

Local government under a 'New Federalism'

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On dealing with a new government ...

“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 ... rather than going back in a traditional way and saying, 'Give us more money and leave us alone'.”

“We will get nothing simply by asking for more money.”

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



...and on grant dependency

“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.”

Professor Greg Craven, WA Systemic Sustainability Study



Rudd's new federal agenda

- A revitalised COAG with results-based funding:
 - Productivity
 - Business regulation and reform
 - Health and ageing (new Minco for Ageing – ALGA repn?)
 - Climate change and water (ALGA repn)
 - Infrastructure (ALGA repn)
 - Housing affordability (ALGA repn)
 - Indigenous reform
- *Infrastructure Australia*
- *Regional Development Australia* (building on ACCs)
- *Better Regions* program
- Regional and Local Community Infrastructure Program
 - current Parliamentary inquiry
- Major Cities Unit



Challenges for local government

- Simply keeping up: inevitable focus on federal-state relations – requires a major ***policy*** effort
- Achieving tangible, measurable outputs: eDA and housing infrastructure
- Apparent lack of effective representation on *Infrastructure Australia*
- Potential to be bypassed by regional programs
- Risk of fragmentation and division
- How to make best use Council of Australian Local Governments?



The constitutional red herring?

- Major effort planned to pursue recognition:
 - But does it matter?
 - Is it a waste of scarce resources?
- An ***achievable*** form of recognition is unlikely to:
 - Reduce State control
 - Increase federal funding
 - Expand involvement in federal forums
- Practical gains might include:
 - A guarantee of ***elected*** local government
 - Clear authority for direct federal funding (but it's happening anyway)
- What are the risks of another failed referendum?



Productivity Commission study

- Confirms weakness in rating (mostly NSW)
- All councils have some potential to raise additional revenue within affordability criteria
- Scope for ***self-sufficiency***:
 - Capital cities 100%
 - Urban developed 73%
 - Urban fringe 74%
 - Urban regional 50%
- Confirms Hawker findings:
 - Need for improved financial management/governance
 - A case to review the distribution of FAGs
- So how can local government ask for more?



Elements of financial strategy

- Focus on federal agendas, especially infrastructure, environment, regions, major cities
- Seek to address VFI by restoring rate revenues:
 - No inquiry has recommended moving away from rates
 - Nothing wrong with a wealth tax as part of the system
- Maintain an effective, largely independent system of local government
 - Maximise self-sufficiency where possible
 - Increase FAGs assistance to small councils (or abandon ‘wall-to-wall’ local government)
 - Consider revenue redistribution *within* local government
- Reduce the welfare role:
 - Promote federal assistance to low income ratepayers of New Zealand
- Pursue a share of environmental taxes



Three imperatives in a 'new federalism'

- **Relevance**
- **Capacity**
- **Credibility**



Relevance

- Local government must be ***seen to be*** relevant to:
 - The community/electorate
 - The emerging system of government
 - New federal agendas (all the real power is in Canberra)
- LG must do more than ask for money to play its part
- Can it demonstrate real capacity to ***add resources and value?***
 - Many examples of councils that are doing good work, but they get lost in the 'poor cousin' rhetoric



Capacity

- LG must have capacity to contribute meaningfully to new agendas
- It must **really** come to grips with:
 - Need for ‘strategic capacity’
 - Financial problems
 - Skills shortages
- These are not someone else’s problem and Canberra won’t come to the rescue:
 - Rudd government has its own problems
- More amalgamations are inevitable and desirable – but **not** to save money:
 - Queensland’s new rationale (strategic purpose, skills, knowledge, capacity for change and to absorb shocks)



Credibility

- Managerialism is not sufficient to meet the challenges
- LG needs ‘political renewal’ to underpin its legitimacy:
 - An effective blend of representative and participatory democracy to strengthen ‘grass roots’
 - Better skilled and more broadly representative councillors
 - Better financial governance
 - Strategic leadership by popularly elected, semi-executive, salaried Mayors and better GMs
 - Management support for councillors
 - New approaches to auditing and accountability
- Importance of a united approach
 - Leading councils and effective associations