



Australian Government

Governance Models for Location Based Initiatives

Australian Social Inclusion Board

part of the social inclusion agenda

Information on the Australian Government's social inclusion agenda, the Australian Social Inclusion Board, and this report is available on the social inclusion website www.socialinclusion.gov.au or through the Australian Social Inclusion Board Secretariat

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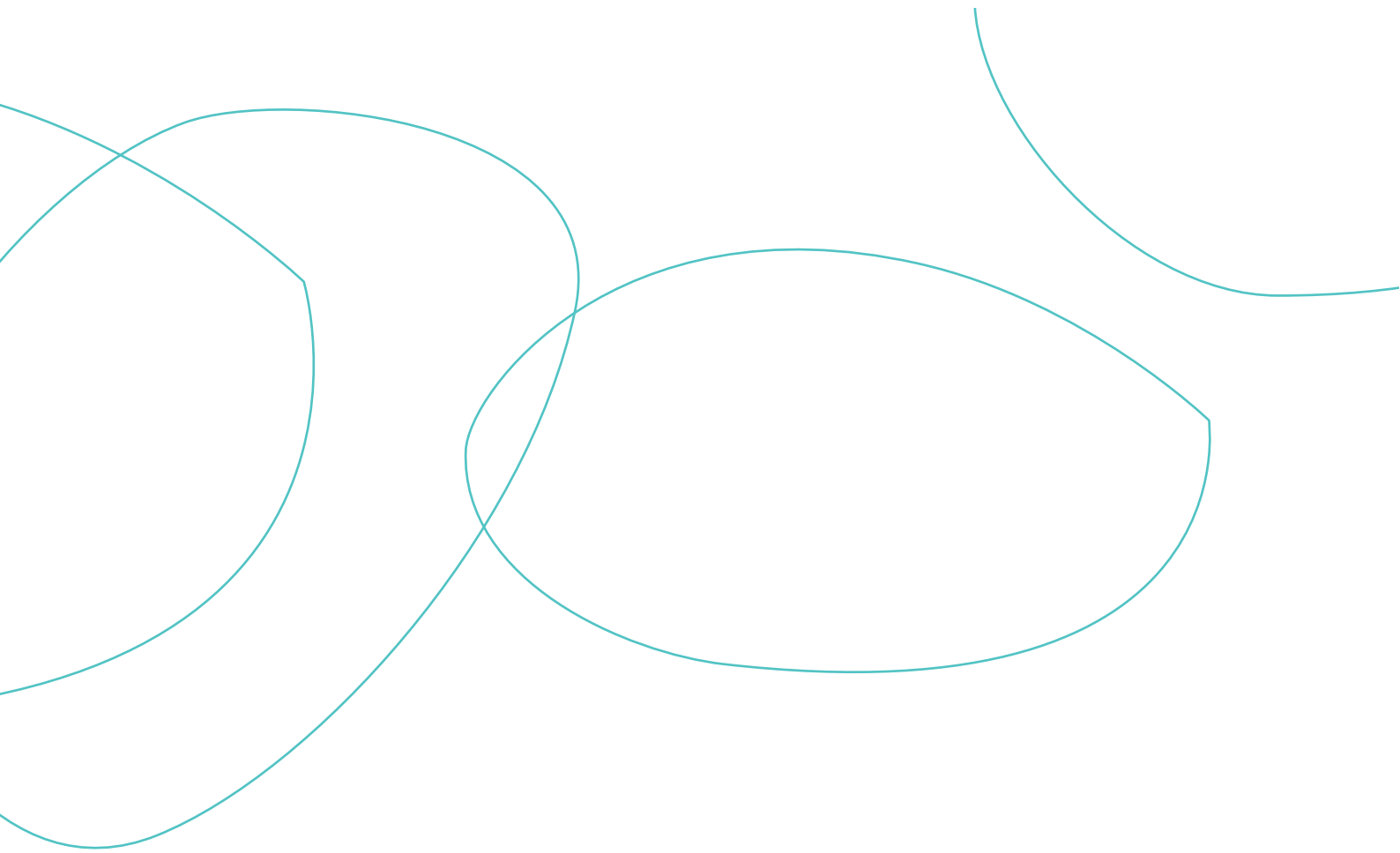
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The Australian Social Inclusion Board

The Australian Social Inclusion Board (the Board) was established in May 2008. It is the main advisory body to the Australian Government on ways to achieve better outcomes for the most disadvantaged in the community and to improve the social inclusion in society as a whole.

Board members were appointed by the Prime Minister and Deputy Prime Minister in 2008.

The Board currently comprises:

Ms Patricia Faulkner AO (Chair)

Monsignor David Cappo (Vice Chair)

Ms Elleni Bereded-Samuel

Dr Ngjare Brown

Dr Ron Edwards

Professor Tony Vinson

Ms Linda White

Ms Kerry Graham

Mr Eddie McGuire

Mr Tony Nicholson

Dr Chris Sarra

Professor Fiona Stanley

Dr John Falzon

The Board's Terms of Reference

The Board's terms of reference are to:

- > provide advice and information to the Minister for Social Inclusion;
- > consult widely and provide input on different aspects of social inclusion—including issues of measurement, how to increase social and economic participation, and how to engage communities on social inclusion matters; and
- > report annually and provide advice on other specific matters referred to it by the Minister.

The Social Inclusion Agenda in Australia

The Australian Government's vision of a socially inclusive society is one in which all Australians feel valued and have the opportunity to participate fully in the life of our society.

Achieving this vision means that all Australians will have the resources, opportunities and capability to:

- > **learn** by participating in education and training;
- > **work** by participating in employment, in voluntary work and in family and caring;
- > **engage** by connecting with people and using their local community's resources; and
- > **have a voice** so that they can influence decisions that affect them.

Australians generally have a good standard of living compared to other countries. However, evidence suggests that about 5% of Australians aged 15 years and older experience multiple disadvantages which are likely to affect their ability to participate fully in Australian society.

The Australian Government's Principles for Social Inclusion in Australia, developed with advice from the Board set out the broad aspirations for the social inclusion agenda:

- > **reducing disadvantage** by making sure people in need benefit from access to good health, education and other services;
- > **increasing social, civil and economic participation** by helping everyone get the skills and support they need so they can work and connect with community, even during hard times; and
- > **developing a greater voice, combined with greater responsibility** by governments and other organisations giving people a say in what services they need and how they work, and by people taking responsibility to make the best use of the opportunities available.

Focusing on social inclusion enables society to create an environment where all people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. It is also important because as a nation we value fairness, and failing to tackle entrenched disadvantage leaves many Australians in circumstances that we should not tolerate. However, the agenda is also driven by the knowledge that entrenched disadvantage has a high economic cost. Addressing social exclusion reduces costs to the economy caused by lower productivity and workforce participation, preventable health problems and long term welfare dependence, and increased rates of crime, distrust and social isolation in the most disadvantaged communities.

A social inclusion agenda recognises that addressing problems of entrenched disadvantage is among the most complex issues that a society faces. It is hard to define, has many causes and interdependencies, involves unforeseen consequences and is beyond the responsibility of any one actor or organisation to solve.

A social inclusion agenda also recognises that traditional policy approaches have limited success addressing the problems faced by the most disadvantaged. The bureaucracy's traditional way of working and approach to problem solving is not necessarily well adapted to supporting the processes necessary for addressing the complexity and ambiguities of multiple and entrenched disadvantage¹. As a result, governments must be prepared to critically examine the way policies and programs are designed, developed and co-ordinated. Business, community groups and citizens must all contribute and sustainable solutions will undoubtedly require innovation, creativity and flexibility on the part of all those involved.

¹ See for example Australian Public Service Commission (2007) *Tackling Wicked Problems*.

Executive summary

Early in 2010, the Minister for Social Inclusion advised the Australian Social Inclusion Board (the Board) that she would welcome advice on policy options to effectively address locational disadvantage. In response, the Board agreed at its March 2010 meeting that one of its major projects for 2010 would be to develop advice on governance models that work best for locational approaches to address disadvantage.

Development of this report included desktop research undertaken by the Social Inclusion Unit (SIU) in the Department of the Prime Minister and Cabinet and the development of an initial discussion paper in June 2010. The discussion paper was distributed for comment and also informed a series of workshops and teleconferences with experts from government and non-government sectors working on place-based approaches. In particular, the SIU consulted with a number of senior officials working on the Council of Australian Governments (COAG) National Partnership on Remote Service Delivery.

Mounting evidence, as demonstrated in Professor Tony Vinson's (2007) *Dropping Off the Edge*, shows that different kinds of disadvantage tend to coincide for individuals and families in a relatively small number of particular places and that these concentrations of disadvantage tend to persist over time. This paper discusses approaches for relatively small locations of 5000 inhabitants or less, although location-based initiatives can focus on a much larger range of population sizes.

The concentrated and entrenched disadvantage found in these locations is an extremely complex policy problem. The problems present in the most disadvantaged locations are numerous and interrelated and addressing them requires a locally tailored and whole-of-community approach.

This paper, citing the Australian Public Service Commission's (APSC) *Tackling Wicked Problems* (2007) and Jake Chapman's *Systems Failure* (2004), argues that governments and public services are not typically geared to solving such complex problems. A number of sources,

including the Advisory Group for the Reform of Australian Government Administration's (2010) *Ahead of the Game* report have argued that the APS should adopt more decentralised and flexible ways of working and better engagement with citizens as part of the strategy for tackling more complex problems.

Based on research and consultation, the Board proposes that location-based initiatives should be based on five key elements:

- > a clear connection between economic and social policy and programs at a local level;
- > a framework for providing integration of effort across governments;
- > a level of devolution that allows significant and meaningful local involvement in determining the issues and solutions;
- > capacity development at both local level and in government, without which greater community engagement or devolution of responsibility will be impossible; and
- > funding, measurement and accountability mechanisms that are designed to support the long term, whole-of-government and community aims for an initiative, rather than attempting to build an initiative around unsuitable measurement and accountability.

Recommendations (discussed throughout the paper, and reproduced in full in Chapter 5) are based on the discussion of those five key elements. Broadly, this paper recommends that:

1. An approach to working in locations of greatest disadvantage should be founded on an understanding of the economic situation in priority locations, including:
 - > mapping the local community's economic capacity;
 - > involving major local employers and educational providers (or their representatives) in the governance of initiatives, and;
 - > local alignment between social and economic policies and programs.

2. The Commonwealth Government should seek agreement with state, territory and relevant local governments on:
 - > a shared list of priority locations, and a method for identifying such locations;
 - > brokerage arrangements coordinating efforts of all levels of government, including nominating and empowering a single public servant to be responsible for leading the efforts of all levels of government; and
 - > a shared agreement to commit for the long term.
3. Local governance structures in priority locations should include:
 - > a mechanism for coordinating services provided by all levels of government, the non-profit and business sectors, and;
 - > a community governance mechanism which is capable of representing the community and driving local engagement.
4. The Australian Government should seek to include the following features in future place-based initiatives:
 - > explicit permission and adequate resourcing and time for public servants to develop a local governance mechanism;
 - > public servants based locally with the authority to broker local solutions;
 - > an explicit commitment to building local capacity and gradually devolving responsibility to local institutions;
 - > a commitment to long term funding arrangements;
 - > a commitment to allowing flexible funding and accountability mechanisms; and
 - > over the longer term, a commitment to seek agreement between Commonwealth, states, territories and relevant local governments to establish a shared resource allocation framework.
5. Initiatives should focus on building local capacity, with a program built around three key capabilities:
 - > economic and human capital capacity;
 - > physical infrastructure; and
 - > social capital, including leadership and governance capacity.
6. Government capacity should be developed:
 - > to grant public servants permission, opportunity and support to use innovative funding and accountability approaches and to devolve responsibility where appropriate; and
 - > to follow the recommendations of the Coordinator-General for Remote Indigenous Services, building the specific skills needed for public servants to work in locations.
7. The Commonwealth Government should engage states and territories immediately to begin work on processes described above.

Introduction



Introduction

Purpose of the research

Early in 2010, the then Commonwealth Minister for Social Inclusion, the Hon Julia Gillard MP advised the Board that she would welcome advice from them on policy options to effectively address locational disadvantage. In response the Board agreed at its March 2010 meeting that one of its major projects for 2010 would be to develop advice for the Australian Government on governance models that work best for locational approaches to address disadvantage.

Place-based approaches to addressing disadvantage are a key element of the Australian Government's Social Inclusion Agenda. One of its six social inclusion priorities is to "focus on the locations of greatest disadvantage by tailoring place-based approaches in partnership with the community"². In addition, its Social Inclusion Principles include an emphasis on using locational approaches.

Location-based approaches are widely used overseas and increasingly in Australia. However, based on a review of the relevant literature and program evaluations and discussions with practitioners, it appears that these initiatives tend to face common problems which limit their potential. This paper argues that these problems occur partly because the problem solving approach governments typically take is not well suited to addressing entrenched, multi-faceted disadvantage found in these locations. While this standard approach may work well to address less complex problems, a community development focused approach may be more successful in addressing the most entrenched location-based disadvantage.

Although the literature identifies appropriate governance models as being critical to the success of place-based initiatives, details on what makes a successful model is limited, and much of the knowledge appears to be in the heads of experts rather than being written down and publicly available. The Board therefore considers identifying the key characteristics for good governance in location-based initiatives and making them available to government to be of critical importance.

² See <http://www.socialinclusion.gov.au>

The importance of good governance

Canadian experience—devolution without local capacity:

In the early stages of devolving responsibility to Canadian First Nations in the 1980s, no funding was provided to build management and policy capacity. Consequently local representative bodies failed to fulfil the role expected of them (Assembly of First Nations n.d.: 11). Subsequently, more care was taken to build capacity of local bodies over time, and devolve responsibilities as local bodies were capable of exercising them.

Wadeye Council of Australian Governments (COAG) trial site— a “loss of focus”:

The evaluation of the COAG’s whole-of-government service delivery trial in Wadeye found that over time “there has been a loss of focus by the partners and a consequent loss of confidence in the COAG processes on the part of the Wadeye community”. Although much of the loss of direction was related to a proliferation of Priority Working Groups and lack of focus on a limited number of key priorities, the evaluators also identified:

- > a lack of streamlined funding, meaning that funding was less responsive to local needs and placed a significant administrative burden on the local body—despite rhetoric of streamlining, the evaluation reports that before the trial, the local body was administering around 60 individual government funding agreements and was administering over 90 at the time of the evaluation;
- > a lack of clear authority, with no one person or body having authority to make decisions for the trial site on behalf of the three partners; and
- > differing expectations between the local representative body and the government partners over how much work would be involved and how much time would need to be invested before noticeable improvements were seen.

(Gray 2006: 9–11, 14)

COAG Remote Service Delivery National Partnership—lack of community engagement capacity

The Coordinator-General for Remote Indigenous Services voiced concerns in his second six-monthly report about “the readiness or capacity of some officers to effectively engage with Indigenous communities” resulting in:

- > government officers participating in discussions with communities without the necessary information to address the issues raised by communities;
- > inconsistencies in messages being delivered to communities;
- > organisations being asked to make decisions without adequate time to consider the issue;
- > a lack of recognition of community decision making processes; and
- > community priorities being viewed as a wish list for government consideration rather than as a starting point for community negotiations and further discussion by all parties..

The Coordinator-General considered that these issues were due to:

the general lack of attention paid to ensuring that the officers involved in negotiations have the necessary preparation and/or capabilities to adequately engage with the communities in a joint planning process. Western Australia was the only jurisdiction where these capabilities were a specific requirement in the recruitment of community based staff (CGRIS 2010: 36).

Definitions

Governance

This paper refers to governance as being the structures, processes and relationships that determine how a group of people organises itself and makes decisions. It involves issues of group membership, authority, decision-making rules and enforcement, and relationships within and outside the group that shape a desired final outcome³. However, governance is a complex idea and means different things in different situations. Three distinct but related types of governance are relevant in this paper:

- > the governance of government refers to the structures and processes by which government decisions are made; for example, this paper discusses the processes by which government provides funding to organisations and local communities, its accountability and compliance processes, and the way different parts of government do or do not work together;
- > community governance refers to the structures or processes in place to allow a specific community to participate in decision making that affects them; for example, the structures in a community to allow representation of views of locals and processes for engaging locals in decision-making; and
- > organisational or corporate governance refers to the way in which the organisation makes and implements decisions, manages its resources, represents its stakeholders and works to achieve its objectives⁴ through its legal structure, legal status and decision-making processes, and its interaction with government; for example, to receive and distribute government funding an organisation will often need to be incorporated under a relevant Commonwealth, state or territory law.

3 This definition borrows from the definition found in Smith and Hunt, 2008: 1

4 This definition borrows from definitions used by the Institute on Governance (see <http://iog.ca/en/knowledge-areas/board-organizational-governance>, accessed 27 August 2010) and the ANZSOG Institute for Governance (see <http://www.governanceinstitute.edu.au/about-us>, accessed 27 August 2010).

Location-based initiative

In this paper, location-based initiatives refer to initiatives of either government or non-government agencies to focus effort in a particular place to address disadvantage in that place. This paper discusses approaches for relatively small locations, of 5000 inhabitants or less, although location-based initiatives can focus on a much larger range of population sizes. For example, the smallest COAG Remote Service Delivery Partnership sites can have as few as 200–300 people. The Australian Government's Port Augusta-Whyalla-Port Pirie Priority Employment Area has a population of around 57,000 (Australia 2010b: 4). World Vision's Area Development Programs serve populations of up to 40,000 people (World Vision 2009). However, in each case locations are selected because severe, entrenched or complex disadvantage in the area warrants an approach focused and tailored to those issues. The terms locational, location-based and place-based are used interchangeably in this paper.

Capacity building

Capacity building or capacity development refers to the United Nations Development Program's definition:

Capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals. Capacity Development entails the sustainable creation, utilization and retention of that capacity, in order to reduce poverty, enhance self-reliance and improve people's lives (Cited in Graham and Fortier 2006: 146).

This paper also refers to Graham and Fortier's (2006) model of capacity building that recognises that capacity is developed at three levels, the individual, organisational and system-wide (discussed in Chapter 3.4).

Location-based initiatives in Australia

Neighbourhood Renewal (Victoria)

Victoria's Neighbourhood Renewal initiative was launched in 2002, and by 2008 there were 19 Neighbourhood Renewal sites across metropolitan and regional Victoria (Victoria, Department of Human Services 2008: 1, 9).

The Neighbourhood Renewal governance structure includes a small place-based project team of Neighbourhood Renewal staff which manage the project in each location. Local government, residents and other key stakeholders are engaged and a local action plan is developed setting out local priorities and responsibilities. A whole-of-government coordinating group, comprising regional directors of Victorian Government agencies and local government CEOs also operates in each location. The coordinating group is responsible for endorsing whole-of-government commitments to the project (Victoria 2009: 4–5, 10–11).

The 2008 evaluation found that "Neighbourhood Renewal is having a positive impact in reversing the effects of many years of cumulative disadvantage" and that "the methodology of place-based and whole-of-government renewal is vindicated by the data". The evaluation also found that "a small number of indicators of disadvantage have not been improved". Overall, the evaluation reported improvements on 69% of indicators, 18% of indicators remaining steady "arresting previous years of decline", and 13% of indicators continuing to decline (Victoria, Department of Human Services 2008: 1–2).

Centrelink Place-based Trials

Centrelink has established seven initiatives around Australia which are testing collaborative approaches to improve access to services for marginalised and disadvantaged people in local communities across Australia with complex issues requiring more flexible solutions. The approach provides bridging support for disadvantaged and vulnerable people to enable them to better connect with services appropriate and relevant to their needs and aspirations.

Each of the seven initiatives focuses on specific groups. For example, the Fairfield (NSW) and Broadmeadows (VIC) initiatives focus on young refugees, Morwell (VIC) on very long term unemployed and youth, and one initiative set in a number of locations in the Northern Territory and Western Australia focuses on urban Indigenous homeless clients.

An evaluation by the University of Western Sydney published in December 2009 was very positive, noting that "the effectiveness of the interventions in assisting individuals who have been very difficult to reach in the past was clear" and "the small investment in these initiatives was considered to be well justified by the direct benefits for participants and the benefits of the operational and strategic collaboration in local areas" (Darcy et al 2009: 83–4).

Communities for Children

Communities for Children forms a key element of the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA) Family Support Program. Under the Communities for Children initiative, FaHCSIA funds non-government Facilitating Partners in 45 disadvantaged geographic areas across Australia to develop and implement a whole-of-community approach to enhancing early childhood development and provide "prevention and early intervention programs to families with children up to 12 years, who are at risk of disadvantage and who remain disconnected from childhood services" (Australia, FaHCSIA, 2009).

Facilitating Partners in each location establish local committees, develop the community strategic plan and manage the overall funding allocation for their communities. Most funding is allocated to other local service providers (Community Partners) to deliver activities identified through the local planning process.

An evaluation of the impacts of the initiative between 2004 and 2009 reported:

The overall conclusion is that, on balance, there is evidence that [Communities for Children] had positive impacts:

- > fewer children were living in a jobless household;
- > parents reported less hostile or harsh parenting practices; and
- > parents felt more effective in their role as parents (Edwards et al 2009: viii).

Family Centred Employment Project

The Family Centred Employment Project (FCEP), implemented by the Department of Education, Employment and Workplace Relations, is operating in three sites across Australia. In two of the sites: Broadmeadows (Vic) and Goodna, (Qld) it commenced in July 2010. In the third site, Mansfield Park/ Angle Park, (SA) the FCEP is being delivered as a sub-set of the South Australian Government's Building Family Opportunities Program.

The project's aims are to increase the employment participation of people in jobless families by promoting co-ordinated service delivery among local service providers, and the social, as well as educational and economic, participation of specific jobless families. Each site features a different delivery model, designed by the local service providers to reflect the specific needs, and incorporate the existing services and expertise, of individual communities.

Local Connections to Work

Local Connections to Work is a Centrelink-led initiative which was launched in 2010 across four locations: Frankston (Vic), Campsie (NSW), Ipswich (Qld) and Elizabeth (SA).

Based on New Zealand's *Community Links* program, in *Local Connections to Work* "a range of Commonwealth, state and local government services, Job Services Australia and other employment service providers, education providers and community welfare and service organisations" are brought together in Centrelink offices. The purpose of the approach is to make a variety of services, such as "financial assistance, advocacy, housing services, health support service, education and counselling" more easily available for the most disadvantaged job seekers (Centrelink, 2010).

Snapshots of international location-based governance

Harvard Project on American Indian Development (Cornell and Kalt 2003)

This project, based on a decade of research with more than 30 Indian tribes across the USA argues that successful economic development is: "... first and foremost a political problem. It focuses attention on laying a sound institutional foundation, on strategic thinking, and on informed action" (2003: 193).

Cornell and Kalt contrast this "nation-building approach" with a "jobs and income approach" which seeks to attract investment and create businesses and jobs without first establishing the necessary institutional structures to allow them to succeed (2003: 191).

Under the nation-building model, successful economic development is based on four building blocks:

- > de facto sovereignty (that is, the local government makes the relevant decision);
- > effective governing institutions, comprising:
 - : stable institutions and policies;
 - : fair and effective dispute resolution;
 - : separation of politics from day to day business decisions;
 - : a competent bureaucracy; and
 - : a cultural match between prevailing ideals in community and institutions;
- > strategic direction, to focus the direction of development and guide decision making; and
- > practical decision making.

The elements are interdependent. "Sovereignty is the starting point... [but] sovereignty has to be backed up with effective governing institutions." The authors go on that "there are practical development decisions to be made and implemented" but without effective institutions and strategic direction, decisions will be made with limited information and without a clear idea of "which options make sense" (2003: 205–208).

National Strategy for Neighbourhood Renewal (UK)

The National Strategy for Neighbourhood Renewal was launched in 2001 with the vision that "within 10 to 20 years no-one should be seriously disadvantaged by where they live" (UK, Department for Communities and Local Government 2010: 7).

The governance structure comprised:

- > at national level, the Department for Communities and Local Government, and the Neighbourhood Renewal Unit "to provide leadership and oversight". The Neighbourhood Renewal Unit reported to the Minister of State for Regeneration and Regional Development;
- > at regional level, a network of government offices "was responsible for the development and implementation of local neighbourhood renewal strategies in their regions" and for the support of the Local Strategic Partnerships (below); and
- > at local level, local Strategic Partnerships "to bring together at local level different parts of the public sector as well as the private, business, voluntary and community sectors".

Funding through the Neighbourhood Renewal Fund, was designed to be a top-up to local authorities, to help them to begin improving core services in the most deprived neighbourhoods. It was not ring-fenced, and was available for the local areas to spend flexibly on their own services and also on those of other providers. (UK, Department for Communities and Local Government 2010: Annex 2, 7–9).

A 2010 evaluation found that the strategy's impact had included:

- > "a reduction in worklessness of almost 70,000 in local areas in receipt of the Neighbourhood Renewal Fund... this represents a permanent, albeit relatively modest, reduction of some 3–4 per cent";
- > a positive effect on education outcomes with "an estimated average improvement per pupil in the most deprived 15 per cent of of about 6 points (equivalent to a GCSE grade) at Key Stage 4";and
- > "generally positive" qualitative evidence, with greatest results being found "in the domains of crime and the environment—where local benefits of interventions are often more immediately apparent. Health outcomes are the weakest but this may reflect the time-lag in benefits becoming evident" (UK, Department for Communities and Local Government 2010: 53).

The Tsleil-Waututh Nation, Canada

The Nation developed a vision for the community, land and people through a six-stage process:

- > conducting an extensive visioning process, looking at what an Indigenous nation should be and how the community could function within a sovereign model;
- > reforming the community's internal governance process and developing a constitution;
- > developing an inventory of existing community resources;
- > designing long term and short term plans;
- > implementing plans with an inclusive conference of stakeholders who held interests within their traditional territory; and
- > ongoing reviewing of the goals ensuring they remain relevant and aligned to the vision and are revised accordingly.

The visioning process was considered successful because the planning approach was consistent with their community values, and the six-stage process ensured community involvement, together with the presence of strong, determined and consistent leadership.

(National Centre for First Nations Governance 2009)

Snapshots of international location-based governance *cont.*

Burundi

Building trust is a precondition to good governance, and leaders in war torn states tend to trust only themselves and their immediate families or perhaps their ethnic-based networks. In that context the Woodrow Wilson International Centre for Scholars developed a team building program to bring together leaders in Burundi and to develop the skills needed to guide the country's recovery and transition to democracy.

Following this experience, the Woodrow Wilson Centre developed a broader strategy recommending:

- > undertaking a joint analysis by the main actors and international donors, of the opportunities and obstacles for development, in order to arrive at a common view of the principal obstacles and constraints that prevent progress being achieved;
- > engaging the key leadership in the priority areas identified by this joint assessment in the type of collaborative-inducing training described above;
- > following this training, having these leaders break into more focussed working groups to tackle issues and develop concrete plans in areas that they identify as having high priority to making progress;
- > having the international donors indicate a willingness to fund those plans that relate to national priorities and having the diplomatic community urge the host government to support this work and thus assume responsibility for the implementation; and
- > publicizing the initial successes at resolving conflict to achieve a multiplier effect through encouragement of others to emulate this work in other spheres.

(Woodrow Wilson International Centre for Scholars, 2010)

Project methodology

Desktop research was undertaken by the SIU in the Department of the Prime Minister and Cabinet to provide background on what kind of governance models were used in location-based approaches to addressing disadvantage. This research informed the development of a discussion paper which set out what the Board and the SIU felt were the key issues in designing successful governance models for place-based approaches. The discussion paper also listed a number of questions about design and implementation of governance models that the Board and the SIU felt were not answered in the literature.

The discussion paper was distributed to people in Australian government and non-government positions with relevant expertise for their comment. This was followed by workshops with people from government and domestic and international non-government organisations to discuss in more depth the issues raised in the paper.

A particular effort was made to consult with people involved with COAG's National Partnership on Remote Service Delivery. Consultations have included discussions with the Coordinator-General for Remote Indigenous Services, Brian Gleeson, as well as teleconferences with a number of Remote Operations Centre Managers who are charged with managing the implementation of the Partnership in locations across Australia. As this paper will note later, lessons on governance approaches from remote Indigenous locations will not always be transferrable to initiatives in urban locations due to considerable differences in population size, access to services, infrastructure, economic capacity and other factors. Although this paper often draws on the experience from the Remote Service Delivery National Partnership, it does not intend to suggest these lessons will apply to all locations.

A note on evidence base

Although this paper has attempted to make use of and cite as much of the existing evidence base, relevant evidence has not always been easy to come by. For example, in the initial review of the literature, it was found that although much was written on the importance of good governance, it was rare to find project evaluations directly linking governance settings to program outcomes. The approach taken in this paper is to cite existing examples of innovative practice whenever possible to support arguments for how government needs to change its approach to location-based initiatives.

In addition, this paper argues (along the lines of Chapman 2004: 11) that available evidence may have some inherent limitations such as the importance of local context in determining what works. Evidence gathered in one location will not necessarily be applicable in another. Throughout, this paper argues that governance models need to be developed on a case-by-case basis to fit the needs of individual locations, and that effectively engaging the local community in determining what the problems and solutions are, is a more significant success factor than the particular governance model used.

Chapman also argues that evidence-based policy making invites a presumption of "a linear, or at least unproblematic, relationship between cause and effect" where in truth the most complex policy problems "involve hundreds of nested feedback loops which result in significantly non-linear behaviour". Compounding this problem are the numerous and changing variables that are not measured by an evaluation. These make it difficult to clearly link an intervention and measured outcomes (Chapman 2004: 11).

Finally, existing evaluations are limited as some of the most important aspects of a successful location-based initiative—for example, the growth of partnerships or networks in an area, or levels of community engagement—are difficult to measure and frequently are not measured (as discussed in the chapter on funding and measurement issues).

Why work in locations?



Why work in locations?

All communities should be well functioning, resilient, have a sense of pride and identity, and support active participation by members. Focusing program interventions at the local level is a positive way to build community capability and social capital through community development activities. Location-based approaches may also address concentrated and entrenched problems found in the most disadvantaged locations.

Mounting evidence, as demonstrated in Professor Tony Vinson's (2007) *Dropping Off the Edge*, and noted by the Board's 2010 report *Social Inclusion In Australia: How Australia is Faring*, shows that different kinds of disadvantage tend to coincide for individuals and families in a relatively small number of particular places, and that these concentrations of disadvantage tend to persist over time.

Causes, characteristics and scale of locational disadvantage will vary from place to place. For instance, locational disadvantage in areas of the remote Northern Territory differs from that in the suburbs of major cities and growth corridors, or the more scattered disadvantage in the Australian Capital Territory. The issues facing people living in locations of concentrated disadvantage—lower incomes, poorer housing, poorer health, lower education attainment, higher unemployment and higher crime rates—can be compounded by the characteristics of the places themselves, for example through poor local infrastructure.

Locations of concentrated disadvantage—Key statistics

People living in the 20% most disadvantaged areas (census collection districts—using the Socioeconomic Index for Areas (SEIFA) Index for Relative Disadvantage) are:

- > less likely to have Year 12 or Certificate II qualifications—in 2006, 72% of 20–24 year olds living in the most disadvantaged regions had completed Year 12 or a Certificate II, compared with 92% of those living in the 20% least disadvantaged regions and 83% of Australians overall;
- > more likely to be developmentally vulnerable on early childhood development indicators—in 2009, 17% of children living in the most socioeconomically disadvantaged areas were developmentally vulnerable on two or more Australian Early Development Index (AEDI) domains, compared with 12% overall;
- > less likely to be employed—in 2006, 49% of people living in the most disadvantaged regions were employed, compared with 74% of those in the least disadvantaged regions;
- > less likely to participate in a community group—in 2006, 60% of people aged 18 years and over in the most disadvantaged regions participated in at least one community group, compared to 81% of those in the least disadvantaged regions and 72% of the population overall; and
- > less likely to have a say on issues important to them—in 2006, 26% of people over 18 years living in the most disadvantaged regions were able to have a say on issues important to them with family and friends only some, a little or none of the time. This is double the rate in the least disadvantaged regions (13%), and far higher than the rate in the overall population (16%).

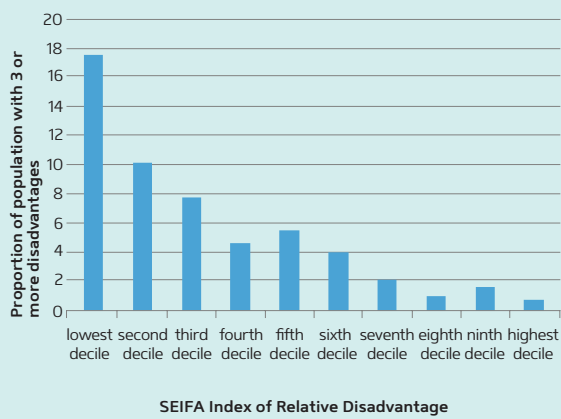
Source: Australian Social Inclusion Board (2010) *Social Inclusion in Australia: How Australia is Faring*

Locations of concentrated disadvantage—Key statistics

Note that, although the differences between the 20% of people in the most disadvantaged and those in the 20% least disadvantaged areas are considerable, the differences between the top and bottom 5% will be starker still. Overall, around 5% of Australians experience multiple disadvantages, defined here as having three or more of six selected areas of disadvantage: income, work, health, education, safety and support. However, as the chart below shows, experience of multiple disadvantage is much more common in more highly disadvantaged locations. Of people living in the most disadvantaged 10% of locations on the SEIFA index of relative disadvantage, 17.6% experience multiple disadvantage, compared to 0.8% of people in the least disadvantaged 10% of locations.

Chart One:

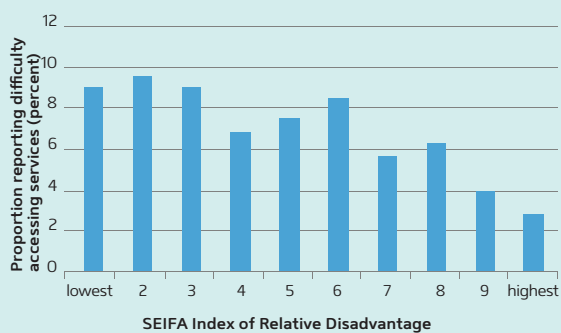
Proportion of people with three or more disadvantages, by SEIFA decile May 2006



In addition, as the chart below shows, a higher proportion of people living in more disadvantaged locations report having difficulty accessing services.

Chart Two:

Proportion of people reporting difficulty accessing services, by SEIFA decile May 2006



The interconnected nature of the multiple issues found in the most disadvantaged locations means that a whole-of-community rather than issue-by-issue approach is required. As Tony Vinson puts it:

...a web of disadvantage is the appropriate metaphor for describing people's entrapment within highly disadvantaged communities. Progress in overcoming one limitation, say, unemployment, can be inhibited by related factors like limited funds, poor health, inadequate training or having a criminal record... because disadvantageous conditions are often 'bundled' in this way, efforts must be directed to loosening systemic constraints on people's life opportunities if progress is to be achieved (2009: 3, Vinson's emphasis).

The evolution of place-based policies in Australia

A location-based focus for addressing social policy problems is not new in Australia. As Reddel notes, an argument for a regional focus and participation of local people in community planning was made as early as 1944 (Commonwealth Department of Postwar Reconstruction, 1944, cited by Reddel 2001: 51).

Social planning at the local level again became a new policy goal with the rise of the welfare state in the 1970s. One example was the work of the Commonwealth Department of Urban and Regional Development which was established in 1972. The work of this department included issues such as housing, services and infrastructure in major cities, and an attempt to direct urban settlement into regional areas and provide employment opportunities in disadvantaged areas (Gleeson and Low 2000 and Fincher and Wulff 1998, cited in Reddel 2001: 51). Meanwhile, the Australian Assistance Plan focused on "the development and maintenance of locally determined welfare programs, which combined the key aims of regional participation in decision making with control over the administration of social welfare budgets" (Reddel 2002: 51, citing Hayden 1996). Despite these two initiatives operating at the same time, there was a lack of integration between the economic and infrastructure focus of the Department of Urban and Regional Development and the social welfare focus of the Australian Assistance Plan. Neither the Department of Urban and Regional Development nor the Australian Assistance Plan was continued after the change of government in the 1975 federal election (Reddel 2001: 52).

During the 1980s there was a loss of policy and political interest in the spatial element of disadvantage in what has been described as the "eclipse of the equality objective" (Smyth and Reddel 1997: 99). Following this period was a brief revival of regional economic planning through the *Working Nation* program (1994) and also urban social planning through *Building Better Cities* (1992) (Reddel 2001: 52).

Place-based initiatives were briefly lost with the election of the Howard Government which favoured a more market-driven approach to economic and social policy. However, by the turn of the century there was a revival of place-based policies driven by the political fallout from the social impacts of uneven economic development created by the open market economy (Reddel 2001). For example, Davis and Stimson spoke of the "disillusionment, despair and alienation [which is] not only widespread throughout Australian society, but also... locationally specific" while explaining the geographical distribution of support for One Nation at the 1998 Queensland election (2008: 69).

A suite of place-based initiatives were launched by UK's New Labour administration from 1997 (Lupton and Power 2005: 119–121). These developments provided inspiration for the Australian states, which began to put more emphasis on neighbourhood renewal and community strengthening⁵. This period also saw a return of place-based policy at Commonwealth level, for example through the *Stronger Families and Communities* strategy launched in 2004.

The initial emphasis for contemporary place-based renewal was on the call for the creation of local managers to whom governments would devolve resources. This phase was less about particular economic and social problems and more about more effective governance through encouraging a more enabling state.⁶

⁵ For example, Wiseman (2006) and Reddel (2008) describe the development of initiatives in Victoria and Queensland respectively.

⁶ For more on this discussion see Peter Botsman and Mark Latham (2001) *The Enabling State: People before Bureaucracy*, Pluto Press, NSW.

Following the UK's social inclusion agenda there was a new emphasis on understanding poverty or exclusion as a 'joined up', multidimensional problem requiring 'joined up' solutions. This led to a push for 'joined up government' including major pilots with the COAG trials in locations across Australia ⁷. The focus at this stage was still more on the system of government rather than on promoting new approaches to tackling issues of poverty and exclusion.

Since that point, the policy framework has been strengthened in some very important ways. Firstly, the social inclusion approach has led to a much broader approach to understanding the causes of disadvantage and the scale of response required. When considering a mandate to promote social inclusion, it is necessary to have a clear definition of what is meant by social inclusion, and an understanding of key indicators.

Early community development responses were influenced by Robert Putnam's work on the decline of social capital, for example through his famous work *Bowling Alone*. Wiseman's (2006) evaluation of this policy framework suggests that local interventions whose main focus is strengthening social capital can have real but limited outcomes. Such approaches can have particular value in overcoming social and civic deficits but cannot substitute for government action around tax, income support and social services (2006: 104). This led to a new way of thinking about place-based interventions which took due account of activity at different scales. Ruth Fincher (2008) argued against limiting attempts to address place-based disadvantage at the local scale alone "as if national and State policy-making at broader scales is not about the reduction of social disadvantage in places" (2008: 9).

Secondly, there has been a greater emphasis on integrating policies for community strengthening with the delivery of universal services and also with urban planning. It is in this context that the social inclusion approach points the way to an integration of place-based initiatives (to do with social connectedness) with people-based mainstream services. The need for such a connection is set out by Griggs et al, who argue that:

The reality, of course, is that all people live in places, contribute to places and are affected by places. Poverty and disadvantage are mediated by place, and places are affected by the poverty or otherwise of their inhabitants. Hence, it is reasonable to suspect that policies that dissociate people from places and vice versa may perform poorly (2008: 1).

Looking through the social inclusion lens, overcoming disadvantage is understood to be about more than lack of money. It also involves access to services. So, just as the minimum income people need for inclusion needs to be considered, the 'basket of services' people need should also be calculated. One implication of this is the current emphasis on ensuring quality services are a part of rapid outer urban development to ensure new communities are sustainable. One study by Williams et al (2009) concluded that:

Urban and housing environments (including aspirations, opportunities, locations, composition, infrastructure and structure) impact on work behaviours, most clearly in terms of physical proximity, time usage, and the contours of social relationships. Essentially, these intersecting domains comprise the resource pool that shapes the amount of choice and control people have over their social lives and the kinds of communities they can create (2009: 91).

However, the challenge to integrate the place-based and people-based elements should not be underestimated. A study by Griggs et al (2008) found that people-focused and place-based policies in the UK "have been developed separately and sometimes in isolation from each other" and indeed, "no more than one or two initiatives have explicitly sought the logical synergies between people and place" (2008: 1, 54).

Thirdly, there has been new emphasis on the economic aspects of social inclusion. As discussed above, social inclusion approaches initially focused on community building, and then on the social services required to build a strong community. The third aspect of the social inclusion model has been the assumption that a strong community must have a strong economic base.

Although regional economic planning has largely disappeared from policy consideration since being mooted in *Working Nation* (1994),

⁷ For a discussion of the trials, see Morgan Disney and Associates, et al (2006).

today local and regional economic initiatives have returned to the agenda with debates on the new regionalism. This approach is neither a top down economic planning model nor a simple deregulation approach. This approach draws on evolutionary and endogenous growth theories to show how some forms of regulation, appropriately linked with strong local associations, can enhance regional economic performance⁸.

While there has been government emphasis on integrating social and economic policies, one of the major challenges for the future will be to bring together social and economic agencies which have been separate in the past.

Finally, the fourth new emphasis of the social inclusion approach has been on network governance models. While the first phase of the place-based approach focused on how the Australian Government might join up its own agencies, this has been enlarged through a focus on government partnerships with business, the community sector and volunteers in the networked governance approach. The core of this approach is to bring each of those sectors to the table to ensure that existing networks function optimally. A considerable amount of study (for example by Mark Considine and Jenny Lewis) has been invested into such networks to identify success factors.⁹

A network governance approach implies different relationships between actors than a market-based or contract approach. A network approach proposes a shift in relationship from a purchaser-provider relationship to an arrangement where all parties in the network are co-producers.

Co-production refers to an approach which seeks to involve all members of the network fully in design and delivery of policy (Parker 2007: 103). It is more than consultation or a commitment to provide opportunities for feedback by users. It is recognition that many public policy outcomes cannot be achieved without full involvement of the users of public services. For example, Parker (2007) cites studies that show that parents, not schools, have the greatest impact on learning outcomes of children, and that the value of care provided by informal networks is far greater than that of formal services (104). From this understanding it follows that citizens are not simply consumers of services, but are active participants in the design and delivery of services and the creation of public value. The role of governments in this light is not simply to deliver services but to create the environment in which non-government actors can contribute (Parker 2007: 103-105).

The benefit of the network model is that it can give non-government actors more of a voice in decision-making than the narrower consumer choice offered under the market model. However, this shift has implications for approaches to risk and accountability. While a contract model promotes smooth operation and mitigates risk through competitive tendering and the terms of the contract, the network model relies on trust.

This, in turn has implications on the governance design which needs to specifically focus on mechanisms for building and maintaining trust between partners. Koppenjan and Klijn (2004) suggest that such mechanisms can include certification requirements which set required standards of operation for actors, the creation of accepted conflict resolution mechanisms, and setting out accepted supervision rules for actors which lessen the opportunity for risky behaviour (2004: 231-2). Koppenjan and Klijn also warn that trust is fragile: it “develops only slowly but disappears rapidly”. But the need for collaborative working to achieve particular goals means trust is nonetheless worthwhile pursuing (2004: 82-3; 231-2). As is argued below, a focus on building capacity of both local actors and governments will also go a long way to developing trust and mitigating risk that comes with networked approach.

8 See Chris McDonald et al (2010) ‘An Evaluation of the Economic Approaches Used by Policy Actors towards Investment in Place-Based Partnerships in Victoria’ in *Australian Journal of Public Administration*, Vol 69(1), 9–21. Accessed from onlinelibrary.wiley.com on 19 October 2010.

9 For example, one study by Pope and Lewis (2008) of a variety of place-based partnerships in Australia found five common features of effective partnerships:

- A good broker/facilitator to build relationships;
- The right decision-makers at the table with a commitment to contribute;
- A clear purpose;
- Good process; and
- Ongoing motivation through champions and evaluation (2008: 448)

Approaching locational disadvantage as a complex problem

The Australian Public Service Commission's (APSC) paper *Tackling Wicked Problems* notes that "wicked policy problems are difficult to tackle effectively using the techniques traditionally used by the public sector" (APSC 2007: 11). For the APSC, wicked problems:

- > go beyond the capacity of any one organisation to respond;
- > feature disagreement about the causes of the problem;
- > require changes in the behaviour of groups of citizens or all citizens;
- > require "working across both internal and external organisational boundaries";
- > require "engaging citizens and stakeholders in policy making and implementation"; and
- > require "innovative, comprehensive solutions that can be modified in the light of experience or on-the-ground feedback" (APSC 2007: 1).

The traditional policy thinking approach to a policy problem is to follow an orderly and linear process, from defining the problem, gathering and analysing relevant data, determining a preferred option, and implementing a solution working to specified performance targets. A linear approach to a wicked problem meets problems from the beginning of the policy process as causes of the problem are multiple and interconnected, meaning the problem tends to be imperfectly understood and difficult to define clearly. The ambiguous and complex nature of the problem defies clear boundaries and processes that the APS tend to work with, and the innovative and experimental solutions called for are resisted by an industry which is "risk averse and intolerant of messy processes". A problem whose definition is constantly changing (either because the definition of it evolves, or because the problem itself changes) requires the public sector to "blur the traditional distinction between policy development and programme implementation" adopting a "circular process involving continuous learning, adaptation and improvement with policy changing in response to implementation as well as vice versa" (APSC 2007: 11–14).

Jake Chapman's 2004 paper *System Failure* makes many of the same points as the APSC in arguing that governments' simple, mechanistic approach to problem solving belies the complexity of wicked problems:

The current model of public policy-making, based on the reduction of complex problems into separate, rationally manageable components, is no longer appropriate to the challenges faced by governments and changes to the wider environment in which they operate (Chapman 2004: 18).

Like the APSC, Chapman notes that presuming "a linear, or at least unproblematic, relationship between cause and effect" ignores that "complex systems involve hundreds of nested feedback loops, which result in significantly non-linear behaviour".

Further, Chapman argues that the concept of "delivering" services such as health and education carries the idea that they can be delivered "like a parcel or a pizza". As is argued above, Chapman notes that "all public services require the 'customer' to be an active agent in the 'production' of the required outcomes". These kind of initiatives "will simply fail if the intended recipients are unwilling or unable to engage in a constructive way" (Chapman 2004 10–11).

The 2010 report by the Advisory Group for the Reform of Australian Government Administration *Ahead of the Game* argued for a greater citizen engagement effort and more decentralised and flexible ways of working.

As part of the Advisory Group's discussion on better meeting the needs of citizens, it argued that the APS needs to better engage "with the community sector and citizens in policy development" and that:

As much as possible, programs should be designed to allow operational decision-making to be devolved to the frontline, opening up the possibility of adaptation and tailoring to local circumstances (2010: 18–19).

One of the Advisory Group's recommendations, that the APS "develop better ways to deliver services through the community and private sectors" urged the APS to:

- > provide greater flexibility to respond to local circumstances in service delivery through the community and private sectors;
- > provide simplified funding arrangements; and
- > develop integrated case coordination for citizens and their families with complex needs in particular locations (2010: 35).

In promoting the use of whole-of-government approaches to complex problems, the (former) Management Advisory Committee has noted that whole-of-government approaches are “costly and time consuming, and competing political and community agendas can undermine its objectives...it can, however, be particularly suitable for complex and longstanding policy issues, sometimes referred to as ‘wicked’ problems. They defy jurisdictional boundaries and resist bureaucratic routines” (Management Advisory Committee 2004: 10).

Most recently, the Minister for Regional Australia, Regional Development and Local Government, the Hon Simon Crean MP took a similar line in an address on the Australian Government’s regional development agenda. Crean spoke of his belief that:

...our national economic growth can be maximised if we ensure that our local communities are efficient, competitive, productive and innovative. Underpinning this is the belief in local empowerment... the needs and aspirations of our people can best be met by allowing decision making about economic, social and environmental wellbeing to be made closer to the people most affected by those decisions (2010: 4–5).

Crean continued that empowering local communities to take part in decision-making of this type is about more than ensuring the community’s voice is heard. It requires ensuring the community has the capacity to make robust decisions. He stated:

We don’t want wish-lists. We want communities to be able to take responsibility for charting their economic, social and environmental wellbeing and devise a way forward that stacks up against sound socio-economic principles (2010: 6).

The sources cited immediately above all argue that complexity in public policy needs to be approached in a more iterative, adaptive and flexible style. They ultimately (though in different terms and to different degrees) argue for the importance of a local mandate for policy and program design which has local impact. If local participation is required to ensure the effectiveness of policies and programs, locals must have a say in their design.

This paper argues a similar point. However, it also notes that no government approach will be successful unless capacity constraints in local communities are also addressed. As is argued

below, government representatives consulted in producing this paper have discussed the difficulty in improving community engagement and reluctance to devolve responsibility because of lack of local leadership and governance capacity.

A more iterative and collaborative approach should also feature an approach which builds on structures and processes that already exist, rather than imposing new ones. This will both sustain pre-existing local engagement and avoid some of the cost and time referred to by the Management Advisory Committee above.

What should a location-based initiative look like?

At workshops with non-government practitioners, two key points regarding definition of terms were made. One was that a place-based initiative is about more than services. Much of what a locational initiative is expected to deliver are community development outcomes such as increased community capacity, which are vital to a long term solution to disadvantage but unable to be delivered as a service.

Another point was that these initiatives are more correctly described as processes than projects. Where project implies something with a bounded timeline, clear problem definition, goals and an organised approach, process more accurately describes an ongoing approach of engagement, relationship building, and adaptation required by a place-based initiative.

These points are more than mere semantics. How place-based initiatives are framed affects expectations of their operations and achievements. This in turn affects an understanding of what funding, accountability, measurement and compliance mechanisms are required.

This paper agrees with those at Board workshops who said that addressing entrenched disadvantage in locations requires more than delivering services, and is more than delivering linked-up, locally tailored services. This paper proposes that a location-based approach should be a long-term exercise in engaging all tiers of governments and the local community (including business and non-profit organisations) in owning the problem, and in having the support to address it.

This approach, and the elements required to implement it, are discussed in the next chapter.

Principles and approach



Principles and approach

Principles for good local governance

This paper argues that location-based initiatives (in the scale of no more than 5000 people, as noted above) should be based on the five key elements summarised below (and discussed in more detail later in this chapter):

- > A clear connection between economic and social strategies (see 3.1, below);
- > A framework for providing integration of effort across governments (see 3.2);
- > A level of devolution that allows significant and meaningful local involvement in determining the issues and solutions (see 3.3);
- > Capacity development at both local level and in government, without which greater community engagement or devolution of responsibility will be impossible (see 3.4); and
- > Funding, measurement and accountability mechanisms that are designed to support the long term, whole of government and community aims for the initiative, rather than attempting to build an initiative around unsuitable measurement and accountability (see 3.5).

3.1 Linking economic and social policy initiatives in locations

Since its establishment, the Australian Government's Social Inclusion Agenda has emphasised the connections between economic and social policy outcomes and the need for both policy arms to work together to address social exclusion.

Before the 2007 election, Julia Gillard addressed the Sydney Institute in her capacity as Shadow Minister for Social Inclusion and argued that a social inclusion agenda was necessary because:

...at a time when Australia needs more skilled people and has an ageing population, we simply can't afford to have one in ten or more of our people out of the workforce due to unemployment, low skills or the effects of chronic poverty. Social inclusion is an economic imperative (The Sydney Papers 2007: 103).

In 2009, Gillard again argued the connections between social and economic policy objectives while speaking in the context of the challenges presented by the global financial crisis:

We have said to the nation that we can only maximise our strength by affording our fellow Australians fairness... strength comes by giving every Australian a fair opportunity to work... strength comes by giving a great education to every child, including those whose family and personal circumstances mean they need that great education the most...

In these new days of challenge, we are saying it to the nation again—stronger and fairer, stronger because we are fairer (Gillard 2009).

This principle is expressed in the Australian Government's statement on the social inclusion agenda, *A Stronger, Fairer Australia*, which lists economic growth as the first of its five pillars for building a stronger fairer Australia (Australia 2010a: 10).

Finally, and most recently, the newly appointed Minister for Social Inclusion, Tanya Plibersek wrote:

Those of us who don't feel a responsibility to strangers to do right by them should at least be convinced by self-interest when we examine the costs of educational underachievement, unemployment, poor health, antisocial behaviour and crime (Plibersek 2010).

This principle applies as much at a local level as it does nationally. Improvement in social outcomes will ultimately be underpinned by economic growth. For this reason, **this paper recommends that place-based initiatives focus on aligning economic and social development actions so they are mutually reinforcing in priority locations (see Recommendation 1.3).**

This paper recommends that linking economic and social policies in locations begins with mapping the economic capacity of locations and the surrounding area as part of essential planning before launching place-based initiatives (see Recommendation 1.1). It will be important to understand the economic situation not only in the immediate locations that place-based

initiatives focus upon, but also surrounding areas where jobs may be. This should be part of a broader exercise of mapping existing services and other community assets, assessing strengths and identifying gaps.

Victoria's Neighbourhood Renewal Program gives an example of how economic capacity mapping might proceed. Each Neighbourhood Renewal area includes an Employment and Learning Coordinator whose role includes developing a local Employment, Learning and Economic Development Strategy. Developing this strategy includes mapping the "economic development and employment plans and strategies" at the local, regional, state and national level which affect the community in question, assessing the needs of the community, local supply of facilities and services and the gaps between demand and supply. Finally, the Coordinator considers the mechanisms or approaches available for addressing local education and employment issues (Victoria 2007: 3-10).

Following this mapping exercise, **this paper recommends involving local employers and educational providers (or their representatives, such as chambers of commerce) in the governance of place-based initiatives from the early planning stages and throughout the design and implementation of the initiative (see Recommendation 1.2).** Involvement of larger employers will be particularly important; however, small to medium-sized enterprises are also a vital part of local economies and should be involved.

Research by the Business Council of Australia suggests many businesses are willing to support locally-based programs, finding that "local community programs attract more resources than any other corporate community investment activity" with "more than a third of companies [directing] between 20% and 39% of their corporate community investment spend to local programs and only 3% of companies not supporting local community programs at all" (2007: ix, 61). Even where there is a willingness to engage, however, local businesses will need to see clear incentives to invest their resources. Methods of corporate engagement will need to align with core business and corporate social responsibility strategies, and appropriate guidance and support be available to help transform background willingness into behaviour and investment.

Further, in a recovering economy, employers are likely to soon encounter labour shortages, providing another incentive to invest in local capacity building. As Saul Eslake (2007) remarked before the recent global financial crisis:

The combination of strong demand for labour and a drying-up of traditional channels of new supply presents a unique opportunity in our history to pursue the claims of those on the margins of society... Now, more than ever, the objectives of economic and social policy are inextricably intertwined (2007: 4).

3.2 Integration of effort across governments

One of the barriers to successful place-based approaches is an inability of government(s) to coordinate effort across governments and jurisdictions. This issue was found in the literature review and raised in discussions with both government and non-government practitioners. One Non Government Organisation (NGO) submission noted that:

...very little on the ground is available as evidence to suggest that governments and their departments have sufficiently committed to internal cooperative arrangements to resourcing the tackling of entrenched disadvantage with holistic policy and funding frameworks.

This lack of integration can result in inefficiencies in funding service provision. The Productivity Commission's report on the Contribution of the Not-For-Profit Sector noted that:

Submissions and consultations provided anecdotal evidence that in some cases providers are being contracted by multiple government agencies (including across levels of government) to deliver services that essentially address different and, to some extent, overlapping aspects of the same problem. Conceptually, having too many funding streams can be inefficient to the extent that it involves avoidable costs for both governments and providers (Productivity Commission 2010: 312).

This paper notes that work on not-for-profit sector reform is currently underway. For example in the 2010 election campaign the Australian Labor Party committed to:

greater harmonisation and simplification between the Federal and state and territory governments on non-profit sector issues, including regulation

and to:

undertake a review across all Commonwealth agencies of the efficiency and effectiveness of tendering, contracting and acquittal arrangements between the Australian Government and non-profit organisations by mid 2011 (Australian Labor Party 2010).

Victoria's *Strengthening Community Organisations* action plan also acknowledges this problem, noting that "many [not-for-profit organisations] receive funding and have relationships with multiple departments" and acknowledges "the need for a more coordinated approach across government". One of the stated responsibilities of the Office for the Community Sector is "developing and promoting good funding principles across government" (Victoria 2008: 24-5) and work is currently underway to achieve this.

One public servant working in Remote Service Delivery noted that the confusion and endless referrals resulting from numerous overlapping government-funded service providers actively discouraged locals from accessing services. They expressed their frustration at the institutional and cultural barriers militating against establishing a single provider that would use pooled money from across agencies and jurisdictions to broker an integrated service solution at local level.

At least part of the difficulty for government agencies to move to more collaborative working arrangements is that, according to Martin and Webb, "collaboration is an inherently time consuming and uncertain activity" and incentives of "substantial rewards" and/or "stiff penalties" need to be considered (Martin and Webb, 2007: 65). Martin and Webb argue that "funding mechanisms must therefore facilitate joint accountability for jointly owned resources applied to shared outcomes" (2007: 65).

Tony Vinson also argues for joint accountability in resource allocation, reporting that "centralised control is critical for encouraging otherwise autonomous agencies to act in ways that lead to system-level, as opposed to agency goals" (2010: 3, citing research by Provan and Milward, 1995¹⁰).

One method for encouraging better integration between agencies and tiers of governments is a dedicated location-based coordination team for the area in question. This method is used in Victoria's Neighbourhood Renewal initiative.

Neighbourhood Renewal's place-based teams "are responsible for achieving cross-cutting outcomes for their neighbourhood. They bring together government programs and services so they make sense on the ground and respond to local priorities". Their specific roles include stakeholder engagement and community development tasks, identifying skills shortages and building educational and employment pathways, as well as negotiating resources with government agencies and community organisations. Part of the role of the Neighbourhood Renewal Place Manager is to meet as an independent broker and negotiate "local agreements with government and agencies that flexibly respond to the needs of residents" (Victoria 2009: 4-5, 7).

Another method, related to that above, is to co-locate representatives from each level of government and each relevant agency in a single facility within nominated priority locations. This mechanism is used in the Remote Service Delivery National Partnership.

According to the second six-monthly report of the Coordinator-General for Remote Indigenous Services, the "broad governance architecture" to support the initiative is now in place, including:

- > Regional Operations Centres which bring together in a single government interface, Australian Government and state or territory officials who manage government operations in priority communities; and
- > Government Business Managers and Indigenous Engagement Officers (or similar) who are based in each of the priority communities (CGRIS 2010: 5).

¹⁰ Provan, K., Milward, B., (1995) "A preliminary theory of inter-organisational network effectiveness: a comparative study of four community mental health systems," *Administrative Science Quarterly*, Vol. 40, Iss. 1, 1-33

The report suggests that progress has not always been smooth, with “some evidence of Australian Government and state and territory agencies operating outside the Regional Operations Centre arrangements” (2010: 31). However, the governance structures in place represent “a solid platform on which real progress can be made” and “a real step forward in the way business is done and issues are addressed” (2010: p6).

The Local Connections to Work initiative also uses a co-location approach. Local Connections to Work is a pilot project being led by a Taskforce in the Department of Human Services (DHS) being implemented progressively in four Centrelink Customer Services Centres. The project aims to bring together a range of local community services under one roof, and to assist very disadvantaged job seekers find the help they need to overcome barriers to social inclusion and economic opportunities. Providing opportunity for community organisations to offer services from a single location within Centrelink, aims to help people more easily access assistance, to tell their story only once and to facilitate closer collaboration and a more holistic view of people’s needs.

Use of partnerships, demonstrated by Victoria’s Primary Care Partnerships is a third coordination approach. This initiative aims to “facilitate local partnerships to address priority health and wellbeing issues in their areas (typically 2–3 local government areas)”. According to the Victorian Government, the partnerships coordinate services to help prevent patients needing to retell their story to different providers, and make services more responsive to specific local needs (Victoria, Department of Planning and Community Development 2008: 19). Partnerships are supported by a Memorandum of Understanding between service providers in the catchment area, with governance structures differing between partnerships depending on local factors (Australian Institute for Primary Care 2005: 7). One of the findings of the 2005 evaluation was that “nearly [all the Primary Care Partnerships] reported that there had been a moderate or major improvement in the quality of relationships between agencies” (Australian Institute for Primary Care 2005: 9).

The partnership approach is also in use in the National Partnership Agreement on the East Kimberley Development Package, an agreement between the Commonwealth and

Western Australian Governments to focus national policy goals (for example, economic stimulus and efforts to address Indigenous disadvantage) in a particular location. Governed by a National Partnership agreement under the Intergovernmental Agreement on Federal Financial Relations, the partnership sets out a range of investments including in health, education and training, infrastructure and housing based on a “joint assessment of economic and social development needs” by the two governments (COAG 2008).

This paper agrees that coordination of each level of government and the private and non-profit sector is an important factor for successful location-based initiatives. This kind of coordination is necessary both to ensure effort of all partners is focused, and to facilitate a ‘no wrong door’ approach for residents seeking services. Space required for physical co-location will not always be available; however, other coordination approaches (such as a shared online gateway and referral network) could be developed on a case-by-case basis depending on the needs of individual locations.

This paper recommends that local governance structures in location-based initiatives should include a mechanism for coordinating services provided by all levels of government, the non-profit and business sectors, allowing service providers to deliver a ‘no wrong door’ entry point for residents seeking services (see Recommendation 3.1). It is important that any structure builds on existing mechanisms rather than establishing new ones. Avoiding creating entirely new structures will avoid cost and delay associated with new set-ups as well as avoiding the risk of simply adding more duplication and complexity of the kind discussed earlier.

In making this recommendation it is noted that a strong foundation of mainstream service delivery exists upon which such mechanisms could be built. Centrelink already coordinates and delivers a range of government services and has a presence in almost all Australian communities.

This paper also notes the improvements that are currently underway. The Australian Government’s service delivery reform agenda has a focus on creating a more citizen-centred approach and improving delivery, especially to people who need more intensive support and to those with complex needs. A program of co-locating Centrelink and Medicare is underway (Bowen 2010), and Local Connections to Work

and the Centrelink place-based trials (discussed above) are also excellent examples of the coordinated, 'no wrong door' approach required.

Work is also underway between the Commonwealth, states and territories to develop a Social Inclusion National Action Plan with the purpose of driving further reform and better service provision through collaboration between the Commonwealth, state and territory governments and other key stakeholders.

However, this acknowledgement does not underestimate the difficulty in achieving better collaboration between layers of government. One state public servant consulted spoke of the frustration caused by Commonwealth agencies establishing location-based initiatives without first consulting with relevant states or territories. Even where mechanisms to coordinate different tiers of government are established, behaviour change to support a more coordinated style of working does not always follow. Janet Hunt of the Centre for Aboriginal Economic Policy Research cites a number of sources suggesting that, despite the establishment of Indigenous Coordination Centres, some communities still experienced "a proliferation of new departmental relationships, funding applications and reporting processes". Hunt adds that the 'silo' behaviour of different departments, which whole-of-government approaches were meant to overcome, was proving difficult to change" (Hunt 2008: 30).

This problem is reminiscent of the findings of the COAG trial in Wadeye (discussed in Chapter 1) which saw a proliferation of individual funding agreements, and the administrative burden that comes with them, despite the intent of the trials to streamline processes. Among the contributing factors to this lack of coordination were:

- > local "partners [who] began to initiate funding applications and responses outside the... framework" which had been agreed by the Commonwealth, territory and local governments;
- > the need to obtain funding "through the many programme silos that still dominate the funding and delivery of services to the community" due to the lack of a coordinated "single chute" funding arrangement;
- > a "reduction in effective communication across jurisdictional boundaries and in some cases within Departments" as the trial progressed;
- > "confusion and uncertainty" between

FaHCSIA's (the Commonwealth lead agency) national office, territory office and local Indigenous Coordination Centre officers around "lines of authority and allocation of responsibilities"; and

- > a lack of clear leadership, flowing from the decision that Commonwealth, territory and local government partners would all be treated as equal partners (Gray 2006: 8-10).

In relation to the final point, the evaluation found that the attempt to balance authority within the three partners created:

...the situation where no one person or agency is identified as the 'leader' of the group. There is no one person to whom the partnership can turn to take such action as may be necessary to keep the trial on track. This is seen as a contributing factor to the way in which the processes envisaged by the [Shared Responsibility Agreement] have progressively deteriorated over the life of the trial. One option put forward was that a person, with the necessary authority, could be appointed to manage the trial on behalf of the partners. It was suggested that such a manager could more closely monitor the activities taking place within the COAG framework and impose a discipline upon the partners to ensure the trial proceeded consistently with [Tri-Partite Steering Committee] endorsed actions.

This paper recommends that, when developing future place-based initiatives, the Commonwealth initiate discussions with state, territory and local governments and seek an agreement including the following elements:

- > the nomination of a list of priority locations and a method for identifying such locations in the future that builds on methodology already developed by the Board to identify the most disadvantaged suburbs within government Priority Employment Areas;
- > the development of brokerage arrangements to facilitate responsibility for coordinating the efforts of the different levels of government to include nominating and empowering a single senior public servant to be responsible for leading the efforts of all levels of government in these locations, including holding power and responsibility for committing resources of all jurisdictions involved under the resource allocation framework; and

- > a long term commitment to identified priority locations, recognising the extended period of time required to turn around the most entrenched disadvantage (see Recommendation 2).

Over the longer term, it is recommended that the Commonwealth seek agreement with state, territory and relevant local governments involved in future place-based initiatives on a resource allocation framework that reflects local priorities. The framework should be used by governments to set out the parameters of their involvement and a menu of things they are willing to provide to the location based initiatives (see Recommendation 4.5).

These recommendations are based on an understanding that an overarching mandate is required to drive coordination of government effort in selected locations as the first step in encouraging coordination at local level.

To further assist local coordination, this paper recommends that senior public servants based in locations are vested with responsibility for spending and decision-making to allow them to broker solutions tailored to meet the needs of the local community. Officers in locations would still be answerable to the lead public servant mentioned in Recommendation 2, and would work within locally agreed priorities. However, they would have authority to adjust the rules and adapt policies and programs of all levels of government to meet the needs of local community (see Recommendation 4.1).

More specific agreements will also need to be made which set out priorities and action plans in nominated priority locations. As discussed below, it will be important that the local community be a part of developing these local plans.

3.3 Engagement and devolution

To sustainably address place-based disadvantage, affected communities need to be closely involved in identifying problems and their solutions. As the APSC explains, there are two main reasons for this. The first is that:

Because wicked problems are often imperfectly understood it is important that they are widely discussed by all relevant stakeholders in order to ensure a full understanding of their complexity (2007: 27).

The second is the need for communities to be involved in determining any solution which will require behaviour change:

*Engagement is most important when the active participation and cooperation of citizens is required as part of the solution. "To be successful in addressing whole-of-government issues, especially where the challenges are complex and longstanding, requires the substantial involvement of the people and communities affected."...If a resolution of a wicked issue requires changes in the way people behave, these changes cannot readily be imposed on people. Behaviours are more conducive to change if issues are widely understood, discussed and owned by the people whose behaviour is being targeted for change (2007: 27. The sentence in quotation marks is attributed to the Management Advisory Committee's 2004 report *Connecting Government*, at p. 95.)*

Making the same argument, Don Lenihan (2009) emphasises that:

... there is a quid pro quo. If governments really want the public to take some ownership of the problems, in return they must give them a say in formulating the plan (2009: 7).

Community engagement models

The Victorian Approach

The Victorian community engagement activity is influenced by the *Growing Victoria Together* and *A Fairer Victoria* policy documents, as well as the Victorian Charter of Human Rights, which each commit the Victorian Government to promote citizen engagement and participation.

One element of the Victorian community engagement agenda is The Victorian Whole-of-Government Community Engagement Network. This body, established in 2007, has five priorities:

- > establishing a set of common principles to guide community engagement;
- > improving skills and capabilities of the Victorian Public Service;
- > sharing knowledge through the use of information technology;
- > identifying ways in which engagement can be used in projects; and
- > building the evaluation and evidence base around engagement.

In addition, six Communities of Practice exist across Victoria involving community engagement professionals from state and Commonwealth government and the private, academic and community sectors. According to the Victorian Government, the Communities of Practice have proven a valuable tool for increasing the capacity for community engagement as well as providing a forum for promoting common best practice. (Victoria 2009).

The Fitzroy Futures Forum

The second report of the Coordinator-General for Remote Indigenous Services provides a background on this initiative.

In 2000 the community of Fitzroy Crossing participated in a successful town planning exercise called Fitzroy Futures. This brought together various community organisations and language group representatives in an exercise that focused on whole of community expectations for future town planning. A draft Fitzroy Futures Town Planning document was printed and made available for public comment.

Following from this work, the Fitzroy Futures Forum Governing Committee (the Committee) became the key engagement and executive arm of the Fitzroy Futures Forum with good representation throughout the Fitzroy Valley.

The membership of the Committee recognises both the cultural diversity of the Valley and the need for direct linkages to all levels of government. It includes:

- > Chair-persons representing the four Language Groups (the Bunuba, Walmajarri, Kurungal and Gooniyandi);
- > three community members;
- > a Council representative from the Shire of Derby/West Kimberley;
- > the Government Services Coordinator through the Western Australian Department of Indigenous Affairs;
- > a representative from the Western Australian Department of Treasury and Finance; and
- > a representative from the Australian Government's West Kimberley Indigenous Coordination Centre.

The range of matters on which the Committee is asked to engage on behalf of the community has grown considerably since 2000. The Committee has been heavily engaged in discussions with a range of government agencies and with the Kimberley Regional Operations Centre about Local Implementation Planning.

They are currently undertaking a review to examine and update their methods of consulting with the wider Fitzroy Valley community in order to ensure they continue to successfully represent its views (CGRIS 2010: 32–3).

Engaging the local community is not only a matter of engaging individual residents but also local government, and private and third sector bodies.

Local governments in particular have a significant contribution to make. *Neighbourhood Renewal Implementation Guidelines* note that local government is “the most local, democratically elected level of government... has responsibility for major government functions [and]... can help with resident engagement and consultation” (Victoria 2009: 8).

Engagement of local third sector organisations will be particularly useful to location-based initiatives. Partnering with third sector organisations brings advantages of local experts on community need, local service delivery experience, local trust and considerable networks. Inclusion of non-profit organisations should extend beyond non-profit service providers to include a broader range of organisations such as community arts and sports bodies, which also are important for local engagement and inclusion. As mentioned above, business will also need to be closely involved.

There also appears to be a recognised need for governments to be more aware of, and build on pre-existing government initiatives in locations. In workshops, NGO participants spoke of experience of governments spending enormous amounts of money installing initiatives in areas, without coordinating with pre-existing initiatives or even being aware that they exist. Government workshop participants acknowledged that these issues existed but felt they could be addressed by relatively simple means. For example, one government representative spoke of connections being made very quickly between different layers of government by simply organising site visits to meet community representatives and gathering representatives of all layers of government in the same room.

This paper recommends that place-based initiatives include local level governance mechanisms such as:

- > a mechanism for coordinating services provided by all levels of government, the non-profit and business sectors; and
- > a community governance mechanism which is capable of representing the community and driving local engagement. This mechanism should comprise:

- : a formal council, board or similar entity which represents the community in all its diversity, including representatives of residents, the non-profit sector, business (particularly major employers), all levels of government, philanthropy, and special interest groups; and
- : governance mechanisms driving local consultation and engagement and advocating with governments and the broader community.

Local governance mechanisms should be developed by building on existing mechanisms rather than creating new ones (see Recommendation 3.2).

This kind of mechanism is common in location-based initiatives. Such a structure is necessary for identifying local priorities and a mandate to address them and driving local coordination of service delivery in line with those priorities. Further, it is a tool through which local mandate for action can be expressed, and a local accountability mechanism by which progress can be measured against that mandate.

Establishing the community governance mechanism will take time and support. **This paper recommends that public servants are given explicit permission, and adequate resourcing and time to develop a local governance mechanism (see Recommendation 3.2) and to build community engagement and develop locally agreed priorities (see Recommendation 3.3).**

Improving local community engagement in, and co-production of, policy and services will go a long way to improving policy and services delivered. However, as argued above, a location-based approach should aim for more than improving services. It should be a tool for building the capacity and resilience of a location—overcoming Vinson’s ‘social climate’ which can have the effect of deadening the impact of programs and social infrastructure improvements (2009: 4–5). For this reason, this paper argues that better engagement is only part of the process, and a gradual devolution of responsibility is also required.

Devolution of responsibility is itself part of the capacity building process. The more heavily that government is involved in directing the process, delivering services and making key decisions about the future of the community, the less capable the local institutions will be to perform

those roles themselves and have a sense of ownership over the solution. Local bodies set up in the engagement process need to be given responsibility for identifying the issues, finding solutions, and adapting those solutions in response to past failures or changing local needs.

There is a broad range of international experience on devolved approaches. Two notable examples are World Vision's Area Development Programs (ADPs) and the United Kingdom's devolution experience.

According to World Vision, ADPs operate in geographical areas of between 20,000 to 40,000 people and are funded by World Vision's child sponsorship programs. Programs run for 10–15 years and engage local community organisations, families and individuals from early in the program to ensure communities continue development after World Vision withdraws (World Vision 2009).

The process operates over three phases:

1. relationship building (program is facilitated and supported by World Vision alone);
2. implementation (program is locally managed but supported by World Vision); and
3. withdrawal/evaluation (program is locally managed and supported) (Zenz 2000: 4–5).

In his evaluation of the model, Adrian Zenz argued that the key factors for a successful program implementation included “an emphasis on building strong local organisation from an early stage” and “a strong focus and commitment to the gradual nature of the process, never forgetting that [when World Vision withdraws] the ADP has to be fully run and funded by the communities”. Challenges to successful implementation of the model included:

- > “a risk of reverting to a delivery-style type of development”, leading to an externally driven empowerment process;
- > the need for “strong and independent local institutions and horizontal linkages between them”, without which “true empowerment will never occur”; and
- > “the achievement of financial sustainability [that] can be difficult to attain” even “strong local organisations that are able to manage the ADP by themselves are not necessarily financially independent” from World Vision.

There is now a considerable body of experience across the UK on different types of devolved approaches. It is important to note that the kind of devolution discussed in the UK context—that is, devolution of responsibility from central governments to local governments—is a very different situation to devolution for the purpose of addressing place-based disadvantage, as discussed by this paper. While caution should be exercised in transferring experience from the UK case to this discussion, some general lessons are applicable.

One is that the concept of devolution is a spectrum of different possibilities, as the following quotes on the UK experience illustrate:

There is no single blueprint for change; choices [include] wholesale political devolution to decentralised service delivery... the local authority's community strategy should help inform these choices (Burgess et al 2001: 1).

Authorities face various difficult choices, including what emphasis should be placed on area management and how far to devolve decision-making to local communities (Burgess et al 2001: 1).

...there is no 'correct' model for decentralisation... some areas of service provision [do] not lend themselves easily to decentralisation... new ways of developing neighbourhood control over services could well prove more effective than decentralised budgets (Wilkinson 2005: 5).

Some general success factors are also instructive. Burgess et al (2001) argue that the key elements of success are:

Government structures capable of responding flexibly to local issues,...a long-term commitment to building community capacity,... consultation strategies embedded in policy-making processes (Burgess et al 2001: 1).

Wilkinson (2005) found that decentralisation is more successful where “community leadership has flourished” and “there exists a public mandate for the process”, that is, relevant players are on board and there is adequate local capacity to support decentralisation of responsibility. All parties also need to share a vision and agree on process. Wilkinson reported success where “there is clarity and wide agreement on process”, and where “area committees have clearly defined decision-making powers, and their relationships to

decision and policy-making structures within council are transparent” (Wilkinson 2005: 5).

According to Burgess et al (2001) central government has a leadership role in creating the environment in which devolution can occur, including by “resourcing community engagement and facilitating local flexibility, pooled budgets and more risk-taking” (Burgess et al 2001: 1).

North et al (2007) noted the importance of government coordination:

A fragmented and often unaccountable governance system is hampering the coordination... [needed] to tackle the economic problems of deprived areas. Successful initiatives have a strong delivery focus that is outward-looking and client focused, and bring together key agencies and local stakeholders (North et al 2007: 1).

The UK experience also gives insight on possible hurdles, such as the need to drive culture change to support a devolved approach:

Local-devolved policy relationships are still largely organised around departmental ‘silos’ (Jeffery 2002: 2).

Westminster remains a major influence not just in financial and policy terms but also as a mindset, one that does not always sit in accordance with the aspirations of devolution (Bennett, et al 2002: 2).

This paper includes only a few examples of where devolution has been included as part of location-based approaches to disadvantage. However, there is a great deal more expertise on this topic which governments could draw upon in developing devolved approaches and avoiding pitfalls.

This paper recommends that when developing and implementing policies and programs to be delivered in identified priority locations, governments ensure that public servants are explicitly given permission, opportunity and support to devolve responsibility to locally-based governance mechanisms where these approaches are appropriate (see Recommendation 6.1).

It is important to stress that devolution of responsibility to local bodies happens gradually and only occurs following the development of necessary capacity in those bodies. Different sites will have different levels of devolution, that is, the level of control by central governments will differ. For this reason, the amount of capacity required in the local body will also be different. However, certain core capacities will be

required of any body exercising devolved power, such as democratic legitimacy (a proven history of representing local views) and an ability to manage funds responsibly.

This paper recommends that, when designing place-based initiatives, the Australian Government explicitly plans to build capacity in priority locations and when adequate capacity is developed, gradually devolves responsibility to those institutions to design, fund and deliver initiatives to address disadvantage in their local area (see Recommendation 4.2).

3.4 Capacity development at local and government level

The process described above, from improving engagement to devolving responsibility, all requires a continuous and sustained process of capacity building.

The United Nations Development Program defines capacity development as:

Capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals. Capacity Development entails the sustainable creation, utilization and retention of that capacity, in order to reduce poverty, enhance self-reliance and improve people’s lives (Cited in Graham and Fortier 2006: 146).

Tony Vinson argues that the key issue in addressing concentrated disadvantage in locations is the loss of local capacity occurring as a result of that disadvantage (citing evidence from Atkinson and Kintrea 2001):

What holds deprived communities back often is more than the sum of individual and household disadvantages and environmental and infrastructural needs. The social climate of disadvantaged places frequently exerts an influence in which inputs of the two types mentioned can be absorbed without lasting benefits (2009: 4).

Despite the objectives of individual parts of location-based initiatives, community capacity building should be the ultimate goal:

...programs focusing on public spaces, housing, transport systems and business are often seen as priorities. These ideas are all to the good but, complicating though it may be, successfully implementing these strategies requires that they be seen as means to an end and not as independently adequate ways of achieving a sustainable transformation in the lives of people residing in markedly disadvantaged places (Vinson, 2009: 4, Vinson’s emphasis).

Vinson states that while the exact nature of required capacity building will differ between communities, “a substantial body of knowledge enables us to set down with confidence attributes... which in combination help to sustain effective community functioning”. These attributes are:

- > the *substance and style* of decision making, including “orderly but open arrangements exist for generating an action agenda” and local leadership that is systemically identified and developed;
- > *resource generation and effective allocation*, including funding that is “equitably employed in support of community goals”, services delivered in a way that attempts to ensure all community members benefit, and locals who contribute to community initiatives;
- > *the integration of people, groups and community organisations*, including a stronger sentiment of attachment to the local area, participation in community affairs, and relationships alliances and trust between local organisations and the community; and
- > *the maintenance of direction, energy and motivation*, including processes that exist to bring together people with different opinions and contain tensions (Vinson 2010).

In research of international and domestic literature, four particular success factors for local governance were mentioned repeatedly, all of which centre on local capacity:

- > the importance of visionary, inclusive and stable local leadership;
- > institutions and ‘rules of the game’ which are clear, consistent, predictable and understood, including a clear strategic direction based on shared understanding by all involved;
- > institutions which are locally legitimate, including broader community engagement where success depends on input from a range of interests, and where broader community needs to own the problem and solution; and
- > local governance institutions which are effective (for example, having the competence to make decisions, manage finance and resolve disputes).

Previous work by the Board has also identified principles for building strong, resilient communities by building resources and capacity. These are a call to:

- > understand the community in terms of its composition, strengths, opportunities, vulnerabilities and attitudes;

- > embrace diversity;
- > promote community leadership to set priorities and promote a sense of purpose;
- > build a strong and diverse local economy;
- > build strong networks and support;
- > promote learning and innovation; and
- > recognise the role of the physical environment and infrastructure (Australian Social Inclusion Board 2009).

Graham and Fortier provide a definition of capacity building that includes three elements:

- > individual capacity building that focuses on “developing the skills, knowledge, and values of individual people and giving them the tools to do their jobs”; although this commonly involves training, the establishment of professional associations is a common strategy;
- > organisational capacity building that seeks to improve aspects of the organisation such as its mission, policies, morale and role definition; methods include commissioning a third party program review, leadership change, or certification of the organisation under a recognised standard; and
- > system-wide capacity building that focuses on “relationships among organisations in a system” and seeks to improve legal or regulatory systems, system resources, relationships among players (2006: 148–50).

Capacity building is more than training programs, although this is a part of the process. In the context of working in locations which lack governance and leadership capacity, it is a process of improving the ability of local organisations and structures to represent the needs of the local community and in some cases deliver services. As Graham and Fortier discuss, this could involve the organisation taking part in an ISO certification scheme covering matters like financial management. Incorporation, and the requirements it brings, could also be seen as a capacity development exercise.

Improving organisational capacity can have flow on effects for individual and system level capacity. Graham and Fortier report that ISO certification can improve individual capacity by requiring that organisation staff hold certain skills to retain the certification (2006: 149). Incorporation could improve organisational processes by formalising processes for engagement and reporting to the local community.

Vital to building the capacity of local governance is supporting the development of local leadership. This appeared consistently in the review of the local and international literature as the most important factor in the success of local governance. For example, Limerick spoke of the need for leaders with capacity to bring contending factions together and exhibit a whole-of-community approach to governance, rather than simply rewarding family and supporters (2009: 22).

More specifically, leadership of a local mentor or champion will also enhance the development of local leadership and the maintenance of momentum to attainment of overall goals (Tony Vinson 2010, personal communication). Pope and Lewis also argue that local champions are good for maintaining motivation on complex and long-term partnership projects, “community confidence” and “making others receptive to providing assistance (a door opener)”. Pope and Lewis suggest “members of parliament, local identities, business people or local government councillors” as potential champions (2008: 453).

Remote Operations Centre managers discussed the lack of existing leaders in many communities and the need to draw out and develop potential leaders. One manager mentioned that many locals were happy to be consulted and enter into discussions about improving service delivery, but were not willing to take charge. One strategy currently being tried is to invite people to get involved in informal working groups and hope that over time some of those people will be more willing to take formal leadership positions. Neighbourhood Renewal’s Maidstone-Braybrook site has also adopted this ‘soft-entry point’ approach to developing leadership and capacity. The Neighbourhood Renewal evaluation reports that local residents are engaged to help organise the annual Braybrook Big Day Out event which aims to both build pride in the local community and “provide local residents with skills and experience through the organisation and running of the festival, which in turn contributes to capacity building within the community” (Victoria, Department of Human Services 2008: 15).

Victoria’s Best Start program reported difficulty engaging parents in partnerships and working groups. Some of the reasons cited were the use of jargon and feeling overwhelmed by professional partners such as service providers. Some sites found that parents were more likely

to participate in “short term and action focused working groups” rather than participating in discussions around the overall management of the project (Raban et al, 2006: 53).

This experience broadly aligns with these findings in the broader literature around the challenges of engaging communities:

- > residents may not want to be actively engaged or devote significant energy to a project, and may prefer more passive means of consultation, for example, areas of greatest disadvantage are likely to have very low levels of community engagement (Burton et al 2004: 17, 37);
- > formality and technical language or processes will discourage many locals from engaging in local governance bodies, as will requiring people to discuss technical topics such as financial planning or economic development (Burton et al 2004: 30–1, 36.); and
- > being flexible, using a variety of engagement methods, and allowing people to engage in discussing practical issues which have personal relevance to them will be more successful (Burton et al 2004: 20, 31; Barnes 2008: 24).

While noting that capacity building approaches will need to be tailored to each location, this paper recommends that the approach to capacity building in locations of greatest disadvantage focus on three key capabilities:

- > economic and human capital capacity, for example, health, education, skills and links to employment opportunities;
- > physical infrastructure which allows residents to participate in social and economic activity, for example, accessible public transport and child care centres which allow residents to access jobs; and
- > social capital, including leadership and governance capacity, to enable local institutions to articulate local needs and advocate on the community’s behalf.

Capacity building requirements will differ between locations. In particular, local leadership and capacity to represent and advocate for local needs will be present in some communities but not others. This being so, governments will need to assess what capacity already exists in the early planning stages. In some locations, governments will need to be prepared to spend longer building capacity before establishing a community governance mechanism and

determining local priorities (see Recommendation 5).

As Graham and Fortier point out, capacity building is also about improving the system-wide factors. Relationships and systems through which local bodies and government interact are a key part of ensuring the success of location-based initiatives.

Working effectively in locations will require increased capacity in both local and government players. A weak link at any point of the governance chain risks the entire initiative.

A common theme in discussions with practitioners has been the importance of community engagement, community development and whole-of-government coordination skills in public servants working in locations. For example, the Coordinator-General for Remote Indigenous Services asserted in his submission to the Advisory Group on the Reform of Australian Government Administration, that:

Effective engagement with community members is also essential in the partnership approach envisaged under the [Remote Service Delivery National Partnership]. Officers must be able to balance their accountability to government and the restrictions of centrally designed programs with their accountability to communities and the need for flexibility to meet local needs (Gleeson 2009: 2–3).

In particular, the Coordinator-General's second six-monthly report noted:

...gaps in the capabilities of traditionally trained public servants to work with remote Indigenous communities to develop their capacity and work in the new ways required under the Remote Service Delivery partnership (CGRIS 2010: 66).

The same report recommended that:

...the Australian, state and territory governments consider developing targeted education and training programs... for government officers engaged in the Remote Service Delivery National Partnership, to ensure officers have the appropriate skills and cultural competency to work in priority communities (CGRIS 2010: 67).

NGO workshop participants also stressed in relation to their own programs run in metropolitan Melbourne how crucial it is to have staff that hold specific skills in building relationships and promoting community engagement.

Each location targeted through a place-based initiative will be different, and each location will have different capacities and capacity building needs. Experience in remote Indigenous locations will not always be transferable to an urban location due to stark differences such as population size, access to services and infrastructure, and presence of employment opportunities. Capacity building approaches will need to be tailored to each location, based on a thorough understanding of local conditions.

Skills required of place-based public servants will also differ between locations. In discussing the importance of "skilled and experienced staff", Burton et al's (2004) review of community involvement techniques discusses the "varied role that specialist staff may play" and even that "community development staff are not universally acknowledged as useful" (2004: 19–20). Location-based initiatives will take place in a broad variety of circumstances and skill sets required will differ between locations. For example, staff working in remote Indigenous locations will need to have the ability to adapt services to fit a different cultural context (Libesman 2004: 2; CGRIS, 2010: 65–6).

There will be no one skill set for public servants working in locations. In addition, there are currently public servants who have the capabilities required to work effectively in locations. With these qualifications in mind, and broadly following the recommendation of the Coordinator-General for Remote Indigenous Services (above), **this paper recommends that governments actively seek to develop the capability, including cultural competency of public servants for location-based work (see Recommendation 6.2).**

3.5 Funding, measurement and accountability

As has been argued above, envisioning a different government approach to location-based initiatives will necessarily have implications for the approach to funding and accountability.

As the APSC has suggested, it is relevant:

...to pose a range of questions about the compatibility of the existing accountability framework and the capacity of APS agencies to effectively tackle wicked problems.

Is the requirement to tightly specify programme outputs and outcomes useful in an environment where even defining the problem and solution is difficult? Does the accountability framework within which APS agencies operate have enough flexibility for programmes that are aimed at outcomes that may not be evident for years...? Does the current accountability framework pose a barrier to APS agencies becoming more innovative, flexible and adaptable in their policy formulation and programme implementation when tackling wicked problems?
(APSC 2007: 23)

The Senate Select Committee on Regional and Remote Indigenous Communities noted in its May 2010 report that it has “repeatedly heard about the difficulty with funding arrangements across each jurisdiction” and mentioned three particular issues:

- (a) *Communities require greater flexibility in funding arrangements to allow more efficient use of funds;*
- (b) *Short term funding arrangements significantly limited the effective operating duration of a project, leading to inefficiencies and a higher risk of failure; and*
- (c) *Reporting obligations represented an excessive burden on organisations* (The Senate 2010: 47–8)

Many of the points argued below around the term and flexibility of funding and accountability mechanisms have general application to broader discussions about how governments fund non-government partners. In light of the interest in this topic from the Australian Government’s third sector reform agenda and processes such as the Productivity Commission’s recent report on the contribution of the not-for-profit sector, the scope of this paper is limited to governance models in relation to location-based initiatives.

Addressing disadvantage clustered in locations will require communities to be able to access government funding and spend it according to local needs. If this is to succeed, governments need to be open to flexibility on funding, measurement and accountability mechanisms. This does not mean that accountability should be abandoned, but rather that accountability processes suitable for what governments wish to achieve should be ensured. In discussions with practitioners, it appears that these changes are already happening across government. The challenge now is to systematise these changes

for other location-based initiatives and be willing to keep fine tuning.

Funding for a location-based initiative needs to have three key elements. It needs to allow for long term funding, to be flexible, and to have accountability arrangements suited to the more flexible funding arrangements.

Long term

In the Board’s view, the most critical element of the funding mechanism for a place-based program is that the funding commitment must be long-term. As Tony Vinson puts it:

Tough decisions are required about staying the distance with a manageable number of highly disadvantaged communities in order to ‘turn around’ the life prospects of those who reside in them. No absolute time limit can be set for that endeavour but it will need to be nearer to seven or eight years than the standard two or three... The consolidation of disadvantage over decades cannot be reversed in a year or two (2007: 100).

This length of time is broadly supported across the literature. For example, Victoria’s Neighbourhood Renewal program has an eight-year funded intervention. (Victoria, 2008: 7). The Neighbourhood Renewal evaluation cites a UK Social Exclusion Unit figure of 10–20 years to reverse entrenched disadvantage (Victoria 2008: 7). World Vision’s area-based initiatives have a typical timeframe of 10–15 years (World Vision 2009). In a written submission, Melbourne Citymission said that at least three to five years of a location-based initiative need to pass (after at least one year lead-in) before tangible improvements are seen.

Vinson continues that the price of short term commitment is not only a failure to make gains, it risks doing extra harm:

When the will of a long disadvantaged community to deal with its problems is stirred and assistance is proffered, the let-down occasioned by the premature withdrawal of help can leave people feeling more hopeless than before the process began (2007: 100).

Location-based initiatives also require a long lead-in time. Discussions with practitioners suggest at least 12 months will be required, though longer may be needed in locations where less local capacity exists. This time is needed to allow comprehensive mapping of existing services and institutions to avoid wasting money on duplication and ensure new investment

builds on the strengths that already exist. Time is also required to build the relationships, trust, engagement and capacity, without which no progress can be made. Although these elements need to be built throughout the initiative, a base level is required before work can start.

Government participants at workshops agreed that the budget cycle discouraged longer-term funding and that difficulties in measuring progress, the nature of portfolio reporting requirements, and the election cycle militate against long term funding. Participants agreed longer funding terms, for example five years, would be preferable, but had concerns about funding an initiative for ten years.

Difficulties that long-term funding commitments present for government should not be lightly dismissed: however, turning around the problems faced in the most disadvantaged locations will necessarily take time. Building local leadership and capacity in all cases will benefit the community, regardless of the benefits which flow from broader economic development. Even where suburbs as a whole become gentrified, pockets of extreme disadvantage can remain, for example the public housing estates in Collingwood and Fitzroy in inner Melbourne, where Neighbourhood Renewal interventions have been based. A local governance body in areas such as this, with power to adapt programs and funding, will be able to adapt to changing demographics.

This paper recommends that, in future place-based initiatives, the Australian Government includes long-term funding arrangements and investigation of funding options (for example, community foundations) that can continue to provide funding after intensive government funding ceases (see Recommendation 4.3).

Flexibility

Wicked problems require a flexible and iterative approach, both because the problem in question is poorly understood at the outset, and because the problem definition can change over time. This means that solutions used to address place-based disadvantage—and by extension the funding for those solutions—will need to be able to evolve as understanding of the problem improves.

There is already room for flexibility in the Australian Government's financial management framework as set out by the *Financial Management and Accountability Act 1997*

(the FMA Act) and its related instruments. The Department of Finance and Deregulation (Finance) advise that this framework, although most often applied with a focus on agency-level management of public resources, also contains a number of under-utilised mechanisms to facilitate whole-of-government operations and cross-agency activities.

The mechanisms include:

- > one or more agencies accessing an appropriation administered by another agency, through 'Drawing Rights';
- > a number of agencies being able to access a common appropriation pool, through a properly designed Special Account: recently, this mechanism has been used to create the Northern Territory Flexible Funding Pool Special Account (allowing multiple agencies to access a single pool of funds for Indigenous employment projects) and a flexible funding pool to support the National Partnership Agreement on Remote Service Delivery, discussed below;
- > joint contracting and other cooperative arrangements: in March 2009 section 44 of the FMA Act was amended with a specific note to recognise that agency Chief Executives are able to enter contracts on behalf of the Commonwealth and can also enter contracts to enable cooperative arrangements with other agencies; and
- > agreements under section 12 of the FMA Act to permit outsiders (that is, people who are not Ministers or agency officials) to receive, have custody of, or make payments of public money.

As discussed above, pooling funding is one technique for increasing flexibility of funding. This mechanism aggregates funding from various sources into one fund that can be used for a variety of different purposes identified as priorities by the local community. Advantages of a flexible funding pool include that local priorities that would otherwise fall through the cracks of existing grant and funding frameworks can be funded. Another is that funds for a number of different projects within the community could presumably be obtained through a single application, lessening administrative burden on local bodies when applying for funding and reporting on its use.

Current examples of flexible funding pool arrangements

Remote Services Delivery National Partnership

A flexible funding pool was established to be used by the Remote Service Delivery National Partnership. The Coordinator-General for Remote Indigenous Services' second report states:

The Australian Government has committed \$46 million over three years for a Remote Service Delivery Flexible Funding Pool to support the implementation of the National Partnership Agreement on Remote Service Delivery by enabling resources to flexibly and responsively meet needs identified through the Local Implementation Plans or similar processes.

Proposals to be funded will be assessed according to operational guidelines, which indicate that:

- > funds can only be spent on measures that have been developed through Local Implementation Planning processes;*
- > the Flexible Funding Pool should only be drawn upon when a project does not meet other existing program guidelines or when existing programs are fully committed in the short to medium-term;*
- > funding is only available for one-off, non-recurrent purposes; where any seed funding is proposed, ongoing funding requirements should be considered and, if required, an ongoing funding source identified;*
- > proposals may be used to meet the expenses of redesigning or reforming an existing program to better meet Indigenous community needs, but should not provide ongoing recurrent program funding; and*
- > proposals for capital or infrastructure projects must indicate who will be responsible for the recurrent costs, and their ongoing repairs and maintenance.*

The Funding Pool has been established to be able to accommodate additional contributions from other Australian Government agencies, state or Northern Territory Governments, and local governments (CGRIS 2010: 78–9).

Family Centred Employment Project

The Department of Education, Employment and Workplace Relations' Family Centred Employment Project adopts a similar strategy at the family level. Families are asked to identify their own needs in a holistic sense and a family plan is developed outlining how those needs will be addressed. While the provider's initial approach is to support families to access existing services and make sure those services operate in a joined up manner, they also have a pool of untied brokerage funds that can be used to meet needs for which no services are readily available. DEEWR works closely with the provider at the local level to ensure the expenditure is accountable while retaining the flexibility to meet the unique needs identified by the family.

Fitzroy Futures Fund

The Fitzroy Futures Fund has been developed by the Western Australian Government for the use of the Fitzroy Futures Forum (discussed above). The Department of Housing and Works, supported by a contracted consultant, administers the fund, and grant applications require approval of the Minister for Housing and Works.

The Minister is advised by the Fitzroy Futures Fund Advisory Board, which comprises representatives of the Commonwealth, state and shire governments, chairpersons of the four language group councils and two members of the Fitzroy Crossing Community.

The Department has allocated \$2.5 million to the fund to be spent over around five years. The Advisory Board meets between two and four times per year to review existing grants, initiate application process for new grants and decide on grant applications to be recommended for approval.

The evaluation of the United Kingdom's Neighbourhood Renewal Fund provides insights into how flexible funding instruments are most successful. This fund was the "principle funding mechanism" for the UK's National Strategy for Neighbourhood Renewal at local level. It was made available to 88 local communities where local authorities in partnership with Local Strategic Partnerships (established through the Neighbourhood Renewal initiative) determined how the money would be spent (Cowen, et al 2008: 13).

The evaluation found the Neighbourhood Renewal Fund had "achieved a range of positive achievements...achieved a high level of additionality with low levels of leakage, displacement and deadweight" and "provided good overall value for money". However, the impact and effectiveness of the fund was limited by poor use of evidence, both in the planning stage "meaning that the level of sophistication in targeting NRF was often poor" and in data collection and evaluation, resulting in "a limited understanding of what does and does not work" and "an inconsistent understanding of progress".

Impact was also hampered where there was limited effort in locations to "change the

emphasis of mainstream funding" in locations. The evaluation found that "the re-alignment or re-allocation of mainstream funding and activity can be said to be critical to the overall success of [the Neighbourhood Renewal Fund]... and the impact and effectiveness of [the Fund] is limited without it".

The evaluation found the Neighbourhood Renewal Fund was most effective where programs were focused on local needs and linked to accepted targets, there was a focus on "re-shaping and influencing" mainstream funding and services, and evidence-based design and evaluation (Cowen, et al 2008: 10-11, 72).

Another potential model is the single local funder model, where a single, large organisation is contracted to receive funding and then subcontract and broker services to local organisations. However, it is important to ensure that the local community is engaged in the decision making process and setting local funding priorities. This involves establishing mechanisms to ensure the local broker is guided by, and held accountable to the views of the local residents.

Case studies in funding a single local broker funding pool arrangements

Communities for Children

Communities for Children Facilitating Partners provide strategic plans and budgets which involve three-year contracts with local service providers.

Evaluation of the Communities for Children initiative found that where facilitating partners were a “well-established, locally known NGO” the program had “credibility and instils a sense of community ownership... and assisted Facilitating Partners to identify and engage key stakeholders... build networks and facilitate service coordination”. The evaluation also notes the need for flexibility on when money is spent to allow for effective use of resources, recognising that some stages of the program require more spending than others. (Muir et al, 2009: 37-9).

Office of Aboriginal and Torres Strait Islander Health

The Office of Aboriginal and Torres Strait Islander Health (OATSIH) in the Department of Health and Ageing is responsible for funding a number of Aboriginal Medical Services (also known as Aboriginal Community Controlled Health Services) throughout Australia. Aboriginal Medical Services are: primary health services “initiated and operated by the local Aboriginal community to deliver holistic, comprehensive, and culturally appropriate health care to the community which controls it (through a locally elected Board of Management) (NACCHO, 2008).

OATSIH’s single funding agreement aims for:

- > creation of a nationally consistent framework for reporting outcomes;
- > strengthening of planning support for each service;
- > increased funding integration within services; and
- > improved and simplified reporting requirements between states and territories and the Commonwealth.

(Morgan Disney and Associates, 2006: 30, citing Office of Aboriginal Health, Western Australia.)

Approach to accountability

Accountability mechanisms in place-based approaches will need to be able to manage increased flexibility in how money is spent, and allow for processes by which the local community as well as ministers and central government can hold spending decisions to account.

Increasing local control over spending and tailoring that spending to often shifting local priorities will require a shift in accountability. Peter Shergold speaks of moving from standard outsourcing to “a more adventurous form” in the interests of innovation:

A contractual relationship, initially based upon rigid compliance to prescriptive administrative guidelines, has the potential to be transformed by collaboration. Third party delivery, particularly through third-sector organisations, has the capacity to evolve into partnerships in which public and community goals and values become not only more similar but more creative in delivering public benefit (2009: 6).

The Board’s discussions with Commonwealth public servants suggest this evolution is already occurring. For example, Board workshops revealed a Department of Health and Ageing Healthy Communities Initiative which funds innovative local healthy lifestyle programs and health promotion approaches. Funding agreements are framed, through the use of ‘living’ implementation plans, to allow minor changes to be made to the service offered by the funded body without requiring amendments to the contract (though more significant changes would require a deed of variation). Like the formal funding agreements, implementation plans become legally binding once accepted by the Department. The Department ensures funded bodies can update their plans quarterly, incorporating changes to reflect on-going needs assessment, community consultation or evidence of program success or failure. To manage risk, a far more collaborative approach is taken by department staff involving frequent, almost daily contact with the funded body. By building a relationship and maintaining contact, issues are raised early and dealt with before problems get out of hand.

In a similar scenario, a DEEWR staff member spoke about the Parental and Community Engagement (PACE) program. PACE funds locally developed projects which assist Indigenous

families to engage with schools to improve educational outcomes for their children. DEEWR staff assist in the development of PACE Proposals with performance indicators and project milestones. Like Healthy Communities, the focus is on building a relationship between department staff and the funded body to ensure any potential compliance issues are spotted early.

Work is also underway across jurisdictions to implement the Standard Chart of Accounts for the not-for-profit sector which will provide an opportunity for alignment of accounting and reporting requirements. The Australian Government has also committed to the scoping of a national regulator for the non-profit sector which would aim to “remove the complex regulatory arrangements currently in place and streamline reporting arrangements” (Australian Labor Party 2010: 1). Ultimately, this will also improve the accountability of non-profit organisations both in meeting their objectives and in the use of donor funds, thereby building an awareness of, and trust in the work being done by the sector within the local communities.

Part of the difficulty with accountability in place-based initiatives is with measuring progress. A participant at an NGO workshop stated: “true principles of community development” are not generally funded, and outputs, let alone outcomes are impossible to demonstrate meaningfully in the short term...the number of children attending a playgroup tells us little about community engagement”. More tangible indicators, such as improved employment rates of employment or high school retention may take a long time to materialise.

Participants at a workshop with government officials were confident that strategic change indicators can address these measurement challenges, though they also felt that a need to focus on tangible outcomes for reporting requirements such as Senate estimates was a shaping influence on how progress is measured.

The local community, as well as the ministry, must have power to hold an initiative to account. For example, the Fitzroy Futures Forum holds an open forum every six months, including a community soap box allowing community members to speak freely about what they see as the key issues in the community. Service providers and government representatives who attend are told in clear terms how the public views their service. According to one

public servant with experience of the Fitzroy Futures Forum, government representatives “get used to the idea that they need to engage with the Fitzroy Futures Forum”, and this ultimately brings a paradigm shift in terms of how government works with the community. We argue that this kind of process—a local Senate estimates hearing—provides a valuable feedback loop.

Maintaining upwards accountability for the spending of public money is vital; however, so is improving accountability to communities affected by location based initiatives. This paper proposes that an approach centring on community capacity building will come with an added level of accountability which ensures responsible spending of money. In addition to the government’s accountability mechanisms, an empowered community will be more likely to hold their local governing bodies to account.

Conclusion

Adopting funding and accountability techniques which are more suited to location-based approaches will require adaptation and experimentation by the public service. **This paper recommends that when developing and implementing policies and programs to be delivered in identified priority locations, governments ensure that public servants are explicitly given permission, opportunity and support to use innovative funding and accountability approaches where these approaches are appropriate (see Recommendation 6.2).**

The community foundation model

The community foundation model is a potential model for a long-term, flexible and locally accountable funding mechanism:

- > a community foundation is a community controlled organisation which aims to disburse grants to local projects based on community priorities and build community resilience through the development of an endowment (Millar 2010). A study in 2008 estimated that there were 1441 community foundations in 51 countries, mostly in the USA, UK and Canada. (Marion Webster Consulting, 2008: 15–16). Philanthropy Australia’s Community Foundations Gateway lists 32 community foundations operating in Australia .;
- > a community foundation is managed by an advisory board of local representatives responsible for setting and communicating the foundation’s priorities, seeking and receiving grant applications, and encouraging and collecting donations to build a permanent endowment (Millar 2010);
- > government could support the establishment of a community foundation by assisting with the development of foundation structure and appointment of a board, providing grant capital to support initial funding priorities and to establish a permanent endowment and supporting fundraising activities with matched funds (Millar 2010). In 2009, the Victorian Government committed to select and support 12 community foundations throughout Victoria by provision of a \$100,000 grant, with incentive of further funding for foundations who could raise \$100,000. By April 2010, five of the 12 foundations, to be selected based on specified criteria, had been selected (Victoria, Community Foundations 2010; Melbourne Community Foundation 2009: 9); and
- > Relatively long lead times (at least four years) would be required to establish the foundation including setting up the board, building necessary capacity and establishing an endowment (Millar 2010).

Risk and cost



Risk and cost

When new ways of working are proposed, typically there is concern that increased risk comes with change. This paper argues that the approaches advocated here have no greater risk than that associated with maintaining the status quo. It also argues that adopting this approach will not necessarily be more costly than present practice. Entrenched disadvantage comes at a cost, for example, in terms of lost productivity, individual benefits paid over the course of a lifetime, the cost of chronic, preventable disease and mental illness, crime and justice administration. This being so, a great deal of government money is already being spent directly or indirectly on locations of greatest disadvantage.

It would be exceedingly difficult and beyond the scope of this paper to estimate the cost of location-based concentrations of disadvantage, or the benefit of improving governance of location-based initiatives. However, the cost of individual forms of disadvantage can be measured and are useful in demonstrating the cost of allowing disadvantage to persist and savings that can be made by addressing it effectively.

For example, a 2003 project by The Australian Housing and Urban Research Institute (AHURI) summarised a number of Australian and overseas studies that investigated the cost of homelessness. AHURI summarised some of the main findings in the following terms:

Societies can expect substantial and quantifiable gains from alleviating homelessness, with some studies showing financial cost savings in support services alone outweighing the costs of providing stable housing for homeless people.

Providing stable housing for homeless people generated cost savings in a range of support services areas. In some cases, the savings paid for most, if not all, of the housing expenditure; in other cases, the gains exceeded the costs. Any other benefits to society or to homeless people were additional (AHURI 2003: 1).

Another study by AHURI, focusing on the cost-effectiveness of homelessness programs for adults operating in Perth and the south-west of Western Australia found that:

...the potential annual whole-of-government savings are at least twice as large as the annual cost of delivering effective homelessness programs. This includes a range of different government-funded services including health and the justice system (AHURI 2005: 1).

A report by Access Economics on the benefits of early intervention to prevent youth disengagement found that interventions that reduce youth disengagement could potentially return 23.6 times the initial government investment to society and 7.6 times directly to the government through increased taxation revenues (under a scenario assuming a 50% potential return)¹¹ (Access Economics 2008: ii).

On the cost of mental illness, the Australian Government's Senate Select Committee on Mental Health argued that other diseases like heart disease and cancer may take more lives, but nothing causes as much ongoing suffering and disablement as does mental illness:

It is well established, but not well enough understood, that mental illness is the number one health problem causing years lost to disability in the Australian community (Mathers, Vos and Stevenson 1999).

The committee drew on a number of submissions discussing the costs of particular mental illnesses which stated that:

...over \$3 billion is lost to our economy each year by not addressing [depression]. These costs are not just to the health sector but include indirect costs that impact on other portfolio areas, for example welfare and disability support costs (citing Beyond Blue 2005).

¹¹ This study compared the benefits early intervention in terms of health system expenditure, productivity gains and value of life with the costs in terms of the reported program outlays of the early interventions for young people. A cost effectiveness analysis was also undertaken. Both of these analyses related to the timeframe 2009 to 2012, and used three scenarios of potential return (25% worst case, 50% base case and 75% best case).

Real financial costs [of bipolar disorder and associated suicides] total \$1.59 billion in 2003, 0.2% of GDP and over \$16,000 on average for each of nearly 100,000 Australians with the illness. Around half of this cost is borne by people with the illness and their carers (citing SANE Australia).

(Australia, Senate Select Committee on Mental Health 2006: 48–50)

Access Economics estimated the financial costs of mental illness in young people (aged 12–25) to be \$10.6 billion, where:

\$7.5 billion was productivity lost...\$1.6 billion was the deadweight loss from transfers including welfare payments and taxation foregone, \$1.4 billion was direct health system expenditure and \$65.5 million was other indirect costs (Access Economics 2009: ii–iii).

Although any initiative to address entrenched disadvantage will necessarily be costly, this paper argues that the cost of being ineffective, currently dispersed throughout the Australian economy, is almost certainly greater. The fact that location-based concentrations of disadvantage have been able to persist indicates that the approach up until now has not worked well for the most disadvantaged populations which warrants investment in different approaches.

Taking the approach to addressing place-based disadvantage that this paper advocates may involve a level of uncertainty that the public service is not generally comfortable with as it requires a level of devolution of decision making and a more flexible and iterative approach to service delivery and funding. However, this approach is based on an understanding that location-based disadvantage cannot be addressed without involving a wide range of stakeholders across all levels of government and other sectors of the community directly in the policy design and delivery process.

As discussed in Chapter 2, sharing responsibility with a large number of actors via a network governance approach requires different risk management mechanisms as compared to a market approach. Where the market-based approach manages risk through terms of contact, the network approach relies on building trust. Mechanisms for developing and maintaining trust, such as certification, conflict resolution and supervision arrangements, can be built into governance systems.

The alternative—maintaining central control over the process of addressing location-based disadvantage—comes with its own risk. Local communities will lack real ownership of local problems and the capacity to address them, and lack resilience in the face of new crises as they arise. Meanwhile, the majority of capacity to address local problems will remain with bodies with least knowledge of those problems, rather than the other way around.

Conclusion and recommendations



Conclusion and recommendations

The concentrated and entrenched disadvantage found in Australia's most highly disadvantaged locations is one of Australia's most significant social policy challenges. It is also extremely complex. This paper has discussed approaches for relatively small locations, of 5000 inhabitants or less. However, location-based disadvantage and initiatives to address it can focus on different sized populations.

The opening argument in this paper was that governments are not typically geared to solving such complex problems. A standard government problem solving approach involves the government defining the problem and best available solution, assuming a relatively linear relationship between causes and effects and favouring clean processes and centralised control. As the APSC (2007) and Chapman (2004) have argued, the most complex, or 'wicked' problems resist clear definition, feature a great number of elements connected in a non-linear fashion and require the involvement of many stakeholders to address.

This paper has argued—supported by a general consensus in the literature and the practitioners that have contributed to this research—that turning around the most severe and entrenched disadvantage must start with allowing the affected communities to be part of the process. Appropriate support will still need to be offered by governments, but key decisions about what the problems are, and how they can best be solved need to be led by the local community.

Some of the public servants consulted were wary of devolving responsibility to local communities because of the lack of capacity in local institutions to exercise it. However, the approach advocated in this paper is a middle ground which both offers communities the chance to build their capacity and engage in the policy process, while managing the risk that it can present. The approach starts with a re-conception of the role of government in regards to locations of greatest disadvantage.

This role needs to have a focus on investing in building community capacity and leadership. From that point, it requires using systems which

increase local engagement in defining local problems and solutions. This has the benefits of making use of local expertise and engaging local resources and commitment in a way that an externally devised and imposed solution (regardless of how appropriate that solution is) could never do.

Local engagement in the process must continue to increase to the point of gradually devolving decision-making responsibility from central governments to local institutions. This process itself further builds capacity by giving local institutions experience in governing. It creates a sustainable solution, as it strengthens local communities and gives them the tools to react independently to current and future problems, and makes the local community less reliant on intensive government assistance. Finally, it mitigates the risk inherent in a situation where the capacity to solve problems is held by bodies without the knowledge of the problem.

There are five key systemic elements to making this approach work. The first is to recognise the importance of aligning the economic and social policies and programs operating in the location. Ensuring social policies work for the community is vital, but improvement in social indicators will only be achieved with a strong local economic foundation.

The second is the need for all levels of government to have a shared focus and approach to turning around the entrenched problems in Australia's most disadvantaged locations. This must necessarily begin with agreement on which locations to focus on, and must extend to a coordinated approach to resourcing the effort in those locations.

The third element is a willingness to meaningfully engage local communities in substantive policy development and delivery decisions and work towards devolving responsibility to the communities in question. The fourth is a commitment to building capacity in both the community and the public service to allow engagement and devolution to occur.

The fifth and final element is funding and accountability processes which are suited to this different kind of approach. In particular, funding needs to be provided for the long term, because community engagement and development is a laborious process and deeply entrenched disadvantage cannot be expected to be reversed quickly. Funding also needs to be flexible to allow it to be spent on specific and often unique local needs. Flexibility is also required because the problems are likely to be incompletely understood, which means local bodies need licence to try different things, occasionally fail and constantly evolve responses as understanding of the problem improves.

More broadly, the public service needs to adopt an attitude to risk that accepts that an uncertain problem definition is an inherent part of complex problems, and innovative and constantly evolving responses are a necessary part of their solution. There is also a need to recognise that short term and inflexible responses are unsuitable for these approaches and so themselves promote risk and waste and implement ways to manage those risks. In the process of re-gearing government's approach.

Recommendations to the Australian Government

Recommendation 1:

Understanding the economic context

An approach to governance in locations of greatest disadvantage should be founded on an understanding of the economic situation in priority locations. This paper recommends that processes for designing place-based initiatives include:

Recommendation 1.1:

- > mapping the economic capacity and prospects for growth of the priority location and the surrounding area while planning initiatives;

Recommendation 1.2:

- > involving major local employers and educational providers (or their representatives) in the governance of place-based initiatives from the early planning stages and throughout the design and implementation of the initiative; and

Recommendation 1.3:

- > aligning economic and social development actions so they are mutually reinforcing in priority locations.

Recommendation 2:

Coordinating the efforts of all governments

This paper recommends that the Australian Government initiate discussions with state, territory and local governments and seek an agreement including:

- > the nomination of a list of priority locations and a method for identifying such locations in the future, building on methodology already developed by the Board to identify the most disadvantaged suburbs within the government's Priority Employment Areas;
- > the development of brokerage arrangements to facilitate responsibility for coordinating the efforts of the different levels of government, including nominating and empowering a single senior public servant to be responsible for leading the efforts of all levels of government in these locations, and for holding power and responsibility for committing resources of all jurisdictions involved under the resource allocation framework; and
- > the need to have a long-term commitment to identified priority locations, recognising the extended period of time required to turn around the most entrenched disadvantage.

The Commonwealth, states and territories are currently in discussions around developing the National Action Plan for Social Inclusion. The National Action Plan is intended to serve a particular purpose and may not necessarily be an appropriate mechanism for making the agreement suggested by this recommendation. However, the Australian Government could use their existing network of contacts used for National Action Plan negotiations to begin this discussion, rather than creating an additional mechanism.

Some states and territories may be more willing than others to enter into such an agreement, or willing to enter into such an agreement at different times. For this reason the Australian Government could pursue bilateral agreements with individual states and territories as opportunities arise, rather than attempting one multilateral agreement with all jurisdictions.

Recommendation 3:

Structure

While local governance structures will need to be developed on a case-by-case basis in each location, and no one structure will be able to be imposed on priority locations, this paper recommends that local governance structures in location-based initiatives should feature:

Recommendation 3.1:

- > a mechanism for coordinating services provided by all levels of government, the non-profit and business sectors, allowing service providers to deliver a 'no wrong door' entry point for residents seeking services;

Recommendation 3.2:

- > a community governance mechanism comprising:
 - : a formal council, board or similar entity which represents the community in all its diversity, including representatives of residents, the non-profit sector, business (particularly major employers), all levels of government, philanthropy, and special interest groups;
 - : governance mechanisms for driving local consultation and engagement and advocating for the needs with governments and the broader community; and
 - : Local governance mechanisms to be developed by building on existing mechanisms rather than creating new ones; and

Recommendation 3.3:

- > public servants should be given explicit permission, and adequate resourcing and time to develop a local governance mechanism as mentioned in Recommendation 3, and to build community engagement and develop locally agreed priorities.

Recommendation 4:**Recommended features of a place-based initiative**

This paper recommends that the Australian Government seek to include the following features in future place-based initiatives:

Recommendation 4.1:

- > Senior public servants based in locations vested with responsibility for spending and decision-making to allow them to broker solutions tailored meet the needs of the local community. Officers in locations would still be answerable to the lead public servant mentioned in Recommendation 2, and would work within locally agreed priorities. However, they would have authority to adjust the rules and adapt policies and programs of all levels of government to meet the needs of local community;

Recommendation 4.2:

- > an explicit plan to build capacity in priority locations and gradually devolve responsibility

to those institutions to design, fund and deliver initiatives to address disadvantage in their local area;

Recommendation 4.3:

- > long-term funding arrangements and investigation of funding options (for example, community foundations) that can continue to provide funding after intensive government funding ceases;

Recommendation 4.4:

- > public servants who are expressly permitted and encouraged to develop funding mechanisms which are flexible enough to meet the funding needs set out in statements of local priorities and allow for gradual devolution of spending responsibility to local level. These funding options will need to include accountability mechanisms which can support the aims of flexibility and devolution, and include strategies to manage any risks this creates; and

Recommendation 4.5:

- > over the longer term, agreement between Commonwealth, state, territory and relevant local governments committing to establish a resource allocation framework that reflects local priorities when those priorities have been decided. The framework should be used by governments to set out the parameters of their involvement and a menu of things they are willing to provide to the location based initiatives.

Recommendation 5:**Local capacity building**

Addressing the concentrated disadvantage in identified locations will require a focus on building local capacity. This paper recommends that the approach to capacity building in locations of greatest disadvantage focus on three key capabilities:

- > **economic and human capital capacity**, for example, health, education, skills and links to employment opportunities;
- > **physical infrastructure** which allows residents to participate in social and economic activity (for example, accessible public transport and child care centres which allow residents to access jobs); and
- > **social capital, including leadership and governance capacity**, to enable local institutions to articulate local needs and advocate on the community's behalf.

Capacity building requirements will differ between locations. In particular, local leadership and capacity to represent and advocate for local needs will be present in some communities but not others. This being so, governments will need to assess what capacity already exists in the early planning stages. In some locations, governments will need to be prepared to spend longer building capacity before establishing a community governance mechanism and determining local priorities, as set out in Recommendation 3.

**Recommendation 6:
Building government capacity**

Implementing place-based approaches will require the public service to adopt different ways of working when designing and delivering place-based initiatives. This paper recommends that:

Recommendation 6.1:

- > when developing and implementing policies and programs to be delivered in identified priority locations, governments ensure that public servants are explicitly given permission, opportunity and support to use innovative funding and accountability approaches and to devolve responsibility to locally-based governance mechanisms where these approaches are appropriate; and

Recommendation 6.2:

- > that governments should ensure that public servants working in locations have the community engagement/community development skills, including cultural competency to allow them to work effectively in locations.

Recommendation 7:

First steps

This paper recommends that the Australian Government seeks to engage states and territories immediately to begin work on the processes described above and seeks to secure agreement that:

- > by around March 2011:
 - : the Commonwealth, state and territory governments expressly commit to focusing attention on locations of greatest disadvantage; and

- : the state and territory governments each nominate highly disadvantaged locations in their jurisdiction in which to begin work, for the Australian Government to consider. This paper proposes that around 15 locations in total should be chosen at this point.

> By around June 2011:

- : the Commonwealth, state and territory governments begin engaging local government, business and non-profit partners in agreed locations and mapping the services and economic capacity of the identified locations to inform the menu of possible interventions;
- : the Commonwealth, state, territory and relevant local governments nominate a senior public servant to take responsibility for whole-of-government activity in these locations;
- : the Commonwealth, state, territory and relevant local governments develop proposals on how small amounts of existing spending in agreed locations can be directed to initial stages of community engagement and developing a local governance body; and
- : Commonwealth, state and territory governments seek cabinet approval to implement the points agreed above.

> By around September 2011:

- : the Commonwealth and relevant state and territory governments enter into bilateral agreements to begin work in agreed locations; and
- : they begin further engagement in priority locations with the aim of developing a local governance body and setting local priorities.

This paper proposes that the planning process could be done with existing resources. As the process develops, jurisdictions could jointly identify where funds could be directed from existing sources.

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