

## Read, Shane (REPS)

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**From:** Ian Bowie [ibbowie@bigpond.com]  
**Sent:** Friday, 12 July 2002 2:12 PM  
**To:** EFPA.Reps@aph.gov.au  
**Subject:** Inquiry into Local Government and Cost Shifting

The Secretary,  
House of Representatives Standing Committee on  
Economics, Finance and Public Administration  
(by e-mail)

### **Inquiry into Local Government and Cost Shifting**

I am responding to an invitation advertised in the press for input into your inquiry. I do so as a citizen who has been engaged closely with four local Councils in NSW over the past decade, as a consultant planner who has had professional dealings with a rather larger number of Councils during that period and as a former academic who has some knowledge of the workings of local government beyond as well as within Australia.

Although I touch on most of the heads of consideration in the inquiry's terms of reference I have chosen to develop an argument in my own way under different headings. *The argument is in favour of a much greater delegation by both state and federal governments ('central' governments) of the delivery of services to 'the people', by outsourcing this delivery to local governments ('councils') with appropriate arrangements for funding council delivery of these services.*

#### **The state of local government in Australia**

My reason for making this submission is that in my dealings with councils I have become increasingly concerned about the ability of local government in Australia to carry out the tasks with which it is charged. Indeed, it appears to me that an appreciable number of Councils in NSW, not necessarily confined to very large areas with very small populations, may be in danger of collapse because they are increasingly unable to do their jobs properly.

I see many reasons for this situation. In no particular order these include:

- growing expectations of state governments that councils should shoulder more tasks particularly of a regulatory nature, without commensurate provision of resources (as recent examples from NSW I cite parking regulation, the provision of fire fighting and rescue services and environmental monitoring)
- continuing demands from central governments for more 'efficiency' in councils, which have led to widespread reductions of staff complements in NSW Councils (cf data in the annual NSW Department of Local Government, *Comparative Information on NSW Local Government Councils*)
- continuing uncertainties from year to year in councils about the sources and quantum of their income, particularly as a consequence of rate capping in NSW, even though the states have now got considerable certainty about their funding because they now get the funds raised from the GST.

#### **This is a matter for concern**

This parlous state is endangering the nature and survival of a tier of government which,

- with officers located within the areas and people it administers, has potential to be more responsive to the needs of those areas and people than higher tiers of government
- with offices and other facilities being essentially local, may offer the most effective means for the field delivery of many community and environmental services, and
- being relatively close in its operations to its 'owners', ie residents, may promote involvements and senses of ownership that escape more remote higher levels of government.

In my view, community involvement with and a sense of ownership of governments are fundamental not only for the survival of 'representative democracy' and 'participatory democracy' but also for efficient, effective and equitable delivery of services by these governments at all levels. The more remote geographically or structurally a government is from the areas and people which it administers, the less will its 'owners' know about its workings and be bothered to work with it.

If people at large do not work in partnerships with their governments and do not support them and if 'the people' ignore or bypass the work of governments then governments cannot be efficient, effective or equitable in delivering their services. In my observation and experience of councils in Australia, notably in the area of environmental (ie town and country) planning and management, there is little community involvement in or sense of ownership of local government and many developers either do not know about or do not care to be involved with councils as regulators of new development.

This situation brings local government into disrepute. The patent inability for lack of resources of many councils to carry out the tasks expected of them exacerbates this disrepute. That disrepute leads to assertions by residents and outsiders both that local governments are 'inefficient' (although the meaning of 'inefficiency' is often unclear and, as expressed by residents, may often mean lack of services rather than economic inefficiencies).

### **Why local government may be unable to provide services**

I do not propose to debate here the question of whether councils are inefficient (or ineffective or inequitable in providing services). My observations and my reading of the *Comparative Information* annuals referred to above suggest to me that councils generally are far from being inefficient, that they deliver a remarkable range and quality of services to their 'owners' and that many who assert 'inefficiency' are vested interests outside local government areas who want less government or to deal with fewer councils.

That said, I accept (on the basis of the *Comparative Information* data) that there may be councils whose performance is inefficient or otherwise less than satisfactory, either because they are too small in terms of corporate resources such as staff and income, or because the small populations or large areas they serve cause diseconomies of small scale, or because the large populations they serve necessitate bureaucracies whose sheer size leads to diseconomies of large scale and notably the breakdown of communications between councillors, staff and people.

This suggests that we in Australia should be seeking ways of increasing the size of smaller local councils at least up to the point where these councils can achieve critical masses and related economies of larger scale (it suggests also that we should be more critical about whether some large councils which serve populations larger than many nation-states really do achieve economies of large scale when their size threatens the very concept of 'local' democracy).

### **Ways of making councils larger**

There appear to be two broad options for enlarging smaller councils (ie the corporate bodies, not the populations or areas served):

- by increasing the sizes of areas and populations to which Councils deliver their present services, and
- by expanding the range and/or depth of services which they deliver to their areas and populations

Local government in Australia is essentially a creature of state governments, delivering services (which might be characterised as 'roads, rubbish collection, reserve management and regulation of land use and building') that have been delegated to them under State legislation. Traditionally, councils have confined their activities to the local government areas allocated to them, though models for outsourcing and other ways of cost-sharing and task-sharing between councils are being explored widely today.

Boundary adjustments to local government areas (LGAs), to increase populations and areas served and, incidentally, reduce the number of councils certainly increase the corporate sizes of councils but there is debate as to whether it leads to improved services or to significant economies of larger scale even in longer terms after restructuring costs have been amortised. Enlargement of LGAs increases the number of site issues to be addressed and the costs of moving staff and equipment between sites. There is the problem too that councils can become remote from 'communities', ie groups of people who share definable commonalities of interest, when they have larger populations to serve. I suspect that any 'economies' achieved by enlarging LGAs are achieved for central governments and corporate bodies who deal with many councils rather than for the local 'owners' of councils!

Expanding the range of services provided by local government and increasing the depth of the services now delivered by councils, if possible, holds out a prospect for increasing the size of smaller councils without removing councils from the communities they serve. Although local government in Australia is the creature of the states and limited by state legislation in the services it delivers there appear to be no constitutional impediments to councils taking on new functions under delegation from either state or federal governments.

In this regard it is worth observing that most of the countries of the OECD have, for their populations, significantly *more* local councils than Australia. In some of these countries, such as Canada and the United States, councils which have similar responsibilities to those in Australia can be in as parlous a state as councils here, although they do identify more closely with local communities. In most other countries the large numbers of councils appears to be supportable because the councils have a wider range of responsibilities than in Australia, enabling them to achieve critical masses and economies of larger scale.

In the United Kingdom, the range and depth of services delivered by local councils is greater than in Australia. For examples county councils run public schools, hospitals and police services as well as carrying many of the responsibilities of essentially a policy nature that are carried by states in Australia. At lower level of local government district councils have responsibilities for on-site delivery of services such as inspections, works, public housing and management of industrial /housing estates. As a result, 'central' governments in London, Edinburgh, Cardiff and Belfast do not have the extensive network of agency offices that both federal and state governments have in Australia.

In New Zealand, although the responsibilities of local government are similar to those in Australia, a greater delegation of functions and power by the central government to local government means again that New Zealand does not have a comparable network of state agency offices at local and

regional levels. It also means that the offices of many central government departments in Wellington are significantly smaller than for their Australian, especially state, counterparts because the central government departments are concerned more with policy and monitoring than with actual service delivery.

### **Ways of extending council responsibilities**

This discussion raises the interesting possibility that many state and commonwealth services could be provided by councils under delegation without changes to the structure of LGAs. Many state and some commonwealth government departments have local offices which are concerned essentially with on-the-ground delivery ('field delivery') of state or federal services notably environmental and community services. Other 'central' government services are delivered through local outlets such as public schools and hospitals which are more-or-less directly administered by central governments without much involvement of local communities.

Intuitively it would seem that the possibility of delegating responsibilities for delivering these services (but not for formulating policy or monitoring delivery) to councils could enable smaller councils to become larger. To the extent that there is overlap in the delivery of eg environmental and community services between the three tiers of government this should lead to savings overall in government outlays - or funds for better service delivery. To the extent that administrative and other central services (eg vehicle fleets, equipment costs) can be shared this should generate economies of larger scale within councils, with the same positive outcomes.

At the same time as savings might be achieved there would be benefits for governance in bringing responsibilities for service delivery closer to the people: broadening the responsibilities of councils could increase a sense of local ownership and involvement. At the same time, removing service delivery from the direct control of central government has the attraction that central agencies could become leaner, with their focuses on policy matters rather than on local delivery of services.

As an example in the area of environmental management, in NSW if councils were to have primary responsibility for site-specific planning and works this could leave the Departments of Planning and [Land and Water] Conservation, the National Parks and Wildlife Service and the Environmental Protection Authority as several or even one lean policy-oriented agency similar to the Ministry for Environment in New Zealand (which has only three field offices and a fraction of the staff of the comparable state government agencies in NSW). This would be consistent with outcomes anticipated by the NSW state government from its PlanFirst proposals.

### **Some problems**

The idea of councils in Australia running schools, hospitals and public housing and having the primary role in local delivery of environmental and community services and even in such things as agricultural inspections and economic development is rather radical. A considerable cultural change would be involved, a change not easily made in a country where metropolitan primacy (ie the majority of Australians living in metropolitan urban areas) tends to promote centralisation of government activity. There would be practical difficulties such as

- ensuring that the service delivery by councils is adequately funded. It should not be beyond the ability of central governments to calculate the present unit costs of service delivery and to pass on the funds now used for these perhaps as tied grants to councils, either individually or - for services that have to be delivered at a regional rather than local level - to groups of councils who can organise partnerships for the delivery of these services.
- reducing the size of LGAs whose populations are so large (eg the 20 LGAs in NSW with over 100,000 people which account for over half of the NSW population) and whose

administrations are so complex that they could not cope efficiently or effectively or equitably with more functions or relate in meaningful ways to the numerous distinct communities for which they are now responsible.

There would also be the possible problem that the state and federal governments might not agree about the services to be delegated to local government. In practice I do not see this as a difficulty because the federal government and each of the state governments could determine independently which of their services should be delegated.

## **Conclusion**

Notwithstanding the potential problems envisaged the idea of delegating central government service delivery to councils appears to have potential to deliver more efficient service delivery and also to bring responsibilities for service delivery closer to the people.

This idea is not without precedents. Local government in most OECD countries has wider responsibilities than local government in Australia. Even in Australia it is possible to find examples where councils have taken on new central government services individually (eg motor registry services) and where local councils have taken on other central services in regional partnerships.

While it may be state services that are most apt for local delivery through councils the federal government does have the financial clout to encourage the states to decentralise their service delivery as well as to decentralise the delivery of many of its own environmental and community services.

Yours sincerely

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