Introduction — Building Local Government

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In this and the last issue, the Australian Journal of Public Administration has profiled issues of current importance to Australian local/regional government. Contributors to Building Local Government looked at organisational change, performance measurement, leadership and social-capital-building roles in local government. Future of Regionalism now focuses on local and subnational government generally, in the financial, administrative and constitutional context. A major trigger for this focus is the present inquiry of the Commonwealth House of Representatives Standing Committee on Economics, Finance and Public Administration into the financial position of local government.

Following from the Commonwealth Grants Commission’s review of the operation of the Local Government (Financial Assistance) Act 1995 (June 2001), this inquiry was announced by federal Minister for Regional Services, Wilson Tuckey MP in early 2002 in line with commitments of his predecessor, Senator Ian Macdonald. In this issue, Tuckey outlines the rationale for the inquiry, and the preliminary submission of the Australian Local Government Association (ALGA) sets out key issues.

While the inquiry focus is cost shifting onto local government by state governments, already the minister, ALGA and a large number of submissions have emphasised this is more than a short-term political and administrative problem — rather, it is a long-term issue going to the heart of the structure of Australian public finance as a whole. Announcing the inquiry, Tuckey expressed his admiration for local government in the USA, where it enjoys around 24 percent of total public expenditure as against 6 percent in Australia. The ALGA highlights the case for local finance — already well integrated into the structure of federal financial relations — to be given the security of increased fixed shares of total public revenues, including the GST income flowing to, but not necessarily through, the states since 2000.

Either consideration demands review not just of local government’s finances but of its position in the Australian system of government as a whole. The roles, responsibilities and revenues of local government cannot be significantly adjusted in a coherent way without simultaneous adjustment in Commonwealth and state spheres. The case for such coherent reappraisal is mounting, based on evidence of local government’s growing economic and social importance, its key roles in formation and maximisation of social capital (Wallis and Dollery 2002), its place in the fabled subsidiarity advantages of modern fiscal federalism, and the lack of visible end-point to processes of ‘glocalisation’ identified in the 1990s (Courchene 1995). The more these issues are explored, the more they suggest Australian local government is in a vital stage of development. Indeed, Australian local government may not be experiencing a revival, as in other countries, as much as it is still being built into a major part of our political system for the first time.

Four further articles in this issue highlight the necessity and complexity of this reappraisal.
To what extent, a year after the centenary of Australian federation, is the issue of federal constitutional recognition of local/regional government set to return? Chris Aulich evaluates afresh the extent to which present state-based local institutions were, and were not, recognised in the formation of the 1901 Constitution. This explodes the myth that local government was simply ‘left out’ of national constitutional design, but emphasises the increasing unrecognisability of our present public structures in terms of that design.

In reappraising the overall place of local/regional government in our constitutional system, for what type of institutions should we be planning? My own article presents pilot evidence of expectations for future constitutional development from Queensland local government figures, as well as the broader populace, during the federal centenary. This highlights diverse majority demand for regional institutions with significantly greater constitutional ‘clout’, begging the question whether our reappraisals should not be aimed at building these, in a variety of possible forms, rather than simply entrenching existing ‘weak’ systems of local government.

What tools do we have for costing and comparing the institutional options raised by these questions? Mark Drummond presents an indicative model for costing different options in Australian public finance, addressing the complex problem of how to realistically conceptualise both the functional transfers and territorial transformations implied by different options. The results tend to confirm historical intuitions that substantial regional-level decentralisation of functions may be possible in ways that involve no net cost to total public finance, and could offer significant financial gains. The assumption, however, is that this restructuring will need to be more than simply administrative and involve some confrontation of past constitutional demons.

Whether present intergovernmental reflection will provide the vehicles for these complex structural issues to be addressed remains to be seen. At present, the inquiry’s focus on state cost shifting, and the proviso that the inquiry recommendations should be ‘budget neutral’ for the Commonwealth, have raised public questions about the extent to which it might be an exercise in competitive as opposed to cooperative federalism. Certainly, ‘minimalist’ reform may provide important short-term relief to local government, combat ‘fiscal illusion’ and deliver greater efficiency in what has evolved for over 50 years as one public financial system (Worthington and Dollery 2000; Byrnes and Dollery 2002:57, 60). Equally valuable will be wider thinking on the work needed to explore better the local/regional institutions Australians see for themselves in 50–100 years, before further talk of constitutional reform.

Finally, a state perspective from Queensland premier Peter Beattie, who identifies institutional reform and innovation at the Council of Australian Governments (COAG) as the key short-term response to these debates. Again, a step back from short-term politics and a holistic review are advocated.

References