

Dynamics of local government reform in Australia

Graham Sansom





Outline of presentation

- Some key challenges facing local government nationally
- Recent trends in local government reform
- Some examples:
 - **Victoria in the 1990s**
 - **Queensland in 2008**
 - **New England Strategic Alliance in NSW**
- A personal view



On reform and sustainability...

“Vice-chancellors have a responsibility to get down and say that we're prepared to reform the sector in the following sensible and constructive ways ... We will get nothing simply by asking for more money.”

(Prof Ian Chubb of ANU, SMH 14/3/08)

“If you are a beggar on the side of the road with your hat out, then you are not sustainable, no matter how much you end up getting from generous passers-by.”

(Prof Greg Craven)



WA Systemic Sustainability Study

(Panel Report)

- *“The sector needs to reflect the changes that have occurred in the broader community if it is to successfully represent the community it presumes to serve.” (p5)*
- *“The dynamics within Local Government are such that a degree of external intervention would probably be necessary and desirable in any event to complete the change process.” (p160)*



Rudd's federal agenda

- A revitalised COAG with results-based funding:
 - Productivity, business regulation and reform
 - Health and ageing (new Minco for Ageing – ALGA reprn?)
 - Climate change and water (ALGA reprn)
 - Infrastructure (ALGA reprn)
 - Housing affordability (ALGA reprn)
 - Indigenous reform
 - Metropolitan planning and governance
- Infrastructure Australia and Major Cities Unit
 - Imminent national cities strategy (role of LG?)
- Regional Development Australia
- Australian Council of Local Government
 - Local government expected to perform as a partner
 - 'Cash splash' is over
 - Results expected from Local Government Reform Fund



The financial crunch

- Commonwealth Grants Commission 2001:
 - Gap between revenue growth and expenditure demands
 - Relative decline in rates revenue
- Hawker report on cost shifting:
 - Broader revenue/financing problems
 - Need to review FAGs system (flagged an ‘efficiency factor’)
- State and national sustainability studies:
 - Around 25% of councils face intractable problems
 - Huge infrastructure backlogs
- Productivity Commission 2007
 - Local government revenues lagging GDP
 - Considerable scope to increase rates
- Post GFC prospects
 - Fiscal tightening and pressure on grants



Reforms of 1980s and 1990s

- English-speaking NPM agenda
 - Efficiency-driven amalgamations (esp Victoria, SA, Tasmania)
 - National Competition Policy/contracting-out/competitive tendering
 - Accrual accounting
 - Corporate planning
 - Performance management
 - Customer service
 - Regulatory reform
- New Local Government Acts
 - More permissive (but State control retained)
 - Policy/management split (Board of Directors model)
 - Community accountability (but democratic or managerial?)



Reform in the noughties

- National: financial and asset management (SA, Victoria most advanced)
- NSW: amalgamations, strategic and corporate planning, resource-sharing, water (?)
- Victoria: corporate governance/codes of conduct
- Queensland: water (partial State takeover), amalgamations
- Tasmania: water (regional LG corporations)
- Tasmania, lesser extent SA: partnership agreements
- NT: local government extended throughout



Changing numbers of councils

	1910	1991	2008
NSW	324	176	152
Vic	206	210	79
Qld	164	134	73
SA	175	122	71
WA	147	138	142
Tas	51	46	29
NT	n/a	n/a	13
Total	1067	826	556



Victoria's amalgamations

■ Drivers:

- Business initiative 'Project Victoria'
- Long history of resistance to amalgamations
- 60% councils had less than 10,000 people
- Goals of service efficiency, small government, helping business, customer service

■ Package

- Amalgamations (208 to 79) but no 'super councils'
- Rate cuts, CCT, councillors as 'board of directors'
- Little or no systematic review of roles and functions
- Primacy of the State

■ Results

- Efficiency gains debatable (mix of factors at work)
- System of LG appears more robust, confident



Queensland: a new rationale?

- Challenges:
 - Mining-related development
 - Metropolitan and coastal growth
 - Climate change
 - Sustainable development
 - Infrastructure
- *“... require governments of all levels to be high capacity organisations with the requisite knowledge, creativity and innovation to enable them to manage complex change....”*
- *“... local government reform at this point in Queensland’s history is about much more than just the issue of financial viability.”*



...continued

- Councils must have:
 - **Strong balance sheets**
 - **Capacity to absorb shocks associated with significant change or unexpected events**
 - **Ability to attract and retain expertise at all levels**
- ... and be of a size and scale sufficient to:
 - **Remove inefficiencies resulting from duplication and sub-optimal use of assets;**
 - **Enable growth of knowledge and innovation**
 - **Provide effective political leadership for communities facing fast-paced change**
- Acceptance of very large, powerful councils
 - **7 councils govern metropolitan area of SEQ**
 - **All popularly elected Mayors**
- Transition has been tough, but generally positive outlook amongst Mayors, CEOs



New England Strategic Alliance

- Established mid-2004 to stave-off amalgamation; collapsed mid-2009 after 2 of 4 members withdrew
- Review findings:
 - *The Alliance and its members acknowledge that the decision to form a strategic partnership between the four councils was driven by the need to come up with an alternative to amalgamation. The Alliance was not the product of a decision making process that identified an operational imperative and/or agreed benefits...*
 - *It would not be in the public interest to allow the Councils to continue to squander further limited resources on pursuing potentially flawed reform strategies.*



...continued

- To be effective, regional collaborative partnerships need shared vision, political direction and ownership; a sound evidence base to inform strategy; a detailed business case, supported by good analysis; sound governance structures and trust.
- Key flaws in NESAC:
 - **Structure (not a legal entity, complex)**
 - **Governance (legal issues, contract management etc)**
 - **Project management (lack of proper planning and performance management)**
 - **Loss of common will (no consensus on extent/nature of reform required)**



A personal view...

- LG must change or risk a slide into irrelevance
 - **Particularly in metropolitan areas and growth regions**
- Building ‘strategic capacity’ as a valued partner in the system of government is crucial:
 - **Finances, skills, planning, advocacy, political clout**
- Shared services can deliver cost savings, but:
 - **Can regional cooperation deliver strategic capacity**
 - **Wouldn’t mergers deliver even bigger cost savings?**
- Mergers are needed to strengthen LG across much of Australia:
 - **There are worse things!**
 - **Mergers can be costly and disruptive; they must be selective, measured and very well managed**



...continued

- Skills shortages and scarce management expertise are key factors that should be given more weight
- Small rural/remote councils will need increasing assistance; urban ratepayers/taxpayers must pay and can expect efficiency/performance gains in return
- Loss of effective local democracy is a real risk with mergers and very large councils – but can small, weak councils deliver worthwhile democracy?
 - **An adequate number of councillors is crucial**
 - **‘Board of Directors’ concept is highly questionable**
 - **Role of Mayors needs to be revisited**
 - **NZ Community Boards model should be adopted**
- LG reform needs to be pursued as part of a broader compact with the State (cf SA, Tasmania):
 - **Roles, relationships and respect**