

# Councils, productivity & the economy

*(Why local government  
deserves a better funding  
deal)*



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# Local government is a wealth builder

## HOW LOCAL GOVERNMENT SUPPORTS PRODUCTIVITY

### PROVIDING TRANSPORT INFRASTRUCTURE

Arterial and access roads  
Cycleways and paths  
Green space networks  
Clean streets

### MITIGATING EXTERNALITIES IN URBAN DEVELOPMENT

Development approvals  
Building controls  
Separation of incompatible uses

### PLACE MAKING & VISITOR ECONOMY

Tourism infrastructure  
Culture and arts  
Place quality / attractions  
Safe streets  
Sport and recreation infrastructure & services

### ENABLING THE PROVISION OF LAND FOR HOUSING

Strategic planning for housing development  
Infrastructure co-ordination to support housing development

### BETTER LOCAL LABOUR MARKETS

Provision / facilitation of child care services  
Facilitating access to training  
Supporting social enterprises as skill accumulators  
Support / provide key worker housing

### CLIMATE MITIGATION & ADAPTATION

Mapping and management of climate change hazards  
Emergency management and recovery  
Regulated retreat  
Renewable energy networks  
Construction of mitigation works

### ENABLING THE PROVISION OF LAND FOR BUSINESS

Strategic planning for employment areas  
Infrastructure co-ordination to support employment lands

### BUSINESS CLUSTERS & INNOVATION

Promotion of local business districts  
Business incubators  
Business angels

### CIRCULAR ECONOMY

Resource recovery and re-use  
Management of landfill

SERVICE PROVIDER

INFRASTRUCTURE

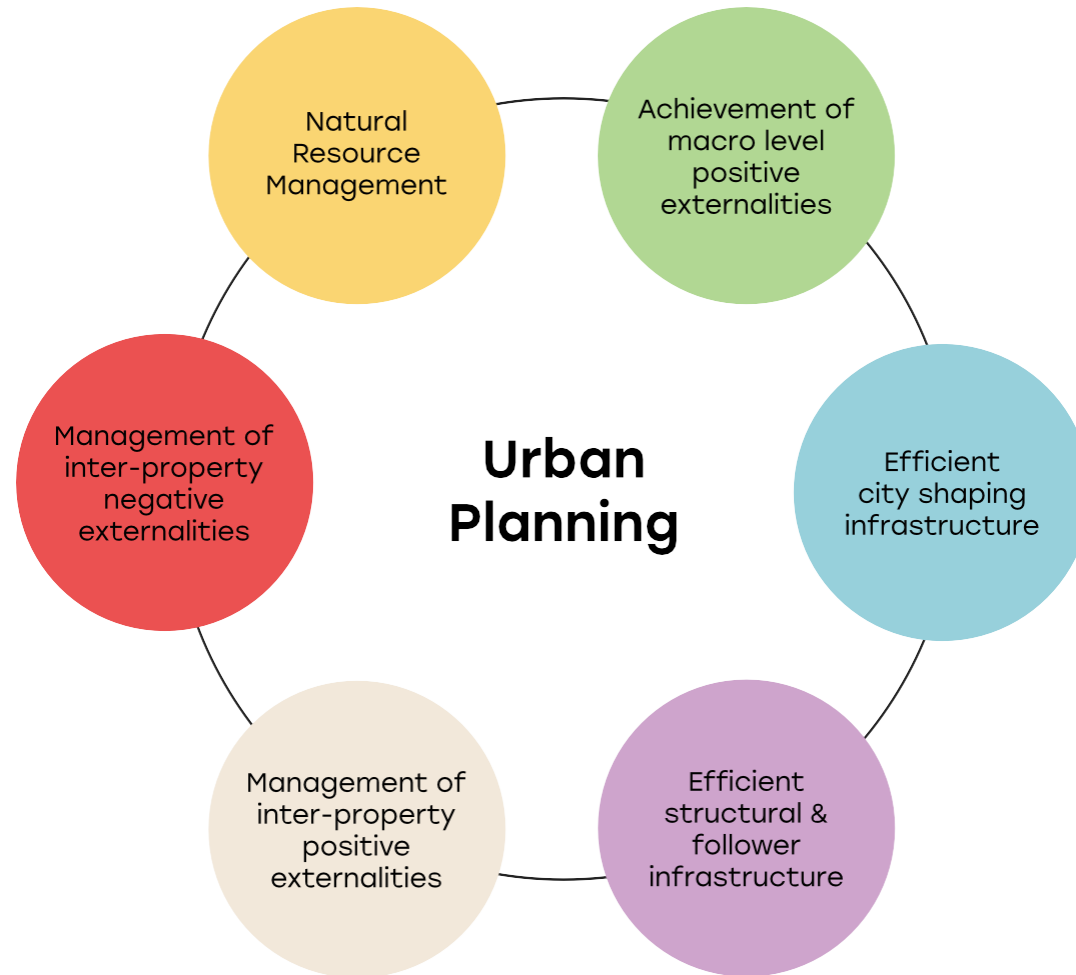
PLANNER/REGULATOR

# Local government is a key infrastructure provider

Local government-controlled roads account for 77 per cent of total road length in Australia

36 per cent of total kilometres travelled in Australia are on local roads

# Productivity benefits from land use planning



# Local government – an indispensable partner in productivity

## What local government does to improve productivity

- Providing urban infrastructure
- Providing land for housing
- Providing land for business
- Mitigating externalities in urban development
- Better local labour markets
- Business clusters and innovation
- Place making and visitor economy
- Climate mitigation and adaptation
- Circular economy

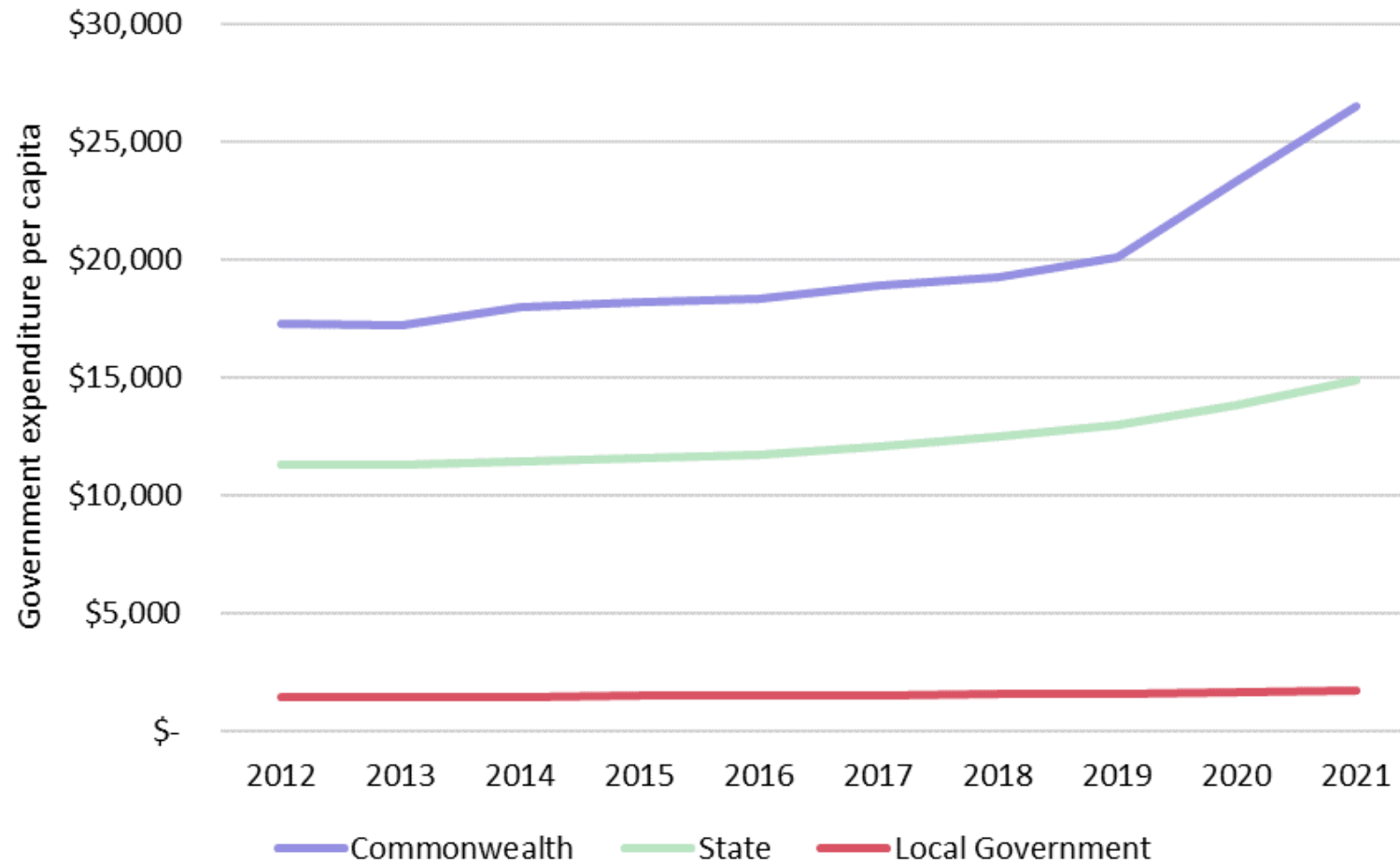
## What the Productivity Commission says we need

- Dynamic firms and flexible markets
- A fit for future labour force
- Leveraging of new technologies

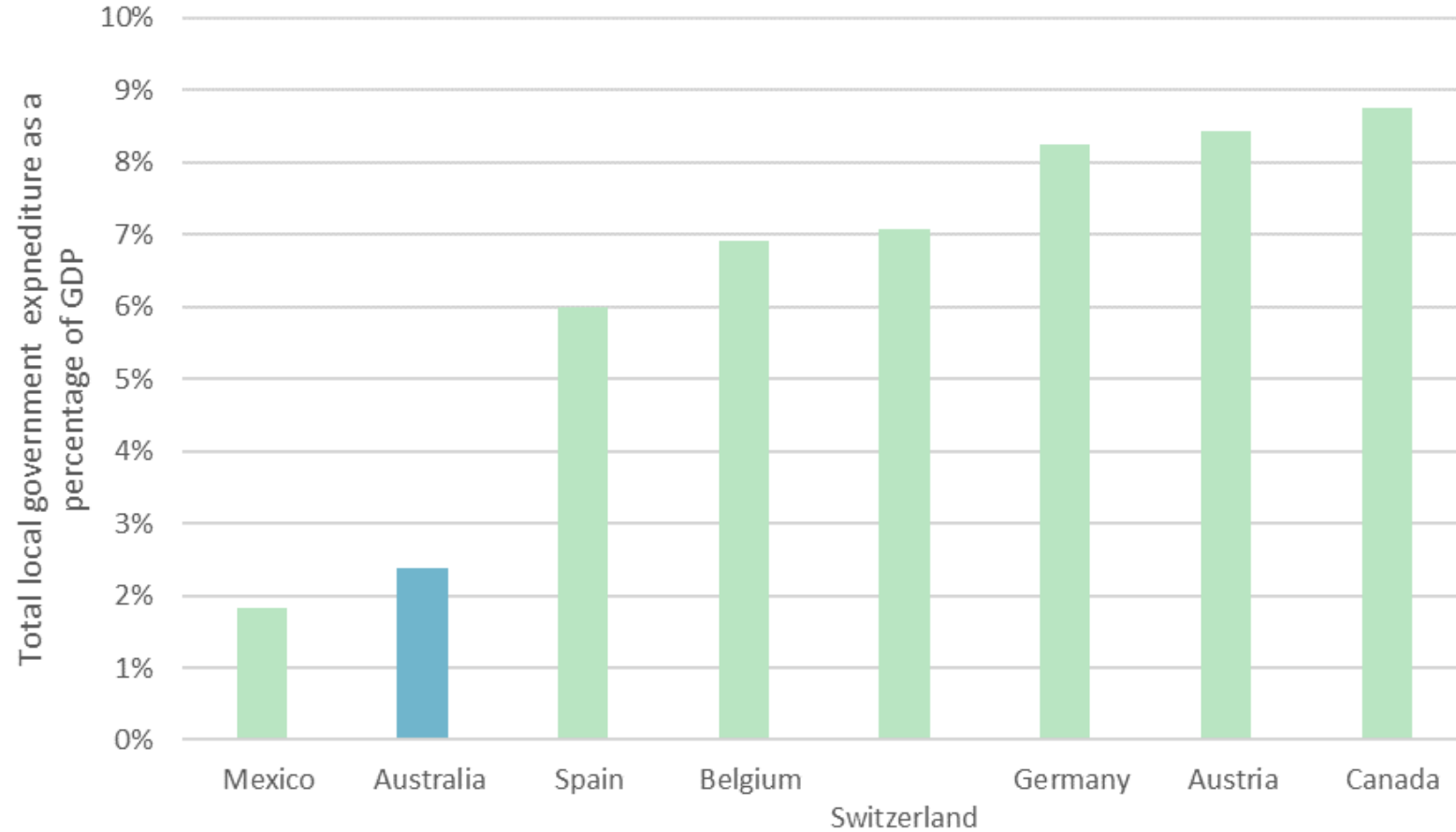
	<b>Dynamic firms and flexible markets</b>	<b>A fit for future labour force</b>	<b>Leveraging of new technologies</b>
Providing urban infrastructure	✓	✓	✓
Providing land for housing	✓	✓	
Providing land for business	✓		
Mitigating externalities in urban development	✓		
Better local labour markets	✓	✓	
Business clusters and innovation	✓	✓	✓
Place making and visitor economy	✓		
Climate mitigation and adaption	✓		✓
Circular economy	✓		✓



# Local government is efficient

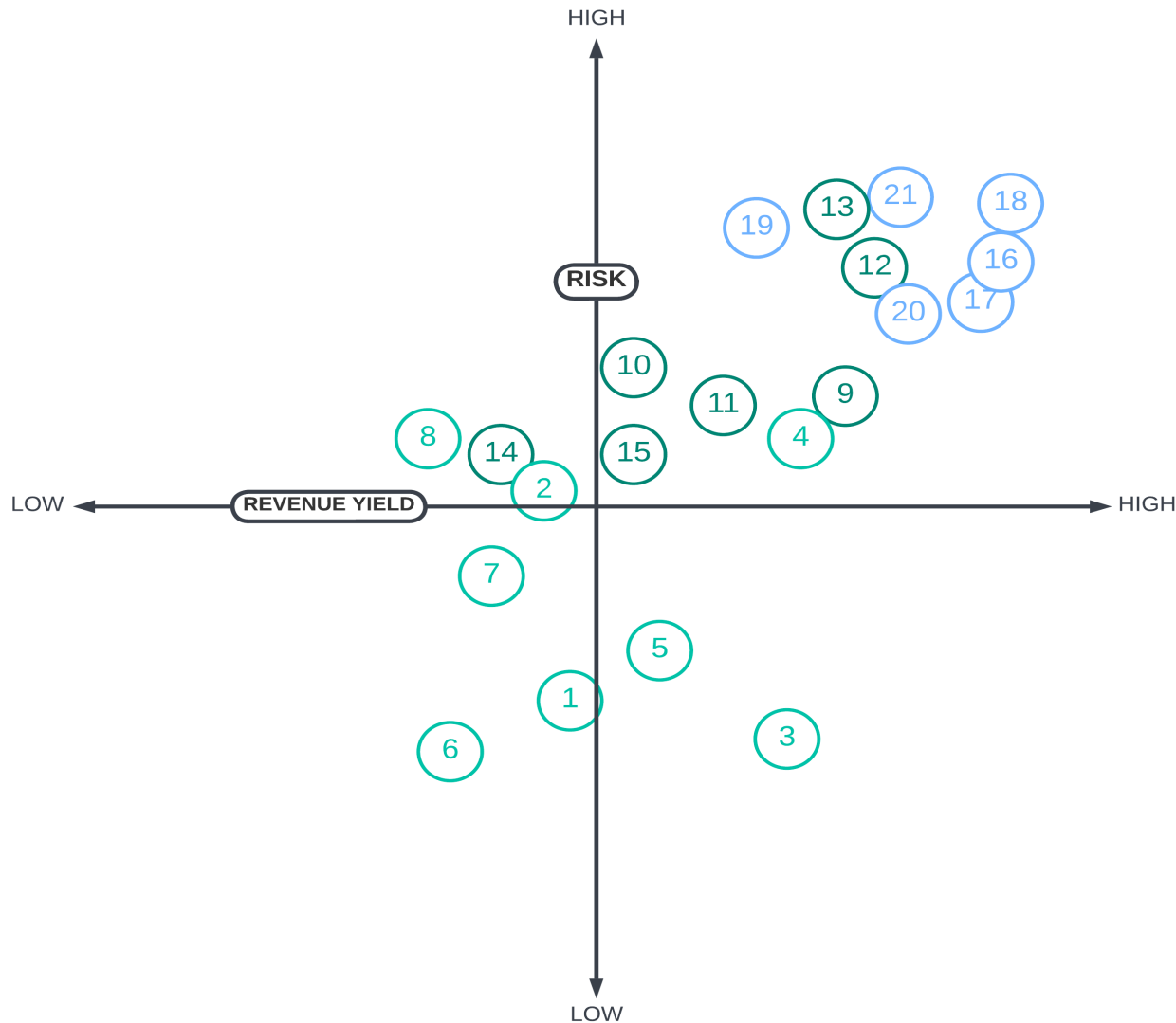


# Local government is efficient





# Local government is innovative... but that won't pay the bills



## First Horizon:

1. Bulk buying and on-selling of services
2. Commercialise councils existing asset base
3. Open space contribution charges
4. Municipal-wide DCPs
5. Benchmarking of user fees
6. Full cost recovery through service charges
7. Updating data to maximise roads grants
8. Upgrade existing council owned campgrounds and caravan parks

## Second Horizon:

9. Sell established services to neighbouring local governments or state government
10. Generating income from waste
11. Upgrading to fibre optic cable when completing pipeline renewal projects
12. Subdivision of council owned land
13. Rezoning of council owned land
14. Rationalisation of councils asset base
15. Special rates to fund small scale infrastructure projects

## Third Horizon:

16. Repealing statutory exemptions from rating for specific land uses
17. Payment in lieu of rates reform
18. Parking fines reform
19. Use underutilised land for solar and wind projects
20. Tourism and accommodation charges
21. Minimum general purpose grant reform

# Local government is trusted compared to state and federal government

Q: HOW MUCH DO YOU PERSONALLY TRUST EACH OF THE FOLLOWING?

	GENERATION Z 1995 - PRESENT	MILLENNIALS 1980 - 1994	GENERATION X 1965 - 1979	BABY BOOMERS 1946 - 1964	BUILDERS 1925 - 1945
STATE/TERRITORY GOVERNMENT	38.5%	40.0%	26.7%	35.7%	44.1%
FEDERAL GOVERNMENT	39.5%	31.5%	21.5%	30.8%	39.2%
POLITICAL PARTIES	26.9%	15.6%	12.2%	16.7%	15.7%
LOCAL GOVERNMENT	66.5%	47.1%	33.6%	47.5%	54.9%
GOVERNMENT MINISTERS	27.5%	24.5%	15.7%	24.3%	31.1%
MPS IN GENERAL	26.9%	23.2%	16.1%	20.2%	22.3%
LOCAL COUNCILLORS	33.8%	31.7%	24.7%	27.2%	33.3%
PUBLIC SERVANTS	45.4%	40.4%	34.4%	39.4%	35.9%
YOUR LOCAL MP	29.2%	30.5%	27.5%	31.2%	39.8%



***“GDP measures everything ...except that which makes life worthwhile..” Bobby Kennedy 1968***

“Gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything, in short, except that which makes life worthwhile”.

# The wellbeing economy



## Access and connectivity

Getting around to places we value and accessing the services we need



## Economy

We share in our city's economy



## Education and life-long learning

Gaining the skills and education needed at all stages of life



## Environment and climate

The environment sustains all life now and into the future



## Governance and institutions

Having a say, being heard, and working together for better outcomes



## Health

Being healthy and finding the right care



## Housing and home

Having a place to call home



## Identity and belonging

Being able to express identity, feel a sense of belonging, and participate fully in society



## Living standards

Having the financial resources to live life well



## Safety

Feeling safe and being safe



## Social connection

Being connected with family, friends and community



## Time

Having time to live life well

# And yet, local government is kept on a tight leash

- 1 in 10 of all local government assets across the nation need significant attention, and 3 in every 100 assets need to be replaced.
- Replacing poor quality infrastructure will cost \$51 billion
- 59% of Councils report prohibitive cost as a key barrier to take up of digital technology business models.



# State government policy misdirected

State Governments focus on amalgamation and joint services

This overlooks the Community Wealth Building role of local government

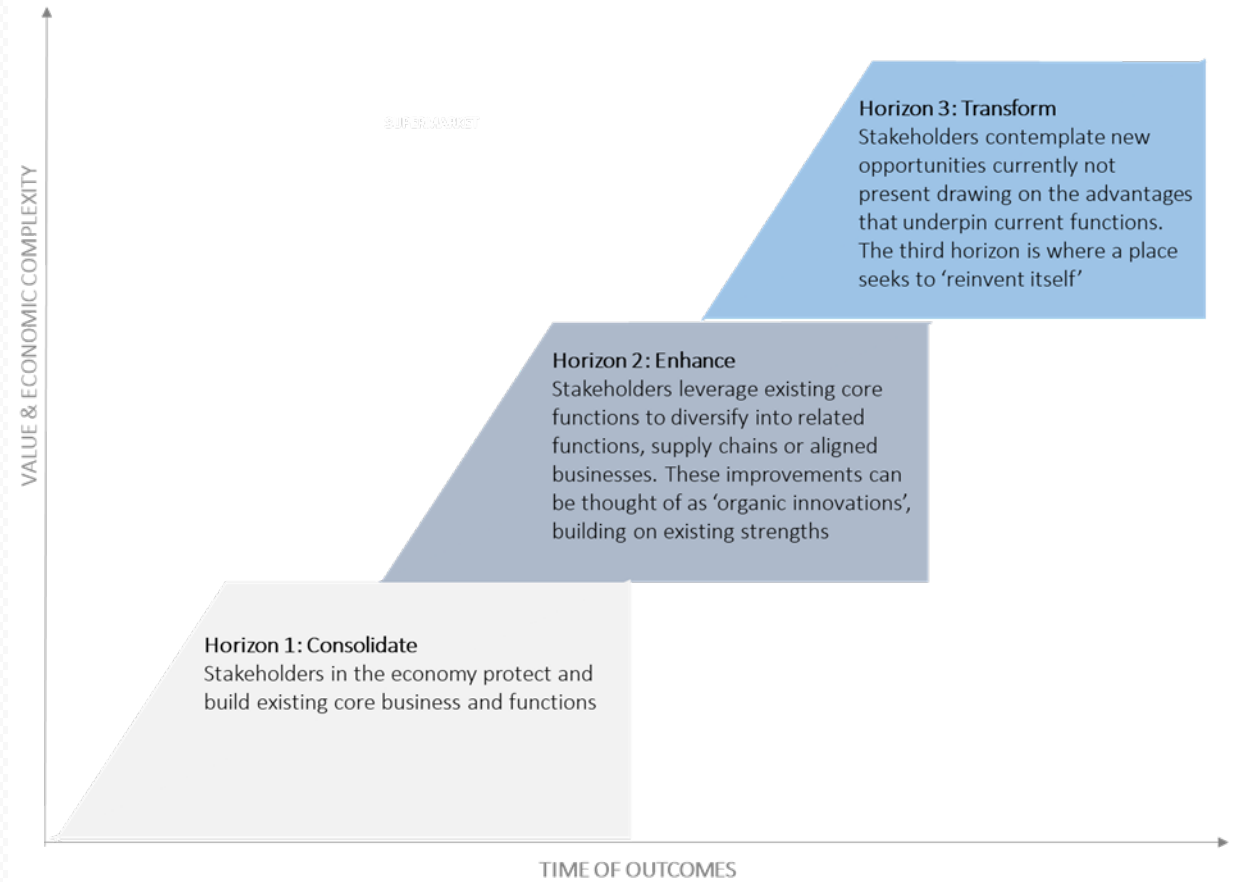


Image TNI [https://longreads.tni.org/wp-content/uploads/2019/08/Visual\\_public\\_institutions\\_building\\_community\\_wealth.jpg](https://longreads.tni.org/wp-content/uploads/2019/08/Visual_public_institutions_building_community_wealth.jpg)

# What to do? A 3 horizons agenda

The Three Horizons framework assists in balancing tensions between the 'visionary' and 'pragmatic' in the development of strategies:

- The **first horizon**: leveraging existing competencies and can be implemented relatively readily.
- The **second horizon** will look for ways to innovate, but within the scope of existing competencies.
- The **third horizon** contemplates aspirational ideas.





# Pragmatic 'first horizon' moves

- Rate capping reform
- Land tax ?
- Windfall Gains Tax (Vic)?
- Parking fines?

# 'Second horizon' – fixing FA Grants

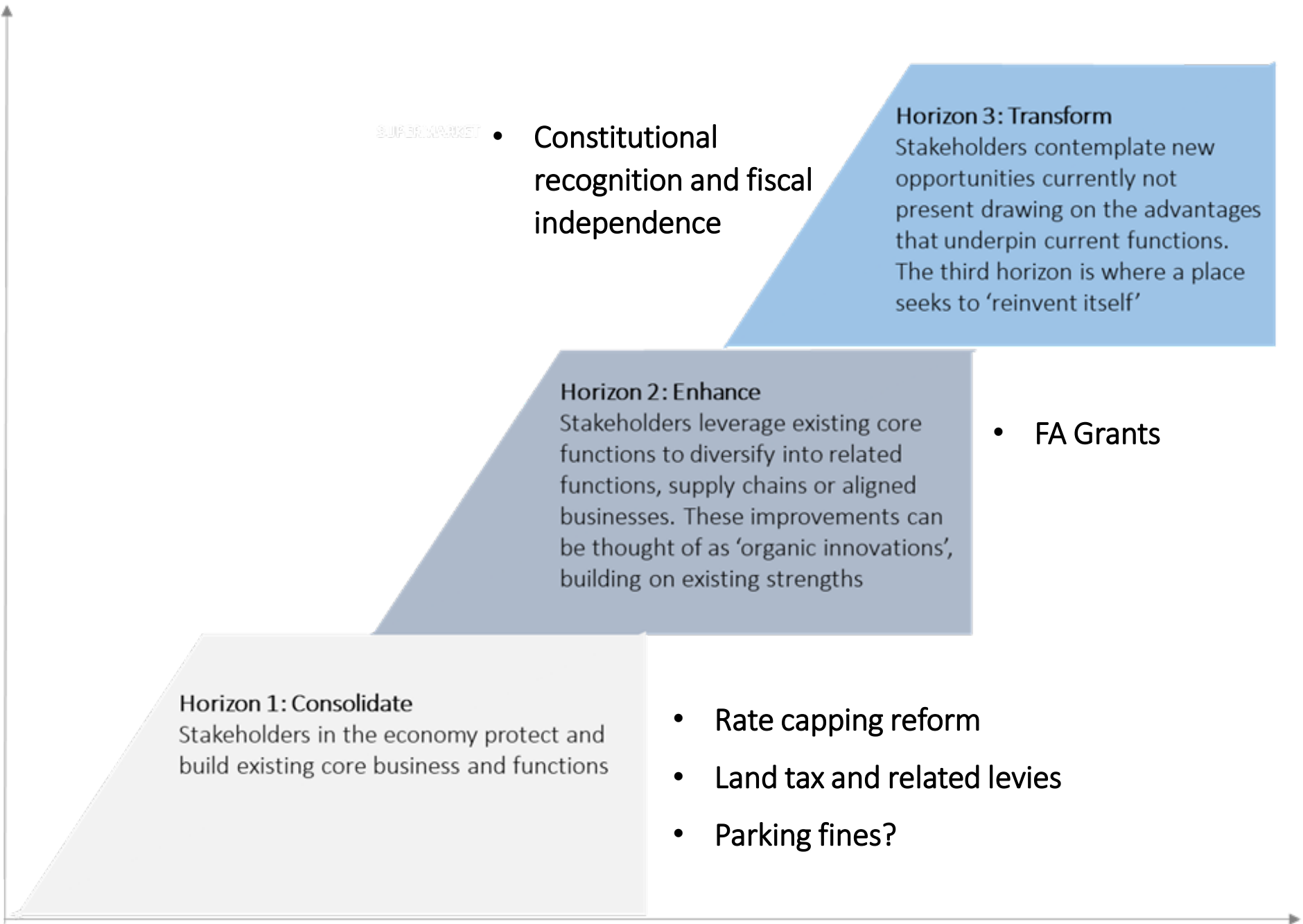
- FA Grants have declined from 1.2% of Commonwealth revenue in 1993-94, to 0.53% in 2021/22
- Indexation of FA Grants to CPI does not reflect movements in input costs for services provided by Councils (construction, material and wage costs)
- Indexation of FA Grants frozen between 2014 to 2016
- While base-load financial assistance to Councils shrinks, State and Commonwealth Government make greater use of targeted grant programs
  - Reactive, opportunistic and give too much discretion to Ministers
  - Create transaction costs for local governments
  - Distort local government priorities

# Third horizon - constitutional recognition

- Fiscal independence?



VALUE & ECONOMIC COMPLEXITY



**SUPERMARKET**

Thank you. Questions?

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