

## Contents

1. The <b>relationship</b> of local governments with senior levels of government in the respective country and outline the main <b>services</b> that their local governments deliver: .....	1
2. How are local governments <b>funded (revenue sources)</b> in comparison to senior levels of government?: .....	3
3. What <b>key pressures (top 3)</b> have local governments been experiencing over the last 5 years and why: .....	3
4. What are the <b>key pressures</b> that local governments are likely to experience in the next 5 – 10 years:.....	4
5. What have, and will, local governments, in each country, <b>do to address</b> these key pressures:.....	4
Key questions for discussion during panel session.....	5

### 1. The **relationship** of local governments with senior levels of government in the respective country and outline the main **services** that their local governments deliver:

#### *Legal/Constitutional*

Within the Australian context and three tiered system it is convention to refer to local, state and federal as spheres, or tiers of government rather than implying the one tier is more senior to the other. Local Government is not recognised in the Australian constitution and under our federated structure local government draws its roles, powers and characteristics from State level government legislation, being state-based Local Government Acts such as:

Section 3A – *Local Government Act 1989* (Vic) ‘What is the Purpose of Local Government?’

“The purpose of local government is to provide a system under which Councils perform the functions and exercise the powers conferred by or under this Act and any other Act for the **peace, order and good government of their municipal districts**”.

Australian local government is currently not recognised in the Australian Constitution and in 2013 there was a failed campaign for a referendum to alter the constitution and seek this financial recognition in within *section 96* of the *Australian Constitution*. Since then, there have been two High Court cases which have further complicated, or challenged the Constitutionality of direct funding of local government by the Federal Government.

#### *Local Government Services*

Australian local government, like local governments around the globe, is multi-functional and place-based providing over 200 needed services to their communities. These services include:

- **engineering** public works design, construction and maintenance of roads, bridges, footpaths, drainage, cleaning, waste collection and management;
- **recreation** golf courses, swimming pools, sports courts, recreation centres, halls, kiosks, camping grounds and caravan parks;
- **health** water sampling, food sampling, immunisation, toilets, noise control, meat inspection and animal control;
- **community services** child care, elderly care and accommodation, refuge facilities, meals on wheels, counselling and welfare;
- **building and planning** inspection, licensing, certification and enforcement;
- **administration** aerodromes, quarries, cemeteries, parking stations and street parking;
- **cultural/educational** libraries, art galleries and museums;
- other service such as abattoirs, sale-yards, markets and group purchasing schemes as well water and sewerage

The traditional understanding of local government's role and the services it delivers has been extended in two ways:

- Councils have been required under State and Territory laws to do much more in fields such as planning, environmental management, public health, emergency services and local regulations; and
- Responding to community needs, councils have used their discretionary funding, resources and authority to deliver services and work with business and community partners across an extremely broad range of new functional areas such as economic development, social wellbeing and cohesion, child care and early childhood education, life-long learning, apprenticeship schemes, programs for the unemployed, housing and homelessness, climate change and energy efficiency, public safety, community and aged services, refugee settlement, domestic violence, recreation and tourism, airports, public transport, aspects of international trade and relations – and many others.

This means that local government now touches all facets of everyday life – and assists people through all stages of life. Whether it's childcare or preschool, the trip to school or work, the job itself, after-school care, visits (frequently online) to the library, sport and recreation for all the family, community events, or housing and activities for the elderly, councils provide essential support. For communities in regional, rural and remote areas their operations and very existence are of fundamental importance to local economies and community life.

A growing number of councils are also heavily involved in important national and international agendas, notably around economic development, digital futures, urban growth management, environmental sustainability and climate change. Traditional Sister City links are being transformed into economic relationships, especially where large Australian city councils have longstanding ties with counterparts in China and Asia, or partner local business and universities to secure trade opportunities.

Increasingly, councils are working together in regional or special-interest groups to improve their efficiency, undertake major projects, and address 'big picture' challenges. This is further enhancing local government's capacity to contribute to national life.

Yet in Australia local government continues to be treated by other governments as the government of last resort, and frameworks for *governance* (NOT a 'fourth tier of government') at the regional level are very poorly developed.<sup>1</sup>

## 2. How are local governments funded (revenue sources) in comparison to senior levels of government?:

Local Governments across Australia collectively spends around \$33 billion per annum and employs just under 189,000 people, which equates to approximately 10% of the Australian public sector.<sup>2</sup> Local government owns and manages non-financial assets with a written down value of \$354 billion (2013-14)<sup>3</sup> and is faced with an estimated infrastructure backlog of \$20 billion.

80% of Australian local government's revenue is self-generating.<sup>4</sup> Approximately \$15bn is raised annually through local property taxes (rates), which represents around 3.4% of Australia's total taxation revenue per annum,<sup>5</sup> and much more again in service charges. While property rates have been recognised as a particularly efficient form of taxation with the potential to raise considerably more revenue (Henry tax review)<sup>6</sup> local governments in a number of Australian jurisdictions are facing or are currently dealing with state mandated caps on rate increases.

## 3. What key pressures (top 3) have local governments been experiencing over the last 5 years and why:

- For reasons of local government productivity a number of Australian jurisdictions are going through or are introducing structural or financial changes to their local government systems from rate capping to amalgamations;
- The infrastructure backlog is approaching \$20 billion and the ability for local governments to address this backlog has been exacerbated by measures such as state imposed rate capping or the indexation freeze of the Federal government's financial assistance grants, particularly with vulnerable local governments who are more reliant on grant funding from other tiers of government;
- Local government is facing challenges assisted with its workforce ranging from capacity issues to the ability to attract and retain critical staff;<sup>7</sup> and

<sup>1</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5

<sup>2</sup> ABS Cat No. 6248.0.55.002 Employment and Earnings, public sector, Australia 2013-14 cited in the ALGA Submission to the 2016-17 Federal Budget, 'Investment in an innovative and prosperous future', 28<sup>th</sup> January 2016, 4.

<sup>3</sup> ABS Cat no. 5512.0 Government Finance statistics Australia cited in the ALGA Submission to the 2016-17 Federal Budget, 'Investment in an innovative and prosperous future', 28<sup>th</sup> January 2016, 4.

<sup>4</sup> ALGA Submission to the 2016-17 Federal Budget, 'Investment in an innovative and prosperous future', 28<sup>th</sup> January 2016, 4.

<sup>5</sup> ABD Cat No. 5506.0 Taxation Revenue series cited in the ALGA Submission to the 2016-17 Federal Budget, 'Investment in an innovative and prosperous future', 28<sup>th</sup> January 2016, 4.

<sup>6</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 10

<sup>7</sup> ACELG National Local Government Workforce Strategy 2013-2020:

[http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national\\_local\\_government\\_workforce\\_strategy\\_2013-2020.pdf](http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national_local_government_workforce_strategy_2013-2020.pdf)

- Research has found that 50% of the workforce suffers from functional literacy<sup>8</sup> and 40% of LG workforce has no post-secondary school qualifications;<sup>9</sup>

#### 4. What are the **key pressures** that local governments are likely to experience in the next 5 – 10 years:

These include, for example, the issues raised in the Commonwealth Government's 2015 *Intergenerational Report – Australia in 2055*, which forecasts a range of significant public policy problems that arise from changes in demography, workforce participation, challenges to productivity and the management of environmental change.<sup>10</sup>

This reflects in part the challenge of fiscal austerity that faces governments throughout the world and will beset Australia too for at least another decade.<sup>11</sup> In addition, demand for services and amenity will increasingly rest with local government. With the current indexation freeze on the Financial Assistance grants, coupled with the structure reforms, in the form of amalgamations, and financial reforms, in the form of rate capping, the question is what scope local governments will have to raise revenue to match the increased demand for local government services given that 80% of the sector's funding is self-generating.

It has been identified that 1/3 of LG workforce is over 50 years of age<sup>12</sup> with 40% of the workforce estimated to retire in the next 10-15 years. Australian local government is struggling to attract and retain the next generation of managers to replace the retiring workforce.

#### 5. What have, and will, local governments, in each country, **do to address these key pressures**:

Around the world countries have accepted the need for cooperative governance at a local and regional scale. They are looking to partnerships between all levels of government, business and communities to advance economic, social and environment wellbeing, and to address the emerging challenges of governing in the 21<sup>st</sup> Century. Australia should follow this logical worldwide trend.<sup>13</sup> When local governments ability to raise revenue is being challenged the alternative is having to find new ways of doing business and new models for local government to operate and deliver services to their communities.

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<sup>8</sup> ACELG National Local Government Workforce Strategy 2013-2020:

[http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national\\_local\\_government\\_workforce\\_strategy\\_2013-2020.pdf](http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national_local_government_workforce_strategy_2013-2020.pdf)

<sup>9</sup> Ibid

<sup>10</sup> Commonwealth Government, 'Intergenerational Report', 2015 cited in LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5

<sup>11</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5

<sup>12</sup> ACELG National Local Government Workforce Strategy 2013-2020:

[http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national\\_local\\_government\\_workforce\\_strategy\\_2013-2020.pdf](http://www.lgprofessionalsaustralia.org.au/uploads/3/7/4/2/37423121/national_local_government_workforce_strategy_2013-2020.pdf)

<sup>13</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 3

This requires the forging of new creative partnerships between governments, business and civil society to address challenges associated with Fiscal Austerity. This reflects in part the challenge of fiscal austerity that faces governments throughout the world and will beset Australia too for at least another decade.<sup>14</sup>

The future requires governments to work together to do better with less, and to regain public confidence in the political process.

Local government's strengths are that it is place-based, multi-functional and in touch with communities. It commands substantial resources and offers in situ administrative capacity across nearly all settled districts of Australia. Groups of local councils can provide a solid platform for effective governance at a regional scale.

High performing local governments will add strength, resilience and responsiveness to a revitalised federation. It can support and collaborate with the Commonwealth, States and Territories to ensure that the government of Australia is truly fit for the 21st Century.<sup>15</sup>

What is needed now is for the Commonwealth and States to recognise the capacity of local government and enter into a dialogue – both political and professional – to explore the options for increased collaborative problem-solving in the areas that Australian citizens care most about. This does not depend on recognition in the Australian Constitution or a major injection of additional grant support. What it does require are:<sup>16</sup>

- First, *parity of esteem* – an appreciation of what local government already does and what it could do, and that its contributions add real problem-solving capacity and warrant respect.
- Second, *policy settings* that will enable local government to maximise the use of its robust property tax base, as proposed by the Henry Tax Review, without unwarranted political interference. Also, it is essential that no adverse impacts on local government revenues occur as a consequence of tax reform and/or changes to Commonwealth-State financial relations.

### Key questions for discussion during panel session

1. Lessons learned that could be shared with other countries;
2. Advice that other countries should consider;
3. What is going well with local government in your country?; and
4. What could be improved?

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<sup>14</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5

<sup>15</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5

<sup>16</sup> LG Professionals Australia; Mark Evans, 'A Federation for Communities and Places: Australia in a Century of Local Governance', February 2016, page 5