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## LIVEWIRE CONFERENCE

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### SERVING THE SERVICE SECTOR 29 September 2011 Melissa Gibbs Assistant Director, ACELG

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#### OPENING REMARKS

Good morning everyone. It's a pleasure to be able to join you today.

#### OVERVIEW OF SESSION

In the time I have available, I would like to speak with you about:

- The role and purpose of the Australian Centre of Excellence for Local Government – or ACELG as we are known
- Service delivery in the context of local government's broader role
- Models of service delivery, in particular, shared services
- Some capacity building initiatives that are directed towards improving service delivery in our sector.

#### ABOUT ACELG

At the Australian Council of Local Government meeting in November 2008, the then Prime Minister, Kevin Rudd, announced funding support to establish a Centre of Excellence for Local Government. Following a call for bids, the Centre was awarded to a consortium led by the University of Technology, Sydney.

Along with UTS, the consortium includes:

- The University of Canberra
- The Australia and New Zealand School of Government (or ANZSOG, as it is known)
- Local Government Managers Australia, National – and I'd like to acknowledge John Ravlic from the LGMA who played a key role in the establishment of the Centre and continues to contribute to its development
- The Institute of Public Works Engineering Australia, National

- Program partners Charles Darwin University in the Northern Territory and Edith Cowan University in WA.

We have a change agenda. Our mission is:

*World class local government to meet the emerging challenges of 21st century Australia*

Quite an ambitious aim.

## **ABOUT ACELG**

The Federal Government has provided \$8 million dollars in seed funding, with a requirement that the Centre run for at least five years, until 2014. In addition to the Federal Government funding, cash and in-kind contributions are provided by consortium members. With these contributions and additional grant funding, the Centre will operate until at least 2016.

The funding agreement between UTS and the Federal Government makes it clear that the Centre is to have a practical focus, but be strongly research based. Importantly, the Centre does not have an advocacy function, but program outputs are intended to lead to a more informed policy debate.

## **THE CENTRE'S OPERATING FRAMEWORK**

This slide shows the Centre's operating framework.

At the heart of the Centre is the Board of Management. The Board has an independent chair. It is chaired by former Federal Local Government Minister, Margaret Reynolds.

The Board includes:

- Representatives of the consortium members
- The Australian Local Government Association
- And a senior representative of the Federal Department of Regional Australia, Regional Development and Local Government.

Along with the Centre's research and technical panels, we have established:

- International networks
- Strong links to the ALGA and the state and NT local government associations
- The jurisdictions, in particular, the departments or agencies responsible for local government in the states and the Northern Territory
- And the former Local Government Ministerial Council.

The Centre's work is undertaken through six program areas. We have:

- A Research and Policy Foresight Program
- An Innovation and Best (or better) Practice Program
- A program for Governance and Strategic Leadership
- An Organisation Capacity Building Program (which currently has a focus on asset management and long term financial planning)
- A special Rural-remote and Indigenous Local Government Program (which I oversee)
- And a Workforce Development Program.

## **SOME DELIVERABLES FOR 2011**

I don't intend to run through the detail of this slide. It is here simply to show you with how busy and productive we have been. There are over 30 projects underway, covering a diverse array of issues.

## **SERVICE DELIVERY**

When Zach invited me to speak about servicing the service sector, I immediately began to think about local government and its service delivery role. I reflected on the local government services that I enjoy as a resident of a well-resourced council in a comfortable area of a capital city, and compared that to the service delivery challenges faced by remote councils.

I have just spent the past three days with local government leaders from the Northern Territory, and the contrast is quite stark. Most of the Shires in the Territory, along with their counterpart organisations in remote rural Australia, are totally dependent on grants to provide core council services. These councils have become known as service providers of last resort, but they play a key role ensuring the sustainability of small communities.

Even with these differences, local government legislation across the jurisdictions generally applies equally to all councils – so in the Territory for example, the provisions of the Local Government Act applies equally to Darwin City Council and the new eight remote Shires.

And legislation across the jurisdictions places local government's service delivery role within a broad, strategic framework. The NSW Act includes a charter with a set of principles to guide a council in the carrying out of its functions. These principles include concepts such as:

- Community leadership
- Cultural diversity
- Environmental conservation
- Being a responsible employer (amongst others).

In other words, while effective and efficient service delivery is a key component of local government's legislative requirements, it is seen as a means to an end, not an end in itself.

Bearing in mind this broader context, local government must be aware of the local and global trends that impact on service delivery, and take steps to ensure service planning and delivery is able to respond. Some of the trends that I put on the table include:

**Changing expectations** – Local government needs to constantly monitor changes in the demographic profile of its community and ensure its services keep pace with community expectations. Councils need to engage effectively to ensure the needs of the ageing population and rising expectations of high levels of public services are addressed.

**Emerging challenges** – Emerging challenges such as climate change, cost or service shifting from other spheres to local government, key workforce shortages, technology all need to be closely monitored and addressed.

**Alternative models** – Finally, all service delivery models need to be considered as current and past methods will not always be suited as local government adapts to changing circumstances.

## GRAHAM'S THREE PILLARS OF EXCELLENCE

To further illustrate where I see service delivery fitting into the broader local government context, I'd like to share this slide. I call this slide "Graham's three pillars of strategic capacity". It comes from a presentation the Centre's director, Graham Sansom gave recently, where he talked about three factors – or pillars as I call them – leading to strategic capacity. I have his permission to share them with you today.

The three pillars are:

- Relevance
- Resources
- Credibility.

### Relevance

The first pillar is relevance.

For local government to function effectively in our system of government, it must contribute to national agendas. Australian local government enjoys a strong relationship with the federal government, and larger councils and representative organisations in particular bring resources and views of value to the federal government. We need to ensure we are in a position to play an active role and influence the national policy agenda.

Local government must also be relevant to the community, to business and to government, and it needs to recognise and embrace its role as a legitimate sphere of government – as Graham says, the government of communities and places.

Local government must also embrace innovation, be open to learning from others, and our leaders must drive and create organisation cultures where innovation can thrive.

## **Resources**

This next pillar, resources, is what we might describe as the tools for, or enablers of, service delivery.

Local government needs to work towards addressing its long-term financial sustainability. We need to seriously engage in the upcoming review of Financial Assistance Grants as the allocation of FAGs are vital to the ongoing viability of small and remote councils. We should also seriously examine the potential for local government to increase its own-source revenue – the Productivity Commission found that councils are raising only about 88% of their hypothetical benchmarks, and that councils could do more to help themselves, so we need to get our own house in order first.

Local government needs to deal with skills shortages and succession planning, and we need to seriously engage in regional co-operation and collaboration.

## **Credibility**

The final pillar, credibility, is arguably the most important.

We need to ensure that good governance underpins everything we do – this is a fundamental factor to securing our legitimacy. Remember, when one local government falters, it affects the whole sector. The sad tales of Wollongong, Burwood, Liverpool, Warringah and others impact on all of us, and our collective reputation suffers.

We need strong community leaders – we need to invest in our current leaders and foster and develop those aspiring to leadership roles. Our councils need to reflect our society, so we need to strive for gender equity and cultural diversity in elected and appointed leadership roles.

Finally, we need to openly share information and benchmark our performance not just with our neighbours and counterparts in our state or territory, but nationally.

## **MODELS OF SERVICE DELIVERY**

I'd now look at models of service delivery.

Earlier this year, the Centre released a major report examining the issue of consolidation in local government. It was undertaken as a collaborative research venture between the Centre, the Local Government Association of South Australia and Local Government New Zealand.

It examined the various dimensions of consolidation, including amalgamation, boundary adjustment, shared services and regional collaboration.

The research included a number of service delivery case studies, covering shared services, arms length entities and regional alliances.

## **THE GOOD, THE BAD, AND THE UGLY**

The lessons learned from the shared services and regional collaboration case studies can be described as the good, the bad and the ugly.

## **THE GOOD**

First, the good.

### **Higher probity and increased scrutiny**

Honing in on, carefully specifying, and then sharing the procurement or delivery of a service opens up the process to increased probity and scrutiny. This inspires community and business confidence in the service delivery process.

### **Increased efficiency and professionalism**

Regionalising or sharing a service can result in service efficiencies; it can minimise costs for councils; allow councils to procure a service they would not otherwise be in a position to provide on their own; and collaboration can create a service of sufficient scale to attract and retain high calibre staff and to provide for their ongoing training, skills enhancement and development.

### **Building capacity in smaller councils**

Shared services can build capacity in smaller councils, particularly when participating develop a specialist expertise which can be performed on behalf of other councils.

### **True costs can be captured**

The true costs of providing the service can be captured, and any cross-subsidisations made transparent.

### **Higher levels of service**

When a specialist entity is created, it is generally solely focussed on providing a dedicated service with professional and motivated staff exposed to new concepts and ideas, and this leads to a higher standard of service provision.

## **THE BAD**

Onto the bad news.

### **Potential rarely reached**

A recent study undertaken by Deloitte into shared services in UK local government found that implementing shared services remains an aspiration rather than a reality.

### **Spectacular failures**

There have been some spectacular failures, and when they occur, they are often exposed in the public domain. This can result in a loss of reputation and bring into question the whole concept of shared service delivery.

### **Not a soft option**

Shared services and collaboration should not be seen as a soft option or an alternative to amalgamation. Those involved know it's hard work – it requires compromise, leadership and trust.

### **Not suitable for all**

It's not suitable for all – the issue of local employment makes it difficult for remote councils to contract out services or to establish joint arrangements with neighbouring councils, even where such initiatives could achieve efficiencies or improve service levels.

### **Perceived loss of identity**

The urge to protect local autonomy is strong, and it can result in councils wishing to retain self-determination over services.

### **Service standards**

Our research showed that compromising on service standards is fraught, particularly for front line services that are important to the community.

## **CAPACITY BUILDING**

So, what are we doing to build the service delivery capacity of the sector. Here is a sample of some of the initiatives being undertaken by the Centre.

### **Governance models for shared services arrangements**

The Centre has commissioned further research aimed at assisting groups of councils to develop appropriate business models and governance arrangements for shared service.

### **Asset management for small, rural-remote councils**

Our program partner, IPWEA, has produced a practice note for councils with low populations and limited resources to embrace asset management. This is being backed up by training of councillors and staff in many jurisdictions.

### **Long-term financial planning practice note**

IPWEA is also in the process of preparing a practice note to guide councils in the development of long-term financial plans. The practice note is nearing completion and should be released to the sector in about a month.

### **National review of councillor training**

The Centre has commissioned a national review of training provided to councillors to identify and promote good practice and identify and fill gaps.

## **Review of business excellence systems**

The Centre is reviewing business excellence systems with the view to developing a tool that will be available to all councils across the jurisdictions.

## **National workforce strategy**

LGMA National is co-ordinating the development of a national workforce strategy aimed at addressing skills shortages in key areas.

## **CONCLUSION**

So, to summarise:

Local government's service delivery role operates in a broad strategic context. It sits along side concepts such as community leadership, cultural diversity and environmental sustainability.

We need to constantly be adapting services and delivery models to suit changing circumstances.

Our service delivery role sits with the three pillars of relevance, resources and credibility.

While there are some outstanding examples of shared services and regional collaboration, the true potential is yet to be realised, and it should not be seen as a soft option to amalgamation.

There are some initiatives underway or coming that will assist to build the capacity of our sector.

That concludes my presentation. Thank you for your attention.

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