

Roles and responsibilities

Diversity of roles and responsibilities

2.1 There are 721 local governments bodies (LGBs) in Australia, including 97 indigenous community councils in Queensland, the NT and WA. The diversity amongst councils in each of the States and the NT is vast as there are significant differences in:

- size and population;
- road length and infrastructure;
- fiscal position, resources and skills base;
- physical, social and cultural environments;
- attitudes and aspirations of their communities; and
- state legislative frameworks.

2.2 The differences in size and population between councils are demonstrated by 2001-02 statistics:

- the average population of local governing bodies was 26,400, however, 50% of councils have fewer than 6490 residents. Brisbane City Council had 899,604 residents, while Silverton Village in remote NSW had about 58 residents;
- the Shire of East Pilbara covered the largest area of 378,533 sq kms, while one of the smallest in area was the urban Shire of Peppermint Grove which covered 2 sq kms. Some councils, including indigenous

community councils, are recorded as having no area because their boundaries are not defined;

- the population of the metropolitan council of East Fremantle is 6660, similar to the rural agricultural council of Buloke which has a population of 7268. However, their areas are 3 sq km and 8002 sq km respectively.

- 2.3 The range and scale of functions that LGBs perform is a reflection of this diversity.
- 2.4 Constitutional responsibility for local government lies with the States and Territories as they provide the legal framework for councils' operations.
- 2.5 State and Territory Local Government legislation imposes few limitations on what services local government can provide. The Acts give local government wide ranging powers to carry out almost all functions. The intent of these Acts are to provide LGBs with the ability to provide services in response to the changing needs of their communities.
- 2.6 To a significant extent, what individual councils do is a function of their own policy choices. Local government's functions and services often include engineering, recreation, health, welfare, security, building, planning and development, administration, culture and education.
- 2.7 The major differences in form, governance and responsibilities between the States and the NT reflect that:
- a major source of revenue for LGBs in all States is taxes on properties (municipal rates) but the basis upon which the rate is calculated varies between States;
 - water supply and sewerage is a local government function in Queensland, Tasmania and rural NSW, but a State responsibility elsewhere; and
 - LGBs in Victoria, Queensland, WA and Tasmania cover virtually the whole of the State, whereas there are large unincorporated areas in NSW, SA and the NT.¹

1 Commonwealth Grants Commission, *Review of the Operation of the Local Government (Financial Assistance) Act 1995*, June 2001, p. 7.

Roles of capital cities compared to rural/remote areas

- 2.8 A joint report by the Property Council of Australia and the Council of Capital City Mayors in 2000 referred to the special role of capital city councils; in particular, it recognised their role in commercial activities, cost competitiveness, innovation and cultural tourism as well as the normal role that all local governments have of maintaining the local community.²
- 2.9 Capital city councils have made a case that they face unique issues which are not recognised in current grant allocation principles:
- Perth City Council claimed that it deals with issues which are for the benefit of all in the state and it questioned why a small group of ratepayers should carry the financial burden of fulfilling this wider role.³
 - The City of Sydney argued that while it serves 30,000 residents, the 'city community' also includes the 250,000 workers, 15,000 businesses, 20-25,000 nightly hotel visitors and 300,000 daily visitors who use the city for a variety of other purposes.⁴
 - Brisbane City Council (BCC) provides major public transport facilities and road infrastructure for the city. In other capital cities, these would normally come under the province of the State. BCC claimed community demand for these provisions reflect Brisbane's status as a capital city, its gateway for tourism and the need to provide the public (and not just Brisbane ratepayers) with an efficient means of moving around.⁵
 - Melbourne City Council claimed that its role places additional obligations and expenditures upon it not encountered by other councils.⁶
- 2.10 The Committee has also heard from many rural and remote councils which are taking on functions traditionally performed by the Federal or State governments. The CEO of the Shire of Yalgoo in remote WA stated:

2 Property Council of Australia and Council of Capital City Lord Mayors, *The Capital Cities & Australia's Future*, Foreword.

3 City of Perth, Official Hansard, Perth, 6 August 2002, pp. 12-15

4 City of Sydney, Submission No. 179, p. 4.

5 Brisbane City Council, Submission No. 47, pp. 2, 9

6 Melbourne City Council, Submission No. 135, pp. 2-3

Quite frankly, **local government in our region is the last man standing**. The federal government is not represented there at all. We hope to rectify that in some way through an RTC [Rural Transaction Centre]. Very few state government departments venture into our territory, so if anything is going to happen it will be through the local government.⁷

2.11 The Mayor of Barraba Shire Council in rural NSW stated:

In the rural areas ... you have great difficulty in attracting quality people to apply for positions, whether they are in police, health, education or any professional service, such as banking. It is not just in government areas, it is also in private enterprise. It is the professional services. ... So the responsibility of meeting the community expectation to attract those people there falls back on local government. ... Local government are then forced to spend their rate dollars on providing housing, incentives, rent subsidies or some other form of attraction.⁸

2.12 In remote Queensland, Ilfracombe Shire Council runs the post office, the railway station, a general store and a cafe. Aramac Shire Council supplies a surgery for the doctor rent free, accommodation for nurses, and runs a bakery.⁹

2.13 Some submissions referred to Aboriginal Community Government Councils being grossly under resourced to properly carry out their massive and particular responsibilities. For example, the Torres Strait Regional Authority stated that the functions of community councils are wide and varied:

Increasingly they have become involved in a wide range of functions, apart from providing basic community services, including housing, water and sewerage, airport and wharf maintenance, Centrelink agencies, postal services, community courts and policing, administration of emergency relief, broadcasting, and administration of Community Development Employment Projects.¹⁰

7 Shire of Yalgoo, Official Hansard, 6 August 2002, Perth, p. 30.

8 Barraba Shire Council, Official Hansard, 29 April 2003, Barraba, p. 770.

9 Aramac Shire Council and CEO, Ilfracombe Shire Council, Official Hansard, 12 March 2003, Longreach, p. 612.

10 Torres Strait Regional Authority, Submission No. 362, p. 8.

- 2.14 The Aboriginal and Torres Strait Islander Commission (ATSIC) Queensland and ATSIC NT referred to the expansion of local government's role and the high level of need within the Indigenous communities, which stems from a history of economic and social disadvantage.¹¹
- 2.15 Barunga Manyallaluk Community Government Council, which receives 77.5% of its funding from grants, claimed that its administrative responsibilities are far greater than Municipal Councils.¹² The Committee notes that Melbourne City Council raises approximately 96% of its revenue directly and 4% is provided by the other two levels of government.¹³
- 2.16 On an equalisation basis, the Federal government must consider the revenue opportunities of the capital cities or urban areas. Bundaberg Council claimed that small rural agricultural/medium rural agricultural communities are far more dependent on grant income than large rural and urban communities as this source of income makes up a much greater percentage of their total income (35-43% circa) than is the case with large rural and urban communities, which are usually between 2-10%.¹⁴
- 2.17 Funding and equalisation methodologies are discussed further in Chapter 6.

Growth in local government functions

- 2.18 Local governments' roles, therefore, are diverse. Also evident is the expansion of the roles beyond those traditionally delivered by the local sector.
- 2.19 Local government has been increasingly taking on responsibility for social functions, such as management of health, alcohol and drug problems, community safety and improved planning and accessible transport. Local government has also been playing an increasing regulatory role in the areas of development and planning, public health and environmental management.

11 ATSIC Queensland, Submission No. 401, p. 2; ATSIC NT, Submission No. 174, p. 4.

12 Barunga Manyallaluk Community Government Council, Submission No. 295, p. 2.

13 Melbourne City Council, Submission No. 135, pp. 2-3

14 Bundaberg Council, Submission No. 156, p. 7.

- 2.20 In its 2001 review of the *Local Government (Financial Assistance) Act 1995*, the Commonwealth Grants Commission (CGC) found that the composition of local government expenditure had changed including:
- (i) a move away from property-based services to human services;
 - (ii) a decline in relative importance of road expenditure (although it remains the largest function, its level of importance has declined from about half of total expenditure in the 1960s to a little more than a quarter in the 1990s);
 - (iii) an increase in the relative importance of Recreation and Culture, and Housing and Community Amenities (these are now large areas of local government expenditure, each approaching 20 per cent of total); and
 - (iv) an expansion of Education, Health, Welfare and Public Safety services (this has increased from 4 per cent of total expenditure in 1961-61 to about 12 per cent in 1997-98).¹⁵
- 2.21 A similar expansion of responsibilities of local government has occurred in Canada. According to a Taskforce on the Future Role of Municipal Government there has been 'widespread acceleration of federal, provincial and territorial delegation of duties and responsibilities to municipal governments'. The Taskforce reported this has 'occurred without sufficient consultation and without an appropriate expansion of municipal government powers, resources and autonomy'.¹⁶
- 2.22 As local government has expanded its roles and responsibilities to meet growing community expectations, the Committee questioned councils about whether they are trying to be all things to all people at a price they cannot pay. The Committee was also concerned that some claims of cost shifting might in fact have been more a matter of poor management: the shifting of resources from core business activities such as infrastructure maintenance to support other government funded programs leaving the sector at large with an ever-increasing asset management problem. Some councils agreed that the time had come simply to say no to Commonwealth and State funding for non-core business programs.
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15 Commonwealth Grants Commission, *Review of the Operation of the Local Government (Financial Assistance) Act 1995*, June 2001, p. 53.

16 *Policy Statement on the Joint Federation of Canadian Municipalities/Canadian Association of Municipal Administrators Task Force on the Future Role of Municipal Government*, June 2002, p. 2. Online: <http://www.fcm.ca/english/national/role2.htm>, Accessed 1 September 2003.

- 2.23 Not only did the Committee question the expenditure choices of some councils, it noted evidence which suggested that there may be room for further increases in local government's revenue from existing sources including rate increases and special levies for environment or infrastructure provision.

Why have local government functions increased?

- 2.24 According to the CGC, local government's functions have increased due to the following factors:

- (i) *Devolution* — where another sphere of government gives local government responsibility for new functions;
- (ii) '*raising the bar*' — where another sphere of government, through legislative or other changes, increases the complexity of or standard at which a local government service must be provided, and hence increases its cost;
- (iii) *Cost shifting* — where there were two types of behaviour. The first is where local government agrees to provide a service on behalf of another sphere of government but funding is subsequently reduced or stopped, and local government is unable to withdraw because of community demand for the service. The second is where, for whatever reason, another sphere of government ceases to provide a service and local government steps in;
- (iv) *Increased community expectations* — where the community demands improvements in existing local government services; and
- (v) *Policy choice* — where individual LGBs choose to expand their service provision.¹⁷

- 2.25 The Committee considers that where adequate funding is not provided, (i), (ii) and (iii) could be considered types of cost shifting, while (iv) and (v) are a matter of local government choice. Another burden placed on the shoulders of local government is devolved administrative and regulatory responsibilities which are discussed in Chapter 3.

- 2.26 The evidence received by the Committee indicates that many new roles and responsibilities are a consequence of the practice of cost shifting. Local government has extended its activities in the delivery of a variety

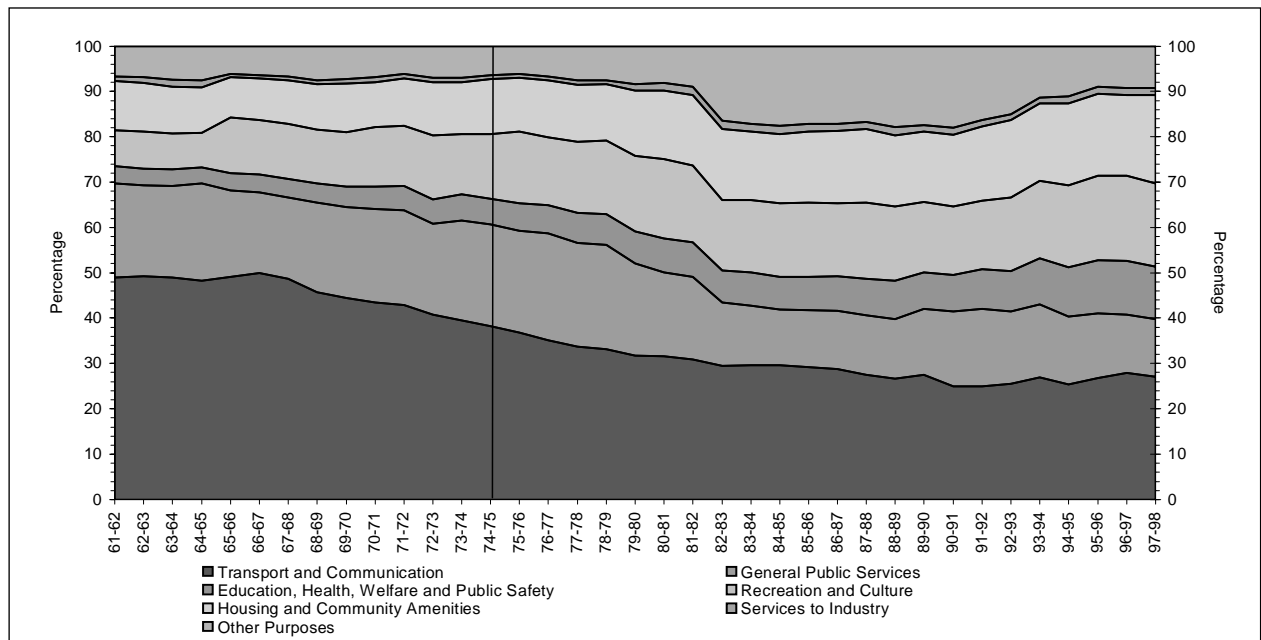
17 Commonwealth Grants Commission, *Review of the Operation of the Local Government (Financial Assistance) Act 1995*, June 2001, pp. 52-3.

of community services funded fully or partly by other tiers of government. Such programs have usually involved specific purpose payments (SPPs) and often require a financial contribution from local government as one of the conditions of funding.

2.27 The CGC stated:

Analysis of local government expenditure over the period 1961–62 to 1997–98 shows that the composition of services being provided by local government has changed markedly over the past 30–35 years. Local government is increasingly providing human services at the expense of traditional property - based services (particularly roads).¹⁸

Figure 2.1 Composition of local government expenditure, 1961-62 to 1997-98



Source Commonwealth Grants Commission, *Review of the Operation of the Local Government (Financial Assistance) Act 1995*, June 2001, p. 54.

2.28 State SPPs to local government are discussed further in Chapter 3.

Managing community expectations

2.29 As demonstrated, local governments' roles are large, complex and expanding.

18 Commonwealth Grants Commission, *Review of the Operation of the Local Government (Financial Assistance) Act 1995*, June 2001, p. xiv.

- 2.30 In its submission, the SA government referred to a June 2002 paper by the South Australian Centre for Economics Studies (SACES) which indicated that in the next decade there will be spiralling demand for services and increased pressure for expenditure, caused by:
- community requirements for improved standards – some of which will be expectations based, while some will be imposed through legislation;
 - the demand for new services to meet community needs;
 - an increasing asset refurbishment task – as a large range of assets reach the end of their economic life; and
 - the impact of cost shifting.¹⁹
- 2.31 Councils have argued that they take on further responsibilities because other levels of government pull out of services.
- 2.32 As indicated earlier, the Local Government Acts in each State and the NT have given considerable scope to councils to expand their roles and responsibilities. Local governments as a group make up a network of complex organisations already in place to meet a variety of community needs; therefore, organisational infrastructure and skills already exist.
- 2.33 One council CEO stated that one of the strengths of local government is its ability to deal with the diversity of roles:
- One of the strengths of local government ... is the ability and requirement to reflect and advocate on behalf of our community, to respond to their needs and to respond to the diversity that comes with different populations.²⁰
- 2.34 Most councils would like to be able to accept additional responsibilities. They believe they are in the best position to deliver to their communities the services that they require and expect. They claimed that local government is at the coalface, and therefore best placed, to deliver programs which suit local and regional conditions. Clarence City Council stated:
- Organisational infrastructure and skills already exist, and provide a powerful opportunity for limiting duplication across the public sector as a whole.

19 SA government, Submission No. 266, p. 13.

20 Newcastle City Council, Official Hansard, 29 April 2003, Newcastle, p. 817.

Council would welcome further involvement in programmes which provide tangible benefits to its community, based on clear outcome definitions and a sufficient level of resourcing to meet all costs, including costs to meet the ongoing sustainability of any constructed assets.²¹

- 2.35 Local Government Managers Australia (LGMA) NSW claimed that local government has demonstrated it is a very efficient and effective service provider:

... local government has the experience, expertise, capacity and community backing to take on an enhanced role in strategic planning, asset management and service provision, so long as there is the means to fund the additional responsibilities.²²

- 2.36 The Australian Services Union discussed the importance of the role of local government in the delivery of services:

They affect the community, they affect the people that live in those communities and in smaller towns they affect real jobs that provide significant employment in those regions. Local government provides an extremely important part of our society. When you get out into the bush and regional Australia, the functions of local government change dramatically to those of local government [in] the city. They are the government, they are the people who provide the services at those local levels and sometimes they are the best equipped to deliver those services because they are, after all, closest [to] the people.²³

- 2.37 However, the roles of local government cannot expand without funding and resources. Where that expansion is taken over from another sphere of government, without funding or resources, it compounds the financial problems for local government and may reduce public accountability for the relinquishing provider of the service. This is especially true in rural and remote regions, where councils are small and have a very limited revenue base but expectations from the community for a wider range of services than previously delivered.

21 Clarence City Council, Submission No. 301, p. 3.

22 LGMA NSW, Submission No. 323, p. 5.

23 Australian Services Union, Official Hansard, 27 June 2003, Canberra, p. 889.

2.38 The Shire of Yalgoo suggested that if the State cannot provide an adequate level of education in remote communities, it should transfer its expenditure on education to the local governments:

... We believe that the best approach to the phenomenon known as cost shifting is not to limit the roles and responsibilities of local government but to ensure that local governments are adequately funded to meet their increasing roles and responsibilities.²⁴

2.39 Many councils referred to their capacity to deliver programs but indicated that they needed the funding to do it. The CEO of Glenelg Shire stated:

... if we are going to look at imposing new functions on local government, the key to it is: where is the money for local government to provide those new functions? Who was providing the function before, or is it a new function? Who is going to pay for it? ... We have the capacity to provide the new functions: we have people on the ground and we have great capacity to attract people to the regions as well. It is just that we do not have the money to provide those services.²⁵

2.40 In many circumstances, local government is confronted with the choice of continuing to fund an activity in total or wearing the political costs of ceasing the activity. These are very difficult choices and they are not problems specific to the local level of government only.

2.41 The Committee contends that all levels of government must tackle this issue of community expectations. In many circumstances the Federal, State and local governments cannot deliver all that is demanded from the community.

2.42 Local government must tell the community it can not deliver everything the community expects. It will be necessary for local government to say 'no' to taking on the void left by other spheres of government.

2.43 A number of local councils are already resisting community expectations and not implementing or continuing programs. For example, Mackay City Council had to say no to providing security cameras and increased security patrols.²⁶

24 Shire of Yalgoo, Submission No. 391, p. 2.

25 Glenelg Shire Council, Official Hansard, 19 February 2003, Box Hill, p. 480.

26 Mackay City Council, Official Hansard, 13 March 2003, Townsville, p. 655.

Can roles be defined?

- 2.44 As demonstrated above, the roles and responsibilities of local government are diverse and have been growing over a number of years. Roles vary between the States as well as within each State and the NT. Indeed, neighbouring councils often differ considerably in what they do and in their priorities. The findings of the Committee demonstrated earlier in this chapter that urban councils often take on completely different roles to rural councils.
- 2.45 The issue of local government roles is further complicated by the fact that the jurisdictional dimensions of each level of government remain dynamic; the responsibilities of each level of government are continually changing or being transferred. In some circumstances, there has been an overlap of responsibilities between the three levels of government.
- 2.46 If local government were involved earlier in the process of determining service delivery, this could reduce areas of unnecessary overlap or duplication between the spheres of government. Further, the reduction of duplication in advice and service delivery between the spheres of government would improve overall cost effectiveness of government services and achieve significant savings (see Chapter 7).**
- 2.47 The Australian Local Government Association (ALGA) did not encourage the Committee to pursue 'an incredibly resource intensive broad scale roles and responsibilities exercise'. Rather, ALGA recommended that the Productivity Commission in collaboration with State Local Government Grants Commissions (LGGC) progress this work.²⁷
- 2.48 In the Department of Transport and Regional Services' (DOTARS) view the priority would be for the Federal, State and local governments to establish agreed statements for respective responsibilities that could be regularly adjusted to reflect agreed changes in responsibility.²⁸
- 2.49 Local government is diverse and tailors its business to meet community needs. Given that each council provides local solutions to local issues, there are difficulties in formalising and fixing definitions of roles and responsibilities across the nation.
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27 ALGA, Submission No. 352, p. 2.

28 DOTARS, Submission No. 313, p. 5.

- 2.50 The Committee considers it would be beneficial to establish formal governance relationships and consequent financial agreements between the levels of government (see section on An inter-governmental agreement later in this Chapter).

Partnerships – State/local government

- 2.51 Significant progress has been made in several states in terms of negotiating state-local government protocols covering areas of shared responsibility and, more recently, through partnership agreements. Partnership agreements are in place or under negotiation in Tasmania, SA, WA and Queensland.
- 2.52 Although the nature of the agreements varies, they represent an attempt to clarify priorities and rationalise the distribution of powers and resources between State and local governments. Partnership agreements enable States and local government to respond to the articulated needs of their communities through an agreed plan and dedicated resources.
- 2.53 In Queensland the partnership arrangement is formalised through a Whole of Government Protocol, which outlines processes for consultation and collaboration and the responsibilities of each tier of government.²⁹
- 2.54 In WA the Partnership Steering Group was formed with a ‘commitment to improving cooperation between State and local government to enhance sustainable social, environmental and economic development of WA through consultation, communication, participation, cooperation and collaboration at both strategic and project levels’. The Group drafted a template as a basis for Partnership Agreements suitable for agreements between the State government and individual local governments or the local government sector as a whole.³⁰
- 2.55 The SA government has also worked on improving relationships with local government through the Developed Partnerships Program aimed at enhancing service delivery to the community. A Minister’s Local Government Forum was developed to provide advice on key priorities where States and local government can work together to achieve better

²⁹ Queensland government, Submission No. 137, p. 3.

³⁰ WA government, Submission No. 298, p. 7.

outcomes. The Forum was working with local government and the private sector to establish agreements on stormwater management, waste management, planning, natural resource management and regional public transport.³¹ Further, the first objective in the Local Government Association of South Australia's (LGASA) *Future Directions: Smarter Governments Working Together* strategy, is to align the efforts, activities and financial relationships of the three spheres of government so that they can work together effectively beyond single terms of office or party political approaches.³²

- 2.56 In Tasmania, the State government has implemented partnership agreements with a number of councils. These agreements, outline the ways in which the State government and a council or group of councils can find innovative ways of working together to improve the social, economic and environmental situation within a community by reaching mutually agreed goals. Furthermore, these agreements provide an opportunity to examine government service delivery arrangements and for the State and local government to jointly identify measures to improve their design and or delivery.³³
- 2.57 The Tasmanian initiative seems to offer potentially the most effective inter-governmental framework. When supported by protocols, agreements possess a high degree of credibility. They also provide a forum in which to consider issues such as the roles and responsibilities of both levels of government and the financial situation of local government.
- 2.58 However, the Committee notes that the relationship between State and local governments varies markedly from State to State when it comes to cooperation and negotiation.
- 2.59 The Committee considers that one of the keys to reform is inter-governmental partnerships. Partnerships help to ensure that government services are effectively and efficiently delivered at the local level. They are an important step towards improving the relationship between local government and other spheres of the government in the future.

³¹ SA government, Submission No. 266, p. 7 & Official Hansard, 9 October 2003, Adelaide, p. 289.

³² LGASA, *Future Directions – Smarter Governments Working Together: Local Government's Proposals to Strengthen Intergovernmental Relations, 2002-2003 Initiatives*.

³³ LGAT, Submission No. 279, p. 11.

- 2.60 Partnerships may include protocols on roles, financial relations, and areas of joint activity and would assist with eliminating overlap and duplication. The partnerships developed in some States could be utilised in the further development of tripartite agreements.
- 2.61 It is time for partnerships also to include the Federal government where appropriate and Federal-local government relations functions should act as a conduit to link common areas of interest between the levels of government. Partnerships and regional cooperation are discussed further in Chapters 5 and 7.

An inter-governmental agreement

- 2.62 There has been much support for a tripartite inter-governmental agreement (IGA) in which the Prime Minister and Treasurer, State Premiers and Treasurers and local government look at issues such as:
- what priorities/needs exist at the local level;
 - what funds are available from the Federal, State and local governments;
 - a commitment from the Federal and the State governments to identify funding to go to local government in order to fulfil its responsibilities;
 - an undertaking from local government to deliver functions; and
 - an agreement on principles for future transfer of functions from the Federal and State governments to local government.
- 2.63 DOTARS stated that if a tripartite approach is considered, the best forum for launching this would be at the Council of Australian Governments (COAG) or Ministerial Council level, to ensure that all levels of government are committed to the outcome from the start.³⁴
- 2.64 The Australian Services Union commented on the importance of cooperation between each level of government:
- ... something that allows the three arms of government to work towards ensuring that those services are delivered for all Australians out there in the community and something that

34 DOTARS, Submission No. 313, p. 7.

ensures, in a cooperative manner, that, where local government are the best people to deliver the service, they deliver the service to the community. That means cooperation, I think, between state governments, national governments and local governments.³⁵

- 2.65 Local government has proved it has the capacity to respond to problems and provide solutions and the maturity and experience to deliver services. DOTARS has recognised that in many cases local government can be the best partner to the Federal government for the coordination and delivery of federal programs.
- 2.66 The Committee recognises how successful local government has been on the delivery of services, such as employment, health, environment, roads and aged and community care, on behalf of the Federal and State governments.
- 2.67 DOTARS supported the positive engagement of local government wherever there are Federal government programs that affect the core activities of local government. DOTARS, however, warned that it would be unwise to be too prescriptive when delivering national programs. The best approach is to ensure that whenever a major Federal government program is being developed all possible delivery options are canvassed. This may involve working through regional based organisations or committees, such as Regional Organisations of Councils or Area Consultative Committees. Whatever approach is followed, it is important that local government be consulted and actively involved in the process.³⁶
- 2.68 The Local Government Association of Tasmania (LGAT) agreed that earlier and more comprehensive engagement by the Federal government with local government on delivery mechanisms associated with regional activities would be beneficial as this would help maximise coordination, avoid duplication and ensure value for money in service delivery.³⁷
- 2.69 The SA government stated that some activities can be mutually enhanced without financial transfers, but rather through increased cooperation and strengthened relationships. However, it stressed that the strategic priorities for Federal government involvement in regional

35 Australian Services Union, Official Hansard, 27 June 2003, p. 890.

36 DOTARS, Submission No. 334, p. 6.

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

planning should not be directed at implementing exclusively Federal government priorities.³⁸

- 2.70 The LGASA's *Future Directions – Smarter Governments Working Together Program* has been developed to strengthen inter-governmental relations. It encourages local government in South Australia to work collaboratively with the Federal and State governments to more efficiently and effectively serve communities.³⁹
- 2.71 ALGA submitted that an IGA on government service provision would require a set of guiding principles that would outline clear roles and responsibilities for each sphere of government in specific areas of service provision and focus on the performance of each sphere through benchmarks.
- 2.72 ALGA argued that the IGA would provide substantial benefits, including:
- more certain policy outcomes as a result of predictable levels of funding;
 - an ability to specify expected performance;
 - a greater level of transparency; and
 - a meaningful framework for reprioritising and reallocating resources within and across the spheres of government.⁴⁰
- 2.73 The Committee agrees that greater predictability, transparency and enhanced performance on the part of all three levels of government would be welcomed.
- 2.74 The Committee contends that if roles and responsibilities of each sphere of government are defined in an IGA, then the business of governance will be improved and duplication of Federal and State programs will be minimised.

38 SA government, Submission No. 385, p. 1.

39 LGASA, Submission No. 223, p. 4.

40 ALGA, Submission No. 340, p 9.

Recommendation 1

- 2.75 **The Committee recommends that the Prime Minister and the Treasurer meet with State and Territory Premiers/Chief Ministers and Treasurers and local government to develop a Federal-State inter-governmental agreement which identifies:**
- **the roles and responsibilities of local government in delivering Federal and State programs;**
 - **policy priorities and strategies at the local level;**
 - **the allocation of funds and resources from the Federal and the State governments to local government in order to fulfil its responsibilities; and**
 - **the expected performance and funding responsibilities on the part of all levels of government.**

Representation of local government

- 2.76 For effective federalism, local government must be at the table to ensure the optimum split of roles, responsibilities and funding.
- 2.77 Given there are large differences in roles and responsibilities between the States, it may be preferable if local government in each State and the NT be represented at an inter-governmental meeting.
- 2.78 In response to the question of who should speak on behalf of local government in any tripartite agreement, the North Sydney Regional Organisation of Councils (NSROC) offered two options:
- each State local government body be represented as they are representative of their constituents and they are elected from them to act on their behalf in a democratic process. Local government in New South Wales, which has two peak bodies, should address the question of representation from that state (this is the preferred option of NSROC); or
 - numerically limited representation from local government to participate, with local government determining who from ALGA and its state based organisations would represent them.⁴¹

41 NSROC, Submission No. 404, p. 2.

- 2.79 The Committee considers the first option of NSROC to be appropriate. It will be up to local government in each State to determine one body to represent them.

Recommendation 2

- 2.80 **The Committee recommends that local government nominate one representative from each State and the Northern Territory to represent local government at Federal-State inter-governmental agreement negotiations.**

Formalisation of the recognition of local government

- 2.81 Currently, local government is not recognised in the Australian Constitution and local government has long argued for formal constitutional recognition. Constitutional responsibility for Local government lies with States and Territories, which provide the legal framework for council operations.
- 2.82 Since 1973, the issue of constitutional recognition of local government has generated significant public debate and has been addressed at various forums including five constitutional conventions from 1973 to 1998. It has also been the subject of three reports produced by the Advisory Council for Inter-Governmental Relations and was a focus of the Constitutional Commission (1985 to 1988). In 1974 and 1988, constitutional recognition of local government was considered in referenda to alter the Constitution of Australia. Neither referendum was successful.⁴²
- 2.83 Many submissions to the Inquiry called for constitutional recognition of local government. However, ALGA stated that a more formal recognition of local government by the Commonwealth Parliament is desirable and less problematic than constitutional recognition:

Regarding recognition of local government in the governance of Australia, in the past we have made the point to the committee that we needed constitutional recognition, but I think we should be seeking from this committee something much more realistic, and that is a recognition from the parliament that local government has an integral part in the governance of Australia. I take the view that when the Australian public are ready to give constitutional recognition at

42 DOTARS, Submission No. 387, p. 3.

a referendum then our position will have been so entrenched that it will probably not be required anyway.⁴³

- 2.84 In addressing this matter, the Committee considers that the Federal government has already gone a considerable way in recognising local government as a sphere of government through the provision of substantial Federal funding and the representation of local government on COAG and relevant Ministerial Councils.
- 2.85 Constitutional recognition of local government is not the Commonwealth's gift to give. No referendum would ever succeed without total agreement from State governments.
- 2.86 However, the Committee believes that much more can be achieved through this Inquiry for the betterment of the local government sector. An Inquiry such as this occurs once in every 10 – 20 years and as such it has provided the best opportunity for a long time to recognise local government's place in the governance of the nation.
- 2.87 The Committee's Inquiry has brought to light significant evidence that local government functions have increased particularly over the last few decades. The Committee recognises that some of these functions have occurred as a result of policy choice and increased community expectations, while others are a consequence of cost shifting from other spheres of government.
- 2.88 The Committee is of the strong belief that when the recommendations of this report are implemented, they will of themselves formalise the points of ALGA's submission. In Chapter 7 the Committee calls for a Summit to discuss the governance of Australia.

Recommendation 3

- 2.89 **The Committee recommends that the Minister representing the Minister for Local Government, Territories and Roads propose, as a precursor to the Summit on inter-governmental relations, a resolution that the House of Representatives recognises local government as an integral level of governance of Australia.**

43 ALGA, Official Hansard, 27 June 2003, p. 888.