INNOVATION IN LOCAL GOVERNMENT

DEFINING THE CHALLENGE, MAKING THE CHANGE

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with Chris Aulich, Anne Howard, Megan Peterson and Richard Reid

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Acknowledgements

We are extremely fortunate to have had the ability to complete this Guide at this particular moment in the history of Australian local government. There is a distinct sense of renewal occurring in the sector. A palpable growth in confidence and passion tempered by recognition that there is much to do to build sectoral resilience at the onset of a period of rapid social change. We would therefore like to express our gratitude to those collaborators who have helped us to define the challenge for innovation in local government and map some potential pathways to its achievement. Firstly, to Graham Sansom whose passion for local government got this project going in the first place, and, secondly, to Stefanie Pillora who has been the perfect Research Program Co-ordinator.

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Abbreviations and Acronyms

ACT	Australian Capital Territory
ACELG	Australian Centre of Excellence for Local Government
ANAO	Australian National Audit Office
ANZSIG	Australia-New Zealand School of Government's Institute for Governance
NPM	New Public Management
PVM	Public Value Management
RAGA	Reform of Australian government administration

Like any human venture, government can be full of error, fallibility and hubris. But the bigger danger for governments today is not excessive hubris but rather that they might succumb to the myth—often propagated by a sceptical media—that they are powerless, condemned to mistrust and futility. If they do so succumb, they will fail to rise to the great challenges, from climate change to inequality, that they alone can tackle.
Geoff Mulgan, Director, Young Foundation.

Too many (local government) CEOs get bogged down in believing they are hopeless pawns in a political game dominated by the Commonwealth and States. They spend too much time second guessing other government agendas rather than setting the agenda themselves. The fact is if you have a good idea the funding will follow. It is easier to do this in local government.
Australian Local Government, CEO (2011).

Academics tend to overcomplicate what innovation means. We're basically talking about new ideas that work, improve the lives of people in our communities and make things easier for us.
Australian Local Government, CEO (2011).

Nothing grates more than being told that it is now 'time to innovate'. Isn't that our job? Shouldn't we always be on the look-out for better ways to do things?
Australian Local Government, CEO (2011).

Executive summary

1. Context

There are a number of key international drivers which are prompting local governments across the world to re-consider the way they organise themselves, manage service delivery, work with stakeholders, engage with citizens and hold themselves accountable. These drivers can be summarised as: changes in community requirements of local government; changes in community attitudes towards local government; changing central government expectations of local government; and, the changing nature of local government work including the emergence of new partners in local governance. Of course these drivers are not confined to local government but have had a significant impact on all levels of Australian government.

Indeed the Rudd government's decision to establish an Advisory Group on the Reform of Australian Government Administration (RAGA) in 2010, was testimony to its commitment to engage in a further process of administrative modernisation to meet the challenges of 'increasing complexity, increasing public expectations, demographic change, technological change, globalisation, financial pressures and workforce planning and retention'. The Gillard government has continued to pursue this agenda although with a limited funding base. It is arguable that in combination the Australian Centre of Excellence for Local Government's (ACELG) six programs are aimed at responding to similar pressures [research and policy foresight; innovation and better practice; governance and strategic leadership; organisation capacity building; rural-remote and indigenous local government; and, workforce development] to enhance the knowledge base, leadership and capacity of local government in an era of governance.

At the same time Australian government administration has entered a difficult phase in its institutional development. The global financial crisis, public sector borrowing requirements and the need to pay for various fiscal stimulus packages, and the incremental impacts of demographic change have helped to usher in an era of austerity. The governing rhetoric underpinning this process has oscillated between the need to 'slash and burn' and the need for 'governance innovation'.

2. The contribution of this guide

It is hoped that this Guide will be useful to local governments embarking on processes of problem-solving in response to social change. The Guide is mainly intended as a reference document for elected members, chief executives, and senior managers with responsibility for managing and delivering strategic community priorities at the local level as well as other partners in local governance. However, it has not been written as a 'one-size fits all' solution to critical challenges in local governance. It provides the start of an on-going conversation between local governments, other partners in local governance and crucially, local citizens themselves, about the best way to solve local problems, target scarce resources and prepare for the future. Drawing on domestic and international evidence, we pose four main arguments in this Guide as the basis for discussion and professional reflection across the local government sector.

Firstly, while New Public Management (NPM) with its emphasis on 'economy', 'efficiency' and 'effectiveness' continues to provide important tools within the public management toolkit they are no longer sufficient to meet the challenge of public service provision in an era of governance. This is because NPM tends to privilege the role of public servants as the arbiter of the public good. NPM takes the politics out of public policy deliberation and its market orientation is at odds with the concept of public service sitting more easily with the language of the consumer rather the language of the citizen.

In an era of governance, citizens' engagement in policy and delivery has become crucial to the achievement of social progress. Not least because all that public organisations do requires co-production and adaptive behaviours from citizens and often stakeholders. In consequence, the success of local government reform rests on the development of citizen-centred governance underpinned by the concept of public value. This is the 'Big Idea' to lend principles, form and clarity to the local government reform process and to confront integrity challenges. It also provides the case for localism in an 'Australia of the regions'.

Secondly, the establishment of a culture of public value innovation is central to the achievement of this aim. By public value innovation we refer to the creation and implementation of new products, services and methods of delivery through collaboration with citizens and stakeholders which result in positive social and economic outcomes for the citizenry.

Thirdly, NPM also tends to privilege certain forms of knowledge (e.g. quantitative economic data) at the expense of qualitative knowledge that is more difficult to collect or measure. However, we live in an era of 'soft governance' that requires the collection of qualitative data because the achievement of co-production and adaptive behaviours with citizens and stakeholders requires us to understand what citizens think and how they will behave in response to various social interventions. In sum, the ability of public organisations to adapt and absorb new forms of knowledge is a condition of social progress.

Fourthly, one of the main obstacles to innovation in local government is the use of the term 'innovation' itself which has become a synonym for stagnation. Hence, the first step in building an innovation culture is to ban the use of the term 'innovation' and replace it with a language that reflects the needs and aspirations of the community. The evidence from our focus groups is that this is best located in the language of problem-solving and learning.

In the discussion which follows we draw on four sources of data – leading international thinking on public sector governance and innovation[1]; a survey of Australian and New Zealand local government managers; focus groups with Australian local government managers; and, 12 case studies of public value innovation at the local scale. This data is used to evaluate the following questions:

- What is the case for public value management?
- Why is public value creation central to the case for localism in an Australia of the regions?
- Why is innovation an important component of this approach to local government reform?
- What does a problem-solving local government culture look like in practice?
- What are the major barriers to public value creation in local government?[2]
- How can these barriers be navigated?
- Where is new thinking required?

[1]These include: the Ash Center for Democratic Governance and Innovation at Harvard University; the UK's Improvement and Development Agency Innovation in Public Services project; Involve a London based think tank specialising in citizens engagement; the Publin Innovation Project funded by the European Union's 5th Framework Project. See also: Mulgan, G. and Albury, D. (2003), Innovation in the Public Sector, London, Strategy Unit/ Cabinet Office; Evans (PAC/NSG) (2010), Why does government find it so hard to be strategic? London, PAC/NSG; Improvement and Development Agency (IDeA) (2005), Innovation in Public Services, http://www.idea.gov.uk/idk/aio/1118552 (accessed 4 May 2012; and, NESTA Making Innovations Flourish, http://www.nesta.org.uk/home (accessed 4 May 2012).

3. Findings

3.1. What is the case for public value local government management?

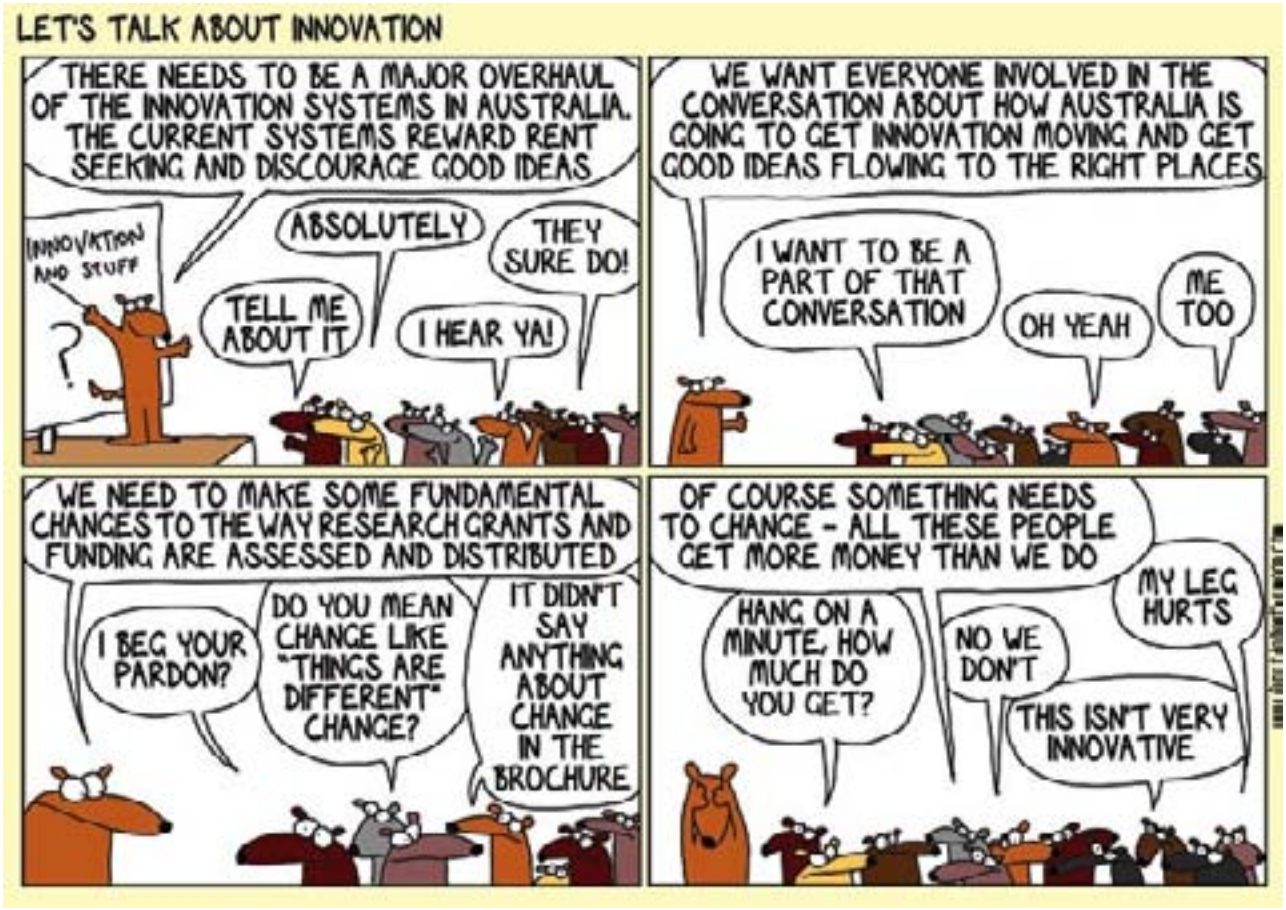
There are both instrumental and democratic benefits from adopting a public value approach to local government management. The search for public value – all that we do should be aimed at enhancing the quality of life for our citizens and future generations – helps to focus Council staff and other partners in community governance on solving the problems that the public care most about and this stretches from service delivery to system maintenance. It allows for efficient targeting of resources to community needs and provides for longer term thinking on community futures. For politicians, it is simply good politics as it gives voice to the preferences of the silent majority who are essential to electoral success.

The democratic benefits of a public value approach are particularly significant in communities experiencing stress due to rapid social change (e.g. adverse demographic trends) or various crises from economic downturn to environmental catastrophe. These communities are more likely to survive and adapt if they are able to build a strong sense of social solidarity and cohesion. Local government has a fundamental role to play here in harnessing the energies and resources of the community to develop adaptive capacities. This requires common ownership of community problems and inclusive forms of governance in policy and delivery. Once again this should not undermine the role of elected representatives; quite the contrary, it should enhance their capacity to make the fundamental changes necessary to make a difference to people's lives. Nor should it undermine the expert role of public servants as the search for public value enhances the need for provision of objective, evidence-based advice to inform better decision-making.

3.2. Why is public value creation central to the case for localism?

Localism in this context refers to the devolution of power and resources away from central control and towards front-line managers, local democratic structures, local institutions and local communities, within an agreed framework of Commonwealth and State minimum standards. Here the role of local government would focus around its community leadership role and its ability to harness the resources of the community (including private and voluntary organisations) more than a traditional direct service provider role (Stoker, 2004). This understanding of localism in an Australia of the regions will require new ways of being local government with a particular emphasis on: 'joining-up' Australian government administration through the provision of local knowledge to the planning processes of multi-level governance; acting as a conduit for citizens engagement on a raft of Commonwealth and State initiatives; an enhanced role as a delivery partner for Commonwealth and State initiatives; and, assuming greater responsibility for facilitating local entrepreneurship and pursuing the growth agenda.

[2] For recent developments on policy innovation in Commonwealth government in Australia see the ANAO's recent (2009) Better Practice Guide – Innovation in the Public Sector, available at: http://www.apo.org.au/research/innovation-public-sector-better-practice-guide.


LET'S TALK ABOUT INNOVATION
THERE NEEDS TO BE A MAJOR OVERHAUL OF THE INNOVATION SYSTEMS IN AUSTRALIA. THE CURRENT SYSTEMS REWARD RENT SEEKING AND DISCOURAGE GOOD IDEAS
INNOVATION AND STUFF
?
ABSOLUTELY
THEY SURE DO!
TELL ME ABOUT IT
I HEAR YA!
WE WANT EVERYONE INVOLVED IN THE CONVERSATION ABOUT HOW AUSTRALIA IS GOING TO GET INNOVATION MOVING AND GET GOOD IDEAS FLOWING TO THE RIGHT PLACES
I WANT TO BE A PART OF THAT CONVERSATION
OH YEAH
ME TOO
WE NEED TO MAKE SOME FUNDAMENTAL CHANGES TO THE WAY RESEARCH GRANTS AND FUNDING ARE ASSESSED AND DISTRIBUTED
I BEG YOUR PARDON?
DO YOU MEAN CHANGE LIKE "THINGS ARE DIFFERENT" CHANGE?
IT DIDN'T SAY ANYTHING ABOUT CHANGE IN THE BROCHURE
OF COURSE SOMETHING NEEDS TO CHANGE - ALL THESE PEOPLE GET MORE MONEY THAN WE DO
HANG ON A MINUTE, HOW MUCH DO YOU GET?
NO WE DON'T
MY LEG HURTS
THIS ISN'T VERY INNOVATIVE

3.3. What does a problem-solving local government culture look like in practice?

Our findings demonstrate that pursuing an innovation crusade can create a culture of disengagement leading to stagnation rather than innovation. This observation prompts the intuition that local government managers must be very careful not to use a language of change, which, often unintentionally, leads to a blame culture which stifles creativity. It is crucial to recognize that the call for innovation can be interpreted as an accusation of incompetence, as one CEO put it to us, 'Nothing grates more than being told that it is now 'time to innovate'. Isn't that our job? Shouldn't we always be on the look-out for better ways to do things?' Much better then to focus on the language of problem-solving and learning which works better with the grain of local government culture – 'focus our minds on the problems and what we need to do to solve them and that appeals to our professional identity'.

Our focus groups observe that what is and what isn't innovative will of course depend on the state of development of the organisation you are looking at; innovation in one place and time maybe commonplace in another. However, as a rule of thumb we can identify degrees of innovation with regard to:

- Place – innovation means different things in different places; so how innovative is the program from the perspective of the institutions location and history?
- Novelty – the degree to which the program demonstrates a leap of creativity from existing practice.
- Significance – the degree to which the program successfully addresses an important problem of 'public' concern.
- Utility – the degree to which the innovation makes things easier for local governments.
- Effectiveness – the degree to which the program achieves tangible results for the citizenry.
- Longevity – the capacity of the innovation to achieve results over time.
- Transferability – the degree to which the program, or aspects of it, shows promise of inspiring suc cessful replication by other governmental entities.

But what does it look like in practice? There are probably as many typologies of public service innovations as there are innovations themselves but we organise our thoughts around four types: (1) strategic innovation; (2) product innovation; (3) service innovation; and (4), governance innovation.[3]

Strategic innovations introduce new missions, worldviews, objectives, strategies and rationales which impact directly on the nature of decision-making.

Product innovation involves the development of new local government products which have a commercial or private value and are often associated with the development, use and adaptation of relevant technologies.

Service innovation involves the production of new services which have public rather than private value and sometimes draw on the development, use and adaptation of relevant technologies.

Governance innovations involve new or altered ways of solving implementation tasks with other sectors and knowledge bases, delivering services or otherwise interacting with clients for the purpose of supplying specific services.

We investigated 12 case studies reflecting these four types of innovation:

[3] See Mulgan, G. and Albury, D. (2003), Innovation in the Public Sector, London, Strategy Unit/ Cabinet Office, for an alternative.

Strategic innovation

Social Media and the City of Brisbane (Australia)
Liveability and the City of Porirua (New Zealand)
Demographic Change and the States of Jersey (United Kingdom)

Product innovation

Environmental Futures and the City of Salisbury (Australia)
Banking on Essex (United Kingdom)
Affordable Housing in the City of Salisbury (Australia)

Service Innovation

Dental Services in Brewarina (Australia)
Service Delivery and Whanau Ora (New Zealand)
Determining Public Value in York (United Kingdom)

Governance Innovation

'Home to Work' in the Australian Capital Territory (Australia)
Neighbourhood Renewal and Salford City Council (United Kingdom)
Waikato and Boplass Shares Services (New Zealand)

Ten key lessons or ingredients of public value innovation can be drawn from these case studies.

1. Innovation has become a pejorative term – a metaphor for stagnation. A problem-solving culture requires a language that reinforces rather than undermines social purpose.

2. The capacity to spot gaps in service provision, or methods of delivery is essential for public service innovation to take place.

3. The ability to forge strong partnerships with organisations across traditional organisational boundaries (voluntary, private sector or knowledge institutions) that possess resources (knowledge, finance, political or social capital) that are integral to the production of good community outcomes is a key feature of our sample of innovations.

4. This must be combined with an ability to act, that is, either through a clear legislative framework or a program design which empowers actors to be creative in implementing the policy. This also means making use of the right political circumstances when they present themselves.

5. This endeavour must also be combined with the capacity to absorb new knowledge which is often at odds 'with the way we do things around here'. NPM tends to privilege certain forms of data (e.g. quantitative economic data) at the expense of qualitative data that is more difficult to collect or measure. Unfortunately, 'soft governance' normally requires the collection of qualitative data because winning the war of ideas requires us to understand what citizens think.

6. A condition of successful innovation is often the existence of a needy political or administrative leader with a reform agenda to spearhead innovation. Support from political leaders, senior management and other community leaders (reform champions) are essential for the successful introduction of innovative policies, services or ideas.

7. Genuine cross-departmental or cross-service collaboration facilitates the introduction of innovative services, especially when combined with effective communication between all levels of delivery.

8. Engagement with citizens on the ground through place – be it at the local or sub-local level – in order to tailor service provision to their needs has been shown to be effective for the introduction of innovative services.

9. New technologies can both spark innovations and support their successful implementation.[4]

10. Design issues (i.e. how things are done) are crucial to the achievement of progressive outcomes. Items 1 to 9 can all be constraints on problem-solving with damaging consequences of action if executed poorly.

Public value innovation therefore requires the adoption of at least four public value management principles:

Principle 1: the role of local government should be circumscribed by the search for public value underpinned by a commitment to a public service ethos.

Principle 2: decision centres in local government structures should be inclusive of the key partners in governance and include a balance of forces (public service panels consisting of local citizens, political representatives, governance stakeholders and technical support). These could be organised around communities of practice.

Principle 3: the key task of the public managers should be to enable the determination of public value through communities of practice.

Principle 4: governance structures should use a participatory learning-based approach to the challenge of service delivery i.e. they should integrate a citizen-centric approach into the workplan of the organisation.

These principles would help to bring the politics back into policy deliberation and operational delivery at a time when the public standing of governmental institutions has reached a nadir. They would help to foster problem-solving, reflexive public organisations committed to delivering public value.

The application of these principles would have dramatic practical implications for the work plans of local governments. However, they are very much in alignment with the drivers and thematic priorities of the localism agenda. Five public value practices would be particularly important for local governance:

[4] See: Improvement and Development Agency (IDeA) (2005), Innovation in Public Services, http://www.idea.gov.uk/idk/aio/1118552 (accessed 4 May 2012), for a range of other factors.

Practice 1: in an era of cost containment public managers need to understand the local and regional network environment through scoping the field of action, identifying all potential partners and their resources and bringing them into local communities of practice.

Practice 2: public managers need to develop strong working relationships with community-based organisations which possess resources that are crucial to the creation of public value.

Practice 3: determining public value will require the integration of new engagement methods in which public managers should establish clear deliberative rules and intelligent performance indicators linked directly to negotiated policy objectives with elected members. However, a one-size fit all approach to engagement should be avoided. It is important for communities to identify those engagement methods that will work best for them using bottom-up devices such as the CLEAR model (Lawrence Pratchett, Gerry Stoker and Vivien Lowndes, 2006a&b).

Practice 4: Monitoring systems should be designed to identify movements towards or away from achieving these objectives.

Practice 5: Work plans should be subject to annual audits and evaluations with effective reporting systems both to politicians and to the public.

3.4. What are the major barriers to creating public value?[5]

Our five focus groups with senior local government managers and elected members held in Canberra, Perth, Brisbane, Sydney and Hobart were asked to identify the major barriers to innovation in their organisations. These can be clustered around conceptual barriers, dysfunctional institutional norms and values, and political support mechanisms.

Conceptual barriers refer to staff understanding innovation as 'creating a blame culture', 'as a diversion from real work', or 'extra work' or 'risky work'. Concern was also raised over whether local government had access to the knowledge both within and without the organisation that they needed to innovate. Moreover, local government leaders were poor at communicating the benefits of innovation to their staff and elected members. It was also observed that many dysfunctional institutional norms and values persist in local government.

These can be categorised as problems of capacity, commitment, and cohesion. Political support mechanisms refer to environmental variables that affect the capacity of local governments to engage in public sector innovation. Many of these are beyond the control of local government leaders such as the need for a crisis to facilitate change or stable socio-economic conditions. Others require effective community or stakeholder engagement to solicit public support and involvement, and manage and integrate the views and resources of constituency groups. Perhaps the three critical dilemmas to tackle in this area is the need to garner support from elected members, to understand innovation as a whole of local government and dare it be said, 'community' endeavour and to use a language of change that unites rather than divides.

[5] For recent developments on policy innovation in Commonwealth government in Australia see the ANAO's recent (2009) Better Practice Guide – Innovation in the Public Sector, available at: http://www.apo.org.au/research/innovation-public-sector-better-practice-guide.

3.5. How can these barriers be navigated?

It is argued that the following factors are central to the creation of a problem-solving culture in local government:

Principles of engagement for local government

1. The search for public value.
2. The use of appropriate problem-solving language.
3. Recognition that every idea matters.
4. Problem-solving involves everybody.
5. Create interdisciplinary teams of problem-solvers with effective disciplinary integration.
6. Community of practice (encompassing stakeholder and citizen participation) is important at all stages.
7. Experiment – question received wisdom, search widely for new ideas and tolerate failure..

Leading problem-solving in local government

8. Mayors and CEOs must champion problem-solving from the top.
9. Problem-solving requires resources [e.g. ring fenced funding/internal and community award schemes].
10. Problem-solving champions should be formally identified and organised at all levels of the organisation using performance appraisal schemes.
11. Rewards must be invested in innovative individuals and teams.
12. To access appropriate knowledge develop high quality knowledge networks which encompass theory and practice and include governance partners.

Maintaining a culture of problem-solving in local government

13. Design the workplace in a way that is conducive to the development of and incubation of new ideas.
14. Invest in research and development to identify, incubate, develop and trial new ideas.
15. Invest in problem-solving coaching and mentoring.
16. Develop regular lesson-drawing forums and other mediums for communicating success stories and identifying new ideas.
17. Use monitoring and evaluation processes as an ongoing condition for effective learning.
18. Embrace cyclical external evaluations and other practices which allow for genuine professional reflection.
19. Recognise that new knowledge will often challenge dominant conceptions of ‘the way we do things around here’. A culture of reflexivity on new ideas is a condition for maintaining a culture of problem-solving in local government.

3.6. Where is public value creation needed in local government?

Finally, what are the critical challenges for local government in terms of problem-solving? Table 1 presents our findings from a survey of 215 local government managers in Australia and New Zealand.

Australia	New Zealand
1. Resource depletion 2. Managing demographic change (meaning strategic policy capability to meet these challenges) 3. Collaborative governance 4. Workforce planning and retention 5. Community engagement 6. Climate change 7. Integrity 8. Public Infrastructure 9. CEO- Elected member relationship 10. Asset management	1. Growing mismatch between resources and responsibilites 2. Managing demographic change (meaning strategic policy capability to meet these challenges) 3. Managing rising citizens expectations 4. Central government relations 5. Governance (amalgamation) 6. Workforce planning and retention 7. Climate change 8. Community engagement 9. Meaningful engagement with Maori 10. Role of the private sector

These findings emphasize the importance of understanding effective local government leadership in the context of a broader vision for localism in Australian governance encompassing:

- strategic (adaptive) local government leadership upwards to other governments and outwards to the community and community stakeholders [including second and third sector actors].
- Facilitative local government to harness the resources of the community to collectively determine public value, source and diffuse innovation.
- Local government as the collaborator of first resort in local and regional policy and delivery net works through place-based service delivery.
- Local government as a learning organisation and knowledge broker.
- Local government as employer of choice.
- Local government as giving voice to local identities.

And crucially, understanding local government as an engine room for public value creation.

1 What is the case for public value management in local government?

1.1. Context

The effectiveness of Australian local government has traditionally been measured against financial performance with limited reflection on public value or social return on investment. While this can be effective in measuring the quality of 'hard' services such as 'roads, rates, and rubbish', the approach does not adequately recognise the fundamental basis of local government's existence – to support and build sustainable local communities that are responsive to the needs and aspirations of local citizens.

In keeping with NPM thinking, management models for local government have focused on ensuring that service delivery is 'economic', 'efficient' and 'effective'. In the interests of efficiency, councils have sought to control costs and have explored a range of new methods to deliver quality management, such as 'best value', 'doing more with less', and 'total quality' customer service. Table 1 describes the range of administrative reforms delivered under the banner of NPM – a short hand term for describing the raft of reforms geared around issues of 'economy', 'efficiency' and 'effectiveness' which were introduced in the 1980s in a big bang response to global economic crisis and incrementally thereafter. These can be organised around market inspired reforms, governance reforms, deregulatory/regulatory reforms and competency reforms. Australian local governments have been regular plunderers of the NPM toolkit.

1.2. What does the evidence tell us about the performance of New public management?

Although NPM continues to provide important tools within the public management toolkit they are no longer sufficient to meet the challenge of public service provision in an era of governance. This is because NPM tends to privilege the role of public servants as the arbiter of the public good. NPM takes the politics out of public policy deliberation and its market orientation is at odds with the concept of public service sitting more easily with the language of the consumer rather the language of the citizen. In an era of governance, citizens' engagement in policy and delivery has become crucial to the achievement of social progress. Not least because all that public organisations do requires co-production and adaptive behaviours from citizens and often stakeholders. Moreover, the critical challenges confronting local government in a complex, fragmented world require the most adaptive form of power to enable local interests to blend their capacities to achieve common purpose. This is called soft power or the power to persuade.

The most difficult problems confronting local communities tend to require soft power solutions rather than managerial ones. There are also problems with the NPM approach that are brought about through the marketization of public service production. The introduction of "employment at whim" (contract employment, associated with varying degrees of precariousness), and the corresponding erosion of public service ethics and institutional memory are evident manifestations of the hollowing-out of 'government by the rules'.

Table 1. The four dimensions of New public management reform

New Public Management- market-inspired reform	**New Public Management- governance reform**
Privatisation of state assets and certain services Internal markets- separating purchases from providers withing thw public sector to create new markets e.g. care for the elderly Performance budgeting- results orientated target driven budgeting Performance contracts and pay-for-performance- establishing performance targets (PSAs) for departments and individulaised pay scales for public employees Program review- systematic analysis of costs and benefits of individual programmes Compulsory Competitive Tendering- services delivered by the private or voluntary sectors One-stop-shops- coordination of programmes through one delivery system to eliminate duplication Invest to save Budgets- venture capital for oiling the wheels of government	Quality Standards- applying principles of quality management e.g. Citizens Charters, 'Best value' or 'Comprehensive Performance Assessments', Public Service Agreements Decentralisation- moving responsibility for programme delivery and delegating budgetary authority from central government to provincial or local governments or neighbourhoods or through 'total place' Open Government- freedom of information, E-Governance and public engagement mechanisms- e.g. Citizens Juries and other deliberative forums Collaborative governance with stakeholders Co-production with citizens
New Public Management- deregulatory/ regulatory reform	**Competence reform- Increasing the capacity of public servants to act**
Personnel deregulation- open competition in recruitment, performance related pay and elimination of civil service controls over hiring, firing, promotion, etc. Purchasing Deregulation- permits ndividual organisations to make decisions about procurement, rather than using centralised purchasing organisations Creation of new regulatory bodies to supervise privatisationand collaborative governance Standards in Public Life- constituting effective public administration frameworks (e.g executive machinery, departments, planning and coordinating mechanisms); the evelopment of codes of ethical practice (e.g. codes of conduct, transparency, accountability, effective audit, monitoring and evaluation).	Staff audits to determine what personnel is on hand getting the right people into the administration, partly by stronger incentives to attract and retain them, partly by changing objectives and procedures in an effort to make the work situation more challenging and rewarding; and, establishing integrated training programmes through the establishment of a civil service college/schools of government and professional skills for government/ occupational skills frameworks coaching and mentoring capability reviews

An integrity paradox has emerged in Australian local government in which the quest for 'economy', 'efficiency' and 'effectiveness' through NPM, governance, and risk management, has increased rather than reduced the scope for maladministration. In consequence, the success of local government reform rests on the development of inclusive governance structures which can meet the demands of both representative democracy and the efficient delivery of public services. From the research findings outlined in the governance literature, it is possible to identify the key problems confronting public managers in an era of governance. These include:

- the problem of steering networks of local and non-governmental organizations outside traditional organizational boundaries;

- the absence of operational rules (e.g. establishing lines of command through, for example, the establishment of publicly-driven performance targets);

- limited policy instruments for managing local governance performance (e.g. monitoring and evaluation systems);

- the dangers of local governance decision structures being subject to interest capture and the consequent risk of their ability to resist and/or dilute local government aims;

- and, associated problems of weak democratic control and confused accountabilities.

These governance problems have often undermined the authority of local government to discharge its primary functions. It is our contention, therefore, that the success of local government as a partner in multi-level governance rests on the development of citizen-centred governance underpinned by the concept of public value.

1.3. What is public value management?

Mark Moore (1995), who coined the phrase 'public value management', basically argues that public services can add value to society in the same way that private for-profit organisations create value for their shareholders and other stakeholders. By implication, public intervention should be circumscribed by the need to achieve positive social and economic outcomes for the citizenry. What is and what is not public value should be determined collectively through inclusive deliberation involving elected and appointed government officials, key stakeholders and the public. Conceptually the notion of public value resonates with other modernisation discourses that seek to address the limits of the liberal democratic model in meeting the requisite needs of the citizenry such as the New Localism (Aldridge & Stoker 2002 & Goss, 2001), social capital (Putnam, 1995; Cabinet Office, 2002) and deliberative democracy (Fischer 1993 & 2003; Parkinson 2004).

In the same way that in 1995 Christopher Hood identified the emergence of an international NPM movement, a similar observation can be made with regard to PVM in the new millennium. A small number of centrist UK think tanks such as the IPPR, the Work Foundation, Demos, Involve and the Young Foundation have adopted public value as their modernisation concept of choice for reinvigorating the public sector and bringing it closer to the people.[6]

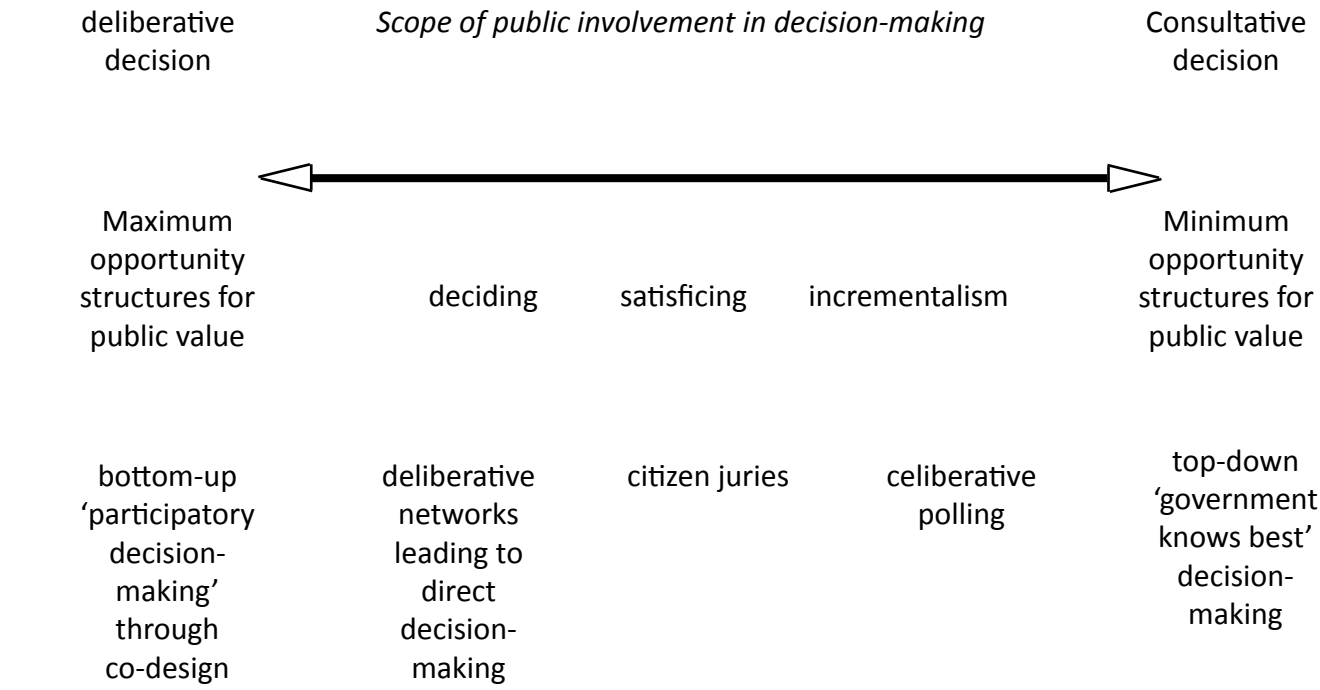
[6]For further information about the Work Foundation see: http://theworkfoundation.com

In addition, several state centred public value projects have emerged in Australia (e.g. the National Office of the Information Economy), Germany (e.g. the Civil Service commission and the 'Red Tape' movement), and, France (e.g. the Ministry of State Transformation and the French decentralisation process). Moreover, civil/public service training organisations such as the Australia-New Zealand School of Government, the Kennedy School of Government at Harvard, the China Academy of Governance and the National School of Government in the UK, have all begun to integrate the concept of public value into their executive training courses.

There have already been several governmental flirtations with the concept of public value. For example, in the UK during the Blair premiership following the publication of Creating Public Value by Gavin Kelly and Stephen Muers in the Strategy Unit in 2002, several high profile government spokespeople included references to achieving public value in policy papers and public lectures (see Balls, 2002; Blunkett, 2003a&b & 2004, Raynsford, 2003 and Turnbull 2002). Indeed, according to the Work Foundation several British public organisations have operated public value assessment frameworks since 2006 including the BBC, the Department for Culture, Media and Sport, the Victoria and Albert Museum, and several local authority recycling schemes such as the London Borough of Lewisham. However, on closer inspection it is evident that public value experiments tend to be characterised by different models of decision-making underpinned by different conceptions of democracy and reflecting different modes of public engagement.

Figure 1 situates these models of decision-making along a continuum in which 'bottom-up' deliberative decision-making and 'top-down' 'government-knows best' consultative forms of decision-making can be found at each end of the spectrum. The further you move towards the deliberative end of the continuum, the greater the ability of the citizen to affect policy outcomes.

Figure 1. The scope of public involvement in public value deision-making



But what are the implications of public value management for local government reform? As Gerry Stoker (2006, p.16) observes, the public value paradigm demands a commitment to broader goals than those envisaged under traditional and NPM management regimes as managers are tasked with steering networks of deliberation and delivery as well as maintaining the overall coherence of the system (see Table 2). It offers in Stoker's terms 'a different narrative of reform' in the sense that it centres:

Table 2. Changing administrative culture

New public management	**Public value management**
• Informed by private sector management techiques • Services delivered more felxibly with more managerial autonomy & tailored to the requirements of consumers • Enabling ('steering') • Certain services to be delivered through collaborative partnerships with public, private and voluntary sectors • Service delivery audited ro measure economy, efficiency and effectiveness	• The overarching goal is achieving public value that in turn involves greater effeciveness in tackling the problems that the public most care about stretches from service delivery to system maintenance • Public managers play an active role in steering networks of deliberation and delivery • Individual and public preferences are produced through a process of deliberative reflection over inputs and opportunity costs • No one sector has a monopoly on public service ethos; shared values is seen as essential • Emphasis on the role of politics in allocating public goods

> *…on a fuller and rounder vision of humanity than either traditional or NPM. People are, it suggests, motivated by their involvement in networks and partnerships, by their relationships with others formed in the context of equal status and mutual learning. Some will find its vision attractive but the realists or cynics may prefer to stick with traditional public management or NPM.*

This is because it necessarily involves sharing and sometimes delegating power to citizens. Hence, public value management reform would require new values and practices and in certain instances the rediscovery of old ones; for example, Barry Quirk (2011), in the seminal Reimagining Government emphasizes the centrality of notions of public service, public interest and public reason to the creation of public value (see Figure 2).

Public value has also been developed into a strategic device for enabling public managers to build communities of practice as collective instruments for problem-solving and social entrepreneurship. Moore developed the notion of the strategic triangle for this purpose (see Figure 3). The strategic triangle, as Moore terms it, can be used by local public managers to understand and mediate the relationship between the 'authorising environment (those who give you legitimacy), the 'task environment' (what you are asked to) and 'productive capacity' (those who give you organisational capacity). This allows for public managers to reflect on four key governance problems: what can we do to add value to this service, project or program? Whose resources do we need to get the job done? How does this service, project or program create public value for our communities? What do our target communities value when they are well informed about the choices they are making?

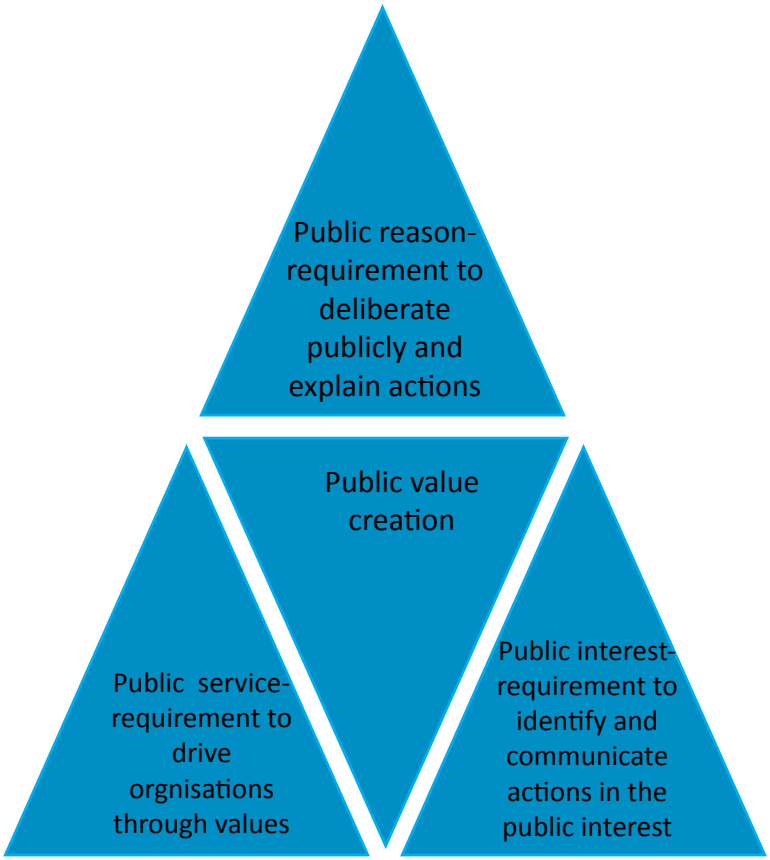
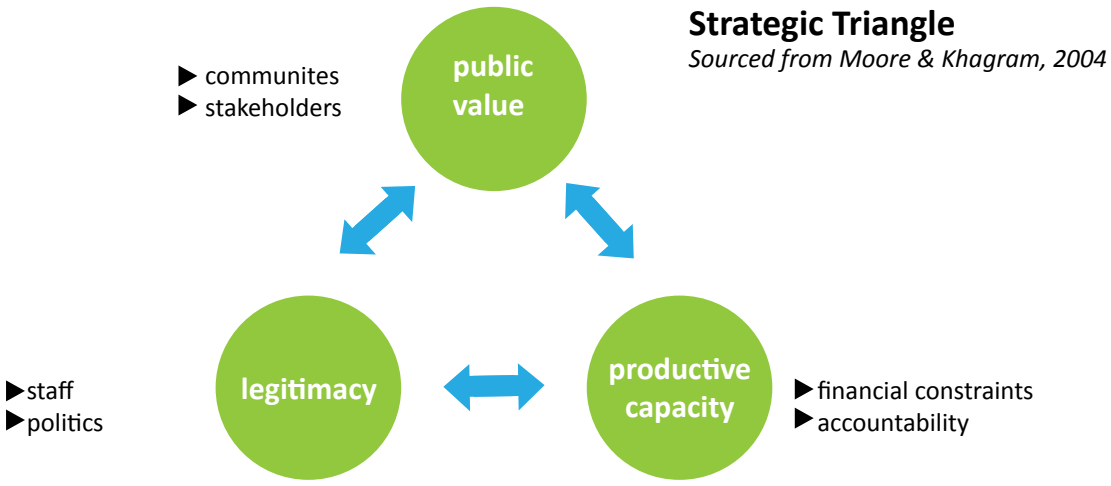


Figure 2. The public triangle (Quirk 2011)

1.4. What are the benefits of a public value approach for local government?

There are both instrumental and democratic benefits from adopting a public value approach to local government management. The search for public value – all that we do should be aimed at enhancing the quality of life for our citizens and future generations – helps to focus Council staff and other partners in community governance on solving the problems that the public care most about and this stretches from service delivery to system maintenance. It allows for efficient targeting of resources to community needs, the identification of new patterns of need caused by the widening gap between rich and poor and changing social and demographic patterns (e.g. longer life expectancy, smaller sized families), providing for longer term thinking on community futures and more creative management of rising citizen's expectations. For politicians, it is simply good politics as it gives voice to the preferences of the silent majority who are essential to electoral success.



In an era when the integrity of local government has often been questioned by an assertive citizenry, the emphasis on the development of public values-driven local services should capture the political as well as the administrative imagination. Integrity in local public administration requires a values driven approach. The democratic benefits of a public value approach are particularly significant in communities experiencing stress due to rapid social change (e.g. adverse demographic trends) or various crises from economic downturn to environmental catastrophe.

These communities are more likely to survive and adapt if they are able to build a strong sense of social solidarity and cohesion. Local government has a fundamental role to play here in harnessing the energies and resources of the community to develop adaptive capacities. This requires common ownership of community problems and inclusive forms of governance in policy and delivery. Once again this should not undermine the role of elected representatives; quite the contrary, it should enhance their capacity to make the fundamental changes necessary to make a difference to people's lives. Nor should it undermine the expert role of public servants as the search for public value enhances the need for provision of objective, evidence-based advice to inform better decision-making.

In sum then, public value management meets the challenges that local government is facing in an era of governance – the need for community ownership of governance problems and solutions to provide the conditions for accountability, legitimacy and sustainable futures as well as the NPM appeal for 'value for money'. This is the 'Big Idea' to lend principles, form and clarity to the local government reform process and to confront integrity challenges. It also enhances the case for localism in an 'Australia of the regions'. Table 3 provides an overview of recent attempts to measure public value and apply public value management approaches.

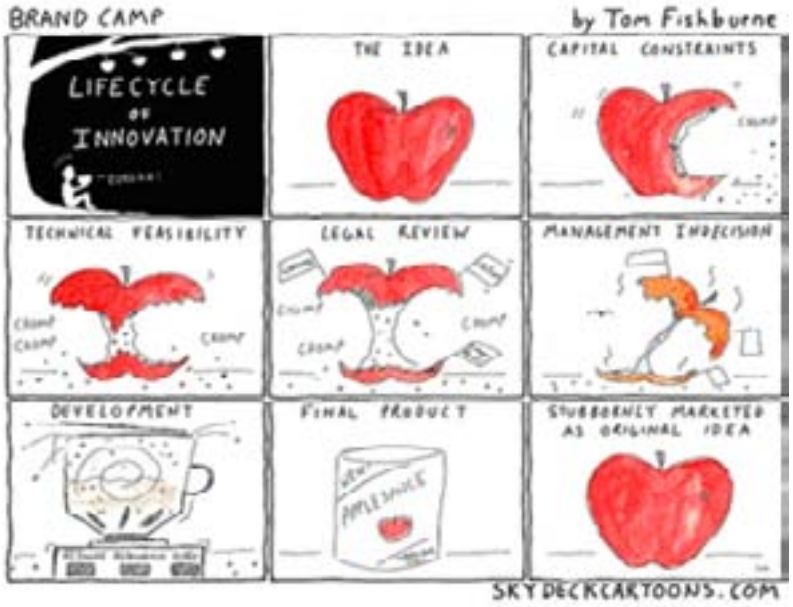
Table 3. Measuring public value and applying public value management approaches[7]

Measuring public value	
Accenture public service value model	www.accenture.com
Competeing values framework	www.theworkfoundation.com
Public value scorecard	www.papers.ssrn.com
Outcomes scorecard	www.raguide.org
Applying public value management	
BBC Trust public value model	www.bbc.co.uk/bbtrust
City of Melville	www.melvillecity.com.au
Just Communities	www.clg.uts.edu.au
Porirua City Council 'Livability' strategy	www.pcc.govt.nz
UK National Health Service public value lens	www.institute.nhs.uk
Social Return on Investment framework	www.thesroinetwork.org

Source: adapted from Banks-McAllister, A; Bodill, I; Cantwell, K; Goldsmith, R; Jensen, C; Perrine, L; Smith, M and Wunungmurra, B (2011), A Guide to delivering Public Value - A Loval Government Perspective, pp. 15&17.

[7]It is worth noting that many 'Triple' or 'Quadruple' bottom-line measurement tools can be encompassed within a public value approach as they also proceed from the recognition that narrow economic cost benefit analysis does not provide an accurate understanding of the potential value of social interventions. See, for example, the ACT government's (2011), Triple bottom-line assessment for the ACT government, available at: http://www.cmd.act.gov.au/policystrategic/sustainability (accessed 4 May 2012)

2 Why is public value creation central to the case for localism?



2.1. Defining the challenge

The Commonwealth government has set a number of priorities for Australia, including: strengthening the economy, delivering services and policies fairly, keeping Australia strong in the world, improving environmental sustainability and governing for all Australians. In delivering this agenda, the government recognises that each region and community has unique characteristics, opportunities and challenges requiring tailored policy responses. To ensure that concrete social and economic benefits are realised for all Australians, the government must therefore work across all three levels of government as well as with the private sector, industry and community organisations.

While Local Government's role within this whole-of-government framework is critical, the regional dimension of these relationships is growing in significance. As the level of government closest to Australians, Local Government has the unique capacity to understand challenges and identify opportunities to meet the diverse and emerging needs of communities across Australia. It has an important part to play in engaging with both states and territories and the Commonwealth Government to ensure better coordinated, integrated, and whole-of-government solution to addressing community and regional needs. In short, the case for localism in an Australia of the regions has grown in prescience.

2.2. Making the change – the case for localism in an Australia of the Regions

The current flirtation with localism in Westminster-style democracies emerged as a political mantra in the Blair/Brown Labour government in the United Kingdom (UK) and was framed in the context of New Labour's policy focus on 'top-down' government-knows best evidence-based policy-making delivered through an over-arching managerialism. As Stoker notes (2012, p. 1):

> *Evidence suggests that managerialism limited New Labour from ever really developing in practice a localist agenda that had any political bite. The current Conservative government's adoption of localism through the concept of the 'Big Society' was initially a political manoeuvre to support their criticism of the perceived top down "control freakery" of New Labour but quickly became, and has remained within the Coalition government, part of an anti-state agenda that sees for the UK a future that moves it further from the continental welfare state tradition.*

Labour in opposition under Ed Miliband has responded by offering a 'bottom-up' conception of localism through the genuine empowerment of communities. In the UK therefore we have seen the emergence of varieties of localism. In sum, "Localism" as a policy mantra was born in an apolitical context but in future will be contested through political values.

In Australia there are also competing varieties of localism underpinned by different policy values in which the 'top down' managerial tradition is presently dominant. Indeed, it could be argued that there are a broader set of localisms at work here to satiate different interests – Commonwealth, State, regional, local, privileged producer interests (e.g. mining interests) etc. These can clearly co-exist in and across institutions of multi-level governance. Crucially, however, there is increasing evidence to suggest (as in the UK example), that the top-down approach to localism does not work. The reason for this is not new or surprising.

In an era of governance, citizens' engagement in policy and delivery has become crucial to the achievement of social progress. Not least because all that public organisations do requires co-production and adaptive behaviours from citizens and often stakeholders. Moreover, the critical challenges confronting policy-makers in a complex, fragmented world require the most adaptive form of power to enable local interests to blend their capacities to achieve common purpose. This is called soft power or the power to persuade. Localism is a key policy instrument for achieving soft power.

This understanding of localism in an Australia of the regions will require new ways of being local governance with a particular emphasis on: 'joining-up' Australian government administration through the provision of local knowledge to the planning processes of multi-level governance; acting as a conduit for citizens engagement on a raft of Commonwealth and State initiatives; an enhanced role as a delivery partner for Commonwealth and State initiatives; and, assuming greater responsibility for facilitating local entrepreneurship and pursuing the growth agenda. In sum, the Commonwealth government is increasingly recognizing the potential role of localism in the creation and delivery of public value.

As Federal Minister Simon Crean put it to participants in the ANZSOG Excellence in Local Government Leadership Program on 9 September 2011 at Old Parliament House: 'The growth agenda in an Australia of the regions requires effective local governments that are willing and able to play an entrepreneurial role'. Local governments are uniquely qualified to meet the challenge of public value innovation – i.e. the creation and implementation of new products, services and methods of delivery through collaboration with citizens and stakeholders which result in positive social and economic outcomes for the citizenry.

3 What does an innovative or problem-solving local government culture look like in practice?

3.1. What do we mean by innovation in the local government context?

We held five focus groups with senior local government managers and elected members in Canberra, Perth, Brisbane, Sydney and Hobart to deliberate on this and other related issues. The findings follow. Our participants argued that what is and what isn't innovative will of course depend on the state of development of the organisation you are looking at; innovation in one place and time maybe commonplace in another. However, as a rule of thumb we can identify degrees of innovation with regard to:

- Place – innovation means different things in different places; so how innovative is the activity from the perspective of the institutions location and history?
- Novelty – the degree to which the activity demonstrates a leap of creativity from existing practice.
- Significance – the degree to which the activity successfully addresses an important problem of 'public' concern.
- Utility – the degree to which the innovation makes things easier for local governments.
- Effectiveness – the degree to which the activity achieves tangible results for the citizenry.
- Longevity – the capacity of the innovation to achieve results over time.
- Transferability – the degree to which the innovation, or aspects of it, shows promise of inspiring successful replication by other governmental entities.

Crucially, our participants argued that pursuing an innovation crusade tends to create a culture of disengagement leading to stagnation rather than innovation. This observation prompts the intuition that local government managers must be very careful not to use a language of change, which, often unintentionally, leads to a blame culture which stifles creativity. It is crucial to recognize that the call for innovation can be interpreted as an accusation of incompetence, as one CEO put it to us:

> *'Nothing grates more than being told that it is now 'time to innovate'. Isn't that our job? Shouldn't we always be on the look-out for better ways to do things?'*

Much better then to focus on the language of problem-solving and learning which works better with the grain of local government culture. As another participant claimed:

> *'Focus our minds on the problems and what we need to do to solve them and that appeals to our professional identity'.*

3.2. Are there different types of innovation?

There are probably as many typologies of public service innovations as there are innovations themselves but we decided to organise our thoughts in this Guide around four discernible types: (1) strategic innovation; (2) product innovation; (3) service innovation; and (4), governance innovation.[8]

Strategic innovations introduce new missions, worldviews, objectives, strategies and rationales which impact directly on the nature of decision-making.

Product innovation involves the development of new local government products which have a commercial or private value and are often associated with the development, use and adaptation of relevant technologies.

Service innovation involves the production of new services which have public rather than private value and sometimes draw on the development, use and adaptation of relevant technologies.

Governance innovations involve new or altered ways of solving implementation tasks with other sectors and knowledge bases, delivering services or otherwise interacting with clients for the purpose of supplying specific services.

We investigated 12 case studies reflecting these four types of innovation:

Strategic innovation

Social Media and the City of Brisbane (Australia)
Liveability and the City of Porirua (New Zealand)
Demographic Change and the States of Jersey(United Kingdom)

Product innovation

Environmental Futures and the City of Salisbury (Australia)
Banking on Essex (United Kingdom)
Affordable Housing in the City of Salisbury (Australia)

Service Innovation

Dental Services in Brewarina (Australia)
Service Delivery and Whanau Ora (New Zealand)
Determining Public Value in York (United Kingdom)

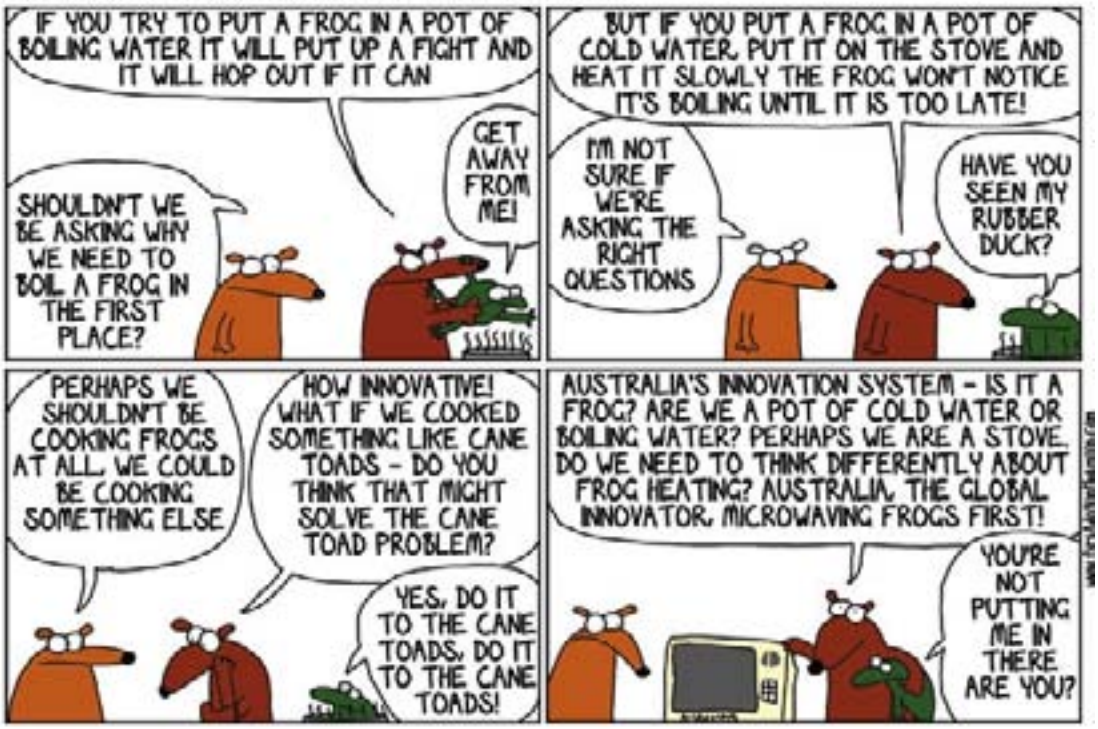
Governance Innovation

'Home to Work' in the Australian Capital Territory (Australia)
Neighbourhood Renewal and Salford City Council (United Kingdom)
Waikato and Boplass Shares Services (New Zealand)

Details of these case studies can be found in the supplement to this Guide.

[8]See Mulgan, G. and Albury, D. (2003), Innovation in the Public Sector, London, Strategy Unit/ Cabinet Office, for an alternative

INNOVATION – WHAT GOOD IS IT IF YOU CAN'T EAT IT?



4 Some practical lessons from the case studies and focus groups

4.1. Lessons for better practice

Ten key lessons for better practice or ingredients of public value innovation can be drawn from these case studies.

1. Innovation has become a pejorative term in local government – a metaphor for stagnation. A problem-solving culture requires a language that reinforces rather than undermines social purpose. The same rule can be applied to any slogan that is used to mobilise change (e.g. 'reform' or 'modernisation'). As noted above, the language of problem-solving works better with local government culture, less accusatory and more likely to build constructive behaviours.

2. The capacity to spot gaps in service provision, or methods of delivery is essential for public service innovation to take place. By implication, including front line workers in the process of problem-solving provides a rich seam of progressive new ideas.

3. The ability to forge strong partnerships with organisations across traditional organisational boundaries (voluntary, private sector or knowledge institutions) that possess resources (knowledge, finance, political or social capital) that are integral to the production of good community outcomes is a key feature of our sample of innovations.

4. This must be combined with an ability to act, that is, either through a clear legislative framework or a program design that empowers actors to be creative in implementing the policy. This also means making use of the right political circumstances when they present themselves.

5. This endeavour must also be combined with the capacity to absorb new knowledge which is often at odds 'with the way we do things around here'. NPM tends to privilege certain forms of data (e.g. quantitative economic data) at the expense of qualitative data that is more difficult to collect or measure. Unfortunately, 'soft governance' normally requires the collection of qualitative data because winning the war of ideas requires us to understand what citizens think.

6. A condition of successful innovation is often the existence of a needy political or administrative leader with a reform agenda to spearhead innovation. Support from political leaders, senior management and other community leaders (reform champions) are essential for the successful introduction of innovative policies, services or ideas.

7. Genuine cross-departmental or cross-service collaboration facilitates the introduction of innovative services, especially when combined with effective communication between all levels of delivery.

8. Engagement with citizens on the ground through place – be it at the local or sub-local level – in order to tailor service provision to their needs has been shown to be effective for the introduction of innovative services.

9. New technologies can both spark innovations and support their successful implementation.[9]

10. Design issues (i.e. how things are done) are crucial to the achievement of progressive outcomes. Items 1 to 9 can all be constraints on problem-solving with damaging consequences of action if executed poorly.

4.2. What are the implications of these findings for local government capability-building?

Public value innovation of this form requires the adoption of at least four public value management principles:

Principle 1: the role of local government should be circumscribed by the search for public value underpinned by a commitment to a public service ethos.

Principle 2: decision centres in local government structures should be inclusive of the key partners in governance and include a balance of forces (public service panels consisting of local citizens, political representatives, governance stakeholders and technical support). These could be organised around communities of practice.

Principle 3: the key task of the public managers should be to enable the determination of public value through communities of practice.

Principle 4: governance structures should use a participatory learning-based approach to the challenge of service delivery i.e. they should integrate a citizen-centric approach into the workplan of the organisation.

These principles would help to bring the politics back into policy deliberation and operational delivery at a time when the public standing of governmental institutions has reached a nadir. They would help to foster problem-solving, reflexive public organisations committed to delivering public value.

The application of these principles would have dramatic practical implications for the work plans of local governments. However, they are very much in alignment with the drivers and thematic priorities of the localism agenda. Five public value practices would be particularly important for local governance:

Practice 1: in an era of cost containment public managers need to understand the local and regional network environment through scoping the field of action, identifying all potential partners and their resources and bringing them into local communities of practice.

Practice 2: public managers need to develop strong working relationships with community-based organisations which possess resources that are crucial to the creation of public value.

[9] See: Improvement and Development Agency (IDeA) (2005), Innovation in Public Services, http://www.idea.gov.uk/idk/aio/1118552 (accessed 4 May 2012), for a range of other factors.

Practice 3: determining public value will require the integration of new engagement methods in which public managers should establish clear deliberative rules and intelligent performance indicators linked directly to negotiated policy objectives with elected members. However, a one-size fit all approach to engagement should be avoided. It is important for communities to identify those engagement methods that will work best for them using bottom-up devices such as the CLEAR model (Lawrence Pratchett, Gerry Stoker and Vivien Lowndes, 2006a&b).

Practice 4: Monitoring systems should be designed to identify movements towards or away from achieving these objectives.

Practice 5: Work plans should be subject to annual audits and evaluations with effective reporting systems both to politicians and to the public.

5 What are the major barriers to creating problem-solving local government?[10]

"That's how seriously we take improvement around here."

5.1. What are the barriers to the creation of a problem-solving culture in local government?

Our five focus groups with senior local government managers were asked to identify the major barriers to the creation of a problem-solving culture in their organisations. The responses can be clustered around conceptual barriers, dysfunctional institutional norms and values, and political support mechanisms (see Figure 4).

Conceptual barriers

These obstacles refer to staff understanding innovation as 'creating a blame culture', 'as a diversion from real work', or 'extra work' or 'risky work'. Concern was also raised over whether local government had access to the knowledge both within and without the organisation that they needed to innovate. Moreover, local government leaders were poor at communicating the benefits of innovation to their staff and elected members.

[10] These are similar reasons for why governments find it so hard to be strategic!

Dysfunctional institutional norms and values

It is observed that many dysfunctional institutional norms and values persist in local government that undermine problem-solving efforts. These can be categorised as challenges of capacity, commitment, and cohesion.

Capacity challenges include:

- the persistence of a culture of risk aversion;
- a physical working environment which is not conducive to the development of ideas;
- short-term budgets and planning horizons;
- delivery pressures and administrative burdens;
- poor skills in active risk or change management to create opportunity structures for innovation;
- institutional constraints on the use of evidence in policy-making arising from the electoral cycle;
- the existence of technological infrastructure and capacity;

Commitment challenges involve:

- organizations that are not receptive to the development of new ideas or are uncomfortable with ideas that challenge 'the way we do things around here' ;
- poor rewards and incentives to innovate;
- reluctance to close down failing programs or services;[11]
- poor commitment and leadership skills of implementing officials; and,
- failure to attract and/or retain high performing staff.

Cohesion challenges focus upon:

- the tendency for there to be an absence of a common vision of change across the administrative and political elite in a Council; and,
- inability to utilise existing capacity, learn from the front-line and share evidence of better practice.

[11] See Evans, 2009, Mulgan & Albury, 2003; Borins, 2004.

Figure 4. Barriers to a problem-solving culture in local government and their interaction

Conceptual

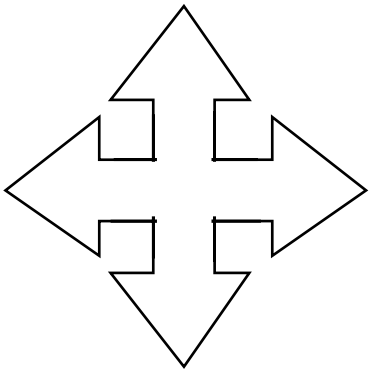
constraints and triggers

1. How staff understand innovation
2. How elected members understand innovation
3. Degree of behavioural change required

Institutional

constraints and triggers

1. Language
2. No clear purpose/ common vision
3. Culture of risk aversion
4. Lack of receptiveness to new ideas and dominance of old ideas
5. Siloed initiatives
6. Physical work environment
7. Reluctance to create room for new ideas through termination of failing ones



Environmental

constraints and triggers

1. Socio-economic conditions
2. Public support
3. Attitudes and resources of community groups
4. Electoral cycle
5. Media perceptions

Resources

8. Short term budgets and planning horizons
9. Delivery pressures
10. Limited access to knowledge
11. Poor management of change skills/ training
12. Absence of incentives
13. Inability to utilise existins capacities
14. Effective mnagement and support
15. Formal access by outsiders
16. Communication of success

Innovation processes

Outputs of implementing authorities → Compliance with outputs by target groups → Actual impacts of outputs → Perceived impacts of outputs → Revision in innovation processes

Political support mechanisms

Political support mechanisms refer to environmental variables which can affect the capacity of local governments to engage in public sector innovation. Many of these are beyond the control of local government leaders such as the need for a crisis to facilitate change or stable socio-economic conditions. Others require effective community or stakeholder engagement to solicit public support and involvement, and manage and integrate the views and resources of constituency groups.

Perhaps the three critical dilemmas to tackle in this area are the need to garner support from elected members, to understand innovation as a whole of local government and dare I say it, 'community' endeavour and to use a language of change that unites rather than divides.

6 How can these barriers be navigated?

The process of innovation is lengthy, interactive and social; many people with different talents, skills and resources have to come together.
Charles Leadbeater (2009).

Innovation requires finding dream-time.
Australian local government CEO (2011).

6.1. What are the ingredients of a problem-solving culture in local government?

Our focus groups highlight the importance of adopting the following strategic response to these barriers organised around principles of engagement, leading innovation and maintaining innovation.

Principles of engagement for local government

The first set of prescriptions involve a set of principles that aim at harnessing the resources of the Council and the Community to affect a problem-solving culture based on creating and delivering public value:

1. The search for public value.
2. The use of appropriate problem-solving language.
3. Recognition that every idea matters.
4. Problem-solving involves everybody.
5. Create interdisciplinary teams of problem-solvers with effective disciplinary integration.
6. Community of practice (encompassing stakeholder and citizen participation) is important at all stages.
7. Experiment – question received wisdom, search widely for new ideas and tolerate failure..

Leading problem-solving in local government

The second set of prescriptions identify the drivers of innovation or problem-solving:

8. Mayors and CEOs must champion problem-solving from the top.
9. Problem-solving requires resources [e.g. ring fenced funding/internal and community award schemes].
10. Problem-solving champions should be formally identified and organised at all levels of the organisation using performance appraisal schemes.
11. Rewards must be invested in innovative individuals and teams.
12. To access appropriate knowledge develop high quality knowledge networks which encompass theory and practice and include governance partners.

Maintaining a culture of problem-solving in local government

The third set of prescriptions outline how a problem-solving culture can be preserved.

13. Design the workplace in a way that is conducive to the development of and incubation of new ideas.
14. Invest in research and development to identify, incubate, develop and trial new ideas.
15. Invest in problem-solving coaching and mentoring.
16. Develop regular lesson-drawing forums and other mediums for communicating success stories and identifying new ideas.
17. Use monitoring and evaluation processes as an ongoing condition for effective learning.
18. Embrace cyclical external evaluations and other practices which allow for genuine professional reflection.
19. Recognise that new knowledge will often challenge dominant conceptions of 'the way we do things around here'. A culture of reflexivity on new ideas is a condition for maintaining a culture of problem-solving in local government.

7 Innovation and future local governance – old wine in new bottles?

> *Too many (local government) CEOs get bogged down in believing they are hopeless pawns in a political game dominated by the Commonwealth and States. They spend too much time second guessing other government agendas rather than setting the agenda themselves. The fact is if you have a good idea the funding will follow. It is easier to do this in local government.*
> Australian Local Government, CEO (2011).

This Guide has tackled many of the fundamental questions confronting local government managers seeking to build a culture of problem-solving at the local scale. What is the case for public value local government management? Why is public value creation central to the case for localism in an Australia of the regions? What does a problem-solving local government culture look like in practice? What are the major barriers to public value creation in local government? And, how can these barriers be navigated? It remains to provide an assessment of where new thinking is required in local government to meet the challenges of 21st century local governance. What are the critical challenges for local government in terms of problem-solving? Table 4 presents our findings from a survey of 215 local government managers in Australia and New Zealand.

Table 4. What are the critical challenges facing local government in Australia and New Zealand?

Australia	New Zealand
Resource depletion Managing demographic change (meaning strategic policy capability to meet these challenges) Collaborative governance Workforce planning and retention Community engagement Climate change Integrity Public infrastructure CEO-Elected member relationship Asset management	Growing mismatch between recources and responsilbilities Managing demographic change (meaning strategic policy capability to meet these challenges) Managing rising citizens expectations) Managing rising citizens expectations Central government relations Governance (amalgamation) Workforce planning and retention Climate change Community engagement Meaningful engagement with Maori Role of the private sector

It is interesting to note the concern in both countries with the need to manage demographic change change carefully and by this the CEOs referred to the importance of developing the strategic policy capability to meet these challenges. In addition, an emphasis is placed on developing strong relationships with other governments and non-governmental organisations through effective forms of collaborative governance; of being competitive in the labour market through a more strategic approach to workforce planning and retention; improving Community engagement in problem-solving activities; and developing meaningful ways of mitigating the harm of climate change.

These findings emphasize the importance of understanding effective local government leadership in the context of a broader vision for localism in Australian governance encompassing: strategic (adaptive) local government leadership outwards to other governments to the community and community stakeholders [including second and third sector actors]; facilitative local government to harness the resources of the community to collectively determine public value, source and diffuse innovation; Local government as the collaborator of first resort in local and regional policy and delivery networks through place-based service delivery; Local government as a learning organisation and knowledge broker; Local government as employer of choice; and, Local government as giving voice to local identities. Crucially, it involves understanding local government as an engine room of economic growth and public value creation.

For our sample of CEOs, the achievement of this vision of localism requires a mixture of traditional qualities of local government leadership with new methods of engagement – old wine in new bottles. Future local governance needs to:

1. Safeguard public sector legitimacy and community values
2. Create a clear strategic vision for the community
3. Win the trust of local citizens
4. Manage complex processes of change
5. Build strong working relationships with citizens
6. Solve critical governance issues from climate change to the representation of women
7. Deliver innovative and effective citizen-centred services
8. Be equal partners in governance
9. Lead with personal and professional integrity, and,
10. Set the agenda of local government reform.

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