meant that ministers were able to abolish the largest authorities which were the most vocal critics of government policies.

In some respects the 'New Labour' Government led by Prime Minister Blair picked up where the New Right had left off. But there were important differences. The Conservatives' strategy had been to divest the state of responsibility for service delivery through privatisation. By contrast Labour promised to invest in local government so long as it signed up to a programme of modernisation. Blair and his advisers were reluctant 'to trust their party colleagues in local government with money or functions, or even with the unchaperoned exercise of common party purposes' (Walker 1998, p.4). They feared that the actions of what the popular press had labelled 'Loony Left' councils would prove a political liability, threatening Labour's prospects of winning a second term in office. The 1998 Local Government White Paper therefore made it clear that in the Government's view 'The old culture of paternalism and inwardness' had to 'be swept away' and local authorities were expected to embrace 'a demanding agenda for change' (Cmnd 4014). Ministers pledged to abolish CCT and 'crude and universal capping' of local authority budgets (Cmnd 4014, para 5.7). However in a speech to a conference of Labour local council leaders, the Prime Minister warned 'If you are unwilling or unable to work to the modern agenda then the government will have to look to other partners to take on your role' (Blair 1998). According to his advisers local government was 'drinking in the last chance saloon'.

In 1999 responsibility for overseeing most aspects of local government policy in Scotland, Wales and Northern Ireland was devolved to newly created administrations. Ministers in these countries adopted a more consensual approach to their dealings with local authorities. There were few hypothecated grants and little enthusiasm for

contracting out services or top down performance monitoring (Downe et al. 2010). By contrast English councils became subject to an unprecedented level of external inspection and financial control from the centre (Lowndes 2002). Over the following decade they received large year-on-year increases in the level of central government grants to local authorities. But ministers retained powers to limit council tax rises in order to guard against what they regarded as excessive increases and they tightened controls on how councils spent the funding which they were given by increasing the number of 'ring fenced' grants, particularly in education which accounts for almost 40% of local authority spending (Travers 2004). By 2010 more than two thirds of central government funding to English local authorities was ear marked by ministers for specific purposes; just 31% was given to them as a block grant (HM Treasury 2010).

Labour ministers were also keen to see the private sector play an increased role in the provision of local public services. In their view the problem with CCT was that the way in which it had been implemented had 'led to unimaginative tendering, and often frustrated rather than enhanced real competition' (Cmnd 4014, para 7.22). On average contracts advertised between 1989 and 1992 attracted fewer than one external bid (Walsh and Davis 1993), and even after more than a decade of CCT internal providers were still winning well over half of all tenders and almost three quarters of the estimated £2.4 billion worth of business covered by the legislation (LGMB 1997). The top-down imposition of market testing had, the Labour Government argued, poisoned relationships between public and private sectors, and the emphasis on economy had led to a decline in service quality as in-house and external bidders alike were forced to pare tenders to the bone in order to secure contracts (Walsh et al. 1997; Coulson 1998).

For all these reasons CCT was replaced with a new duty of 'Best Value' which, far from doing away with externalisation, was designed to 'create the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services at a competitive price' (Cmnd 4014, clause 7.30). Section 4 of the 1999 Local Government Act required authorities to put in place arrangements to secure continuous improvement in the discharge of all of their functions. To comply with this new duty they had to submit services to a series of 'tests of competitiveness'. If 'other more efficient and effective means' were found to be available services had to be outsourced (DETR, 1998 p. 20). To ensure that authorities complied with this new duty ministers introduced a performance management framework

which required every council to conduct fundamental reviews of all of its functions over a five year period (Ball et al. 2002) and publish annual plans setting out details of current performance and targets for future improvements.

For the first time all local services were now subject to external inspection and the Secretary of State was given powers to intervene directly where authorities failed to conduct sufficiently robust reviews or there was thought to be a risk of serious or persistent underperformance (DETR 1999). To monitor improvements the Government devised more than 200 Best Value Performance Indicators (BVPIs) covering frontline and corporate services which came with 287 pages of guidance designed to ensure that data collected by councils were comparable (Boyne 2002).

Within a year this highly bureaucratic regime had run into serious difficulties. Most authorities undertook a far larger number of much more narrowly focused reviews than the Government and the Audit Commission had anticipated. As a result it was impossible for inspectors to scrutinise them all. More importantly, senior officials had come to the view that inspecting services in isolation was unlikely to get to grips with the root causes of underperformance. The experience of early interventions in so called failing councils pointed to underlying problems in their corporate systems. The Audit Commission concluded that 'serious and sustained service failure is also a failure of corporate leadership' (Audit Commission, 2002: 19). Inspecting services in isolation was therefore of limited value because 'Without clear corporate leadership for change it becomes a very negative task based process' (Audit Commission, 2001: 14).

As a result from 2002 onwards the Government introduced a new framework known as Comprehensive Performance Assessments (CPAs). These judged the overall performance of each council and categorised them on a five point scale - 'poor', 'weak', 'fair', 'good' or 'excellent'. Services were divided into seven main 'blocks' (environment, housing, culture, fire and rescue, services to children, social care and benefits administration) in the case of upper tier and unitary authorities, and four (housing, environment, culture and benefits administration) in the case of district councils. Scores for each of these groupings were weighted according to their importance to national government and then aggregated to give an overall 'performance' score. This was then combined with an assessment of the council's 'corporate capacity' to provide an overall rating. The results for the 150 single tier and county councils in England were

published annually. Those for district councils and fire and rescue authorities were published less often. Authorities that were placed in the bottom two categories were subject to external intervention and support which often resulted in the removal of senior managers and in some cases political leaders.

Over time the CPA methodology was refined to provide what the Audit Commission called a 'harder test'. Assessments of the main service blocks remained largely unchanged, but the five point scale was replaced by a four point star rating system ranging from 'no star' to 'three stars'. Meanwhile the criteria for assessing corporate capacity were broadened to include the quality of an authority's partnerships with other local agencies, its effectiveness as a community leader and the way in which it managed resources (Downe 2008). In April 2009 CPAs were superseded by Comprehensive Area Assessments (CAAs) which assessed all of the key public services in a locality (Audit Commission 2011). CAAs were intended to provide an independent and 'joined up' assessment of the quality of life in each locality. There were two main elements. An Area Assessment focused on priorities set out in local area agreements which had been agreed with central government departments. The police, health service, local authority and fire and rescue services were also subject to Organisational Assessments which evaluated their own management and performance. Unlike CPAs, area and organisational assessments did not involve primary data collection. They relied on existing inspection reports, external audits and a slightly reduced set of 190 statutory performance indicators.

The rationale for the introduction of CAAs was twofold. First, they were supposed to enable the seven different local inspectorates (the Audit Commission, Commission for Social Care Inspection; Healthcare Commission; HM Inspectorate of Constabulary; HM Inspectorate of Prisons; HM Inspectorate of Probation; and the Office for Standards in Education, Children's Services and Skills) to coordinate their activities and therefore reduce the burden of inspection on local agencies. Second, they were designed to encourage local service providers to work together to tackle deep seated economic and social issues (such as economic regeneration; care for older people; the number of young people not in education, employment or training; shortages of affordable housing; environmental sustainability; crime; violent extremism; and ill health) which were not the sole preserve of any of them but required concerted action by a range of different sectors.

The Impacts of Centralism

Many observers were fiercely critical of what they saw as the Labour Government's unwarranted interference in local affairs. Stewart (2003: 253) complained of 'over-prescription; over-inspection and over-regulation'. Wilson (2003) accused ministers of 'control freakery gone mad'. Davies castigated them for 'double dealing' – talking up devolution whilst doing the opposite. Top-down performance frameworks had, he claimed, led to an 'intensification of managerialism at the expense of local democracy' (Davies 2008: 4). As a result councillors had become 'little more than elected managers, rather than local politicians able to articulate and act upon the wishes of the citizenry' (Copus 2006: 5).

According to its detractors, New Labour's approach was wrong both in principle and practice. For them local government was closest to and therefore best placed to understand the needs of local communities. The imposition of external inspection betrayed a lack of trust in local councillors and was an insult to their local democratic mandate. External performance regimes were said to foster a compliance mentality which stifled innovation (van Thiel and Leeuw 2002: 270). Accountability was channelled upwards to ministers, robbing councils of the flexibility they need to be responsive to local priorities. Inspection was also costly. According to government figures, by 2005 the direct costs of the local government inspectorates in England amounted to £97 million per annum (ODPM/HM Treasury 2005), and research found that councils devoted an average of 597 staff days per annum to preparing for and managing inspection site visits (Downe and Martin 2007). The time taken up by this 'paperwork' could, it was argued, have been better spent on the core task of managing 'frontline services' (Hood and Peters 2004: 278). Some scholars also questioned the rigour of the performance assessment methodologies. Andrews (2004) criticised CPAs for failing to take account of the impact of deprivation on performance. Jacobs and Goddard (2007) and Cutler and Waine (2003) argued that star rating systems were misleading because they mask the complex and multi-faceted nature of performance and aggregate scores were determined largely by the weightings that were used. Maclean et al. (2007) showed CPA judgements to be a poor predictor of future performance.

However, there is evidence that the combination of large increases in spending and top down performance management regimes was associated with significant performance improvement. Analysis of Best Value Performance Indicators showed that whilst there

were variations between services, most registered significant improvement and some (notably waste management and culture services) achieved spectacular gains (Martin 2009a). These data need to be treated with some caution because the number of indicators per service is small and there were differences in the rate of change registered by different indicators within some services. For example two of the three indicators of performance in children's social services declined slightly whilst the third increased by almost 100 percent. However, other sources confirm the picture of overall improvement. Over time CPA scores increased in nearly all services. Between 2002 and 2008 almost three quarters (72 percent) of authorities moved up one or more categories in terms of their overall performance. The proportion ranked in the top group rose from 15 to 42 percent, whilst the numbers in the lowest two groups decreased from 23 percent to 3 percent (Audit Commission, 2009). By 2006 almost all of the 150 unitary and upper tier authorities in England were judged by the Audit Commission to be improving (Table 1).

Table 1. Improvement judgements by the Audit Commission

| | % of authorities | | | | |
|-----------------------|--------------------------|----------------------|----------------|--------------------|--------------|
| | Not improving adequately | Improving adequately | Improving well | Improving strongly | Under review |
| London Boroughs | 0 | 3 | 72 | 18 | 6 |
| County councils | 0 | 15 | 59 | 6 | 21 |
| Metropolitan boroughs | 0 | 28 | 56 | 6 | 11 |
| Unitary authorities | 2 | 28 | 55 | 4 | 5 |

A third source of evidence about local government performance was provided by household surveys undertaken in 2000/2001, 2003/04 and 2006/07. Each council was required to achieve a minimum sample size of 1,100 residents which produced a national sample of over 562,000 respondents. Results were then weighted by age, gender and ethnicity. Analysis of these data showed that between 2003/04 and 2006/07 there were increases in public satisfaction with all of the services covered by the survey except for household waste collection, theatres and concert halls, and museums and galleries (Table 2). The three services in which satisfaction went down might be considered special cases. Perceptions of waste collection were adversely affected by a move from weekly to fortnightly services in response to European Union targets designed to reduce the volume of landfill. Theatres, concert halls, museums and galleries are all discretionary services which many councils do not offer.

Table 2. Percentage change in public satisfaction 2003/04-2006/07

| | District councils | County councils | Unitary authorities | Metropolitan boroughs | London Boroughs |
|------------------------------|-------------------|-----------------|---------------------|-----------------------|-----------------|
| Museums and galleries | -2 | -2 | -1 | 0 | -1 |
| Waste collection | -7 | N/A | -6 | -3 | +4 |
| Theatres and concert halls | -8 | -3 | -3 | -3 | -1 |
| Parks and spaces | +1 | +3 | 0 | +1 | +4 |
| Sport and leisure | +5 | +4 | +1 | +1 | +4 |
| Public transport information | N/A | +3 | +2 | +4 | +9 |
| Tips | N/A | +1 | +3 | +4 | +10 |
| Libraries | +5 | +5 | +4 | +4 | +6 |
| Recycling | +1 | N/A | +3 | +4 | +10 |
| Local buses | N/A | +6 | +5 | +4 | +11 |
| Cleanliness | +6 | N/A | +7 | +7 | +13 |

Research on the reasons for these performance improvements suggests that external inspection was an important stimulus for change. Local government managers and national policy makers reported that CPAs had been a particularly effective driver of change (Downe and Martin 2006). Similarly, although local authorities, police and health bodies were critical of the burdens which CAA placed on them, most believed that it had encouraged better joint working and focused attention on important public service outcomes (Hayden et al. 2010). Comparisons with Wales and Scotland, which eschewed the kinds of hard edged performance frameworks adopted in England, paint a similar picture. They suggest that local government performance has not improved as rapidly in these countries (Martin et al. 2010; Andrews and Martin 2010), a finding which is consistent with research in the health services which also shows that top down targets in England led to more rapid improvements than was achieved in other parts of the UK (Bevan and Hood 2006).

The Prospects for ‘Localism’

Given the evidence of performance improvement under New Labour it is perhaps surprising that in the run up to the 2010 General Election all three main political parties promised to shift power away from central government and back to localities. In truth Labour ministers had already started to pull back from top down performance

management and to emphasise the importance of engaging with local communities (DCLG 2008). They argued the improvements that had taken place meant that some controls could now be relaxed. The former head of the Prime Minister's Delivery Unit suggested that inspection became less necessary and less productive as public services moved performance levels which he described as 'awful to adequate' (Barber 2007). More importantly local government faced tough new challenges. Spending cuts meant that they were going to have to transform the way they delivered services in order to make huge efficiency savings (Davis and Martin 2008). Meanwhile the main opposition parties saw top-down performance assessments as emblematic of all that was wrong with the approach to public services reform pursued by Prime Minister Blair and his Chancellor (and successor) Gordon Brown. The Liberal Democrats were long standing champions of decentralisation, whilst Conservative shadow ministers pledged to wage war on 'Labour's culture of control'. They would, they said, take power away from the bureaucrats (including inspectors) in order to 'make local councils accountable to local people' and give them 'the freedom to respond to the demands made by those local people' (Conservative Party 2009).

The early indications were that the Conservative-Liberal Democrat coalition government which came to power in 2010 intended to act on these promises. One of the first acts of the new Secretary of State for Communities and Local Government was to instruct the inspectorates to stop all work on the next round of CAAs. Then within three months - without any prior warning or consultation - he announced the abolition of Audit Commission, accusing it of having 'lost its way'. Responsibility for external auditing of local authority accounts is to be transferred to the commercial sector with accounting standards overseen by the National Audit Office. Standards for England, a body created by Labour to oversee a framework designed to ensure that local politicians maintain good standards of conduct, was also abolished. The Department of Health subsequently announced an end to annual performance assessments of councils by the Care Quality Commission and the schools inspectorate began to phase out its annual assessments of children's services. The Government explained that its actions were intended:

to free up local authorities to enable them to be innovative in the delivery of services, rather than merely seeking to raise performance against centrally established criteria to achieve good inspection results. Local authorities will have the freedom to deliver services in ways that meet local needs, and will be accountable for those services to their electorates. These principles are key elements of localism (DCLG 2011: para 22).

Government departments will continue to have a role in specifying and aggregating information which is 'of national importance' or required to ensure accountability to Parliament. But 'the principal aim is to reduce the burden of data collection on local government' (DCLG 2011: para 25).

In line with these proposals, the budget of the Department of Communities and Local Government has been cut by about a third, diminishing its capacity to monitor local government and the Government's regional offices, which played a key role in performance management of local government under Labour, have been closed. According to ministers, the emphasis will now be on providing citizens with the information that they need to hold councils to account and it will be up to local authorities to decide what data to release and how to make them available. A 'Localism Bill' introduced in Parliament in December 2010 (House of Commons 2010) proposed a number of changes which apparently give councils more autonomy. They will be granted a general power of competence and can choose revert to the traditional committee system that was abolished by Labour. However, other changes will be imposed on local authorities. Twelve of the largest English cities will be forced to install directly elected mayors and all councils will be required to publish details of their senior staff pay. The Localism Bill therefore sends out mixed messages which can be read in at least four different ways.

One interpretation it is a sham. Critics have been quick to point out that ministers retain the powers which their predecessors took to intervene in authorities. The Society of Local Authority Chief Executives complained that the bill has a distinctly 'Orwellian quality'. It asked 'how on earth can we maintain the fiction that this is a Localism Bill when it has 142 new regulatory powers for the Secretary of State?' and concludes that 'This is centralist, not localist, and does nothing in pursuit of the government's desire to usher in a "post-bureaucratic age"' (SOLACE 2011).

A second interpretation is that the Bill is a genuine attempt by the Department of Communities and Local Government (which has been responsible for drafting the legislation) to devolve power but that other departments are less committed to this agenda. In particular it remains to be seen whether the Departments for Education and Health, which oversee the largest spending local authority services, will follow its lead. Some commentators see the absence of any fundamental change in local authority

funding as the ‘acid test’. There has been a reduction in the amount of ring fencing, but ministers will continue to determine how much funding is available to each council. There are proposals to localise control over non-domestic rates but even if this does eventually happen English local authorities will still not have the same degree of fiscal autonomy enjoyed by their counterparts in many other parts of the world.

A third interpretation is that ministers are serious about devolving power but not to local authorities. According to this view the government wants to hand control to local communities than to local councillors. The aim would be to empower citizens in line with the Prime Minister’s vision of creating a ‘Big Society’ where people take more responsibility for their own well being and the state does and spends less (Cabinet Office 2011). This would mean that local groups take over the running of services from local authorities and play a more active part in local decision making. Whilst the Local Government Association (the main representative body of local authorities in England) has repeatedly argued that councils should regulate their own performance (De Groot 2006; IDeA 2009; LGA 2011), the Secretary of State has emphasised the importance of enabling local people to keep local authorities in check, even though evidence from household surveys suggests that few citizens have any real appetite for doing so (Martin 2009b). As a senior civil servant explained it to me, ‘We’re looking to leap frog over local government and empower local people’.

Fourth, it could be argued that the ‘new localism’ is being used by ministers as a cloak for spending cuts. Between 2011 and 2014 local authorities will be asked to reduce their spending by around a quarter. With much of the pain being ‘front end loaded’, councils are being forced to shed staff and reduce services and in this context localism might be seen as a way for ministers to put some distance in the voters’ minds between themselves and reductions in local services. Whereas the Blair/Brown governments handed local authorities additional funding in the expectation of significant improvements in performance, Prime Minister Cameron is offering local government freedom from central controls in return for doing the dirty work of cutting services.

The eventual scope and significance of the coalition government’s localist agenda is difficult to predict. However whatever course it takes, two things are clear. First, English local authorities face a different and difficult future and a range of new challenges. Second, the sharp break with the central government policies of the past presents new

opportunities for scholars, opening up an intriguing research agenda on the impacts of the ‘hands off’ approach promised by the current crop of ministers.

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Municipal Local Economic Development and the Multiplier effect: Piloting a Community Enterprise Identification Method in South Africa and Namibia

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Lucienne Heideman

P3 Project: Partnership-Participation-Progress¹
South Africa



Abstract

Local Economic Development (LED) is a contested concept in southern Africa, and has become synonymous with delivery of generic job-creation projects, often grant-dependent and unsustainable. Municipal LED has followed this pattern in South Africa since 1994, with little lasting success. Each local economy is unique, and has its own problems and opportunities. The 'Plugging the Leaks'² method recognizes that communities themselves know best how money enters and exits their area. By asking people to analyse their local economy as a 'leaky bucket', the method puts control back in the hands of local people, rather than external experts, and allows them to analyse their own local economy to identify gaps and opportunities for enterprise. By better networking and working collectively to improve their local economy, local communities are able to re-circulate cash internally. This circulation of cash is explained as the local multiplier effect in the workshops.

¹ Funded by the European Union and the Swedish International Development Agency

² As developed by the New Economics Foundation. For more information visit <www.pluggingtheleaks.org>

A pilot process of running 'Plugging the Leaks' workshops in low income communities in South Africa and Namibia revealed that spending choices in these communities are severely limited in a context where there is no effective welfare state. Therefore, empowerment with this method came from the discovery of collective action and networking, rather than from individual spending choices. Local start-up business tends to be limited to survivalist and copy-cat one-person ventures, and are a last resort when formal employment is absent. In this context collective enterprise offers the necessary empowerment for people to attempt financially sustainable ventures that respond to a gap in the local economy. The pilot project is attempting to show that municipal LED staff can play the role of facilitator for initiating the enterprise-identification process and further mobilise state enterprise support agencies around the locus of LED, without crossing the line between facilitation and implementation of 'projects'.

1. Introduction

During 2010 the P3 Project (which focused on local economic development in twenty four municipalities across South Africa, Namibia and Botswana), began piloting a local economic development (LED) tool based on the Keynesian multiplier model or local multiplier effect (LM3). As an innovate approach to community enterprise identification, *Plugging the Leaks* had been used in South Africa in only two locations,³ and was entirely untested in Namibia and Botswana. Evidence based on the initial series of workshops held in two municipal areas of the Western Cape, South Africa and the Erongo region of Namibia is proving its value to municipal LED practice as a viable instrument of policy implementation sympathetic to local conditions. This paper attempts to locate *Plugging the Leaks* as an LED tool within the policy and socio-economic context of Namibia and South Africa and, based on the initial findings, reflects on the prospects for broader up-take in municipalities across Southern Africa.

2. The P3 Partnership

The P3 project is a partnership between four municipal associations. The Association of Swedish Local Authorities and Regions is the lead partner and in southern Africa, where implementation takes place with municipalities, the partners are the South African Local

³ Ncera village in the Eastern Cape, and the Waterloo township in Durban, Kwazulu-Natal.

Government Association (SALGA), the Botswana Association of Local Authorities (BALA), and the Association of Local Authorities in Namibia (ALAN). The three-year project started in early 2009, and is funded by the European Union (75%) and the Swedish International Development Agency (25%).

The project aims to support municipalities through providing mechanisms to promote transparency and improved relations between local government and citizens. It does this through the application of a set of tools to improve municipal functions in the areas of LED, Financial Management & Transparency. The project has offices in all three southern African countries, and works in 24 municipalities spread across the countries. These municipalities form the pilot phase of the project in which tools are tested and developed for further roll-out through the municipal associations.

The P3 project was conceived in three phases. The inception phase involved selection of municipalities, assessment of these, and adaptation of tools to the local context. The second phase was implementation of selected tools, adjustments, evaluation and product design for further dissemination. The final phase is the institutionalisation where partner associations promote further uptake of the results. The LED part of the project is currently nearing the end of the implementation phase, with a project end date of February 2012.

The LED component of the project started from the premise that municipalities impact directly on the business-enabling environment in their locality. Municipalities can facilitate LED by creating the enabling environment that leads to private-sector job creation. Thus the programme was mindful of the contestation of meaning around LED, especially in South Africa, and tried not to create expectations within municipalities that the programme would bring 'projects' to bear. Instead the P3 staff offered municipalities LED tools as systematic processes, aimed at improving the business-enabling environment. If projects emerged along the way, these were not the core focus of the LED endeavour but were added bonuses. Nonetheless some P3 municipal councillors have tried to push for more tangible job-creation projects which satisfy constituents' demands for quick-fix subsidized employment. As a donor-funded programme P3 has had to dispel municipal expectations that it offers grant funding for employment 'projects'.

P3 offers supply-side LED interventions that build capacity within the municipality to partner civil society and manage economic development within their means. As a donor funded programme it is fairly unusual in its selection of targeted municipalities. Instead of aiming the support at the weakest municipalities, the P3 project set criteria for selection that sought to attract municipalities with some stability, LED staff in place and the potential to capitalise on satisfactory performance. P3 looked for potential in small to medium municipalities where existing capacity would make it possible for the LED offerings to be absorbed into the institutions. The idea was to help municipalities improve what they were already doing. Inevitably not all the 24 municipalities turned out to be as stable as had been hoped, but the majority kept pace with the programme of activities. The more engaged municipalities have been able to gain a lot of value from the LED tools.

All 24 municipalities were introduced to the LED Roundtable concept which was adapted from work done in Bosnia Herzegovina. An LED discussion forum was not entirely new in South Africa, but was novel in Namibia and Botswana. The P3 Municipalities hold quarterly LED Roundtables with a strong emphasis on business stakeholders, where the agendas include reports on progress in implementing LED tools between meetings and a platform for information sharing.

P3 Municipalities were offered three elective LED tools. *Red-tape reduction* focused on process or regulatory review, improvement and internal efficiency particularly impacting on business. *Business retention and expansion (BR&E)* was designed to develop better feedback loops, partnership formation, recognition and encouragement of responsible business. Municipalities recognised that job retention and creation is more likely to occur through business expansion than by new start-ups, with about 70% of P3 municipalities choosing this option. *Plugging the Leaks* in the local economy was seen as a way of stopping cash outflows and enhancing local circulation of cash within municipal boundaries. Almost all municipalities asked for this option, making it the most popular of the P3's elective tools.

In addition to the elective tools, all municipalities did business-enabling environment surveys at the start of the project to lay down a baseline of qualitative information (Swinburn, Goga

& Murphy 2006). The survey will be repeated at the end of the implementation period in June 2011 and will then be able to show changes over time.

3. What is 'Plugging the Leaks'?

Plugging the Leaks was developed in 2002 by the New Economics Foundation (NEF). It was initially tested over four years in thirteen low-income communities in the East Midlands of England. Since 2007 it has been tested by international partners in Brazil, Honduras, Israel, Mozambique and South Africa. It has been rated as unusually effective by international partners in various settings and contexts.

The New Economics Foundation is an independent 'think and do' tank that explores alternatives to mainstream economics. At NEF they believe that the problem in low-income communities is not so much what is missing from the local economy, but rather how wisely people utilise what is already there (Pienaar 2010, personal communication 9 Oct).

Plugging the Leaks uses the analogy of a local economy as a leaky bucket. It enables people to identify the in and out-flows of cash, and find local means to plug these leaks. It is based on prioritising local enterprise, and emphasises local value-addition and innovation. It looks for activities with strong multiplier effects, and increases the interconnectedness of elements within a local economy. At its simplest, the local multiplier effect is the observation that the more a unit of currency circulates in a local economy before leaving, the more wealth it creates.

Typically this method identifies ways to stop value leaving the locality, improves the circulation of cash within the local economy, and improves the quality of life of residents. It also reduces the environmental footprint of a local economy as transport is reduced, and is thus a green LED approach. It tends to build community pride in a locality, and improve cooperation among business.

Plugging the Leaks is about interconnectedness in local economies, however using the analogy of the leaking bucket allows communities to engage with concepts of the local multiplier effect without the use of intimidating and exclusionary jargon. The method does not advocate isolation of local economies, which would lead to protectionism. Import-substitution has a role to play in ensuring greater circulation of cash, but it should not lead to

reduced choices for consumers, or higher prices, or lower quality. Instead, *Plugging the Leaks* advocates increased interconnectedness within local economies that increases the local multiplier effect.

Traditional approaches to LED have seen municipalities competing against one another to attract inward investment, seen as a panacea for unemployment. The competition between places can lead to the offering of incentives that outweigh the benefits to local communities. This is often referred to as the “race to the bottom”. Municipalities may offer rates rebates, cheap electricity and water, subsidised industrial sites, etc. These lost revenues sometimes outweigh the benefit of the often low quality, poorly paid jobs created locally (Bond 2002). The era of the so-called Washington consensus of export-led growth and ruinous competition has failed to deliver in Southern Africa, and this demands more creative approaches to stimulating economic growth.

Plugging the Leaks is a bottom-up approach to economic development, and does not rely on experts. Experts typically do not live in the area where they plan economic development, so they do not have to live with the consequences of economic decisions (Ward and Lewis 2002). *Plugging the Leaks* is a method of harnessing local knowledge and garnering people to take action to analyse and intervene in shaping their local economy to suit their needs. It is premised on the notion that local development is enacted by the people concerned, on the basis of their own knowledge, experience and culture (Escobar 1997).

4. Why ‘Plugging the Leaks’?

Plugging the Leaks as an implementation tool for local economic development falls within the developmental LED approaches rather than the more familiar orthodox approaches (Pieterse 1999). It is a community-based strategy that emphasises working directly with low-income communities. While the South African government implied support to this kind of strategy as far back as 2002, arguably very little piloting of comprehensive implementation tools, directly working with low-income communities through municipalities, has taken place to date.

Bond noted in 2002 that “sometimes it is crucial to stem the outflow of money from poor areas by encouraging people to buy local, supporting and building periodic markets, funding

special events and festivals, providing infrastructure using local labour and locally manufactured material, promoting employee training, and networking enterprises of all sizes in the local area” (2002, p. 11). At the time he lamented the residual attraction in government to the more traditional place-marketing, smokestack-chasing and urban-entrepreneurial approaches. Another author states: “While there is growing consensus about what does not work in LED (such as government-led *ad hoc* projects) there is much less appreciation of ‘good practice’ in LED” (Rogerson 2010, p. 488). Could *Plugging the Leaks* be one such good practice? The P3 project argued it could be, and started working toward running *Plugging the Leaks* workshops in its partner municipalities in 2010.

5. LED as a Contested Concept in South Africa

Local Economic Development is a teenager in South Africa. Policy on this priority mandate has been hotly contested, with the first ten years of democracy given over to community development projects with dubious economic sustainability and limited meaningful stakeholder partnership (Hindson & Vicente 2005).

At its most extreme, the policy community polarised around LED as a form of poverty alleviation with strong state intervention to create jobs directly through projects, as opposed to the facilitation of economic growth through improving the enabling environment. Rogerson has characterised this debate on the meaning of LED in South Africa as the social welfare approach versus the competitive approach (2010, p. 483). For the purposes of sketching the broad policy context in this paper his terminology will suffice. It is important to place the practice of *Plugging the Leaks* against this policy backdrop as an instrument of policy implementation. *Plugging the Leaks* can be categorised as a community-based strategy working directly with local-income communities (Pieterse 2000).

The key focus of this paper is anticipating how a broader uptake of the *Plugging the Leaks* toolkit as a municipal approach to LED might offer a workable method for bringing enterprise development back into the municipal sphere without crossing the line of job creation through projects. The danger is that LED can be perceived as a set of projects all over again, instead of a series of systematic processes or tools to improve the business enabling environment.

Historical evolution of LED policy

In 1996 the South African Constitution made local economic development an obligation for local authorities, and in 1998 the White Paper on Local Government introduced the notion of developmental local government and LED as a key mandate. The 2000 Municipal Systems Act legislated municipal LED functions as part of Integrated Development Planning (Rogerson 2010, p. 481). However, studies show that municipalities remained unclear on what LED means, how to organise it, and what to do in practical terms (Meyer-Stamer 2002). Until there is consensus among practitioners in local authorities on what LED is, progress will inevitably be slow (Sibisi 2009).

The poverty alleviation model emphasised strong state intervention and municipalities leading from the front, with LED as a set of municipal projects to create jobs. The social welfare elements of this approach are all too clear. The South African government created a Local Economic Development Fund to support poverty-reducing LED projects in 1999, housed under the national department responsible for local government (Department of Provincial and Local Government (DPLG), renamed the Department of Cooperative Governance and Traditional Affairs (CoGTA) in 2009). After a damning review of the Fund in 2003, the government reconsidered its approach to LED and in 2006 released new guidelines on LED.

Direct funding for community projects had failed to create sustainable enterprises, often due to a lack of consideration for the key question of local markets. Weaning projects off grant funding proved almost impossible, and many talented people found themselves with no market for the goods they were producing. Municipal LED staff found themselves trying to run local projects as businesses, having little or no training in business-related fields to fall back on. “The limited success of LED projects with a welfare focus has undermined the credibility and significance attached to LED by many local authorities” (Rogerson 2010, p. 489).

National oversight of LED and state-funding mechanisms in South Africa are spread across numerous ministries and agencies. This may have created the conditions for contestation of the meaning of LED within government itself. The two key players in the contest for defining LED, leading up to the new guidelines in 2006, were the Department of Provincial

and Local Government (DPLG) and the Department of Trade and Industry (DTI). Interventions made by the Department of Trade and Industry focused on “competitiveness, comparative advantage, SMME’s and co-operatives development; as opposed to DPLG’s focus on governance” (Rogerson 2010, p. 484). To date, the fragmentation of support and finance functions for LED present the municipal LED official with an array of confusing choices.

The international trend away from the role of the state in LED, and from direct intervention to ‘enablement’ where government creates a favourable environment for LED, is the context into which the P3 project was born. In South Africa shifts in LED practice have been a case of “learning through doing, and even learning from mistakes” (Rogerson 2010, p. 487). By partnering with Botswana and Namibia in the P3 Project, South Africa has a unique opportunity to help these countries not to make the same mistakes in the first democratic decade of their LED experience. The relative LED policy and regulatory vacuum in Botswana and Namibia presents space for sharing of experience.

Emerging LED practice in the context of municipal size

Although the current policy approach to LED in South Africa is swinging away from project-driven LED, LED strategies, especially in smaller local authorities, still tend to be project focused (Van de Heijden 2008, in Rogerson 2010):

LED initiatives in smaller centre’s tend to be project-based, while those in larger centre’s are increasingly focused on creating appropriate institutional market enabling frameworks (Rogerson 2010, p. 485)

In larger metropolitan areas, LED focuses on creating a supportive and competitive business environment, emphasising business sectors or clusters, business retention, red-tape reduction and sometimes investment incentives. In smaller centres, LED focuses on better basic service delivery, public works and SMME development (Rogerson 2010). This may well be why *Plugging the Leaks* is perceived as an enterprise-development model appropriate for smaller centres, especially those that compete directly with neighbouring larger settlements for a finite pool of cash.

Limited capacities of LED staff have led to smaller municipalities focusing on compliance with statutory requirements rather than proactive management of economic opportunities

(Lawrence and Hadingham 2008). In general, the smaller the municipality in South Africa, the lower its investment in human resources in the LED section. The positioning of the LED function in the municipal organogram also appears to have a direct bearing on its ability to mobilise municipal departments behind common economic objectives (Provincial Local Economic Development Support Programme Eastern Cape 2005).

Rogerson argues for a differentiated approach to LED in smaller versus larger municipalities. He argues that most municipalities are just “too busy to focus on economic potential because of the imperatives of addressing basic needs” (Rogerson 2010, p. 486). Policies typically use a one-size-fits all approach, which is an inherent weakness of generic policy. It is more the policy instruments that give expression to differentiation, and the P3 project has focused on smaller municipalities for *Plugging the Leaks*. However, there is no reason why smaller units of targeted communities within larger urban centres should not yield similar results, such as those emerging out of Waterloo Township in Durban where an NEF-supported *Plugging the Leaks* project is more advanced. The Industrial Development Corporation in South Africa funds Local Economic Development Agencies (LEDAs) as a way of delivering economic development, especially in smaller municipalities where LED competes for municipal resources with pressing issues such as provision of clean water to impoverished communities (Thina Sinako 2007).

6. LED in Namibia

In contrast to South Africa, Namibia has a different experience of municipal government and local economic development. The country has a population of under two million compared to South Africa’s forty million plus, however Namibia does share some common socio-economic characteristics with South Africa due to previous links with its neighbour to the south. Since independence in 1990 the policy and regulatory environment for LED in Namibia has not been the subject of intense focus in the way it has been in South Africa. Multiple pieces of legislation have a bearing on municipal development plans in Namibia, which include local economic development without elevating LED to a core municipal mandate. The support environment for LED in Namibia, including that usually occupied by donors, has been under-subscribed until very recently.

Namibia adopted a White Paper on Local Economic Development in 2009, the production of which was supported by GTZ (German Technical Cooperation). GTZ is also behind the Local Economic Development Agency (LEDA) being set up within the ministry to support municipalities in developing LED strategies and processes going forward. This process is still in its infancy. Namibia inherited much of the land-use planning approaches from its former colonial apartheid era, and consequently faces many of the same spatial legacies confronting South Africa.

The vision for LED in the White Paper on LED in Namibia acknowledges that national efforts are geared towards enhancing the conditions for greater global competitiveness in the country. The White Paper asserts that it is at the local and regional levels that opportunities are identified and harnessed. The document asserts that each local area is different and that initiatives rest on the active involvement of local people and the responsiveness of public and private actors. It does not prescribe any specific action to local players but aims to create a common understanding of regional and local economic development as a concept, and provide practical examples of initiatives which are drawn from local and international LED practices. The White Paper then provides a framework for local and regional development, and adds value to national development initiatives without being prescriptive (GTZ 2008).

7. Adapting ‘Plugging the Leaks’

At the start of the P3 project, research into different tools was undertaken to select appropriate offerings for the municipalities in the project. The commitment to people development prioritised by the project donors meant that concrete instruments that ‘empowered’ state and non-state actors in partnership to improve their local economy were attractive. While the term ‘empowerment’ might be over-used (Cook 1994), it has been an effective label for the longer term social sustainability of actions undertaken in the project which need to remain within the institutional fabric of partner institutions.

The NEF-developed *Plugging the Leaks* workshops stood out as a unique offering. The other LED tools selected were process-orientated, and did not focus on enterprise identification. Instead they focused on municipalities reaching out to existing business stakeholders to improve the business enabling environment. *Plugging the Leaks* is different in that it is a

bottom-up approach that taps into local knowledge to provide analysis of gaps in the market. It pushes LED back in the direction of enterprise development. While this may be dangerous in a context where municipalities still sometimes regard LED as a 'project' or set of 'projects', the more nuanced municipalities are able to draw a clear line where their role as facilitator ends, and that of enterprise support institutions (business services, finance provision etc.) begins.

The method was initially tested over four years in thirteen low-income communities in the East Midlands of England. Some of the examples in the British developed handbook reflected their context, for example illustrations using housing estates familiar to the original domestic audience. These had to be changed for southern African. P3 Process Facilitators tailored the workshop format to take account of local dynamics, including language differences. The overall intention remained the same however, to build economic literacy and empower communities to utilise existing resources toward local enterprise. Donors increasingly expect participation of beneficiaries in development programmes, but very often this participation is merely a means to an end, the end being project efficiency, effectiveness and lower costs. Where there is a more fundamental power shift, the participation becomes the end in itself so that the community or group sets up a process to control its own development (Nelson, N & Wright, S 1995, p. 1). This was a guiding principle behind the method. However this requires a shift in power between the participants.

NEF were very supportive of P3 interest in their handbook and connected practitioners around the world. Where *Plugging the Leaks* was being run in the Waterloo township of Durban in Kwa-Zulu Natal (South Africa), a comprehensive programme around the community workshops was set up, including a full-time coach to assist workshop participants to take their enterprise ideas forward to fruition. In Waterloo the programme included a micro-finance organisation ready to back viable business plans with small loans. These two elements of a *Plugging the Leaks* programme (a coach and micro-finance) required planning support and resources which the P3 project did not have immediate access to. Nonetheless the potential in the basic approach was clear, and the existence of multiple state agencies tasked with enterprise development and funding in South Africa especially encouraged P3 to test the workshop approach in interested municipalities.

8. Preparing for 'Plugging the Leaks' Workshops

When P3 embarked on running the *Plugging the Leaks* workshops, a few key goals were drawn from the NEF handbook. P3 hoped to improve economic literacy, encourage local networking and cooperation, identify markets, and create spending impact awareness. Expectations were that each of these objectives would be equally well received.

Workshop preparations took place in a number of stages. The first task was to elaborate the process to P3 partner municipalities so that they might make an informed selection. Municipalities seemed to identify with the problem of competition between settlements for circulation of cash. Discussions around the target audience followed, with some municipalities wanting to involve more established business. However, the NEF noted that established business often tend to bring sceptical voices to bear, and can actually act as a barrier to entry for smaller new business. Municipalities wanting to prioritise existing business were steered in the direction of BR&E as an alternative to *Plugging the Leaks*. In the absence of a full-time coach the need to mobilise other entrepreneurial support was evident.

P3 staff worked with municipal LED staff to identify the local players providing support services such as business advice and enterprise finance, and ensured they were briefed and invited to the workshops. A concerted effort was made to set municipalities in the role of facilitator and coordinator of multiple agencies all working toward the same goal of supporting local enterprise. Invitations to participants went out on the letterhead of the municipality, using existing networks and communications channels to reach entrepreneurs and potential entrepreneurs. Not all municipalities were diligent about getting the word out into communities which resulted in varying numbers of participants at workshops. The highest turnout of receptive participants occurred where existing enterprise-support agencies used their database of 'clients' to disseminate the invitation.

In preparation for the first workshops the team of Process Facilitators rehearsed an illustrative story showing the local multiplier effect and the orchestrated bucket demonstrations showing cash flow. The Process Facilitators acquired all the props and rehearsed the bucket sequences with water. A story about a travelling salesman was

developed to demonstrate the local multiplier effect. The story begins with a travelling salesperson that comes to a town and needs to stay overnight.

The travelling salesperson comes into the local hotel and asks at the reception if they have a room for one night. The hotel owner replies that there is a room available on the fourth floor and offers him the key to go and inspect the room for himself. The travelling salesperson pays a deposit of R100 cash and walks upstairs to go and look at the room. The hotel owner walks into the back office where the plumber has been doing repairs in the hotel, and pays the plumber the R100 note owed for services rendered. The plumber is pleased and upon leaving the hotel pays a woman who rents a room in the hotel R100 he owes her for a jersey she knitted for his son recently. The woman takes the R100 note and gives it back to the hotel owner for the rent she owes. The travelling salesperson comes back down to the reception and explains that the room is not suitable for his needs so he will look elsewhere for accommodation. The hotel owner gives him back his R100 note which he leaves with.

This simple story shows how circulation of a single note of cash leaves value in its wake, increasing each time it changes hands. This story prompts workshop participants to think about the impact their spending choices have on their local economy.

9. Making Sense of Responses to ‘Plugging the Leaks’

In the first two months of rolling out the first *Plugging the Leaks* workshops events were held in the towns of Grabouw, Caledon (Theewaterskloof Local Municipality), Napier, Bredasdorp (Cape Agulhas Local Municipality) in South Africa (Western Cape), and in Arandis and Walvis Bay (Namibia). Despite spanning two countries with different languages, cultures and local government systems, the audience response to the approach was similar. The socio-economic profile of the four municipal areas reveal some common characteristics that may go some way toward explaining common responses.

Socio-economic context: Namibia: Walvis Bay and Arandis

Walvis Bay (meaning whale bay) lies on the western edge of the Namib dessert. The setting is spectacular as the dessert dunes roll out to meet the sea. The town has a deepwater sea harbor which provides its main source of employment. Namport is an important access point for landlocked SADC countries like Zimbabwe and Botswana, and also services oil rigs positioned off the Angolan coast to the north (Walvis Bay Biodiversity Report 2008).

The main exports are diamonds, minerals, fish, livestock and their by-products. These are exported largely to South Africa and the EU. The principle imports are food and beverages,

vehicles and machinery. The economy of Namibia is heavily dependent on its natural resources: diamonds, uranium, fish, wildlife and marine resources. This lack of diversification out of the minerals/energy complex places it in a precarious position. Walvis Bay does however benefit from a more diversified local economy than most in Namibia as it has comparatively significant business, industry and tourism sectors (2003 Walvis Bay Local Council).

The small town of Arandis lies 94km inland from Walvis Bay in the Namib desert. It was created in 1976 by the Rossing Uranium Mine to settle the workforce. The entire town was owned and run by the mine until 1992, when it was given to the Namibian government on independence from South Africa (Hoadley, Atkinson, Limpitlaw & Tarr 2005).

Unemployment in Arandis and Walvis Bay stands at 34% (Census 2001).⁴ Fifty percent of Namibians are estimated to live below the poverty line, and income distribution in Namibia is highly unequal. Ten percent of households with the highest income account for almost half the total income, the GINI coefficient for Namibia is 0.6; and unemployment, poverty, HIV/AIDS and gender inequality are prioritised as key development issues in Namibia.

Walvis Bay has an estimated population of 60,000 (Census 2001), while Arandis has an estimated population of 6,000 and Namibia has a total population of 1.83 million. Walvis Bay and its neighbour Swakopmund are the largest urban centres outside the capital, Windhoek, and they both fall within the Erongo region, which had a population of 107,663 at the 2001 Census. Arandis is heavily dependent on the Rossing Mine and mineral deposits, and suffers from lack of economic diversification. Scarcity of water is also a major constraint, and water has to be piped over ground across the desert from the coast to supply the large mine. Arandis is an outlying mining community that struggles to compete with its larger neighbours on the coast, namely Walvis Bay and Swakopmund (Hoadley *et al.* 2005).

Household income in the Erongo region which covers both Walvis Bay and Arandis, in 2001, was made up mostly of salaried/waged employment (67%), with only 8% of income derived from self-employment and business income (2006 Central Bureau of Statistics,

⁴ Both Namibia and South Africa last released reliable Census data in 2001. While these datasets are out of date, they are at least universal and therefore comparable.

National Planning Commission, Windhoek). Unfortunately the census in Namibia does not break down the sectors from which salaries and wages are derived.

Western Cape, South Africa: Theewaterskloof and Cape Agulhas

The municipality of Theewaterskloof is made up of numerous small towns and their surrounding rural hinterland. The key towns are Caledon, Grabouw, Rivieronsderend, Villiersdorp, Genadendal, Greyton and Bot River. The total population is around 107,000 (Theewaterskloof LED Strategy 2009).

The area is within 1.5 hours drive from Cape Town along the N2 road and is separated from the Cape peninsula by a mountain range. The local economy of Theewaterskloof is based mainly on agriculture, followed by trade and community services. The tourism sector is significant, and is captured under 'trade' in terms of Census data. Unemployment - as narrowly defined in census data - shows the figure for Theewaterskloof at 11.6%, which has increased steadily since 2001. The largest number of jobs is in the agricultural sector, although many are seasonal as the area is centre for fruit-growing, particularly apples . At 2001, 52% of households in Theewaterskloof earned below R 1,600 (US\$ 192) per month, (Theewaterskloof LED Strategy 2009).

The municipality of Cape Agulhas further up the coast from Theewaterskloof is also made up of numerous small towns and their surrounding rural hinterland. The key towns are Bredasdorp, L'Agulhas, Napier, Arniston and Struisbaai, with a municipality population of 27,000 (Cape Agulhas LED Strategy 2009). The area is within 2 hour's drive from Cape Town. The local economy of Cape Agulhas is based on trade, followed by community services and agriculture. The tourism sector is significant, and is captured under 'trade' in terms of Census data. Cape Agulhas is the southern-most point in Africa, but is not particularly well developed for its tourism potential.

Unemployment as narrowly defined in census data shows the figure for Cape Agulhas at 8%, which has also increased since 2001. The largest number of jobs are in the trade sector. Household income in the Cape Agulhas at 2001 was made up mostly of salaries and wages (30%), with 3.2 % of people self-employed and only 0.3% of people employers. For 66% of the sample, work status figures are not applicable (unemployed or not participating in the

economy). At 2001, 44% of households in Cape Agulhas earned below R 1,600 per month (US\$ 210a low-income wage (Cape Agulhas LED Strategy 2009).

Contextual south-south characteristics setting it apart from the north

All four of the P3 municipal areas where *Plugging the Leaks* workshops were first run suffer from high levels of unemployment and significant poverty. Inequality inherited from the apartheid legacy which both regions share have endured in the form of race-class correlations:

The inherent tensions between the public and private sectors are compounded by the need to transcend the apartheid legacy of a largely white-owned and controlled private sector and a predominantly black public sector (Rogerson 2010, p. 488).

Socio-economic challenges are not limited to the legacy of racism. Neither South Africa nor Namibia offers an effective social welfare net for people living below the poverty line. Unemployment insurance pays out for a number of weeks depending on the number of years contributed to the system, leaving the unemployed without income within 6 months. No universal income grant exists in either country, although there has been unsuccessful lobbying for such a grant in both South Africa and Namibia⁵. Namibia has a Social Security Commission under the Ministry of Labour working on proposals to improve the system, although the country lags behind South Africa.

Poverty is not limited to the unemployed in either country. As well as low wages implied by low average household incomes, many economic survival strategies involve informal sector activities, or the so-called 'second economy', which is particularly vibrant in South Africa. Profiles of workshop participants revealed that local start-up business tend to be limited to survivalist and copy-cat one-person ventures, and were a last resort when formal employment was absent. Many small scale entrepreneurs complained during workshops of a lack of markets for their goods, a complaint symptomatic of inadequate prioritisation of local demand when selecting economic activity. Workshop participants explained that when they found themselves out of wage employment, they drew on their existing skills and talents hoping that sustainable enterprise would follow. Numerous enterprise support agencies such as the Elgin Foundation and the Western Cape Provincial Government's Red Door

⁵ The Basic Income Grant (BIG).

programme complain that one of their biggest challenges is to get potential entrepreneurs to analyse local markets first and respond strategically.

P3 workshop audiences were largely made up of people who worked in the second economy because they had no wage employment opportunity. Most would prefer wage employment and were forced into the second economy by necessity rather than active choice. This condition, when combined with an inadequate social welfare system, has meant that most workshop participants felt excluded from the first economy and had very little regular reliable cash income. This is the most likely explanation for the most disappointing aspect of the audience traction on *Plugging the Leaks*: failure to fully realise the impact of individual spending choices as a local multiplier effect. While the travelling salesman story got the message across in terms of keeping money circulating within a local economy, the disempowerment of people excluded from the cash economy was clear as the comparatively limited number of spending choices made became obvious. Inequality in both Namibia and South Africa is staggering, South Africa having one of the highest GINI coefficient in the world: 0.72 in 2005 (Stats SA) (0 represents total equality and 1 total inequality). Namibia stood at 0.6 for 2005.

Limited individual spending choices

The generic strength of the *Plugging the Leaks* method is threefold: identifying gaps in local markets, changing spending patterns, and encouraging networking and collaboration for competitiveness. In the pilot workshops in Namibia and South Africa, two of the three objectives were highly successful: analysing markets and networking. From a resident perspective, the workshops did not yield the level of engagement and traction on individual spending choices as in England. This may be explained by the lack of social welfare funding, which leaves low-income communities with less cash and therefore fewer direct spending choices to be made. Instead, participants latched onto the gap/market analysis aspects as a way of finding an income. High unemployment rates leads to survivalist businesses in southern Africa, the vast majority of which statistically never expand to employ more than one person (Devey, Skinner & Valodia 2003). In places like the UK it is arguably possible to survive on social welfare, taking away some of the impetus to start an enterprise out of desperation.

The changing of spending patterns was received with less enthusiasm possibly due to the limited cash spending choices available to workshop participants that were commonly engaged in survivalist businesses. Nonetheless, the value of *Plugging the Leaks* workshops in South Africa and Namibia is that it showed that LED need not depend on large investment from outside a local economy. It shifts the focus from the supply to the demand side of local economics, showing that whole communities as consumers can contribute to LED by supporting local businesses. But how local is local? In Namibia, South Africa is seen as local, so there are degrees of “localness”.

How local is local?

By encouraging buying local, P3 opened up a discussion about different levels of ‘localness’ and participants asked questions about chain-stores versus locally-owned franchises. A kind of local-value hierarchy started to emerge out of the collective analysis. The complexity of calculating the value of local procurement in a workshop made it impossible to explore in more detail at the time, but the NEF does offer tools for organisations to calculate their impact. Ideally P3 should also be running this in municipalities and reviewing procurement policies and procedures.

The localness question also opened up potential xenophobia in the very first workshop in Grabouw, with ‘Insider-Outsider’ dynamics emerging. Participants pointed to examples of successful Somali or Chinese shopkeepers in the community, who work long hours and offer low prices, undercutting other local shops. The issue is how communities and local business people deal with this situation. Do they drive them out (xenophobia) or emulate the survival strategies that cooperation offers? Placing value on ‘localness’ can quickly cast a shadow of ‘us’ and ‘them’, or ‘insiders’ versus ‘outsiders’. While it might be encouraging to see how race is less an issue in communities in South Africa than ever before, xenophobia is a new division which threatens some areas where workshops were held. This required skilled facilitation to manage crowd sentiment and debunk the notion that foreigners don’t contribute to local economies.

Finance and facilitation support

In terms of financing, a comprehensive approach is needed to enterprise development including a variety of stakeholders and access to micro-finance; stakeholders are generally

regarded as parties who are affected or can affect actions and policies (Nelson, N & Wright, S. 1995, p. 5).

How funding comes into a community for enterprise development is important. Grant funding can undermine sustainable business development, as happened with the LED Fund set up in the late 1990s in South Africa, where cooperative projects mostly folded when grant money was exhausted. Projects never became economically viable because they were over-subsidised with 'free' money, and sometimes included too many beneficiaries. Individuals who take commercial loans subject to market conditions often have to 'go it alone', working hard to pay them back with interest. This increases ownership and commitment by introducing the element of risk, whereas grant funds used for private goods can distort the market, and lead to unfair competition between enterprises (Philips 2000).

Once workshop participants have identified needs and come up with ideas during the *Plugging the Leaks* workshops, they need support to plan and realise their ideas. Facilitation and support are essential at this stage in terms of connecting them to resource organisations and people that can provide skills training, coaching and micro-finance. Mediating and brokering to reduce barriers is also valuable. The role of coach is therefore part of the method developed by the NEF. The P3 project did not have the resources to provide a coach for each of the twenty four municipalities in the programme, and therefore had to explore alternative methods for support. This has culminated in two questions. Can municipalities change the way LED officials work to incorporate coaching activities for enterprise development and, relating to the history of LED policy development in South Africa, can municipalities facilitate enterprise development without becoming project implementers?

From the piloting of *Plugging the Leaks* workshops in South Africa and Namibia it can be concluded that it is viable to build groups of passionate, aspiring entrepreneurs to support each other and find resource organisations and mentors for themselves. For example, groups of people who met at the workshops for the first time have started buying goods together from big wholesalers to get better prices. Utilising economies of scale is a very simple action that greatly increases their efficiency and forms a basis for understanding competitiveness in a more nuanced way. This evolution of cooperation has led in the direction of revitalised

business chambers in some towns, and even the mooting of business clusters in others. Although the tools are in the early days of implementation, the positive responses point to significant potential of *Plugging the Leaks* in a myriad of different contexts. P3 staff occasionally encountered more established business people at the workshops who were sceptical about the method, but they were managed by grouping sceptics together so as not to disrupt other break-away groups.

The *Plugging the Leaks* approach calls for talented facilitators that are able to guide participants in a fashion that enables rather than dictates; the method is challenging and needs to be managed carefully. It became clear in the first workshop that the ‘plugs’ identified by groups were only as good as their ‘leaks’ in the sense that analysis has to be specific and disaggregated in order to contain the seed for concrete solutions. During the group work it also became obvious that if the leaks were not specific, and within the control of the participants, the proposed plugs would be compromised. For example, a leak identified in one group was crime; this was too generic and needed to be disaggregated before any useful plug could become evident. Much clearer leaks – like the lack of a local dry-cleaner – yielded much clearer plugs.

Measuring success through change

Perhaps the greatest change after each workshop was awareness of markets. Participants seemed to develop a new understanding of the importance of identifying markets before starting a business. The norm in low-income communities is for copy-cat businesses, people see others succeed and start a similar business thereby saturating the market, resulting in survivalist businesses that lead a perilous existence. Understanding markets can lead to more financially sustainable businesses that match goods and services with real market gaps. Enterprise support agencies present at the workshops commented on the strength of the method in raising market awareness.

The second visible change was empowerment through joint action, and a new understanding of competitiveness. Participants quickly embraced action-planning in groups, and resolved to follow-up using their own initiative. They also saw the need for collective cooperation in activities like bulk-buying, advertising and referral networks, where small businesses support each other. This revealed a new understanding of competitiveness being not about individual

competition leading to winners and losers, but rather about cooperating for collective benefit. The method lends itself toward community enterprise because of its structure of collective analysis and problem solving.

Many participants left the workshop feeling passionate about developing their dreams, and inspired by the opportunities which working together offered. The challenge however is to sustain this passion. While the facilitation approach deliberately broke down the perceptions that external forces held the answers and/or resources to solve participants economic problems, the dissolving of the conceptual barriers leading to expressions of 'empowerment' may be temporary. Empowerment implies that "some can act on others to give them power or enable them to realise their own potential" (Nelson and Wright 1995). This leads to the question: can development practitioners effectively transfer power in a workshop without addressing longer term structural power relations outside the workshop event? Developing participants' confidence and abilities may be temporary, and the sense of 'empowerment' reported illusory.

Participants reported feeling empowered by being inspired to take the initiative rather than waiting for a solution to come from elsewhere. This is particularly significant in rural areas, where communities may otherwise become dependent on the larger cities as a source of income, rather than create value locally. The workshops encouraged people to look inward, find value in their familiar surroundings, and take control of the sphere that lies within their influence. If facilitated skilfully, this process can be empowering, and for the long-term unemployed, empowerment can be fundamentally life-changing. Treating local people as experts in understanding their economy offers a break from the all-too familiar donor/grant dependent syndrome which exists in southern Africa. However, the phenomenally high levels of inequality in both Namibia and South Africa mean that power relations in these societies mitigate against the poor participating in the formal economy. Changing these structural power relations is an enormous task not achieved through a few workshops.

Municipal officials like the LED Managers did report benefits from the workshops, being exposed to the daily challenges of SMME's during the P3 workshops was novel. Business stakeholders interacting directly with municipalities in South Africa and Namibia tend to be the larger established businesses, which may have a different set of challenges.

Municipalities showed their potential to play the role of facilitator and coordinator of multiple agencies for enterprise support, and their relationships with locally-present organisations were valuable in setting up workshops. While the Constitution of South Africa casts municipalities in a facilitator role with regards to development and LED, the mechanics are not well developed or understood. Sustaining the network of support providers has proved a challenge in the municipalities, and the enthusiasm has waned somewhat. Without continuous encouragement the old habits return, and the sense of empowerment is lost.

The character of each *Plugging the Leaks* workshop was unique; something which underscores the notion that LED is about finding local solutions to local problems. The potential in the method is evident, the challenge seems to be in finding resources for sustained action. For municipalities the potential for changing the way LED officials work with communities to facilitate enterprise is exciting, and at the same time the boundaries between facilitation of processes and implementation of projects is a dangerous line that municipalities in South Africa have crossed before.

10. Prospects for ‘Plugging the Leaks’ as a Municipal Application of LED in Southern Africa

In the absence of networks and little interaction between the local authority and the private sector, the local authority interprets its role as a participant in, rather than facilitator for LED, adopting an *ad hoc* project-based approach (Sibisis 2009). *Plugging the Leaks* offers a model for this facilitation of stakeholders that holds considerable promise, but the resources required for sustained action to keep beneficiaries buoyed beyond the workshops (such as full-time enterprise coaches) may be too onerous for municipalities. In addition, cooperation between participants such as collective procurement (buying inputs) requires a level of trust between and across social divisions that cannot be assumed.

“Deep divides remain between predominantly white and conservative business interests and the local authority, which are not conducive to partnering for effective LED strategies” (Rogerson 2010, p 486). This emerged in Namibia as well as South Africa during the pilot *Plugging the Leaks* workshops. Throughout much of southern Africa, the private sector has either been “left out or has chosen not to be involved as a result of the mutual suspicion

between the public and private sectors that makes dialogue between the two groups extremely difficult. The public sector believes business is anti-poor and business believes that government is welfarist and anti-profit in its outlook” (Rogerson 2010, p. 488). The P3 Project has used Business Retention & Expansion (BR&E) as a tool targeted at more established businesses, and *Plugging the Leaks* more targeted at the ‘second economy’ and community groupings as aspirant entrepreneurs. *Plugging the Leaks* is a more broad-based, bottom-up approach than BR&E, but empowering people to embrace a bottom-up approach is not without its critics. Rowlands argues that the bottom-up concept can be used to perpetuate and disguise continued top-down attitudes because ‘empowerment’ is initiated by those who have power over others, and continue to exercise that power over others. The privileged development workers or donors leave the workshop as they arrived. Thus there is no real transfer of power, only the illusion (Rowlands 1992, p. 52, quoted in Nelson & Wright 1995). Using the distinction between ‘power to’ and ‘power over’, it becomes apparent that while any group or individual maintains ‘power over’ another group or individual, there has been no complete transfer of ‘power to’. At best there has been a diluting of that power, which was perhaps never theirs to give away. Nelson and Wright suggest addressing this problem by “institutionalising processes whereby those with newly acquired ‘power to’ can negotiate with those with ‘power over’ in the community and in agencies in ways which are ‘unpickable’ and sustainable when the outsider researcher or development worker has left” (1995, p. 13).

What then have participants learnt from *Plugging the Leaks* that is difficult to undermine or reverse? Interestingly, BR&E steering groups in P3 municipalities have watched *Plugging the Leaks* groups with interest and even envy in places like Cape Agulhas, and are being pushed to “up their game” and to co-operate more effectively as established business organisations, better emulating mobilised and internally networked communities running with *Plugging the Leaks*.

The emphasis *Plugging the Leaks* places on local knowledge instead of external ‘experts’ is perhaps its greatest value to southern African municipalities looking for meaningful participatory LED strategies. Participation as a transformative rather than an instrumental approach is increasingly required by donors, even if only to deflect criticism of dependence

in donor-beneficiary power relations. As a concrete tool to harness ‘indigenous’ knowledge, *Plugging the Leaks* is accessible to skilled development workers. The conditions “under which people may decide to ‘disclose’ their ‘knowledge’, and make their needs explicit, are very difficult to create” (Novellino 2003, in Pottier, Bicker, and Sillitoe 2003). The tools offer a systematic means to create the conditions for harnessing untapped knowledge to solve contextual problems in workshop situations, and through continuous coaching afterwards. However, can they create long-term change in the fabric of society in which beneficiaries are located? Surely a critical mass is required before a more fundamental transformative shift can occur?

Rose (2004) and others have argued that voluntary policy transfer occurs through various processes of copying, emulation, hybridisation or inspiration across contexts (Rose 2004, Dolowitz & Marsh 2000, Evans & Davies 1999, Stone 1999, Evans 2004). Rose’s concept of lesson-drawing as a method of learning from past and/or extra-organisational experiences, emphasising the role of the bureaucrat and the programme itself in the process of policy learning in developed countries, underlines how policy as received wisdom without concrete instruments for implementation, such as LED policy in South Africa and Namibia, is incomplete.

Rogerson argues that to build competitive local economies in South Africa, LED officials need more effective analytical tools, including accurate economic data (2010). The NEF argue that such quantitative data do not provide the full picture, and analytical tools need to be placed in the hands of local “experts”; the people who live with the consequences of economic choices on a daily basis. This emphasis on people at the centre of economic development sits well in southern African where solutions from external “experts” have yet to yield sustainable economic growth. Municipalities in South Africa have struggled to make sense of what statistical economic data exists. By 2008 most municipal Integrated Development Plans in South African municipalities used an economic profile based on the 2001 Census which is both outdated and ill-focused on individuals as the unit of analysis rather than enterprises (Rogerson 2010). Centrally managed sectoral data in Namibia is not effectively disaggregated and is also out of date.

The Industrial Development Corporation⁶ in South Africa (IDC) notes that LED projects have often failed due to insufficient involvement of local people as participants and beneficiaries. Rather than owners of projects, locals have been relegated to being workers or labourers (Rogerson 2010). This points to a lack of ‘empowerment’ of local beneficiaries, a critical factor for longer term sustainability. *Plugging the Leaks* is based on local empowerment as the primary driver of initiative toward community enterprise. Rogerson argues that the need to leverage support for community empowerment is critical to unleash local creativity and innovation: “Advocating the expansion of local multipliers to assist the second economy is a logical policy foundation for future support of the second economy” (Rogerson 2010, p. 493). He advocates for pursuing interventions aimed at the second economy, which is where *Plugging the Leaks* seems to work best.

While *Plugging the Leaks* has been delivered primarily through non-governmental and community-based organisations around the world to date, it offers the promise of institutionalising policy instruments for the local state to work directly with low-income communities in the future, assuming resources are channelled into wider implementation. The exact institutional architecture of delivering *Plugging the Leaks* through municipalities requires some work, but it is not inconceivable that municipalities employ enterprise coaches trained in the approach to give real expression to their mandate to better facilitate and coordinate development within a locality. Alternatively, existing LED staff could be trained in the continuous coaching method, leaving ‘unpickable’ skills in enduring institutions of government.

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⁶ The IDC is a key state-funded body that has set up Local Economic Development Agencies throughout South Africa as special-purpose vehicles for implementing all kinds of economic development projects in municipal boundaries.

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Public Sector Responses to Climate Change: Evaluating the Role of Scottish Local Government in Implementing the Climate Change (Scotland) Act 2009

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Tony Jackson

School of the Environment
University of Dundee

William Lynch

School of the Environment
University of Dundee



Abstract

Effective climate change actions demand collaborative action from public bodies at all levels, placing local governance at the forefront of delivery. Scottish legislation imposes some of the most demanding legally-binding requirements for reducing greenhouse gas emissions currently to be found anywhere in the world. The new climate change obligations on Scottish local government are reviewed in the context of current Scottish emissions and UK energy policies. Analysis indicates that the pattern of carbon consumption rather than its production must be targeted, and that local government is well-placed to deliver many of the policies to this end. Case studies of Fife and Highland Councils show how Scottish local authorities (SLAs) are planning to discharge their climate change mitigation and adaptation responsibilities. Energy efficiency is driving the mitigation of carbon consumption, while new techniques for measuring carbon footprints are being used to adapt the development process to a low carbon mode. SLAs must pursue low-cost local climate change solutions not just to enhance the resilience of Scottish communities but also to demonstrate the feasibility of such approaches for local

governance systems elsewhere in the face of growing financial constraints. Recent changes in Scottish waste management practices indicate the potential in this respect.

Keywords

Climate Change (Scotland) Act 2009, Scottish local government, climate change mitigation and adaptation policies

1. Introduction: Climate Change and the Role of Local Governance

Climate change driven by anthropogenic actions cannot be constrained solely through the operation of market forces. Sustainable management of global common-pool resources such as the atmosphere requires multilateral environmental agreement between sovereign States to provide a framework for concerted actions to supplement the workings of the market (Mabey *et al*, 1997). Local councils must then assume responsibility for delivering their share of any State's international commitments on climate change, serving as arbiters of competing demands from their own inhabitants for access to these shared resources. In practice, this places systems of local governance at the forefront of efforts to tackle global warming.

Local public services (such as land use controls, local transport systems, social housing, water supplies, education, health, local welfare and recreational facilities, sewerage and waste management, libraries and information systems, protective services and emergency planning operations) play a major role in shaping the demands placed by local communities on the atmosphere and in determining their resilience to climate change. This paper reviews the implications of climate change for one jurisdiction's local government sector. It considers how Scottish local authorities (SLAs) are responding to some of the world's most demanding statutory obligations for delivering a low carbon economy, set out in the Climate Change (Scotland) Act (CCSA) 2009 (SP, 2009), and identifies some of the lessons that can be drawn from Scottish experiences for local government practitioners in other jurisdictions.

The argument of the paper is delivered in five parts. The next section provides a brief overview of Scottish greenhouse gas (GHG) emissions and the measures being taken at UK level to stimulate a low carbon energy market. This allows the main policy implications of addressing climate change to be identified, and the statutory powers taken by the Scottish Government for this purpose, including the climate change duties now

imposed on SLAs, to be outlined. We then examine some initial SLA responses to these new duties, focusing on two sets of policy interventions. The primary set consists of mitigation actions, targeted at substantial reductions in GHG emissions. The secondary set involves adaptation measures, which ameliorate the inescapable impacts of ongoing climate change. A concluding section evaluates the opportunities and threats climate change presents for SLAs.

2. The Current State of Play: Trends in Scottish GHG Emissions and Reform of the UK Energy Market

Current trends in Scottish GHG emissions

Table 1 indicates recent trends in the level of GHG emissions attributable to Scottish sectors of production. Total emissions calculated on this basis are shown to have fallen by 18.7% between the baseline average over 1990-95 and 2007. Business and industry, followed by waste management, made the largest absolute reductions, together accounting for 60% of the total fall. Energy supply's smaller reduction was counterbalanced by an increase in emissions from transport, allowing the total share of Scottish emissions generated by these two sectors to rise from a baseline contribution of just over 50% to 62% in 2007. Land use, land use change and forestry (LULUCF) activities serve as a carbon sink, and their offsets rose appreciably over this period. In 2007 Scottish LULUCF offsets were far larger than those for the UK as a whole, reflecting the importance of the Scottish forestry sector.

The data in Table 1 require a small adjustment to take account of the effects of the Emissions Trading System (ETS) over this period. Introduced in 2005, this sets a cap on the emissions of major energy intensive undertakings within the European Union (EU). In Scotland nearly one hundred large industrial installations, including electricity generators, refineries and heavy industry, which account for around 40% of total Scottish GHG emissions, are allocated allowances under the ETS which can be traded to make up shortfalls or realise surpluses. Over the past few years, Scotland has been a small net purchaser of ETS allowances, and this has slightly reduced its net attributable GHG emissions below the actual ones reported.

Table 1. Scottish GHG emissions, change from base (1990-95 annual average) to 2007 (not adjusted for trading in the EU ETS).

| Sector | Baseline annual average (1990-95) Mt CO ₂ e | 2007 Mt CO ₂ e | Change (baseline to 2007) Mt CO ₂ e | Change (baseline to 2007) % | % of Scottish net emissions 2007 | % of UK net emissions 2007 |
|---------------------------------------------------------|--------------------------------------------------------|---------------------------|------------------------------------------------|-----------------------------|----------------------------------|----------------------------|
| Energy supply | 22.35 | 20.59 | -1.76 | -7.9 | 36.2 | 9 |
| Transport (including international aviation & shipping) | 13.21 | 14.73 | 1.52 | 11.5 | 25.9 | 8 |
| Business & Industry | 12.46 | 7.68 | -4.78 | -38.4 | 13.5 | 7 |
| Agriculture | 9.72 | 7.69 | -2.03 | -20.9 | 13.5 | 16 |
| Residential | 7.79 | 7.20 | -0.59 | -7.6 | 12.7 | 9 |
| Waste management | 5.77 | 2.64 | -3.13 | -54.2 | 4.6 | 12 |
| Public | 1.24 | 0.81 | -0.43 | -34.7 | 1.4 | 8 |
| Land use, land use change & forestry* | -2.52 | -4.44 | -1.92 | 76.2 | -7.8 | 249 |
| Total Scottish net emissions | 70.01 | 56.90 | -13.11 | -18.7 | 100.0 | 8 |

*negative. Source: SG, 2010d

A more fundamental issue confronting policy-makers relying on these statistics as a management tool for monitoring Scottish climate change performance is that they only record the GHG emissions attributable to a jurisdiction's *production* of goods and services. They do not indicate what contribution its *consumption* of goods and services makes to GHG emissions, since a proportion of Scotland's domestic needs are met by imports while part of its output is exported. To convert the data from a production to a consumption base, GHG emissions attributable to imports must be added, those attributable to exports deducted, and LULUCF offsets disregarded (Helm *et al*, 2007). When these adjustments are made using one of the growing number of multi-regional input-output (MRIO) packages being developed to model global GHG emissions (see, for example, Dawkins *et al*, 2010), Scotland's GHG emissions measured in terms of consumption are shown to have *risen* by 14% between 1992 and 2006 (SG, 2010d: para.5.5). The difference in these two trends over the fifteen year period, which has seen an 18.7% fall in GHG emissions generated physically within Scotland converted into a 14% rise after taking into account domestic consumption of goods and services obtained from all sources, provides a clear indication of the significance of the problem of carbon leakage in addressing climate change.

This phenomenon first came to prominence during multi-lateral negotiations over proposals for binding agreements on GHG emissions embodied in the Kyoto Protocol (Barker & Johnstone, 1998). A number of parties to the negotiations raised concerns that an agreement restricting the GHG emissions of developed countries might lead to a loss of business to jurisdictions without emissions controls. If such effects became widespread after the implementation of the Kyoto Protocol, the net change in global GHG emissions might prove far smaller than the gross reductions in developed countries. Businesses would be tempted simply to switch the location of their production to uncontrolled jurisdictions, continuing to sell the same products to their consumers as imports rather than as domestic output, creating what came to be termed carbon leakage.

As the Scottish situation demonstrates, carbon leakage exists without the assistance of asymmetrical international GHG emission controls. Divergent trends in the production and consumption metrics of GHG emissions are an integral aspect of mature open economies (Brinkley & Less, 2010). They arise from structural changes within these economies as their product mix is modified in response to long-term shifts in global market parameters. Rising energy costs and widespread improvements in energy efficiency have been accompanied by ongoing de-industrialisation and a switch to service sector activities, with many previously domestically manufactured goods now being imported. Globalisation of trade allows the level of GHG emissions generated by productive activities within a mature economy such as Scotland to be decoupled from the carbon footprint created by its consumers. This footprint continues to rise in line with the higher living standards that stimulate increasing domestic consumption of goods and services, the sourcing of which is not confined to Scotland but met from the most competitive location.

The ease with which a mature economy is capable of decoupling the linkages between the emissions generated by its pattern of consumption from those generated by its production base indicates that strategies for delivering a low carbon economy must modify the behaviour of consumers as well as producers. Furthermore, the scale of carbon leakage that international trade already facilitates, far from serving to discourage international climate change agreements, should instead confirm the need to address the problem on a global basis rather than through an uncoordinated set of individual initiatives. In this respect, the EU Single Market provides a helpful halfway house, setting broadly comparable climate change policy parameters for businesses operating

within its Member States and in return allowing them free access to its 501 million consumers (Schreurs *et al*, 2009).

Reform of the UK energy market

In choosing an optimal mitigation pathway, the policy-maker's initial task is to estimate under conditions of uncertainty the basic shape of two critical functions: the benefit function that measures the damage avoided by mitigating anthropogenic GHGs; and the cost function which measures the amount of resources required to deliver various levels of abatement. The sensitivity of either function to different mitigation targets should condition the type of strategy favoured (Helm, 2010a). If policy-makers envisage that the marginal damage function is liable to rise steeply in the absence of effective abatement measures whilst the marginal costs of policies to this end remain relatively insensitive to the scale of mitigation required, they should favour quantitative GHG targets delivered by policy instruments such as the emissions caps embodied in the EU ETS, and accept the implicit carbon prices resulting. Conversely, if they consider that marginal costs are liable to rise precipitately as the scale of mitigation increases, whereas the marginal damage function appears fairly flat over feasible target ranges, it makes more sense to select an acceptable price for carbon externalities which can then determine the affordable level of abatement and identify the mitigation options that remain viable.

Recent UK and Scottish Government policy choices in this respect have been driven by the Stern Review (2006), commissioned by the UK Treasury to consider the economics of climate change. Stern's findings have convinced British policy-makers of the need for early and substantial climate change interventions based on quantitative targets. Arguing in favour of such an approach, the previous UK Labour government stated:

if left unchecked, climate change presents an increasing threat to our security and prosperity. Lord Stern has shown that if we do not take action, the longer term costs of climate change will vastly outweigh the costs of early movement to a low-carbon, climate resilient economy (DECC, 2010a:10).

Stern's analysis has been challenged (for example by Helm, 2008), but the current UK and Scottish administrations still favour the use of statutory emissions targets rather than explicit carbon prices for their mitigation strategies.

The UK fiscal instruments supporting a shift towards a low carbon energy market reflect this emphasis on quantitative goals rather than cost-effective options. Table 2 ranks them

in terms of their marginal cost per tonne of carbon savings. The range of implicit carbon prices so calculated lends weight to claims that this approach to mitigation facilitates rent-seeking behaviour on the part of generators (Helm, 2010b). The costs of saving carbon range from £3.26 per tonne of CO² equivalent for the Climate Change Levy on Fuel Oil up to £460 for Feed-in Tariffs for Microgeneration and possibly more for the Renewable Heat Obligation. These huge differences are compounded by the fact that some of the more expensive measures serve as potential substitutes for much cheaper alternatives. Thus, the carbon savings delivered by the Renewables Obligation and the Feed-in Tariffs for Microgeneration “may result in cheaper carbon reductions elsewhere in the EU not happening, since all emissions are under the ETS cap” (McIlveen, 2010: 47).

Table 2. Implied Carbon Prices of UK Fiscal Instruments Used for Carbon Mitigation

| Policy | Price (£tCO ² e) | Who pays & how? |
|-------------------------------------|-----------------------------|----------------------------------------------------------------------------------------|
| Climate Change Levy: Fuel Oil | 3.26 | Business customers through energy bills |
| Climate Change Levy: Coal | 5.03 | Business customers through energy bills |
| Climate Change Levy: Gas | 8.63 | Business customers through energy bills |
| Climate Change Levy: Electricity | 10.93 | Business customers through energy bills |
| Carbon Reduction Commitment | 12 (fixed for 3 yrs) | Non-energy-intensive large businesses |
| EU Emissions Trading Scheme | 14 approx. (variable) | Power companies and other energy-intensive industries, passed through to all customers |
| Air Passenger Duty | 25-320 | All passengers, on ticket |
| Fuel Duty - Red Diesel | 41.79 | Agricultural businesses |
| Renewables Obligation | 130.25 | Power companies, passed to all customers |
| Fuel Duty - Diesel | 217.45 | All drivers, at pump |
| Fuel Duty - Petrol | 248.65 | All drivers, at pump |
| Feed-in Tariffs for Microgeneration | 460 | Consumers through bills |
| Renewable Heat Incentive | Not clear: very high | Consumers through bills |
| Carbon Capture and Storage Levy | Not clear | Consumers through bills |

Source: McIlveen, 2010

Some rationalisation of these arrangements is underway (DECC, 2010b). A floor price for carbon is being introduced, offering power utilities greater incentives to switch from carbon-intensive forms of generation than provided by the current ETS traded price. Other measures include employing a ‘contract for difference’ system for feed-in tariffs that should offer a more cost-effective way of stimulating low carbon capacity from generating sources of widely differing scale; further incentives to encourage the additional capacity needed to ensure security of supply as the National Grid becomes more dependent on intermittent power sources such as wind farms; and the use of an emissions performance standard to limit the amount of carbon that coal-fired generating

stations can emit. Even with these measures, the UK Government still expects the price of electricity to rise in real terms by 52% over the next twenty years, from £118 per megawatt hour to £179 (Lea, 2011).

3. Implications for SLAs of the Climate Change (Scotland) Act 2009

Policy implications for SLAs of adopting a low carbon strategy

The analysis in the previous section offers some pointers on how SLAs should discharge their climate change responsibilities. Firstly, it must be apparent that mitigation at any price cannot be an end in itself. Use of atmospheric resources is characterised by the allocative problem of global commons. Individual States cannot be excluded from accessing such resources, while their actions impose consequences for all users. This creates a free-rider hazard. Irresponsible States cannot be prevented from sharing the benefits delivered by the actions of responsible States, nor can the costs of selfish behaviour be confined to the perpetrators (Barkin & Shambaugh, 1996).

This means that Scottish efforts to reduce its GHG emissions will do little to ameliorate the effects of global warming for Scotland or for the rest of the world, unless the strategies deployed are sufficiently cost-effective to make similar abatement measures attractive to others (Mabey *et al*, 1997). A jurisdiction pioneering a path-breaking mitigation strategy must justify this in terms of the effect its successful implementation would create, by demonstrating to others that a low carbon economy is feasible and worthwhile (rather than expensive and difficult). Uncommitted jurisdictions need to be convinced of the logic of Scotland's approach in order to create the momentum favouring collective actions to realise mutual benefits. Failure to deliver a viable strategy would simply reinforce free-rider arguments.

Secondly, the key variable for measuring the performance of a mitigation strategy should be its impact on the consumption of goods and services generating GHG emissions, not their production. Delivering zero carbon outcomes for a jurisdiction's productive activities would do little to reduce global warming if its consumers respond to any resulting domestic price hikes simply by meeting their needs through additional imports from unconstrained cheaper sources. Mitigation policies should instead be focused on modifying the choices made by a jurisdiction's commercial, industrial, voluntary and public sectors and by its individual households in their capacity as consumers of carbon-

emitting goods and services rather than as their producers. Such policies already apply to energy and fuel usage, which as Table 1 indicates currently account for 62% of Scottish GHG emissions. Table 2 confirms that consumers ultimately bear the cost of reducing the carbon profile of these sectors.

There is evidence that extending such an approach to the rest of the economy would prove cost-effective. In their MRIO modelling of the UK economy which considers all the linkages between resource flows and usages, Dawkins *et al* (2010) review alternative production and consumption strategies offering quick-win carbon savings up to 2020. They conclude that “overall, the consumption or resource sufficiency strategies delivered a much greater decrease in GHG emissions than the production based strategies” (Dawkins *et al*, 2010, para.5.2). Research commissioned by the Scottish Government (AEA, 2008) identifies carbon capture and storage (CCS) and improved vehicle technologies as offering potentially the largest carbon savings for Scotland, followed by banning biodegradable waste from landfills and promoting further afforestation. Only CCS amongst these preferred options counts as a production strategy and this was not considered by the Dawkins *et al* (2010) study because the technology supporting it remains unproven.

Statutory climate change duties for SLAs

Scotland retained its own legal, religious and education system following the 1707 Act of Union, and the past century has seen increasing administrative devolution of other areas of governance. This culminated in 1999 in the creation of an elected Scottish Parliament and Government able to exercise a wide range of devolved legislative and executive powers. Although energy policy is one of the reserved powers retained by the United Kingdom (UK) Government, Scottish Ministers exercise devolved authority over statutory land use policy and share authority over transport policy with their UK counterparts. They also have full responsibility for funding and overseeing Scottish local government services, meeting 80% of their cost through grants to SLAs. In practice this means that the Scottish Government can use its legislative powers, as demonstrated by the CCSA, to inform, guide and regulate most public sector activities relating to climate change within its boundaries, even where certain governmental powers are technically exercised either at a UK or a European Union (EU) level.

Part 1 of the CCSA creates a statutory obligation to reduce Scottish GHG emissions by 80% in 2050, with an interim reduction target of 42% by 2020 (SP, 2009). To enable these goals to be realised, Scottish Ministers are required to use secondary legislation to set annual targets from 2010 until 2050. They are also obliged to take advice on how to set carbon budgets to hit such targets, initially from the UK Committee on Climate Change set up as part of the UK Climate Change Act 2008 (UK Parliament, 2008). Part 2 of the Scottish Act allows Scottish Ministers to establish their own expert committee or to designate an existing body to fulfil this function.

Part 3 of the CCSA obliges Scottish Ministers to report to the Scottish Parliament on Scottish GHG emissions and on the progress being made towards the targets set out in the legislation (SG, 2009a). Part 4 places climate change duties on Scottish public bodies, and enables Scottish Ministers to issue statutory instruments placing further duties on such bodies in relation to climate change. Part 5 contains further statutory provisions on climate change which address adaptation, forestry, energy efficiency and waste reduction. Part 6 sets out provisions for public engagement with the implementation of climate change legislation, and makes provisions for carbon assessment, including accounting for carbon trading.

The parallel UK legislation sets a slightly less ambitious interim 2020 reduction target of 34%. It also excludes aviation and shipping from its targets, and sets them on a quinquennial rather than annual basis. Whereas the UK framework allows borrowing of up to 1% from the following carbon budget period, no such facility is available under the Scottish one. The UK framework also allows the purchase of credits to meet its carbon budgets, subject to advice from its Committee on Climate Change, but the Scottish one sets a prior limit of 20% of the emissions reduction effort on the purchase of such credits.

The climate change duties placed on Scottish public bodies by Part 4 of the CCSA came into effect at the start of 2011. These require that the public sector in Scotland, in exercising its functions, must act in the way:

- best calculated to contribute to the delivery of the mitigation targets set in or under Part 1;
- best calculated to help deliver any programme laid before the Scottish Parliament under section 53 (which requires Scottish Ministers to produce adaptation programmes); and that they consider most sustainable.

Guidance in relation to these duties (SG, 2011) stresses the importance of undertaking these duties effectively. It emphasises the need for changes in existing processes and procedures to allow pro-active responses that set targets and milestones and integrate climate change into their business practice. SLAs and other Scottish public bodies are expected to draw on their corporate skills to meet these statutory obligations, utilising their expertise in business planning, staff management, estate management and procurement.

As well as ensuring that efforts to address climate change are mainstreamed within their own organisations, SLAs are expected to ensure that these aims are endorsed within the communities they serve. To this end, they must take action to strengthen their governance, leadership and commitment in regard to climate change, so that suitable community strategies and action plans can be put into effect, including partnership arrangements with other public bodies and local organisations in their area. The guidance also expects public bodies to incorporate appropriate techniques into their decision-making, so that they can undertake effective assessment of the carbon impacts of policy options, adopt pathways capable of realising their climate change plans, and provide an audit trail of their actions for compliance reporting purposes.

4. Policy Instruments for Discharging SLA Climate Change Duties

SLA mitigation measures

Since 2007, all SLAs have been signed up to the Scottish Climate Change Declaration (SCCD, 2011). Launched in 2000, this voluntary initiative requires signatories to acknowledge the consequences of climate change and to co-operate with others in undertaking many of the climate change actions subsequently set out as statutory duties in the CCSA, including the production of annual reports on the performance of their carbon management activities. SLAs now have to build on these reports by publishing action plans for mitigation and adaptation demonstrating how they will discharge their CCSA responsibilities.

The research capacity available to SLAs to meet the technical requirements for these voluntary Scottish Climate Change Declaration reports, as well as for the new statutory plans and compliance statements meeting their CCSA duties, has been steadily enhanced over the past decade. Sources of expertise now include the Scottish Climate Change

Impacts Partnership (SCCIP, 2011) and the Scottish and Northern Ireland Forum for Environmental Research (SNIFFER, 2011). Additional capacity is provided by the Scottish Government's own environmental agencies, Scottish Natural Heritage and the Scottish Environment Protection Agency, as well as through the UK's Hadley and Tyndall climate research centres.

Fife Council has a population of 360,000, making it Scotland's third largest local authority. It illustrates the range of corporate climate change mitigation activities undertaken by SLAs. The council's most recent Annual Progress Report published as part of its commitments under the Scottish Climate Change Declaration (FC, 2010) sets out its current climate change activities. Those restricted to Fife Council's own in-house operations are channelled through its Council Plan. Supplementing these internal management mechanisms, the council is engaged in various community-wide low carbon initiatives across Fife. Most of these draw on existing Community Plan provisions, through which a Fife Environmental Partnership has been established.

The council's system for monitoring and controlling its own carbon footprint has received Carbon Trust Standard approval. A Carbon Emissions Reduction Plan was launched in 2009, and this now drives the majority of the council's in-house mitigation efforts, taking on board the findings of carbon emission audits of individual council services. Council procurement services have begun to trial a Whole Life Costing tool for estimating the impact of its procurement options on GHG emissions, and council officers are developing a Carbon Emissions Impact Assessment toolkit to quantify the climate change implications of council proposals (FC, 2010).

Recent audits indicate that Fife Council's annual carbon footprint is around 110,000 tonnes CO² equivalent (FC, 2010). The energy demands of the council's buildings account for 70% of this footprint, the two other main contributors being energy needs of its other infrastructure (12%) and fuel requirements for its vehicle fleet (13%). This represents a typical footprint for the direct emissions of SLAs, helping explain the emphasis placed on public sector schemes in Scotland's Energy Efficiency Action Plan (SG, 2009c).

The EU Directive on Energy Performance of Buildings (CEC, 2002) was transposed into Scottish law through amendments to Scottish building regulations (SP, 2008). Since

January 2009, all large public buildings (covering an area over 1,000m²) are required to display an Energy Performance Certificate (EPC). A revised EU Directive on the energy performance of buildings has recently been issued (CEC, 2010), and Scottish Ministers are due to implement the necessary further changes to Scottish building regulations.

Data from the current EPC system highlights the poor energy efficiency of Scottish public sector buildings, the majority of which are operated by SLAs. A recent audit report observes that this:

illustrates the scale of the challenge in reducing emissions from the existing public sector estate. Over 70% of large public sector buildings have an EPC rating of E to G [poor to very poor], with only 4% rated at A or B [very good or excellent](Audit Scotland, 2010: para. 57).

The problem of poor energy efficiency in the face of rising energy costs is not confined to the public sector. Evidence of the scale of the problem amongst large UK organisations not covered by the ETS or by existing Climate Change Agreements (which are targeted at energy-intensive undertakings) has prompted the UK Government to introduce a new Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This is aimed at less energy-intensive businesses and public sector organisations that use over 6,000 megawatt hours of metered energy per annum.

The CRC will apply to 27 of the 32 SLAs. Initial proposals for the scheme involved a cap-and-trade arrangement similar to the ETS that would have allowed participants to trade their allowances and retain any profits. Fife Council was the only SLA that participated in a trial carbon trading scheme covering 34 local authorities across the UK (Bradshaw & Johnston, 2009) in order to test out the opportunities this presented. The CRC has since been amended (DECC, 2010c) so that only its penalty elements remain.

Organisations subject to the CRC will be required to audit all their GHG emissions. This information will be used to allocate allowances that must be purchased at an initial price of £12 per tonne of CO² equivalent (broadly in line with the current cost of acquiring allowances under the ETS). The audited data will also be used to compile and publish an overall performance table, ranking each of the participants. Audit Scotland (2010: para.68) estimates that Scottish public bodies face an initial overall financial cost of buying allowances amounting to £20 million, ranging from £25,000 for a small SLA to over £3 million for Scottish Water. The publicity given to their relative performance

under the CRC is intended to reinforce the effects of financial sanctions in promoting increased energy efficiency.

Domestic energy demands for space and water heating and power account for 29% of all Scottish energy consumption (SG, 2009c: 3). In addition to raising their in-house energy efficiency, SLAs will also be expected to take strategic ownership of a new domestic housing energy efficiency scheme, termed Green Deal, which is part of the Energy Security and Green Economy Bill (DECC, 2010d). The Green Deal is targeted at housing in the public and private rented sector, as well as owner-occupied homes, suffering low energy-efficiency. It allows energy improvements of up to £7,000 per dwelling to be implemented without upfront payments: part of the subsequent energy savings by households is diverted to meet the cost of these improvements.

The Green Deal (which has also been extended to small businesses) is targeted towards funding energy efficiency measures that generate more savings than they cost, based on an independent assessment by an accredited adviser. Only accredited installers may participate in the scheme. Although Scottish households in owner-occupied dwellings currently already have access to a range of incentives to improve the energy efficiency of their properties (SG, 2009c), the situation for tenants of local authority and private rented accommodation is less clear-cut, since landlords may have little incentive to undertake energy efficiency improvements if tenants are responsible for meeting their own energy bills. The scheme includes powers to require landlords to honour reasonable requests from their tenants for such improvements, where they qualify for Green Deal assistance.

A recent survey indicated that 21% of private sector rented accommodation in England had EPC ratings in the lowest categories, 'F' or 'G' (Hayman, 2010: 11). Under the new Bill, all UK local authorities will be empowered to require landlords owning properties that fall into the worst performing categories to undertake all energy efficiency improvements for which financial support is available. SLAs remain important providers of affordable rented accommodation, even though their stock of social housing has been significantly reduced in recent decades by right-to-buy legislation. Some of their housing stock also suffers from poor energy efficiency, and part of the intention of this new scheme is to make local authorities promote area-wide initiatives to raise the energy efficiency of all housing stock eligible for assistance, including their own.

Measures such as the Green Deal ease the problem of fuel poverty, which continues to be a major obstacle to implementing climate change mitigation through measures that drive energy costs up for domestic consumers (Dresner & Ekins, 2006). The most recent estimates put the number of households in Scotland who are considered to suffer from fuel poverty at 618,000 (SG, 2009c: 11). Powers included in the new Energy Security and Green Economy Bill would give local authorities access to an Energy Company Obligation (ECO) designed to help such households. The UK Minister in charge of the Bill is reported as saying that councils would have a key role in ensuring that the ECO was effectively spent for this purpose through new forms of engagement with the private sector, “with councils selecting a few preferred partners, who would deliver the Green Deal in their area according to street-by-street plans drawn up by councils prioritising the most vulnerable and the low-quality housing in their area” (Hayman, 2010: 11).

SLA adaptation measures

Highland Council was the first SLA to publish an adaptation action plan in anticipation of its new CCSA climate change duties (HC, 2010). Applying the guidance contained in the Scottish Climate Change Adaptation Framework (SG, 2009b), the plan focuses on increasing the resilience of Highland communities to climate change. Highland Council is easily the largest SLA by area, with many of its 220,000 residents located in isolated settlements. Some of its montane, riverine and coastal communities already have an exposure to natural hazards that exceeds other parts of the UK. The adaptation action plan starts by assessing past climate trends and possible future climate scenarios for these communities.

Changes in temperature and precipitation over recent decades have witnessed a significant increase in the area’s growing season (HC, 2010: 19), but one of the major future climatic imponderables is the impact of climate change on the Meridional Overturning Circulation. This ensures that much of the west coast of the Highlands enjoys a much milder (and wetter) climate than its latitude (parallel to northern Labrador on the other side of the North Atlantic) would indicate. Research suggests that the warm North Atlantic Drift it produces might be weakened by ongoing climate change (HC, 2010: 42). This counter-intuitive possibility of much colder waters poses a significant risk for the western Highlands, in terms of its impact on land- and sea-based activities.

As part of its preparations for an adaptation plan, the council organised a series of workshops for its own service divisions and for community representatives. These provided information on what might be the potential effects of climate change on the Scottish Highlands, and also allowed the council to receive feedback on what participants felt were the main local threats and opportunities arising from these effects. The results of such consultations are listed in section 4 of the action plan (HC, 2010: 50-68). They display a wide range of views on possible impacts, confirming the need for ongoing research on climatic change, particularly in an area with large variations in climate and habitat which is occupied by many isolated communities heavily reliant on local public services.

Section 5 of the action plan (HC, 2010: 70-79) is arranged around five commitments. These require the council to:

- demonstrate leadership;
- build on its knowledge base;
- embed climate change issues into existing policy structures and processes;
- inform and communicate the need for action, targeting those at greatest risk; and
- co-operate with relevant stakeholders to identify the most appropriate forms of adaptation.

These commitments are supported by a set of 24 action statements, which identify the responsible service and provide a review date. These are graded according to current status: completed or on target; progress with some slippage; no significant progress; or to be programmed. Each is also provided with a brief explanatory comment. The final section dealing with monitoring and evaluation notes that actions within the plan “will be refined through the consultation process and will be SMART: Specific, Measurable, Agreed, Realistic and Time-Bound” (HC, 2010: 77).

Although the Scottish Highlands presents some adaptation challenges that are unique to the area, the general issues identified echo points made in a recent House of Commons committee report on climate change adaptation arrangements. This acknowledged that climate change impacts would vary considerably from location to location, warranting reliance on local decision making organised and co-ordinated through systems of local governance. It also stressed the role of the planning system, recommending that all local authorities should be encouraged “to use planning obligations to require developers to

take adaptation measures that benefit their new developments and the wider community” (EAC, 2010: para.42).

The role of the statutory planning system in promoting effective climate change mitigation and adaptation extends well beyond concerns about planning obligations. By modifying the shape of the built environment, planning processes can promote sustainable growth designed to minimise resource use and carbon emissions and increase resilience to climate change (Wilson & Piper, 2010). A recently formed UK pressure group offers local planning authorities guidance and model policies on climate change, stating that spatial planning can make a major contribution “by shaping new and existing developments in ways that reduce carbon dioxide emissions and positively build community resilience to problems such as extreme heat or flood risk” (PCCC, 2010: 2).

The Scottish approach to spatial planning exemplifies this philosophy. The Planning etc. (Scotland) Act (SP, 2006) created a statutory obligation to produce a National Planning Framework (NPF) embodying the precepts of sustainable development. The NPF now provides the spatial context for the Scottish Government’s own development priorities, articulating the statements of national planning policy set out in Scottish Planning Policy (SPP) (SG, 2010a). Scottish planning legislation places a statutory obligation on SLAs in their capacity as planning authorities to take the NPF and SPP into account in preparing development plans, with the contents of these documents forming a material consideration in determining planning applications.

In parallel with legislation to update the Scottish planning system to enable it to promote sustainable development, the Environmental Assessment (Scotland) Act (EASA) 2005 (SP, 2005) has extended the EU Strategic Environmental Assessment (SEA) Directive (CEC, 2001) to virtually all Scottish public sector policies, programmes and strategies (PPSs). Scottish Ministers promoted this legislation to make Scotland ‘a world leader’ in using such techniques to mainstream the environment in public sector policy-making (Jackson & Illsley, 2006). Before any Scottish PPS can now be implemented, it must be subject to an environmental assessment process that is open to public scrutiny and comment. A Scottish SEA Gateway has been created to facilitate these statutory assessment requirements.

EASA requires consideration of climatic factors when applying SEA to Scottish PPSs, including all Scottish development plans (SG, 2010b). Recently issued guidance on the use of the technique to this end identifies opportunities to:

- explore the potential contribution a PPS makes to GHG emissions, with the aim of avoiding or reducing such emissions where possible;
- consider whether future Scottish PPSs are resilient to the effects of climate change;
- identify measures to address any adverse effects a PPS may have on climate; and
- help the public sector to make informed decisions about how to reduce the GHG emissions of PPSs and ensure they are resilient to the future climate (SG, 2010c: para.1.4).

Scottish Ministers are currently actively reviewing how Scottish SEA procedures might be further extended to meet the statutory obligations of the CCSA. The potential of environmental modelling software packages is being evaluated (Savills, AEA Technology & MVA Consultancy, 2011). If such approaches are adopted, they would generate quantitative data to supplement the qualitative procedures recommended in current guidance, enabling different development scenarios to be tested for their environmental and carbon footprints.

Initiatives drawing on these techniques to model the resource and carbon implications of SLA operations are already being pursued. The Local Footprint Project, managed by WWF Scotland and the Sustainable Scotland Network, is currently working in partnership with Eco-Schools Scotland, the Improvement Service and Scottish Power, to promote the use of the Resources and Energy Analysis Programme (REAP) interactive resource and carbon accounting software package developed by the Stockholm Environment Institute (Paul *et al*, 2008). Such software packages are capable of utilising datasets based on environmental input-output data that can be configured for local circumstances.

Such tools can be used to enhance SLA capacity to identify and implement low energy strategies for meeting their new CRC obligations, and help them manage other aspects of their carbon plans more effectively. They can also be used to run alternative scenarios for new development strategies, allowing the strategic options within a development plan to be tested for their ecological and carbon footprints. This makes the climate change

implications of SLA policy choices much more explicit and subject to detailed examination. South Lanarkshire Council (2010) has undertaken a pathfinder project which applies these carbon footprinting techniques to the masterplans being developed in three of its Community Growth Areas: East Kilbride, Hamilton and Newton.

5. Conclusions: SLA Opportunities and Threats Posed by Climate Change

Climate change poses a major challenge for systems of local governance. Local authorities across the world must justify the confidence shown by central governments in their capacity to deliver crucial components of the solution to this problem. Scotland offers a test-bed for judging whether local governance can respond to this challenge, since SLAs have been given a central role in implementing what the Scottish Government considers “world-leading legislation which can act as an example of best practice to other countries” (SG, 2010d: para.4.1).

The common-pool characteristics of climate change management ensure that affordability will remain a crucial determinant of the demonstration effect of this legislation. Assuming central government continues to set the parameters for national energy and transport policies, many of the remaining elements of a cost-effective strategy can be delivered through a decentralised approach, allowing local governance to identify the mitigation and adaptation measures that best suit their own communities. Domestic energy efficiency is an obvious example, as the Local Government Association for England and Wales recognises:

through their land-use powers, local development frameworks, regeneration and area action plans, councils are already setting out how their communities will develop and improve over the next few decades. They are uniquely placed to understand when and where improvements are going to be made – and as such, they are best placed to identify opportunities to integrate the installation of energy efficiency measures into these improvements (LGA, 2009: 6).

Compared with the UK average, Scotland has a colder climate, more housing in rural locations without access to gas mains, and more households living in dwellings with non-standard construction that is difficult to insulate. Its domestic energy efficiency schemes need to be carefully tailored to local circumstances, with SLA housing officers focusing on households likely to be exposed to fuel poverty from rising energy costs (Stewart, 2010). Many climate change adaptation measures also require local responses shaped to specific types of area-based hazards. SLA spatial planners and emergency planning services provide the local expertise to identify which communities exposed to climate

change risks are capable of reinforcing their current defences at reasonable cost, and which might need to relocate or modify some of their activities.

Reliance on local governance to deliver the bulk of community-based mitigation and adaptation measures also accords with the argument made in the paper that policies must address the consumption determinants of carbon emissions rather than their production. Unless individual jurisdictions or trading blocs are prepared to place border taxes on imports of high carbon goods and services - a measure advocated by Helm (2010a) but unlikely to find widespread political support amongst the electorates that bear the costs of such actions - mitigation strategies must ultimately be focused on changing patterns of consumption so that producers, wherever located, will be obliged to adjust their product mixes accordingly. A low carbon world in a global economy which continues to enjoy the benefits of free trade is only possible if this also becomes a low carbon-consumption world, in which the location of production for meeting consumer needs is determined by where carbon inputs are lowest.

Local governance helps provide a suitable framework for promoting such a low carbon-consumption world. A large part of consumer expenditure in any country is directed towards local public services such as education, public health and water supplies, social housing, environmental health and waste management, all of which are susceptible to low carbon modifications. Most of these services are also non-competitive in nature, with local authorities acting as the sole providers to those who live and work in their area. This means that actions SLAs take to promote low carbon-consumption practices cannot readily be undermined by carbon leakages to domestic competitors, as might well occur if private sector businesses such as supermarkets attempted to emulate them. SLAs that succeed in transforming their service delivery from high to low carbon will not lose business to other SLAs who fail to emulate them.

A good example of the ability of local governance to deliver low carbon-consumption strategies is to be found in waste management. In 2010 the Scottish Government published its zero-waste strategy (SG, 2010e). Of the 20 million tonnes of waste produced in Scotland in 2008, domestic households accounted for 14.5%, the construction industry for 43% and other commercial and industrial sources for 40%. Much of this is capable of being re-used, recycled or used for energy generation rather than be disposed of via landfill, allowing Scotland to reduce both its ecological and its

carbon footprint. In the 1990s, Scotland used to send over 80% of its municipal waste to landfill. Under its new zero-waste strategy, a maximum of 5% is designated for landfill (SG, 2010e).

In recent years, EU Directives transposed into Scottish legislation have had a major impact on Scottish municipal, commercial and industrial waste management practices (Brady & Jackson, 2003). Most private sector waste is now managed on a low carbon basis. SLAs are responsible for collecting household waste, and their municipal waste operations also serve a wide range of commercial and industrial undertakings. Following changes in SLA waste collection practices, Scottish households now sort their waste into different bins for kerbside collection and make use of SLA recycling centres. As Table 3 demonstrates, this has triggered a significant low carbon behavioural change by Scottish households over a relatively short time-span.

Table 3. Percentage in Scottish Housing Survey who reported recycling waste items in past month

| Item | Adult respondents | | Households | | | |
|---------------------------------------|-------------------|-----------|------------|-----------|-----------|-----------|
| | 2000 | 2002 | 2003 | 2007 | 2008 | 2009 |
| Newspapers/magazines/paper/card | 30 | 33 | 45 | 81 | 83 | 84 |
| Glass bottles and jars | 29 | 31 | 35 | 67 | 70 | 73 |
| Plastic bottles | 6 | 8 | 12 | 58 | 65 | 71 |
| Metal cans | 9 | 10 | 14 | 59 | 65 | 69 |
| One or more of the above items | 43 | 45 | 55 | 84 | 87 | 88 |

Source: Natural Scotland, 2010

Despite these opportunities, a shortage of finance is likely to prove the main constraint on the ability of SLAs to deliver their climate change duties over the next decade. The introduction of the CRC will highlight ongoing disparities in SLA in-house energy efficiency. The CRC levy should make win-win outcomes from increased in-house energy efficiency even more apparent in an era of rising energy costs. However, SLAs will still need to find the funds to invest in new estate and to recruit and train staff capable of identifying low carbon options (Richens, 2010).

In straightened financial circumstances it is tempting to cut back on training and to accept the lowest upfront construction price for new estate, overlooking options that offer much lower life-cycle outlays. As Audit Scotland (2010: para.69) observes: “public bodies are facing difficult decisions due to increasing financial pressures in the public

sector and this may make it more difficult to secure the investment needed to continually reduce emissions from energy sources". The challenge facing SLAs such as the Fife and Highland Councils is to find the means to fulfil their statutory obligations with regard to climate change while restructuring to cope with sharp reductions in funding. It will be a good test of the resilience of Scottish local governance.

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Professionalising Local Government Leadership: A Foundational Imperative

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Olubunmi Ajayi

Secretary-General
African Commission for Local Government Improvement



1. Introduction

‘If you have built a castle in the air your work need not be lost – that is where they should be. Now put the foundations under them.’ (Henry Thoreau)

First, the good news. Africa’s economic pulse has quickened, infusing the continent with a new commercial vibrancy. Real GDP rose by 4.9 percent a year from 2000 through 2008, more than twice its pace in the 1980s and 1990s. Telecommunications, banking, and retailing are flourishing. Construction is booming. Private-investment inflows are surging. Africa’s collective GDP, at \$1.6 trillion in 2008, is now roughly equal to Brazil’s or Russia’s, and according to the McKinsey Quarterly, ‘What’s driving Africa’s growth’ (2010), the continent is among the world’s most rapidly growing economic regions. This acceleration is a sign of hard-earned progress and future promise.

There is also good news about public management. According to the African Development Bank (2011), many African countries are making significant progress in improving public financial management. In recent years, public expenditure management in several countries has improved, regulatory and supervisory bodies have been strengthened, and tax systems have been reformed towards internationally recognized standards of good fiscal practice. A

World Bank and Brookings survey of 31 African countries, found that at least 25 had adopted reforms involving payroll, procurement, internal audit and external audit (Andrews 2010).

However, development is of course about more than just improving people's economic and financial situation and many of Africa's 50-plus economies still face hugely challenging issues of poverty, social inequity, social justice, security and corruption, issues that cannot simply be addressed by economic growth alone. So there is a need for further progress. Many of the reforms have been applied at the central or federal level and have not filtered sufficiently or at all to local government level. There is limited institutional and human capacity. Whilst, a lot of attention has been given to the legal frameworks and budgeting methodologies, there has not been enough focus on the development of professional skills in the public sector, and historically it has been hard to attract people to work in the African public sector because of the poor pay levels and archaic systems of government, particularly in local government.

The Local Government Service in Africa today is still fundamentally the product of the nineteenth century colonial philosophy although the problems it faces are those of the twenty first century. In spite of some progress in some areas, it remains inadequate for the most efficient discharge of the present and prospective responsibilities of government. To the credit of some African countries, there has been an increased adoption of reforms, but in general there is still a lack of strong, stable local governments. The progress made by some governments in the past ten years is noteworthy. However, the challenges remain colossal. Evidence of poor service; citizen discontent and dissatisfaction; incompetency; poor leadership; and adverse audit reports all point to the need for greater capacity to be able to fulfil the shared vision of an effective and innovative local government sector.

Across Africa, there is a need to come to grips with the reality of our situation however disheartening it may look and feel. Whilst we have legitimate and proud cause to celebrate our successes to date, our "castles" which are symbols of our success cannot be grounded without significant development and professionalization of the local government sector. Well thought-through and effective efforts have got to be made to ensure that political leaders,

executives and administrators have the right mix of skills and expertise to enable their departments or agencies to deliver effective services. To this end, the goal must be to professionalise the business of government. Given the increasing investment in capacity building and the acute shortage of local government professionals, it is time to work together to build set standards across the local government sector; develop the leaders that can transform the sector; and develop professional practice in local government. With the right, robust and rigorous interventions and support, local government can truly become a vehicle for lasting development. And the aim of this paper is to stimulate and facilitate a collaborative inquiry into the need, motivations and benefits for a professionalised local government.

2. Local Government and Professionalisation

There is a general consensus about what local governments should be doing in Africa (as indeed, around the globe). We want local governments that can:

- provide effective municipal governance;
- provide community and democratic leadership;
- provide efficient services;
- empower communities and citizens;
- provide strategic leadership - setting vision,
- be effective regulators - licensing, environmental
- health, planning, trading standards, etc;
- collect and administer taxes effectively
- be a scrutineer – for the sector
- be shaper of the economic and physical development of communities.

But local government will not be up to these multiple tasks unless it develops the necessary human capital through the injection of professionalisation and professional practices.

Africa's urgent priority is to reduce poverty through strong and sustained economic growth and improved services that benefit the poor. But no country has succeeded with levels of human development as low as those found in the majority of African countries today. The development of human capital is one of the major challenges facing the region and is a

critical factor in the fight to reduce poverty and reach the Millennium Development Goals. Human capital includes the attributes of a person that are productive in some economic context. It often refers to formal educational attainment, with the implication that education is an investment whose returns are in the form of wage, salary, or other compensation. These are normally measured and conceived of as private returns to the individual but can also be social returns. Professionalisation can be seen as a process of building upon this formal educational attainment with a view to skills enhancement and specialization.

In a recent interview Ritva Reinikka, World Bank Director for Human Development in Africa, highlighted the importance of human development in the run-up to 2015 when the Millennium Development Goals are due. She stated that:

It's certainly true that a lot of physical capital must be built quickly in Sub-Saharan Africa. By that I mean roads, electricity, water supply, internet connectivity, and so on. But the other side of the coin is that countries also need to build "human" capital. That is, a skilled and knowledgeable workforce that can contribute to the economy productively. So countries need to make sure that people are healthy, well-educated, and have the right skills for jobs, and that they are protected from poverty and hunger (World Bank 2011).

There is no doubt that efforts at public sector reform are succeeding in some areas. However, without an urgent investment in professionalisation, noble national and state aspirations and the influx of donor aid will only achieve minimal improvements.

3. What We Do Not Mean By Professionalism

Whilst there is general agreement that skills need to be improved in order to generate sustainable change and improvements in local government administration, a highly skilled service is not an end in itself. It is important to be clear about what we do not mean by professionalisation. According to Wilensky (1964), this label is loosely applied to increasing specialization and transferability of skill, the proliferation of objective standards of work, the spread of tenure arrangements, licensing, or certification, and the growth of service occupations. Professionalism, by definition, involves belonging to a profession and is about behaving in a way that is consistent with certain professional standards. A profession is an occupation that requires extensive training and the study and mastery of specialized knowledge. It usually requires accreditation, certification, or licensing. It has a specific code of ethics, and it holds members accountable. (Carter and Wilson 2006).

Professionalisation of Local Government cannot be used as a blanket term because the sector is made up of several professional streams. Professionalisation of local government is therefore about more than improving professional practice. It is also about institutional capacity and can only be achieved through cultural and behavioural change. So it is important to differentiate between the structural and behavioural attributes of professionalism. Professional associations have a vital role to play in ensuring standards in local government services but efforts to build institutional capacity must be targeted at bringing about change in behaviours and attitudes, both at the leadership and grassroots level. Professionalism means having an internal set of standards of performance and behaviour. Professionals aspire to high ideals: altruism; honour and integrity; respect; excellence and scholarship; caring, compassion, and communication; leadership; and responsibility and accountability. (Carter and Wilson 2006). Professionalisation is about espousing a particular philosophy of how we govern in local government – the aim is to professionalise the business of local government.

4. Enabling Conditions for a Professional Local Government

In spite of progress made to date, local government in Africa still remains inadequate in seven important respects. It is still too based on the philosophy of the amateur (or "generalist" or "all-rounder"). This is most evident among the senior ranks. Second, the present system of categories and grading in the local administration, (each for the most part with its own separate pay and career structure) seriously impedes its work. Third, members of specialist classes such as finance, planners, and engineers are frequently given neither the full responsibilities and opportunities nor the corresponding authority they ought to have. Fourth, there are too few staff is skilled managers or leaders. Fifth, there is not enough contact between local councils and the communities they are there to serve. Sixth, human resource management and career planning are inadequate. Finally, there is a problem of poor pay in comparison to other sectors.

There is a need to improve local government capability in all these areas so that local government staff have the right mix of skills and expertise to enable their departments (be it in policy delivery, operational service delivery and corporate service delivery (including

services such as finance, ICT, communications and HR) to deliver effective services to citizens. There is a need for staff and leaders to have the right attitude and behaviours in order to serve their citizens and local communities effectively. It is about injecting dignity into local government administration by moving away from the concepts of "generalist" and "specialist", and to create a Local Government sector where all staff is specialists of one form or another and leadership is distributed. We know that systems with years of tradition and embedded bureaucracy behind them won't be easy to change. Before real progress can be achieved, we must cultivate the conditions under which change and this means tackling a range of issues.

Elitism

Historically across the world, the public sector is rife with elitism. In Africa, there is a tendency to view local government as inferior to other parts of the civil service. Policy work is the most revered and the one linked to promotion. What is needed is whole-systems professionalisation so that the key work streams of local government including policy, finance, human resources and general management, carry equal esteem and all three should provide opportunities for promotion. This should be reflected in the processes of attraction; recruitment; selection; retention and refreshment.

Staff should be encouraged early in their careers in local government to choose whether to pursue a career in a particular profession - such as a professional policy delivery specialist or a professional public finance management (PFM). Although all careers should include experience of at least two professions and preferably more, individuals should major in one of those. They should then be advised to plot career paths accordingly (for example, a professional policy adviser might gain operational delivery experience by working in a management or leadership role). For the upper echelon, standards can be raised so that there is a minimum requirement for entrants including the need to be skilled in organisations; management theory and practice; and the experience of managing complex organisations and; a commitment to continuous professional development. For the lower echelon, there should be a process whereby the everyday skills of civil servants is recognized through some kind of vocational qualifications that can be graduated into either academic or professional qualifications. In an effort to raise standards, the following core skills should be made mandatory for senior local government officials:

- Analysis and use of evidence;
- Financial management;
- People management;
- Programme and project management;
- Strategic thinking; and
- Communications.

Standards

Raising professional standards is a core strand of public sector reforms. People need to know what standards are expected and what behaviours underpin them. All over Africa, governments should be seeking to rebuild citizens' trust and confidence in local government administration by raising standards of professionalism across the sector. One of the key ways of doing this is for local governments to build in house capacity through the achievement of higher level qualifications; meeting enhanced standards of continuing professional development; and adhering to common ethical standards.

Pay

The issue of poor pay is important because it contributes to two big problems in local government: attrition and corruption. Generally, local government is seen as a last resort for desperate people who are hoping to supplement their income by moonlighting and conducting business during office hours so that they can make ends meet. The public sector, and in particular, local government, continues to experience a drain of talent to the private sector (including foreign companies) and NGOs, even losing talent to the very aid agencies that are supposed to be helping governments build their capacity (Wuyts 1996). Although it can be difficult to close the pay gap between the public sector and the private sector, this is an issue that must be addressed, and urgently, for there to be a demonstrable improvement in the attraction, recruitment and retention of talent to local government.

Corruption

The issue of low pay is strongly linked to corruption and lack of individual and organizational discipline. Local government employees resort to all sorts of unethical practices in order to make ends meet. This is an endemic problem especially as some particular pockets of the administration are seen as "to die for money-making zones".

Weaning employees off unethical practices and bribery will be impossible without pay reform fostering the principles and practices of individual and collective social responsibility and accountability.

Career Progression and Meritocracy

Although one of the essential pillars of public sector reform and professionalisation is meritocracy, it is not always easy to achieve in any country, and is particularly difficult in Africa. There is a historically based on aristocracy with a perceived right to privileged positions, including the upper echelon of civil service. In a world where who you know, where you went to college, and your surname does matter, the upper echelon has become a class of its own. Rules of fairness and equal opportunities can be used to create more favourable conditions for meritocracy in local government including:

- The injection of competition into recruitment and selection processes so that the best candidate gets the job;
- Basing recruitment on competencies and experience by adherence to strict and enforceable codes and processes of recruitment and selection;
- Recognition of non-academic qualifications (on-the-job learning) and past professional performance; and
- Matching past performance to the job requirements.

There should be further improvement to the recruitment and induction practices that provides recruits with support and a more open culture which is conducive to success. This requires significant management and leadership commitment.

Legal and regulatory framework

There must be robust legal and regulatory frameworks to ensure compliance with the professionalisation agenda.

Training

Training is vital to professionalism but it cannot simply be a case of training for the sake of training. It is impossible to build capacity if we cannot identify the skills that are needed. Local governments should invest in a coherent strategy that helps to identify skills gap in

administration and leadership. Training must have four overlapping but complementary objectives:

- To enhance technical capacity;
- To strengthen core professional skills;
- To facilitate change; and
- To change behaviours and attitudes.

The goal of professional training should be to improve employee performance and achievement. To be judged effective, therefore, training must result in ongoing benefits as measured by improvements in employee performance. However, there is a growing body of research that shows that much training does not lead to long-term changes in practice. Therefore, the focus for professional development must not be limited to external courses and workshops but needs to embrace the development of strong professional learning communities within local governments where professional learning is built into employees' every day working lives and responsibilities. In addition, training programmes must also be improved to build in some cross-boundary learning or work experience to boost organisational versatility and agility.

Beyond accrediting the skills of existing and future staff, local government must invest more in its employees by providing formal and informal training to develop their skills. Legal and human Resource frameworks must ensure that employees have access to appropriate training throughout their careers in local government. Such access clearly depends on a number of factors, from the suitability of training offered, to the adequacy of time and money available.

Attitude

Any attempt at establishing the elements that constitute appropriate professionalism is complex. This is because professionalism stretches along a continuum from the individual (beliefs, attitudes, behaviours and attributes) through the interpersonal domain (interactions with citizens and communities and fellow staff), to social responsibility and ultimately, political agendas.

It requires a culture that fosters continual improvement and emphasises both personal and collective responsibility for improvement in local government. Because professionalism is not simply a technical matter of acquiring or updating skills, but covers a myriad of cognitive and attitudinal elements, it needs to address required changes in behaviours and attitudes that incorporates the determination of required level of individual and organizational competency in local government professionalism against world best sector standards is essential. Therefore, the professionalisation agenda should be a hybrid of extending the use of accredited qualifications; on-the-job training; and creating the right environment, structure and cultural climate for a professionalized local government. This diversity of approach is absolutely critical to getting it right.

Leadership

Professionalism must cut through all levels of local government. It is not uncommon to find the blind leading the dumb in local government. Neither is it uncommon to find unskilled, inexperienced and uneducated people at leadership levels. Local government needs qualified, well-trained, experienced and committed leaders who observe and honour the democratic processes and who are professional in their practice.

Leaders have a very important role to play in steering the organisations towards change and mobilising teams. For successful professionalisation of local government, there is a need for senior civil servants in local government to *“be the change they wish to see”*. It is no use the leaders pointing the fingers at the shop-floor and saying, *“they must change”*. Bad leadership practices at the upper echelons sets the tone for organisational behaviour and diminishes collective responsibility and accountability. It is not merely a case of demanding change from the grassroots; this is a case of leading by example. Efforts must also be made to reduce the rate of turnover of local government leaders in order to provide a better degree of stability and to preserve organisational memory. This is vital to the professionalisation process because of the need to transfer skills sideways and downwards as well as through team working. This requires a process of change from the bureaucratic and arms-length leadership to a new, engaging, responsive and professional style which also promotes responsibility and accountability in action.

Political Will

Success in our efforts to professionalise local government depends on various factors: a common definition of professionalisation; identifying the most appropriate approach; promoting new policies that foster professional practice. But it also depends on the mobilization of political will. This is the engine of change and the most powerful tool in the transformation of local government; and it is needed to reach agreements on what needs to be done and to start taking immediate action.

To move forward with the professionalisation agenda, political leaders will have to take decisions that involve risks and political costs. There is no swapping of price tags. To obtain the collective will, they will need to work collaboratively to provide countries and decision makers with high quality analysis; objective and reliable economic evidence and serious predictions with clearly thought-through scenarios for improvement. They will also need to know what has worked or not to date and the lessons that have been learnt so that they can compare their country's performance and plan for change and improvements.

Any measures to strengthen the professionalisation of local government requires political will and a socially and politically responsible leadership (as the quote goes, "*the fish rots from the head*"). This powerful combination of political will and leadership, if achieved, will overcome resistance, build grassroots advocacy for change and start to address the habits and behaviours of civil servants in local government.

Measuring Professionalism

Given that the definition of professionalism is complex, careful consideration has to be given to how we measure professionalism and what degree of it can be attributed to success in public sector reform and new public management efforts. Furthermore, there is the issue of what is being measured; what aspect of employees' performance is being predicted for improvement; and what numbers of measures are to be selected. This is recommended as an area for further study.

5. Conclusion

Castles in the air need foundations. People throughout the region are beginning to realize that whilst dramatic words and phrases might provide a temporary reprieve, they cannot satisfy their aspirations for a better life. What is needed is a philosophy of critical reflection and practical action that induces change simultaneously at both state and local government levels. There is a need courageously to confront the continent's challenges at grass roots level which manifest themselves in the corrosion of local government and local services.

First and foremost, we need to come to grips with the reality of our situation, however disheartening it may look and feel, and take conscious and determined steps to address the challenges facing us in local government. This paper is a call for an honest undertaking to re-shape our values; to re-build the lives in our communities; and restore some modicum of confidence in our citizens - those whom we govern, those who elect us. The challenges facing local government are enormous but we need to consciously and willingly embark on a journey of reform and we must do it in a new way. We must stop doing what I call 'constipation management' (by which I mean, if it does not work, try harder!).

The rationale for professionalisation is based on the conviction that a strong and vibrant local government is essential to the attainment of a society and region in which all citizens have access to basic services; equal opportunities; and have real opportunities to participate in and shape their local communities. And for this we need a highly skilled workforce with the right mindset and behaviours; and corresponding enabling culture and leadership.

The professionalisation of local government cannot take place in a vacuum and must be part of the whole-system change of public sector reform and new public management, where it is applied. Public sector reforms have got to be integrated and interactive to ensure success and to work together to create good governance. All across Africa, people want their locality to be one where they have a high quality of life and good life chances. They want a pleasant, safe, clean and green environment with low levels of crime, clean water, and no rubbish. They want a strong local economy with a wide range of opportunities for employment, fair access to services and equal opportunities for lifelong learning. They want to live in socially cohesive communities where the vulnerable are protected; do not lose their dignity; where all

individuals are respected; and where people have a sense of pride and care about the place in which they live.

Globally, we continue to experience unrelenting change, and in terms of globalisation of the economy, new technologies and balance of power. Inherent in every change is the opportunity for improvement. The opportunities to create a 21st century local government in Africa require professionalisation of its administration underpinned by good governance. Indeed, local governments everywhere need administrations that have well-trained, experienced, committed and well paid staff to achieve their goals of efficient and effective delivery of public service supported by dynamic and fruitful citizen engagement.

Regardless of the challenges and their capacity constraints, local governments are still better placed than anyone else to respond to the needs of their citizens simply because they are the closest to them. Evidence and experience demonstrate that the best way of building capacity in local government is to put resources at the disposal of local governments so that they can learn their jobs through doing their jobs. Development of human resources in both public and private sector organizations has become critical in an increasingly knowledge-based globalizing economy (Analoui, 2002). One cannot over-estimate the strategic importance of professionalisation in the public sector reform because of its implications for improved development, leadership and good governance. At the World Bank notes: 'Africa's future lies in its people. Indeed, Africa must solve its current human development crisis if it is to claim the 21st century. Africa's future economic growth will depend less on its natural resources, which are being depleted and are subject to long-run price declines, ... and more on its labour skills and its ability to accelerate a demographic transition' (World Bank, 2000, p.103).

Africa's most precious resource is its human capital and, just as a diamond has to be polished, human capital must be developed and professionalised to unleash its potential and to make reform possible and sustainable. The challenge is real but it is not insurmountable. We have already begun to build castles of public sector reform, now we need to put the foundations under them.

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Reconceptualising Shared Services

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Peter McKinlay

Local Government Centre
Auckland University of Technology, NZ



1. Introduction

Endeavours to improve the efficiency and effectiveness of local government have been a persistent theme both of politicians in higher tiers of government and of interest groups, especially business. The two contenders for improvement which receive most coverage both in the research literature and in popular discussion are amalgamation and shared services. Arguments from the literature have generally favoured shared services over amalgamation. Bish (2001) in a comprehensive review of North American research dismisses the argument for amalgamation as a product of flawed nineteenth-century thinking and a bureaucratic urge for centralized control. He does so making the very reasonable point that the presumed economies of scale which will result from amalgamation are a function not of the size and scale of individual local authorities, but of the services for which those local authorities are responsible, and the point at which economies of scale will be optimised will be very different for different services. The case against amalgamation is also reinforced by the absence of any significant post-facto evidence that amalgamation achieves either the promised savings or the anticipated efficiency gains (McKinlay 2006).

Despite this, the major strategy for seeking to improve local government performance in developed countries such as England, Canada, Australia and New Zealand has been amalgamation, typically forced or at least significantly encouraged by higher tiers of government. This approach has been reinforced by a clear lack of confidence in the potential of shared services to provide the desired improvement in local government performance.

Queensland's Local Government Reform Commission whose report triggered a major restructuring of Queensland local government (Local Government Reform Commission 2007), dismissed shared services as an option with the following comment:

Regional co-operative structures and shared service arrangements generally offer less efficiency and economies of scale than could be achieved through amalgamation (essentially because of the additional overheads they incur). However, they may have applicability in areas where amalgamation is not being recommended by the Commission.

The Royal Commission on Auckland Governance, which reported on the establishment of a single strong unitary authority for the whole of the Auckland region (Royal Commission 2009), considered whether it should retain existing district and city councils as a second tier of local government. The Commission was aware of the failure of previous attempts to improve efficiency across the region through the use of shared services.¹ It rejected the idea of a second tier commenting:

The Commission considered the possibility of retaining the existing territorial authorities and limiting their powers, by removing from them responsibilities relating to regional infrastructure and assets and development, and requiring councils to share services. The Commission concluded that this approach would be difficult to implement and would not necessarily achieve the organisational and cultural change required.

In England, despite a strong government emphasis since the Gershon review (Gershon 2004) on shared services as a means of achieving efficiency gains, progress has been at best relatively patchy. Deloitte (2010) in an overview of shared services in local government in England identified a number of inhibitors including:

- An absence of expertise, the cost of the initial investment and capacity.
- Behavioural and political obstacles, linked to individuals' careers or the risks of reducing headcount.
- A desire by elected members to maintain self-determination over front-line services and back-office support functions.
- Resistance to sharing control with another local authority.

The New Local Government Network, a leading UK think tank on local governance, notes on its website (www.nlgn.org.uk) that:

¹ A failure attributed by one senior official (who had been very closely involved with the negotiations) as resulting from resistance on the part of second and third tier managers to what they perceived as threats to their personal empires (personal communication).

the scale and scope of shared services remains extremely limited. Managerial, political, geographic and professional protectionism have too often impeded these reforms and led to their untimely demise. However, the UK's fiscal deficit and the imperative to make huge reductions in public spending are now making such apathy and insularity an unaffordable luxury. While the Government is committed to avoiding formal local government reorganisation, Ministers have advocated once again a much more widespread take-up of shared services and functions.

It does seem that, in England at least, the harsh reality of reduced funding is encouraging a renewed interest in the potential for shared services. A 2010 survey of Council attitudes to shared services undertaken by the law firm Browne Jacobson in conjunction with Ipsos Mori (Browne Jacobson 2011) reveals a shift in attitude since its previous survey in 2008. The survey findings include the comment "It appears on the surface that some of the barriers of the past are being seen as less of a hurdle as the full impact of austerity hits home." In some specific areas changes are quite marked. In 2008 half of public sector managers cited workforce opposition (53%) and lack of a collaborative culture (51%) as significant obstacles. In 2010 only 6% of senior managers regarded opposition from unions and staff as the biggest single obstacle, with 7% identifying the lack of a collaborative culture as key.

If this change is indeed happening, then it looks as though England may be moving ahead of much of local government in jurisdictions such as Australia, Canada and generally New Zealand. Dollery et al (2009) supports the view that although there has been some interest in shared services in Australia, progress has not been significant and substantially held back by many of the same barriers as had been identified in research on English local government.

Even in British Columbia which has had a long established tradition of eschewing forced amalgamation and relying, instead, on encouraging collaboration especially through regional districts (a form of voluntary collaboration), recent work suggests that there are still considerable difficulties from time to time in achieving the level of collaboration required (Regional District Task Force 2010).

The New Zealand experience has been similarly limited with some report of successful individual collaborations but a general sense that, especially in terms of any substantive activity, local government is still reluctant to go down the shared services route (a view which the Royal Commission on Auckland clearly held). Recent case studies undertaken as part of fieldwork for a report supported jointly by the Local Government Association of South Australia, and Local Government New Zealand, *Consolidation in Local Government:*

A Fresh Look (Australian Centre of Excellence for Local Government, 2011) point to a potentially encouraging development, with a new approach to the development of shared services based on a re-conceptualisation of the essence of the shared services endeavour.

2. New Zealand: Context

Apart from the Auckland Council, a major unitary authority representing one third of the country's population, New Zealand local government comprises two principal forms of local authority; regional councils and territorial authorities (which may be either city or district councils). There are currently 11 regional councils each of whose boundaries encompasses all or part of a number of territorial authorities (the 12th, the Auckland Regional Council, it is now subsumed within the Auckland Council) across the country. Their functions are primarily environmental management (including responsibility for air and water quality), land transport, the coastal zone out to the 12 mile limit and pest and noxious weed control. Territorial authorities are responsible for the bulk of local authority service delivery, including water and sewerage services, local roads, arts culture and recreation, local regulation (including district planning and building consents) minor health regulation and a wide range of other essentially local services. There are in addition four small unitary authorities each combining the functions of a regional council and territorial authority within their own boundaries, and one very major unitary, Auckland.

The second important contextual issue is the unique statutory framework which New Zealand has regulating the ability of councils to establish what are referred to as council controlled organisations (CCOs); these include companies owned or controlled by a council (or councils), trusts and other incorporated entities. The legislation gives councils wide powers to establish CCOs subject only to a requirement that they first consult their communities. Importantly, the legislation also includes extensive provisions regulating the relationship between councils and CCOs (see below). The intention is to strike a balance between the powers which normal commercial directors have to direct the company with limited interference from shareholders, and the demands for public accountability expected of any council owned activity.

3. The Case Studies

Case studies were undertaken of two regionally-based shared services initiatives, one in the Waikato region and one in the Bay of Plenty region. Both regions contain a mix of urban and rural councils. The Waikato region is dominated by a single city, Hamilton, which is the

centre of the region's business, educational health and public service activities. In the Bay of Plenty although Tauranga has a somewhat higher proportion of the regional population, Rotorua is the centre for a number of central government activities within the region, and educational and health services are more evenly distributed between the two centres. Both regions also contain smaller largely rural councils with limited resources and capacity purely because of their size. And in common with much of New Zealand local government, both regions were very aware of the pending restructuring of local government within the Auckland region, and concerned about the implications for their own regions. Both drew the inference that one consequence of the Auckland restructuring would be an increased emphasis on the efficiency and capability of local government in other parts of New Zealand.

Both had some previous experience of various forms of shared service - in the Waikato region a number of councils had been working on creating a joint capability for building consents; in the Bay of Plenty the regional council had played a role in providing IT support for smaller territorial authorities, and had led joint contracting for the purchase of aerial photography services, the contract for which was coming towards the end of its term. Personal relationships were an important factor in both cases. In the Waikato three key chief executives had a very close working relationship (Hamilton City, the Regional Council and the largest rural authority). In the Bay of Plenty chief executives of the regional council, Tauranga City and Western Bay of Plenty District Council (which surrounds the city) had been building a close working relationship through a joint long-term strategic land-use planning initiative, Smart Growth.

Waikato

The Waikato region was the first of the two regions to establish a regionwide shared services initiative. The immediate trigger came out of the councils' rating responsibilities. Regional councils and territorial authorities both have rating powers. Prior to 2002 territorial authorities were obliged to act as collection agents for their regional councils. As the result of new rating legislation which came into effect in that year, collection of regional rates became optional for territorial authorities. The Hamilton City Council advised the Waikato Regional Council that it would no longer collect rates on its behalf - basically as a side effect of a major IT upgrade within the city. One consequence of this was a recognition not just by the Regional Council, but by a number of the territorial authorities within the region that

they would each need to develop a new valuation database.² The precise means of doing this was seen as an administrative decision within the authority of individual chief executives (reflecting the split of responsibilities under New Zealand's local government legislation between elected members on the one hand and the chief executive on the other).

The task of developing a shared valuation database was seen as an appropriate one for a shared services approach. Led by the regional council, the councils took legal advice on the appropriate form for a shared services undertaking. The advice they were given was that they should establish a council owned company - under the legislation a council controlled organisation (CCO) - in which they would all be shareholders.

Briefly, a CCO operates under a legislative framework which includes a strong measure of accountability by the board of the company to the council owner(s). This includes the development of what is known as a statement of intent, developed by the directors in consultation with the council, which sets out matters such as the areas of business in which the company intends to engage, its performance requirements, its accounting policies, how often and how it will report to the council and a number of other matters. The board of a CCO is required by law to manage the company in accordance with its statement of intent. Importantly the council owner(s) has the power by resolution to require the Board of Directors to change the statement of intent, thus giving the council much greater influence than shareholders in a conventional company.

Two crucial decisions were taken as part of establishing the shared services CCO which had a major impact on its effectiveness. They were:

- Because of the number of councils involved (a total of 13) not all councils should be represented on the board. This was seen as necessary to ensure that the problems of bringing busy chief executives together for regular meetings could be managed. The constitution provided for six directors, with two each representing just one local authority (the city and the regional council) one representing two and three each representing three.
- Rather than establishing its own administration, including financial reporting, the new company should use the services of the regional council.

² In New Zealand and local authorities must revise their rating valuations at least once every three years. Most local authorities relied on Quotable Value New Zealand (previously the government's valuation department) to provide rating valuations but councils in the Waikato concluded it would be more cost-effective to develop their own.

In practice, the board structure has proved problematic. The effect has been that the majority of the region's chief executives do not take a direct part in deliberations on the activities of the company. Those who are not board members are briefed by their representative prior to each board meeting, but that brief does not extend to giving the board members themselves discretion to commit the other councils they represent if any significant changes are suggested. This can seriously delay decision-making, and also helps undermine the collegiality which is important for an effective shared services organisation.

The decision to utilise the services of the regional council, rather than establishing its own administration arrangements, looked sensible in terms of cost minimisation but had an unintended and unfortunate consequence. The chief executive of the shared services company was unable to obtain timely financial information and was thus unaware of a significant cost blowout in the shared valuation database project, a blowout which seriously undermined the credibility of the shared services undertaking.

The Bay of Plenty

The Bay of Plenty did not face the same rating issue as the Waikato region (the Bay of Plenty councils opted to continue collecting rates on behalf of the region). Instead, the decision to establish a shared services activity was able to be a more considered one. Among the relevant considerations were:

- The belief on the part of two of the region's key territorial authority chief executives that in order to retain their local identity, they needed a strategy of radical collaboration - driven by a positive search for better outcomes rather than simply as a post-Auckland anti-amalgamation strategy.
- A recent history of successful collaboration on one-off issues (for example aerial photography).
- The availability of the Waikato region's legal advice on possible structures.
- An interest at the executive level in options for sharing access to selected services, especially IT in areas such as aerial photography and GIS.

The Bay of Plenty councils generally followed the Waikato approach with the establishment of a CCO but with three crucial differences:

- Each council should be represented on the board by its chief executive. One reason was the importance of building a collegial approach; this was seen as requiring the commitment of all chief executives (an important factor here was that one of the key

chief executives was a member of the Institute of Directors with a very good understanding of corporate governance and of the differences between corporate governance in a commercial environment and within a local authority). The fact that the board now meets six weekly has played an important role in building trust and relationships among the region's chief executives as a quite separate outcome from the company's shared services activities.

- The CCO should have its own administrative arrangements, including control over its own financial reporting.
- In order to build credibility, it was seen as important to start with 'low hanging fruit' so as to achieve some early successes, rather than focus on a single major and complex project with the attendant risks if the project did not deliver the expected outcomes.

The chairman, and now the board as a whole, has placed a strong emphasis on principles of good governance including ensuring that directors understand the different interests they represent - as directors, as shareholders, and as chief executives of the company's clients. This includes ensuring directors understand that their obligation is to act in the best interests of the company, and not to favour their shareholder or client interest. It is now the practice that, if a director appears to be speaking from his or her shareholder or client interest, other board members will point out the director has stepped outside the director role.

The Bay of Plenty shared services company (formally titled Bay of Plenty Local Authority Served Services Ltd - BOPLASS) has established a successful record in delivering savings in a number of conventional shared services areas, primarily procurement of services and consumables (for example insurance and stationery, GIS and aerial photography). If this were all it had done, then it would simply be just another example of local authorities sharing a range of peripheral services with some reasonable benefits but no significant impact on their overall operation.

The potentially crucial breakthrough in thinking about shared services is a consequence of the region's involvement with the government's broadband initiative. For some years, New Zealand's central government has been engaged in a series of endeavours to encourage the widespread adoption of broadband services. The potential to connect up the councils of the region became a trigger for BOPLASS to rethink the nature of shared services. Its chairman

now takes the view that the most useful way to think about shared services is as an exercise in sharing information. BOPLASS has established a 1Gbps fibre network linking the major councils in the region, and is putting in place microwave links to connect to the remaining councils. This connection is allowing a rethink of the way in which shared services are developed and managed, and of how councils access information about any particular shared service. It is providing an opportunity to develop capability which all councils can utilise even although they may lack the individual scale or financial resource to do this in any other way. A prime example is the development of GIS. BOPLASS will support a single centre of excellence which will serve all of the councils within the region (and any councils from outside the region which wish to join in with the service). The fibre network link will enable any other council instantly to access and utilise GIS data in respect of its area.

It is allowing the councils within the shared services consortium each to develop areas in which they can build specific strengths so that, for example, one council may specialise in debtors control, one in HR, and one in payroll management another in rating administration and so on. The fibre network is also expected over time to allow a seamless approach to administering a range of regulatory activities including building consents. There is also significant front office potential. With the ability of any council, from any office, to access all of the data held by councils across the region, each council office where ever it may be can act as a point of contact for a resident or ratepayer from anywhere in the region, and use the ability to access any council's database to answer questions about that resident or ratepayer's property or other concerns.

An immediate benefit from this approach is to strengthen local democracy. The argument that smaller councils should be amalgamated with their neighbours because they simply lack the capability or capacity to provide their districts with the full range of local government services loses much of its force. Councils of whatever size should have the ability to provide their communities with a full range of services (front office or back office) because of the "centres of excellence" approach and the way in which that is supported by data sharing and access. It also minimises the threat to council autonomy, and to incumbents on staff. Because it is a distributed model, the "centres of excellence" approach does not mean that services are removed from councils to be undertaken by some separate entity. Elected members should retain a sense of control over the services which the council provides, and staff will generally have opportunities for career development, rather than face the prospect of redundancy.

4. Conclusions

One conclusion of broad application which emerges from the case studies is the critical importance of people and personal relationships. Both shared services initiatives depended critically in their early days on the close personal relationships between key chief executives. One, Waikato, effectively failed to realise its potential when those personal relationships ceased as the three chief executives whose personal relationships had been fundamental moved on to new positions. The new appointee to the position of chief executive at Hamilton City Council, whose role was pivotal in the development of any shared services strategy, opted for a different approach focused on developing capability within his council rather than through a shared services structure. As a consequence what could have been additional shared services initiatives failed to gain any traction. The other, Bay of Plenty, has had the strong backing of two committed chief executives sharing a belief in the need for radical collaboration coupled with an understanding of the importance of good corporate governance among other things as a way of building a strong team. The recent resignation of one of those two chief executives has seen the partner councils within BOPLASS actively encouraging the recruitment process for that chief executive's replacement to specifically seek someone committed to a shared services approach.

The sense that even BOPLASS with its acknowledged success remains strongly dependent on personalities highlights an issue which merits further research; what is it within local government arrangements in jurisdictions such as England, Canada, Australia and New Zealand which makes apparently logical measures to improve efficiency so dependent on the whim or preference of individual executives (and politicians) notwithstanding the occasional consequences? It seems clear that one reason governments are so willing to intervene in the structure of local government is a sense that those responsible for decision-making within local government lack a sufficient commitment to ensuring efficient performance, especially when it does come to initiatives such as shared services. Is it a combination of the monopoly position of individual local governments as the deliverer of local government services, and a lack of any genuinely informed public understanding of the extent to which resistance to change costs ratepayers/citizens?

This paper has presented two different applications of a specific governance model in the development and delivery of shared services - a council owned company operating under New Zealand's council controlled organisation framework. The importance of attention to good governance is highlighted by comparison between the two companies. BOPLASS has

placed very significant emphasis on building a unified board, maintaining and enhancing board commitment, and applying principles of good governance. The Waikato shared services company, in contrast, adopted a board structure which has made it difficult to build a unified sense of purpose. The contrast between the two also emphasises the importance of managing business risk. The Waikato decision to start with a single major and complex project set the scene for undermining the confidence of participating councils, when costs ran significantly ahead of budget, whereas the BOPLASS emphasis on achieving early successes has helped build the trust needed to undertake more challenging activities, such as the fibre-optic network. But the greatest interest from the case studies is the potential for shared services generally of the way in which BOPLASS has reconceptualised the idea of shared services. The recognition that the common element in shared services is information, and the combination of effective information management and seamless access to data by all participating councils is leading to a major change in attitude especially on the part of council managements. Although it is still very much 'early days' in realising the full potential of this approach to shared services, including the 'centres of excellence' model, the potential to reshape the way that local government addresses shared services is clear.

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The Local Capacity, Local Community and Local Governance Dimensions of Sustainability in Australian Local Government

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Brian Dollery^[1]

Centre for Local Government
University of New England, Armidale



[1]



[2]

Lin Crase^[2]

Faculty of Law and Management &
Regional School of Business
La Trobe University

Bligh Grant^[3]

Centre for Local Government
University of New England, Armidale



[3]

1. Introduction

The problem of the ‘financial sustainability’ of individual local councils represents the most significant policy question at issue in contemporary debate on Australian local government. This concern with financial sustainability has not only dominated almost all recent local government conferences across Australia, but it has also formed the capstone of several public inquiries into state local government systems. For instance, at the state level, both the South Australian Financial Sustainability Review Board’s (FSRB) (2005) *Rising to the*

¹ The authors would like to thank two anonymous referees for helpful comments on an earlier draft. Address for correspondence: bdollery@une.edu.au

Challenge and the Independent Inquiry into the Financial Sustainability of NSW Local Government's (LGI) (2006) *Are Councils Sustainable* were centrally occupied with determining the meaning of financial sustainability in Australian local government and developing measures of financial sustainability. Moreover, the Queensland Local Government Association (LGAQ) (2006) *Size, Shape and Sustainability* (SSS) program, the Western Australian Local Government Association (WALGA) (2006) *Systemic Sustainability Study* and the Local Government Association of Tasmania (LGAT) (2007) *Review of the Financial Sustainability of Local Government in Tasmania* had at their core the problem of assessing financial sustainability in their respective local government systems.

Similarly, at the national level, a commissioned report by PriceWaterhouseCoopers (PWC) (2006), entitled *National Financial Sustainability Study of Local Government*, considered the problem of financial sustainability across all Australian local government jurisdictions. In an analogous vein, the Productivity Commission (2008) examined the revenue-raising capacity of Australian local government. In addition to these efforts, an embryonic Australian academic literature exists (see, for example, Murray and Dollery, 2005; 2006; Walker and Jones, 2006; Dollery, 2006).

Dollery and Crase (2006) have scrutinized the contemporary debate on financial sustainability in Australian local government. Various salient conclusions were drawn from their analysis. In the first place, no agreed definition of financial sustainability existed in Australia. Secondly, recent attempts at determining the financial sustainability of local councils had considered quite different aspects of the monetary situation of municipalities; this served to further underline the lack of national consensus on the meaning of financial sustainability. Thirdly, whereas the South Australian, New South Wales, Queensland, Western Australian, Tasmanian and PWC investigations into financial sustainability all employed Key Performance Indicators (KPIs) (most commonly in the form of financial ratios), Dollery and Crase (2006) have identified numerous problems with the KPI method of performance appraisal, including the fact that the observed incidence of local government failure bears little statistical relationship to KPI scores, at least in the New South Wales local government milieu (see Murray and Dollery 2005). It thus follows that policy makers should

be very wary of making far-reaching decisions based upon disputed definitions of financial sustainability as well as flawed KPIs with poor predictive capacity.

Quite apart from the doubt surrounding the meaning and measurement of financial sustainability, a second important question that must be taken into account deals with the 'non-financial' aspects of sustainability in local government. This question has been at least partially explored in other comparable national contexts, where local government sustainability has been discussed in somewhat more holistic terms than mere financial sustainability. For example, while the initial brief of the Lyons Inquiry into Local Government in England required it to 'search for a sustainable solution to the problems of local government *finance*' (Lyons, 2005, 3), the Inquiry stretched its ambit to include (i) the strategic role of local government; (ii) devolution and decentralisation; (iii) managing pressure on local services and (iv) scope for new agreement between central and local government (Lyons, 2005, 7-10). Grant and Dollery, (2011) have argued that the Inquiry's subsequent recommendations, and especially 'place-shaping' (Lyons, 2007) amounted to a revitalised theory of local government which has been reflected in the Cameron Government's *Localism Bill (2010)* (see, for example, CLG, 2010). Financial sustainability embraced local governments' own revenue-raising capacity, but also included sustainable community strategies where sustainability is context-dependant (see, for example, Lyons, 2007, 11) and where 'lifestyle sustainability' is based upon alleviating pressure on the environment (see, for example, Lyons, 2007, 69).

In the New Zealand the Report of the Local Government Rates Inquiry (2007), entitled *Funding Local Government*, initially defined sustainability according to terms derived from the Government's *Fiscal Responsibility Act (1994)* or what it described as 'the affordability of expenditure and equity of funding over the long term', noting that 'in general, local government is paying insufficient attention to these issues' (Rates Inquiry, 2007, 3) and incorporating 'environmental sustainability' into its recommendations.

Against this comparative international context, in this paper we pursue the question: aside from direct financial considerations, what other factors determine the broader long-run

sustainability of Australian local councils? In other words, can we identify ‘overall’ local government sustainability and define its characteristics?

The paper itself is divided into three main parts. Section 2 considers the problem of defining adequately council sustainability and identifying the chief determinants of this broader conception of local government sustainability. Section 3 examines each of the three main putative attributes of community or social sustainability in local government advanced in section 2 and seeks to illustrate how the current LGAQ (2006) *Size, Shape and Sustainability* (SSS) program and the WALGA (2006) *Systemic Sustainability Study* have addressed these attributes. The paper ends with some brief concluding remarks in section 4.

2. Defining Overall Council Sustainability

Generic sustainability

The concept of sustainability first emerged in the development literature through the work of the World Commission on Environment and Development (‘Brundtland Commission’) (1987: 8), which defined sustainable development as a process that ‘meets the needs of the present without compromising the ability of future generations to meet their own needs’. A key element of this definition lay in its conflation of environmental concerns with economic growth which had previously been juxtaposed (Romero-Lankao, 2000). As a consequence, the Brundtland Commission (1987) definition was rapidly adopted by a wide range of writers since it served as a unifying umbrella term for a diversity of perspectives on development. However, the consensual nature of this definition came at the price of ambiguity and imprecision (Adger and Jordan, 2009; Leuenberger and Bartle, 2009), which has now fragmented into ‘dozens of definitions [that] are being passed around among experts and politicians, because many and diverse interests and visions hide behind the common key-idea’ (Sachs, 1995: 8).

The disintegration of the earlier general consensus on the meaning of sustainability into a raft of conflicting and frequently value-laden streams of thought is evident in its application to local government. This should not be surprising given the complex multi-dimensional nature of local government with its democratic, economic, environmental, and social role in local service provision and local community life. Nonetheless, the fact that there is currently no

satisfactory universal definition of sustainability in local government is unfortunate because explicit recognition of sustainability forces local government policy makers to give weight to the future consequences of current decisions. It is thus worth exploring the nature of sustainability in the local government environment.

In this paper, we propose that the concept of local government sustainability should extend beyond the narrow confines of financial sustainability or financial viability to include the vibrancy of local democracy, local social capital and local council administrative and technical capacity. In this sense, sustainability is taken to broadly refer to the ability of a local authority to function effectively over the long term. However, we do not embrace environmental concerns directly since local government seldom has the legislative authority to make a decisive contribution to long-run environmental sustainability nor does environmental sustainability itself have an uncontested meaning.

Tensions between democracy and efficiency

In common with the conceptual and factual difficulties of defining financial sustainability, the problem of defining overall council sustainability presents similar analytical challenges. In all Westminster-style advanced democracies, local government plays a dual role. Aulich (2005, p.198) has described this twin function in Australian local government in some detail. In the first place, local government 'provides a voice to local aspirations for decentralized governance'. What can be termed the 'local democracy approach' thus places fundamental value on 'local differences and system diversity' and encourages directed activities and policy reforms aimed at improving 'local choice and local voice'. This is premised on the notion that a local council 'can and will make choices that will differ from those made by others'. According to this view, 'a premium is placed upon traditional democratic values' that fully embrace 'access', 'accountability', 'representativeness' and 'responsiveness' (Stewart 1997). The 'vibrancy' of local democracy thus becomes a desired outcome in its own right.

In addition to these attributes of the local democracy approach, it is possible to identify other dimensions that may be important. In this respect, the concept of 'social capital' is crucial. First conceived by Coleman (1988) and later popularized by Putnam (1993), social capital refers to those features of social life that enable participants to act together more effectively

to pursue shared objectives. In the local government context, social capital engenders local civic awareness that manifests itself in a variety of community projects, ranging from the formation of local social associations and sports clubs to local business initiatives. The determinants of local social capital are complex and not well understood (Quibria 2003), but include a 'sense of community' and a 'sense of place' that derive from living in a small and distinctive community, such as a local government area. Community size and community social capital are therefore intrinsically linked together.

The local democracy approach necessarily implies support for 'collaborative or pluralist processes of reform' rather than top-down 'technocratic' policy intervention that overrides local opinion (Aulich 2005). Rather than being viewed as a burdensome financial impost on the local exchequer, representative local government is seen as a worthy policy goal on its own merit. The costs associated with local governance, including local elections, consultation processes, 'democratic audits', community participation, elected councillors, their supporting secretariat and the whole gamut of local democratic autonomy, can thus be justified in the same way as financial outlays on any other *bona fide* council service. Accordingly, public policy should not simply seek efficient service local provision, but also effective local democracy. Political process becomes as important as economic outcome. The result is an emphasis on 'bottom-up' local consultation and local policy formulation.

The second primary role of local government in a Westminster-type democratic constitutional system focuses on local councils as 'a mechanism for [the] efficient delivery of local services to local communities' (Aulich, 2005, p.199). In terms of this perspective, in its role as a provider of local public and quasi-public goods and services, local government must focus on efficient service delivery above all else (Tucker 1997). In other words, local government is not regarded as a representative entity in its own right, but rather as an instrument for meeting local needs through local services in the most cost effective manner possible. This instrumentalist conception of the role of local government in a federal system thus stresses the importance of policy reform aimed exclusively at enhancing the efficiency of local government, regardless of the impact this might have on the vibrancy of local democracy. Put differently, in the instrumentalist service provision approach 'fiscal and economic issues override other social and political concerns' and 'tradition-bound or value-orientated forms of political and social organization are replaced by purely instrumentally

rational institutions' (Aulich, 2005, p.199). Economic outcomes thus take precedence over political processes.

The main policy implications of this 'local service delivery approach' have been described by Aulich (2005, p.199). First, the policy goals of operational efficiency and overall economy are pursued by state government intervention into local government. Second, this intervention often generates legislative and regulatory criteria aimed at uniformity in processes and outcomes at the local level. Third, as a consequence, participatory and deliberative processes are devalued, 'with top-down technocratic processes being more typical' (Aulich, 2005, p. 199).

Obvious tensions exist between the two primary roles of local government in a Westminster-style democratic polity and these are perhaps best exemplified in the diametrically opposed policy implications that derive from the local democracy approach and the local service approach. Steyvers, et al. (2006, p.429) draw a distinction between 'input legitimacy' and 'output legitimacy' to highlight this tension. Input legitimacy rests on 'responsive government' that can be achieved by 'integrating citizens and providing space for participatory input' into municipal decision-making. By contrast, output legitimacy occurs through providing 'effective and efficient public services'. This dichotomy can be illustrated by means of Figure 1:

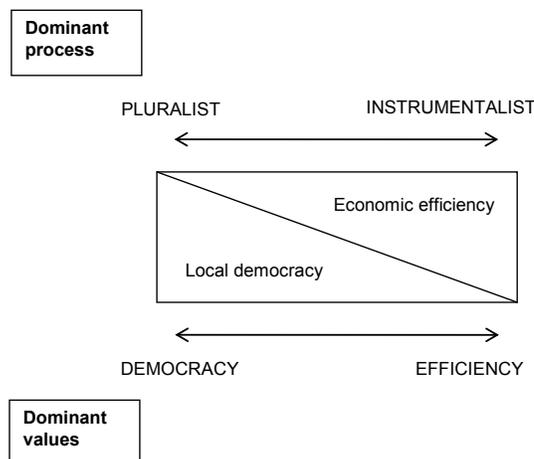


Figure 1. Competing Roles of Australian Local Government

Source: Adapted from Aulich (1999, p.20).

Figure 1 depicts the opposing value systems and associated process orientation of the local democracy approach and the local service approach. The instrumentalist policy preference of the local service approach is manifest in its end-state objective of achieving greater cost effectiveness regardless of the price paid in terms of democratic process. For example, if local democratic processes express community preferences for small ‘close-to-the-people’ local councils, even if this may involve relatively more expensive service provision, then ‘top-down’ state government intervention in the form of forced amalgamation, or other kinds of obligatory structural change, is justified if it can deliver cheaper services. By contrast, if due democratic process embodies full public participation, even where this may entail the provision of redundant additional services or more costly local services, then this is warranted under the local democracy approach since it expresses legitimate community preferences.

Whereas Aulich (2005) sets the local democracy approach and the local service approach in juxtaposition as competing and almost mutually exclusive roles for Australian local government, it is possible to identify aspects of both positions that contain overlapping and mutually reinforcing (or mutually destructive) dimensions of contemporary local authorities. If we consider a hypothetical case where an enforced local government merger of several small councils with a single large municipality in a regional spatial setting would generate an aggregate reduction in the per capita costs of service provision across the entire new amalgamated entity, and this merger will necessarily mean that council activities and employment are geographically reallocated away from the previous small councils towards the dominant large municipality, then feedback loops between local democracy approach and the local service approach become apparent. For instance, small country councils are often a major employer in small rural towns. If council employees are forced to work in the former large council area in the new amalgamated structure, then this will set in motion powerful negative multiplier effects that can lower population, reduce economic activity, and threaten the viability of other public and private services, like public schools and banking facilities.

Secondly, if we invoke attributes of the local democracy approach neglected by Aulich (2005), such as the historically, psychologically and sociologically crucial concepts of ‘sense of community’ and ‘sense of place’, that form an important part of the social capital of small

country towns, then this will also have substantial economic effects. After all, a municipal council often represents the ‘heart’ of a community and serves to symbolize its character and independence. The abolition of these councils could thus severely damage a ‘sense of community’ built up over the generations. The economic consequences of this loss may be felt in different retail shopping patterns, altered school enrolment, changed sporting club allegiances, and so forth, which will have ramifications for the composition of economic activity and the strength of the rate base of the former small council areas.

Finally, and perhaps most importantly, process and outcome are inextricably linked through democratic representation in local government. Thus, the merger of small councils with a larger municipality can have obvious and severe resource implications for residents of the small merged towns. For example, if a previously autonomous local council is compulsorily amalgamated with a larger, adjacent regional centre, then its elected representation automatically falls as a proportion of all councillors. This may mean relatively fewer resources will be directed towards the needs of residents of the small councils relative to their counterparts living in the dominant larger regional city. Moreover, where service provision preferences differ between the citizenry of small and large councils, the pattern of service provision can also shift to the detriment of residents of small towns. These effects will be even more acute if electoral wards are abolished since this may mean no representation at all for minority ratepayers living in sparsely populated areas on the outskirts of the new local government structure.

In essence, the local democracy approach and the local service approach can thus overlap in some respects and this affects the nature of trade-offs between the two perspectives. In other words, single-minded pursuit of economic gain regardless of political process can have the unintended effects of reducing the aggregate economic benefits through the spatial redistribution of economic activity and council service operations within the new amalgamated entity. Political process thus cannot be entirely divorced from economic outcome.

The tensions between input legitimacy and output legitimacy, stressed by Steyvers, et al. (2006), has focused attention on the need to reconcile these two imperatives. Some scholars

have pursued this line of inquiry, including Kersting and Vetter (2003), and have sought to close the 'gap' between service efficiency and participatory democracy. However, the fruits of this debate have yet to appear.

Community sustainability

The identification of two contending primary roles for Australian local government by Aulich (2005), and the augmentation of this dichotomized approach with the recognition that in some respects outcome and process are inextricably linked (since service efficiency cannot be considered as entirely discrete from service distribution), can shed considerable light on the problem of local government sustainability. We have already very briefly considered the thorny question of 'financial sustainability' – a critical component of the local service approach. But what are the chief elements of 'community sustainability' (as distinct from financial sustainability) that comprise the essence of the local democracy approach?

Several clusters of factors suggest themselves. The first constellation of attributes will centre on the vibrancy of local democracy in the sense that it engages maximum public participation. Local democratic processes obviously play a central role in overall council sustainability and these include democratic 'access', 'accountability', 'representativeness' and 'responsiveness' outlined by Aulich (2005).

The second cluster of attributes revolves around local social capital and its relationship with local councils. Although little is known about the genesis of social capital, it seems to spring from a well-developed 'sense of community' and a 'sense of place' that flow from living in a small community whose members interact frequently. While these abstract and somewhat 'ethereal' factors are very difficult to measure, this obviously does not diminish their importance.

The third constellation of factors that influence local government sustainability focuses on the capacity of local government. Local government cannot command the respect of its constituents if it is unable to effectively formulate agreed policy positions and implement these decisions into concrete action. The capacity of local government thus has two dimensions: Well-functioning elected leadership and sufficient administrative and technical expertise. These two attributes of local government capacity are crucial to council

sustainability. In the first place, there must be effective functioning of an elected council free of personal rancour and disruptive factionalism. Although the Australian literature has not addressed this aspect of local councils empirically, anecdotal evidence suggests that dysfunctional elected councils are the single most important cause of local government failure in New South Wales local government. This is hardly surprising since efficacious and cooperative elected councils represent the bedrock of 'local choice and local voice' that underpin local government leadership.

Each of these elements will now be considered in greater detail. Amongst other things, we will consider the problem of how these attributes are tackled by the LGAQ's (2006) *Size, Shape and Sustainability* program and the WALGA (2006) *Systemic Sustainability Study* by way of illustrative examples. It must be stressed that since almost nothing has been written on this question in the literature on Australian local government, the discussion is exploratory and the conclusions tentative.

3. Factors Influencing Overall Local Government sustainability

The three constellations of factors identified above should not be regarded as definitive. With this caveat in mind, we now consider each cluster in turn.

Vibrancy of Local Government Democracy

Scholars of local government have charted a steady transformation in the nature of government within the local sector over the past decade. The term 'governance' attracted increased scrutiny in the 1990s (see, for example, Stoker, 1998) and has been used to describe the new relationship between government and the governed that emphasizes 'steering' and not 'rowing'. Unfortunately, a confusing array of meanings has been attached to the term. In the present context, we adopt the definition advanced by Goodin (1996, p.7) in which governance represents 'nothing less than the steering of society by officials in control of what are organizationally "the commanding heights" of society'.

Another way of approaching governance was formulated by Keohane and Nye (2000, p. 37): 'by governance we mean the processes and institutions, both formal and informal, which guide and restrain the collective activities of a group'. Thus 'government is the subset that acts with authority and creates formal obligations'. However, governance is not the exclusive

domain of governments themselves, but also involves private organizations, nonprofit institutions, and a host of other social structures.

Denters and Rose (2005, p.6) have characterised the new relationship between local government and its various client groups as involving a 'dual challenge': An increase in citizen involvement has required local authorities to 'improve their capacity for effective and efficient governance', prompting local governments to search for innovative ways to meet these demands, including turning to citizens and community groups in the search for innovation and problem-solving. However, at the same time, the decline in party-political links into councils has required the implementation of different avenues for decision-making and citizen involvement. Denters and Rose (2005, p.6) labelled these different types of involvement 'new forms of local democracy'.

Developing operational measures of the vibrancy of local democracy presents immense conceptual problems that obviously cannot be resolved in the exploratory conjectural context of the present paper. However, if we consider the deliberations of two recent inquiries into Australian local government systems, then this at least serves to highlight not only the implicit importance of local democracy, but also provides at least some idea of the flavour of the discourse on local democracy in contemporary Australian local government.

The *Systemic Sustainability Study* produced under the auspices of the WALGA (2006, p.1/2) stressed the importance of 'good governance'. It defined this quality as 'the ability of local government to operate with integrity and to assure the community that efficient and effective management is applied in the community interest'. In the Western Australian context, the Report argued that 'good governance' had not always been manifest in that state, especially insofar as 'large intergenerational equity transfers' in asset management had taken place and the general competence powers in the Western Australian Local Government Act had not been fully understood. However, apart from these issues, the *Systemic Sustainability Study* did not provide any indicators to measure this attribute of local government.

The Queensland *Size, Shape and Sustainability Guidelines Kit* (LGAQ, 2006, Chapter 3) does provide some implicit measures of good governance. For instance, Indicator Category 4

deals with 'standards of governance' and proposes two indicators. 'Decision Making and Management' seeks to measure three formal aspects of the 'level of competence' of a given council: 'Corporate planning'; 'risk management'; and 'delegations' (p.20). In a similar vein, 'Accountability' concerns itself with 'how a council accounts for its key activities and what systems and processes are in place to support this accountability' (p.21). Two separate indicators are put forward to gauge this kind of 'accountability': 'Performance management' as measured by the performance management process in place; and the 'internal audit process' as captured by the nature of the internal audit process.

It could also be argued that the *Size, Shape and Sustainability Guidelines Kit* (LGAQ, 2006, Chapter 3) contains some other measures that indirectly touch on good governance. For example, Indicator Category 3 focuses on 'planning'. Two specific indicators are outlined: 'Service coordination and efficiency' which considers the question of whether 'key infrastructure' is 'coordinated' and yields 'efficient services' (p.18); and 'growth management' that attempts to gauge 'how well a council is able to respond to and manage population growth impacting on its area' (p.19).

Finally, the *Size, Shape and Sustainability Guidelines Kit* (LGAQ, 2006, Chapter 3) may gather information with a bearing on public participation under Indicator Category 2 that deals with 'community of interest'. 'The performance indicator 'community engagement' tries to evaluate 'how well a council engages with it's community' (p.17) and suggests the use of 'existing community surveys', 'current community engagement plans', and the 'community complaints register'. It should be noted that all three sources of information represent formal processes and thus act as proxy variables for 'real' or informal engagement.

Local Social Capital and Local Government

The concept of social capital is based on the notion that 'social interaction matters' since it 'creates social networks, fosters trust and values, sustains norms and culture and creates community' (Quibria, 2003, p.19). Coleman (1990, p.302) conceived of social capital as analogous to 'other forms of capital' because it makes 'possible the achievement of certain ends that would not be attainable in its absence'. In much the same vein, Putnam (1993, p.7) defined social capital as 'features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions'.

The key components of social capital identified by all these scholars are 'networks of civic engagement', 'norms of generalized reciprocity', and 'relations of social trust'. Quite apart from the significance of social capital for economic development and social integration, it also has important public policy implications for local government. Various mechanisms have been proposed that link the performance of local councils to social capital. In the first place, Putnam (1993) argued that municipal performance may be enhanced by high levels of social capital since it encourages greater monitoring of the behaviour of council officials. This process occurs directly because council employees care about their reputations with people among whom they interact frequently. It also occurs indirectly because monitoring council performance is a public good and thus prone to the well-known free rider problem in collective action; social capital assists in overcoming free riding.

If Putnam (1993) is correct in identifying informal performance monitoring as the link between local government performance and social capital, then what are the policy implications of this view for local government? We have seen that social capital is likely to be high when people interact frequently with each other. Moreover, the reputational impact of monitoring by people who have regular dealings with the council employees in question will be stronger than in the case of comparative strangers. It follows that small councils in small local government areas characterized by small populations will be the most effective in fostering social capital, frequent interaction between council workers and elected representatives and the public, and thereby more efficacious monitoring of council performance.

A second mechanism that may link social capital to the performance of municipalities was suggested by Putnam (1993; 2000), Aarts (1995) and other scholars. It is argued that various factors, especially increased urbanization, have contributed to a decline in organizational participation by citizens. This in turn has led a reduction in the linkages between the public and local authorities and altered the relationship between the two for the worse. Unfortunately, little is known about the empirical attributes of social capital and therefore on appropriate policy responses to increase social capital. However, some work has been done on this aspect of social capital. For instance, in *Bowling Alone*, Putnam (2000) established

evidence that points to a decline in social capital in the United States over the past three decades. Similarly, Knack and Keefer (1997) found that social capital is a measurable determinant of economic performance in international terms.

In addition to this international empirical literature on social capital, some Australian work has focused on social capital in regional and rural communities that can shed at least some light on the question. For instance, Woodhouse (2006) conducted a comparative study of two anonymous 'regional towns' and found that high levels of social capital facilitated local economic development and this process can best be stimulated by policy measures aimed at integrating these communities with broader partnerships and policy debates. Other Australian scholars, including Onyx and Bullen (2000), Sobels, Curtis and Lockie (2001) and Leigh (2006), have arrived at analogous conclusions. However, to the best of our knowledge unfortunately no Australian study has focused exclusively on the relationship between effective local councils and social capital.

The empirical basis for policy formulation on local government and social capital is thus very limited. This necessarily means that any policy proposals must be speculative. But it does seem clear that small communities in small local government areas are best placed to engender high levels of social capital since interaction between citizens and local government representatives and employees will be higher under these circumstances. Furthermore, it is highly likely that a well-developed 'sense of community' and a 'sense of place' will be most pronounced in small local government areas where people are acquainted with a relatively high proportion of their fellow citizens.

What implications do these speculative hypotheses have for local government reform in general aimed at enhancing sustainability? Consider the example of the Queensland *Size, Shape and Sustainability* program. The *Guidelines Kit* (LGAQ, 2006, pp.6-7) prescribed four 'options for change' that could be followed by local councils: 'Resource sharing through service agreements'; 'resource sharing through joint enterprise'; 'significant boundary change'; and the 'merger/amalgamation of adjoining councils'. The last two of these options involve modification to the size, shape and population of an affected local government area and thereby could influence adversely both the 'sense of community' and a 'sense of place'

among residents. In this respect, these two options might serve to reduce social capital, damage the associated monitoring aspect of social interaction, and thus impair the efficacy of local government. Since both forms of resource sharing leave the boundaries and population of a participating local council intact, it can be argued that they would leave both the 'sense of community' and a 'sense of place' untouched.

Local Government Capacity

In section 2, it was argued that local government capacity had two separate dimensions. Firstly, the political capacity derived from the democratic legitimacy and effective decision making abilities of elected representatives comprising local councils. Although no comprehensive empirical research has yet been undertaken in Australian local government, anecdotal evidence suggests that the primary cause of the failure and ultimate dissolution of local councils by state governments lies in dysfunctional elected councils rather than financial distress and other problems. Where councils are plagued by bitter personal animosities, 'infighting' between councillors, intransigent factionalism, and disruptive meetings, 'policy gridlock' typically occurs that can effectively stall the smooth running of a local authority. A secondary effect of dysfunctional elected councils resides in the loss of public confidence in their elected representatives and a diminution of collaborative partnerships between community organizations and local government. In other words, the most important element in local government sustainability can be found in cooperative functional elected bodies.

It follows that any attempt to assess the long-run viability of local authorities should first establish whether sound relations exist between both mayors and elected councillors and amongst elected representatives themselves. In practice, this can only be established by observing the workings of council meetings and the relationships between elected representatives. No abstract performance indicator can replace observation and judgment.

The *Systemic Sustainability Study* (WALGA 2006) stressed the importance of effective and cohesive elected councils. It emphasized the key role of 'leadership capacity' by observing that 'the experience, competence, and passion of elected members' is essential 'to represent the desires and aspirations of local communities' (WALGA, 2006, p.2). However, no definite statistical measures were proposed to assess empirically these attributes.

The administrative and technical ability of council staff forms the second dimension of local government capacity. The importance of this type of council capacity can hardly be overstated. In this regard, Dollery, Crase and Johnson (2006, p.148) made the following observation: 'A proposition sometimes advanced in the Australian debate over amalgamation is that larger councils tend to have greater levels of administrative and other expertise, in part due to the fact that their size permits the employment of specialist skills that cannot be readily acquired by smaller municipalities'. But they hasten to add that while this argument has 'considerable merit', partnership agreements between small councils can achieve the same outcome in terms of acquiring specialist skills.

The *Systemic Sustainability Study* (WALGA, 2006, p.2) also underlined the importance of the capacity of local government employees to the efficient functioning of local councils. Insufficient administrative capacity in Western Australia had resulted in two identifiable problems. Firstly, 'innovation' had occurred in the local government sector in that state, but had not been implemented 'from a systematic perspective'. Secondly, 'asset management practice' was unsatisfactory and had masked 'exposures for communities and councils'.

The question of whether or not an individual council is sustainable by virtue of its administrative and technical expertise can only be settled with certainty by empirical examination of staffing levels relative to need. In this sense, local government administrative capacity is amenable to measurement through selected performance indicators. For instance, an informative ratio could compute the proportion of vacancies for professional and technical staff. This would provide a simple and robust statistic that would allow for comparisons between different councils.

By contrast, the *Size, Shape and Sustainability Guidelines Kit* (LGAQ, 2006, Chapter 3) did at least attempt to provide measurable estimates of council sustainability in human resources. For example, the 'Human Resourcing' indicator considered various factors, such as 'staff turnover rates'.

4. Concluding Remarks

It has been argued that not only does 'financial sustainability' have no agreed meaning in Australian local government, but also it represents only a single dimension of overall council sustainability (Dollery, Byrnes and Crase, 2007). Indeed, anecdotal evidence suggests that the primary cause of local government failure lies in 'infighting' in elected councils and related 'policy gridlock'. This means that an accurate assessment of aggregate 'overall sustainability' in local government must also include other attributes of contemporary local authorities.

Apart from the intractable difficulties in determining financial sustainability, two main problems have been identified with evaluating overall local government sustainability. In the first place, the abstract and ephemeral nature of the concept of overall sustainability makes it hard to define with any degree of precision. Many factors clearly play an important role: Local government democracy; local government capacity; 'sense of place'; community sustainability; local social capital; local preference diversity; local leadership; and local economic development all seem relevant.

In this paper, we have argued that three main 'clusters' of attributes of overall local council sustainability seem apposite: The 'vibrancy of local democracy' that has become even more essential in the new local governance paradigm; 'local social capital' that can enhance the good working of effective local authorities; and 'local government capacity' in both the political and technical aspects of local governance. However, given the exploratory nature of the analysis, this tripartite classification may not be exhaustive. Other factors could also easily be included, perhaps most notably 'environmental sustainability'.

However, an obvious constraint on the inclusive of a large 'wish list' of additional attributers of overall sustainability is the extent of council control over these factors. For example, in the Australian federal system of government, several functions formally handled by local government are in fact strictly governed by state and Commonwealth regulation and their effective discharge is often determined by finance controlled by these higher tiers of government. Local government thus has little discretionary power of these functions,

regardless of how well it operates. It is therefore misplaced to seek to embrace attributes of overall sustainability that councils cannot influence and then evaluate councils on this basis.

The existence of restrictions imposed on local government by higher tiers of government is by no means limited to Australia. Indeed, almost all local government systems, in developed and developing countries alike, face legislative and other constraints which confine policy latitude. This problem seems especially acute in the realm of finance, where restrictions on taxation powers and borrowing authority are commonplace (see, for instance, Shah 2006a; 2006b).

A second constraint on the determination of overall local government sustainability resides in the thorny problem of measurement. The three clusters of overall sustainability proposed in this paper - the 'vibrancy of local democracy', 'local social capital' and 'local government capacity' - cannot be measured directly. This means that proxy variables must be used to try to capture key elements of these clusters and none of these variables is exact. It follows that subjective judgment and inference are unavoidable.

Despite the obvious need to evaluate local government sustainability from a broader perspective than simply financial sustainability, these two problems seem to have deterred some earlier state local government sustainability investigations from adopting this wider perspective. As Dollery and Crase (2006) have shown, both the South Australian Financial Sustainability Review Board's (2005) *Rising to the Challenge* and the Financial Sustainability of NSW Local Government's (2006) *Are Councils Sustainable* paid lip service to the importance of overall sustainability, but did not attempt to assess it in their work. By contrast, to their credit, the ill-fated LGAQ's (2006) *Size, Shape and Sustainability* program and the WALGA (2006) *Systemic Sustainability Study: In Your Hands - Shaping the Future of Local Government in Western Australia* did at least recognize that financial sustainability alone is insufficient. However, as we have attempted to demonstrate, much remains to be done.

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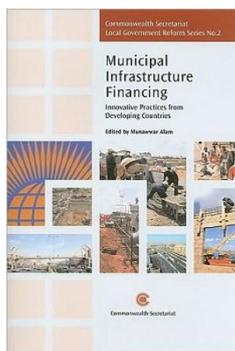
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Book Review: Municipal Infrastructure Financing: Innovative Practices from Developing Countries

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Kevin Tayler

Water and Sanitation Consultant,
Honorary Professor, Cardiff University



BOOK REVIEW: Municipal Infrastructure Financing: Innovative Practices from Developing Countries

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Rapid urbanisation creates a need to expand urban services and that expansion is not possible without adequate finances. However, fiscal decentralization has not kept pace with administrative and functional decentralisation so that municipal bodies lack the funds required to operate existing facilities and extend services into new areas. *Municipal Infrastructure Financing* addresses this issue. It draws on a desk-based secondary study of relevant literature and municipal data, supplemented by primary research in four case study municipalities: Dar es Salaam and Kampala in East Africa, and Karachi and Dhaka in South Asia. The first two chapters provide a general overview of the book and of the state of municipal finance in Commonwealth developing countries. Chapters 3 – 6 set out the findings of the four case studies, Chapter 7 examines a number of innovative approaches to municipal financing and Chapter 8 draws conclusions from what has gone before.

Chapter 2 makes two key points: First, local governments generally have a limited and relatively inelastic tax base and are therefore reliant on transfers from higher levels of government; and Second, the high pace of institutional and political decentralisation in

recent years has not been matched by fiscal decentralisation. The result is that local governments have more responsibilities than ever, but are still reliant on a limited and inflexible tax base and transfers from higher levels of government. It is worth pointing out here that local governments in South Asia have lost the one substantial source of tax revenue that they used to have, the *octroi* tax on the movement of goods.

The following chapters provide a good overview of the situation in the four case study cities. They confirm that all four rely on transfers from higher levels of government, most notably in Karachi, where own-source revenues constitute only about 14% of total income. Forecast figures were considerably better but experience elsewhere in Pakistan suggests that optimistic forecasting of own-source receipts is common, but rarely justified. Only Dhaka raises more than 50% of its revenue from its own sources. In all four cities, finance from municipal borrowing is negligible, in the case of Karachi at least because it is not allowed. The book briefly reviews in-country supply-side capacity to provide municipal loans and bonds, suggesting some variations from country to country. In some cases this is a constraint. In others, it seems that the main constraint is the creditworthiness of the municipalities themselves. Apart from the failed PSP initiative for water and sanitation in Dar es Salaam, engagement with the private sector has been mainly low-key management contracts, often for solid waste collection. It is worth noting that the four case study cities are the largest in their respective countries and, as such, are likely to have more capacity to implement financial innovations than smaller municipalities.

Chapter 7 is the core of the book, providing examples of innovative approaches to municipal infrastructure financing. These include national development banks and financial institutions, borrowing from capital markets through municipal bonds, specialised municipal intermediaries providing either funds, guarantees and insurances, and public private partnerships defined as risk-sharing relationships between the public and private sectors. It is perhaps not surprising that the example of a long-term bond issue is that of Johannesburg, a city with well developed institutions. All the examples of revenue bonds come from India's southern States, and again appear to illustrate the fact that a city must be fairly well managed and financially secure before it can consider such options. They also, crucially, assume that local government can borrow and it is worth noting that efforts to replicate the Tamil Nadu/Karnataka urban development fund model in Punjab, Pakistan were unsuccessful until the emphasis of the organisation was shifted

from providing loans to managing grants from Central Government and providing technical assistance. Examples of specialised financial intermediaries come from a wider range of countries, including Vietnam, the Philippines, Brazil and Colombia.

The conclusions are drawn in Chapter 8. Some, for instance that devolution of fiscal powers has been limited to date, have emerged in previous chapters. Others, for instance that transfers from higher levels of government have been inadequate, are hardly surprising. Another conclusion that poor financial management contributes to weaknesses in municipal finances, is clearly very important. Indeed, the more general problem of weak municipal management systems and the resultant lack of municipal capacity is surely one reason, perhaps the main reason, why private and public sector funders are reluctant to lend to municipalities. Many of the 'fundamental' strengthening measures suggested towards the end of the Chapter, for instance establishing an enabling policy environment and an appropriate legal and regulatory regime, are well established. Others are clearly needed, but the real challenge is to determine how they might be brought about. The recommendation that municipalities should strive to balance their books through a combination of revenue enhancement and cost containment measures could have developed the point made at the beginning of the book that municipal revenues tend to be inelastic and so difficult to enhance.

The book is well written and the tables are clear and relevant. It is well referenced. Indeed, Chapter 9 is actually a detailed listing of primary and secondary sources of information. In summary, this book contains four useful case studies and introduces a number of interesting initiatives in the field of municipal finance. In doing this, it will perhaps provide a starting point for those who are interested in these initiatives to find out more about them and explore their relevance to their own situations. This would appear to be a more than adequate reason for reading it.

The 2011 Commonwealth Local Government Conference - *Energising Local Economies*: An Overview

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Sue Rhodes

Commonwealth Local Government Forum

*“The theme of your conference, **Energising local economies: partnerships for prosperous communities**, is highly relevant at this time of global economic downturn. The Commonwealth with its connections, economic success, and commitment to free trade and democracy, has the potential to contribute significantly to the prosperity of all its members. Local democracy, as promoted by the Commonwealth Local Government Forum, is a key component of the core Commonwealth values, responding to the needs of local communities, and working with a range of partners to deliver quality public services, often with limited resources.”*

Rt Hon David Cameron, Prime Minister of the UK, in his message to the conference

In the current economic climate, creating the right environment for local enterprise, inward investment, and business and skills development, is an important factor in ensuring the prosperity and wellbeing of local communities. The impact of the global financial crisis has not been uniform across the Commonwealth and countries are using different strategies to overcome their financial difficulties. Local government increasingly plays an important part in this. More and more local governments in countries across the Commonwealth have responsibilities and powers for local economic development: in some countries local authorities can already show how their policies and actions are helping energise their local economies, while in other countries local councils are just beginning to get to grips with these responsibilities.¹

¹ The conference background paper, *Energising local economies: local economic development around the Commonwealth* by Prof. P. S. Reddy and Malcolm Wallis, and *Energising local economies: partnerships for prosperous*

There is general agreement that the role of local government must go beyond traditional service delivery and seek to provide the leadership needed to energise local economies and communities. Localities globally have a critical role in investment, decision-making and development as has been acknowledged by the UN-Habitat and the World Bank in the recent State of World Cities report. So this year's Commonwealth Local Government Conference - Energising local economies: Partnerships for prosperous communities – focusing on local economic development was very timely. LED not only can help reduce poverty and deliver the MDGs, but creates a climate for partnership and inward investment that is vital to all communities to improve the quality of life of the people who live there.

What is LED?

Local economic development (LED) has been in existence and practiced internationally for more than three decades. LED is a process which brings together different partners in a local area to work together and harness local resources for sustainable economic growth. The World Bank defined LED as:

the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.

According to the International Labour organisation LED is:

a participatory process which encourages social dialogue and public/private partnerships in a geographical area. LED enables local stakeholders to jointly design and implement a development strategy which fully exploits local resources and capacities and makes best use of the area's comparative advantages.

Local government has both a leading and enabling role in LED – bringing together all the relevant stakeholders to drive forward the local economy and using its powers and responsibilities to create a positive climate for inward investment and skills development. Local authorities have a wide range of regulatory powers and processes that have an impact on business - such as business taxes and charges, licensing, incentives, procurement policies and land use, and the provision of effective services and modern infrastructure.

LED is critical for job creation, broadening the local tax base, improving municipal services, and for capacity and institutional development. It is an important mechanism for poverty alleviation. Pro-poor and inclusive LED enables local governments to address poverty, unemployment and social deprivation, including through strategies to promote youth employment, empower disadvantaged and marginalised communities, support skills development, and promote gender equity and equality.

Delivering LED

There is no blueprint for LED that will be appropriate for every locality; each area has its own opportunities and challenges, natural assets and human resources. For example, the conference heard about the challenges facing the Pacific countries, where natural events such as typhoons and earthquakes are frequent and increasing as a result of climate change, and scarcity of natural resources is compounded with distance to international markets. Thus, for policy transfer to be successful, we must take account of local economic, social and political context.

However, there are common aspects to delivering LED that were generally agreed by delegates at the conference and can be used as a starting point in planning local economic strategies. Delegates identified a number of key actions for local government if it is to play its full role in local economic development: having a clear national framework, an enabling environment, good local strategy development, partnership working with the private sector and others, adequate resources, and the ability to adapt to changing local, national and international circumstances.

There was strong agreement that local government is the key player and has a leading role, but must work in partnership with other stakeholders, including the private sector, civil society and, importantly, other levels of government including national governments. Local government cannot do it all by itself. There has to be firm commitment and support from all the major stakeholders.

Although Trinidad and Tobago has an economy based on oil, as a small nation it has many economic challenges as Mayor Orlando Nagessar, Chairman of the Trinidad and Tobago Association of Local Government Authorities, explained. He said that local authorities in his country are developing strategies and approaches to LED and poverty reduction that best suit their localities, and involving communities to make them

participants in the economic life of the community. He explained that in the current financial climate it is critical to look at solutions that can be implemented at little or no cost. As a result, every local authority has developed a local economic plan in consultation with stakeholders which is dependent on local partnerships. These include strategies to attract investors, especially for the tourist industry and business development.

Having a clear national framework is helpful in ensuring that national and local government efforts are coordinated and complement each other. One of the conference workshops discussed a pilot project in Uganda which has been developed by the UNCDF with the government. This aims to achieve a whole of government response to LED and has helped to review the national framework as well as supporting local governments to boost their capacity. LED is now a clear and key component of the development plans which local authorities must prepare.

In her address to the conference Hon Kamla Persad-Bissessar, Prime Minister of Trinidad and Tobago and Chairperson-in-Office of the Commonwealth, emphasised that “Energising local economies and creating partnerships for prosperous communities requires a fundamental shift in philosophy for governance, particularly at central level”.

Capacity and financial resources continue to be a problem, and often there is a gap between expectations and resources. According to the conference statement: “the underfunding of local government to deliver its statutory series often results in inability to deliver effective LED. Effective decentralisation and guaranteed and innovative funding sources are essential for local government to support LED.” Local government not only needs funding to be decentralised along with its responsibilities, but must also develop the capacity and expertise to be able to use innovative financing mechanisms and access credit.

In Tanzania, the government’s National Economic Empowerment Policy (NEEP) has provided a framework for economic development and is increasing the level of citizen participation in economic activities. The NEEP has enabled better access to credit, soft loans, and direct loans, including local government community development funds for young people and women economic groups. Local governments are further supporting community-led skills and other forms of development through specific funds in villages

and poor communities and have provided employment opportunities in public works programmes that increase local incomes and skills.

LED needs to address poverty and disadvantage, and empower disadvantaged and marginalised communities. Rwanda's Minister of Local Government, Hon. Jamea Musoni explained how reforms in Rwanda have been recognised by the World Bank. Though there are still many challenges to be overcome, LED has become a major focus for local government as part of a process of decentralisation, and local economic projects and investment have been boosted through local savings and credit cooperatives and micro finance projects to support women.

For local economies to continue to thrive and grow, local governments must be able to adapt to rapid change and to local, national and international markets. Strategies must be continually reviewed and updated to take into account the changing economic, social and political environment. Cardiff Council demonstrated how it has used tourism, sports and major events to transform the city, following the decline of heavy industries. It has refocused the local economy, creating a sport infrastructure which it has used to drive regeneration and brought in key events to attract inward investment. Council representatives emphasised the need for buy-in from residents and ensuring that benefits are spread across the city, particularly some of the more economically disadvantaged communities. It has done this by bringing together service and skills agencies to make sure that the local labour force can provide the skilled workforce needed by new investors.

Technology can bring a leap into the future to enable countries to compete for jobs and services. The Deputy Commissioner of Ahmedabad, India, Mr I K Patel, described how the city has invested in infrastructure and people, constantly upgrading skills to be at the cutting edge of technology. As a result, Ahmedabad now has one of the highest per capita incomes in India.

Conference Recommendations

In the conference statement – the *Cardiff consensus for local economic development* – delegates agreed on a number of actions to enable local government to play its full role in LED.

They declared that ‘Ministries of local government play a key facilitation and coordination role in this process, and in assessing and monitoring the impact of LED’ and they called on national and state/provincial governments to ‘establish national LED frameworks, and ensure decentralisation of appropriate powers, functions and resources, including financial resources, empowering local government to play a leading role in LED’.

They agreed that local governments should plan, develop and implement LED strategies in partnership with the private sector and other stakeholders at the local level and develop a strong alliance with the private sector to ensure that LED promotion and actions are well-grounded.

Participants also agreed that local government associations play a key role in advocating for local government involvement in LED, operationalising national frameworks and assessing impact. They are important partners in sharing good practice, capacity development and identifying and leveraging resources for LED.

In addition the delegates called on the CLGF to advocate for LED to be a key responsibility for local government across the Commonwealth, and to advocate for LED within the wider Commonwealth, to generate better understanding and support for local government’s role in LED and to share good practice and knowledge about LED, through its various networks.

Finally, they called on development partners to provide resources, support and expertise to improve capacity and enable local governments to deliver effective LED, and emphasised the importance of development partners making funding available directly to local governments.

Next Steps

Commonwealth Heads of Government endorsed the Cardiff Consensus at their meeting in Perth at the end of October 2011. They “supported and upheld the role of local government in promoting strategies for localism, sustainable development and economic growth,” and supported the implementation of the *Cardiff Consensus for Local Economic Development*. This backing of national governments is essential for CLGF and its member ministries and local governments when they begin to take the recommendations forwards to implement them in their own countries. Ghana has already made reference to the outcomes of the conference in its own national framework for LED which the government recently agreed.

LED is clearly a priority area for our members. CLGF has been working with a number of local authorities in South Africa, Ghana and Jamaica to help them develop local economic development strategies as part of the Commonwealth Local Government Good Practice Scheme and is currently disseminating the lessons and the good practice learned, including developing a toolkit for local authorities in Ghana. Building on this practical work and the policies developed at the conference, we will be looking at how we can develop a programme of support to help local authorities implement LED strategies and working with governments to encourage them to provide the framework and financing to enable this.

However, as Cardiff Council Leader Cllr Rodney Berman said at the closing of the conference: “The real success of the conference can only be measured by the results of the actions that follow from it, leading to a positive impact on our local communities”.