

Local government & productivity

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Two perspectives on productivity and local government

1 The productivity of local government as a service provider

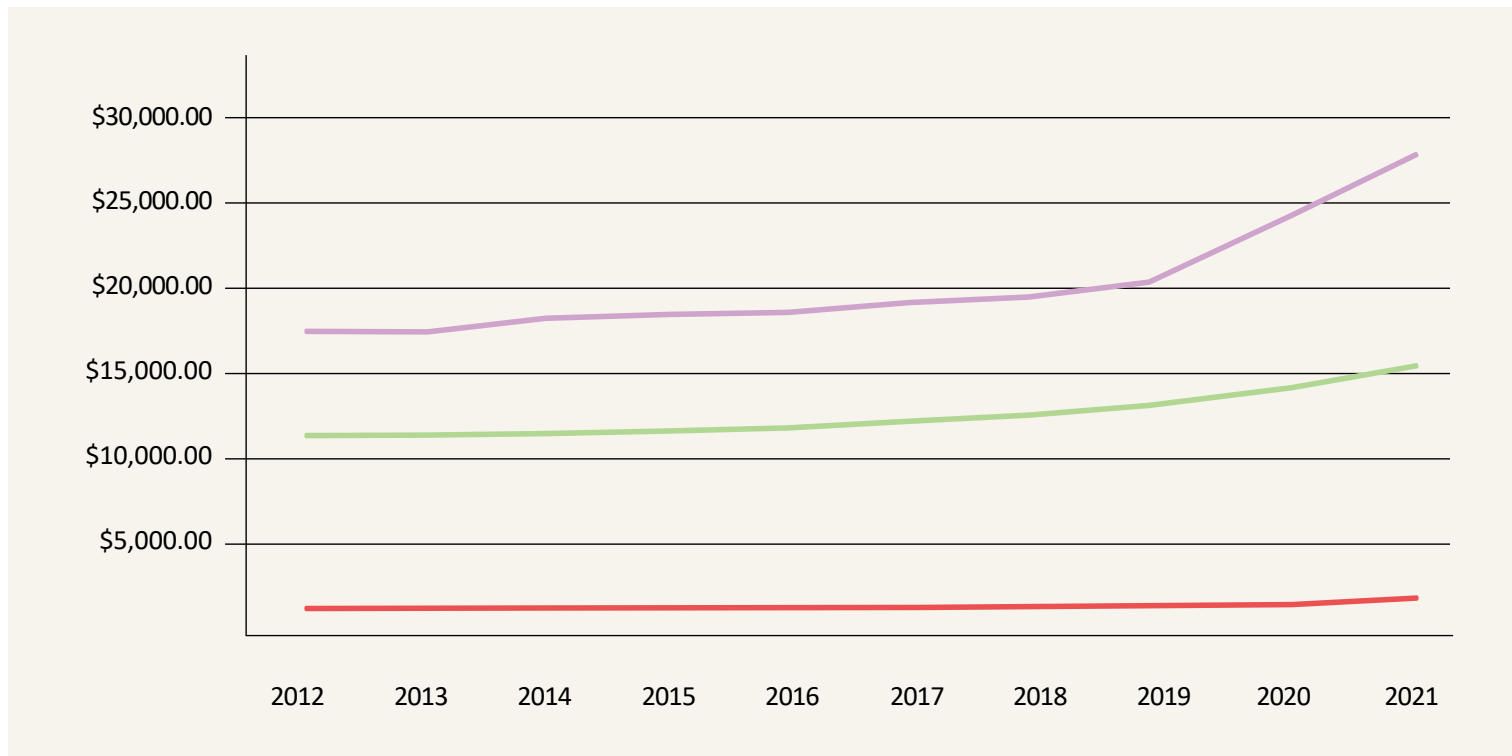
Including impediments such as financial insecurity, difficulties in securing skilled workers and challenges in digital transformations

2 The role of local government in the productivity of the wider economy

Including regulation, service delivery, infrastructure provision and climate change adaptation/ mitigation

Local government - doing more with less

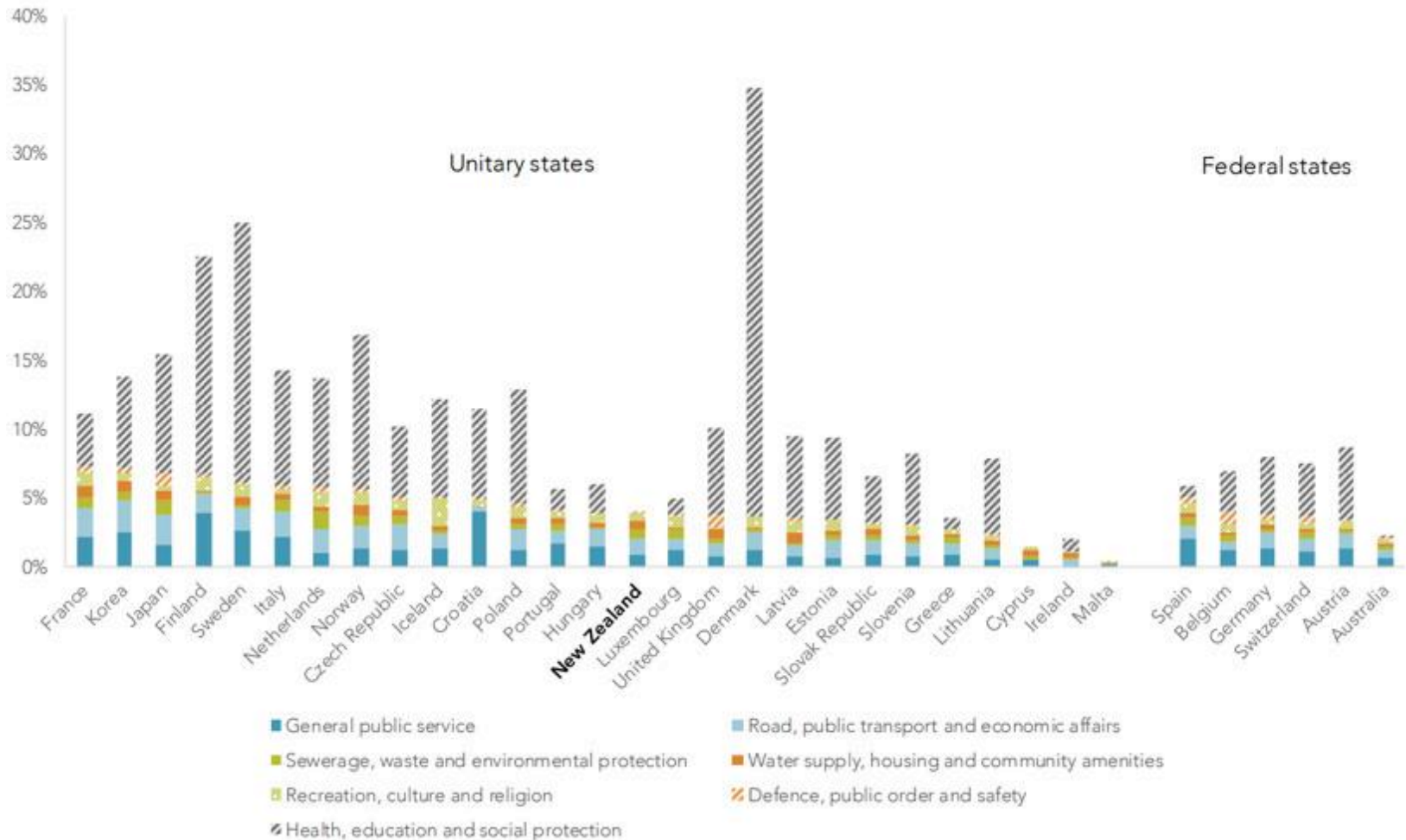
Government expenditure per capita in Australia by government sector (2012-2021)



- Commonwealth
- State
- Local

Investment in Australian local government is small by international standards

Local government expenditure by function as a percentage of GDP



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%

Local government is held back by poor State & Commonwealth policy settings



Cost shifting



Inadequate fiscal equalization



Rate capping

Councils struggle financially as a result



Difficulty in maintaining assets



Challenges in attracting and retaining skilled staff



Patchy take up of digital and data technologies

Amalgamation is the State's typical response

- Little evidence that amalgamation works
- The multi-portfolio nature of local government business puts limits on economies of scale
- Larger councils struggle to provide effective representation on local issues

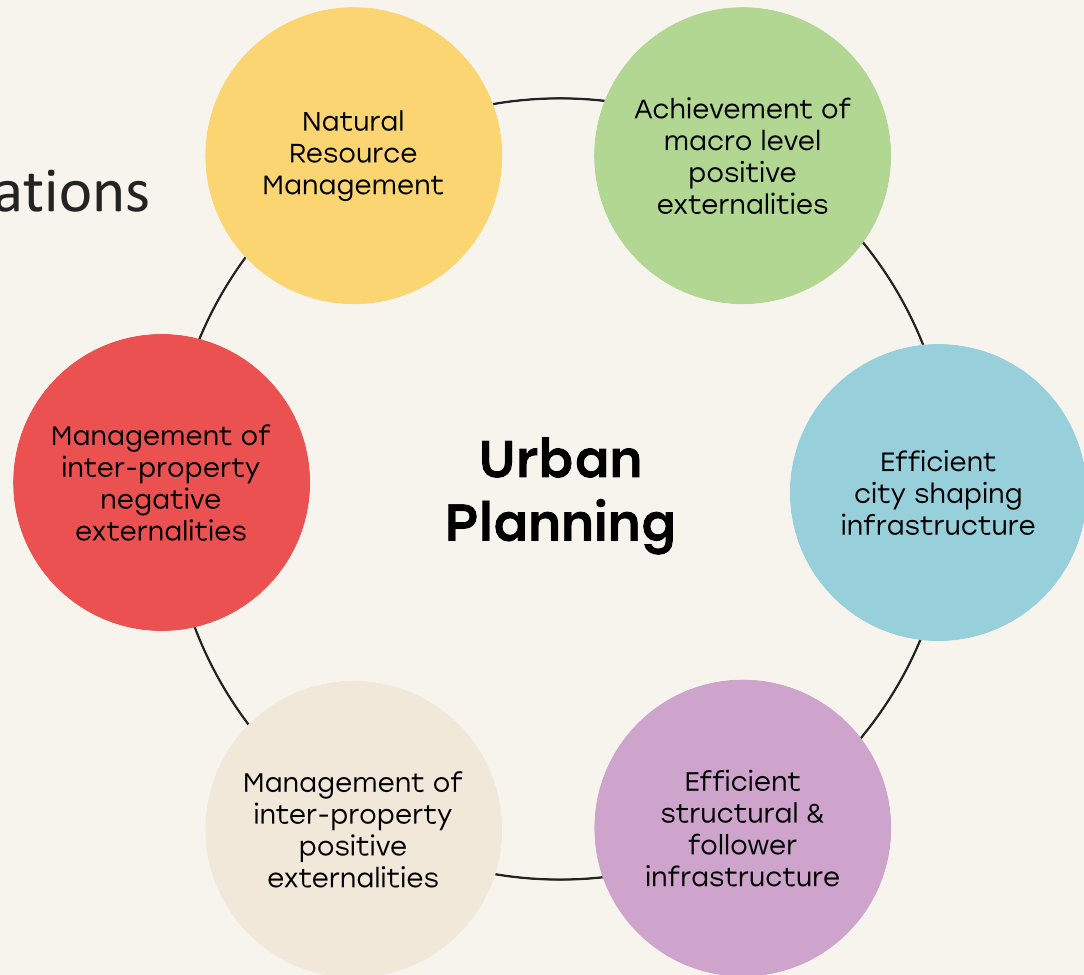
Building productivity in the wider economy - addressing market failure

- Natural monopoly – e.g. local roads
- Public goods – e.g. parkland and public realm
- Externalities - planning and building regulations



Building productivity in the wider economy

Productivity benefits from planning and building regulations



Building productivity in the wider economy

- Local government is regularly called upon to be provider of last resort, often due to absence of coordinated policy at the State/Federal levels
- Examples include:
 - climate change adaptation
 - affordable housing
 - health / child-care services

Myth busting

- Local government and Australia's housing woes



Recap

Local government is arguably the most productive sector in Australia's three tier system of governance

Local government could do even better if:

- The shackles placed on it by the States were loosened (rate capping)
- Reasonable vertical & horizontal fiscal equalization were put in place
- Cost shifting was abandoned

Local government plays an indispensable role in the productivity of the wider economy in both its infrastructure and regulatory functions and as a provider of last resort in many communities

Empowerment of local government in keeping with the subsidiarity principle is required, rather than ham-fisted top-down responses like rate capping and forced amalgamations