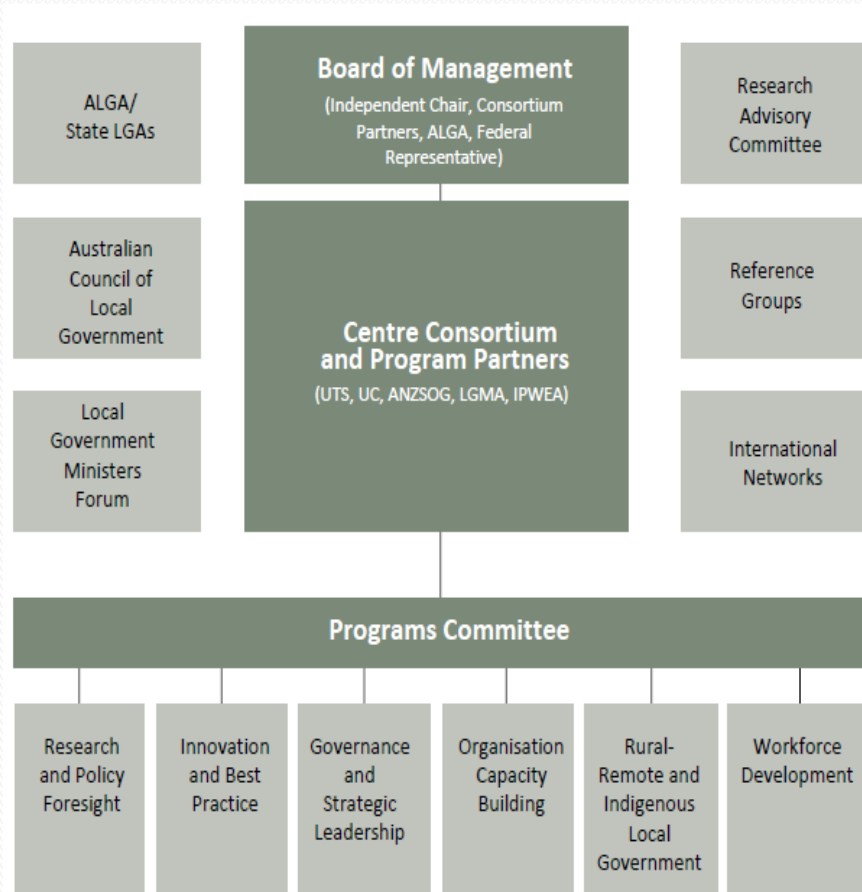


# Better Local Government: a view from Australia

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# ACELG [www.acelg.org.au](http://www.acelg.org.au)

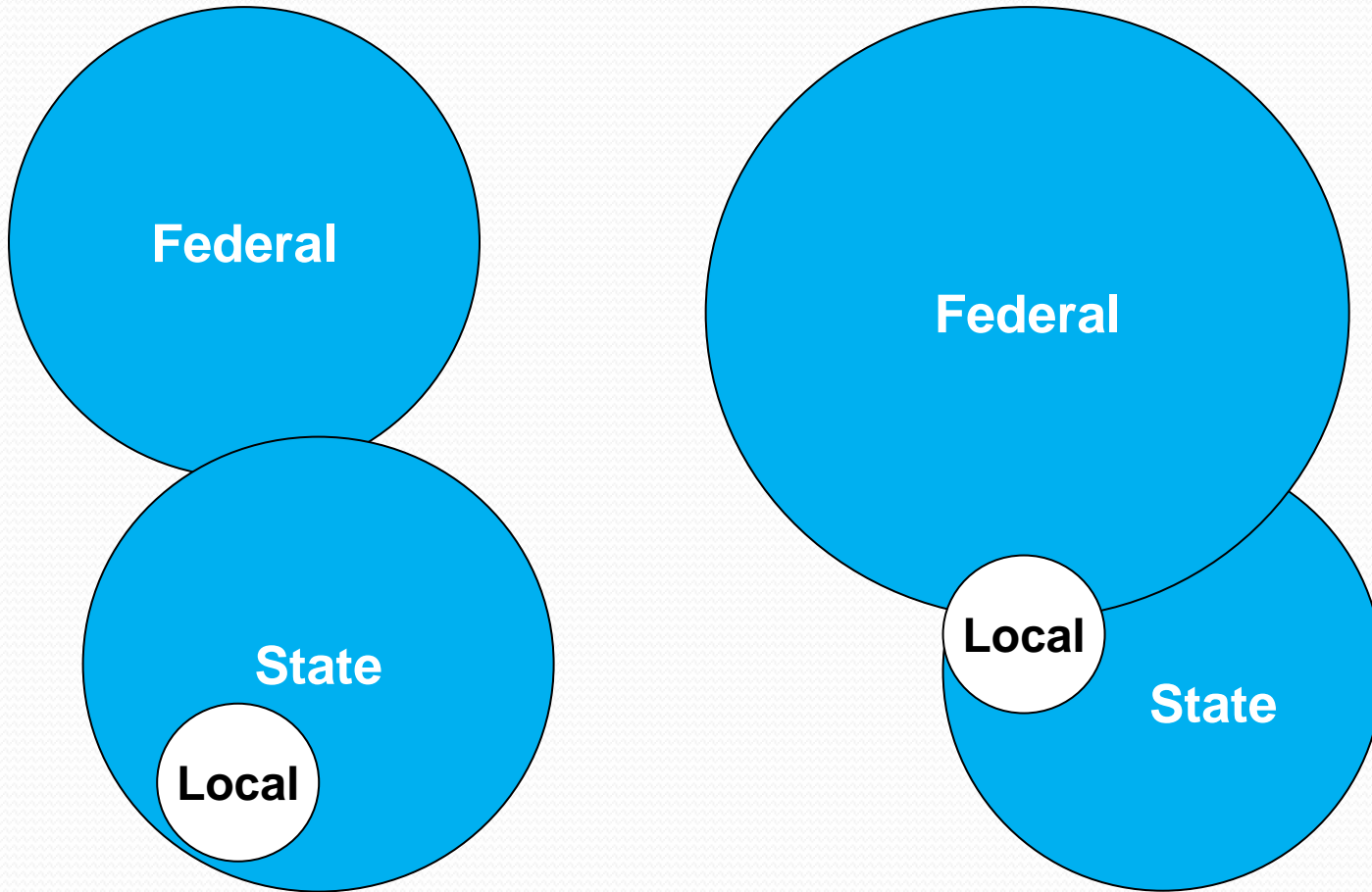


- Commenced October 2009
- Policy and practice orientation; research support
- Consortium of universities and professional institutes
- Mission to provide:
  - **R&D capacity for evidence-based policy and debate**
  - **Coordination in workforce development and training**
  - **Capacity building in key areas (especially financial and asset management)**
  - **Programs to enhance governance and strategic leadership**
  - **‘Showcase’ for innovation and leading practice**

# Australian local government

- About 560 councils; average popn 36,000; huge diversity
- Property rates are local government's only tax
  - 2007/08 rates raised about \$10bn; expenditure \$24bn
- On average >80% self-sufficient:
  - But great differences (large/small, urban/rural)
  - High grant dependency of smaller councils
  - Federal government is chief source of grants
- Own source revenue has grown much more slowly than State or Federal over past 40 years: a '\$3bn gap'
  - Rates have fallen sharply relative to fees and charges
  - Rate-pegging (capping) in NSW
  - Infrastructure spending held back
- But typical debt is minimal

# A changing federal system



# The ongoing debate

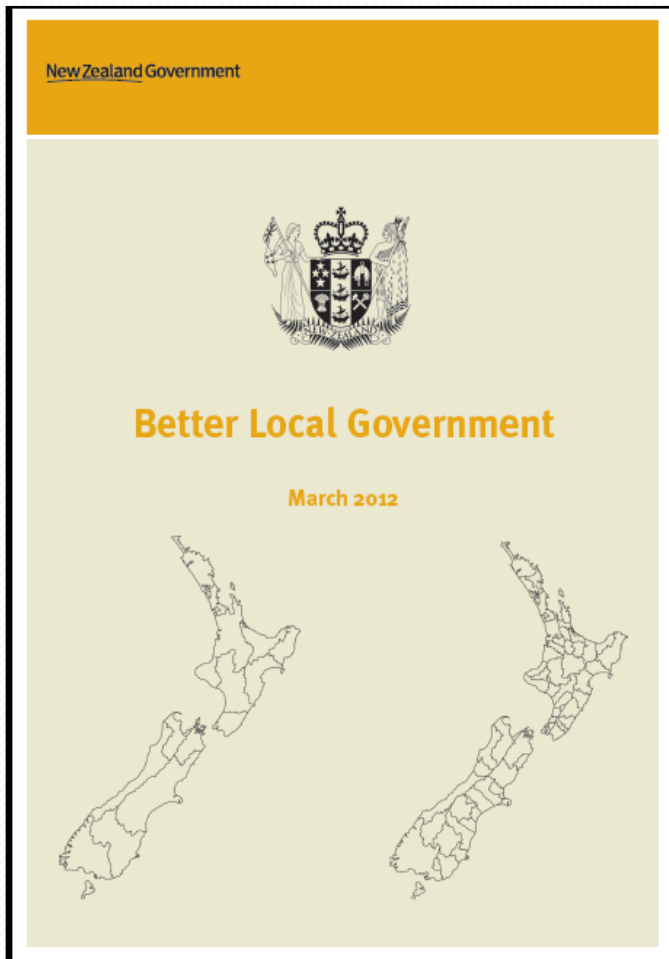
## Role of local government

Government ←————→ Service agency

## Nature of rates

Tax ←————→ Fee for service

# A tale of three reviews



- New Zealand: 'Better Local Government'
- New South Wales: 'Destination 2036' and Local Government Review Panel
- Perth: Metropolitan Local Government Review Panel

# Comparative themes

## New Zealand

1. Refocus purpose
2. Strengthen governance
3. Streamline reorganisation
4. Fiscal responsibility
5. Efficiency
6. Central/local regulatory roles

## New South Wales

1. Diverse community needs
2. Quality governance
3. Appropriate structures
4. Financial sustainability
5. Efficiency and effectiveness
6. Strong relationships

## Perth

1. Reforming roles and functions
2. Improving governance
3. An 'ideal' structure
4. Strategic capacity
5. Equity and efficiency
6. Reforming relationships

# Refocus purpose

- ‘BLG’ takes us back to the old debate of government vs service provider:
  - *“providing good quality local infrastructure, public services and regulatory functions at the least possible cost to households and business”*
- Sharper focus is an attractive idea, but:
  - What if local communities want their councils to play a broader role?
  - Who decides what constitutes ‘good quality’?
  - Where does strategic planning (‘community outcomes’) fit in?
  - How does this definition relate to regional and metro governance?



# Strengthen governance

- 3 elements in 'BLG':
  - Enhanced oversight of staffing by elected members
  - Expanded 'powers' for mayors (cf Auckland)
  - Wider scope for central government to intervene
- First two are consistent with international trends:
  - Managerialism may have gone too far
  - Need for effective 'place-based' leadership and partnerships
  - Emerging community governance (UK 'Big Society')
- Greater intervention to support struggling smaller councils may well be desirable: but who pays?
- What about the quality of management?

# Streamline reorganisation

- ‘BLG’ strengthens the role of the LG Commission to make independent decisions on boundary changes
  - **A clever package we should consider in Australia, provided the Commission is truly independent**
  - **Perth review makes similar proposal**
- Interesting comment on simplifying planning processes and moving to unitary councils
  - **Raises important questions about how residual regional functions are handled – tricky issues involved in shared services**
- Form should follow function: no ‘one size fits all’
- Concept of ‘strategic capacity’

# Fiscal responsibility

- 'BLG' introduces concept of 'soft' revenue, expenditure and debt caps
  - Based on fiscal responsibility requirement for central government agencies
  - Expenditure growth generally limited to inflation plus population increase
  - Enforced through new powers of intervention
- This is a 'reactive' variant of NSW rate-pegging
  - Danger that councils simply abandon responsible budgeting (eg infrastructure renewal)
  - Need for a robust guideline on sustainability
- Does it matter if local government 'overspends' provided it can pay its way?
  - Value of local democracy/
  - Small part of the economy
  - Perhaps local government should do more?

# Efficiency

- Two elements in ‘BLG’:
  - Review of complex and costly planning, consultation and reporting requirements
  - Containing the cost of infrastructure
- Both aspects resonate in Australia
  - States have largely adopted NZ’s strategic planning and reporting regime – a mistake?
  - Current federal review of funding options for local infrastructure
  - Underlying questions about services levels and asset write-downs
- Perth review highlights importance of *equity* as well

# Central-local relations

- 'BLG' limits its discussion to regulatory roles and efficiency
- Australian reviews promote broader approach to improving state-local relations and collaboration:
  - **Links between planning processes**
  - **Reviewing respective roles and functions**
  - **Inter-government agreements and forums**

# Some parting thoughts...

- ‘BLG’ offers some useful new ideas and warnings on aspects of local government reform:
  - **Maintaining focus (but how tight?)**
  - **Strengthening political control and role of mayors**
  - **Facilitating structural change**
  - **Avoiding unduly complex processes**
- But better *local* government can only be achieved in the context of the *system of government* as a whole
  - **Need to link ‘BLG’ with ‘Better Public Services’**
- Importance of ‘place’ and adequate local autonomy
- Does the ‘BLG’ prescription work for metros?
  - **Sits oddly with the ‘Auckland’ model and aspirations**