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The Lyons Report and its Ramification for Australian Local Government[#]

Brian Dollery*, **Bligh Grant*** and **Sue O'Keefe****

**School of Economics & Centre for Local Government, UNE; **School of Business, La Trobe University*

Abstract: The recent past has seen an intense focus on 'financial sustainability' in Australian local government to the exclusion of other important dimensions of local governance. This restrictive emphasis on finance has been unfortunate since it has ignored important developments in the international literature as best exemplified in the landmark 2007 Lyons Report in the United Kingdom. In this official inquiry, Sir Michael Lyons reiterates the critical significance of local voice and local choice in contemporary local government and develops the concept of 'place-shaping' as epitomising the modern role of local councils. However, British local government enjoys far broader service provision responsibilities than its Australian counterpart. Accordingly, this paper thus seeks to outline the nature of 'place-shaping' as conceived in the Lyons Report and consider its applicability in the much narrower Australian local government milieu.

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Centre for Local Government, School of Economics, University of New England, Armidale NSW 2351. Phone: + 61 2 6773 2500, Fax: + 61 2 6773 3596. Email: bdollery@une.edu.au

Introduction

The past several years have witnessed a plethora of public inquiries into Australian local government. At the national level, the Commonwealth Grants Commission Report (CGC) (2001), the Commonwealth House of Representatives Standing Committee on Economics, Finance and Public Administration ('Hawker Report') (2004) *Rates and Taxes*, and the recent PriceWaterhouseCoopers Report (PWC) (2006) *National Financial Sustainability Study of Local Government* all considered the state of contemporary local government. In an analogous fashion, at the state level, the South Australian Financial Sustainability Review Board Report (2005) *Rising to the Challenge*, the Independent Inquiry into the Financial Sustainability of NSW Local Government ('Allan Report') (2006) *Are Councils Sustainable*, the now defunct Queensland Local Government Association's (LGAQ) (2006) *Size, Shape and Sustainability* program, the Western Australian Local Government Association Report (WALGA) (2006) *Systemic Sustainability Study: In Your Hands - Shaping the Future of Local Government in Western Australia* and the Tasmanian Local Government Association Report (LGAT) (2007) *A Review of the Financial Sustainability of Local Government in Tasmania* dealt with the circumstances of local councils in their respective state jurisdictions.

While the approach adopted in these inquiries differed in detail and the terms of reference were not identical, the overwhelming focus of all reports fell on local government finance. With the exceptions of the CGC (2001), the Hawker Report (2004) and the abandoned LGAQ (2006) documents, all of the other final reports centred on the specific problem of financial sustainability. Moreover, they all relied heavily on the definition of sustainability and its application to local councils developed by the private consulting firm Access Economics (Dollery and Crase 2006). This concept of local government sustainability concentrated on an accounting definition of long-run sustainability to the exclusion of all other perspectives, including notions of

community sustainability and the intrinsic worth of local choice, local democracy and local representation (Dollery *et al.* 2006).

This overwhelming emphasis on the financial dimensions of local governance in Australia is unfortunate in at least two respects. In the first instance, it serves to diminish other crucial features of local government that cannot accurately be measured in monetary terms but nonetheless remain critical for the sound functioning of local councils. Secondly, it ignores important elements of the contemporary international debate on the role of local government as best exemplified in the landmark Lyons Inquiry into Local Government (2007) in the United Kingdom entitled *Place-Shaping: A Shared Ambition for the Future of Local Government*. Indeed, the main thrust of the Lyons Inquiry runs in diametric opposition to the conclusions of recent Australian public inquiries precisely because it contends that effective local government extends far beyond the accounting dimensions of local council operations.

The most important aspect of the Lyons Inquiry (2007) for local government systems in advanced liberal democracies outside of Britain resides in its development of the concept of 'place-shaping' and its argument that this should represent the major role of local councils in the twenty-first century. It is thus important that scholars of Australian local government consider the implications of the Lyons Inquiry (2007) 'place-shaping' thesis for local councils in this country. This forms the central objective of the present paper.

The paper itself is divided into three main sections. The next section sets out the concept of place-shaping articulated in the Lyons Inquiry (2007), its main elements and contributing factors as well as some illustrative examples of place-shaping policy initiatives. The third section considers the implications of place-shaping in Australian local government with its comparatively narrower range of functions. The paper ends with some brief conclusions in the final section.

What is 'Place-shaping'?

The Lyons Inquiry into Local Government represents perhaps the most sustained and far-reaching recent attempt by a western parliamentary democracy to determine the optimal role of local government in contemporary society.¹ The instigation of the Lyons Commission followed from the Balance of Funding Review (Office of the Deputy Prime Minister 2004), the original terms of reference (framed by the former Deputy Prime Minister and Chancellor of the Exchequer Gordon Brown) being 'to consider the place for changes to the present system of local government funding in England and to make recommendations, including the reform of council tax' within the specific realm of the financial relations between local and central government (Lyons 2005, 12). The *Final Report* (Lyons 2007) is the culmination of a *Consultation Paper and Interim Report* (Lyons 2005) and a *Second Interim Report* (Lyons 2006). These three documents were the result of considerable consultation and research into the history of the financial reform of local councils in Britain (from the introduction of the Poll Tax in 1990, to its abolition and replacement with the Council Tax in 1993, and significant subsequent reforms, including 'the introduction of prudential borrowing powers for local authorities' and an increase in 'ring-fenced' grants (Lyons 2005, 25) as well as a review of the international literature on local government and extensive case studies. A Government White Paper, entitled *Strong and Prosperous Communities* (DCLG 2006), represented the official response to the *Second Interim Report*.

¹ In the 'Preface' to the Final Report, Lyons is prosaic in framing what he considers to be the breadth of his final terms of reference, observing that the reforms advocated in his *Final Report* take place in the context of what he, following Stewart (2003), refers to as the 'wicked issues including the need to build a cohesive society in which everyone feels they have a stake; to improve our own competitiveness and meet the growing challenge of the emerging economies; to respond to climate change; and to strike a balance between immediate improvements to public services and the longer term investments in infrastructure, skills and research that will underpin our future prosperity.' He also notes that 'I follow firmly in the footsteps of Sir Frank Layfield, who reached similar conclusions in his 1976 report of the Committee of Inquiry into Local Government Finance' (Lyons 2007, i).

The notion of ‘place-shaping’ is initially raised in the first *Interim Report and Consultation Paper* where Lyons defined place-shaping as a ‘strategic role for local government’. Moreover, place-shaping is ‘political, in the sense that it requires discussion, debate and compromise in order to make difficult but essential choices and trade-offs’ (Lyons 2005, 6). According to Lyons, place-shaping is anchored on ‘eight principles’ depicting the optimal role of local government:

- ‘Building and shaping local identity;
- representing the community, including in discussions and debates with organisations and parts of government at local, regional and national level;
- regulating harmful and disruptive behaviours;
- maintaining the cohesiveness of the community and supporting debate within it, ensuring smaller voices are heard;
- helping to resolve disagreements, such as over how to prioritise resources between services and areas, or where new housing and development should be located;
- working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change;
- understanding local needs and preferences and making sure that the right services are provided to local people through a variety of arrangements including collective purchasing, commissioning from suppliers in the public, private and voluntary sectors, contracts or partnerships and direct delivery; and
- working with other bodies to respond to complex challenges such as natural disasters and other emergencies’ (Lyons 2005, 31).²

² These principles represent prescriptive axioms in the sense that they are general recommendations based on the identification of what Lyons regards as ‘virtuous behaviour’.

In the first *Interim Report* 'place-shaping' is a simply embryonic concern rather than a central organising concept. Instead Lyons strives to fulfil his initial brief 'to search for a sustainable solution to the problems of local government finance' in the context of debates about central versus local accountability and appropriate funding mechanisms. To this end, the *Interim Report* describes the financial state of play with respect to local government funding (including revenue, expenditure and functional responsibilities). It is also concerned with establishing what kind of impost local council taxes represent – property taxes or service taxes or some hybrid of the two - and gauging the *perceptions* of council taxes (i.e. assessing public awareness of the origins of local council funding and its objectives). The *Interim Report* also considers some radical alternatives to the financial *status quo*, including the imposition of a local income tax (Lyons 2005, 15). The *Interim Report* (9, 10) also outlines the main themes of inquiry as follows: 'The strategic role of local government', 'devolution and decentralisation', 'managing pressure on local services', and 'scope for a new agreement' (between central and local government) and poses no fewer than forty nine questions arranged around these central themes.

At this stage in his inquiry, Lyons had negotiated broader terms of reference for his subsequent efforts (Lyons 2005, 59-60) laying the ground work for a much wider investigation and thus allowing scope for the development and refinement of place-shaping in the second *Interim Report*. Two stylized facts underpin the analysis. In the first place, due to general national economic prosperity in the United Kingdom and the fact that business tax rates were centralised in the mid-1990s (thereby removing the financial link between authorities and local economies), there has been a shift in emphasis away from local contributions to national economic growth. For Lyons this is reflected in the fact that 'at the time of the 2001 census, 40 percent of the working population crossed at least one local authority boundary during their journey to work, and this percentage figure increases for higher skilled and professional workers' (Lyons 2006, 46). The second stylized fact is based on international comparison: local authorities in the Britain 'do not have enough

powers and tools at their disposal to enable them to make a real difference to local prosperity', unlike some of their counterparts in Europe and North America. As a consequence, development in Britain is dominated by London and South East England (Lyons 2006, 44). According to the second *Interim Report*, the answer to the problem of the spatially skewed distribution of British economic growth lies not in revisiting funding structures and financial sustainability, but rather in expanding the 'place-shaping' role of local councils.

Lyons provides several salient examples of effective 'place-shaping' which involve little, if any, institutional reform (and leave 'bottom-line' financial accountability well alone). Instead they address local development aimed at ameliorating local decay. This is done by harnessing community involvement through active leadership (by institutions and individuals) and by identifying and negotiating funding sources and liaising with business enterprises. For instance, in Gateshead 'council led the regeneration of the area through arts, culture and leisure'; Southampton 'repositioned' itself as the heart of culture, leisure and a hub for knowledge-based industries on the South Coast; Nottingham developed a £13m Centre for Contemporary Arts in cooperation with the city's two universities and 'Black Country' citizens developed a deep sense of belonging to a region representing Britain's Venice, based on the canal system (Lyons 2007, 175).

The second *Interim Report* also identified 'social well-being' as a key element in place-shaping, defined as 'people's quality of life' as well as 'social capital', specified as 'the social networks, shared norms and co-operative relationships that help us get along together as a society' and the associated concept of 'social cohesion'. 'Environmental well-being' also received some attention, but by far the greatest emphasis is placed on leadership, coalition-building and consensus, public and community engagement and the effective use of local government powers (Lyons 2006, 46-57).

With respect to the eight ‘touchstones’ or principles of ‘place-shaping’ outlined earlier, it is remarkable how non-instrumental these factors are conceived. Only two (‘regulating harmful and disruptive behaviours’ and ‘working to respond to...natural disasters and other emergencies’) are explicitly service-directed. Four (‘building and shaping local identity’, ‘representing the community...’, ‘helping to resolve disagreements’ and ‘maintaining cohesiveness in the community...’) are explicitly political, while two (‘working to make the local economy more successful’ and ‘making sure the right services are provided to the right people through a variety of arrangements’) are resource based – an identification of local needs, alongside a search for funding from local and central statutory bodies and local business for designated projects.

These elements lead to the definitive concept of place-shaping developed in the *Final Report*: ‘The creative use of powers and influence to promote the general well-being of a community and its citizens’ (Lyons 2007, 51). In sum, place-shaping is denoted as the touchstone of a prescriptive vision for British local government, characterised by devolution from higher tiers of government, incorporating strong elements of local leadership and local stakeholder representation, the strategic identification and capture of funding opportunities (both statutory and entrepreneurial) and above all a requirement that citizens be aware of these processes and share in a consensual vision for the future of their ‘place’.

How does this potentially change the role of contemporary British local government? Before a consideration of this question is undertaken it has to be noted that there has been subsequent debate surrounding the substantive recommendations advanced in the *Final Report*. The British Local Government Association (LGA) explicitly endorsed most of Lyons’ specific recommendations with respect to finance, including the abolition of council tax capping, ‘central government relax[ing] its grip on councils’ (specifically with respect to hypothecated grants) and the re-valuation of council tax property bands based on property values in 1991 and 1993. More generally, the LGA

has displayed great enthusiasm for these reforms. Indeed, it has observed that ‘we welcome Sir Michael’s endorsement of the LGA’s approach to sub-regional devolution – *Prosperous Communities: Vive la Devolution!*’ (LGA 2007, 3). In addition, a joint statement by the Confederation of British Industry and the LGA on economic growth endorsed the spirit, if not the letter, of these proposed financial reforms (CBI & LGA 2006). Despite the welcome accorded to the proposed financial reforms by the peak local government association – particularly with respect to the abolition of rate capping, reviewing the council tax base rate and tourist taxes – they have nonetheless been scotched by central government (LGA 2007, 4). Given the central thrust of the Lyons Report, only the ‘place-shaping’ thesis remains intact.

Lyons (2007, 352) is not reticent in specifying that it is *behavioural* change in which he is most interested:

One of the conclusions that I have drawn from my work is that legal obstacles are not, in the main, the major hindrance to local government performing its place-shaping role... more important is that local authorities develop a sense of powerfulness and capability to perform the place-shaping role, and change their objectives to pursue their those objectives.³

A rather obvious criticism can be levelled against this approach: that is, that because place-shaping has to be so open-ended it is in effect proscribed from developing a model of institutional behaviour. This is so evidently the case that even if we were to regard the examples of place-shaping listed in Lyons’ reports (Gateshead, Nottingham, Southampton, Black Country and others) as instructive, it is still difficult to *induce* content from them and then generalise

³ Lyons (2007, 146) has observed that: ‘Local authorities already have wide legal powers, extended significantly by the introduction of the power of well-being in Section 2 of the Local Government Act, 2000 which enables authorities to “do anything which promotes or improves the economic, social or environmental well-being of their area”. There is still some way to go to ensure that all local authorities are aware of and able to use their existing powers fully’.

(as opposed to developing a prescriptive theory). What this means for local government then is attitudinal change for individual actors founded on a tripartite combination of leadership, community and resource capture and usage in the context of limited change in terms of either funding or other institutional arrangements. However, it also implies much more; it means *belonging to* the process of attitudinal change, defined against others who do not endorse it. Put differently, it frames the implicit question: 'Are *you* a place-changer?'

Does this explicit moralisation render place-changing moribund? Quite the converse can be argued, particularly by means of concrete instances of service delivery; that is, where entrepreneurial vitality and notions of popular participation have conventionally been thought to be more or less redundant. While one may (typically) think of service delivery for older people in the local community as being performed by quite discrete service-providing entities (either public or private), Lyons provides the example of Sheffield's 'Partnership for Older People Project' which not only links service deliverers within a framework of a national programme (with the stated goals of promoting health, independence and hospital admissions), but extends this to incorporate an 'Expert Elders Network' consisting of volunteers seeking to be involved in the design of service delivery and capable of undertaking strategic considerations of service delivery mechanisms (Lyons 2007, 145).

The durability of the place-shaping concept is also displayed with respect to the question of the ownership of strategic vision for a particular regional economy. For instance, while individuals may have some idea of where their region is destined economically, in general these notions will be vague, operating at the level of local 'myth', rather than being actively articulated, contested and 'owned' over the next twenty or thirty years (the time frame which Lyons recommends (see Lyons 2007, 174)).

Lyons also provides the (admittedly extraordinary) example of Staffordshire County Council's Local Members Initiative Scheme (LMIS), where each of the

county councillors are given a maximum of £10,000 'which is specifically earmarked for the promotion of well-being of those people who live in that part of the county' (Lyons 2007, 192). This redefining of accountability and innovation, while controversial, is highly inventive and has met with high levels of community praise.

Place-shaping in Australian Local Government

We have seen that the place-shaping role for local government proposed by Lyons (2007), with its emphasis on the enhancement of 'community wellbeing', goes far beyond the conventional responsibilities normally imposed on British local councils. Moreover, as Lyons (2007) has made clear, the effective exercise of a place-shaping role would require not only more resources, but also much greater community involvement in local governance broadly conceived. It is worth stressing that the place-shaping agenda advanced by Lyons (2007) for British local government is advocated for a municipal system that (a) comprises complex institutional arrangements that embrace two-tier and unitary local government structures and (b) already enjoys significant responsibilities in the realm of social welfare far beyond comparable functions in Australian local government. For example, David King (2006) has identified the main expenditure responsibilities of local authorities in the United Kingdom as follows: Education, largely primary and secondary public schools; social services, including foster and elderly care; protective services that embrace fire and police; housing for disadvantaged residents; transportation, especially secondary and tertiary roads; cultural services, including libraries museums and sports facilities; planning incorporating development approval; and environment, including waste collection and the application of safety standards.

In contrast to its more expansive counterparts in the British Isles and North America, but in common with its cousin in New Zealand, Australian local government has traditionally delivered a comparatively narrow range of functions focused on 'services to property', often caricatured derogatively as

'roads, rates and rubbish' in popular parlance. These services have been funded by a complicated blend of rates, grants, and fees and charges which exhibit a modest degree of vertical fiscal imbalance by international standards in local government. However, the past twenty years has witnessed significant new developments in Australian local government that include the revision of state and territory Local Government Acts to confer the power of general competence to local councils, the adoption of New Public Management techniques, the withdrawal of state agencies from non-metropolitan areas and the assumption of many of their service responsibilities by local councils, and numerous other forms of 'cost-shifting' by federal and state government, often in the form of new and unfunded responsibilities. The result has been twofold. On the 'supply-side', local authorities now enjoy much greater latitude to expand their range of service provision into areas previously either left to higher tiers of government or ignored altogether. On the 'demand-side', local councils have been obliged to offer a greater range of services either abandoned by higher levels of government or sought by their respective communities. As a consequence of these developments, local councils have expanded service provision away from traditional 'services to property' towards 'services to people' (Dollery *et al.* 2007); a process that has led to intensifying financial pressures.

These developments have been documented in the Commonwealth 'Hawker Report' (2004, 9) *Rates and Taxes: A Fair Share for Responsible Local Government*, which observed not only an 'expansion of the roles beyond those traditionally delivered by the local sector' by local councils, but increasing variety in Australian local government service provision. The Hawker Report noted that this growth in the range of local services had two main dimensions: (a) local councils now tackle a greater number of social matters, such as 'health, alcohol and drug problems, community safety and improved planning and accessible transport'; and (b) municipalities have performed more functions in regulation application and enforcement, particularly in 'development and planning, public health and environmental management' (see Dollery *et al.* 2006).

The Commonwealth Grants Commission (CGC) (2001) has computed trends in the composition of council expenditure by function in Australian local government for the period 1961-62 to 1997-98 which shows a clear tendency towards the provision of human services. For instance, 'general public services' have decreased from around 20 percent of expenditure in 1961-62 to about 13 percent in 1997-98, with an even sharper fall in 'transport and communication' outlays.

According to the CGC (2001, 53-4), these observed changes in the composition of local government expenditure exhibit four chief characteristics: (a) A marked and ongoing reallocation of resources from 'services to property' to human services; (b) a striking decrease in outlays on roads; (c) greater expenditure on 'recreation and culture' and 'housing and community amenities'; and (d) substantially greater expenditure on 'education, health, welfare and public safety'. The Commission concluded that 'local government is increasingly providing human services at the expense of traditional property-based services (particularly roads)'. In their analysis of the change in the composition of local government expenditure, Dollery *et al.* (2006) have shown that these trends have continued unabated to the present day, but with significant differences between the various Australian state and territory local government jurisdictions.

From these observations it is thus abundantly clear that not only does Australian local government have the legal capacity to move beyond the confines of its traditional focus on 'roads, rates and rubbish', but that this is precisely the direction that it has followed for a considerable period of time. In other words, Australian local government has already shifted its functions to more closely resemble those offered by local councils in modern Britain. However, this convergence in the composition of service provision between Australian and British local government should not be exaggerated. After all, even in its more expansive contemporary role, Australian local government still delivers a far more constricted range of services, with major functions like

primary and secondary schooling and policing firmly within the ambit of state government agencies. Moreover, short of major constitutional change in Australia, local councils will always operate in a more restricted service milieu than their British counterparts.

With these caveats in mind, what can we say concerning the potential for Australian councils to engage in meaningful place-shaping activities along the lines advocated by Lyons (2007) for the United Kingdom? One way of approaching this question is to consider it in the context of the possible models of local government proposed in the recent Allan Report (2006) into New South Wales local government and evaluated by Dollery *et al.* (2006). The Allan Report envisaged three different models for the operation of contemporary councils: 'Minimalist' councils; 'maximalist' councils; and 'optimalist' councils.

Within this typology, a minimalist local authority would act as 'the body corporate for the local community and as such should look after the common property and regulate the usage of private properties'. This limited role would 'ensure that councils live within their meagre resources dictated by a single tax base (land rates) subject to a state imposed ceiling [in NSW]' (LGI 2006, 98). According to this view, minimalism would comprise adherence to the traditional emphasis on 'services to property' and avoid an expanded role wherever feasible. The rationale for this argument has been spelled out in the Allan Report (2006, 100) as follows: 'This view rests on the belief that councils are more prone to "government failure" than higher tiers of government not least because of weaker accountability and insufficient technical capacity'. It implies that 'councils should thus deliver only those limited "services to property" where they enjoy a comparative institutional advantage over other public agencies or private firms, such as superior local knowledge'.

At the other end of the spectrum of institutional behaviour, maximalist councils derive from the presumption that 'local councils are the governments of their areas and as such should foster the welfare of the whole community even if

this means duplicating work of other tiers of government'. In other words, 'they should undertake such services that local communities want and are prepared to pay for' (LGI 2006, 98). The maximalist model assumes that 'councils possess several comparative institutional advantages over other organisational arrangements, including strong democratic legitimacy, capacity to foster local "social capital" and develop "trust" and co-operation with their manifold "communities", superior knowledge of local needs, and better ability to "network" with other public agencies, nonprofit organisations and private firms' (LGI 2006, 100).

Optimalist councils fall between the polar opposites of the minimalist model and the maximalist model. In the Allan Report (2006, 98), optimalist local authorities are defined as 'champions of their areas and as such should take a leadership role in harnessing public, NGO and private resources to promote particular outcomes rather than attempt to fund and operate local initiatives on their own'. Moreover, 'because of funding constraints an "optimalist" approach may allow a minimalist council to exercise maximum leverage'. Dollery *et al.* (2006, 561) have observed that 'optimalism may be considered as a moderate "third way" between the other two models since it marries minimalism (in terms of demands on council resources) with maximalism (in terms of the scope of council objectives)'. The optimalist model thus 'builds on the solid twin conceptual foundations of contemporary public administration by combining a "steering not rowing" perspective on the function of modern government' with a 'governing by network' perspective. Accordingly, 'optimalism in local governance thus envisages municipalities leading and coordinating coalitions of stakeholders to secure particular outcomes, such as local economic development, using appropriate partnership instruments, like local public-private partnerships'.

The three models advanced by the Allan Report (2006) provide an excellent theoretical background against which we can consider the potential for place-shaping in contemporary Australian local government. In the first place, the restrictive nature of the minimalist model aptly describes the traditional role of

local councils in the Australian public sector with its limited and exclusive focus on 'services to property'. By its very nature, the minimalist approach to local governance thus rules out any prospect of place-shaping, save in the role of local councils deciding on development applications and thereby engaging in place-shaping by determining the mix of commercial, industrial and residential development occurring within its boundaries. Of course, the effects of council decisions on development applications should not be trivialised. For instance, the nature of many business operations, such as brothels, discotheques and licensed premises, can have a decisive and obvious impact on the nature of urban neighbourhoods and can thus in themselves act as place-shaping influences for good or evil. However, by itself the determination of development applications still implies a restricted domain for local policy making, especially in an era of increasing characterised by state government encroachment in local planning decisions, as perhaps best exemplified by the recent action by the New South Wales government.

By contrast, the maximalist model invites a much broader range of decisions by local councils. For example, the maximalist approach conceives local authorities as the legitimate democratic 'voice' of their particular municipal jurisdictions and therefore justified in taking any action they deem in the interests of constituents. It also provides the rationale for maximalist councils to fund any place-shaping initiatives they see fit. This self-evidently implies that maximalist councils can engage in any place-shaping activity compatible with the powers of competency conferred on them by their respective state Local Government Acts. However, the narrow funding basis of Australian local government, with its sole (and sometimes restricted) power of property taxation through striking a rate, together with the current financial distress afflicting many local councils (as attested by the state and national inquiries into the financial sustainability of local government), undermines this wide brief. In effect, while the maximalist model empowers local authorities in principle to adopt sweeping measures, in practice financial strictures would almost invariably drastically limit the extent of these measures. The maximalist model is thus simply not a financially feasible mechanism for

extensive place-shaping in Australian local government however appealing it might seem in terms of 'local voice' and 'local choice'.

As we have seen, the optimalist model straddles a middle path between minimalist model and the maximalist approach. On the one hand, it embodies the minimalist doctrine by focussing on the traditional 'services to property' core functions of Australian local councils and thus limiting expenditure as far as possible. On the other hand, the optimalist model envisages a maximilist conception of the policy making role of local councils, with the injunction that policies falling outside of the conventional realm of Australian local government be implemented in conjunction with chambers of commerce, government agencies, community organisations, nonprofit entities, and the like, that bring expertise and resources into play to augment limited municipal finances. Extensive place-shaping is thus possible but only in the context of partnerships and networks between councils and other groups. Given the severe financial distress affecting most Australian councils, the unlikelihood of securing additional resources in the foreseeable future, and the desire of many local communities for local councils to play a significant role in determining local business, cultural, ecological and social environments, we contend that the optimalist model best fits the circumstances of contemporary Australian local government since it combines meagre financial resources with considerable ability to act as a local policy 'leader'.

Secondly, the comparatively comprehensive role currently played by British local councils would need to expand still further to accommodate the emphasis placed in the Lyons Report (2007) on place-shaping aimed at improving 'community wellbeing'. Moreover, as we have seen, local government in the United Kingdom already offers a much greater range of services than its Australian counterpart and yet its present role is still too narrow to embrace many of the aspects of place-shaping advocated by the Lyons Inquiry (2007). In addition, according to the Lyons Report (2007), achieving this transformation would require considerably more resources, hence the stress on further sources of revenue, including a local income tax.

However, the British government has already rejected the financial reforms proposed in the Lyons Report (2007), thereby severely undermining the financial capacity of British local government to engage in place-shaping along the lines stipulated by Sir Michael Lyons.

These considerations are greatly magnified in the Australian local government milieu. After all, Australian local councils already deliver a much smaller (if expanding) range of services on a much narrower resource base. Furthermore, Australian municipalities operate in a complicated federal structure, parts of which can only be changed through formal constitutional amendment, which ascribes most activities impinging on 'community wellbeing' to state and territory governments, such as health, primary and secondary education, policing, and the like. Australian local government therefore cannot legitimately strive to accomplish even those tasks presently undertaken by their British counterparts, never mind the broader role the Lyons Report (2007) prescribed through its twin recommendations of place-shaping combined with much greater local council income. We thus conclude on a negative note that Australian local councils should not attempt to follow *mutatis mutandis* the policy agenda prescribed by Sir Michael Lyons for British local government.

However, this rather bleak conclusion must immediately be diluted by noting that scope still exists for a great deal of place-shaping by Australian local councils, even if this cannot be conducted on the scale advocated in the Lyons Report (2007). In terms of the 'eight principles' outlined by Sir Michael Lyons considered earlier, many of these can still be addressed by Australian local government to somewhat less extended degree. For instance, 'building and shaping local identity', community representation in debate with higher tiers of government as well as other bodies, representing the community, including in discussions and debates with organisations and parts of government at local, regional and national level, 'maintaining the cohesiveness of the community', assisting in the resolution of 'disagreement' over resource usage as well as development proposals, and 'working with

other bodies to respond to complex challenges such as natural disasters and other emergencies', are all presently tackled by Australian local councils, to a greater or lesser degree.

However, some of the remaining 'eight principles' cannot be unambiguously brought to bear in Australian local government. For example, while Australian municipalities can boost local economic development through various initiatives, such as 'fast-tracking' development applications, selling land to developers below its market value, granting 'tax holidays' on rates, reducing some fees and charges, and promoting the attractiveness of a particular local government area to potential business migrants, this encompasses only part of what the Lyons Inquiry (2005, 31) meant by 'working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change'. Similarly, whereas Australian local authorities most certainly grasp 'local needs and preferences', the extent to which they can ensure that 'the right services are provided to local people' through 'collective purchasing, commissioning from suppliers in the public, private and voluntary sectors, contracts or partnerships and direct delivery' is severely limited by the acute financial constraints under which they operate. Finally, the degree to which civic virtue can be enforced by 'regulating harmful and disruptive behaviours' is questionable. Local councils can obviously enact bylaws aimed at preventing objectionable behaviour, like banning skate boarding in public malls, but their ability to enforce these bylaws is circumscribed by both monetary constraints on the employ of local security personnel as well as the extent to which they can persuade state Police Departments to implement bylaws. In other words, the last two categories of the 'eight principles' depend largely on the degree to which local councils can leverage support from public agencies and local organizations. Put differently, effective optimalist councils might make a comparatively significant difference by engaging partners and networks, but would simply not possess the financial weight to implement place-shaping alone in the maximalist manner envisaged by Lyons (2007).

Concluding Remarks

This paper has argued that the exclusive emphasis in Australian local government on financial sustainability is misplaced since it inter alia neglects the democratic and representative character of local government as well as neglecting important international debates on the appropriate role of local government as exemplified by the pioneering Lyons Inquiry (2007) and its concept of place-shaping. The paper presented a synoptic description of place-shaping and attempted to critically evaluate its significance. The central thrust of the paper has been to determine the extent to which place-shaping can occur in the institutional confines of the somewhat narrow realm of Australian local government functions.

We argued that Australian local councils have already extended the range of their activities far beyond the traditional 'roads, rates and rubbish' paradigm and thus have already inadvertently become involved in place-shaping. Drawing on the Allan Inquiry (2006) into New South Wales local government and Dollery *et al.* (2006), we consider the prospects for fully-fledged place-shaping in Australian local government in the light of the minimalist, optimalist and maximalist models of local government discussed in those documents. We conclude that limited place-shaping is indeed viable in an optimalist context.

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