

Peter McKinlay

Community Governance

The theme of this article is current developments in community governance (see, for example, Rolfe, 2016), but it comes with a warning: this is an area where definitions are extremely difficult and it is easy to become distracted by semantics, rather than focused on the substance. Discussion is further complicated by the variety of practice, the many different approaches which can come under the umbrella of community governance, and the formal responsibilities of local government in different jurisdictions: local government in England and Wales has significant social service delivery responsibilities (albeit typically under fairly tight government requirements), but in both Australia and New Zealand local government's actual involvement in social service delivery is relatively minimal, although Australian local government does have a role in care both of older people and of children, especially in the provision of childcare centres.

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There are three principal elements to a community governance approach, only one of which is picked up in virtually all current New Zealand consultation and engagement practice. The three elements are:

- the council seeking feedback from its communities on council proposals;
- the community seeking dialogue with the council on initiatives which the community wishes to put in place (the opportunity to make submissions on a long-term plan or annual plan falls short of a community governance approach for a number of reasons, including time constraints and lack of opportunity for genuine dialogue);
- dialogue within a council's community or communities themselves in order to arrive at a representative view on what it is the community wishes to see take place – a contrast with the current situation, in which input from a community level is typically from individuals or groups with no specific mandate to speak on behalf of the community as a

whole (especially when it affects a geographic community rather than a community of interest).

A central point to consider is whether local government involvement in community governance should depend on the explicit statutory powers of local government and be confined to those services for which it has actual responsibility, or whether instead it is a function of being the only elected entity whose principal purpose is serving the communities which provide its electoral mandate. From an elected member perspective, the difference is between being elected as part of the governing body of a specific entity with a limited range of functions, and being elected as a community leader, one of whose roles is being a member of that governing body. In terms of accountability, it can be loosely seen as a choice between accountability to a statutory function which has remained little changed for decades (while the world around it has changed dramatically), or accountability to the community for providing leadership to deal with the complex issues communities face now and in the future.

This is a relatively recent distinction, the significance of which is still being worked through, with the majority of elected members and observers of local government almost certainly yet to fully understand the difference between the two roles and why the difference matters. One reason is that the community leadership role is emerging in a variety of different ways and almost invariably outside the conventional statutory planning, reporting and accountability requirements imposed on local government, in part because, at least in the early stages, a community leadership role may make only a minimal demand on council resources.

For New Zealand councils and their elected members, a useful starting point is the first leg of the purpose of local government as stated in section 10 of the Local Government Act 2002, which states that the purpose of local government is 'to enable democratic local decision-making and action by, and on behalf of, communities'. The wording is fascinating in its implications. First priority is

given to decision-making and action by communities. Treated in isolation, this purpose can be seen as virtually a charter for participatory democracy. In practice, the second leg of the purpose section, with its focus on meeting 'the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses', has been much more prominent, especially in central government's relationship with the local government sector.

In formal terms New Zealand local government's interaction with its

it over to individual councils to work through with their communities what their preferences are, and over time for a shared understanding of good practice to develop through the sector. Guidance can, however, be found in experience elsewhere, including the following description of engagement taken from a good practice guide to achieving a whole-of-organisation approach to best value prepared for Victorian local government in 2007:

Engagement is an outcome which can arise out of consultation processes, or other interactions occurring between a local government and its

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communities has largely been through statutorily specified requirements for consultation, which have often been less than satisfactory in terms of building trust and confidence between councils and their communities (see the trenchant criticism in chapter 15 of the report of the local government rates inquiry (Local Government Rates Inquiry, 2007)). Practice is beginning to change both on the part of councils themselves and in legislation (despite the present government's emphasis on local infrastructure and services), with an amendment to the Local Government Act in 2014 requiring councils to prepare a significance and engagement policy which is required to include 'how the local authority will respond to community preferences about engagement on decisions relating to specific issues, assets, or other matters, including the form of consultation that may be desirable; and how the local authority will engage with communities on other matters'.

The legislation is silent on what is meant by engagement, seemingly leaving

community, such as participation and the gathering and provision of information. *Engagement is achieved when the community is and feels part of the overall governance of that community.* Local governments have an important role in building stronger communities, and engaging communities is a key means to doing so. (Victorian Corporate Planners Network, n.d., p.12, emphasis added)

There are differences between local government in New Zealand and Victoria, most notably the fact that Australia is a federal system, but the basic statutory understanding of the relationship between councils and their communities is broadly similar in the two jurisdictions. This lends force to the suggestion that the Victorian description of engagement should be a good starting point in New Zealand, especially when councils are considering, and discussing with their communities, the development of their significance and engagement policies.

Table 1: Change in approach by Bendigo Bank from conventional grant making to outcomes-focused community development

From	To
Strengthening community	Transforming community
Keeping capital in the community	Growing capital in the community
A local investment option for locals	Investment in local enterprises and innovation
Source of revenue for local projects	Source of revenue, plus leadership and innovation

Source: C. DeAraugo, personal communication, 2014

Some Australian experience

Five years ago the present writer was the lead author of a major report on what was happening with community governance in Australian states. The report, *Evolution in Community Governance: building on what works* (McKinlay et al., 2011), looked at a number of different initiatives, not just on the part of councils, but uniquely also on the part of a significant private institution, the stock exchange listed Bendigo Bank Ltd. The wide variety both of practice and purpose made it clear that any attempt to develop (or find) a single clear definition of community governance which would have both precise boundaries and general acceptance was unlikely to be successful. Instead, after considering both the range of practice which works for the report reviewed, and a wide body of research, the report proposed that ‘community governance’ be understood as:

a collaborative approach to determining a community’s preferred futures and developing and implementing the means of realising them. In practice it may or may not involve one or more of the different tiers of government, institutions of civil society, and private sector interests. We have taken the view that the critical issue in defining ‘community governance’ is not whether clear and specific boundaries can be set around it, but whether it has utility in the sense of improving understanding of how decisions which affect a community’s future are best taken and implemented.

Inclusion of the Bendigo Bank within the study highlighted the potential of community governance not just as a

means of understanding the relationship between various tiers of government and the communities they serve, but as encompassing processes which may involve non-government actors, including private sector parties, as very significant participants.

In the late 1990s Australian banks, in order to reduce operating costs, embarked on a major programme of rationalisation, eventually closing well over 1,000 branches. The Bendigo Bank, then a small regional bank mainly serving the state of Victoria, saw an opportunity to offer communities an alternative approach to accessing banking services. It developed a very well-designed community banking franchise. Under this approach, local branches would be owned locally by companies with a widespread shareholding, one shareholder one vote rather than one share one vote, a locally appointed board of directors, and a commitment to returning a significant proportion of branch profits to the local community. Bendigo Bank itself would retain responsibility for quality control, appointment of staff and provision of banking services; borrowings were from and deposits were with the bank itself, not with local branches.

The model has proved extremely successful and there are now more than 300 community-owned branches within the Bendigo Bank community banking network. Substantial profits have been returned to the community, with some branches now returning in the order of several hundred thousand dollars a year.

In the early stages of profit distribution, community bank branches acted like any other small community funder – inviting applications from within the community and typically funding proposals to

renew sporting facilities or equipment, provide short-term funding for local non-governmental organisations, and similar reactive responses. As the amount of money within the overall network available for community reinvestment increased, the network as a whole came to realise that the funds which branches had available for distribution were more than just a useful top-up for local activity. They were in fact a critical community resource, which, if deployed strategically, could play an important role in achieving important outcomes for the community itself. This shift in emphasis has been described by a senior manager working with the community banking network as shown in Table 1.

Although the Bendigo Bank community banking network is unique internationally, its role as a community grant maker distributing what are discretionary funds (that is, funds which are held for purposes of community benefit rather than any specific activity or activities) within the community is not. This makes the community banking network experience, in consciously recognising its role in transforming community and providing leadership and innovation, an important insight into the potential of a community governance approach, and one which is very relevant in New Zealand. Several different community-based trusts in this country hold funds for purposes of community benefit, and thus are essentially a discretionary resource for application as trustees determine. They include the community trusts which resulted from the restructuring of New Zealand’s trustee savings banks, a number of the energy trusts which came out of the restructuring of the electricity industry, licensing trusts, and trusts within the recently emerging community foundation network.

Some New Zealand initiatives

An overview of practice in New Zealand local government shows that a number of councils have taken quite innovative steps to go beyond the statutory requirements for consultation to much more of an engagement approach, some well before the 2014 amendment. Examples include:

- Porirua City Council's long-standing village planning initiative, under which the council supports community-based groups within its different villages (the council's term for its different geographic communities) to prepare village plans which feed into the council's own long-term planning in terms of initiatives to be taken within that community (Porirua City Council, n.d.);
- Palmerston City Council's use of an online citizens' panel of approximately 1,100 individuals chosen at random to provide monthly feedback to the council on issues which the council refers to the panel (Palmerston North City Council, n.d.);
- Waipa District Council's engagement with its communities over a period of nearly 12 months in the lead-up to the publication of its draft long-term plan for 2015–25 (Waipa District Council, 2014), to share information about priorities for the district, including a 30-year vision, and the funding implications, especially in relation to infrastructure renewal.

These are examples from councils which have been particularly innovative. Anecdotal evidence suggests that some other New Zealand councils are seeking to go well beyond what have been the standard statutory requirements for consultation (as with the special consultative procedure), seeking to learn more about their communities' expectations and build community understanding of what the council is proposing to do. Generally, however, practice is still within the understanding of the role of elected members as being the elected governing body of the council, rather than elected leaders of the community with their council role as simply one way of expressing leadership with their communities on substantive issues.

Putting the community into community governance

Currently, innovation in community governance on the part of councils is

largely taking place within conventional assumptions about the respective roles of central and local government, with local government primarily seen as a subsidiary form of government, undertaking services and activities authorised by statute and preferred by central government as appropriate for local government. As a number of indicators demonstrate, including the percentage of GDP spent by local government,¹ one consequence is that New Zealand local government plays a lesser role in respect of its communities than local government in almost any

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other developed jurisdiction.

From a static analysis perspective, this sets a context which is relatively limited in terms of the range of activities a community governance approach as between a council and its communities might encompass. We are not, however, in a static environment. There is increasing evidence from a number of jurisdictions that addressing the so-called 'wicked problems' which have bedevilled public policy for decades will depend at least in part on strong collaborative arrangements at a local level, able to tap into local knowledge and networks and encourage co-production (see, for example, the Productivity Commission's report *More Effective Social Services* (Productivity Commission, 2015)). Associated with this is a concern that the conventional, relatively top-down approach to the design, targeting and delivery of major social services has been one factor in the increasing sense of exclusion which is seen as lying behind phenomena such as the Brexit referendum outcome.

In England this is leading to increasing calls for devolution, and to take decision-making closer to the people affected. Jonathan Carr-West, chief executive

of the Local Government Information Unit, in an early response to the Brexit referendum has stated:

There are many reasons why the country voted to leave the EU but one factor was certainly a sense of anger about decisions being made far away by people not directly accountable. Devolution is a key part of resolving that just as it is a key part of growing local economies and improving public services. (Carr-West, 2016)

A joint study by the Royal Society of Arts and the Staff College, *Changing the Narrative*, published after the Brexit referendum, argues the case that public administration is shifting from New Public Management to New Public Governance,² with the implication that public services will be increasingly place-based, collaborative and drawing strongly on community support of both a tangible and an intangible nature. The thrust of their argument can be seen in the following extract:

Assumptions behind preventative and pre-service interventions, which become increasingly attractive as public services become ever more financially stretched, point often (but not exclusively) towards the type of soft interventions that draw on a variety of place assets. These assets include the formal and informal, statutory and voluntary, material assets such as buildings and institutions where people associate with one another or receive the support services they need, and much less tangible things like community networks, social

relationships, integrated and flexible services, or a civic pride in the local place. It is impossible to conceive of all of these things being activated centrally. Instead, a mixed ecology of these assets and actors needs the opportunity to thrive – and this is most likely to happen around the construct of a local place. (Buddery, Parsfield and Shafique, 2016, p.48)

In New Zealand the case for a stronger emphasis on place-based management at a local level, with individual councils playing a pivotal role, would currently be seen as based much more on changing understandings of the requirements for effectiveness in the design, targeting and delivery of major services than on

- to respond to the many challenges they now face?
- What objectives do councils have for engagement and, potentially, promoting a community governance approach? Is it simply to inform their communities about matters such as proposed council activities and the associated funding implications? Is it to build a more collaborative relationship with their different communities, with the purpose, for example, of encouraging co-production?³ Is it to partner with their communities in working with central government to 'localise' the design, targeting and delivery of major social services?
 - Is the objective to find better ways of

takes to the nature of government. As the current local government amendment bill demonstrates,⁵ central government sees it as entirely proper that if it is dissatisfied with the way in which local government is managing its responsibilities, it should intervene legislatively to ensure that local government activities are controlled and managed in ways which meet the government's objectives. This is an approach which has deep-seated roots in practice over at least the past 30 years (since the major restructuring initiatives of the 1984–90 Labour-led government), and has shaped not only the way central government approaches local government but also, arguably, the way local government responds to central government initiatives.

Increasingly, this is a contrast with practice in other jurisdictions, where central governments (state or federal) are to varying degrees coming to realise that much of what needs to be done to improve outcomes within the communities they serve cannot be done by higher tiers of government alone, or for that matter by higher tiers of government working in partnership with local government. Instead, addressing the current challenges facing developed societies, including the potentially very negative impacts of the sense of exclusion which many people feel, will more and more require working at a community level in partnership with communities.

New themes such as community governance, new public governance, place-based management, co-production, co-design and much more will set the patterns for the future of public sector activity and determine the extent to which different communities are able to realise their objectives for a reasonable quality of life and a sense of belonging to the society of which they are part. Achieving this in a New Zealand context will not be straightforward. For local government it will require a commitment to a collaborative approach in working with its communities, almost notwithstanding some of the current signals from central government. For central government it will require an understanding of both the nature of New Zealand local government itself as an expression of local democracy

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concerns that New Zealand communities face similar issues of exclusion as are now being recognised in jurisdictions such as England. That said, New Zealand local government as a sector and individual councils face some extremely complex choices when considering how to carry forward a commitment to engagement and to community governance as described in this article, including exactly what their role should be in respect of their communities taking into account the very marked changes now under way.

The following indicative questions are among the choices this author identifies.

- Are councils primarily a subsidiary form of government, delivering primarily those services, including infrastructure and regulation, which central government has determined should be handled by a subsidiary entity, or are they primarily a community resource providing leadership in working with their communities to determine how best

tapping into community knowledge and networks in order to improve the efficiency and effectiveness of council spending? There are a large number of examples which suggest that councils which work collaboratively with their local communities, and respect their knowledge of the local area, can benefit significantly in terms of better decisions: for example, in spending on infrastructure, whether maintenance, renewal or new investment.

- Is it part of a broader strategy of building strong communities able to take significant responsibility for dealing with their own collective issues as happen: for example, in Portland, Oregon, through its neighbourhood involvement programme?⁴

Conclusion

New Zealand local government operates within a public policy framework which is inherently top-down in the approach it

rather than simply an outreach of central government objectives, and of how international experience is demonstrating the critical importance for governments of working collaboratively with the communities they serve. In this sense, although community governance will remain one of the single most difficult terms for which to find an agreed

definition, it will also increasingly be the essence of how successful communities function.

1 A 2007 Council of Europe report, *Local Authority Competences in Europe*, notes that the majority of European local authorities spend between 6% and 13% of GDP, rising to 20% plus in Nordic countries and falling as low as 5.3% in Italy (this figure is artificially low because of a significant parallel funding source for local activity) and 5.9% for Portugal and Spain (Council of Europe, 2007). In contrast, New Zealand local government spends 3.8% of GDP

(source: Local Government New Zealand).

- 2 Essentially, from a market-driven approach to governance, to a collaborative approach with a philosophy akin to that described above for community governance.
- 3 For an excellent recent example of this approach see the Wigan Deal, an innovative approach under which the Wigan Council is achieving significant savings by promoting a range of partnership and co-production initiatives with its communities: <https://www.wigan.gov.uk/Council/The-Deal/The-Deal.aspx>.
- 4 See <https://www.portlandoregon.gov/oni/>.
- 5 Local Government Act (2002) Amendment Bill (No 2).

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