

UCLG COUNTRY PROFILES

Commonwealth of Australia

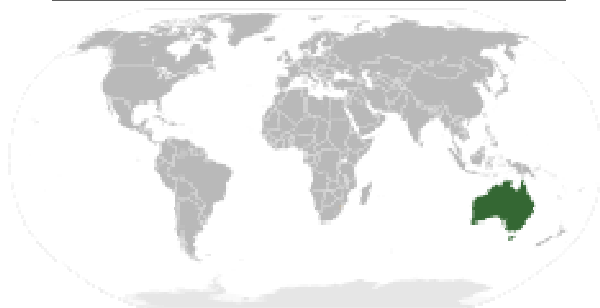


Capital: Canberra

Inhabitants: 21.225.000 (2008)

Area: 7.741.220 km²

1. Introduction



The Commonwealth of Australia is located in the South Pacific. It has a population of 20,679,375¹ and covers a land area of 7,692,024sq km². Its present system of government began evolving when the first party of British convicts and their overseeing military and civilian officials arrived in Sydney Cove in 1788 and established a settlement there. Over the next half century other coastal settlements were established, most of them also as British convict out-stations, and the original settlements gradually spread out into their hinterlands to establish the farms and mines needed to sustain their growing populations. The initial government took the form of a single British crown colony administration for what was then described as New South Wales, but gradually other such administrations were formed out of the major coastal settlements. From the 1850s there were six separate crown colonies (New South Wales, Victoria,

Tasmania, Queensland, South Australia, Western Australia), and in that decade and with the cessation of convict transportation five of them became self-governing; self-government came to the sixth (Western Australia) in 1890. In 1901 the six colonies federated to form the Commonwealth of Australia, but they remained in existence with their own constitutions and powerful governments as states within the federation.

Each state established its own local government system, with partial federal oversight via a Local Government Ministry³. A decade after federating, two states passed parts of their land mass to the Commonwealth: South Australia's undeveloped north to form the Northern Territory, and – after a search for an appropriate location as required by the constitutional settlement – a section of New South Wales south-west of Sydney to form the Australian Capital Territory. These two territories became self-governing in 1978 and 1989 respectively, but they did not have the full constitutional status of the original states. Being large in size, the Northern Territory established its own local government system to match those of the states. The Australian Capital Territory government carries out both state-type and municipal-type functions. The Commonwealth was originally regarded as a self-governing British



"dominion". But it evolved over the three decades after 1901 as a fully independent nation within the (British) Commonwealth of Nations. When the British arrived, there was already an indigenous population estimated at about 300,000 spread over the whole continent, but it was nomadic in nature, had no permanent settlements, and was divided into many separate tribes and language groups. While it had its own customary laws, there was no system of Aboriginal government comparable with that introduced by the European settlers, and absorbing this indigenous population into the mainstream has always been a major governance problem.

A third self-governing territory, Norfolk Island in the South Pacific, came into the Australian family of governments as an early part of Britain's decolonizing arrangements. However its small population, whose core is made up of descendents of the "Bounty" mutineers who moved from Pitcairn Island in the 1850s, mostly sees itself as reluctantly Australian, and its governing arrangements are very different. It is rarely counted in treatments of the Australian governing system, and is not further considered here. There are several other territories but they are not self-governing and are administered by Commonwealth departments.⁴

2. Political and Organizational Structure

Since the federal settlement of 1901, Australia has had three levels of government: federal (the Commonwealth), the states and self-governing territories, and local government. The Commonwealth Constitution regulates the distribution of powers between the Commonwealth and the states, while Commonwealth legislation governs the extent of power of the self-governing territory governments. Major

Commonwealth responsibilities are foreign affairs, immigration, trade, defense, social services, and postal and communication services. States and territories generally have responsibility for education, health, policing, electricity, water, transport, main roads, ports, housing and local government. The extent of local government power is governed by legislation of the states and the Northern Territory (see Appendix 1).

The Commonwealth Parliament, based in the national capital Canberra, is bicameral and comprises the House of Representatives and the Senate. The House of Representatives has 150 members, each representing a separate electoral division. Members are elected for terms of up to three years. The Senate has 76 senators; 12 are elected for each of the six states, and two for each of the Australian Capital Territory and the Northern Territory. State senators are elected for six-year terms, territory senators for three-year terms. The head of Commonwealth government is the Prime Minister who appoints a cabinet of senior ministers and other ministers from amongst elected members. The head of state is the Queen who is represented by the Governor-General.

All the states except Queensland have bicameral parliaments; those of the self-governing territories are unicameral. Heads of state governments are called Premiers, those of the territories Chief Ministers; as with the Commonwealth, they appoint cabinets of ministers from among elected members. Each state has a Governor fulfilling a role similar to that of the Governor-General for the particular jurisdiction, and the states and territories have their own public services separate from that of the Commonwealth.

Voting for the Commonwealth, state and territory parliaments is compulsory as it is



for some local government jurisdictions (see Table 3).

It is a long-standing Australian tradition that the central governments – initially the states, later the Commonwealth, and now the territories as well – make much use of non-departmental public bodies to deliver many of their services. They represent the *functional* side of the decentralizing process, and the most common form is the statutory authority or corporation, though there are many government-owned companies and a few executive agencies as well. Today Centrelink provides a good example: as a statutory "agency" within the Commonwealth Human Services portfolio, it provides a range of social services and boasts more than 1,000 service delivery points throughout the nation. This network of "field offices" embraces many city suburbs and a great many country towns, so this is *geographical* as well as functional decentralization.

Many Commonwealth and state departments have such field offices outside the relevant capitals. Moreover the states are likely to have established regional statutory bodies to provide services such as water supply or health and ambulance services, where the several local governments within the region are either too small or too weak to be able to operate those services themselves. The public administration apparatus in towns of 20,000 or 30,000 people – all of it clearly part of administrative decentralization – is thus likely to include not only the relevant local government but also a range of such field offices of Commonwealth and state departments and possibly some state/territory-created statutory bodies dedicated to serving the relevant locality or region.

It should also be noted that one-quarter of the Australian land mass is unincorporated

and without local government, so that – as with the non-self-governing territories – this area is administered directly by central governments, in this case the state governments.

3. Local Government Systems

There is no reference to local government in the Commonwealth Constitution although in some cases it is recognized in state constitutions. Each of the states and the Northern Territory has a comprehensive Local Government Act setting out the powers, roles and responsibilities of local governments or "councils" as they are known. In most cases local government has wide-ranging powers to promote the good governance and wellbeing of local areas, but usually under close scrutiny and supervision by the state or territory.

Between 1989-99 all the Local Government Acts were reviewed, generally moving to a less prescriptive approach in terms of councils' roles and functions, but subject to greater public accountability and tighter requirements for corporate planning and reporting.

The main legislative texts are:

- New South Wales: Local Government Act 1993
- Northern Territory: Local Government Act 1993
- Queensland: Local Government Act 1993
- South Australia: Local Government Act 1999
- Tasmania: Local Government Act 1993
- Victoria: Local Government Act 1989
- Western Australia: Local government Act 1995.



The Minister for Local Government in each state and the Northern Territory is responsible for administering these acts. However, local government also carries out a wide range of functions under other legislation such as planning and development control and environmental management.

These state and territory ministers have powers to intervene in local government activities. They generally have the authority to dissolve councils and appoint administrators to carry out all local government functions. If this happens, they may have to hold a public inquiry on the alleged failings of the council concerned. Even where a state/territory constitution provides for a continuing system of local government such powers persist (and state constitutions can be amended relatively easily).

Although the Commonwealth government has no formal responsibility for local government, it provides substantial financial assistance grants (FAGs) to councils, in addition to special purpose funding. These funds, distributed through Commonwealth and state grants commissions, are aimed at horizontal fiscal equalisation,⁵ based on the principle that, as far as possible, all Australians are entitled to receive similar standards of public services irrespective of their geographical location. Given the number and limited capacity of rural and remote local governments in Australia to raise own revenues, these FAGs are often critical in enabling these councils to sustain a basic level of services for their citizens (see also Item 3.4 below). The Commonwealth's Minister for Regional Services, Territories and Local Government has federal responsibility for the administration of the Local Government (Financial Assistance) Act 1995 (Cwlth).

From the above, it will be apparent that most services to the public in Australia are under the jurisdiction of the states and territories, and that many are delivered by the states and territories themselves. Making a contribution of just 2.3% to GDP, local government therefore represents a smaller part of the public administration apparatus than is the case in many other countries. Although there are variations from state to state, the following generally holds true:

- Local government has shared responsibility for health and environmental protection, roads and airports.
- Local government is mostly responsible for the provision of water, and the collection and the disposal of refuse.
- Cultural, leisure and sport services and economic services are a discretionary provision of local government.

Since the 1970s, however, significant efforts have been made to improve the performance of the local government sector generally, and all levels of government have collaborated in this endeavour.

In Queensland and Western Australia, reviews of structure and council sustainability have begun. These seek to achieve better service delivery outcomes from economies of scale in pooling resources. As a result of a 2003 federal parliamentary inquiry into local government, a number of measures by the Commonwealth government will be implemented in response to the recommendations of the inquiry. Among these is a study by the Productivity Commission into local government own-source revenue, a Commonwealth Grants Commission study into the interstate distribution of road FAGs, and amending the Local Government (Financial Assistance) Act 1995 to ensure there is no



reduction in FAGs for councils which amalgamate for a period of four years after amalgamation. The intergovernmental agreement on local government will clarify the relationship between the three spheres of government in Australia.

The 703 local government areas are variously described as cities, municipalities, shires or districts. The Australian Classification of Local Governments, first published in 1994, is the principal system used to classify these areas. It is used in the Commonwealth's annual *Local Government National Report* to the federal parliament on the operation of the Local Government (Financial Assistance) Act 1995. The 22 categories are based on population size, growth and density, and location (metropolitan, regional, rural, remote). Some 20% of councils are regarded as urban although 75% of the Australian population live in urban areas.

The Northern Territory, Queensland and South Australia have made special provisions for councils serving small Aboriginal and Torres Strait Islander communities. These are all recognized as local governing bodies for the purposes of federal funding, and may participate in state or territory local government associations. Normally such community

councils do not levy rates based on land-rate systems, depending on Commonwealth and/ or state assistance grants and other sources of revenue support.

The average population for local government bodies in 2004-05 was just over 27,800. However 50% of councils have fewer than 7,120 residents. Populations range from small indigenous community councils in South Australia with 70 people, to 938,384 for Brisbane City Council. The Brisbane City government resulted from a successful movement in the 1920s to create a "greater city council" unifying a number of previously separate central-city and suburban councils. While a few other greater-city movements have been successful in larger provincial towns, such movements have failed in the other state capitals.

Table 1 gives the populations of the states and territories, and indicates the number of local government bodies in each. Table 2 provides a nation-wide view of the population ranges.

Table 1. Distribution of urban and rural and regional councils by jurisdiction.¹

State/ Territory	Population	Number of Councils		
		Total	Urban	Rural & Regional
Australian Capital Territory	326.700	0	0	0
New South Wales	6.803.000	157	43	114
Northern Territory	204.000	64	2	62
Queensland	4.001.000	157	32	125
South Australia	1.546.000	74	19	55
Tasmania	487.000	29	2	27
Victoria	5.052.000	80	33	47
Western Australia	2.028.700	142	29	113
Total	20.452.300	703	160	543

Source: DOTARS Local Government National Report 2004-05



Notes:

1. Includes all local government bodies that received financial assistance grant funding in 2004–05.
2. The first quartile is the population size at which 25 per cent of local governing bodies have smaller populations and 75 per cent have larger populations.
3. The median is the population size at which 50 per cent of local governing bodies have smaller populations and 50 per cent have larger populations.
4. The third quartile is the population size at which 75 per cent of local governing bodies have smaller populations and 25 per cent have larger populations.

During the past 30 years, local government amalgamation campaigns have been mounted in many states, the state governments wanting to focus resources in stronger councils operating over larger areas. While there was much resistance from local government themselves, there has been an overall reduction of over 200 in the number of councils during this time. In a few cases, community councils (or boards) emerged as subsidiary bodies operating in particular localities, with some minor functions to perform and supported

by the local governments.

In the ACT, where there are no local governments, some community councils and local planning committees have operated, virtually on a voluntary basis, to represent the interests of areas that might elsewhere aspire to local government status.

3.1 Council structures

There is a wide variety of local government structures in Australia, differing both between and within states. Councils have considerable discretion over committee systems and organizational structures, but are usually required to conduct nearly all formal business in open session. Only Queensland and Victoria have explicitly full-time, paid councilors, although in larger local government areas, many councilors work long hours. Part-time councilors receive expenses which are sometimes substantial (e.g. mayors of larger cities). In some states (New South Wales and Victoria) independent tribunals set allowances for mayors and councilors.

Table 2. Selected characteristics of the distribution of population of local governing bodies by state, 2004-2005

State	No. of Bodies	Population of Local Governing Bodies (no.)					
		Minimum	First Quartile	Median	Third Quartile	Maximum	Average Size
NSW	157	57	6,603	20,255	57,245	273,267	42,586
Vic	80	2100	15,569	28,097	102,993	210,913	61,462
Qld	157	57	1,022	3,514	12,326	938,384	24,169
WA	142	150	957	2,807	12,033	179,229	13,748
SA	74	73	2,416	8,304	19,822	152,945	20,641
Tas	29	875	5,742	11,155	20,674	63,339	16,452
NT	64	0	297	547	1,404	72,318	3,101
All States	703	0	1,548	7,119	28,244	938,384	27,813

Source: DOTARS Local Government National Report 2004-05



The system of election for local councils varies from state to state. Table 3 outlines the different practices. Presiding officers (lord mayor in the capitals, mayor, warden or president in other councils) may be elected directly or indirectly, and the methods for election of councilors generally include transferable voting, proportional representation and first past the post. As of September 2005, there were 130 women presiding officers, representing 18.7 % of all councils.

There has been on-going debate about the relationship between the presiding officer of the council and the chief executive (general manager or CEO), with the extent of administrative power wielded by the presiding officer varying among and sometimes even within the various local government jurisdictions. Typically, the recent changes to the Local Government Acts in most states attempted to differentiate responsibilities between these positions as policy making and policy

implementation, but in practice this delineation is often blurred.

Local government staff is recruited by the local authority itself, and central government staff is not deployed to local government. A typical staff structure has a general manager, a director of engineering services, a director of health services, a director of community services and a director of corporate services, who together form a management team. An authority may set up other directorates around its functions. One particular difficulty is recruiting and retaining sufficient skilled staff, especially public works engineers and planners where there is an acute shortage.

Councils are subject to extensive scrutiny of their operations by the state/territory government and the community. Typically, they are required to prepare and publish detailed corporate plans, quarterly reviews and annual reports. In some cases an

Table 3. Local government electoral systems in Australia

State	Electoral Cycle	Obligation	Voting System	Other Features
New South Wales	4 Years	Yes, for residents	Proportional representation or preferential	The electors choose whether the Mayor is directly or indirectly chosen
Northern Territory	4 Years	Yes	Preferential	Mayors directly elected
Queensland	4 Years	Yes	First past the post or preferential	Mayors directly elected
South Australia	4 Years	No	Proportional representation	Council chooses whether the Mayor is directly or indirectly elected
Tasmania	4 years, with half council elected every 2 years	No	Proportional representation modelled on Hare – Clark system	The Mayor and Deputy Mayor are elected directly
Victoria	4 Years	Yes, for residents	Proportional representation or Preferential	The council chooses the Mayor, (except in Melbourne, where they are directly elected)
Western Australia	4 years, with half council elected every 2 years	No	First past the post	Council chooses whether the Mayor is directly or indirectly elected

Source: DOTARS Local Government National Report 2004-05



updated corporate plan and draft budget must be put on public exhibition and submissions considered before either is adopted. Nearly all states now have systems of performance indicators or comparative (benchmarking) data for council services, which are published annually.

States and territories have their own ombudsmen and anti-corruption tribunals which can investigate council irregularities. As they are now subject to National Competition Policy and the federal Trade Practices Act, councils can also be investigated by the Australian Competition and Consumer Commission or the National Competition Council, and their equivalent state/territory bodies.⁶

An emerging management issue for local government is the transition to e-government. Local government services and resources available electronically vary significantly from council to council. To encourage this transition, the Commonwealth has developed an e-government strategy, *Better Services, Better Government*, promoted by the Australian Government Information Management Office (AGIMO) to move from placing government information and services online to more comprehensive and integrated application of new technologies to government information, service delivery and administration. AGIMO has involved representatives from the local government as well as the states and territories in discussions and working groups to promote e-government strategies at all levels.

3.2 Local government funding

The aggregate local authority annual revenue in 2004-05 was AUD\$20.29b (US\$14b). Its major sources are set out in figure 1 and are:

1. Tax (in the form of rates on property) 38%
2. Trading surpluses - 32%
3. Intergovernmental grants - 13%
4. Interest on investments - 3%
5. Other - 15%

Local authorities thus raise more than 85% of their own revenue, relying on grants for less than 13%. However, these proportions vary considerably from state to state and particularly between urban and smaller rural municipalities, depending on their capacity to raise revenue. In the Northern Territory, councils are not permitted to set deficit budgets. In all other states they may though the state minister can impose some limits, such as in Western Australia.

In 2004-05 the Commonwealth provided over AUD\$1.07bn in FAGs to councils to equalise their capacity to deliver services, but major inequalities persist. This amounts to about 5% of total local government revenue nationally, but as much as half the revenue of small rural and remote councils. A further AUD\$0.48b was allocated by the Commonwealth to councils specifically for local roads.

About 70% of these funds are divided between the states and the Northern Territory per capita, with the remainder on fixed shares. The state/territory grants commissions then distribute grants using horizontal equalization principles based on an agreed set of "disability" principles. The precise methodology varies from jurisdiction to jurisdiction, but must accord with agreed national principles under the Local Government (Financial Assistance) Act 1995.

Total local government expenditure in 2003-04 was Aus\$18.3bn (US\$13.8bn) (Figure 1). The main items were:



1. Transport and communications, mainly roads - 29%
2. Housing and community amenities - 23%
3. General Services including administration - 18%
4. Recreational and culture, mainly parks and open space - 13%
5. Education, health and welfare - 7%
6. Other - 10%

The deterioration of local government assets is occurring across Australia. The shortfall in annual spending by councils to maintain roads in a fit for purpose condition is estimated at AUD\$404m, nearly 10% of the estimated AUD\$4.3b spent on local roads, or around two per cent of the AUD\$20.29b in total local government annual spending.

Collective organizations of local government

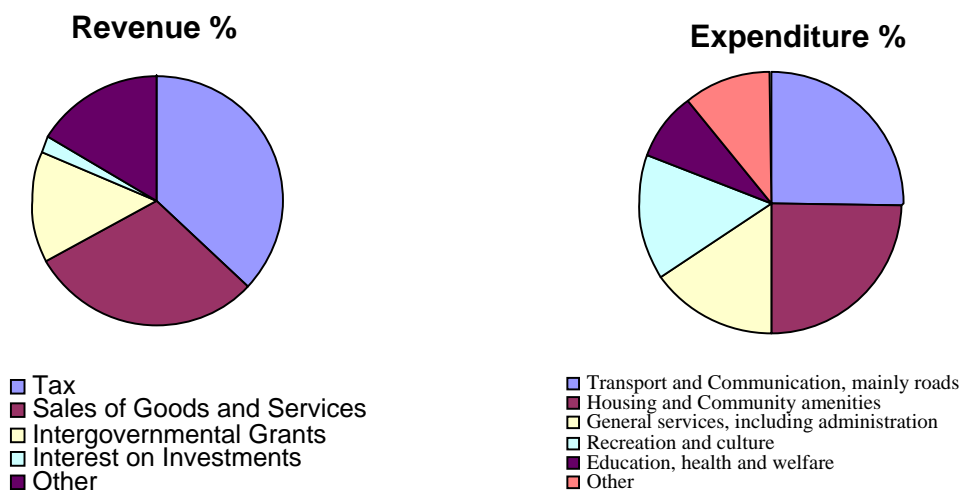
Each of the states and the Northern Territory has a local government association (in New South Wales two linked associations) representing the interests of all councils in intergovernmental forums and negotiations. The associations also act as employer bodies for councils in industrial relations, undertake training and capacity-building projects, and provide a number of other specialist services such as

insurance and investment. At the national level, state and territory associations have combined to form the Australian Local Government Association (ALGA), established in 1947.

While local government is generally single-tiered, some of the states Local Government Acts include provisions enabling neighbouring local governments to enter into joint ventures for the purposes of organizing and delivering services which would benefit from operating over larger areas. New South Wales has some regional councils that deal with environmental controls such as flood control, the eradication of noxious weeds, and water supply.

Although it is a fairly unusual arrangement, local governments acting together have sometimes formed companies to provide such shared services: an example is the company operating Williamtown airport near Newcastle in New South Wales, jointly owned by Newcastle City Council and Port Stephens Shire Council. As noted above, some such services are provided rather by statutory bodies created by the central governments: the inability of local governments acting alone to achieve economies of scale has led to some such "solutions".

Figure 1. The financial structure of local government in Australia





There are some special purpose groupings, for example, the Council of Capital City Lord Mayors represents the seven councils covering the Central Business Districts – and in some cases wider suburban areas – of the state and Northern Territory capitals. A number of councils outside the major urban centres on the coastline and in certain regional centres are experiencing rapid population growth as people settle or retire to these areas for lifestyle benefits. The affected councils have formed the National Seachange Taskforce to develop policies to deal with rapidly growing and ageing populations and to lobby governments for assistance.

In addition, many local governments have voluntarily agreed to co-operate in the delivery of some of their services or have taken a regional approach to planning or purchasing to realise economies of scale from pooling. Currently, there are 62 formal regional organizations across Australia, usually termed VROCs (voluntary regional organizations of councils). The VROCs emerged originally from initiatives of the Commonwealth under the Whitlam Labor government in the early 1970s: that government required local governments to join in regional groupings to access Commonwealth funds, and many were then established. Though this particular Commonwealth discipline no longer applies and has been replaced by subsequent iterations of regional collaborations, some of the Whitlam-era creations have survived, a notable example being the Western Sydney Regional Organization of Councils (WSROC), and they provide a loose model for more recent collaborative activity in some regions.

4. Intergovernmental Relations

The Australian federation was forged initially by the six states and relations were enshrined in the Commonwealth

Constitution in 1901. The Commonwealth was assigned very limited powers with the states retaining residual powers.

The steady accumulation of Commonwealth power over the states continued through the twentieth century with the Commonwealth assuming control of areas not assigned in the Constitution (air services and airports for example). By the end of the twentieth century, the dominance of the Commonwealth government over the states was secured with the Commonwealth gradually encroaching into many areas such as health, education and policing which had been assigned to the states in 1901.

Vertical fiscal imbalance has been a key feature of Commonwealth-state interaction and underpins intergovernmental relations in Australia. The primary forums for these formal intergovernmental relations in Australia are the Premiers Conference and the Council of Australian Governments (COAG). Each includes the Prime Minister, state Premiers, and territory Chief Ministers, and COAG includes the president of ALGA. In the early 1990s Labor federal governments used COAG as a driving force for reform agendas such as National Competition Policy and reviews of the respective roles of different spheres of government. Through its membership of COAG, local government played a modest but significant role in some of those national agendas. ALGA also represents local government on a wide range of other ministerial councils, intergovernmental committees and specialist advisory bodies. It thus participates in ministerial councils for transport, information technology, regional development, culture and indigenous affairs.

In some cases ALGA has observer status only, although usually with the right to contribute to debate and, importantly, to be fully involved at senior officials'



meetings. In a few instances, notably planning and environment, local government has been arbitrarily excluded. This tends to reflect an attitude amongst state and territory ministers that they control local government and see no need for its involvement at national level. At state or territory level, direct discussions occur between local government associations, ministers and senior officials on all matters of mutual concern. There are numerous liaison committees to handle these processes. In several states there have been agreements signed from time to time, between Premiers or ministers and local government associations, to provide a basis for cooperative efforts either generally or in specific areas of activity. Tasmania recently experimented with formal "partnership agreements" between the state government and individual councils or groups of councils to promote improved planning and service delivery in key areas.

There is a Local Government Ministers Conference (LGMC), which meets at least once a year, comprising the ministers responsible for local government in each of the states and territories, the federal minister, and the president of ALGA. It also involves the relevant New Zealand Minister, as do several other ministerial councils. In 2002 the LGMC and the Planning Ministers Conference merged to form the Local Government and Planning Ministers Council, thus involving ALGA in the planning sector.

5. Summary

Local government in Australia is extremely diverse, as it is the responsibility of each state or territory. Electoral systems and the organization of authorities vary considerably across the country. The state or territory minister for local government is responsible for administering the Local

Government Act in each state or territory and has the power to intervene. A nationwide trend has been the effort to improve service delivery through the use of performance indicators and comparative data.

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Notes

¹ Australian Bureau of Statistics 2006

² Geoscience Australia

³ The Department of Transport and Regional Services incorporates the local government ministry. All statistical information in this document drawn from the DOTARS 2004-5 Local Government National Report

⁴ References to territories hereafter relate only to the self-governing territories. Christmas Island and the Cocos Islands in the Indian Ocean, Commonwealth territories often referred to together as the Indian Ocean Territories, are not self-governing, but they have been granted shire council status within the Western Australian local government system.

⁵ Horizontal equalisation is formally defined as being achieved when each council is able to provide the average range, level and quality of services by reasonable effort, taking account of differences in the expenditure needed to provide average services and in their capacity to raise revenue.

⁶ Such investigations are designed to ensure that publicly-owned agencies in competition with private sector counterparts receive no advantages by virtue of their public ownership.