

Capacity building in our regions

- 5.1 The capacity of local governments to meet existing obligations varies greatly, as does the standard to which they can provide local government services. Some of the factors that affect a council's capacity include:
- size and resources;
 - efficiency;
 - adaptability and flexibility;
 - human resources and skills available to local government;
 - responsiveness of elected representatives;
 - the extent to which councils' boundaries reflect contemporary pressures and challenges; and its
 - economic and environmental base.

Federal and State initiatives

- 5.2 The Development Assessment Forum - a partnership between the Federal, State and Territory governments, local government, the development industry and relevant professional associations - recognised that for cooperative service provision to be successful, good integrated strategic planning is vital.
- 5.3 In its *Good Strategic Planning Guide* (2001), the Development Assessment Forum provided a good overview of the principles that underpin successful planning outcomes and the importance of inter-governmental cooperation to achieve the desired outcomes:
- Good integrated strategic planning is a vital process. It brings together relevant information about an area to address social,

economic, environmental and cultural opportunities that are usually identified by the host community and its stakeholders and expresses a sustainable, practical vision for the area. Strategic planning is a way of achieving a balance between conflicting objectives or priorities and resolving the conflicts between economic, social, environmental and cultural imperatives.¹

- 5.4 The *Local Government National Report 2001-02* provides a report on measures taken to improve the efficiency and effectiveness of local government to deliver services. Each State and Territory provided reports on activities instituted in support of improving local government performance. All States either have or are developing performance indicators.²
- 5.5 Three examples of State initiatives to build the capacity of local government include:
- the Victorian government introduced a 'best value' approach in December 1999 that enables councils to review a service so that they may determine the most effective means of providing that service to the community. All councils are required to apply best value principles to their services by December 2005;
 - in South Australia, all councils were required to develop and adopt strategic management plans by 1 July 2002. The intention was that these plans articulate each council's goals and objectives and their vision for the community. The plans should also complement the State's planning strategy;³ and
 - the Capacity Building Division of the Western Australian Department of Local Government and Regional Development focuses on offering guidance to the officers and elected members within the local government sector and providing communities with ways of pursuing social and economic progress. It encourages the further take-up of skills, knowledge resources, networking and technology tools in the hands of WA communities and WA local governments. The work covers areas such as leadership building,

1 Development Assessment Forum, *Good Strategic Planning Guide*, December 2001, p. 8. Online: <http://www.daf.gov.au/reports/DAfStratPlan.pdf>, Accessed 1 September 2003.

2 DOTARS, *Local Government National Report: 2001-02 Report on the Operation of the Local Government (Financial Assistance) Act 1995*, pp. 56-9.

3 DOTARS, *Local Government National Report: 2001-02 Report on the Operation of the Local Government (Financial Assistance) Act 1995*, p. 59.

local government training and development, telecentres and satellite services.⁴

- 5.6 At the Federal level, the National Awards for Local Government acknowledge and foster innovation and excellence in local government. The awards identify and reward local government bodies, associations and other collaborating organisations that are developing and implementing innovative and resourceful practices to improve their business outcomes and help build sustainable Australian communities. The Awards' Leading Practice Seminar Series, also a DOTARS initiative, began in 2000 as a means of providing entrants for the National Awards for Local Government with the opportunity to share their experiences with other councils around Australia. Nearly 200 councils have participated in the seminars.
- 5.7 Also, the Sustainable Regions Programme is the major initiative under the *Stronger Regions, A Stronger Australia Statement* announced by Minister Anderson on 29 August 2001. The Programme is a four year prototype and is operating in eight regions. The Programme assists regional communities to address priority issues they have themselves identified. The strategic plans of local government are integral elements of this process.⁵

Capacity building agency

- 5.8 Part 2 of option 7 and part 2 of option 3 in the discussion paper issued by the Committee in February 2003, referred to the notion of an agency disseminating best practice information on:
- council revenue raising and innovative approaches to maximising revenue; and
 - cooperative planning and service delivery.
- 5.9 The notion of a local government capacity building agency was generally supported. Such an agency could disseminate best practice in council revenue raising and examine ongoing viability of smaller councils. Local governments, however, were not supportive of using a percentage of FAGs to fund the agency.

4 WA government, Submission No. 298, p. 9.

5 DOTARS, Submission No. 103, p. 34.

- 5.10 SSROC recommended an organisation along the lines of the UK Improvement and Development Agency (IDeA) and called on the Federal government to reinstate some form of a local government capacity building program.⁶
- 5.11 IDeA has a key role in supporting 'Beacon' councils and spreading best practice from the Beacons to others in local government. For instance, IDeA is involved in organising and publicising showcase events and open days.
- 5.12 The UK government established the Beacon Council Scheme in 1999 to foster learning and change in local government through the recognition and sharing of good practice. Each year, Ministers select themes in service areas that have a direct impact on the quality of life of local communities, and an independent advisory panel makes recommendations to Ministers on the themes, selection criteria and the selection of Beacon Councils in each round. In order to be selected as a Beacon Council, they must be able to show:
- excellence in service delivery in the theme area;
 - good general performance, not just in the theme area; and
 - plans for effective dissemination of their good practice to other councils.⁷
- 5.13 The SA government called for a local government ministerial meeting to discuss best practice:
- ... it would be extremely beneficial if the minister could be encouraged to call a ministerial council, because there is a lot of information that could be shared between various state ministers about the role of state government, and some of the best practice that seems to be emerging across the sector nationally could be adopted.⁸
- 5.14 WALGA suggested that best practice recognition and information dissemination is best left to DOTARS, perhaps in conjunction with the Productivity Commission or the CGC.⁹ LGAQ also supported best practice dissemination being provided by the National Office of Local Government in DOTARS.¹⁰
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6 SSROC, Submission No. 162, pp. ii & 27.

7 Online: <http://www.idea.gov.uk/beacons>, Accessed 1 September 2003.

8 SA Minister for Local Government, Official Hansard, 9 October 2003, Adelaide, p. 297.

9 WALGA, Submission No. 365, p. 3.

10 LGAQ, Submission No. 363, p. 5.

- 5.15 However, LGAQ did not support the establishment of a national capacity building agency because local government differs from State to State. Rather, the LGAQ believed a capacity building agency should be developed on a State by State basis.¹¹
- 5.16 It has been suggested that best practice approaches are best researched and promoted by local government bodies such as the State Local Government Associations. At the national level however, DOTARS runs best practice awards, sponsored by a number of Federal government departments which do business with local government, and through the LGMA and ALGA annual events promotes the best examples of local government business practice.
- 5.17 The view was put to the Committee that a national capacity building agency could only work if there was total collaboration among the State governments.¹² The Committee agrees there is value in both State and national awards but encourages the collaboration of all Ministers for Local Government to support the practical dissemination of best practice to foster smarter business practices and further stimulate innovative solutions to local problems.
- 5.18 The Local Government and Planning Ministers' Council may be an appropriate forum to consider the potential for a national approach to the further development and dissemination of identified best practice.

Recommendation 11

- 5.19 **The Committee recommends that the Local Government and Planning Ministers' Council establish a body along the lines of the UK IDeA to address capacity building. This body should also oversee the Federal and State governments' best practice awards.**

Forum of officers at manager level

- 5.20 In order to facilitate better communication between the Federal and local levels of government, the Committee believes there should be a point of contact at officer-to-officer level in a Federal department to:
- strengthen inter-governmental relations and networks;
 - direct local government to appropriate contacts in Federal portfolios for assistance;

11 LGAQ, Submission No. 363, p. 6.

12 North Sydney Council, Official Hansard, 28 April 2003, Sydney, p. 747.

- feed local government input into federal policies, program design and management; and
 - disseminate information and inform local government of relevant federal initiatives.
- 5.21 In short, the contact point would make the necessary connections between the two spheres of government in order to facilitate better outcomes for all.
- 5.22 The LGMA claimed that a Federal/Local Government Liaison Unit would be a positive step toward refining and simplifying relations. LGMA, which acts in the interests of local government managers around Australia, supported the strengthening of communication between it and other peak bodies and the Federal government. This could take the form of periodic strategic meetings and discussion of specific policies.¹³
- 5.23 The Cradle Coast Authority in Tasmania suggested that there needs to be a facility where you can find out about services through a directory or a coordinating service:
- For example, small and isolated councils may be bombarded with about 20 different health and community services from several different agencies, half of which are funded by the Commonwealth through the state and do not know that each other exist.¹⁴
- 5.24 While it would not be possible for a single contact point for all Federal departments to address the detail of all inter-governmental agreements and partnerships, the Liaison Unit could forward queries or feedback on to appropriate Federal agencies, acting as a conduit between the two levels of government.
- 5.25 Periodic meetings between local government managers and Federal agencies could also be arranged by the Liaison Unit on request of either sphere of government as the need arises. This would be particularly helpful in the policy development and program design phases of new initiatives and equally during a review process.

13 LGMA, Correspondence received 31 July 2003, p. 3.

14 Cradle Coast Authority, Official Hansard, 18 February 2003, Hobart, p. 432.

Recommendation 12

- 5.26 **The Committee recommends that the Federal government establish a Local Government Liaison Unit to:**
- **liaise with State departments of Local Government and local government peak bodies to strengthen Federal/State/local relations;**
 - **provide the contact point and conduit for local government at the Federal level and provide information on new Federal initiatives, policies and programs;**
 - **receive feedback on the performance of Federal programs and any cost shifting occurrences; and**
 - **coordinate periodic strategic meetings and policy briefings for a Federal and local government officers' forum and other interested parties as required.**

Performance monitoring

- 5.27 Around the country the Committee has asked witnesses if they would support a form of accreditation for local government. The idea revolves around the acceptance of high performance and accurate accountability being rewarded by less detailed scrutiny. The Committee found that many local government bodies support some form of performance measurement in return for direct funding and a role in the administration of Federal programs – much like is currently occurring with Roads to Recovery.
- 5.28 LGMA supported FAGs payments being aligned to performance outcomes. It suggested that the CGC along with the LGGCs could play a key role in performance assessment. Collation of information on a State basis would provide a valuable national perspective on the performance of local government.
- 5.29 LGMA stated such a plan could only hope to succeed if it had wide support in order to make performance monitoring a positive process with real benefits to participants.¹⁵

15 LGMA, Correspondence dated 31 July 2003, p. 2.

- 5.30 While the Committee received general support for such an approach, there were a few caveats put forward including:
- the process needs to be undertaken in a non-political environment with clearly stated objectives, benefits and other implications;
 - accountability in Aboriginal communities could be difficult due to the difficulty in attracting qualified staff;¹⁶
 - small councils would find the paperwork a burden; and¹⁷
 - accreditation needs to be context sensitive to ensure that it has regard for the varying circumstances and needs of local authorities of Australia.¹⁸
- 5.31 A NT council expanded on the point that there is a danger in setting standards across the board because local government areas are different:
- One of the problems with accreditation may be that we all get forced to do the same sort of thing. One of the strengths with local government is that you have 700 councils doing different things and responding to what they see as the needs of their community, not necessarily responding to the views of a public servant in Canberra who happens to have his finger on the key policy button in that particular area. I think that that diversity is actually good for us.¹⁹
- 5.32 Several councils in Victoria expressed the view that current practices in place of reporting to State government (annual reports, business plans, performance standards and performance indicators) are satisfactory and any more formal accreditation practices would be wasteful and expensive for local government as it would take up more staff time for more paperwork.²⁰
- 5.33 The Federal government is not in a position to monitor the effectiveness and efficiency of local government's financial management; this is the role of the States. State Departments of Local Government monitor the financial management of local government
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16 Barunga Manyallaluk Community Government Council, Official Hansard, 7 October 2003, Katherine, p. 182.

17 City of Salisbury, Official Hansard, 9 October 2003, Adelaide, p. 321.

18 LGMA, Correspondence dated 31 July 2003, p. 3; CEO, Glenelg Shire Council, Official Hansard, 19 February 2003, Box Hill, p. 471.

19 Palmerston City Council, Official Hansard, 8 October 2003, Darwin, p. 247.

20 Indigo Shire Council, Official Hansard, 19 February 2003, Box Hill, p. 470.

and report on the performance of councils. The role of a Federal and Local Government Finance Advisory Group in developing a methodology for the distribution of FAGs is discussed further in Chapter 6.

Structural reform

- 5.34 In the 1990s, the Federal government provided almost \$1.3 million under the Local Government Development Programme to facilitate structural reform in South Australia, New South Wales, Western Australia and Tasmania.²¹
- 5.35 The Committee heard a great deal about structural reform which embraces a number of initiatives including amalgamations, regional cooperation and resource sharing.

Amalgamations

- 5.36 Between 1991 and 2001, there were state-wide council mergers in South Australia, Victoria and Tasmania, which led to significant reductions in the number of councils.

Table 5.1 Local government numbers 1910-2001

State	Councils 1910	Councils 1991	Percent change 1910–1991	Councils Sept 2001	Percent change 1991–2001
NSW	324	176	–45.7	172	–2.3
Vic	206	210	1.9	79	–62.4
Qld	164	134	–18.3	125	–6.7
WA	147	138	–6.1	142	2.9
SA	175	122	–30.3	68	–44.3
Tas	51	46	–9.8	29	–37.0
NT	n/a	n/a	n/a	36	n/a
Total	1 067	826	–22.6	615¹	–25.5

1. The September 2001 total Council number does not include the 36 NT Councils.

Source DOTARS, Submission No. 387, p. 8.

21 DOTARS, Submission No. 387, p. 8.

Efficiencies gained by amalgamations

- 5.37 In its submission, DOTARS suggested there are a number of benefits of amalgamations. In general, larger councils have a more secure and adequate financial base, are better able to plan and contribute to economic development, are more effective community advocates, and interact more effectively with government and business. Structural reform can deliver economies of scale and can enable councils to employ a wider range of professionals, so they can offer a wider range and usually higher quality of services.²²
- 5.38 Voluntary council amalgamations occurred in South Australia in the late 1990s, reducing the number of councils from 122 to 68. The experience in South Australia has been savings of between 3-5% of expenditure (\$19 to \$30 million per annum). The SA government claimed that amalgamations resulted in cost efficiencies and stronger relationships between the State and local government sectors.²³
- 5.39 The amalgamations of Victorian local governments in 1994 reduced 210 councils to 78. The Victorian Local Governance Association stated that these larger local governments have taken advantage of the opportunities to be more influential in their regions and to take up a broader range of concerns especially the issue of regional economic development.²⁴
- 5.40 The geographical areas that are recognised currently as having the potential to undertake major structural reform are:
- Western Australia, eg inner Perth and councils on the sheep/wheatbelt;
 - Queensland, eg councils in a semi-circle west of Brisbane from Warwick to Bundaberg; and
 - New South Wales, eg inner Sydney, the remaining 'doughnut councils' and the Northern Tablelands in a semi-circle from Scone to Glen Innes.²⁵
- 5.41 In WA the number of councils has remained virtually unchanged since 1910. There have been five inquiries into local government in WA, each urging for fewer councils. The most recent report in 1996 by the WA government's Structural Reform Advisory Committee

22 DOTARS, Submission No. 103, p. 51.

23 SA government, Submission No. 266, p. 7.

24 Victorian Local Governance Association, Submission No. 224, p. 3

25 DOTARS, Submission No. 387, p. 9.

- (SRAC) urged major structural reform in the 40% of councils in WA with fewer than 1,500 people. The SRAC identified notional annual savings from this exercise of \$8.5 million to \$21.4 million per annum in rural areas and a further \$15.8 million to \$53 million in urban areas (i.e. up to \$74.4 million in total). The \$74.4 million in savings equates to 5.2% of \$1,437 million that WA local government spent in 2000–01.
- 5.42 However, the Shire of Irwin claimed that parochialism is rife in local government in WA and stifles economic development between adjoining councils. The Shire maintained that local government will continue to be inefficient unless a courageous State government introduces forced amalgamations.²⁶
- 5.43 The view of two Queensland Councillors was that savings could be made in Queensland from amalgamations.²⁷
- 5.44 There have been a number of moves to increase the number of amalgamations in NSW. An inquiry in 2001 recommended that local governments in Sydney be merged to create four new larger cities, including an enhanced City of Sydney, a mixed residential/industrial city, a beachside-harbourside residential city and an inner west residential gateway city.²⁸ Savings projections made by councils on individual council mergers in NSW were:
- Armidale-Dumaresq: \$3 million over 20 years;
 - Pristine Waters: \$1.2 million over 10 years;
 - City of Canada Bay: \$17 million over 20 years;
 - Conargo Shire: \$211,000 pa (15% of council revenue); and
 - Richmond Valley Council: \$5 million over 20 years.²⁹
- 5.45 Some representatives of local government supported further amalgamations. The Municipal Association of Victoria supported any moves to nationally expedite structural reform.³⁰

26 Shire of Irwin, Submission No. 4, p. 3.

27 Toowoomba City Council and Ipswich City Council, Official Hansard, 11 March 2003, Tewanin, pp. 556, 572, 574 & 576.

28 DOTARS, *Local Government National Report: 2000-01 Report on the Operation of the Local Government (Financial Assistance) Act 1995*, p. 58. (Sproats, K., *Inquiry into local government structure in inner and eastern Sydney*, New South Wales Department of Local Government, April 2001.)

29 DOTARS, Submission No. 387, p. 10

30 MAV, Submission No. 384, p. 8.

- 5.46 LGMA claimed that attempts at structural reform in local government across Australia have not been particularly successful and they would welcome opportunities to examine further amalgamations:

Certainly there are areas where the amalgamation of councils will make them more viable units. The fact that in some communities there are non-viable units is part of the reason why some of the grants being allocated perhaps are not being effectively used at the coalface.³¹

- 5.47 In one Queensland Councillor's opinion, Australia's 721 councils could be reduced by about 80% down to about 150 councils:

If you did that, you would be starting to create super councils around Australia, which would be much more efficient and effective in the delivery of their services. You could then move to the Queensland position of full-time councillors, full-time mayors—people who are representing the community on a full-time basis rather than trying to juggle jobs.³²

Why amalgamations may not work

- 5.48 The Committee recognises that small rural councils in Australia's inland face a multitude of challenges including depopulation, a low rate base, deteriorating infrastructure and demand for better services. Merging can bring greater financial strength and stability to these rural councils. However, there are some instances when amalgamations are not viable.
- 5.49 It may be that council amalgamations are not practical for large councils in sparsely settled areas, such as north-western NSW, western Queensland, rural parts of the NT and areas east of the wheat belt in WA. The distances involved in fulfilling council duties generally make such mergers uneconomic. A CEO from a remote Queensland council stated that amalgamations do not always win in a cost benefit analysis because it frequently turns out that 'the tyranny of distance outweighs the economies of scale'.³³
- 5.50 The Committee acknowledges that amalgamations may not always be the appropriate response to the need for structural reform, particularly for small remote councils who may be separated by vast distances.
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31 LGMA, Official Hansard, 27 June 2003, p. 891.

32 Ipswich City Council, Official Hansard, 11 March 2003, Tewantin, p. 593.

33 Winton Shire Council, Official Hansard, 12 March 2003, Longreach, p. 646.

- 5.51 In these cases a mentoring arrangement with a larger more prosperous council, or membership of a regional organisation of councils may assist in addressing the challenges presented by size and isolation. Advantages of regional cooperation are discussed later in this Chapter.
- 5.52 Also, continued cost shifting by the States does not assist councils in becoming more efficient following amalgamations. Councils in NSW which have been through amalgamations say it works as far as cooperation goes, but did not produce efficiencies in funding or economies of scale. Armidale Dumaresq Council stated that initial cost savings were chewed up in the raft of other imposts by the State government and a substantial drop in the FAGs grant. For such a move to be successful the areas concerned need to have a very strong commonality of interest.³⁴

FAGs after amalgamations

- 5.53 The NSW LGGC stated that with reform comes more effective use of grants:

At the end of the reform program it is likely that councils will be larger and more coherently related to defining economic, social and geographic areas than they are at present. There will, inevitably, be more rationalisation of council operations as a result. The larger and more geographically integrated councils will be better resourced, and will have a greater capacity to develop infrastructure programs as a result.³⁵

- 5.54 Also, the NSW LGGC has a principle which states:

... in the event of council amalgamations, the new council will receive grants from two years as if the councils had remained separate entities and any subsequent change may be phased in at the discretion of the Commission.³⁶

- 5.55 In Queensland, the LGGC had a similar principle with grants allocated at previous levels for two years, followed by a decrease apportioned equally over the next three years. However, the Queensland LGGC also recognised that one of the aims of amalgamations is to create a more viable unit and grants would most

34 Armidale Dumaresq Council, Official Hansard, 29 April 2003, Barraba, p. 789.

35 NSW LGGC, Correspondence dated 17 July 2003, p. 8.

36 NSW LGGC, Correspondence dated 17 July 2003, p. 2..

likely eventually go down.³⁷ One Queensland Councillor claimed that the FAGs grants are a disincentive to amalgamations:

They encourage diversification in small shires. They put the small shires and the small local governments on a drip and they cannot get off.³⁸

- 5.56 The South Australian LGGC also guaranteed councils that the grants would remain at their pre-amalgamation level for a year following amalgamation.³⁹
- 5.57 In the Northern Territory the LGGC allocation methodology contains a driver (a distribution service delivery index) that rewards councils for providing local government services over a large area. Therefore, this index provides an impetus for the small remote councils to consider amalgamations.⁴⁰
- 5.58 The WA LGGC was of the view that the grant allocation process should neither provide an incentive or a disincentive to structural reform and boundary change in local government. Further, the WA LGGC believed that it would not be unreasonable that a new council receive a reduced grant after a few years, given that it will have more streamlined administration and management.⁴¹
- 5.59 In contrast to this, the WA government claimed that the *Local Government (Financial Assistance) Act 1995* (the Act) does not assist in providing incentives to boundary changes because grants received by an amalgamated local government are generally less than those previously received by the local governments as separate entities. The WA government suggested that consideration needs to be given to the legislation providing a guarantee as to a particular length of time for which grants to amalgamated councils could be held constant to the total grant level prior to amalgamations.⁴²
- 5.60 However, DOTARS reported that the Act neither assist nor deters amalgamations – it is a matter for State policy as to structural reform and then a matter for the LGGCs as to how they distribute FAGs:

37 QLD LGGC, Official Hansard, 27 June 2003, Canberra, p. 895; QLD LGGC, Correspondence dated 28 July 2003, p. 2.

38 Toowoomba City Council, Official Hansard, 11 March 2003, Tewantin, p. 556.

39 SA LGGC, Correspondence dated 11 August 2003, p. 3.

40 NT LGGC, Correspondence dated 18 July 2003, p. 2.

41 WA LGGC, Correspondence dated 7 August 2003, p. 2.

42 WA government, Submission No. 298, p. 6.

Certainly a reduction in the number of councils enlarges the pool overall, but how that operates and what transitional arrangements are put in place by grants commissions and state governments is really a matter for the judgment that they make in relation to the needs.⁴³

- 5.61 The Committee concurs that the current Act does not discourage amalgamations; it is currently up to State governments and the LGGCs to amend the formula for distribution of FAGs. Some States have built into their formulas phased-in changes to grants following amalgamations, while the Northern Territory has built in incentives for amalgamations. The Committee considers, however, that councils making amalgamations should retain savings in the first four years.
- 5.62 It is State governments which are responsible for assessing the viability of local government and determining whether amalgamations would increase efficiencies.
- 5.63 However, adjusting the FAGs distribution methodology, so those councils most in need would receive a larger proportion of money, may compel some States, particularly NSW, WA, and Queensland, to consider amalgamations in certain areas which require efficiencies. A new FAGs distribution formula based on equalisation principles is discussed in Chapter 6.
- 5.64 Also, the Committee considers it would be useful to adjust FAGs, whereby if it can be shown by the CGC and LGGCs that efficiencies could be gained by amalgamations or regional cooperation, then a proportion of FAGs may be withheld from those councils which resist appropriate structural reform. Such action would require advice from the State government and LGGCs. Therefore, if local government is resisting the need for structural reform by way of regional cooperation or amalgamations, FAGs distributions could be adjusted accordingly.
- 5.65 The consideration of an individual council's efficiency would reduce any negative impacts on funding to those councils which have already been through the amalgamation process and made efficiency gains, such as in Victoria. The Federal government would rely on input from the State governments and the LGGCs to determine the level of efficiencies.

43 DOTARS, Official Hansard, 27 June 2003, Canberra, p. 897.

- 5.66 The Committee considers that in some circumstances amalgamations of local government bodies is the most direct way of achieving a more efficient and cost effective local government sector. If this is the case, further amalgamations should be considered.

Recommendation 13

- 5.67 **The Committee recommends that the Commonwealth Grants Commission, in consultation with the LGCs in each State, assess the efficiencies of amalgamations or regional cooperation of local government, and use available mechanisms to adjust FAGs grants for the benefit of the sector at large.**
- **To facilitate amalgamations, where appropriate, councils should not be financially penalised through a net loss of FAGs payments for four years.**

Regional cooperation and resource sharing

- 5.68 On 30 July 2003, the Regional Development Council, comprised of Commonwealth, State and Territory Regional Development Ministers and ALGA, endorsed The Framework for Cooperation on Regional Development. It referred to local government's role in regional development as follows:

Local government participation is vital to the success of regional development initiatives, and local councils, individually or in groups, including regional organisations of councils, have long been at the forefront of such activity. They have allocated large amounts of time, energy and resources to promoting development in their areas and have forged valuable partnerships with other spheres of government, business and community groups. Local government participates actively in intergovernmental approaches to economic, community and environmental development and will continue to foster progress through a range of local and regional activities.

Local government supports the use of multilateral agreements between governments and agencies to improve service planning, funding and delivery and to prevent the

multiplicity of single purpose administrative structures being established for specific functions and programmes.⁴⁴

5.69 As acknowledged in the Framework for Cooperation on Regional Development, all levels of government recognise that local government is an integral partner in building resilient communities. The Federal government is working with local government to build communities through regional planning and development.

5.70 DOTARS commented on the benefits of local government taking a stronger role in regional development and in delivering the Commonwealth's regional policy objectives:

- Local government offers a wide and well-established national network of public administration which may be capable of taking on extra responsibilities and functions. This includes a significant presence in rural and regional Australia. (In some cases local government is the only institutional presence in small rural and remote areas.);
- Local government has strong links to the community and is accountable to the communities it represents. Its legislative basis makes it both durable and financially stable – unlike some community or interest groups;
- Local government has a practical service orientation and good organisational skills which make it capable of innovative, speedy and flexible responses. The integrated structure of councils can allow a high level of co-ordination between different activities;
- The links between local government and local business and industry puts councils in a good position to foster a 'bottom up' approach to regional development;
- Local Government is now playing an increasingly important role in providing information to support Commonwealth regional policy development and as a key stakeholder in the implementation of Commonwealth regional policy initiatives; and
- Extensive contact/transactions between business and local government makes local government an ideal entry point for access to information about other governments' services and programmes and a possible location for delivery of such services.⁴⁵

44 DOTARS, *Framework for Cooperation on Regional Development*, July 2003, p. 2. Online: <http://www.dotars.gov.au/regional/rdcouncil/rdcframework.aspx>, Accessed 1 September 2003

45 DOTARS, Submission No. 103, p. 39.

- 5.71 DOTARS considered that councils already act effectively at the regional level but there is scope for local government to take a more active role in Federal and State regional development policies and programs. However DOTARS commented that local government would need to be appropriately resourced to do so.⁴⁶
- 5.72 Local government is increasingly recognised as having a pivotal role in the delivery of many national strategies and programs. Local government works with DOTARS on transport and regional policies, and other Federal agencies in areas such as the environment, health and communications. In its submission DOTARS referred to research which highlights the importance of local government's role in regional development. DOTARS also sponsors research and consultancy activities and presents articles in the publication *Sustaining Regions*.⁴⁷
- 5.73 The Committee believes that the Federal government should continue to assist local government to foster regional economic development and to work with councils to reduce business costs and sponsor regional economic development initiatives.
- 5.74 Two examples of State governments providing funding in support of regional cooperation are:
- in 2001 the WA government provided \$75 million over four years under the Regional Investment Fund to assist with the economic and social development of regional WA and improve access by regional communities to services. Regional local governments are eligible to apply for funding for a wide variety of projects;⁴⁸ and
 - the NT government set up a Regional Development Fund to provide resources for capacity building and regional development projects. The NT government is facilitating broad community participation in the preparation of Regional Development Plans for each major region in the Territory to address social, economic and environmental issues and to serve as a basis for partnership agreements.⁴⁹

46 DOTARS, Submission No. 103, p. 40.

47 DOTARS, Submission No. 103, p. 32.

48 WA government, Submission No. 298, p. 4.

49 NT government, Submission No. 358, p. 2.

Benefits of regional cooperation

- 5.75 Many councils agreed with option 6 of the Committee's February 2003 discussion paper that, when both the State and Federal governments pursue regional initiatives, they should as a general rule work with bodies such as Regional Organisation of Councils (ROCs) or other established arrangements. The Committee notes that for issues like catchment management, ROC boundaries are not always appropriate and other regional boundaries should be considered.
- 5.76 SSROC believed this option would build on the existing strengths and assist to enhance the capacity of local government on a regional basis. Furthermore, SSROC claimed the Federal government can create more opportunities to engage local government in promoting its own agendas.⁵⁰ Western Sydney Regional Organisation of Councils supported this view.⁵¹
- 5.77 LGAT claimed that local government has no other choice but to become involved in regional activities. LGAT maintained that pressures at the individual council level in regard to economies of scale and mobilisation of energy and resources have made it necessary for local governments to combine forces in order to bring about necessary regional outcomes demanded by the population.⁵²
- 5.78 LGMA stated that it is worthwhile examining the ability of regional organisations to play a role in the future of local government where they might enable viable service and infrastructure supply.⁵³
- 5.79 ALGA strongly supported voluntary regional cooperation with local government being the foundation of regional arrangements, as long as Federal/State/Territory arrangements do not over-ride or compromise local government's roles and responsibilities in local regions.⁵⁴

Regional cooperation at work

- 5.80 In many cases local government has already developed a regional focus and approach, including through the formation of ROCs. Many

50 SSROC, Submission No. 162, p. ii.

51 Western Sydney Regional Organisation of Councils, Official Hansard, 28 April 2003, Sydney, p. 751.

52 LGAT, Submission No. 279, p. 21.

53 LGMA, Official Hansard, 27 June 2003, p. 891.

54 ALGA, Submission No. 352, p. 3.

other councils have formed voluntary working groups on particular projects or common interests.

- 5.81 DOTARS referred to a study by the University of New England in 2002 which indicated that there are several positive aspects of ROCs including:
- regional strategic planning - a major output of the ROCs has been the production of comprehensive and sophisticated regional planning documents covering a range of issues (environment, tourism, coastal management, transport). This activity has encouraged coordination and rationalisation of critical areas within related ROCs and resulted in beneficial results for all members;
 - resource sharing/group tendering which has resulted in real financial gains; and
 - the establishment of additional regional bodies designed to promote networking and industry development.⁵⁵
- 5.82 Not all councils can afford, or see it as necessary, to join an established ROC. Rather, they combine with other councils to pursue specific tasks. Indeed, Pristine Waters Shire Council did not consider it necessary to spend \$7500 for membership of the Northern Rivers Regional Organisation of Councils because the other council areas have little in common with them. However, Pristine Waters does work closely with the Clarence Valley Councils on regional water supply and flood mitigation.⁵⁶
- 5.83 In these cases, the Committee agrees with the MAV that undercutting the many regional groupings of councils that have already been established to pursue specific issues must be avoided.⁵⁷
- 5.84 Across Australia there are many examples of asset and service areas where regional coordination and resource sharing are effective in areas such as catchment management, waste management, transport, community support services, and housing services. The Committee received many examples of councils working together on a regional scale successfully. Nine such examples are:

55 DOTARS, Submission No. 103, p. 38 (Paper by Marshall, N. and Witherby, A. (unpublished) *The Roles and Functions of Regional Organisations of Councils*, presented at Cutting Edge of Change Conference, 14 - 17 February 2002, Centre for Local Government, University of New England, p. 7.)

56 Pristine Waters Shire Council, Official Hansard, 29 April 2003, Newcastle, p. 802.

57 MAV, Submission No. 384, p. 9.

- the Cradle Coast Authority (CCA), which is operationally funded by nine of the north west councils in Tasmania, identifies regional priorities for economic development and brokers partnerships between levels of government, industry and community groups to address them. The CCA has been successful in obtaining \$12 million in funding from the Federal government's Regional Solutions program for the establishment of a blueprint for recovery and development in the region. The CCA also has a partnership agreement with the State government of Tasmania covering a range of issues including major infrastructure projects, industry development, health, education and natural resource management;⁵⁸
- Westpool consists of seven Western Sydney Councils pooling resources to provide public liability/professional indemnity cover to its members. Over a 14 year period the initiative has proven very successful with the pool keeping member costs at a predictable and manageable level providing increased risk management skills amongst members and retaining a financially strong organisation;⁵⁹
- the Riverina Eastern Regional Organisation of Councils is a voluntary association of 15 local government bodies located in the eastern Riverina region of NSW. This organisation has developed a strong culture of working together and pooling funding to deliver both regional and local outcomes. One example of this includes a pooling of purchasing needs in order to achieve economies of scale as well as better purchasing outcomes, which has over the last four years saved members approximately \$3 million;⁶⁰
- the City of Prospect explained that unlike many councils which have amalgamated in recent years in order to obtain economies of scale, it was unable to amalgamate despite a willingness to do so. However the City of Prospect is actively involved in the Metropolitan Eastern Regional partnering arrangements to provide such services as libraries and environmental health;⁶¹
- the South East Queensland Regional Organisation of Councils (SEQROC) comprises 18 local governments with the Brisbane City Council providing secretariat services. The area comprises 66% of the State population (12% of the national population), generating

58 Cradle Coast Authority, Submission No. 316, pp. 7 & 28.

59 LGMA NSW, Submission No. 323, p. 6.

60 Riverina Eastern Regional Organisation of Councils, Submission No. 166, p. 6.

61 City of Prospect, Submission No. 98, p. 2.

62% of Gross State Product and 10% of national Gross Domestic Product. Projections show that south east Queensland will absorb 32% of Australia's population growth over the next 35 years. SEQROC is meeting half the costs of the regional planning program SEQ2021 which aims to develop a long-term vision and strategy for a sustainable SEQ and to respond to expected continuing high population growth. The project will be managed in partnership with the State government. The Federal government and peak community sector groups will also be involved;⁶²

- four councils in north Tasmania formed a joint authority to build a new landfill to comply with new regulations. This presented significant cost savings to those councils including Devonport Council which estimated savings in the order of \$500,000 per annum;⁶³
- the South West Group in Western Australia provides another example of successful pooling of local government resources. This body which is a voluntary regional organisation of councils comprising the cities Melville, Cockburn and Rockingham and the towns of East Fremantle and Kwinana, has provided participating councils with an effective framework to deal with regional issues of importance. The South West Group's formulation of a three-year regional economic development plan enables councils to more appropriately combat regional challenges such as employment and business development;⁶⁴
- in the Katherine East Region, six Aboriginal communities are on the way to forming the Nyirranggulung Mudrulk Ngadberre Regional Authority to provide for a central financial administration and sharing of resources;⁶⁵ and
- Nillumbik Shire Council reported that services such as the Yarra Plenty Regional Library comprises three local government areas and the Northern Regional Waste Service comprises six local government areas. These are both legal entities in their own right. Other regional or inter-local governmental connections include tourism, homecare, meals preparation, pound and youth services.⁶⁶

62 SEQROC, Submission No. 142, p. 1; Brisbane City Council, Submission No. 47, p. 8.

63 Devonport City Council, Official Hansard, 18 February 2003, Hobart, p. 433; Devonport City Council, Submission No. 117, p. 2.

64 South West Group, Submission No. 182, p. 7.

65 Barunga Manyallaluk Community Government Council, Submission No: 295, p. 4.

66 Nillumbik Shire Council, Submission No. 275, p. 12.

- 5.85 It appears regional cooperation is alive and well and comes into play through necessity rather than design. As long as the strengths of regional arrangements are recognised and accessed by other spheres of government there seems little point in imposing regional demands on local government.

Committee conclusions

- 5.86 The Committee concludes that efficiencies of local government can be improved through a mixture of changes that may include partnerships, regional cooperation and/or amalgamations. One answer does not fit all. Structural reform should continue to provide improvements in the efficiency and effectiveness of the local government sector.
- 5.87 The Federal government is committed to doing business with the level of government which knows the local scene, is competent to conduct business on behalf of both its citizens and the federal government, and will help the Federal government deliver services more economically. Therefore, the Federal government is interested in further development of partnerships with a viable local government sector – councils which are efficient, flexible and outcome-focussed.
- 5.88 The Committee considers that established ROCs and other regional bodies which have demonstrated their capacity to be involved in the regional planning and delivery of Federal and State programs, should be utilised by the Federal government in a partnership approach on national priorities.

Recommendation 14

- 5.89 **The Committee recommends that the Federal government:**
- **continue to develop partnership arrangements with local government on the delivery of Federal programs and service delivery; and**
 - **as appropriate, engage established regional organisations of councils, or similar regional bodies, which have demonstrated capacity, in regional planning and service delivery.**