

Beyond cheques to a better balance

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Whoever governs Australia for the next three years must transform the federal-local government relationship from simply handing out money to a genuine partnership that recognises and utilises local government's capacity to contribute on many levels.

As promised in 2007, the Rudd-Gillard government has delivered stronger federal-local government relations. This has included, for example, establishment of the Australian Council of Local Government (ACLG) as a new forum for cooperation, support for the role of local government in regional development and metropolitan planning, and launching the Australian Centre of Excellence for Local Government (ACELG).

However, the dominant element in the relationship has been the flow of additional funds from Canberra to local councils as part of the economic stimulus package. This was heralded at the inaugural meeting of the ACLG when the then Prime Minister assured the hundreds of mayors present that a big cheque would arrive shortly to justify their trip to the capital.

Commonwealth financial assistance to local government is, of course, entirely justified in terms of the way Australia's federation works, and is the only means by which small (in population and resources) local councils that serve 'outback' Australia can survive. And local government has performed admirably in delivering stimulus projects, confirming yet again it has practical skills in service delivery that many state and federal agencies sorely lack.

But the downside is that local government as a whole can be seen primarily as a dependent – or indeed mendicant – rather than a true partner with something substantial to contribute to national agendas in a genuinely two-way relationship. The Australian Local Government Association (ALGA) and other sector lobby groups do spend a lot of time and energy asking for more money.

Whichever party wins the election, the next three years and beyond will see a much more constrained fiscal environment as Canberra pays off the national credit card as quickly as possible. As the stimulus payments dry up, the sustainability problems of many smaller councils will again come into sharp focus. Substantial real increases in financial assistance grants, Roads to Recovery and other support seem highly unlikely. Competition for any new or expanded spending initiatives will be fierce.

So the federal-local relationship needs to move beyond the recent preoccupation with distributing cheques to address underlying policy issues and build a more balanced partnership. Local government should be cast in a more proactive leadership role, shaping national agendas that matter to local and regional communities, and making substantial contributions of expertise and resources in its own right that stand alongside those of federal and state governments.

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Here are just a few avenues worth exploring.

• Revitalise ACLG

ACLG began with a significant policy focus, but got diverted by the stimulus package. More thought needs to be given to the way both its steering committee and annual plenary session operate, and how they relate to the ongoing work of ALGA, the Council of Capital Cities Lord Mayors (CCCLM), National Growth Areas Alliance (NGAA) and other key sector organisations, most of which are represented on ACLG.

This discussion could consider expanded use of ACLG to advise and assist various federal ministers, not just the Minister for Local Government. For example, what role could it play in discussions on population policy? Announcements to date have focused on the appointment of a few individuals from local government to the new ministerial advisory panels, rather than a more systemic conversation. Hopefully that sort of conversation will take place with the incoming government.

Similarly, ACLG could make a valuable contribution to policy development around climate change, services to Indigenous communities and local government workforce development.

There are, of course, risks in promoting the role of ACLG. It could be seen to compete with – and detract from – the position of ALGA and state associations as the sector's peak representatives. However, there is considerable potential value in having a national sounding board and 'think tank' that is not constrained by the processes of formal associations, provided it is handled carefully and does not dissolve into a Tower of Babel.

• Capitalise on the Local Government Reform Fund

The LGRF is an interesting initiative of the Rudd-Gillard government that is still on the starting blocks, but should get under way quickly once a new government is in place – assuming that government is not intent on ruthless budget cuts. (A similar program was stopped in its tracks by the new Howard government in 1996.)

Minister Albanese has announced in-principle funding for a wide range of LGRF projects. Most focus on the priority areas of asset and financial management, but several address other key issues such as options for further structural reform and regional collaboration, climate change, workforce development and enhancing the role of women in local government. Importantly, the minister has retained substantial funding for a second round of projects that could build on these key national agendas.

The danger is that because the LGRF will operate largely on a state-by-state basis, the potential to make national connections and generate synergies rather than duplication will be lost. Mechanisms are needed from the outset to link related projects across states and share advances in policy and practice.

Hopefully the incoming government will rise to the challenge and local government will prove itself a capable partner in a more equal relationship.

• Revisit financial sustainability

Post the GFC and stimulus, there's a pressing need to update studies of the financial sustainability of councils and to identify fresh or re-worked policy options. There's no evidence to suggest that actions taken over the past few years have made much of an impact on the problems identified in the mid-noughties, apart from stimulus funds covering some of the cracks.

In all likelihood we are still faced with 150 or more councils that cannot survive and/or deliver adequate services under current fiscal and policy settings. Meanwhile, at the other end of the spectrum the Productivity Commission's 2008 study suggested that many larger urban councils were being given more support than they really need. The 2003 Hawker report on cost shifting reached a similar conclusion. Local government as a sector is losing large amounts of revenue every year due to under-rating of high value properties in some major commercial centres and wealthy residential areas.

This does not mean the simple answer to the problem of unsustainable small councils is for urban ratepayers to pay more: as Hawker intimated, there's no point in pouring money into black holes and struggling councils need to demonstrate that they really warrant additional support. However, serious questions can be raised about the current distribution of federal assistance, and about related policy issues such as the kind of local government we need in thinly populated areas, relevant policies of state/territory governments

(notably the bizarre ideas of the New South Wales government on rate-pegging and financing community infrastructure), and possible supplementary sources of local government revenue such as congestion charging or a fuel tax for local roads.

• Set the agenda on metropolitan governance

The Council of Australian Governments (COAG) decision in December 2009 to adopt national criteria for capital city strategic planning, coming on top of the establishment of Infrastructure Australia and its Major Cities Unit, opens up another policy agenda of vital interest to local government. The criteria go well beyond 'planning' to core issues of implementation, governance and accountability. Bodies such as the CCCLM and NGAA have been addressing these issues for some time, and have highlighted the capacity of councils to make a real difference.

Of course, a change in federal government might again see a withdrawal from metropolitan planning and management issues. However, the limited capacity of state governments to tackle the deep-seated problems involved suggests that local government must nevertheless build a coherent national policy position, and engage all sides of politics in arguing the case for fundamental reform. Regrettably, local government is often cast as a large part of the problem in metropolitan governance, usually due to a multiplicity of councils. The COAG agreement offers an opportunity to get on the front foot and perhaps put some pressure back on the states.

Space precludes covering a number of other key issues and opportunities. This article has not discussed constitutional recognition: the author remains sceptical about its value and wary of the risks involved in another referendum. What the constitutional debate does highlight, however, is the critical importance of local government strengthening its national presence, and engaging collectively and proactively on key federal issues.

The real fault-lines in Australian local government are not from one state to another – their systems are all very similar – but between different parts of the country and different sorts of councils: north and south, wet and dry, large and small, urban and rural, metropolitan and remote. The issues that arise require further development of the federal agenda; hopefully the incoming government will rise to the challenge and local government will prove itself a capable partner in a more equal relationship.

This article reflects the author's personal views.

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