

Submission to the Inquiry into Local Government Sustainability by the House of Representatives Standing Committee on Regional Development, Infrastructure, and Transport

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Submission from:

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Submission

In this submission, we draw on our recent research to highlight the demand side of the local government financial sustainability equation in Australia. As our research reveals, Australians now expect local government to deliver an increasingly diverse array of services and be engaged across a wide range of social, political, and environmental issues at the local level (Exhibit 1, attached). For the local government sector to deliver these services and initiatives – some old, others new – more funding and resources from federal and state/territory government grants are essential. Without it, local councils will increasingly struggle to provide the range of services that their communities have come to expect and need, which could result in increased public dissatisfaction and distrust in local government.

In what follows, we outline the two key findings from a recent national survey (n=1350), which we conducted during June-July 2022, highlighting the types of services that Australians now expect local government to deliver, before making some key recommendations for local government funding.

1. Australians now agree that local governments have a much larger role than simply delivering services to property

The first key finding of our survey is that the vast majority of Australians believe local government should play a more active role in a range of community issues (Figure 1). Indeed, 93% of Australians surveyed believed that local government should be advocating for the needs of the local community and reflecting local community values in their operations. Moreover, 91% of respondents agreed that local government should deliver services that contribute to a healthier and fairer society. Interestingly, only 70% of respondents felt that local government should focus only on the basic services associated with the Three Rs (roads, rates, and rubbish). Read together, this shows that Australians now expect their local councils to advocate for and reflect their interests and values while delivering services that contribute to a fairer society. This signifies not only a change in the role of local government, but its ambitions.

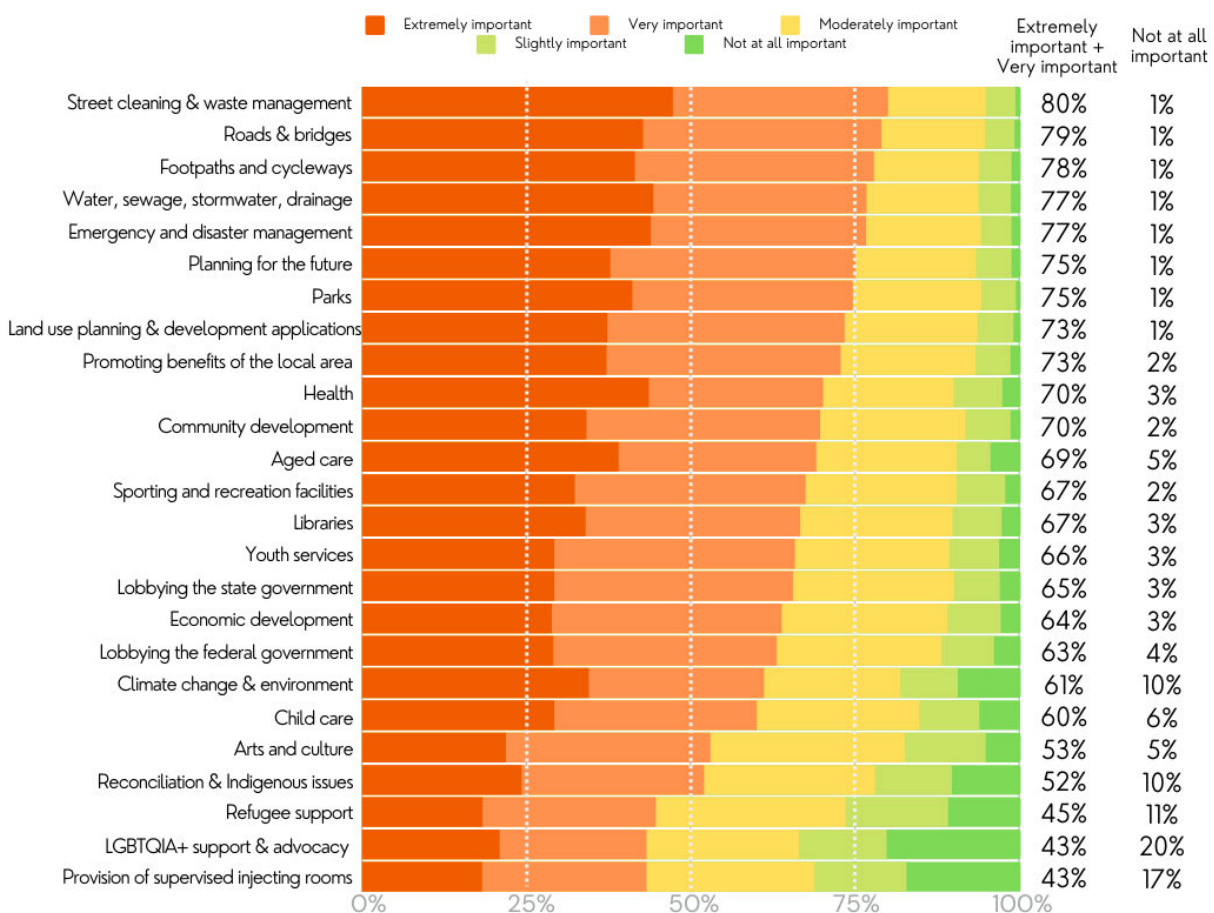
Figure 1



2. Australians now expect local government to deliver a diverse range of services to the local community

Our research also asked Australians which particular services they deemed most important for local government to deliver and provide. Given the limited resources available to local councils, our research clearly identifies from a national sample which types of local government services and initiatives the public value most (Figure 2). By and large, the bulk of the services and initiatives that more than two-thirds of respondents deemed extremely or very important fell into the services to property category, though significant majorities of Australians felt that social services, such as economic development, lobbying higher levels of government, and climate change initiatives, were also important for local government to engage in. We believe these findings offer policymakers a useful snapshot for two reasons: (i) it reveals the public expectation for local government to deliver on an increasingly diverse range of services and initiatives; (ii) it provides a clear gauge for which specific services the public deem most important for local government to provide.

Figure 2



Conclusion and Recommendations

While Australian local governments have traditionally been thought of as relatively limited in scope and power, this has been rapidly changing. Today, local councils across the country provide not only an extensive range of traditional services to property, but also an increasingly diversified range of services to people as well. It is now not uncommon to see local councils administer as many as 140 distinct services, ranging from water and sewerage, planning and development, urban regeneration, health and aged care, recreational and sporting facilities, arts and culture, economic development, to local environmental management. But while local government roles and responsibilities continue to expand, their revenue base has not.

Our research highlights the demand side of the local government sustainability equation, confirming that Australians now expect and demand more services from their local councils, and on a wider range of issues as well. All of this has real financial implications for a sector that is, in many cases, already struggling with challenges of fiscal sustainability. While it is clear that local councils need to do more to raise revenue in their own right – through urgent re-evaluation of rates and user charges – it is also essential for federal and territory/state governments to urgently support the finances of the third tier of government. At present, only approximately 14% of local government revenue is derived from grants from higher governments. Increased support through financial assistance grants from the Federal government in particular is therefore needed to ensure local councils can provide more local services for communities across Australia.