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AUSTRALIA
Challenging institutional constraints

Chris Aulich

Introduction
As a relative latecomer to the family of federations, the founders of the 1901 Australian federation were able to draw inspiration and experience from the federations of Canada and the United States. While the new Australian constitution reflected numerous examples of policy learning from the North American models, the political reality was that the federation initiative came from the former colonies which were reluctant to surrender significant powers to national and local governments. As a result, the final iteration of the Australian constitution firmly entrenched power with the colonies (to be called ‘states’), ceding a narrow set of functions to the national (‘Commonwealth’) government, and not even referring to the existence of local government. Full control over the third sphere of government was retained by the states, with the basis of local government functions and powers to be clarified under state-based local government acts.

Contrary to the preferences of the states, twentieth century Australian political history was dominated by the steady accretion of Commonwealth powers at the expense of the state level of government, especially with respect to securing control over revenue raising. For example, in 1901 the states collected 87 per cent of all government revenue but by 2004–2005 that proportion had decreased to 18 per cent (Robinson and Farrelly 2013). Vertical fiscal imbalance has resulted from the significant expansion in the Commonwealth’s powers to collect revenue and distribute finances to state and local governments. At the same time, however, the position of local government in the constitution remains unchanged from the arrangements made in 1901.

Local government remains formally a ‘creature of the states’, subject to state government legislation for its existence and for the exercise of its functions and powers. Many researchers have focused on the institutional weakness of Australian local government and on the constraints that bind the local sector. As one noted: ‘it is clear that Australian local government has not won for itself that place in our polity which a long history has given it in Britain’ (Finn 1990: 49).

Stoker (2011) has, however, urged researchers to look beyond institutional perspectives in comparative studies of local governance as these often yield enormous variation and complexity within countries, let alone between countries. Instead, he suggests that comparisons might better be made in terms of a number of fundamental societal roles played by local government. Stoker argues that a study of these basic societal roles adds a further benefit when international comparisons can be more easily made and made in a more nuanced way.
Stoker’s approach resonates well in the Australian context with institutional arrangements, functions and local authority (or ‘council’) capabilities varying markedly between, and within, local government systems in six states, two mainland territories and three external territories. In this chapter, Stoker’s framework of societal roles is adapted – governance at a local level in Australia is considered in relation to three primary societal roles: expressing local identity, generating local economic development and providing welfare and services for local citizens. Examining Australian local government in this way leads to the conclusion that identity does matter to local communities, many of which have developed robust forms of local governance in spite of the institutional constraints they face.

Before considering the three societal roles, the next section of this chapter details some of the institutional issues that influence the extent to which councils are able to advance their local governance roles.

Institutional issues in Australian local government

Institutional weakness has been a pervading characteristic of local government in Australia, which remains subservient to the states,1 its legitimacy and operations dependent upon state government legislation – the state Local Government Acts. These acts prescribe arrangements that confine local government to a relatively narrow range of functions, among the weakest range of any developed country (Aulich 1999).

Recognition of local government was not provided in the Australian constitution of 1901 and later attempts to rectify this have been unsuccessful – the first attempt failing at a referendum in 1988, and a second referendum scheduled for 2013, did not proceed. In the latter case, an expert panel recommended that constitutional recognition be put to a referendum, but the panel acknowledged that ‘fewer than 30 per cent of Australians had a sufficiently strong commitment to the idea of recognising local government’ (Expert Panel 2011). Proposals were withdrawn when it became clear that the referendum had no realistic prospect of success.

While there has been some devolution of functions to the local sphere in the past two decades, the historic reality of administrative subordination of local government continues to be a primary feature of central-local relationships in Australia. There is limited inclination to engage in significant redistribution of authority across levels, particularly downwards. There are strict limitations on local government powers to raise their own revenues beyond the application of taxes on the unimproved value of property (or ‘rates’). This leads to a major transfer role for the centralised revenue collector (the Commonwealth) to state and local governments and leaves local government with limited revenue raising capacity. Since the late 1970s the Commonwealth has been the largest external provider of funding for local government, though local government does raise about 85 per cent of its own revenues (ACELG 2011).

There is considerable diversity in the local sector, reflected in the range and scale of functions, councils’ fiscal positions, their physical, economic, social and cultural environments, the varying state government legislative frameworks within which councils operate, and the differing attitudes and aspirations of local communities. This diversity includes variations in size with almost a half of the councils having populations of less than 10,000 with others having more than half a million. About 75 per cent of the total number of councils are classified as ‘rural’ or ‘regional’ (Commonwealth of Australia 2012: 245)2 with the urban–rural divide representing one dimension of uneven resources recognised by the provision of national government grants to those councils most in need. This process of ‘horizontal equalisation’ provides additional funding based on ‘disadvantage factors’ such as the length of roads to be maintained or the limited capacity to generate income through local taxes and rates. Table 24.1 underlines
Table 24.1 Characteristics of selected Australian councils, 2000–2001

<table>
<thead>
<tr>
<th>Council</th>
<th>State</th>
<th>Classification</th>
<th>Population</th>
<th>Area</th>
<th>Road length</th>
<th>Rate Income</th>
<th>Rate Income per capita</th>
<th>2007–2008 financial assistance grant entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>no.</td>
<td>sq km</td>
<td>km</td>
<td>$’000</td>
<td>$</td>
<td>General purpose</td>
</tr>
<tr>
<td>Armadale</td>
<td>WA</td>
<td>URM</td>
<td>33,364</td>
<td>4,804</td>
<td>1,602</td>
<td>18,431</td>
<td>348.55</td>
<td>1,441,715</td>
</tr>
<tr>
<td>Banana</td>
<td>Qld</td>
<td>RAV</td>
<td>14,596</td>
<td>15,755</td>
<td>3,324</td>
<td>12,107</td>
<td>829.47</td>
<td>3,212,212</td>
</tr>
<tr>
<td>Brisbane</td>
<td>Qld</td>
<td>UCC</td>
<td>989,152</td>
<td>1,327</td>
<td>5,491</td>
<td>916,300</td>
<td>926.35</td>
<td>17,881,408</td>
</tr>
<tr>
<td>Bulloo</td>
<td>Qld</td>
<td>RTS</td>
<td>468</td>
<td>73,805</td>
<td>4,654</td>
<td>2,538</td>
<td>5,423.59</td>
<td>2,154,852</td>
</tr>
<tr>
<td>Burnside</td>
<td>SA</td>
<td>UDM</td>
<td>42,986</td>
<td>27</td>
<td>234</td>
<td>21,345</td>
<td>496.56</td>
<td>774,036</td>
</tr>
<tr>
<td>Capel</td>
<td>WA</td>
<td>RSG</td>
<td>10,517</td>
<td>554</td>
<td>450</td>
<td>2,483</td>
<td>236.09</td>
<td>725,364</td>
</tr>
<tr>
<td>Cardinia</td>
<td>Vic.</td>
<td>UFM</td>
<td>60,276</td>
<td>1280</td>
<td>1,349</td>
<td>25,868</td>
<td>429.16</td>
<td>5,081,275</td>
</tr>
<tr>
<td>Devonport</td>
<td>Tas.</td>
<td>URS</td>
<td>25,122</td>
<td>11</td>
<td>241</td>
<td>28,027</td>
<td>1,115.62</td>
<td>626,614</td>
</tr>
<tr>
<td>East Gippsland</td>
<td>Vic.</td>
<td>URM</td>
<td>42,075</td>
<td>20,931</td>
<td>2,846</td>
<td>25,114</td>
<td>596.89</td>
<td>7,526,118</td>
</tr>
<tr>
<td>Flinders</td>
<td>Tas.</td>
<td>RAS</td>
<td>879</td>
<td>1,994</td>
<td>385</td>
<td>1,750</td>
<td>1,990.71</td>
<td>517,367</td>
</tr>
<tr>
<td>Forbes Shire</td>
<td>NSW</td>
<td>RAV</td>
<td>10,003</td>
<td>4,720</td>
<td>1,803</td>
<td>4,960</td>
<td>4,958.5</td>
<td>2,533,970</td>
</tr>
<tr>
<td>Gosford City</td>
<td>NSW</td>
<td>UFV</td>
<td>163,469</td>
<td>940</td>
<td>1,046</td>
<td>48,834</td>
<td>298.73</td>
<td>6,401,006</td>
</tr>
<tr>
<td>Goyder Regional</td>
<td>SA</td>
<td>RAM</td>
<td>4,085</td>
<td>6,688</td>
<td>3,247</td>
<td>3,056</td>
<td>748.15</td>
<td>1,747,143</td>
</tr>
<tr>
<td>Jabiru</td>
<td>NT</td>
<td>URS</td>
<td>1,174</td>
<td>13</td>
<td>31</td>
<td>1,422</td>
<td>1,210.87</td>
<td>137,579</td>
</tr>
<tr>
<td>Marrickville</td>
<td>NSW</td>
<td>UDL</td>
<td>76,524</td>
<td>16</td>
<td>190</td>
<td>32,138</td>
<td>422.32</td>
<td>2,667,780</td>
</tr>
<tr>
<td>Wiluna</td>
<td>WA</td>
<td>RTS</td>
<td>969</td>
<td>184,000</td>
<td>1,879</td>
<td>279</td>
<td>288.11</td>
<td>905,681</td>
</tr>
</tbody>
</table>

Source: Commonwealth of Australia (2010)

*In this column, rural councils are designated by the first letter ‘R’ and urban councils by ‘U’. The second and third letters provide a more fine-grained classification, not relevant to this chapter.*
the range and diversity within Australian local government and emphasises the relative significance of grants and subsidies for some councils, especially those in rural areas.

Over the past three decades, the number of councils has fallen significantly due to consolidation of local government areas through amalgamation. The average population of Australian councils is now around 40,000 – small by comparison with the United Kingdom or South Africa, but considerably larger than across much of Europe (Aulich et al. 2014) (see Table 24.2). Some state governments have managed the process of amalgamation collaboratively with local government but others have used their legislative powers to force consolidation policies, often against the wishes of local communities.

In recent times, local government and its supporters have mounted vigorous challenges to the amalgamation processes and have been successful in retaining, or significantly moderating, state government proposals in the states of Tasmania, Queensland and New South Wales. While there has not been institutional change in terms of redistribution of power or functions, voter action has challenged the view of most state governments that council size has been the primary cause of inefficiencies. This newly found local confidence underlines emerging changes in the relationship between state and local governments and suggests that any evaluation of local government should acknowledge the changing role of local government within communities and include factors such as the role it plays in developing and sustaining local identity, in economic development, in the provision of welfare services and in its contribution to developing the lifestyle of a community.

### Expressing identity

That local government means something to its citizens because it expresses where they were born or where they live is arguably one of its longest established roles. This represents the notion of ‘identity’ though its precise extent is difficult to determine with few direct measures available. In this chapter, two proxy indicators of identity have been used: first, the extent of local reactions to external pressures for consolidation (that is, a measure of how the local community is valued by its members), and second, engagement in the local political process gauged through voter turnout and participation.
Local government consolidation

Over the past three decades, local government has been included as an important part of the nation’s economic reform agenda. This agenda has often been expressed at local level through pressures from state governments to consolidate the number of local governments through amalgamation, typically citing benefits of economies of scale that are claimed to result. For the most part, restructuring of local government has been initiated by state governments in the belief that larger units will be more efficient and effective, better suited to the needs of a modern economy, and better able to deliver services and provide sound governance. Predictions of cost savings, and hence reduced property taxes, were a particularly common justification for local government amalgamations especially during the 1990s, when Australia experienced a period of wide-ranging micro-economic reform at all levels in the federation. In the case of sweeping changes made in the state of Victoria for example, it was claimed that savings of about 20 per cent were to be achieved (Moore 1996: 65), although the extent to which any real savings were made in that state and elsewhere remains highly doubtful (Aulich et al. 2014; Bell, Dollery and Drew 2016).

Enquiries into local government amalgamation have typically been focused on efficiency to the exclusion of other issues – such as the importance of good governance and effective local democracy and representation – and rarely included any evaluation of the post-reform experience. There have been questions raised about whether the structural reforms thus far have paid too little attention to the democratic dimension of local government, and concerns have been expressed in some quarters that communities face a growing ‘democratic deficit’. Approaches to reform have often been technocratic or top-down (Aulich 1999) with limited opportunities for councils and their communities to have their objections heard. In some cases, established advisory bodies have been by-passed and final decisions made by state ministers responsible for local government. In other cases, state governments waited until after major rounds of amalgamations had been completed before establishing advisory bodies, and some states have yet to establish a continuing advisory body even after major structural reforms have been concluded.

Local government has increasingly resisted many of these structural reforms, more often with considerable local support. For example, in Tasmania in 1997, only three years after a collaborative agreement had reduced the number of councils from 46 to 29, the state government unilaterally proposed a further reduction from 29 to 14. Amid ‘turbulence and controversy’, local governments fought back, led by a group of metropolitan councils which described the state government as ‘coercive’ and their approach as a ‘total affront to democratic principles’ (Joint Response 1997). Three smaller councils challenged the forced amalgamations in the Supreme Court of Tasmania, while seven of nine elector polls overwhelmingly opposed amalgamations. Against this backdrop, the state government lost the 1998 elections, in part because of voter reaction to proposals for local government amalgamation (Ruzicka 2016).

In 2008, the number of councils in Queensland was reduced from 157 to 73, generating a community backlash with the establishment of groups such as ‘Free Noosa’ and ‘Capricorn Coast Independence Movement’, resentful about the lack of consultation. An incoming conservative government in 2012 gave amalgamated councils the right to apply for de-amalgamation, which was granted to four councils, with others subsequently preparing submissions. The incoming government argued that ‘Local Governments need to be autonomous, sustainable, efficient, responsible, accountable and responsive to local needs, with a clear role in enhancing economic, social and environmental quality of life in local communities’ (LNP 2011: 2). This focus on community building represented a changing trajectory of reform away from the traditional concerns about efficiency and economies of scale.
In New South Wales in 2015 an attempt was made to reduce the number of councils from 152 to 112, despite a report from the Independent Local Government Review Panel that ‘most people are opposed to amalgamations and that only 35 per cent agree that bigger councils could provide better services’ (Grennan 2013). The Local Government Minister argued that that ‘local government reform is not just about proposed mergers. It’s about wider changes to the system to strengthen and improve the ability of councils to deliver the services and infrastructure the community deserves’ (ABC News 2015) – no reference being made to local governance or representation. The proposal was widely criticised by voters and councils and a subsequent by-election in a state electorate saw a swing of 35 per cent unseat a government member whose party had held the seat for 70 years. Voters cited objections to forced amalgamation as a key issue for them (SBS News 2016). Other cases in that state were referred to the courts for resolution (Stuart 2017), applying further pressure on the state government to reconsider its amalgamation policies. With the coalition partner in government announcing that it would no longer support forced council amalgamations in rural areas, the state Premier finally announced the abandonment of its amalgamation policies in 2017 (Saulwick 2017).

In the past three decades, the number of councils in Australia has been reduced by nearly a half. While some of these consolidations have been collaborative and have allowed local communities to be engaged in the process of redefining the size and scope of their communities, more often state governments have approached the issue with policies of forced amalgamation. Of late, these policies have been resisted successfully, with arguments based around the need to maintain community identity, even in circumstances where financial viability has been problematic.

### Local political engagement

Amalgamations have reduced the number of local representatives with the ratio of population to councillors in Australia now exceeding typical ratios in Europe. In addition, there has been a widespread tendency for amalgamated councils to have fewer elected councillors than the combined total of previous councils, sometimes as few as seven or nine for a population of 150,000. At the same time, the New South Wales state government has instituted a deliberate policy of reducing councillor numbers within existing councils. Similarly, legislation in South Australia required councils with more than 12 members to consider reducing their number (Kiss 1997). Significantly, the creation of larger local government units has not been matched by the establishment of subsidiary bodies, such as ‘community boards’ that exist in parts of New Zealand – although some councils have established informal neighbourhood committees or forums.

At the same time as opportunities for representation have been reduced, voter turnout and ‘active participation’ has remained low. Research in the 1990s showed that voter turnout at local elections ranged from 12–65 per cent with averages in the low 30s. For most rural local governments only a minority (about 30%) of all seats were contested at elections although this figure was higher in urban elections (about 60%) (Gerritsen and Whyard 1998: 42). More recent research data concerning ‘active participation’ reveals that little has changed over the past five years from a base of 19 per cent actively participating in civic or political groups (ABS 2013).³ This finding is perhaps surprising, given that most of the state local government acts legislated during the 1990s introduced mandatory mechanisms for providing greater transparency in local decision-making and for establishing formal mechanisms for enhancing community participation.

It has also been noted that ‘Australian citizens are observers rather than participants in formal politics, well over half (54.7%) could not remember conducting any political activity in the last
two or three years beyond the practice of voting’ (Evans et al. 2013). Voting is not compulsory in local government as it is at state and Commonwealth elections, so it is hardly surprising that voter turnout at local elections remains low. In spite of this, surveys reveal that more people feel that they have greater influence over local decision-making than over national decisions. At the same time, those living in regional communities show less trust in their local governments than their metropolitan counterparts, though this is in the context of declining trust overall for government and politicians (Evans et al. 2016).

One explanation for the apparent passive response to local engagement might be found in the comprehensive Australian Constitutional Values Survey in 2008, which reported that around 40 per cent of Australians do not currently have trust in local government performance. Many citizens did not believe local government to be performing well, and blamed lack of resources and weak political status as significant contributing factors (Brown 2009). The report concluded that while a majority of Australians favour some further decentralisation of responsibilities to sub-national governments, there is a ‘widely perceived incapacity of any existing subnational level of government to deliver quality local or regional democracy’ (Brown 2009: 46). Brown noted that greater attachment to the local area was correlated, albeit fairly weakly, with less support for local government. However, he qualified this by arguing that this may be an indicator of the extent to which Australians are ‘critical citizens’ at a local level, as well as at other levels of governance. People who are more attached to their local area may be more likely to take a closer interest in local politics, and thus be more critically evaluative of the quality of local services and decision-making than others who are not.

The issue is nuanced to the extent that some respondents might support the retention of local government as an important dimension of the national governance system, even if less than satisfied with the performance of particular councils. Brown (2009) concludes:

Those who value the work of local government appear to do so with a consciousness that it is, indeed, local government which they are valuing, rather than simply being satisfied by the outcomes of services without caring who delivers them. These results confirm that citizens’ judgments of local government are not simplistic or ignorant, but based on real interactions with the system.

There is a continuing tension between centrifugal and centralising pressures, which has been captured in a major survey of public opinion about the Australian federation. In his paper on the survey, Brown notes that ‘there is majority support (52%) for decentralisation within the system, in the form of the principle of subsidiarity. However, there is also still substantial support (41%) for the principle that decisions are better centralised (Brown 2009: 39). Perhaps this underlines an uncertainty about the roles of the various players in the Australian federation though it may also reflect ‘the perceived low performance of local government, which in federal countries such as Canada and the United States commands significantly higher confidence’ (Brown 2009: 37).

While there is some ambivalence among communities about the role and performance of local government, it is clear that Australians are resisting municipal consolidation. In particular, pushback is stronger when reform programs are technocratic and do not engage communities in redefining the boundaries of their local areas. The need for sustainable financial and economic reform has been argued by state governments for generations, yet there is still resistance from local communities when proposals for boundary reform arise. Attempts to ameliorate any democratic deficits that may accompany structural reform appear not to have moderated community objections and messages have been sent to state governments that political and legal action are likely to follow unilateral state government proposals to reform council boundaries.
Council consolidation has generated community responses which reflect on the growing appreciation of local government as a major force in expressing local identity and in increasing demands from local communities to be engaged when changes to that identity are being considered. State governments have the formal power to unilaterally reform council boundaries but the resistance from local communities and the demands for local voice are moderating the willingness of state governments to exercise that power. Similarly, there is growing evidence that state governments are more likely to work with local authorities with respect to the economic development of local areas aiming to provide greater coherence in economic development policy and programs.

Economic development

Local government in Australia has a primary role in managing planning and regulation matters especially in the provision of water, sewerage, roads and transport planning. However, the extent of economic development activities and the choice of policy options differ markedly between local governments because of size and capacity. Metropolitan and urban councils typically have a greater capacity to raise revenues than rural and sparsely populated local government areas which are more dependent on assistance from other spheres of government (Twomey 2013: 45; see Table 24.1). As a consequence of this, diversity in capacity and variation in the broader frameworks for economic development established at state level, ‘local and regional economic development in Australia is highly complex and lacks coherence’ (Pugalis and Tan 2017: 4).

While local government may account for only seven per cent of total public sector outlays, this translates into expenditure of over AUD$16 billion per year or 2.5 per cent of GDP, the collection of four per cent of the total taxation revenue, employment of about 170,000 staff or almost 10 per cent of the total government civilian workforce, and responsibility for more than a quarter of the public sector capital formation, including 30-40 per cent of all construction on electricity distribution, roads and highways, water distribution and sewer systems (Commonwealth of Australia 2012). State and national governments have recognised the importance of this contribution to the national economy and local government reform has been inextricably tied to the national economic reform agenda. At times this has meant a significant narrowing of the reform agenda to issues and programs that advance efficiency rather than on programs and policies that enhance traditional local government democratic values such as participation, responsiveness and representativeness.

Developing new economic roles for local government

The microeconomic reforms of the 1990s were largely driven by state government responses to the national reform agenda, reflecting the strong influence of new public management across all levels of government in Australia (Dollery and Robotti 2008: 93–96). There have been two quite distinct goals of structural reform at local level in Australia – a search for economies of scale and more efficient and effective service delivery on the one hand; and the need for financial viability and strategic capacity to meet emerging challenges on the other. While these goals are inter-related, they do reflect significantly different policy agendas relating to perceptions of the changing role of local government in Australia’s federal system.

In relation to local economic development, the abandonment of the ultra vires basis of state legislation meant freeing up restrictions on councils to pursue alternative revenue raising and expenditure opportunities and to enable them to operate both more flexibly and more independently of
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state government – a limited form of general competence powers. There is evidence that councils are operating more strategically and utilising the wider powers given under the new local government legislation to broaden their approaches to local economic development.

The more recent emphasis on building strategic capacity (see LGRC 2007), highlights a growing consensus that local government should play more of a developmental role, responding to the varied needs and circumstances of different regions and communities. This applied particularly to areas experiencing rapid economic and population growth, such as South-East Queensland, where the Queensland Local Government Reform Commission favoured larger, more robust units arguing that this would generate economies of scope. The counter argument, advanced by many councils and others, is that resource sharing through strategic alliances, regional organisations of councils or other modes of consolidation apart from amalgamation can achieve the same result, although this may depend on the scope and durability of those cooperative arrangements (see Dollery and Marshall 2003; Aulich et al. 2014).

Taking a similar approach, the New South Wales government has allocated AUD$1.5b from the sale of electricity assets to a Regional Growth Fund aimed at improving local infrastructure such as parks, community centres, data connectivity and building arts and cultural venues with additional special funds made available for mining communities. The projects are designed to tie in with the government’s 30-year regional development framework (Sansom 2017), recognising regional diversity and providing greater coherence to economic development in the state.

Enterprise powers to enable councils to engage in business activities were also granted to councils in several states (although they included financial ceilings above which approval by state governments was required) and in other states the new local government acts enabled local government to become involved in entrepreneurial activities and seek membership of unlisted companies, partnerships and associations or undertake land development and trading undertakings as commercial activities.

The move towards general competence powers appeared to be a sincere attempt to strengthen local values by enabling councils to engage more in commercial and community activities free of the limitations imposed by the old, prescriptive local government legislation. State governments encouraged a conception of councils operating as local businesses, and have often drawn analogies between councils and their representatives and a company’s Board of Directors and its shareholders. The motivation for this shift has been described by some more cynically as an attempt by state governments to reduce their financial responsibilities for local government. For instance, in introducing some of most radical local government reforms into his state, the then Victorian Minister for Local Government noted that,

while the Victorian Government was able to take up some of the slack in local government funding through the mid 1980s it can no longer do so because of the significant real terms in reduction in state general purpose grants.

(LGDV 1990: 2)

Notwithstanding these views, many councils accepted the challenge to become entrepreneurial and operate more commercially, and as a result there are numerous examples of business ventures and commercial activities developed at local level (for a comprehensive list, see Lewis and Bateson 2013).

Activities which encourage locally led economic development face a number of impediments. First, ‘enhanced’ responsibilities assumed by local government have been circumscribed by various over-rule provisions contained in state local government legislation. For example, some state governments, impatient with delays in local planning approval, have instituted alternative
mechanisms through state government offices or particular developments have been fast tracked or, even, disallowed, under state government over-rule provisions. Further, state government activity has sometimes captured functions that have traditionally been provided by councils, such as the establishment of regional water bodies in Tasmania (Aulich et al. 2014).

Second, given the narrow range of possible revenue sources available to local governments, it is difficult for most councils to meet the increasing demands of their communities for services let alone enhance their economic development roles. In New South Wales for example, it has been estimated that 36 per cent of council income is spent on employees, 24 per cent for materials and contracts (refuse collection, pothole filling, pavement maintenance, lawn mowing, drains cleaning) and 22 per cent for depreciation of infrastructure. This leaves the ‘average NSW council with just 18 per cent of current budgets to shape the community at a time when parents call for more childcare centres, cyclists want bike paths, businesses want parking and kids want sports fields’ (Campion 2012). Some councils with capacity have, however, made significant progress in promoting the economic health of their communities and programs such as the New South Wales Regional Growth Fund have assisted.

Australian local government no longer has prime responsibility to provide physical infrastructure such as main roads, bridges, water supplies and sewerage, as they did during the first half of the twentieth century. Though local government in Australia is operating in the economic development space, its restricted powers and the limits to those powers has meant that it has been difficult for many councils to assume the roles as ‘the organiser of a growth machine’ (Harding in Stoker 2011). There are signs, however, that the primary focus of local government is shifting from ‘roads, rates and rubbish’ or ‘services to property’ more towards ‘services to people’ (Dolley and Robotti 2008), as local government assumes increasing responsibilities for a wider range of service such as libraries, community health, housing and recreation. In other words, local government has developed a stronger role in welfare provision and community development.

Welfare provision and lifestyle coordination

Councils in the states of Victoria and South Australia pioneered the provision of human and community services at local government level from the 1960s. However, since the reforms of the past three decades, councils in most communities have assumed wider responsibilities in these areas (Lowell 2005) so that it has become one of the basic roles of almost all councils. Of course, the major differences in capacity account for wide variations in the types and level of services that can be offered by councils.

Improved governance and service coordination

With significant funding and programs provided by state and Commonwealth governments, councils have increasingly been required to develop coordinating mechanisms to ensure better integration of services to their communities. These funds and programs are often related to welfare matters such as housing, aged care, employment and services to people with disabilities.

One response has been to develop ‘place management’ as a guiding basis of governance for many councils. Although this concept may be interpreted variously, it retains some commonality with many international jurisdictions as a ‘model for re-casting governments’ approach to managing the problems of disadvantaged people and places’ (Walsh 2001: 4). In most states, there are examples of place management initiatives targeting disadvantage (see, for example, NSW Premier’s Department 2002; ASIB 2011), especially locational disadvantage (Bourke 2003) or
neighbourhood renewal initiatives in states like Victoria. The Australian Social Inclusion Board notes that place-based approaches to addressing disadvantage are now a key element of the Australian Government’s social inclusion agenda (ASIB 2011).

The concept of place management has also been developed to include mechanisms that transform the way councils are organised and how they operate. It is seen as ‘a means of shifting the structure and design of public governance and management from functional or output units to a focus on outcomes’ (Zappala and Green 2001: 1). This concentration on outcomes (for example, a sustainable community) distinguishes it from project management, which focuses on outputs (for example, a building). The concept of ‘place’ in the Australian context has been described variously as ‘the process of making places better’ (LGRC 2007: 4); or as ‘building strategic partnerships between Council, property owners and local businesses, agencies and community groups’ to ‘get strategic results and coordinate key projects and initiatives in the city centre and neighbourhood centres to achieve the best outcomes’ (Parramatta City Council 2012: 2); and as a means for effective community governance by enabling councils to understand what people in their communities are thinking, and as a result take better decisions (McKinlay et al. 2011).

As a framework for structural reform, many councils are pursuing place management (see Mant 2002; Parramatta City Council 2008; Liverpool City Council undated). McKinlay noted that in interviews with local government representatives, a common theme was organisational change, with councils transitioning from ‘being functionally structured organisations to organisations designed around place-based management’ (McKinlay et al. 2011: 25).

Place-based management is arguably a powerful tool for local governments. Benefits include the ability to operate more holistically, while providing an enabling platform to offer communities and citizens a greater say in how their localities are managed. This view has been reflected in the recent New South Wales Regional Growth Fund, where ‘infrastructure’ has been more broadly interpreted to include developing arts and cultural venues, community centres, palliative care services and other social capital enhancing ventures. In introducing the program, the state Treasurer noted that the regions require improved infrastructure to service those moving to the regions ‘looking for a better lifestyle away from the big cities’ (Sansom 2017). The program also recognises that local areas have differing needs, priorities and capacities and the preparation of funding ‘bids’ enables them to prioritise their local infrastructure needs.

The centrality of place, and the use of place management approaches are increasingly dominating the provision of services by councils to their communities, especially to those citizens facing disadvantage. It has also become a powerful tool to enable some councils to focus attention on important governance issues such as whole-of-local-government approaches to service delivery, more informed targeting of programs, outcomes focused programs and clearer identification of local needs. There are numerous examples of the approach in action, though no fully comprehensive survey has been undertaken, nor has the effectiveness of such approaches been robustly examined. At this stage, it can be concluded that councils in Australia have taken seriously the role of enabling and providing services and strategies designed to meet the broader needs of their communities, although the public value that they create and their effectiveness have yet to be fully assessed.

Conclusions

In the past three decades in Australia, issues such as the distribution of functions and powers, vertical fiscal imbalance, intergovernmental protocols and concerns for overlap and duplication of functions have been the subject of discussion between representatives of the three spheres
of government. Despite this opportunity to radically reform intergovernmental relations, the nexus between state and local governments has not been altered to any marked degree, and local autonomy and community governance has not been pursued with the vigour given to programs designed to enhance local government efficiency. The fundamental institutional weaknesses of local government are yet to be addressed: the range of local government functions is comparatively narrow, principles of subsidiarity have not been fully embraced, and effective community governance is only just emerging as an issue.

Nevertheless, local government still retains much of its traditional focuses of concern and has strengthened its sense of local identity by taking firmer and more confident action to identify, promote and protect their local identities. Local government has also added to its traditional roles a wider range of human services which aim to enhance welfare and improve lifestyle of their communities. It is demonstrably leaner, more efficient and better managed with the culture and management practices within individual councils almost unrecognisable from that of a generation ago. Statutory change has mandated more robust community consultation and participation as well as stronger strategic and business planning. Other impacts have variously been reported as providing a more service-orientated culture, a more comprehensive approach to service standards and outputs that reflect community needs, and a focus on service outcomes more than on administrative process.

There are some who raise concerns that economic and managerialist goals have dominated the reform process and given rise to an instrumental perspective that will change fundamentally the role of councils. While the democratic deficit, in particular, has been lamented by some commentators, the reform processes have led to enhancement of democratic practices such as increased accountability, more equitable representation, stronger community engagement, and greater access and transparency.

Two emerging influences may add new challenges to the managerialist focus of reform. First, state government pressure for greater efficiency has yielded fewer, but financially strengthened, local authorities. This may have the unintended consequence of reducing state government leverage over local government and further enhance claims for increased local autonomy (Aulich et al. 2014). Second, the local reaction in states that have approached local government reform in a technocratic way serves to remind state governments that local government is perceived by many in the Australian community as more than a set of instruments for the efficient delivery of local services. Successful resistance to unilateral state reform is emboldening local communities. A more educated and capable citizenry is increasingly using political and legal mechanisms to challenge state governments. This suggests that local power is being flexed despite the clear institutional constraints that it faces.

Notes

1 In this chapter, the term ‘state’ also includes the Northern Territory. Like all six states it has a system of local government established by Territory legislation making local government a creation of the state government. The Australian Capital Territory and the three external territories were established under Commonwealth legislation giving over-rule powers to the Commonwealth government.

2 Column 3 in Table 24.1 classifies councils as rural (beginning with ‘R’) or urban (‘U’). Compare, for example, the rural Shire of Banana with total annual grants of AUD$220.07 per capita and the nearby urban council of Brisbane with AUD$18.08 per capita.

3 This indicator relates to participation through attending community groups, talking or writing to politicians, signing partitions, voting in elections and in many other ways.

4 Under the ultra vires regime, councils were restricted to performing only those activities specifically nominated under their state local government legislation.
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References


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