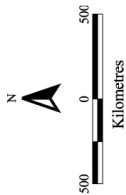


## Australia

Capital: Canberra  
Population: 21 Million  
(2008 est.)

Boundaries and place names  
are representative only and do not  
imply any official endorsement.



Sources: CIA World Factbook; ESRI Ltd.;  
Times Atlas of the World

# Commonwealth of Australia

GRAHAM SANSOM

Australia has around 560 local government areas.<sup>1</sup> They are extremely varied, with populations ranging from fewer than 100 inhabitants to nearly 1 million, and areas from just 2 to almost 380,000 square kilometres. Overall, local government in Australia is relatively weak. Its activities are limited mostly to the provision of municipal services and local infrastructure, and its expenditures account for only 2.5% of gross domestic product (GDP). Local government is not recognized in the Australian Constitution. It is established under state<sup>2</sup> laws, and all aspects of local administration are subject to detailed state control. Metropolitan regions are managed principally by state agencies, and most regions are divided into numerous local government areas whose councils<sup>3</sup> find it difficult to play a strategic role in metropolitan planning and development.

Yet despite these limitations, local government has increasingly emerged as a partner in the federal system. Although small rural and remote councils have extremely limited capacity to provide services and depend heavily on state and federal support, local government as a whole is more than 80% self-funding. Its scope of activity has increased considerably over recent decades, taking on additional functions in such fields as environmental management and community services. It plays a leading role in several areas of essential service delivery, notably roads, recreation, waste disposal, and in some states, water supply and sewerage. Larger councils raise 90% or more of their revenues locally and are thus able to operate quite autonomously and to promote the well-being of their communities across a broad range of functions.

Importantly, local government now enjoys a direct relationship with the federal government, which provides the bulk of grant funding for councils and which has sponsored local government participation in a growing number of intergovernmental forums. Since the early 1980s, there has been a federal minister with the words "local government" in his or her title, and

federal policies have been one of the main drivers of an expansion in local government's role over the past half-century. These moves reflect underlying changes in the Australian federation, especially a steady decline in the financial and political strength of the states relative to the federal government.

A key question now for Australian local government is whether it can capitalize on recent developments and secure its federal presence. Can it really justify its claim to be the "third sphere" in the federation? This chapter explores the forces at work and suggests possible answers to these questions.<sup>4</sup>

## COUNTRY OVERVIEW

The Australian federation was established in 1901 and comprises a federal government (also referred to as the Commonwealth or Australian government), six states (New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania), and two semi-autonomous federal territories (Northern Territory and Australian Capital Territory).<sup>5</sup> Australia covers a continent with an area of 7.7 million square kilometres but has a population of only 21.2 million. Population growth averages around 1.2% per annum. In 2006 GDP was approximately US\$760 billion, or US\$36,300 per capita.<sup>6</sup> Public sector debt is low, and government budgets are typically balanced or in surplus.

The population is extremely diverse, although the dominant group and culture remain those of the Anglo-Celtic settlers who first moved to Australia in the late eighteenth century. They have been followed by waves of other immigrants, mostly from Europe but also including substantial numbers from many other parts of the world, especially east and southeast Asia. The indigenous population of Aborigines and Torres Strait Islanders comprises only 2.4% of the total but is a major presence in parts of Queensland, Western Australia, and especially the Northern Territory.

Around 75% of Australians live in towns and cities, making the country one of the world's most urbanized. There is a continuing drift from rural areas and small towns to larger regional centres and the major cities. At the same time, many people are leaving the cities to live in quieter coastal areas ("seachangers") or, to a lesser extent, in the country ("treechangers"). The rate of population growth is fastest in Queensland and Western Australia, the leading beneficiaries of a booming minerals sector. Queensland is also a very popular retirement destination.

Australia remains a constitutional monarchy. The queen (of England and Australia) is represented at the federal level by the governor general, who is the *de facto* head of state, and by a governor in each state.<sup>7</sup> The Commonwealth and each of the states and territories has a Westminster-style parliament, and all parliamentarians are elected democratically. Parliaments are dominated by the Australian Labor Party and by the Liberal-National Party

coalition (or variants of it). There has been a tendency toward greater numbers (still small) of minor party and independent members of parliament over recent decades, reflecting changing policy agendas, such as the environmental movement, a variety of regional and local concerns, and some general disenchantment with the major parties. Nevertheless, the system of government is very stable, and the party in power is usually able to exercise tight control over policy and programs.

Governments are held accountable principally through parliamentary and electoral processes but also through the courts, various anticorruption bodies, ombudsmen, and the media. The federal High Court plays a key role in interpreting the provisions of the Australian Constitution.

#### HISTORY, STRUCTURES, AND INSTITUTIONS OF LOCAL GOVERNMENT

Local councils were first established in the mid-nineteenth century, largely to help then colonial administrations manage a rapidly growing population and increasingly dispersed settlements.<sup>8</sup> Early activities of local government focused on public health and building regulation and, in rural areas, construction of roads. From the outset, local governments raised their own revenues through local property taxes ("rates") but operated under tight colonial control. The state governments that succeeded the colonies were also most reluctant to devolve any real power to councils. The result is a system of local government with a quite limited range of functions.

Overall, Australian local government accounts for around 4% of total government revenues and 5% of expenditures. Its activities focus on municipal services and local infrastructure; it does not control electricity, police, education, hospitals, or (except in the City of Brisbane) public transport. These are all state or territory functions. However, local government is a very significant contributor in other areas, notably roads, recreation and open space, storm-water management, water supply and sewerage (in Queensland, Tasmania, and nonmetropolitan New South Wales), urban and regional planning, cultural facilities (notably public libraries), and some aspects of health and community services (especially in Victoria). It controls assets valued in 2006 at nearly US\$140 billion. Also, it is an important employer, with a total workforce across Australia of some 169,000 people (about 10% of all government employees).<sup>9</sup>

Local government areas vary enormously in size, population, and resources. The City of Brisbane is by far the largest in population, with nearly 1 million residents and an annual budget approaching US\$2 billion. At the other end of the population spectrum are remote shires and indigenous community councils with fewer than 100 people and little or no income apart from government grants.

Despite these great variations, local government systems are all unitary; there are no higher-level regional councils or lower-level “neighbourhood” councils, nor are there elected special-purpose local government bodies operating alongside general-purpose councils. However, councils in most jurisdictions can enter into joint arrangements with their neighbours for service delivery, procurement, or to share resources more broadly (e.g., skilled staff, major items of equipment, and information technology), and a growing number are doing so. Typically, councils can also delegate some of their responsibilities to committees or community organizations.

Over the past century, there have been recurring moves to amalgamate councils into larger units. These amalgamations have been driven by a combination of factors: the limited resources of smaller councils, pressures to increase efficiency of administration and cut costs, the perceived scope for more strategic planning and management, and in some cases, sheer political expediency.<sup>10</sup> State governments may bring about boundary changes and amalgamations (or very occasionally, subdivision) of councils by whatever means they see fit, but usually there is some form of (semi-)independent commission or ad hoc inquiry that makes recommendations to the responsible minister.

The most dramatic case of amalgamations was in Victoria in the mid-1990s, when all but 1 of 210 councils were dismissed and boundaries completely redrawn to create 78 new councils, which were then placed under state-appointed commissioners to implement administrative reforms before fresh elections were held. Most recently, the Queensland government decided in early 2007 to terminate what it saw as an excessively slow process of voluntary structural reform led by the state’s local government association. Instead, it appointed a Local Government Reform Commission to recommend boundary changes.<sup>11</sup> The commission proposed reducing the number of councils from 157 to 73. Despite some strong opposition, these changes were implemented through local elections held in March 2008. Council amalgamations have also been widespread in New South Wales, Tasmania, and South Australia.

Largely as a consequence of such processes, Australian local councils have a relatively large average population by international standards – around 36,000 – although this masks the continued existence of many small (in terms of population) councils in rural and remote areas. Over half of all councils have fewer than 10,000 people. Many of the smallest councils are those serving indigenous communities. These are concentrated in far-north Queensland, including the Torres Strait Islands and the Northern Territory. Substantial parts of the country remain unincorporated – that is, without any form of elected local government in the conventional sense of the term. Largely unpopulated areas of western New South Wales, the northern part of South Australia, and much of the Northern Territory are administered

directly by Commonwealth government agencies and, in South Australia, by Aboriginal land councils. In the Northern Territory local government was until recently confined to a few general-purpose councils for the larger towns, plus dozens of small community councils for mainly Aboriginal settlements in remote areas. However, during 2008 the whole territory was incorporated into local government areas, with new rural shires each covering a number of townships and outlying settlements.<sup>12</sup>

#### CONSTITUTIONAL RECOGNITION OF LOCAL GOVERNMENT

Australian local government is established under the laws of the six states and the Northern Territory. It exists and operates essentially at the discretion of those state governments. There is no separate local government in the Australian Capital Territory, where the territory government also undertakes municipal functions. Each state has its own local government Act that sets a framework for the operations of local councils, including such matters as their purpose and functions, electoral systems, revenue raising, financial management, corporate planning, meeting procedures, and so on. In addition, councils carry out functions – and have many of their activities regulated – under a wide range of state or territory Acts covering such responsibilities as land-use planning, building control, environmental management, roads, and land administration.

Local government is not recognized (or even mentioned) in the 1901 federal Constitution. The evidence suggests that at the time, (1) representatives of municipalities did not press strongly for a reference to local government, (2) there was very little discussion of the issue, and (3) any move to recognize local government would have been seen as a threat to established colonial (state) powers and, hence, to reaching agreement on federation.<sup>13</sup> Subsequently, local government has been granted varying degrees of recognition and protection under state constitutions, but as a general rule<sup>14</sup> these can be altered simply by an Act of the state parliament, whereas changes to the federal Constitution require a referendum. Moreover, state constitutions do not reserve particular powers for local councils, and in New South Wales the constitution fails to guarantee *elected* local government.

There have been two unsuccessful referenda seeking to recognize local government in the federal Constitution.<sup>15</sup> The first was in 1974, when the then federal Labor government sought authority to provide funding to local government bodies directly rather than through the states. The second took place in 1988 and sought to include the following words in the Constitution: “Each State shall provide for the establishment and continuance of a system of local government, with local government bodies elected in accordance with the laws of the State and empowered to

administer, and to make by-laws for, their respective areas in accordance with the laws of the State.”

Along with three other questions, the proposition was easily defeated. It remains a matter of conjecture whether this result reflected genuine opposition to the concept of local government recognition or instead Australians’ long-established reluctance to amend the Constitution, reinforced by an Opposition campaign simply to vote “no” to all four questions. Local government associations continue to press for another referendum, although it is unclear precisely what this might achieve, beyond symbolic confirmation that local government is indeed part of Australia’s federal system. Given the demonstrable difficulty of changing the Constitution,<sup>16</sup> it seems unlikely that any achievable form of recognition – essentially one that would not attract vehement opposition from the states – would make much difference in practical terms. The question posed in 1988 would merely have required each state to have a system of elected local government, and there is no evidence to suggest that the existing systems are under threat. Nor, thus far, has local government attempted to go beyond what was proposed in 1988 by seeking a greater measure of autonomy from state control and intervention.

In the meantime, the former conservative federal government, which did not favour constitutional recognition of local government, accepted a recommendation from a House of Representatives committee that there should be a parliamentary resolution acknowledging local government’s role.<sup>17</sup> This recommendation was adopted by both houses of Parliament in September 2006. Among other things, the resolution:

- recognises that local government is part of the governance of Australia, serving communities through locally elected councils;
- acknowledges the role of local government in governance, advocacy, the provision of infrastructure, service delivery, planning, community development, and regulation; and
- acknowledges the importance of cooperating with and consulting with local government on the priorities of their local communities.

At face value, the parliamentary resolution was merely a token gesture. However, it does underline that irrespective of the Constitution, federal governments have increasingly involved themselves in local government issues as and when they see fit.<sup>18</sup>

Whether this trend will continue remains to be seen. The Labor federal government elected in November 2007 is committed both to improving intergovernmental relations with the states and to moving toward a further referendum on recognition of local government. Its election policies and subsequent actions suggest that current programs to assist local

government, as well as arrangements for local government involvement in intergovernmental forums (see below), will remain largely unchanged, but given that all states also have Labor governments, it might be less inclined to intervene in their relationships with local governments or to take initiatives without their agreement.

#### POWERS, FUNCTIONS, AND GOVERNANCE

As noted earlier, Australian local government derives its powers and functions from a combination of state-local government Acts and a wide range of other state legislation dealing with specific areas of administration. The local government Acts have all been substantially amended or rewritten over the past twenty years to introduce new corporate governance and management frameworks (see below).<sup>19</sup> Most now give local councils a “power of general competence” – or something very close to that – to pursue the good governance of their local areas as necessary (within the constraints of state and federal law). Some states also enable councils to pass local laws (bylaws), again subject to consistency with state or federal legislation.<sup>20</sup>

As a general rule, all councils operate under the same legislation within each jurisdiction, regardless of location, size, or capacity. Some of the capital-city councils are subject to supplementary legislation that adds to or modifies provisions in local government Acts, but the differences are minor.

Both local government Acts and other legislation include requirements for councils to perform certain functions and to do so in a manner prescribed by the state or federal government as the case may be. Councils may also be required to perform services or collect charges and levies on behalf of state governments and to pay levies to those governments (e.g., for fire brigades and waste disposal in New South Wales). In many cases, they are contractors to state government agencies, notably in road construction and maintenance. It is also common for councils and state agencies to play overlapping or complementary roles in delivering services (e.g., some health and community services, especially in Victoria) or in administering regulation (e.g., development control and environmental management). In almost all cases, however, the state agency dominates.

Over recent years, there has been a trend to contract out or corporatize a number of local government services, especially in public works and waste management. A more business-like approach to service delivery was promoted strongly under the National Competition Policy adopted by the federal and state governments in 1995. Also in the mid-1990s, councils in Victoria were required to call for tenders for up to half of their total expenditure, and council employees had to form business units to compete for work. However, this requirement was abolished following a change in party control of state government in 1999.



Whatever the mode of service delivery, the period since the 1950s has seen considerable growth in the spread of local government's functions and far-reaching changes in the operations of many – but not all – local councils across Australia. As well as responding to community pressures for a wider range of services, local councils have been forced, or encouraged, to add to their activities by state and federal legislation and funding programs. Key areas of new or increased activity have been land-use and strategic planning, environmental management, economic development, and community services. However, growth in local revenue has not kept pace with the expansion of local government functions, resulting in underfunding of infrastructure (see below).

In parallel with this growth in local government's functions, there has been the emergence of a substantial number of much larger, better-resourced councils. This has occurred partly by design and policy intent, most obviously through amalgamations of adjoining councils but also as a result of population growth in middle and outer metropolitan areas, along the coast, and in some inland regional centres. On the metropolitan fringe, what were once large semi-rural shires are now suburban cities with populations of 150,000 to 250,000 or more.

Together with increased responsibilities and bigger councils have come changed perceptions about the role local government should play. Many, but by no means all, people in local government now believe they can make a greater contribution to the federal system of government and the well-being of communities. At the same time, the influx of more and different professional staff required to discharge local government's additional responsibilities has brought new perspectives on the functions performed by councils and on how they should go about their activities. Stronger state and national networks, supported by local government associations and professional institutes, and more recently by growing international links and exchanges, have also been important factors in broadening horizons.

Councils combine legislative and executive roles; councillors can make both policy and administrative decisions. Also, unlike federal and state parliaments, there is no defined political executive – no “ministers” or “cabinet.” Mayors do not have executive powers under local government legislation, although in some cases they may play a quasi-executive role if they enjoy clear majority support within the council and/or a strong personal mandate. This tends to apply particularly to the capital-city councils in Brisbane, Sydney, and Melbourne and to some other larger councils with directly elected mayors and/or an entrenched majority party.

In general, the governance provisions of the new local government Acts tend to be managerialist; that is, they see the elected councillors primarily as a “board of directors” responsible for policy and setting the budget, but with day-to-day management firmly in the hands of the chief executive and senior

staff. This approach can lead to difficult relationships between councillors and management, given the nature of local government functions and the often blurred line between policy and administration. Such tensions become particularly significant when most chief executives and senior managers are on short-term contracts. Even if those contracts are notionally performance-based, and there is a formal system of performance assessment in place, the reality is that decisions on whether to extend contracts are in the hands of councillors. Hence, these decisions are ultimately political.

Of crucial importance in recent years has been the development of strategic and corporate planning. Corporate planning requirements were a key feature of the new local government Acts of the 1990s, but larger councils with big budgets had already begun to introduce new planning and management systems that addressed their expanding role, plus the need to balance expenditure across the wider range of functions being performed. In addition, local government has had to respond to the drive throughout government at all levels for greater efficiency and effectiveness within a more competitive global economy. This has led, among other things, to a much stronger focus on financial and asset management, contracting out, performance management, organization development, benchmarking, shared services, and regional co-operation. As noted earlier, these pressures have prompted some state governments to undertake amalgamations of smaller councils. In other cases, councils have voluntarily come together in regional organizations or “strategic alliances,” seeking to capture economies of scale and other benefits through joint purchasing, resource sharing, pooling of expertise, and the like.

Alongside this focus on corporate management, there has been considerable development of broader strategic planning, involving councils taking a more synoptic view of trends and issues in their local areas, even though these may extend beyond the formal responsibilities of local government. Initially, this form of strategic planning represented an extension of councils’ statutory functions in land-use planning, but increasingly it has come to reflect the need to integrate elements of planning associated with new roles in community services, environmental management, and economic development. The concepts of sustainable development and the “triple bottom line” (economic-social-environmental) have been influential in this regard.

Finally, there has been an increasing emphasis on accountability and good governance, especially the accountability of councils to their local communities. This has led to greatly expanded requirements for community consultation in decision-making processes, as well as more accountability to ratepayers and electors through, for example, exhibition of draft budgets for comment before rates are struck and publication of detailed annual reports. In addition, councils are held accountable to both communities and state governments by a raft of scrutiny provisions, such as independent financial

and, in some cases, performance audits; complaints procedures; oversight by anticorruption bodies, ombudsmen, and states' local government departments; and the ever present possibility of intervention by state ministers.

Decision making in local government is theoretically conducted almost entirely in public. Local government Acts provide for very few decisions to be taken in camera; such decisions are usually restricted to matters affecting individual members of staff and issues that can be deemed commercial-in-confidence. Councils may establish committees and delegate some decision making to them, but as a general rule, committee meetings must also be held in public, and recommendations from committees can be debated at the ensuing council meeting. However, where one party or grouping of councillors has a clear majority, discussion in council meetings may be restricted.

### *Metropolitan Regions*

Governance of Australia's metropolitan regions is dominated by the states, with local government playing essentially a supporting role. Australia was colonized by the British from six widely dispersed capital cities located around the coast,<sup>21</sup> with settlement then spreading outward from those centres. In every case, the former colonial capital remains the dominant population centre in what are now the states – typically housing half or more of each state's population – and as such is the primary focus of state politics and administration. The same applies to the position of Darwin as capital of the Northern Territory.

Management of metropolitan areas is thus one of the most important functions of state governments. They exercise tight control over metropolitan planning, including dealing directly with major development proposals, and most have established special-purpose agencies for urban transport, main roads, water, sewerage and drainage, pollution control, major cultural facilities, and other functions that might otherwise be the responsibility of local government.

The exception to this has been Brisbane, where about 40% of the metropolitan population live within the boundaries of the central city. Brisbane City Council is a key provider of metropolitan infrastructure and services, including water and sewerage and public transport. Until recently, metropolitan planning for southeast Queensland was carried out as a truly cooperative venture by state agencies and local government.<sup>22</sup> However, even here, pressures arising from metropolitan expansion, plus growing concerns about water supplies and local government's capacity to manage population growth and infrastructure provision effectively, have prompted more state intervention and control.<sup>23</sup>

In addition to their political significance for state governments, a key factor limiting local governments' role in metropolitan regions is their continued

division into tens or even scores of separate council areas. Metropolitan Sydney, for example, with a total population of 4.5 million, is divided into more than forty local governments, half with populations of 75,000 or fewer and several with under 40,000 people. Perth has twenty-nine local governments to serve some 1.5 million people, including six with populations of fewer than 10,000. This fragmentation undermines local government's potential to handle metropolitan planning and management issues; yet councils have fiercely resisted amalgamation and have made only limited moves toward regional cooperation and resource sharing. It is also noteworthy that in Perth the state government has twice intervened to *divide* large councils, apparently to ensure the state's political and administrative dominance. By contrast, the recently announced amalgamations of Queensland councils will place the metropolitan area under the control of just ten councils – half with populations of 250,000 or more. It remains to be seen how financially and politically powerful these large new councils will become and whether the changes will impact state-local relations.

It might be expected that the titular capital-city councils would play a leadership role in metropolitan local government, but except for Brisbane, and to some extent Melbourne, this has not occurred. There are a number of reasons for this. First, apart from Brisbane, the capital-city councils cover absolutely or relatively small geographical areas in the heart of metropolitan regions, sometimes just the central business district and immediately adjoining suburbs. Second, in population terms, they are usually far from being the largest council in the metropolitan region. Third, they are typically the focus of most state intervention; major commercial developments in central areas are often “called in” by state planning ministers or handled by state-dominated committees. In the case of Darwin, the city council covers most of the urban area, but its functions are severely limited; planning controls, for example, rest with the territory government.

#### FINANCING LOCAL GOVERNMENT

On average, Australia's local councils fund well over 80% of their expenditure from their own sources, chiefly property rates and service charges. They have very low levels of debt, and on the surface most might appear to be financially sound. However, financial issues dominate discussion about the future of local government. Inquiries into the financial sustainability of councils have been commissioned by local government associations in four states (New South Wales, Tasmania, South Australia, and Western Australia), by the Queensland government, and nationally by the Australian Local Government Association. A study into local government's revenue-raising capacity by the federal government's Productivity Commission was completed in April 2008,<sup>24</sup> and a similar inquiry by the New

South Wales Independent Pricing and Regulatory Tribunal is currently under way. There are several reasons for this flurry of concern.

First, although local government overall appears to be in a strong financial position, this is not the case for the many small rural and remote councils, which have very little capacity to raise revenue locally and are highly dependent on federal and state government grants. The Productivity Commission's study found that 20% of councils depended on grants for at least 34% of their revenue, while 10% were highly dependent, with grants accounting for 43% or more of their revenue. It should be noted, however, that these councils represent only about 0.4% of the total population residing in local government areas.

Second, many councils of all types and sizes are faced with substantial backlogs in infrastructure maintenance and renewal, resulting from several decades of relative cutbacks in infrastructure expenditure, made to fund increased responsibilities in planning, environmental management, economic development, and community services.<sup>25</sup> Local government revenues have grown more slowly than those of the state and federal governments and not fast enough to cover both these new functions and an adequate standard of infrastructure maintenance and renewal. Council rates are a highly visible tax, levied through an annual notice sent to all property owners, and councillors have been reluctant to support necessary increases due to concerns about the reaction from ratepayers.<sup>26</sup> Both councils and state governments have tended to use the consumer price index as a yardstick for rate increases, even though this is well below cost indices for local government and fails to take account of councils' growing responsibilities.

The Productivity Commission found that, for Australia as a whole, the ratio of rates revenue to GDP decreased from 1.0% to 0.9% between 1990–91 and 2005–06. If the ratio were still 1.0%, local government would be collecting around US\$1 billion per annum more from rates. The report identified significant scope for most councils to raise additional own-source revenue, especially in metropolitan areas, where larger councils could become self-sufficient. Although it noted a variety of legislative and regulatory restrictions imposed by the states on the raising of own-source revenue by local government, it found that generally these do not appear to be significant impediments to generating sufficient revenue, except for rate-pegging and compulsory rating concessions in New South Wales (see below).

Moreover, councils have been influenced by federal and state government moves to cut public sector debt and reduce borrowings, even though debt levels in local government are generally very low and borrowings are widely regarded as the most appropriate way to fund costly infrastructure with a life of several decades.<sup>27</sup> The recent Independent Inquiry into the Financial Sustainability of New South Wales Local Government

recommended that councils in that state borrow a total of US\$4 billion to help overcome infrastructure backlogs.<sup>28</sup>

Third, financial pressures on councils have been increased by cost shifting, with the states and, to a lesser extent, the federal government requiring councils to undertake additional functions, in terms of either service delivery or regulation and compliance, but without providing any financial support or access to offsetting revenues.<sup>29</sup> Indeed, some states have simultaneously placed restrictions on councils' ability to raise revenue. The most extreme example of this is rate-pegging in New South Wales, where for nearly thirty years councils have had to make special applications to the minister for local government if they wish to increase rates by more than a set percentage each year. The Productivity Commission found that New South Wales had the lowest average real rates per person in 2005–06. Furthermore, its real rates revenue per person was largely unchanged from 1998–99 to 2005–06, compared with increases in all other states, except Western Australia, and an average national growth of 1.6% per annum.

Throughout Australia the financial management powers and responsibilities of local government are set out in local government Acts and can thus be modified by state governments at any time. State constitutions fail to provide any guarantee that local government can maintain its financial independence. Even so, with the exception of New South Wales, local councils presently enjoy a substantial measure of autonomy in setting rates and charges, and some states have, tacitly or explicitly, endorsed policies of accelerating rate increases to address infrastructure backlogs. Also, councils are not legally prevented from running deficits from time to time, although consistent deficit budgeting would undoubtedly attract some form of intervention by the state minister.<sup>30</sup> In practice, councils nearly always adopt "balanced" budgets, even though the figures may conceal underexpenditure on infrastructure and, hence, a real decline in the underlying financial position.

Although council finances are controlled by the states, the single most important source of external funding for local government are the federal financial assistance grants first introduced in the mid-1970s and maintained or increased under bipartisan policies ever since.<sup>31</sup> These grants are untied (essentially unconditional), and in 2006 were worth over US\$1.4 billion per annum.

Financial assistance grants serve two purposes: (1) to reduce the vertical fiscal imbalance in the federation that results from Commonwealth dominance of all major forms of taxation; and (2) to promote horizontal equalization between rich and poor councils. They are distributed to councils via the states' local government grants commissions that apply complex formulae to determine revenue and expenditure disabilities (a weak revenue base or inherently high costs of service delivery) and adjust grants accordingly. All

councils receive a minimum per capita grant, but around two-thirds of total funding is allocated to nonmetropolitan areas where councils are generally in greater need. Even so, the total amount of money available is far from sufficient to bring those disadvantaged councils up to even an average capacity to deliver services.

In addition to untied grants, councils also receive substantial federal support through special-purpose assistance, notably the Roads to Recovery Program introduced in 2000. This provides around US\$300 million per annum for local road improvements and “strategic” regional roads managed by local councils. Total federal funding for local government is thus in excess of US\$1.7 billion per annum. By comparison, recent data on state grants to local government show considerable variations from year to year, but in total they appear to average around US\$1 to \$1.2 billion per annum.<sup>32</sup>

Despite its problems, local government displays generally sound financial management in the sense that it accepts a large measure of responsibility for its own funding; budgets (excluding depreciation) are usually in balance; and there is a high degree of transparency and accountability. Councils report extensively to state agencies and to their constituents, audits are generally thorough, and financial corruption is rare. Moreover, the discipline imposed on councils by the need to fund increasing responsibilities, by state policies, and by the political imperative to contain rate increases has prompted improved efficiency and other forms of cost saving, such as resource sharing.

#### SUPERVISION OF LOCAL GOVERNMENT

All aspects of Australian local government are subject to detailed state control.<sup>33</sup> State governments reserve and exercise the power to amalgamate local government areas or change their boundaries, to dismiss duly elected councils and appoint commissioners or administrators in their place (usually after some sort of inquiry), and to establish other appointed bodies to undertake municipal functions. In New South Wales, for example, urban renewal of the inner Sydney suburbs of Redfern and Waterloo has been placed in the hands of a statutory authority, even though the area falls within the very well-resourced City of Sydney. The same applied to the early stages of redevelopment of the Melbourne docklands in Victoria, although that area has now been returned to local government control. Dismissal of elected councils occurs most frequently in New South Wales, perhaps reflecting a more interventionist culture than exists elsewhere. In early 2008 five New South Wales councils were under state-appointed administrators.

State supervision is exercised primarily through ministers for local government and their departments. Typically, councils must submit annual reports and various other statistical and financial returns to state departments,

which may carry out inquiries if they have concerns about a council's financial position or governance. Inquiries may also be initiated by state anticorruption commissions or ombudsmen on the basis of complaints or other information received.

Supervision may also be cooperative and constructive. There are examples across Australia of state departments and local government collaborating to introduce improvements to management and governance. Better Practice Reviews conducted by the New South Wales Department of Local Government are a case in point. Moreover, a recent intergovernmental agreement, signed by federal, state, and local governments, seeks to enshrine a cooperative approach to determining respective roles and responsibilities.

### INTERGOVERNMENTAL RELATIONS

Australia's Constitution has very little to say about intergovernmental relations. Nor is there much in the way of law to guide cooperation or to resolve disputes between the federal and state governments. What has emerged, however, is an extensive and quite complex framework of intergovernmental forums and other mechanisms established administratively. Local government is now an accepted part of this framework.

A literal interpretation of Australia's Constitution places the federal and state governments on roughly equal terms, with little overlap in functions. Local government is wholly subservient to the states, with no direct relationship to the federal government. By contrast, the practical reality is one of federal dominance, extensive functional overlap between the federal and state governments, and direct links (both financial and functional) between local and federal governments. This reflects the federal government's financial strength, derived from control of both income and indirect taxes, as well as a series of High Court decisions that have interpreted the Constitution in such a way as to extend federal powers.<sup>34</sup>

#### *Local-Federal Relations*

Local government's primary relationship remains with the states, based on the constitutional and legal frameworks, state oversight and control of local government activities, and the close interrelationships between state and local government responsibilities for service delivery and infrastructure. However, as federal power and influence have expanded into areas previously the sole domain of the states, and as federal interest in working more directly with regional and local communities has grown, local government has found itself dealing more regularly with federal agencies and needing to establish a political presence nationally.



The critical threshold in local government's involvement with the federal government came in the early 1970s when the Whitlam Labor government introduced general-purpose financial assistance as well as new special-purpose grants. Its support for local government was undoubtedly aimed in part at bypassing the states, which were seen as likely to frustrate any expansion of federal government influence. At the time, some officials in local government opposed what they saw as radical and dangerous federal policies, despite the financial benefits and promise of more status in the federal system.

In 1975 the Whitlam government was replaced by a conservative coalition, and many of Whitlam's programs were abandoned. However, federal financial assistance to local government was retained and increased, and the new Fraser government also established the Advisory Council for Intergovernment Relations, which devoted considerable time and resources to examining issues affecting local government and its place in the federal system, leading ultimately to the 1988 referendum on recognition of local government in the federal Constitution.

During the 1980s, there was steady growth in federal-local links. The Hawke Labor government established the federal Office of Local Government and supported local government participation through the Australian Local Government Association (ALGA) in a number of ministerial councils – regular meetings of federal and state ministers with closely related or overlapping responsibilities. One of these is the Local Government and Planning Ministers Council.

In 1990 Prime Minister Hawke launched a major new initiative to improve intergovernmental relations – the Special Premiers Conferences. These two conferences were intended to promote a range of reforms to federal-state relations, as well as to continue and extend the federal government's long-standing microeconomic reform agenda. ALGA had observer status at the conferences and subsequently became a member of their successor, the Council of Australian Governments (COAG). This remains the peak intergovernmental body and comprises the prime minister, state premiers, and territory chief ministers, plus the president of ALGA. Local government representatives were then included in a raft of committees and working groups of officials established to assist COAG and to pursue specific agendas, such as microeconomic reform and ecologically sustainable development. In the main, ALGA has had to rely on federal government support to secure its seat at the table. The states tend to be cautious or negative about local government's participation in what are often sensitive discussions touching on the balance of power between the states and the federal government. They can always argue that local government is their constitutional responsibility and that whenever legislation is required to apply COAG agreements to local

government, it is theirs to frame and promulgate. Sometimes such arguments hold sway, and ALGA is not always included in COAG working groups.

Another innovation of the late 1980s was the introduction of annual meetings between ALGA's national executive and the prime minister and senior ministers, known as the High Level Consultations. In 1995 these led to negotiation of a Commonwealth-Local Government Accord setting out a shared policy agenda. The accord was short-lived, however, because the then Keating Labor government lost the federal election held in March 1996. The incoming conservative coalition initially retreated from close working links with local government, adopting a more traditional states' rights position.

However, the early years of the twenty-first century have seen further strengthening in federal-local relationships. There appear to be two key factors at work. First, local government has been able to capitalize on renewed federal interest in regional (nonmetropolitan) development, sparked by the then government's need to bolster the position of the rural-based National Party. Second, in the early years of this century, the federal coalition found itself confronted by Labor governments in all states and both territories. Not surprisingly, this turn of events appeared to weaken its traditional support for states' rights, and like its Labor predecessors, the coalition apparently came to see local government as a useful mechanism to implement some of its policies and programs – with or without state support and involvement.

These forces coalesced in the coalition's decision in 2000 to establish the Roads to Recovery Program, under which grants are paid *directly* to councils, even though this may be considered in breach of the Constitution. Then, in 2002, the government announced an inquiry into Local Government and Cost Shifting, which many saw as a political move designed to embarrass Labor state governments. The inquiry undertook a wide-ranging examination of the position of local government in Australia's federal system, including its current roles, responsibilities, and financial position as well as its relations with state and federal governments. It highlighted the need for improvements to intergovernmental relations in order generally to clarify roles and responsibilities and specifically to reduce cost shifting onto local government. Its key recommendations included:

- new intergovernmental agreements on roles, responsibilities, and associated funding measures, on cost shifting, and on addressing arbitrary state restrictions on local government revenue
- a House of Representatives resolution recognizing local government as an integral level of the governance of Australia
- a COAG summit on intergovernmental relations to review progress and promote further steps, including best practices in establishing working partnerships between the three spheres of government

- major changes to the system of financial assistance grants to assist smaller councils

The coalition government rejected a COAG summit and changes to arrangements for financial assistance grants, but it did promote an intergovernmental agreement (IGA) dealing with cost shifting and related issues and initiated the Productivity Commission study into local government's capacity to raise revenue.

The Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters was signed by the federal government, states, territories, and ALGA in April 2006.<sup>35</sup> It acknowledges that local government is established and regulated under state laws but that there is a need to develop a framework to improve the way the three spheres of government relate to each other in achieving the best possible outcomes for communities, including how services are funded and delivered.

The agreement promotes and, in some instances, requires greater consultation and negotiation with local government when federal or state governments seek or impose the provision of additional services or functions by councils. As a general rule, more attention is to be given to the financial implications and other impacts of adding to local government's functions. For its part, local government has committed to sound public governance through good fiscal and asset management, by ensuring that decisions are made with regard to their effects on future generations, through better strategic planning and pricing regimes, and by taking responsibility for the funding implications of its own policy decisions. These undertakings address some criticisms of local government management made by the cost-shifting inquiry.

### *Local-State Relations*

Relationships between local and state governments vary greatly from state to state and over time, but as a general rule, they tend to be somewhat uneasy and unstable.<sup>36</sup> This reflects the underlying forces at work. On the one hand, local government is created by, and is legally subservient to, the states; on the other hand, most councils are, to a large extent, financially independent of their state masters. Moreover, as was the case in colonial times when local government was first established, many administrative, regulatory, and public works functions can be carried out effectively only by local entities. Certainly, the states have the option of delivering "local" services by regionalizing their agencies, but this can be expensive, and recent years have seen a reduction in the number and scope of state-funded regional authorities and offices.

Due to their legal relationship and overlapping functions, state and local governments are engaged in a more or less continuous dialogue at an operational level. This is commonly conducted by means of a raft of special-purpose

consultative or advisory committees. However, formal mechanisms for exchange of views on policy matters or for joint planning have been much less common, particularly on a “whole of government” basis. There is rarely a clearly articulated statement of roles and responsibilities or shared priorities, and scarce resources can be wasted due to a lack of coordination between state and local policies, programs, and expenditure decisions.

Nevertheless, the beginning of the current century has been a time of relatively productive state-local relations in all jurisdictions, except New South Wales, where the combination of rate-pegging, a generally dismissive attitude on the part of the state government, and a relatively weak local government association seems to present intractable barriers to consistent and effective cooperation. Most states have a forum of some sort for regular meetings between the premier and/or senior ministers and representatives of the state’s local government association. Most have also seen the negotiation of protocols or partnership agreements between state and local governments on key policy issues. The best developed framework is in Tasmania, where a wide range of agreements have been negotiated at state, regional, and local levels, including an individual agreement between the state and each of the twenty-nine local councils.

It is interesting to note the philosophy underlying the Tasmanian agreements. According to the head of the Local Government Division in the Department of Premier and Cabinet: “They not only provide the state government with a structured way of talking to local government, they also reflect the increasing complexity of local government as it expands its responsibilities towards the broader social mix of community democracy.”<sup>37</sup>

Queensland and South Australia also have long histories of negotiating state-local government protocols and agreements across a range of issues. In Queensland these include an umbrella protocol on the role of the system of local government and agreements on financial relationships. Similarly, South Australia has a State-Local Relations Agreement to “improve consultation arrangements, government communication practices and to build a closer, more productive and collaborative working relationship between State and Local Government.”<sup>38</sup> Significantly, the South Australian minister for local government is titled “minister for state/local government relations,” and, as in Tasmania, the need to strengthen local government’s capacity to play an enhanced role in the state public sector has been explicitly recognized in the State-Local Relations Agreement.

### *Organized Local Government*

Australia has a federal system of local government associations comprising seven state and territory associations as well as the Canberra-based Australian Local Government Association. The latter is a “wholly owned subsidiary” of

the state and territory associations, which monopolize direct links with member councils and collect all membership fees. ALGA thus tends to struggle with limited resources that have not increased sufficiently to match the growing complexity of local government's involvement in federal forums and policy debates.

Much of the work of state and territory associations revolves around links between local government and state agencies, plus what might be termed operational policy issues, such as how legislation is administered and how state programs of assistance to councils are managed. To varying degrees, however, the more significant role of the associations lies in their contribution to the ongoing evolution of the system of government, and to how local government fits into that system in terms of respective roles and responsibilities, financial relationships, higher-level policy, and so on. This aspect of their role has been highlighted by the findings of recent inquiries into local government's financial position and the steps needed to secure a sustainable system of local government in the long term. For example, in response to the findings of their financial inquiry, the New South Wales Local Government and Shires Associations established a Strengthening Local Government Task Force to undertake a wide-ranging review of related management and governance issues.<sup>39</sup>

These policy imperatives also resonate in the federal arena, and despite its limited resources, ALGA has assumed a much higher profile over the past few decades. By the early 1990s it was clear that local government, and specifically ALGA, needed a much more robust national policy platform and a stronger political presence to carry its rapidly growing representational load and to advocate effectively in intergovernmental forums, notably the new Council of Australian Governments. A number of larger urban councils were expressing dissatisfaction with ALGA's performance, and the capital-city lord mayors had established their own national body.<sup>40</sup>

To strengthen its position, ALGA decided in 1994 to institute the annual General Assembly of Local Government, to be convened in the federal capital, Canberra, and to be open to all councils across Australia. Moreover, it revamped its previous set of policy statements as the new National Agenda for Australian Local Government, to be adopted and then updated annually by the General Assembly.<sup>41</sup> The general assemblies have become notable events on the political calendar. They appear to have consolidated ALGA's position as the national arm of local government and enhanced its presence in both the political arena and intergovernmental forums.

#### POLITICAL CULTURE OF LOCAL GOVERNANCE

Throughout Australia local governments are elected under a universal adult franchise for residents but with a supplementary property franchise

in all jurisdictions, except Queensland and the Northern Territory.<sup>42</sup> Elected councils typically consist of seven to fifteen councillors. They are headed by a mayor, who may be directly elected by the voters for the full term of the council (three or four years) or elected by and from the councillors, in which case there may be a mayoral election every twelve months.

The level of voter turnout in council elections varies widely. In Queensland, New South Wales, Victoria, and Tasmania, voting for local government is compulsory, as it is for state and federal elections throughout Australia. In South Australia and Western Australia voter turnout can be quite low (30% or less), depending on the amount of interest generated by current local government issues. In response, measures such as postal voting have been introduced to encourage higher levels of participation.

The number of councillors is relatively low by international standards. Each councillor in Australia represents on average 3,000 residents. In Victoria the average is over 8,000, and councillors in large metropolitan and regional councils can each have 15,000 or more constituents. Yet with few exceptions, councillors are part-time, receive only expenses and/or modest allowances, and must perform their duties with little administrative or research support. This combination of factors tends to limit the number and type of people in a position to stand for election.

Only 30% of councillors are women, and women are also seriously underrepresented in senior professional and management positions. In both cases, this reflects a dominant male culture and the special difficulties faced by women in balancing family and public life.<sup>43</sup> Very few councillors are recent migrants or (except in indigenous councils) of Aboriginal or Torres Strait Islander descent.

The level of overt party politics in local government varies greatly from one council to another. As a general rule, party tickets are uncommon outside major metropolitan and regional centres. The Labor Party tends to be well organized in those large centres and evidently uses local government as a training ground for future members of state or federal parliaments. The Liberal and National parties appear to place less emphasis on local government, although the Liberal Party is active in some urban areas and "independent" councillors in rural Australia are often seen to be sympathetic to the National Party. A few councils are regarded as glittering political prizes, notably the cities of Brisbane, Sydney, and Melbourne.

#### EMERGING ISSUES AND TRENDS

Despite its weak constitutional and legal positions, local government has made considerable progress toward acceptance as a partner – albeit junior – in the federal system. This has occurred primarily as a result of the growing power of the federal government relative to the states, together with

federal financial and policy backing for an expanded role for local councils, plus support for local government membership of key federal forums. Although local government remains legally subservient to the states, it would not be in the states' financial interests to seek to reverse the direction of federal policy, which has enabled them to limit their own financial support to local government.

Many in local government see recognition in the federal Constitution as fundamentally important to its future, but to date there is little evidence that lack of such recognition has hampered local government's expanded role and growing stature. As Nico Steytler points out, constitutional recognition in and of itself does not create effective local government; local self-government is embedded in practice.<sup>44</sup> In this regard, A.J. Brown has argued for "comprehensive, holistic and serious" reform that goes far beyond the symbolic or minimalist approaches to constitutional recognition pursued to date.<sup>45</sup> He makes the case for a "general overhaul of the federal system" involving substantial rearrangement of the roles and structures of both local and state governments: "If the current theory of a cooperative, national federal system is to yield any new breakthroughs, then it appears the position of local government *vis-à-vis* the states will eventually need to be tackled head on."<sup>46</sup>

The fact remains, nevertheless, that local government's emergence on the federal scene is presently not guaranteed and could be reversed at any time if federal and state governments were to agree on such a course. At this stage, local government's admission to federal forums can be interpreted as placatory rather than empowering, and ALGA's position remains weak because it cannot bind its member local government associations and their member councils. Moreover, the states could effectively legislate away any national agreement ALGA might secure that did not suit their purposes.

One of local government's potential strengths in federal relations is the high degree of financial independence enjoyed by large councils in metropolitan areas and major regional centres. These councils have the capacity for effective strategic planning and are able to deliver a wide range of essential infrastructure and services from their own resources.<sup>47</sup> They can become valued partners in the federal system, helping federal and state governments to tackle complex issues that require coordinated local management. For example, local government has already demonstrated a willingness to take a lead on climate change. Australia has the world's highest rate of participation in the Cities for Climate Protection® program, overseen by the International Council for Local Environmental Initiatives (ICLEI), and local government has received strong federal government support for its efforts. Provision of integrated services to an aging population is another area where local government can play a major role. ALGA has worked with federal agencies to prepare a national strategy,<sup>48</sup> and in

Tasmania local, state, and federal governments have signed a tripartite partnership agreement on meeting the needs of an aging population.<sup>49</sup>

Yet, at the same time, local government appears to suffer from a poor-cousin mentality, often presenting itself as a mendicant, unable to meet its responsibilities without more state and federal support. In part, this accurately portrays the growing difficulties faced by small rural and regional councils with a limited rating base, but as the Productivity Commission's findings suggest, it may also reflect a reluctance among many, if not most, councils to make a greater effort to raise revenue from their own sources. There has been substantial growth in service fees and charges as a source of revenue, but unlike state and federal taxes, property rates have failed to keep pace with growth in GDP and personal incomes. The tendency has been for higher fees and charges to substitute for rate increases rather than adding to total revenue. However, this situation is beginning to change in several states as recent studies reveal the depth of local government's underlying financial problems. The notable exception is New South Wales with its system of rate-pegging.

As noted earlier, bigger, more independent councils are the product of suburban or regional population growth, plus amalgamation of smaller local government areas. The recent wholesale restructuring in Queensland suggests that there remains considerable scope for further amalgamations in other states, especially in metropolitan areas, large regional centres, and some more densely populated rural areas. This could greatly strengthen local government's strategic presence and capacity, making it a more attractive federal partner, but most councils remain strongly opposed to amalgamations.

Finally, there is the question of local government's ability to engage effectively in intergovernmental processes with the federal and state governments. Writing more than twenty years ago, Ralph J.K. Chapman and Michael Wood reflected on the gains local government had already made in establishing itself on the intergovernmental stage but observed that much more needed to be done: "To survive as part of the body politic local government must accustom itself to, and be seen to be, operating as part of the intergovernmental network."<sup>50</sup> They argued that intergovernmental negotiations demand much more than simple advocacy of local concerns and perspectives: "Advocates respond to issues: what is needed to protect local interests in the intergovernmental system is not advocacy alone, but full-time involvement in the political and administrative activity of the federal and state governments."<sup>51</sup>

Against this background, it will be interesting to see how local government fares under the recently elected federal Labor government. In opposition, Labor promised a new cooperative federalism, including closer engagement with local government. It committed to forging partnerships with local and regional communities in order both to formulate whole-of-government,



place-based strategies and to work on specific issues, such as housing affordability and improved health services. In particular, Labor signalled the establishment of the Council of Australian Local Governments to comprise a number of senior federal ministers and representatives of ALGA, state local government associations, and the Council of Capital City Lord Mayors, plus unspecified “regional bodies and other stakeholder organizations.” The new council would have two initial tasks: first, to plan for a referendum on constitutional recognition of local government and, second, to provide advice on future funding arrangements and a clearer definition of local government’s roles and responsibilities within the federation.<sup>52</sup>

An inaugural meeting of the new council, renamed the Australian Council of Local Government, was held in November 2008. It will be chaired by the federal minister for local government, have a broadly representative steering committee with membership along the lines indicated above, and hold an annual forum open to every mayor in Australia (as was the inaugural meeting). However, at the time of writing, further details of the council’s intended scope of activity had yet to be announced.<sup>53</sup>

Labor did not commit to a timetable for constitutional recognition but rather to a process of consultation, eventually leading to a referendum. However, the former shadow minister for local government did offer the following comments on what constitutional recognition might involve:

We support Constitutional recognition because we believe that it is important to re-define the relationship between Commonwealth, state and local governments ... We need to make sure that local government is properly positioned to play its role as a key part of the government of this country. Local councils should no longer be seen as the plaything of State governments, to be dismissed or restructured at will ... I remind you that proposals for Constitutional recognition have twice been defeated. Opponents of Constitutional recognition will take advantage of any ambiguity in what Constitutional recognition might mean ... It is important that local government develop a clear idea of the form of Constitutional recognition that it prefers, and that local government be prepared to campaign with a single voice to build community support for this important initiative.<sup>54</sup>

The shadow minister’s comments appear to echo the views of A.J. Brown quoted above, and they hint at a form of constitutional recognition considerably more robust than that proposed in the 1988 referendum. As discussed earlier, it is doubtful whether such a proposal could succeed.

Labor’s policies pose significant challenges for local government. Can it develop a coherent national policy agenda that goes beyond simply asking for more federal assistance? Will local councils prove to be capable partners in formulating and implementing place-based strategies? Will the Australian Council of Local Government speak with a single voice or reveal

serious divisions between local government's varied representative organizations? And what will be the impact of the Productivity Commission study on local government's revenue-raising capacity? ALGA's initial response was to argue that overall, rates, fees, and charges are already rising as rapidly as can be expected and that a major shortfall in revenue has resulted from the declining level of financial assistance grants relative to total federal taxation.<sup>55</sup> Such views seemed unlikely to appeal to a federal government grappling with the need for strict fiscal discipline in order to combat rising inflation,<sup>56</sup> although the subsequent onset of the global financial crisis and prospect of a recession have brought about a marked shift toward Keynesian policies of increased government expenditure to offset reduced private-sector activity.

The re-election of a Labor government has nonetheless underlined the potential for local government to make further progress toward securing its place in the Australian federation and to translate the procedural gains of recent years into more tangible advances in the way its role is perceived and supported by state and federal governments. Brown draws the following conclusion: "Although local government remains structurally weak, it is on a growth path – much stronger, much more credible and better recognized by its citizens than 40 years ago ... Questions of how best to develop the capacity of local government to shoulder a greater burden, including its own structural reforms, have ceased to be purely state-level questions: they are also clearly national ones."<sup>57</sup>

#### NOTES

- 1 The precise count varies depending on the inclusion of local governing bodies "declared" for the purposes of the Commonwealth's Local Government (Financial Assistance) Act 1995 but not established under states' local government Acts. Currently, 559 local councils operate under those Acts.
- 2 Throughout this chapter, references to "state" include the Northern Territory, unless otherwise noted.
- 3 The term "council" is used in Australia to refer both to the elected body of councillors and to the local government unit as a corporate entity. A council may be called a municipality, shire, or city.
- 4 For broad coverage of issues in Australian local government, see Brian Dollery and Neil Marshall, eds, *Australian Local Government: Reform and Renewal* (Melbourne: MacMillan Education Australia, 1997); and Brian Dollery, Neil Marshall, and Andrew Worthington, eds, *Reshaping Australian Local Government: Finance, Governance and Reform* (Sydney: University of New South Wales Press, 2003).
- 5 For detailed accounts of various aspects of the Australian system of government, see Cheryl Saunders, "Commonwealth of Australia," in *Constitutional Origins, Structure and*

- Change in Federal Countries*, ed. John Kincaid and G. Alan Tarr, 13–47 (Montreal and Kingston: McGill-Queen's University Press, 2005); John M. Williams and Clement Macintyre, "Commonwealth of Australia," in *Distribution of Powers and Responsibilities in Federal Countries*, ed. Akhtar Majeed, Ronald L. Watts, and Douglas M. Brown, 8–33 (Montreal and Kingston: McGill-Queen's University Press, 2006); Cheryl Saunders and Katy le Roy, "Commonwealth of Australia," in *Legislative, Executive and Judicial Governance in Federal Countries*, ed. Katy Le Roy and Cheryl Saunders, 38–70 (Montreal and Kingston: McGill-Queen's University Press, 2006); and Alan Morris, "Commonwealth of Australia," in *The Practice of Fiscal Federalism: Comparative Perspectives*, ed. Anwar Shah, 43–72 (Montreal and Kingston: McGill-Queen's University Press, 2006).
- 6 See <http://www.dfat.gov.au/GEO/fs/aust.pdf> (viewed 30 January 2008).
  - 7 The Northern Territory has an "administrator."
  - 8 For a useful historical summary, see Rolf Gerritsen and Dick Osborn, "Reform of Local Government in Australia," in *Comparative Study on Local Government Reform in Japan, Australia and New Zealand*, ed. Council of Local Authorities for International Relations, 51–112 (Sydney: Japan Local Government Centre, 1997), 59–62.
  - 9 Australian Bureau of Statistics, "Australian Labour Market Statistics," January 2008.
  - 10 Whether amalgamations achieve improvements in efficiency and effectiveness remains a matter for vigorous debate; see, for example, A. Witherby, B.E. Dollery, N.A. Marshall, and A. Auster, *Is Bigger Better? Towards a Model Process for Local Government Structural Reform* (Sydney: Australian Institute of Urban Studies, 1999).
  - 11 For further details, see <http://www.strongercouncils.qld.gov.au> (viewed 30 January 2008).
  - 12 See <http://www.localgovernment.nt.gov.au/new> (viewed 30 January 2008).
  - 13 See Chris Aulich and Rebecca Pietsch, "Left on the Shelf: Local Government and the Australian Constitution," *Australian Journal of Public Administration* 61, no. 4 (December 2002): 14–23.
  - 14 In Queensland a bill to end the system of local government requires a referendum; in South Australia such a bill requires an absolute majority of both houses of parliament; in Victoria a referendum is required to amend the constitution with respect to local government.
  - 15 Cheryl Saunders, "Constitutional Recognition of Local government in Australia," in *The Place and Role of Local Government in Federal Systems*, ed. Nico Steytler, 47–64 (Johannesburg: Konrad-Adenauer-Stiftung, 2005); Anne Twomey, "Sub-National Constitutional Law – Australia," in *International Encyclopaedia of Constitutional Law* (New York: Kluwer, 2004), paras 329–51.
  - 16 A referendum must gain majority support in a majority of states (i.e., four out of six), plus an overall majority, and voting is compulsory.
  - 17 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government* (Canberra: Parliament of the Commonwealth of Australia, 2003).
  - 18 Prior to the 2007 federal election, the then coalition government saw political advantage in supporting community referenda on the proposed local government

amalgamations in Queensland. The state government had acted to prevent councils from holding such referenda. The federal Parliament passed the Commonwealth Electoral Amendment (Democratic Plebiscite) Act 2007, authorizing the Commonwealth Electoral Office to conduct the local referenda and seeking to override state legislation prohibiting them. Nevertheless, federal legislation could not prevent the amalgamations, which remain constitutionally a state matter.

- 19 See Ed Wensing, "Systemic Reform or Administrative Update? Recent Legislative Changes in Local Government around Australia," in *Local Government Restructuring in Australasia*, ed. Ralph Chapman, Marcus Haward, and Bill Ryan, 24–44 (Hobart: Centre for Public Management and Policy, University of Tasmania, 1997).
- 20 See Chris Aulich, "From Convergence to Divergence: Reforming Australian Local Government," *Australian Journal of Public Administration* 58, no. 2 (June 1999): 12–23.
- 21 In order of metropolitan population, the state capitals are Sydney (New South Wales), Melbourne (Victoria), Brisbane (Queensland), Perth (Western Australia), Adelaide (South Australia), and Hobart (Tasmania). Canberra is the national capital, located within the Australian Capital Territory.
- 22 See John Abbott, "A Partnership Approach to Regional Planning in South East Queensland," *Australian Planner* 38, nos 3–4 (2001): 114–20.
- 23 New arrangements for management of water supplies that will transfer bulk supply responsibilities to the state government and substantially reduce the role of local government are to come into effect in 2010.
- 24 Productivity Commission, "Assessing Local Government Revenue Raising Capacity," draft research report, Commonwealth of Australia, 2007. The Productivity Commission is a statutory body that undertakes independent investigations into economic and policy issues referred by the federal government.
- 25 The Independent Inquiry into the Financial Sustainability of New South Wales Local Government estimated overall underspending on infrastructure renewal in that state to be US\$300–460 million per annum. It would cost around US\$4.8 billion to restore these assets to a satisfactory condition. A further US\$11 billion may be needed to replace existing assets over the next fifteen years. This does not take account of new infrastructure needs for a growing and shifting population. See Independent Inquiry into the Financial Sustainability of New South Wales Local Government, "Final Report: Findings and Recommendations," May 2006.
- 26 Recent experience in several states, where councils have for varying reasons pursued substantial rate increases, suggests that fears of a ratepayer backlash are largely groundless. For example, in New South Wales councils seeking an increase above the rate-pegging limit must undertake extensive community consultation, and most receive community support on the grounds that services will improve. The absolute sums of money involved are rarely more than US\$80 per household per annum.
- 27 See, for example, B. Dollery, L. Crase, and A. Johnson, *Australian Local Government Economics* (Sydney: University of New South Wales Press, 2006), 281.

- 28 Independent Inquiry into the Financial Sustainability of New South Wales Local Government, "Final Report," 302.
- 29 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes*.
- 30 Ultimately, state governments are responsible for local governments' debts.
- 31 See Richard Webb, *Commonwealth General Purpose Financial Assistance to Local Government*, research paper no. 9 (Canberra: Parliamentary Library, Parliament of the Commonwealth of Australia, September 2007).
- 32 Australian Government Department of Transport and Regional Services, "2005–06 Local Government National Report," 2006, 24.
- 33 The Constitution does not give the federal government any power to supervise local government, except to the extent that federal legislation may apply to some aspects of local government operations and conditions may be attached to grant funding.
- 34 See Clement Macintyre and John Williams, "Australia: A Quiet Revolution in the Balance of Power," in *Dialogues on Distribution of Powers and Responsibilities in Federal Countries*, ed. Raoul Blindenbacher and Abigail Ostien, 3–5 (Montreal and Kingston: McGill-Queen's University Press, 2005).
- 35 See <http://www.lgpmcouncil.gov.au/publications/reference.aspx> (viewed 4 July 2007).
- 36 Graham Sansom, "Three Weddings, a Loveless Marriage and a Rich Uncle: Local Government Reform and Intergovernment Relations in Australia," in *Proceedings of the CLAIR Forum* (Sydney: Japan Council of Local Authorities for International Relations, 2002).
- 37 Marguerite Scott, "Partnering for Change: The Tasmanian Partnership Agreements Experience," paper presented to the conference "Cutting Edge of Change," University of New England, Armidale, February 2002.
- 38 See <http://www.localgovt.sa.gov.au/policy> (viewed 20 February 2008).
- 39 See <http://www.lgsa-plus.net.au/www/html/1359-strengthening-local-government.asp> (viewed 20 February 2008).
- 40 The Council of Capital City Lord Mayors. In most cases, the "capital city" is a local government area covering only the central business district and adjoining suburbs, although in Brisbane and Darwin the "city" council also administers much of the urban area.
- 41 See <http://nga.alga.asn.au/business/nationalAgenda/intro.php> (viewed 20 February 2008).
- 42 A "property franchise" gives a vote to owners of property as well as to residents. This varies from state to state, but it typically applies only to nonresident property owners and grants only one vote irrespective of the number of properties owned.
- 43 Australian Local Government Women's Association, "Review of the National Framework for Women in Local Government – The Way Forward," May 2007.
- 44 Nico Steytler, "Introduction," in *The Place and Role of Local Government in Federal Systems*, ed. Nico Steytler, 1–9 (Johannesburg: Konrad-Adenauer-Stiftung, 2005), 8.

- 45 A.J. Brown, "Subsidiarity or Subterfuge? Resolving the Future of Local Government in the Australian Federal System," *Australian Journal of Public Administration* 61, no. 4 (December 2002): 24–42, at 24.
- 46 Ibid., 39.
- 47 The Productivity Commission, *Assessing Local Government*, xxx, found that many urban councils could increase own-source revenue sufficiently to fund current levels of expenditure without any grant support.
- 48 See <http://www.alga.asn.au/policy/healthAgeing/ageing/plan> (viewed 4 July 2007).
- 49 See <http://www.dpac.tas.gov.au/divisions/lgo/partnerships/news.html> (viewed 26 February 2008).
- 50 Ralph J.K. Chapman and Michael Wood, *Australian Local Government: The Federal Dimension* (Sydney: George Allen and Unwin, 1984), 12.
- 51 Ibid., 167–8.
- 52 Senator Kate Lundy, speech to the Local Government Association of Queensland, 29 August 2007, <http://www.katelundy.com.au/localgovernment.htm> (viewed 27 February 2008).
- 53 See <http://www.aclg.gov.au> (viewed 19 December 2008).
- 54 Senator Kate Lundy, speech to the Local Government Association of Queensland, 29 August 2007, <http://www.katelundy.com.au/localgovernment.htm> (viewed 27 February 2008).
- 55 Letter from alga to Productivity Commission, dated 18 February 2008, [http://www.alga.asn.au/policy/finance/algas\\_Comments\\_on\\_Draft\\_PC\\_Local\\_Government\\_Study.pdf](http://www.alga.asn.au/policy/finance/algas_Comments_on_Draft_PC_Local_Government_Study.pdf) (viewed 27 February 2008).
- 56 See, for example, Hon. Wayne Swan, federal treasurer, *RBA Statement on Monetary Policy*, press release no. 007, 11 February 2008, <http://www.treasurer.gov.au> (viewed 27 February 2008).
- 57 A.J. Brown, "Federalism, Regionalism and the Reshaping of Australian Governance," in *Federalism and Regionalism in Australia: New Approaches, New Institutions?* ed. A.J. Brown and Jennifer Bellamy, 11–32 (Canberra: Australian National University Press, 2006), 23.